
Financial Performance Report 2016-17 - Quarter Three

Committee considering report:	Executive on 16 February 2017
Portfolio Member:	Councillor Anthony Chadley
Date Portfolio Member agreed report:	25 January 2017
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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 £765k against a net revenue budget of £116.8million. The forecast over spend has increased by £67k compared to the forecast position at Quarter Two. The forecast will 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 in the year is currently £38.4million against a revised budget of £46million with £9.2million expected 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 Three, the forecast revenue position is an over spend of £765k against a net budget of £116.8m. This is an increased over spend position of £67k from the Quarter Two forecast over spend.
- 5.2 The Communities Directorate is forecasting an over spend of £1.025million, against a net revenue budget of £66million, which is an increase of £391k since Quarter Two. Adult Social Care is forecasting an over spend of £793k against a net revenue budget of £37.3million, an increase of £342k compared to the forecast at Quarter Two. The over spend is the result of increased complexity of client needs and upward cost pressures in commissioning services for nursing and residential care, together with savings plans for 2016-17 from the Transforming Lives Programme taking longer to deliver than originally anticipated. Overall client numbers have not increased significantly which is in part attributable to the success of our preventative and demand management strategies. However, this is not enough to offset the complexity and cost pressures. The Education Service is forecasting a £234k over spend against a net revenue budget of £9.3million, which is an increase of £51k from Quarter Two. The over spend has been generated from pressure on Home to School Transport budgets (£176k) and the Disabled Children's placement budget (£122k) and the service has been unable to realise the full extent of the 2016-17 savings in year. Small levels of in year savings have been generated against supplies and services and through holding posts vacant where possible, to partially offset the pressures identified. Children & Family Services have generated a £28k forecast over spend against a £15.2million net budget as a result of joint arrangement pressures. Care Commissioning, Housing & Safeguarding has generated a £30k forecast under spend against a £3.9million net budget. The Prevention and Developing Community Resilience Service is forecasting an on line position which is consistent with Quarter Two.
- 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 Three forecasts are before any potential use of one off funding from these reserves.
- 5.4 The Environment Directorate is forecasting an under spend of £230k against a net budget of £31million. The directorate position has improved by £100k compared to Quarter Two. The Highways and Transport Service is forecasting an under spend of £169k which is due to increased parking income. The Planning and Countryside Service is forecasting £232k 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 £171k 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 £20k against a net revenue budget of £12.4million. The directorate position has improved by £124k compared to Quarter Two. Legal Services is forecasting an over spend of £249k against a net revenue budget of £952k. 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 forecast under spends against Strategic Support of £101k, Customer Services £91k 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 Three forecast is before any potential use of one off funding from this risk reserve.
- 5.7 Income on interest on investments is currently forecast to be £50k below target because of the low level of interest rates currently available in the market and a lower cash fund balance in the current year because of use of balances in 2015/16. Offsetting this is a £100k positive variance forecast to be generated from the claw back of accruals made in 2015-16 over and above what was required.
- 5.8 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.
- 5.9 Forecast capital spend in the year is currently £38.4million against a revised budget of £46million with £9.2million expected to be re-profiled into 2017-18, £6m of which is as a result of delays to schemes at Theale Primary School and Highwood Copse. 68.6% of the 2016-17 capital programme is committed as at the end of Quarter Three. The amount committed by each directorate at the end of Quarter Three is as follows:
- (1) Communities – 48.6%
 - (2) Environment – 85.3%
 - (3) Resources – 88.7%
- 5.10 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.
- 5.11 The forecast over spend on DSG grant income is partly (£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. The remaining £303k variance on grant income is due to the January 2016 early years PVI census returning a lower number than that estimated in the budget. The final DSG grant position for the financial year won't be known until after the January 2017 census, when the early years block DSG can be forecast based on the census count.

6. Conclusion

- 6.1 The Council is faced with delivering a savings programme of £13.9m in 2016-17 as well as addressing in year pressures as they arise which are currently forecast to be £765k against a net revenue budget of £116.8 million. Transitional funding is being used to help with the savings plans but some will not be fully implemented until 2017-18, which is putting pressure on the 2016-17 budget. The Council is taking steps to maintain financial discipline, to ensure that the agreed savings programme

is monitored and to find additional savings to offset the revenue over spend currently forecast. The Council has an excellent track record of managing the savings programme and minimising budget over spends, but if the forecast over spend of £765k remains at year end, it will impact on our reserves.

7. Appendices

Appendix A (1) – Supporting Information

Appendix A (2) – Summary Revenue Forecast Quarter Three 2016-17

Appendix A (3) – Summary Capital Forecast Quarter Three 2016-17

Appendix B – Equalities Impact Assessment