

Title of Report:	Financial Performance Report (Quarter 3) of 2010/11
Report to be considered by:	Executive
Date of Meeting:	17 February 2011
Forward Plan Ref:	EX2048

Purpose of Report: To inform Members of the latest financial performance of the Council.

Recommended Action: To note the report.

Reason for decision to be taken: To ensure that Members are fully aware of the latest financial position for the Council.

Other options considered: None

Key background documentation: Papers held in Accountancy

The proposals will also help achieve the following Council Plan Theme(s):
 CPT13 - Value for Money

Portfolio Member Details	
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Date Portfolio Member agreed report:	27 January 2011

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Implications

Policy: n/a

Financial: The financial implications of the report have been detailed throughout the summary report and directorate appendices.

Personnel: n/a

Legal/Procurement: n/a

Property: n/a

Risk Management: n/a

Equalities Impact Assessment: n/a

Is this item subject to call-in?	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>
If not subject to call-in please put a cross in the appropriate box:		
The item is due to be referred to Council for final approval		<input type="checkbox"/>
Delays in implementation could have serious financial implications for the Council		<input type="checkbox"/>
Delays in implementation could compromise the Council's position		<input type="checkbox"/>
Considered or reviewed by Overview and Scrutiny Commission or associated Task Groups within preceding six months		<input type="checkbox"/>
Item is Urgent Key Decision		<input type="checkbox"/>

Executive Summary

1. Introduction

- 1.1 This is the third report as part of the financial reporting cycle for the 2010-11 financial year.
- 1.2 The predicted revenue under spend for the 2010-11 financial year is £393k. This is a decrease on the previous quarter's forecast position of £1,795k. The primary reason for this significant reduction in anticipated expenditure is due to capitalising some of the costs of highways maintenance due to a change in accounting standards as a result of the Council implementing International Financial Reporting Standards (IFRS) for the 2010-11 financial year. This adjustment has enabled broadly a break even position for 2010-11.
- 1.3 The main directorate showing a large month on month change is the Community Services directorate. Its forecast overspend has reduced from quarter 2 by £235k. This is primarily due additional funding for West Berkshire Council of £326k from the Department of Health to assist with the winter financial pressures on the social care and health system. This has been the primary contributor to the corporate underspend position now being forecast.
- 1.4 The service area that is forecasting the largest overspend continues to be Adult Social Care. The current forecast for the Adult Social Care service year end position is an overspend overall of £1,762k; this is a decrease of £235k on the quarter's forecast. There are a number of drivers behind the projected overspend including the ongoing impact of negotiations with the PCT, managing demand for the service, the removal of the Independent Living Fund and more 'capital depleters' (those individuals who used to be able to fund their care privately but do not have the capital to now).
- 1.5 The other Council services, and respective directorates, are all forecasting close to, or slightly below, a breakeven position for the end of the financial year.
- 1.6 The Council reports forecast net expenditure against the revised budget for the whole Council following the impact of the emergency budget and subsequent reduction to (Area Based Grant). The Council's original 2010-11 budget was £119.23m. Following the Coalition Government's emergency budget announced in June 2010, there was a reduction to the budget of £1.054m. The Council's net budget therefore stands at £118.2m.
- 1.7 The capital programme is forecasting that 20% of the programme remains to be committed for the current financial year as at 31.12.2010.

2. Proposals

- 2.1 For Executive to note this report. There are a number of management actions that have occurred in directorates to reduce the projected overspend at quarter 2 to the forecast level reported. These are detailed further in appendices 2a to 2e, but include a number of different savings.

3. Conclusion

- 3.1 That Executive notes the corporate position and considers the actions in place to reduce the overspend during the financial year.

Executive Report

1. Introduction

- 1.1 The financial performance report summarises the key financial activity and forecasts for the Council.
- 1.2 The revenue underspend position summarised in this report is a result of forecasts submitted by directorates. These forecasts are based on the projected net expenditure for the rest of the financial year and are adjusted for any management action which occurs to reduce a potential overspend position at the end of the financial year. In all directorates outside of Community Services, the projected forecasts have been able to be contained close to within budget by management action.

2. Summary revenue position

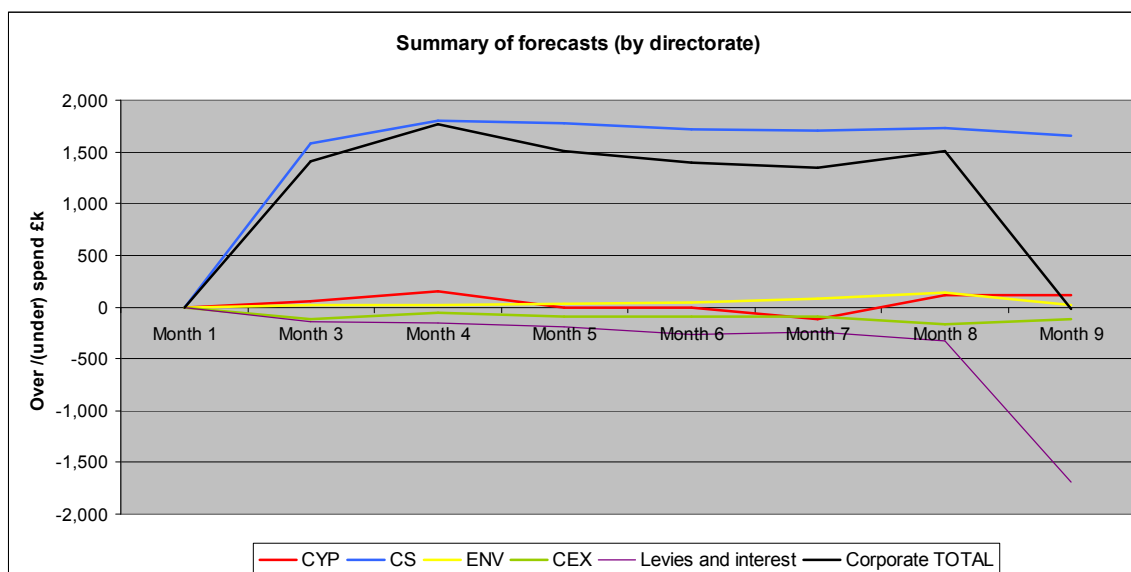
- 2.1 The current revenue budget forecast is showing an underspend of £393k. The main area showing an underspend is in Levies and interest and this is explained further in section 3 and appendix 2e. The primary area of service forecast overspend is the Adult Social service. All other Council services are forecasting an over or under spend within £200k of the 2010-11 budget.
- 2.2 New pressures have emerged in the 2010-11 Adult Social care budget, including:
 - (1) loss of income due to the cessation of any new grants from the Independent Living Fund and reduced commissioning from the NHS;
 - (2) urgent safeguarding placements;
 - (3) additional placement costs for young people with a learning disability in transition from Children's Services and people who were previously self funding whose capital has depleted.
- 2.3 These pressures are on top of the existing known pressures to the Adult Social Care service, including managing the demand for the service and ongoing negotiations with the PCT.
- 2.4 Together, these pressures have led to a forecast overspend of £1,762k.
- 2.5 There is redundancy cost liability of circa £400k relating to phase 1 and 2 redundancies (as a result of the emergency budget), which has not been reported in monitoring. This figure will not be finalised until towards the end of the financial year due to any potential redeployment opportunities. However, this amount will be set against the Economic Downturn Provision included in specific earmarked reserve.
- 2.6 The Council has submitted a claim to the Department for Communities and Local Government requesting the ability to capitalise these costs over a longer term period. The Council is likely to hear the results of this process early in the coming weeks and this will report this to members as soon as practicably possible.

3. Capitalisation of highways expenditure

- 3.1 In 2010-11 the Council is required to implement International Financial Reporting Standards (IFRS). As part of this implementation, the Council has reviewed the treatment of highways maintenance expenditure. Under the revised accounting guidelines, over £2m of expenditure that was previously treated as revenue will be classed as capital expenditure. This removes this expenditure from the revenue budget, but creates additional costs in the capital budgets. These costs are financed through additional borrowing which has an impact on revenue expenditure of approximately £270k per year.
- 3.2 The Council has also reviewed the accounting treatment for salary costs charged to capital programmes, and some of these costs have been moved from capital to revenue funding streams in line with accounting guidance.
- 3.3 The overall net impact of these movements is a reduction to the revenue budget of over £1.6m. This is a one-off in year benefit to the revenue budget and has been accounted for within the 2011-12 budget setting process. There are additional capital financing costs of circa £270k per annum to fund this over the next ten years.

4. Commentary on the revenue forecasts

- 4.1 The current position shows an underspend of £393k.
- 4.2 The variances per directorate are highlighted on the chart below:



- 4.3 The largest forecast overspend is in the Adult Social Care service (£1.8m). Further details are provided in the directorate summary, appendix 2b to this report.
- 4.4 The financial forecasting for all directorates has remained broadly consistent throughout the financial year.

5. Capital summary

- 5.1 Overall the capital programme is showing that as at quarter 3, 20% of the capital programme expenditure remains to be committed.

5.2 Appendix 3 gives further detail of the individual service commitments. Highways and special projects, with two of the three largest capital budgets, are showing the highest amount of funds committed as at 31.12.2010. There still remains a significant, in cash terms, capital spend to be committed in ICT, Housing and Education.

Appendices

Appendix 1 – Revenue Summary Position
Appendix 2a to 2d – Directorate Summaries
Appendix 3 – Capital Summary

Consultees

Local Stakeholders: Not consulted

Officers Consulted: Corporate Board

Trade Union: Not consulted