
Financial Performance Report 2017/18

Month Seven – Supporting Information

1. Introduction

- 1.1 The financial performance reports provided to Members throughout the financial year report the under or over spend against the Council's approved budget. The Month Seven revenue forecast is an over spend of £754k against a net revenue budget of £117.4m, which is 0.6% of the net budget. The forecast over spend has increased by £151k from last month.
- 1.2 The main driver of the forecast over spend is a £732k over spend in Adult Social Care. The over spend is as a result of increased complexity of client needs and inflationary increases in commissioning services for both placements and home care. Education is forecasting an over spend of £264k and Children and Family Services are forecasting a pressure of £210k, both as a result of placement pressures. Public Health is forecasting an under spend of £293k which will be used to cover the cost of other directorate activity, where this legitimately contributes to Public Health outcomes. The remainder of the Communities Directorate is on line. Both the Economy & Environment and Resources Directorates are forecasting under spends.
- 1.3 In response to the volatility of some of the Council's budgets, three service specific risk reserves have been established in Adult Social Care, Children and Family Services and Legal Services. The levels of these reserves are informed by the level of risks in the service risk registers. £392k was released from the Adult Social Care risk reserve at Quarter Two to help combat some of the inflationary pressures the service is facing. The remaining forecasts are before any further use of the risk reserves.

2. Changes to the 2017/18 Budget

- 2.1 The Council set a revenue budget of £117.4million for 2017/18. During the year budget changes may be approved for a number of reasons and approval limits are set out in the Council's Financial Regulations. Budget increases occur when budgets are brought forward from the previous year as a result of requests that are approved at year end, after the original budget has been set in early March. These budget changes are submitted to the Finance and Governance Group (FAGG) and must meet certain criteria to be approved. Other reasons for in year budget changes include drawing from reserves to support specific projects or to cover risks that have arisen and have previously been provided for. Budget changes that require Executive approval are reported quarterly.

3. 2017/18 Savings and Income Generation Programme

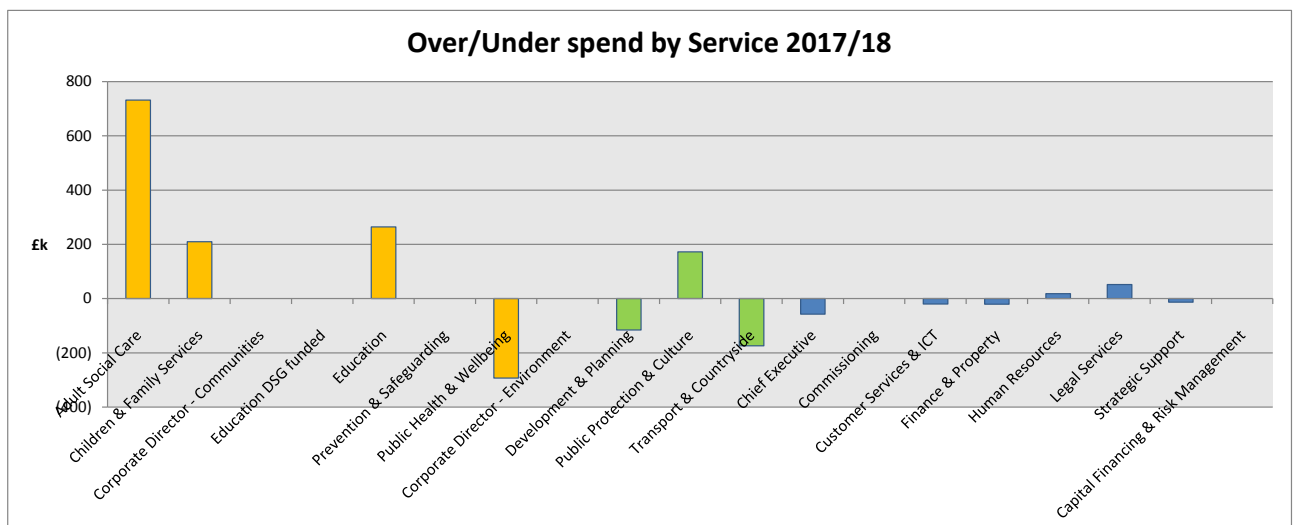
- 3.1 In order to meet the funding available, the 2017/18 revenue budget was built with a £4.712m savings and income generation programme. The programme is monitored on a monthly basis.

4. Summary Revenue Forecast

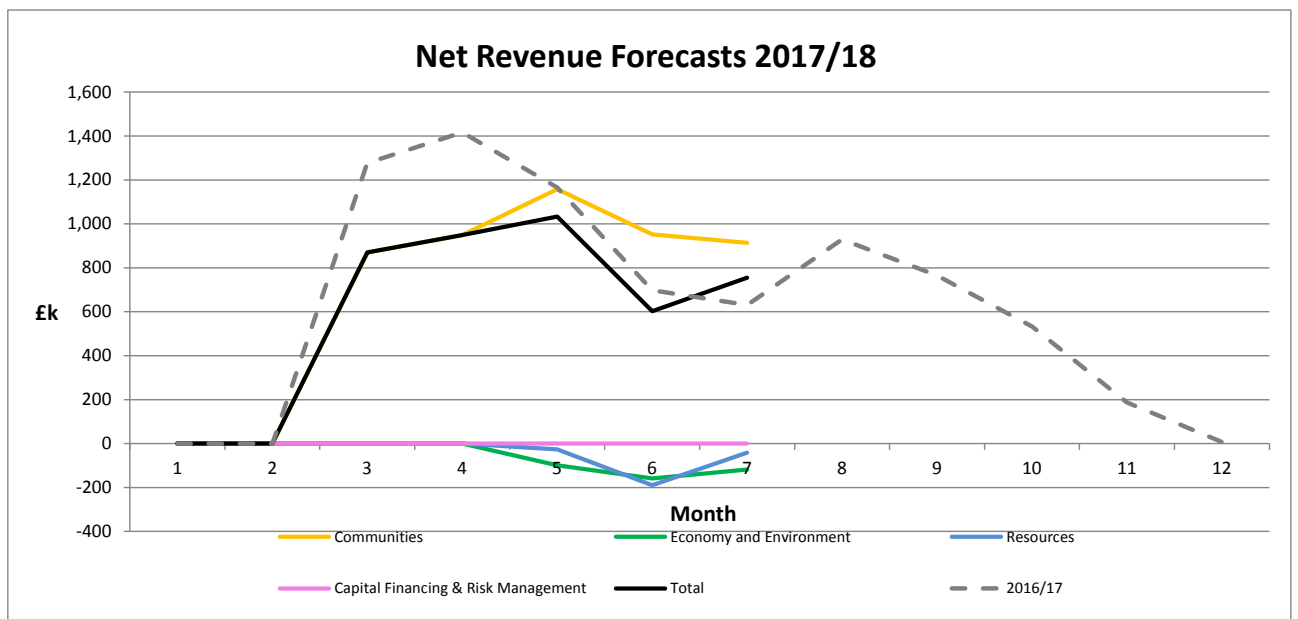
| Directorate Summary | Current Net Budget | Forecast (under)/over spend | | | | | Change from Last Month |
|--|-----------------------|-----------------------------|---------------|---------------|----------------|----------------|------------------------------|
| | | Quarter One | Month Four | Month Five | Quarter Two | Month Seven | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Communities | 62,903 | 870 | 949 | 1,158 | 952 | 913 | -39 |
| Economy and Environment | 30,926 | 0 | 0 | -99 | -159 | -118 | 41 |
| Resources | 14,032 | 0 | 0 | -26 | -190 | -41 | 149 |
| Capital Financing & Risk Management | 9,549 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 117,410 | 870 | 949 | 1,033 | 603 | 754 | 151 |

NB. Rounding differences may apply to nearest £k

- 4.1 At Month Seven the Council's revenue forecast is an over spend of £754k against a net revenue budget of £117.4m. The forecasts by Service are shown in the following chart.



- 4.2 The main service driving the over spend is Adult Social Care with a forecast over spend of £732k. The following chart shows the monthly forecasts through 2017/18, with a 2016/17 comparison.



5. Employee Costs

5.1 The following chart shows an analysis of employee costs by Directorate at Month Seven.

| Month Seven Employee Costs | Last Years' Outturn £ | Current Budget for 2017 £ | Month Seven | | | |
|----------------------------|--------------------------|------------------------------|---|-----------------------------|------------------------------|--|
| | | | Profiled Current Budget upto 31/Oct/2017 £ | Exp/Inc to 31/Oct/2017 £ | Actual Variance to date £ | |
| Communities | | | | | | |
| Salary costs | 22,375,349 | 24,519,150 | 14,245,626 | 13,197,389 | -1,048,237 | |
| Agency & Temporary Staff | 3,852,448 | 2,548,450 | 1,480,649 | 2,060,116 | 579,467 | |
| Other Costs | 1,301,148.17 | 802,490 | 466,247 | 542,464 | 76,217 | |
| Total | 27,528,945 | 27,870,090 | 16,192,522 | 15,799,969 | -392,553 | |
| Environment | | | | | | |
| Salary costs | 12,784,998 | 13,606,720 | 7,905,504 | 8,040,219 | 134,715 | |
| Agency & Temporary Staff | 297,755 | 24,800 | 14,409 | 105,134 | 90,725 | |
| Other Costs | 509,036.22 | 571,640 | 332,123 | 263,309 | -68,814 | |
| Total | 13,591,789 | 14,203,160 | 8,252,036 | 8,408,662 | 156,626 | |
| Resources | | | | | | |
| Salary costs | 12,456,388 | 12,996,020 | 7,550,688 | 7,054,283 | -496,405 | |
| Agency & Temporary Staff | 310,930 | 125,320 | 72,811 | 95,361 | 22,550 | |
| Other Costs | 413,424.16 | 113,910 | 66,182 | -314,347 | -380,529 | |
| Total | 13,180,742 | 13,235,250 | 7,689,680 | 6,835,296 | -854,384 | |
| Total | | | | | | |
| Salary costs | 47,616,735 | 51,121,890 | 29,701,818 | 28,291,891 | -1,409,927 | |
| Agency & Temporary Staff | 4,461,133 | 2,698,570 | 1,567,869 | 2,260,611 | 692,742 | |
| Other Costs | 2,223,609 | 1,488,040 | 864,551 | 491,425 | -373,126 | |
| Total | 54,301,477 | 55,308,500 | 32,134,239 | 31,043,927 | -1,090,311 | |

5.2 The chart shows the profiled budget to 31 October 2017, i.e. seven months' worth of budget. It should be noted that invoices will often be received in the month after the cost is incurred, so not all costs to date will be captured. Outstanding invoices will be accrued for as part of our year end closedown so there may be an increase in expenditure compared to budget at this point.

6. Communities Directorate Month Seven Review

| Communities | Current Net Budget | Forecast (under)/over spend | | | | | Change from Last Month |
|----------------------------------|--------------------|-----------------------------|------------|--------------|-------------|-------------|------------------------|
| | | Quarter One | Month Four | Month Five | Quarter Two | Month Seven | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Adult Social Care | 38,736 | 891 | 949 | 992 | 603 | 732 | 129 |
| Children & Family Services | 15,716 | 0 | 0 | 0 | 109 | 210 | 101 |
| Corporate Director - Communities | 211 | 0 | 0 | 0 | 0 | 0 | 0 |
| Education DSG funded | (523) | 0 | 0 | 0 | 0 | 0 | 0 |
| Education | 7,491 | (21) | 0 | 175 | 240 | 264 | 24 |
| Prevention & Safeguarding | 1,063 | 0 | 0 | (9) | 0 | 0 | 0 |
| Public Health & Wellbeing | 209 | 0 | 0 | 0 | 0 | (293) | (293) |
| Communities | 62,903 | 870 | 949 | 1,158 | 952 | 913 | -39 |

- 6.1 The forecast revenue over spend for the Communities Directorate is £913k against a net budget of £62.9million. This is a £39k decrease from the forecast over spend at Quarter Two. There are additional pressures on demand led budgets across Adult Social Care, children's placements and support for children with disabilities in Education Services. The directorate is considering all measures that can be taken to mitigate the over spend, and has identified and gained approval for £293k use of Public Health funding to cover the cost of other directorate activity and £67k from income generation in Adult Social Care. Other areas are being identified but need further work in order to incorporate them in the forecast.
- 6.2 The revenue budget for the Communities Directorate 2017/18 was built with a savings programme of £2.1m.

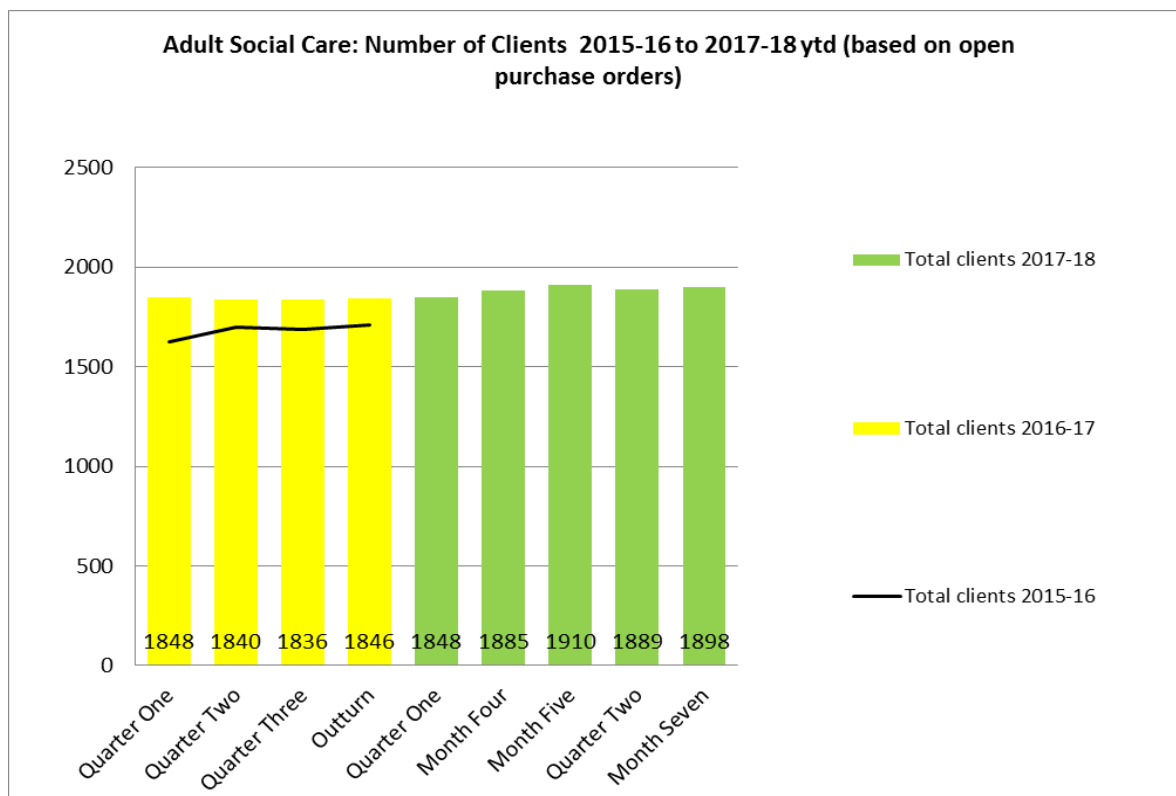
(1) Adult Social Care

Adult Social Care is forecasting an over spend of £732k as at Month Seven, which is a £129k increase from Quarter Two. The over spend is a result of increased complexity of client needs and inflationary increases in commissioning services for both placements and home care. The over spend is summarised as follows:

| Explanation of ASC Forecast Over Spend | £000 |
|---|------------|
| Inflationary increases | 169 |
| Provider Services agency cover, due to being a regulated service | 74 |
| National Living Wage increases from providers | 88 |
| Increase to existing client costs due to loss of family support | 132 |
| Delayed Transfers of Care - fines | 31 |
| Delayed Transfers of Care - higher rates paid for homecare | 53 |
| Delayed Transfers of Care - higher rates paid for care placements | 158 |
| Increased costs due to complexity of care | 27 |
| Deprivation of Liberty Safeguards | 67 |
| Income generation to mitigate over spend | -67 |
| Total | 732 |

All the items driving the current forecast over spend are provided against in the risk reserve. £392k has been released into the service to help combat some of the inflationary pressures. The remaining forecast over spend is before any further use of the risk reserve.

Client numbers accessing services are monitored weekly; overall client numbers remained relatively constant during 2016/17 and although fluctuating in 2017/18 are gradually increasing from 1848 clients at the beginning of the year to a current Month Seven position of 1898 clients.



The forecast pressure has increased by £129k since Quarter Two, as a result of providing services to a greater number of clients transferring from health provided care in hospital to social care in order to decrease the number of delays in hospital. Increased pressures in other areas are predominantly due to interim management arrangements at a regulated care home and Great Western Hospital seeking fines for delayed transfers of care. Mitigation strategies are in place to address the pressures the Service is facing and pressures are being reduced through one off under spends against non-commissioning budgets.

(2) Children and Family Services

The Service is forecasting £210k over spend as at Month Seven which is a £101k change from the forecast of £109k over spend reported in Quarter Two.

The change to the Quarter Two position is the result of a high cost residential placement which has resulted in the placement budget generating a forecast pressure of £323k. The forecast over spend is being partially mitigated through salary savings within the Targeted Intervention Service.

The Children & Family Services risk reserve is £386k, the over spend relates to identified risks and therefore the risk reserve could be utilised to offset the over spend, should Members decide to do so.

(3) Education

The Education Service is forecasting a pressure of £264k at Month Seven compared to an over spend of £240k at Quarter Two. Since Quarter Two there have been extensions to agency contracts relating to the significant staffing issues within the Disabled Children's Team, thus increasing the pressure on this area. Overall

pressures on the budgets for support for Children with disabilities are now forecast at approximately £397k.

However, as previously reported, £48k additional eligible expenditure has been identified which can be charged to the European Social Fund Elevate project and income from charging for Home to School Transport is expected to be about £43k higher than budgeted. Since Quarter Two there has also been a £25k reduction in our forecast liability for the pension costs of former Berkshire County Council employees. These savings help to offset the pressure on support for Children with disabilities.

Education Services are putting place in strategies to reduce the forecast over spend position. Only essential expenditure is now being committed and a recruitment freeze will be in place from 1st December until the end of the year on council funded posts.

(4) Prevention & Safeguarding

The Service is forecasting an on line position at Month Seven, the position is unchanged from the forecast at Quarter Two. There is a risk of an over spend due to some agency cover and costs that will be incurred for a Serious Adult Case Review. The position on both should be clearer in Month Eight.

(5) Public Health & Wellbeing

Public Health is forecasting an under spend of £293k within the Public Health ring fenced grant, which has arisen largely due to an under spend within the salaries budget. This under spend will be used against other directorate activity where this legitimately contributes to public health outcomes.

7. Economy and Environment and Directorate Month Seven Review

| Economy and Environment | Current Net Budget | Forecast (under)/over spend | | | | | Change from Last Month |
|----------------------------------|--------------------|-----------------------------|------------|-------------|--------------|--------------|------------------------|
| | | Quarter One | Month Four | Month Five | Quarter Two | Month Seven | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Corporate Director - Environment | 174 | 0 | 0 | 0 | 0 | 0 | 0 |
| Development & Planning | 2,549 | (121) | (95) | (113) | (118) | (116) | 2 |
| Public Protection & Culture | 4,028 | 121 | 95 | 114 | 128 | 172 | 44 |
| Transport & Countryside | 24,175 | 0 | 0 | (100) | (169) | (174) | (5) |
| Economy and Environment | 30,926 | 0 | 0 | (99) | (159) | (118) | 41 |

7.1 The Directorate is currently forecasting a £118k under spend against a budget of £30.9m. The revenue budget for the Economy and Environment Directorate was built with a savings programme of £1.66m.

(1) Development & Planning

The Service is forecasting an under spend of £116k which is due to an increase in the number of large planning applications together with a general increase in

planning activity together with additional income from CIL which was carried forward from 2016/17. Pressures due to emergency repairs to our homeless accommodation and cost awards on planning appeals have been managed within the Service.

(2) Public Protection & Culture

The Service is forecasting an over spend of £172k. The majority of this is due to the Activity Team experiencing reduced income of £100k and a fall in the use of Shaw House resulting in a forecast pressure of £30k. Salary savings and an early saving of the grant payment to the Watermill Theatre have helped reduce the pressure within the Service.

(3) Transport & Countryside

Transport and Countryside is forecasting an under spend of £174k. This is mainly due to additional income from car parking of £220k together with early savings within Transport Services including the ending of leases for our Handybuses, increased income from public transport operations and savings on short terms contracts.

Pressures arising from increased repairs to the highway, emergency repairs to the Aldermaston Wharf Bridge and an increase to the forecast street lighting electricity cost have been managed within the Service.

8. Resources Directorate Month Seven Review

| Resources | Current Net Budget | Forecast (under)/over spend | | | | | Change from Last Month |
|-------------------------|--------------------|-----------------------------|------------|-------------|--------------|-------------|------------------------|
| | | Quarter One | Month Four | Month Five | Quarter Two | Month Seven | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Chief Executive | 880 | 0 | 0 | 0 | (57) | (57) | 0 |
| Commissioning | 1,275 | 0 | 0 | 0 | (12) | 0 | 12 |
| Customer Services & ICT | 3,200 | 0 | 0 | (5) | (36) | (20) | 16 |
| Finance & Property | 3,721 | 0 | 0 | (21) | (31) | (21) | 10 |
| Human Resources | 1,536 | 0 | 0 | 0 | 12 | 18 | 6 |
| Legal Services | 1,059 | 0 | 0 | 0 | (58) | 52 | 110 |
| Strategic Support | 2,361 | 0 | 0 | 0 | (8) | (13) | (5) |
| Resources | 14,032 | 0 | 0 | (26) | (190) | (41) | 149 |

- 8.1 The Directorate is currently forecasting £41k under spend on a budget of £14m. The 2017/18 budget for Resources was built with a £694k saving.

(1) Chief Executive

The Chief Executive is reporting an under spend of £57k which is mainly due to salary savings whilst a team member is on secondment and savings against training and corporate management budgets.

(2) Commissioning

Commissioning is reporting on line. A previously reported under spend of £12k from salary savings now looks unlikely due to back log of work requiring temporary assistance and training requirements identified for new staff.

(3) Customer Services and ICT

The Service is reporting a £20k under spend due to salary savings from vacant posts and a wide area network saving.

(4) Finance and Property

The Finance and Property Service is forecasting an overall under spend of £21k. There are small pressures in rental income and card charges. There are under spends in salaries due to some vacant hours and as a result of capitalising part of a post, and there is lower than forecast spend on energy costs in the corporate buildings.

(5) Human Resources

Human Resources is reporting an over spend of £18k due to an under achieving income target on lease car scheme admin fees as lease cars have been handed back or terminated, and fewer schools buying the HR service.

(6) Legal Services

Legal Services is reporting an over spend of £52k. There is a pressure of £110k in the disbursements budget due to legal disputes that are ongoing. Offsetting this are some salary savings and lower use of locums than anticipated. Legal Services has a dedicated risk reserve of £50k that could be used to offset this pressure, should Members decide to do so.

(7) Strategic Support

Strategic Support is reporting an overall under spend of £13k. There are pressures against the land charges income target and minor pressures arising against a number of supplies and services budgets. Offsetting this there is a one off saving of £40k from the corporate programme and a small number of salary savings due to vacant posts and reduced hours.

9. Risks

In response to the volatility of some of the Council's demand led budgets, a number of service specific risk reserves have been established. During 2016/17 a number of these risks occurred and led to budgetary pressures. However, the final outturn position enabled the Council to cover the budgetary pressures without calling on the reserves.

At Quarter Two, £392k was released from the Adult Social Care risk reserve, to help the service cover some of the inflationary pressures it is facing. The current level of service specific risk reserves and the risks that have arisen in 2017/18 are:

| | Reserve Balance 1.4.2017 | Change to level of Reserve 2017/18 | Current Reserve Balance | Risks arising 2017/18 | Potential Reserve Balance 31.3.2018 |
|----------------------------|-----------------------------|--|----------------------------|--------------------------|---|
| Service | £000 | £000 | £000 | £000 | £000 |
| Adult Social Care | 2,090 | -537 | 1,553 | -732 | 822 |
| Children & Family Services | 500 | -114 | 386 | -210 | 176 |
| Legal Services | 50 | 0 | 50 | -50 | 0 |
| Total | 2,640 | -651 | 1,989 | -992 | 998 |

The current forecasts are before any further use of the reserves.

Adult Social Care:

- 9.1 Adult Social Care has a dedicated risk reserve designed to be utilised in year, should the named risks materialise. A detailed risk register is maintained to support this reserve. At Quarter Two, £392k was released into the service in order to cover some of the inflationary pressures that the service is facing. The service is forecasting, after taking mitigation plans into account, an over spend of £732k. This over spend has arisen from items provided for in the risk reserve as detailed below. The current service forecast is before any further utilisation of the reserve.

| | Value | Reserve Balance |
|---|--------------|--------------------|
| Adult Social Care | £000 | £000 |
| Risk Reserve closing balance 31.3.2017 | 1,107 | |
| Increase in reserve agreed in 2017/18 budget | 983 | |
| Risk Reserve balance 1.4.2017 | 2,090 | |
| Decrease in reserve agreed at Budget Board 29.6.17 | -145 | |
| Movement to ASC for Inflationary pressures Month 6 | -392 | |
| Risk Reserve balance 31.10.2017 | | 1,553 |
| Risks arising: | | |
| Inflationary increases | -169 | |
| Provider Services agency cover, due to being a regulated service | -74 | |
| National Living Wage increases from providers | -88 | |
| Increase to existing client costs due to loss of family support | -132 | |
| Delayed Transfers of Care - fines | -31 | |
| Delayed Transfers of Care - higher rates paid for homecare | -53 | |
| Delayed Transfers of Care - higher rates paid for care placements | -158 | |
| Increased costs due to complexity of care | -27 | |
| Deprivation of Liberty Safeguards | -67 | |
| Income generation to mitigate over spend | 67 | |
| Total risks arising in 2017/18 | | -732 |
| Risk Reserve potential closing balance 31.3.2018 | | 822 |

Children and Family Services:

- 9.2 Children and Family Services have a dedicated risk reserve of £386k designed to be utilised in year, should named risks materialise. A detailed risk register is maintained to support this reserve. The current service forecast over spend of £210k is before using any of the reserve.

| Children & Family Services | Value £000 | Reserve Balance £000 |
|---|---------------|-------------------------|
| Risk Reserve balance 1.4.2017 | 500 | |
| Decrease in reserve agreed at Budget Board 29.6.17 | -114 | |
| Risk Reserve balance 30.6.2017 | | 386 |
| Risks arising: | | |
| Children in high cost residential placements | -210 | |
| | | -210 |
| Risk Reserve potential closing balance 31.3.2018 | | 176 |

Legal Services

Legal Services has a dedicated risk reserve of £50k designed to be utilised in year, should the risks materialise. During 2017/18, £110k pressure has arisen due to legal disputes, although the overall over spend is £52k due to some salary savings. As there is only £50k in the reserve, the table below reflects the maximum that could be used.

| Legal Services | Value £000 | Reserve Balance £000 |
|--|---------------|-------------------------|
| Risk Reserve balance 1.4.2017 | | 50 |
| Risks arising: | | |
| £110k pressure in disbursements offset by other savings | -50 | |
| | | -50 |
| Risk Reserve potential closing balance at 31.3.2018 | | 0 |

The current service forecast is before using any of the reserve.

10. Transition Funding and Transformation Reserve

The Council was awarded £1.37m in transition funding for 2017/18, which was allocated as:

| Directorate | Service | Project Description | Transition Funding £ | Agreed by | When |
|-------------|---------|------------------------|-------------------------|-----------|----------|
| Communities | C&FS | Short Breaks | 140,000 | Council | 4.3.2017 |
| Environment | PPC | Libraries | 200,000 | Council | 4.3.2017 |
| Resources | SSU | Citizens Advice Bureau | 30,000 | Council | 4.3.2017 |
| | | Transformation Reserve | 1,000,000 | Council | 4.3.2017 |
| | | Total | 1,370,000 | | |

The Transformation Reserve was established in order to ensure that the Council has the resources to pursue transformation plans outlined in the MTFS and to invest in strategies that will bring future benefits to the organisation. £299k has been allocated so far.

11. Capital Financing and Risk Management Month Seven Review

11.1 Income on interest on investments is currently forecast to be on line.

12. Options for Consideration

12.1 Not applicable – factual report for information

13. Proposals

13.1 To note the forecast position.

14. Conclusion

14.1 The Council is faced with delivering a savings programme of £4.712m in 2017/18 as well as addressing in year pressures as they arise, which are currently forecast to be £754km against a net revenue budget of £117.4 million. The Council has invested in identified pressure points as part of the 2017/18 budget process and will continue to maintain financial discipline, to ensure that the agreed savings programme is monitored and to find ways 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 remains at year end, it will impact on our reserves.

15. Consultation and Engagement

15.1 Nick Carter – Chief Executive, John Ashworth – Director, Rachael Wardell - Director

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim:

☒ **MEC – Become an even more effective Council**

The proposals contained in this report will help to achieve the following Council Strategy priority:

☒ **MEC1 – Become an even more effective Council**

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