
2018/19 Revenue Financial Performance: Quarter One – Supporting Information

1. Introduction/Background

- 1.1 The financial performance reports provided to Members throughout the financial year report the forecast under or over spend against the Council's 2018/19 approved revenue budget of £119.4m.
- 1.2 The Quarter One forecast is an over spend of £1.3m, which is 1.1% of the net budget. The forecast overspend of £1.3m includes £1.2m of mitigating action to be delivered by services during the remainder of the current financial year. Prior to any mitigation, the Council is forecasting an overspend position of £2.5m, the driver of this overspend is Adult Social Care. Local Authorities nationally are facing significant financial challenges relating to the funding of Adult Social Care budgets, increasing demand on services and rising costs of commissioning care. Our position, as with other Local Authorities across the country highlights the urgent need for a national review of funding for Adult Social Care.
- 1.3 The Communities Directorate is forecasting an overspend of £2.8m (4.1%) against a net budget of £67.6m. The services forecasting overspend positions are Adult Social Care £2.4m, Children and Family Services £220k and Education Services £152k. In Adult Social Care, the service is facing increasing financial pressures on demand led, externally commissioned placement budgets, over and above the modelled assumptions that formed the basis of budget setting. In addition, a number of risks, which are provided for in the service specific risk reserve, have materialised. Further pressures have arisen in-year due to the financial impact of making improvements to our transfers of care from hospital and improving one of our care homes. The remainder of the Communities Directorate is on line.
- 1.4 Economy & Environment are forecasting an overspend of £3k and the Resources Directorate is forecasting an underspend of £280k, due to the over achievement of investment property income.
- 1.5 Capital Financing and Risk Management is forecasting an underspend of £1.2m. The £1.2m is the forecast financial outcome of the actions that are being taken to stop non-essential spend where possible across the organisation, as a corporate response to the Adult Social Care overspend. As savings from these actions become clearer, they will be shown in the relevant service areas in future forecasts.
- 1.6 The 2018/19 budget was set with a risk management budget of £768k. As per the Medium Term Financial Strategy and Revenue Budget approved by Council, this budget was built because the Council was facing a number of risks that could arise in 2018/19 but could not be quantified at the time of budget setting. These included increase in demand for services over and above budget assumptions, inflationary pressures, income risks and risk to delivery of savings plans. This budget could be released to support the financial position. The Quarter One forecast is before any use of this budget provision.

- 1.7 In response to the volatility of some of the Council's budgets, service specific risk reserves have been established. The levels of these reserves are informed by the level of risks in the service risk registers. Named risks have arisen so far in 2018/19 amounting to £996k (£716k Adult Social Care, £130k Children and Family Services, £150k Education). The risk reserves could be used to support the financial position. The Quarter One forecast is before any use of the risk reserves.
- 1.8 The Quarter One forecast position of £1.3m overspend, is after forecasting the impact of a corporate response to stop non-essential spend, but before release of the risk management budget (£768k) and before use of available risk reserves (£996k).

2. Changes to the 2018/19 Budget

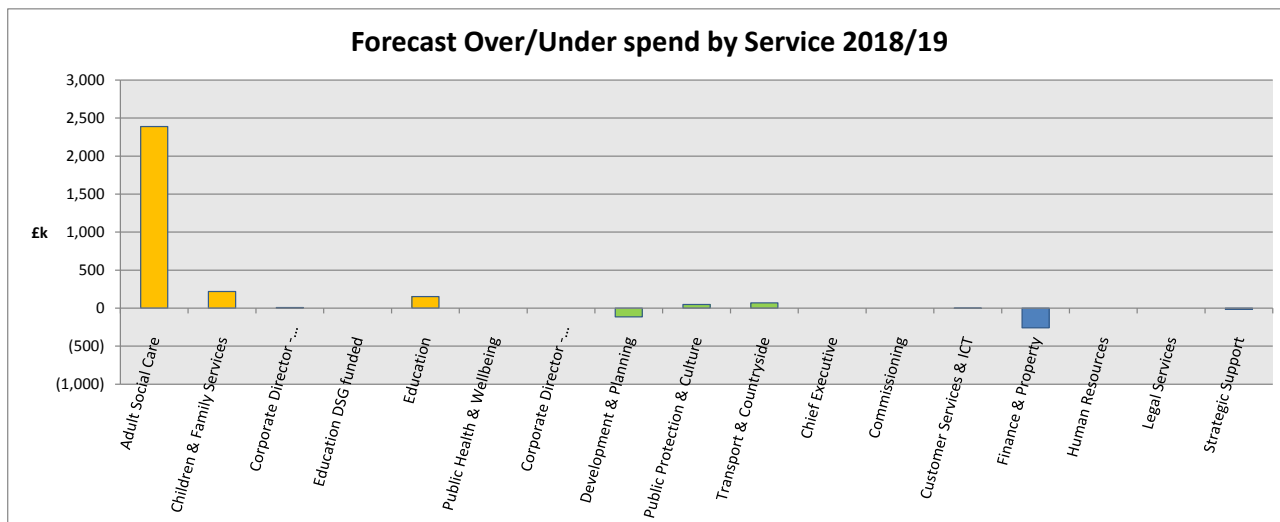
- 2.1 The Council set a revenue budget of £119.4m for 2018/19. During the year budget changes may be approved as per the approval limits in the Council's Financial Regulations. Budget increases occur when budgets are brought forward from the previous year as a result of requests that are approved at 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.
- 2.2 Budget changes are summarised at Appendix G.

3. Summary Revenue Forecast 2018/19

| Directorate Summary | Current Net Budget | Forecast (under)/over spend | | | | Change from Last Quarter |
|-------------------------|--------------------|-----------------------------|-------------|---------------|----------|--------------------------|
| | | Quarter One | Quarter Two | Quarter Three | Year End | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Communities | 67,650 | 2,768 | 0 | 0 | 0 | 2,768 |
| Economy and Environment | 30,848 | 3 | 0 | 0 | 0 | 3 |
| Resources | 12,755 | (280) | 0 | 0 | 0 | (280) |
| Capital Financing | 8,174 | (1,200) | 0 | 0 | 0 | (1,200) |
| Total | 119,427 | 1,291 | 0 | 0 | 0 | 1,291 |

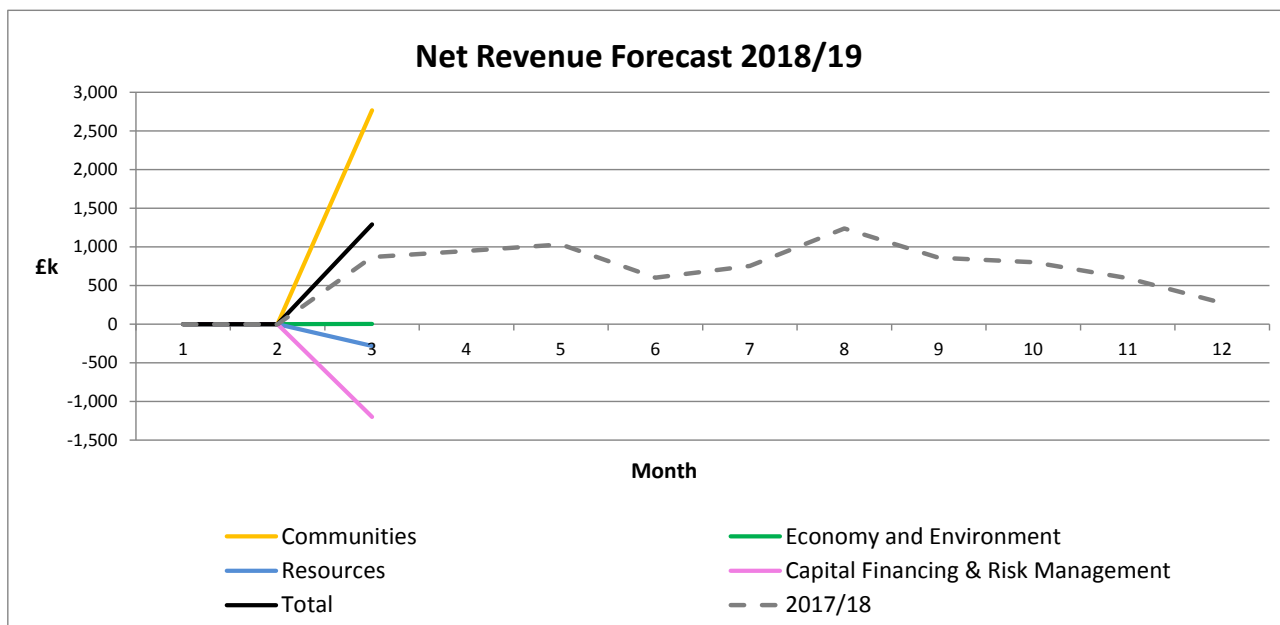
NB. Rounding differences may apply to nearest £k

- 3.1 At Quarter One the Council's revenue forecast is an over spend of £1.3m against a net revenue budget of £119.4m. The forecasts by Service are shown in the following chart.



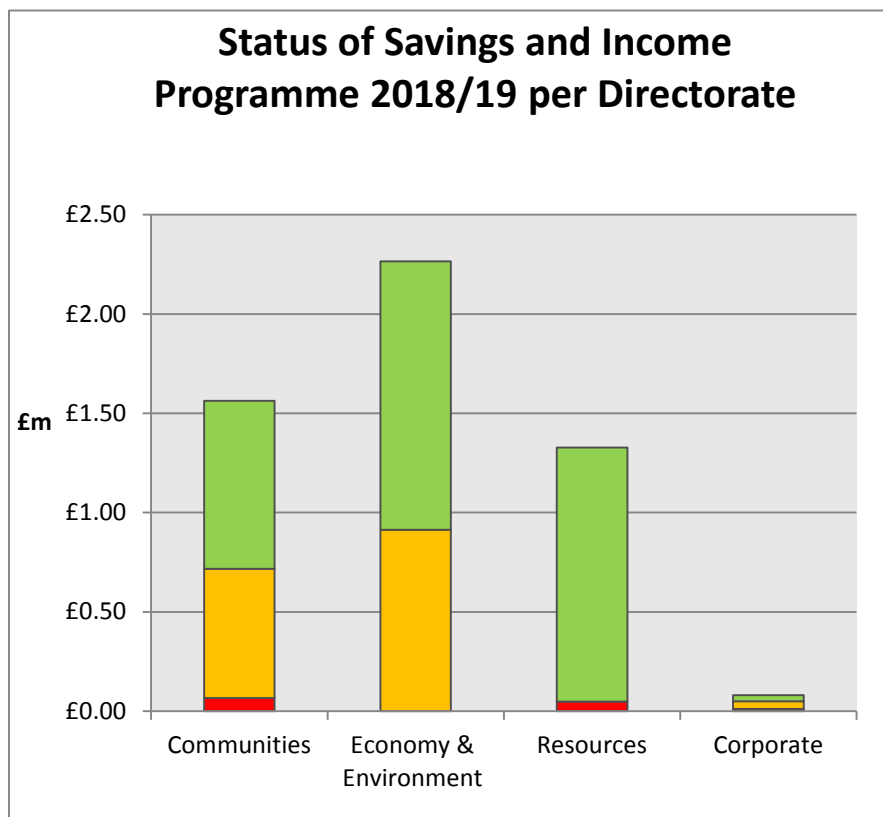
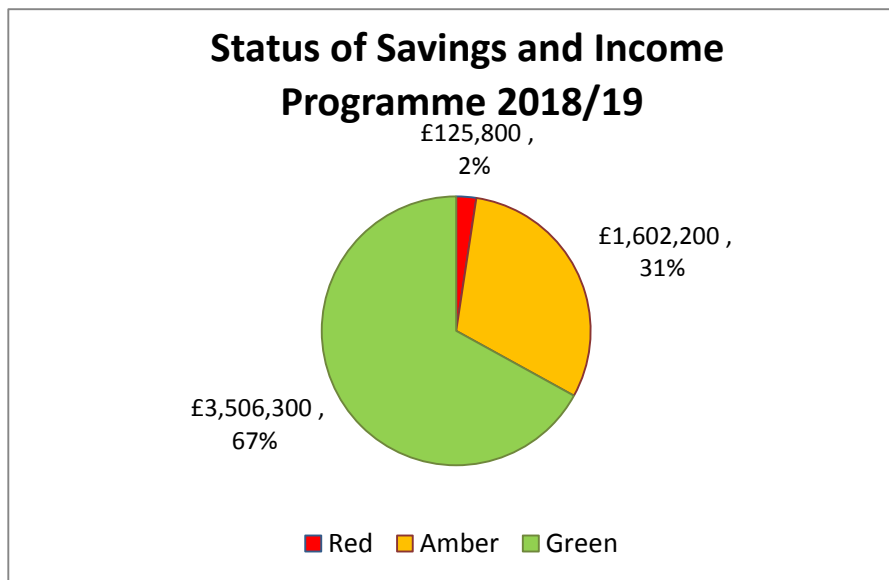
3.2 The main service driving the over spend is Adult Social Care with a forecast over spend of £2.4m (5.6%) against a budget of £42.8m. The pressure has arisen primarily, although not exclusively, within the demand led commissioning budgets. The cost of commissioning client packages from the external market has risen significantly and has exceeded inflationary forecasts that the budget was built on. The service and the whole Council is putting mitigation strategies in place in order to bring the forecast overspend down by year end.

3.3 The following chart shows the monthly forecasts through 2018/19, with a 2017/18 comparison.



4. 2018/19 Savings and Income Generation Programme

4.1 In order to meet the funding available, the 2018/19 revenue budget was built with a £5.2m savings and income generation programme. The programme is monitored on a monthly basis using the RAG traffic light system. The status of the programme is shown in the following charts:



4.2 Communities

The revenue budget for the Communities Directorate 2018/19 was built with a savings and income generation programme of £1.6m. The programme is expected to be £845k Green, £650k Amber and £67k red.

Corporate Director:

£61k of savings relating to income targets assigned to the former Prevention & Safeguarding Service have been reallocated as an efficiency target against the Communities Corporate Director cost centre. The directorate is reviewing alternative options for delivery of the savings target which is currently forecast as red.

Adult Social Care:

Adult Social care 2018/19 budget was built with a £761k savings and income generation programme.

A £6k saving in respect of the establishment of a framework for S12 specialist GPs for Deprivation of Liberty safeguards for Adult Social Care is forecast as red and is unlikely to be achieved in the financial year.

The Transforming Lives (delivering care differently strategy), £175k and the New Ways of Working transformation programme, £225k savings are both forecast as amber at Quarter One.

Transforming Lives, which is now titled Delivering Care Differently, is focused on delivery of savings through the Shared Lives programme and a programme of reviewing client packages, progress is being made against delivery of the saving.

Implementation of the new case management system meant ASC did not receive NWW performance reports. This has been resolved for 2018/19 and the key indicator of people coming to the front door who then go on to long term services is a very positive 7%. The service will continue to maintain a focus on maintaining this conversion rate but this will not mitigate other factors that impact commissioning budgets e.g. delayed transfers of care or private funders who run out of money and become the Council's responsibility.

£355k of income generation is expected to be achieved in full.

Children & Family Services:

Children & Family Services 2018/19 budget was built with a £426k savings & income generation programme.

The saving of £200k for Childcare Lawyers is amber which is on track to deliver. However, due to the unavailability of data from Reading Council it has been flagged as a risk and though the expectation of the volume of complex cases will not be at the same level as it was last year there is the unpredictability of Court orders.

All other savings are expected to be achieved.

Education:

Education 2018/19 budget was built with a £313k of savings & income generation programme.

The saving of £50k for Castlegate is amber as there is a medium risk of the saving not being achieved due to income generation not being implemented yet.

All other savings are expected to be achieved.

4.3 Economy and Environment

The revenue budget for the Economy and Environment Directorate was built with a savings programme of £2.3m. The programme is expected to be £1.4m Green and £913k Amber.

Transport and Countryside:

£900k income generation is amber due to the delay to the start of charging for garden waste.

Development and Planning:

£13k for increased rent levels for temporary accommodation is amber as it is too early in the year to confirm.

4.4 Resources

The 2018/19 budget for Resources was built with a £1.3m savings and income generation programme, including £500k net income from new investment properties. The programme is expected to be £1.3m Green and £48k Red.

Strategic Support:

There is a £68k income target for the graphics team of which £48k is expected to be red. Reduced internal demand for the services of the imagery and graphics design team has resulted in anticipated income being £48k lower than target for this service. There are some savings to be made in the Performance and Corporate Programme Teams but at present these are not expected to fully mitigate this unmet saving.

Appendix D provides a list of the savings and income items that are at risk.

5. Communities Directorate Quarter One Review

| Communities | Current Net Budget | Forecast (under)/over spend | | | | Change from Last Quarter |
|----------------------------------|-----------------------|-----------------------------|----------------|------------------|-------------|--------------------------------|
| | | Quarter One | Quarter Two | Quarter Three | Year End | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adult Social Care | 42,806 | 2,388 | | | | 2,388 |
| Children & Family Services | 15,919 | 220 | | | | 220 |
| Corporate Director - Communities | 152 | 8 | | | | 8 |
| Education DSG funded | (444) | 0 | | | | 0 |
| Education | 8,962 | 152 | | | | 152 |
| Public Health & Wellbeing | 255 | 0 | | | | 0 |
| Communities | 67,650 | 2,768 | 0 | 0 | 0 | 2,768 |

5.1 The forecast revenue over spend for the Communities Directorate is £2.8m against a net budget of £67.6m, which is 4.1% of net budget.

5.2 Three services are forecasting year end overspend positions as at Quarter One, Adult Social Care £2.4m, Children and Family Services £220k and Education Services £152k. Across these three services increasing financial pressures have been identified on demand led, externally commissioned placement budgets. Agency pressures have been identified across the Child Protection Teams within Children & Family Services.

(1) Adult Social Care

Adult Social Care is forecasting an over spend of £2.4m as at Quarter One against a £42.8m budget, which is 5.6% of net budget.

The service is facing increasing financial pressures on demand led, externally commissioned placement budgets, over and above the modelled assumptions that formed the basis of budget setting. In addition, a number of risks, which are provided for in the service specific risk reserve, have materialised. Further pressures have arisen in-year due to the financial impact of making improvements to our transfers of care from hospital and improving one of our care homes.

At Quarter One, the demand led commissioning budgets are forecast to overspend by £2.1m, which is 7.5% of the £28.2m commissioning budget. The most significant forecast overspends within the commissioning budget are against physical support and memory and cognition support services for over 65s, and support services for individuals with learning disabilities aged 18-64. The rate of inflation levied by suppliers has been significantly higher than modelled, as a result average prices for residential and nursing care have increased exponentially.

Non-commissioning functions are forecast to overspend by £271k, which is 2% of the £14.8m non-commissioning budget. The pressure is partly the result of the extension to the embargo on Birchwood Care Home which is forecast to be lifted in September 2018, demand led pressure on careers budgets and use of agency to cover key posts under recruitment.

The service has been tasked with identifying strategies to partially mitigate the forecast overspend position within the region of £500k. Work is currently underway to review potential for in year savings, the forecast of £2.4m does not include any quantification of mitigation strategies. Furthermore, within the current financial year, £716k of risks have materialised contributing to the overspend position. The service has a £1.6m risk reserve, which if funding were released (with agreement of Members), would reduce the forecast overspend position (inclusive of the £500k in year mitigation) to £1.2m.

(2) Children and Family Services

Children & Family Services is forecasting a £220k overspend against budget at Quarter One. There are pressures in the Child Protection Teams, £173k, which has agency (filling vacant posts) and additional staffing costs (covering maternity, sabbatical leave and a newly qualified social worker). There is a £20k forecast overspend for the Emergency Duty Team as an in-year cost pressure.

This service along with the Education Service have been tasked with identifying strategies to partially mitigate the forecast overspend position within the region of £200k. Work is currently underway to review potential for in year savings, the forecast of £220k does not include any quantification of mitigation strategies. Furthermore, within the current financial year, £130k of risks have materialised contributing to the overspend position. The service has a £415k risk reserve, which if funding were released (with agreement of Members), would reduce the forecast overspend position.

(3) Education

The Education Service is forecasting an over spend of £152k at the end of Quarter One. This is largely due to an additional child going into a residential care and adjustments in community care packages. SEN services are overspent owing to a reduction in SEN reform grant, £35k, and a shortfall on staffing budgets, £7k. The

overspend has been partially offset by underspends on transport, £66k, and £21k on other disabled children services.

This service along with the Children & Family Service have been tasked with identifying strategies to partially mitigate the forecast overspend position within the region of £200k. Work is currently underway to review potential for in year savings.

The Education risk reserve is £279k for 2018/19. The residential placement over spend relates to identified risks with provision of £150k, and therefore the risk reserve could be utilised to offset the over spend, should Members decide to do so. If the reserve were used, the remaining over spend would be £2k.

(4) Public Health & Wellbeing

Public Health is forecasting an on line position.

6. Economy & Environment Directorate Quarter One Review

| Economy and Environment | Current Net Budget | Forecast (under)/over spend | | | | Change from Last Quarter |
|----------------------------------|--------------------|-----------------------------|-------------|---------------|----------|--------------------------|
| | | Quarter One | Quarter Two | Quarter Three | Year End | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Corporate Director - Environment | 179 | 0 | | | | 0 |
| Development & Planning | 2,826 | (114) | | | | (114) |
| Public Protection & Culture | 3,965 | 47 | | | | 47 |
| Transport & Countryside | 23,878 | 70 | | | | 70 |
| Economy and Environment | 30,848 | 3 | 0 | 0 | 0 | 3 |

6.1 The Directorate is currently forecasting a £3k over spend against a budget of £30.8m.

(1) Public Protection & Culture

The Service is forecasting an over spend of £47k. This is due to:

- Mop up costs associated with two functions that have now ceased - Activity Team and the Duke of Edinburgh scheme £25k.
- A decline in council use of Shaw House has continued a trend seen last year and as a result internal income is expected to be £29k short of target. Developing new income streams from external customers is a priority so that this pressure can be mitigated.
- Museum income is expected to be ahead of target by £7k as a result of better than expected performance of the café at the Granary.

7. Resources Directorate Quarter One Review

| Resources | Current Net Budget | Forecast (under)/over spend | | | | Change from Last Quarter |
|-------------------------|-----------------------|-----------------------------|----------------|------------------|-------------|--------------------------------|
| | | Quarter One | Quarter Two | Quarter Three | Year End | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Chief Executive | 791 | 0 | | | | 0 |
| Commissioning | 932 | 0 | | | | 0 |
| Customer Services & ICT | 3,036 | (3) | | | | (3) |
| Finance & Property | 3,169 | (260) | | | | (260) |
| Human Resources | 1,428 | 0 | | | | 0 |
| Legal Services | 1,050 | 0 | | | | 0 |
| Strategic Support | 2,349 | (17) | | | | (17) |
| Resources | 12,755 | (280) | 0 | 0 | 0 | (280) |

7.1 The Directorate is forecasting a £280k underspend on a budget of £12.8m.

(1) Strategic Support

Strategic Support Quarter One forecast is an under spend of £17k. Savings have been identified within members expenses £10k, and corporate programme management £20k. This latter saving is being offered up as a permanent saving as part of FCR.

There are a number of pressures, being: non achievement of internal income savings target £48k; reduction in demand for local land charges service £18k; and reduced grant funding for elections £10k. These are fully mitigated in year by underspends detailed above and through savings already identified as follows: staff £36k; IT £30k.

(2) Property Investment Income

The council has invested £38m in commercial property out of an initial budget of £50m. This investment has primarily been made to generate income to support the provision of council services. The forecast for this year is that the target of £500k net income will be exceeded achieving a further £250k over and above the target.

8. Capital Financing and Risk Management

8.1 Capital Financing and Risk Management is forecasting an underspend of £1.2m. The £1.2m is the forecast financial outcome of the actions that are being taken to stop non-essential spend where possible across the organisation, as a corporate response to the Adult Social Care overspend. As savings from these actions become clearer, they will be shown in the relevant service areas in future forecasts.

9. Risks

9.1 In response to the volatility of some of the Council's demand led budgets, a number of service specific risk reserves have been established. The current level of service specific risk reserves and the risks that have arisen in 2018/19 are shown in the table below.

| Risk Reserve Summary | Reserve Balance 1.4.2018 | Change to level of Reserve | Current Reserve Balance | Risks arising 2018/19 | Potential Risk Reserve balance 31.03.2019 |
|----------------------------|-----------------------------|-------------------------------|----------------------------|--------------------------|---|
| Service | £000 | £000 | £000 | £000 | £000 |
| Adult Social Care | 881 | 719 | 1,600 | -716 | 884 |
| Children & Family Services | 38 | 377 | 415 | -130 | 285 |
| Education | 0 | 279 | 279 | -150 | 129 |
| Leisure | 0 | 50 | 50 | 0 | 50 |
| Libraries | 0 | 90 | 90 | 0 | 90 |
| Transport & Countryside | 0 | 75 | 75 | 0 | 75 |
| Legal Services | 50 | 0 | 50 | 0 | 50 |
| Total | 969 | 1,590 | 2,559 | -996 | 1,563 |

- 9.2 The Quarter One forecasts are before any use of these reserves, but £996k could be released to support the forecast position, subject to member approval. Further detail on the reserves and risks arising is in Appendix G.

10. Transformation Funding

- 10.1 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. Funds have so far been allocated to:

| Directorate | Service | Project Description | Transformation Funding Awarded |
|-------------|---------------|---|--------------------------------------|
| | | | £000 |
| | | Opening Balance | 1,000 |
| Communities | Education | Emotional Health Academy | -6 |
| Resources | Commissioning | Invest to save posts in commissioning | -225 |
| Resources | HR | Invest to save post - Apprenticeship Coordinator | -74 |
| Resources | Legal | Shared service advice | -12 |
| Communities | Education | Invest to save - Family Hub transformation | -28 |
| Resources | F&P, HR, SSU | Invest to save - New Ways of Working project | -216 |
| Communities | ASC | Transport | -5 |
| | | Total awarded 2017/18 | -566 |
| | | Closing Balance 31.3.18 | 434 |
| | | Capital Receipts allocated to transformation | 561 |
| | | Opening Balance 1.4.2018 | 995 |
| Resources | SSU | Commercial Group 2 sales & marketing officers(2yrs) | -169 |
| Communities | ASC | Transport data reviewing officer extension | -3 |
| Resources | Commissioning | Extend fixed term post 1 yr re ASC | -41 |
| | | Total awarded 2018/19 | -212 |
| | | Closing Balance 31.3.19 | 783 |

- 10.2 Council approval was given to increase the Transformation Reserve in 2018/19 by £561k, as part of the Strategy for use of Capital Receipts.

11. Employee Costs

- 11.1 The following chart shows an analysis of employee costs by Directorate at Quarter One.

| Employee Costs | Last Years' Outturn £ | Original Budget for 2018/19 £ | Total Changes to Budget during 2018/19 £ | Current Budget for 2018/19 £ | Profiled Current Budget £ | Exp/Inc to date £ | Actual Variance £ |
|----------------------------------|--------------------------|----------------------------------|---|---------------------------------|------------------------------|----------------------|----------------------|
| Communities | | | | | | | |
| Salary costs | 23,318,693 | 24,253,440 | 1,212,830 | 25,466,270 | 6,341,101 | 6,032,951 | -308,150 |
| Agency & Temporary Staff | 3,346,024 | 2,983,090 | -7,700 | 2,975,390 | 740,872 | 847,699 | 106,827 |
| Other Costs | 2,018,775 | 876,410 | 10,680 | 887,090 | 220,885 | 515,076 | 294,191 |
| Total | 28,683,492 | 28,112,940 | 1,215,810 | 29,328,750 | 7,302,858 | 7,395,726 | 92,868 |
| Economy & Environment | | | | | | | |
| Salary costs | 13,268,065 | 13,835,180 | 550,410 | 14,385,590 | 3,582,012 | 3,567,694 | -14,318 |
| Agency & Temporary Staff | 366,836 | 333,800 | 0 | 333,800 | 83,116 | 109,206 | 26,090 |
| Other Costs | 517,850 | 447,450 | -550 | 446,900 | 111,278 | 11,666 | -99,612 |
| Total | 14,152,751 | 14,616,430 | 549,860 | 15,166,290 | 3,776,406 | 3,688,566 | -87,840 |
| Resources | | | | | | | |
| Salary costs | 11,686,960 | 12,450,780 | 638,540 | 13,089,320 | 3,259,241 | 2,801,809 | -457,432 |
| Agency & Temporary Staff | 262,997 | 131,140 | 0 | 131,140 | 32,654 | 38,207 | 5,553 |
| Other Costs | -58,494 | 66,110 | 19,910 | 86,020 | 21,419 | -66,597 | -88,016 |
| Total | 11,891,463 | 12,648,030 | 658,450 | 13,306,480 | 3,313,314 | 2,773,419 | -539,895 |
| Total | | | | | | | |
| Salary costs | 48,273,718 | 50,539,400 | 2,401,780 | 52,941,180 | 13,182,354 | 12,402,454 | -779,900 |
| Agency & Temporary Staff | 3,975,857 | 3,448,030 | -7,700 | 3,440,330 | 856,642 | 995,112 | 138,470 |
| Other Costs | 2,478,131 | 1,389,970 | 30,040 | 1,420,010 | 353,582 | 460,145 | 106,563 |
| Total | 54,727,706 | 55,377,400 | 2,424,120 | 57,801,520 | 14,392,578 | 13,857,711 | -534,867 |

- 11.2 The chart shows the profiled budget to 30 June 2018, i.e. three 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.

12. Dedicated Schools Grant – Quarter One Review

- 12.1 The Dedicated Schools Grant (DSG) is a ring fenced specific grant which can only be spent on school/pupil activity as set out in The School and Early Years Finance (England) Regulations 2018.
- 12.2 The budget for 2018/19 of £128m was set with a planned overspend of £655k. At Quarter One there are no variances to budget.

13. Proposals

- 13.1 To note the forecast position.

14. Conclusion

- 14.1 The Council is facing an in year overspend of £1.3m against a net revenue budget of £119.4 million, which is 1.1% of the net budget. The main driver of this is a £2.4m overspend in Adult Social Care. The Council has responded to the financial position and has put in place measures to mitigate the overspend, and identified budgets that could be released to bring the forecast overspend down further. These measures will be monitored through the remainder of the year. 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.

Background Papers:

None

Subject to Call-In:

Yes: ☐ No: ☒

The item is due to be referred to Council for final approval ☐
Delays in implementation could have serious financial implications for the Council ☐
Delays in implementation could compromise the Council's position ☐
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months ☐
Item is Urgent Key Decision ☐
Report is to note only ☒

Wards affected:

All

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aims:

- ☒ **BEC – Better educated communities**
- ☒ **SLE – A stronger local economy**
- ☒ **P&S – Protect and support those who need it**
- ☒ **HQL – Maintain a high quality of life within our communities**
- ☒ **MEC – Become an even more effective Council**

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

- ☒ **BEC1 – Improve educational attainment**
- ☒ **BEC2 – Close the educational attainment gap**
- ☒ **SLE1 – Enable the completion of more affordable housing**
- ☒ **SLE2 – Deliver or enable key infrastructure improvements in relation to roads, rail, flood prevention, regeneration and the digital economy**
- ☒ **P&S1 – Good at safeguarding children and vulnerable adults**
- ☒ **HQL1 – Support communities to do more to help themselves**
- ☒ **MEC1 – Become an even more effective Council**

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