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# 2018/19 Revenue Financial Performance: Month Five – Supporting Information

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## 1. Introduction

- 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. The Month Five forecast is an over spend of £1.9m, which is 1.6% of the net budget. The forecast overspend has increased by £634k from last month. The main increases are £165k in Adult Social Care commissioning, £200k in Children and Family Services as a result of increased expenditure on childcare lawyers attributable to an increase in complex cases, and £118k in Transport and Countryside largely due to pressures in car parking income.
- 1.2 The forecast overspend of £1.9m 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 £3.1m. 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 £3.2m (4.7%) against a net budget of £67.7m. The services forecasting overspend positions are Adult Social Care £2.5m, Children and Family Services £420k and Education Services £200k. The forecast overspend has increased by £413k from last month, of which £165k is in Adult Social Care, £200k in Children & Family Services and £48k in Education.
- 1.4 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 due to the financial impact of making improvements to our transfers of care from hospital and improving one of our care homes.
- 1.5 In Children & Family Services, the overspend is largely due to the Child Protection Teams, which is incurring additional staffing costs filling vacant posts and covering maternity and sabbatical leave. The increase since last month is due to a £200k pressure in Child Care Lawyers attributable to an increase in complex cases.
- 1.6 The Education overspend is £200k largely due to an increase in residential placements and adjustments in community care packages.
- 1.7 The remainder of the Communities Directorate is on line.

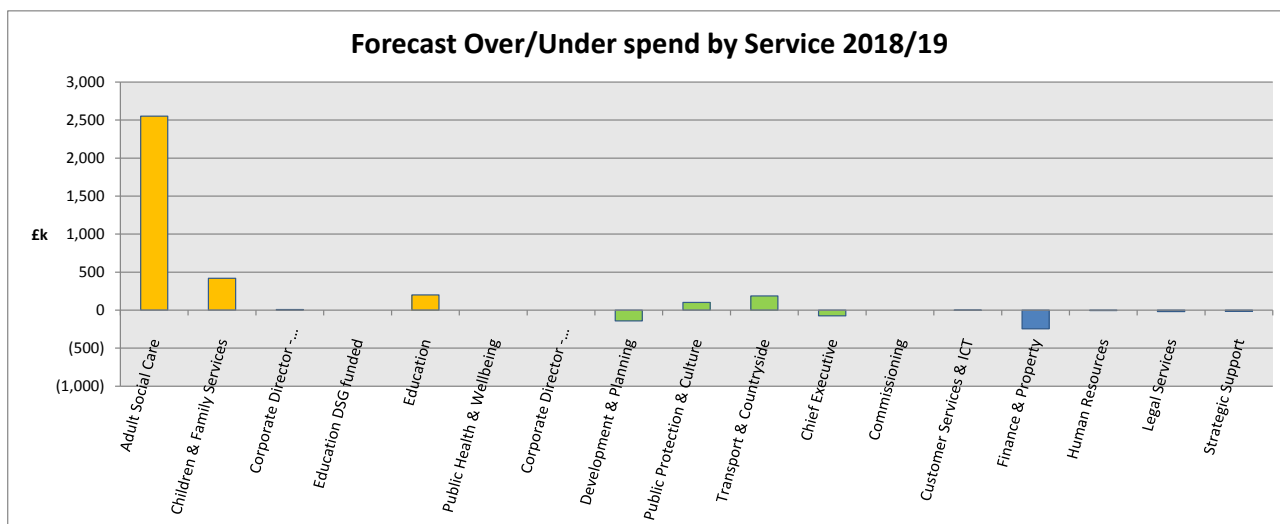
- 1.8 Economy & Environment is forecasting an overspend of £146k, an increase of £143k from last month. There are pressures on car parking income, winter maintenance and leisure budgets. The Resources Directorate is forecasting an underspend of £362k, largely due to the over achievement of investment property income.
- 1.9 Capital Financing and Risk Management is forecasting an underspend of £1m. The £1m 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. £200k has already been identified within the Directorates. As further savings from these actions become clearer, they will be shown in the relevant service areas in future forecasts.
- 1.10 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 Month Five forecast is before any use of this budget provision.
- 1.11 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 £1.2m. The risk reserves could be used to support the financial position. The Month Five forecast is before any use of the risk reserves.
- 1.12 The Month Five forecast position of £1.9m 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 (£1.2m). Deployment of these options would bring the forecast in online.

## 2. Summary Revenue Forecast 2018/19

Directorate Summary	Current Net Budget	Forecast (under)/over spend			Change from Last Month
		Quarter One	Month Four	Month Five	
	£000	£000	£000	£000	£000
<b>Communities</b>	67,709	2,768	2,768	3,181	413
<b>Economy and Environment</b>	30,909	3	3	146	143
<b>Resources</b>	12,827	(280)	(280)	(362)	(82)
<b>Capital Financing</b>	7,982	(1,200)	(1,200)	(1,040)	160
<b>Total</b>	119,427	1,291	1,291	1,925	634

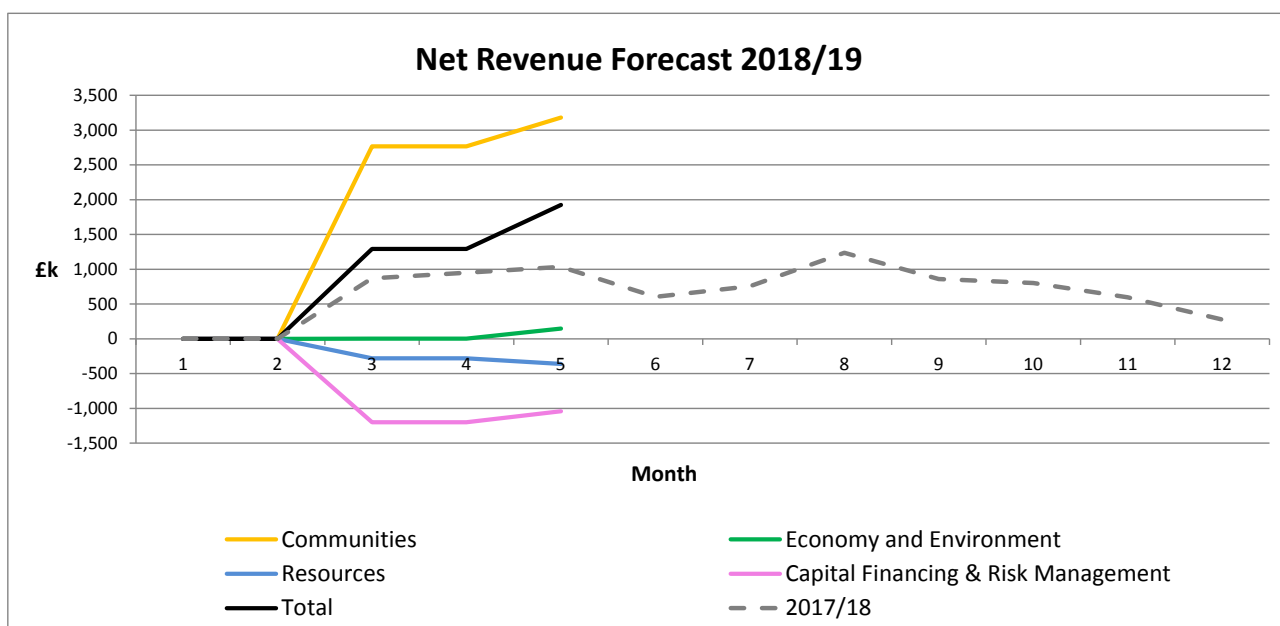
NB. Rounding differences may apply to nearest £k. Quarter One and Month Four are both using Month Four data, due to the late reporting of Q1.

- 2.1 At Month Five the Council's revenue forecast is an over spend of £2m against a net revenue budget of £119.4m. The forecasts by Service are shown in the following chart.



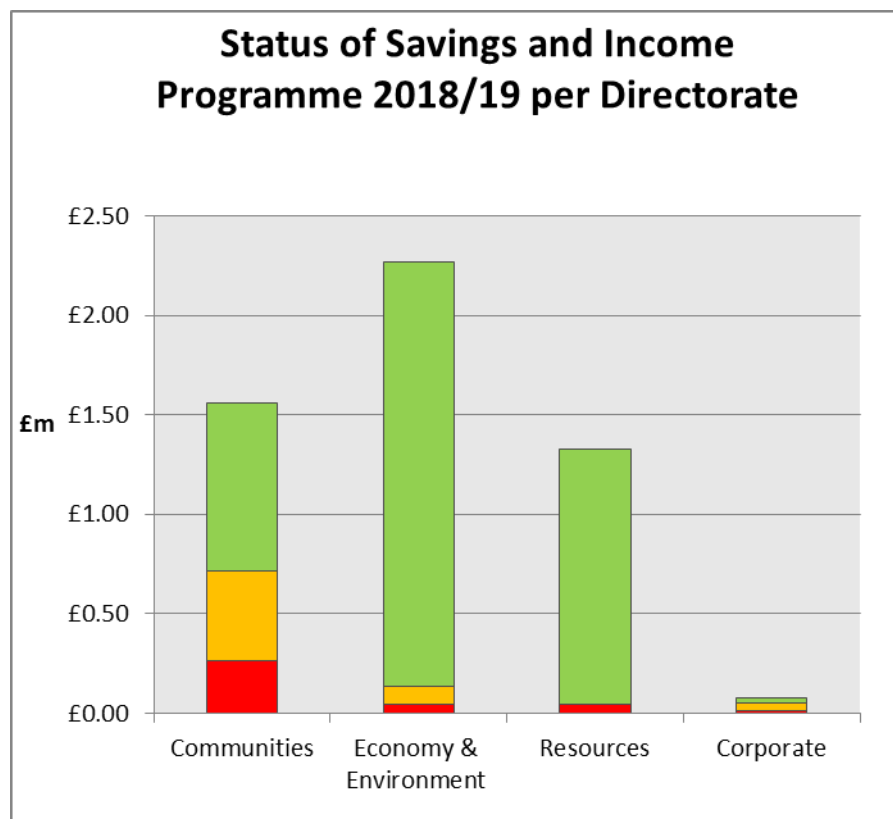
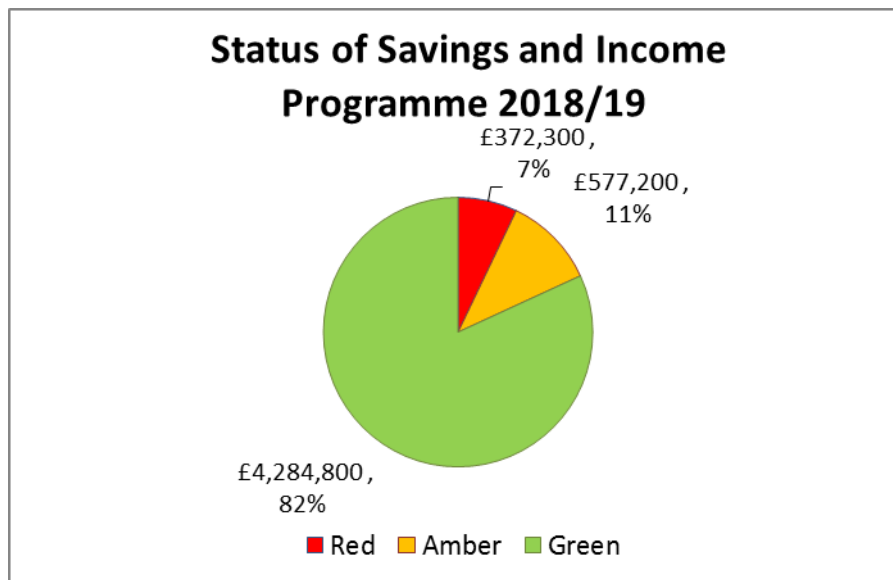
**2.2** The main service driving the over spend is Adult Social Care with a forecast over spend of £2.5m (6%) against a budget of £42.8m. The pressure has arisen primarily, although not exclusively, within the demand led commissioning budgets. The cost of commissioning client packages from the external 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.

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



### 3. 2018/19 Savings and Income Generation Programme

**3.1** 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:



### 3.2 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 currently £845k Green, £450k Amber and £267k Red.

#### **Corporate Director:**

£61k of savings relating to income and efficiency targets assigned to the former Prevention & Safeguarding Service are Red, due to insufficient demand. The target has been reallocated as an efficiency target against the Communities Corporate Director cost centre and the directorate is reviewing alternative options for delivery of the savings target. However it is unlikely that the target will be achieved in 2018/19.

**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 Month Five.

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 Red which means it is not on track to deliver. These costs are incurred when applying for Court Orders to safeguard a child. The complexity of the case and the extent to which it is contested can add considerably to the costs. Furthermore, there is increasing expectation that children in care should be safeguarded by Court Orders rather than informal (voluntary) arrangements. 80% of West Berkshire children in care have a Court Order protecting their status. It is impossible to predict future demand accurately, but there is opportunity to better forecast the particularly costly cases to help identify future pressures better. Longer term there may also be the opportunity to procure legal services from a different provider.

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 plans not being realised. Initial spare bed capacity was to be sold to non WBC children however subsequent increase in demand for WBC children requiring respite care has filled these beds.

All other savings are expected to be achieved.

### 3.3 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 £2.13m Green, £88k Amber and £46k Red.

#### Transport and Countryside:

£46k of car parks income is Red as considerable difficulty in recruiting enforcement officers has resulted in reduced income from penalty charges, and there has been no increased income from on street parking charges.

£75k car parks income is Amber. External power supply problems, vandalism of and thefts from parking equipment and fewer enforcement resources than anticipated has had an adverse impact on income.

#### Development and Planning:

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

### 3.4 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 £1.28m 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. Currently other in year savings identified within the service are expected to mitigate this pressure during 2018/19.

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

## 4. Communities Directorate Month Five Review

Communities	Current Net Budget	Forecast (under)/over spend			Change from Last Month
		Quarter One	Month Four	Month Five	
	£000	£000	£000	£000	£000
Adult Social Care	42,804	2,388	2,388	2,553	165
Children & Family Services	15,983	220	220	420	200
Corporate Director - Communities	152	8	8	8	0
Education DSG funded	(444)	0	0	0	0
Education	8,962	152	152	200	48
Public Health & Wellbeing	252	0	0	0	0
<b>Communities</b>	<b>67,709</b>	<b>2,768</b>	<b>2,768</b>	<b>3,181</b>	<b>413</b>

- 4.1 The forecast revenue over spend for the Communities Directorate is £3.2million against a net budget of £67.7million.

- 4.2 Three services are forecasting year end overspend positions as at Month Five, Adult Social Care £2.6million, Children and Family Services £420k and Education Services £200k. 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.

#### 4.3 Adult Social Care

Adult Social Care is forecasting an over spend of £2.6million at Month Five, against a £42.8million budget.

The pressure is primarily within the demand led commissioning budgets. The forecast commissioning pressure at Month Five is £2.4million against a net commissioning budget of £28.2million, a 9% forecast overspend. The cost of commissioning client packages from the external market has risen significantly. All primary support categories (PSR), are forecast to overspend against budget. The most significant forecast overspends within the commissioning budget are against physical support over 65s, and memory and cognition support services for over 65s. The largest proportion of the commissioning budget is spent on learning disability support services 18-64 years.

Client numbers accessing long term services are monitored weekly; the overall number of services clients are in receipt of has remained relatively constant historically. In common with other local authorities the service strategy is to maintain as many people to stay at home avoiding high cost residential placements. These care packages will comprise more than one element e.g. a young adult with a learning disability or older adult with dementia may have respite to give the family a break, day activities and transport.

Mitigation strategies are currently under review to address the pressures identified in the commissioning budget.

#### 4.4 Children and Family Services

Children & Family Services is forecasting a £420k overspend against budget at Month Five. The increase since last month is due to a £200k pressure in Child Care Lawyers attributable to an increase in complex cases. The remaining overspend is largely due to 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.

The Children & Family Services risk reserve is £415k. The majority of 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. If the reserve were used, the remaining over spend would be £90k.

#### 4.5 Education

The Education Service is forecasting an over spend of £200k at Month Five. This is largely due to an increase in residential placements of £130k, and adjustments in community care packages of £77k. SEN services are overspent owing to a

reduction in SEN reform grant, £54k, and a shortfall on staffing budgets, £11k. The overspend has been partially offset by underspends on transport, £93k, and £21k on other disabled children services.

The Education risk reserve is £279k for 2018/19. The residential placement 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. If the reserve were used, the remaining over spend would be £70k.

#### 4.6 Public Health & Wellbeing

Public Health is forecasted to be on line by year end.

### 5. Economy & Environment Directorate Month Five Review

Economy and Environment	Current Net Budget	Forecast (under)/over spend			Change from Last Month
		Quarter One	Month Four	Month Five	
	£000	£000	£000	£000	£000
Corporate Director - Environment	179	0	0	0	0
Development & Planning	2,831	(114)	(114)	(142)	(28)
Public Protection & Culture	4,021	47	47	100	53
Transport & Countryside	23,878	70	70	188	118
<b>Economy and Environment</b>	<b>30,909</b>	<b>3</b>	<b>3</b>	<b>146</b>	<b>143</b>

5.1 The Directorate is currently forecasting a £143k over spend against a budget of £30.9m. Two services are reporting a forecast overspend at Month Five.

#### 5.2 Public Protection & Culture

The Service is forecasting an overspend of £100k. This is mainly due to:

- Mop up costs associated with two functions that have now ceased - Activity Team and the Duke of Edinburgh scheme £32k.
- 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 £10k short of target. Developing new income streams from external customers is a priority so that this pressure can be mitigated.
- Salary costs associated with libraries are expected to be in excess of target by £12k. There is a risk reserve associated with this service of £90k.
- The overall leisure net budget is expected to be exceeded by £44k, this is mainly due to the level of third party contributions. There is a risk reserve associated with this service of £50k.

#### 5.3 Transport and Countryside

The service is forecasting an overspend of £188k. This is mainly due to:

- Winter maintenance budgets are expected to be overspent by £73k. There is a risk reserve of £75k associated with this service.



- Energy price rises in April were higher than anticipated and a pressure of £20k is forecast.
- Contractor cost pressure due to staff vacancies in the traffic service £18k.
- Car parking income is expected to be £105k lower than target due to lack of enforcement resources as well as capacity reduction and technical problems at car parks due to power supply problems and vandalism of and thefts from parking equipment.

#### 5.4 Development and Planning

The service is forecasting an underspend of £142k. This is largely due to salary and associated savings in Development Control and savings of £20k in Housing as a result of project delays.

### 6. Resources Directorate Month Five Review

Resources	Current Net Budget £000	Forecast (under)/over spend			Change from Last Month £000
		Quarter One £000	Month Four £000	Month Five £000	
	£000	£000	£000	£000	£000
Chief Executive	791	0	0	(75)	(75)
Commissioning	932	0	0	0	0
Customer Services & ICT	3,036	(3)	(3)	(3)	(0)
Finance & Property	3,199	(260)	(260)	(245)	15
Human Resources	1,472	0	0	(5)	(5)
Legal Services	1,054	0	0	(19)	(19)
Strategic Support	2,343	(17)	(17)	(15)	2
<b>Resources</b>	<b>12,827</b>	<b>(280)</b>	<b>(280)</b>	<b>(362)</b>	<b>(82)</b>

6.1 The Directorate is forecasting a £362k underspend on a budget of £12.8m. No service is reporting a forecast overspend at Month Five.

#### 6.2 In Year Savings

An in year corporate savings target was announced during the month. Initial work to achieve this within the Chief Executives service has identified £75k of in year savings of which £11k is ongoing. These savings are mainly made up of salary savings £40k, and the postponement of additional spending on training of £20k and other delivery budgets £7k.

#### 6.3 Finance & Property - Property Investment Income

The council has invested £38m in commercial property out of a total budget of £100m. 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 by £250k.

#### 6.4 Strategic Support

Strategic Support Month Five forecast is an under spend of £15k. There are a number of pressures in the service which can be subdivided as follows: non achievement of internal income savings target £48k; reduction in demand for local land charges service £25k; corporate subscriptions £7k; and register of elections

household enquiry forms £10k. These are mitigated by underspends as follows: members expenses and allowances £10k; staff £65k; IT £30k.

## 7. Risks

- 7.1 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	-330	85
Education	0	279	279	-130	149
Leisure	0	50	50	0	50
Libraries	0	90	90	0	90
Transport & Countryside	0	75	75	-73	2
Legal Services	50	0	50	0	50
<b>Total</b>	<b>969</b>	<b>1,590</b>	<b>2,559</b>	<b>-1,249</b>	<b>1,310</b>

- 7.2 The Month Five forecasts are before any use of these reserves, but £1.2m could be released to support the forecast position, subject to member approval.

## 8. Transformation Funding

- 8.1 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
			<b>£000</b>
		<b>Opening Balance</b>	<b>1,000</b>
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
		<b>Total awarded 2017/18</b>	<b>-566</b>
		<b>Closing Balance 31.3.18</b>	<b>434</b>
		Capital Receipts allocated to transformation	561
		<b>Opening Balance 1.4.2018</b>	<b>995</b>
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
		<b>Total awarded 2018/19</b>	<b>-212</b>
		<b>Closing Balance 31.3.19</b>	<b>783</b>

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

## 9. Proposals

9.1 To note the forecast position.

## 10. Conclusion

10.1 The Council is facing an in year overspend of £1.9m against a net revenue budget of £119.4 million, which is 1.6% of the net budget. The main driver of this is a £2.5m 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.