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# 2018/19 Revenue Financial Performance: Month Seven – 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 Seven forecast is an over spend of £1.8m, which is 1.5% of the net budget. The forecast overspend has increased by £546k from last month's forecast, largely due to Adult Social Care pressures increasing in short term services £175k, learning disability £174k and Birchwood care home £141k.
- 1.2 The overspend and increase from last month is within the Communities Directorate, forecasting an overspend of £2.8m (4%) against a net budget of £67.7m. The services forecasting overspend positions are Adult Social Care £2.1m and Children and Family Services £799k.
- 1.3 The main driver of the 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. 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 short term services £175k, learning disability £174k (including significant additional costs following change of family circumstances for one individual) and improving Birchwood Care Home £141k (staffing costs).
- 1.4 In Children & Family Services, £500k of the forecast overspend is due to pressure in Child Care Lawyers. This is in part attributable to an unmet savings target and in part to an increase in complex cases since last quarter. The demand led placement budgets are reporting an overspend of £279k mainly in Independent Fostering Agencies' and Special Guardianship cost centres.
- 1.5 The remainder of the Communities Directorate is on line.
- 1.6 Economy & Environment is forecasting an underspend of £331k, an increase of £2k from last month. The Resources Directorate is forecasting an underspend of £667k, largely due to the over achievement of investment property income and as a result of identifying savings to contribute to the corporate target.
- 1.7 Capital Financing and Risk Management is forecasting an on line position.
- 1.8 A decision has been taken corporately to slow expenditure in the remainder of the current financial year as a corporate response to the Adult Social Care overspend.

Adult Social Care has been tasked with identifying £500k mitigation strategies. Children & Family Services and the Education Service, have been tasked with identifying mitigation strategies of £200k each. A further £500k mitigation target was allocated to corporate services. £2m has now been identified and reported within the Directorates forecasts. £1077k mitigation has been found within services with the remaining £949k forecast to be achieved by year end. The forecast overspend of £1.8m includes £2m of mitigating action. Prior to any mitigation, the Council would be forecasting an overspend position of £3.8m.

- 1.9 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 forecast is before any use of this budget provision.
- 1.10 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 £1.5m. The risk reserves could be used to support the financial position. The forecast is before any use of the risk reserves.
- 1.11 The forecast position of £1.8m 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 (£1.5m). Deployment of these options would bring the year in under budget.

## **2. Changes to the 2018/19 Budget**

- 2.1 The Council set a revenue budget of £119.4million 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. Budget changes are reported on a quarterly basis.

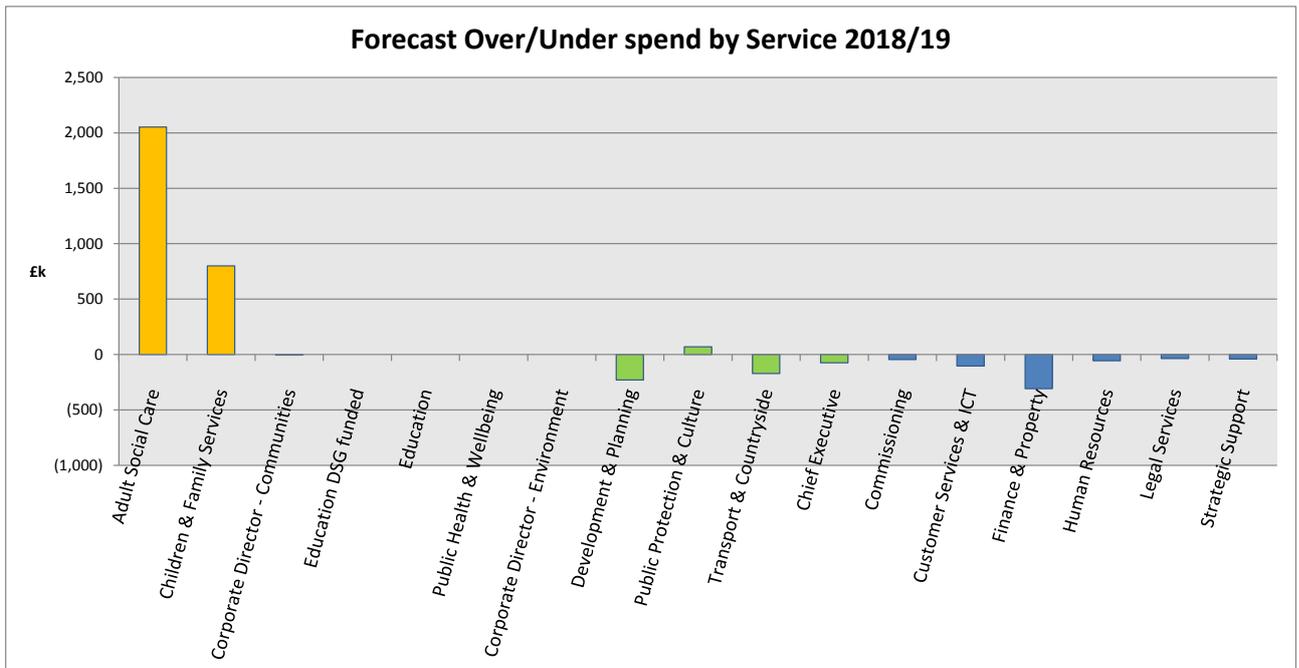
### 3. Summary Revenue Forecast 2018/19

	Current Net Budget	Forecast (under)/over spend			Change from Last Month
		Quarter One	Quarter Two	Month Seven	
	£000	£000	£000	£000	£000
Adult Social Care	42,804	2,388	1,640	2,053	413
Children & Family Services	15,983	220	657	799	142
Corporate Director -	152	8	8	(5)	(13)
Education DSG funded	(444)	0	0	0	0
Education	8,961	152	(1)	0	1
Public Health & Wellbeing	253	0	0	0	0
<b>Communities</b>	<b>67,709</b>	<b>2,768</b>	<b>2,303</b>	<b>2,847</b>	<b>544</b>
Corporate Director - Environment	179	0	0	0	0
Development & Planning	2,831	(114)	(232)	(230)	2
Public Protection & Culture	4,060	47	70	70	0
Transport & Countryside	23,877	70	(171)	(171)	0
<b>Economy and Environment</b>	<b>30,947</b>	<b>3</b>	<b>(333)</b>	<b>(331)</b>	<b>2</b>
Chief Executive	791	0	(75)	(75)	0
Commissioning	932	0	(46)	(46)	0
Customer Services & ICT	3,035	(3)	(104)	(104)	0
Finance & Property	3,199	(260)	(314)	(309)	5
Human Resources	1,472	0	(52)	(57)	(5)
Legal Services	1,066	0	(36)	(36)	0
Strategic Support	2,344	(17)	(40)	(40)	0
<b>Resources</b>	<b>12,839</b>	<b>(280)</b>	<b>(667)</b>	<b>(667)</b>	<b>0</b>
Capital Financing	10,465	0	0	0	0
Movement through Reserves	(3,251)	0	0	0	0
Risk Management	768	(1,200)	0	0	0
<b>Capital Financing &amp; Risk Management</b>	<b>7,982</b>	<b>(1,200)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>119,477</b>	<b>1,291</b>	<b>1,303</b>	<b>1,849</b>	<b>546</b>

NB. Rounding differences may apply to nearest £k.

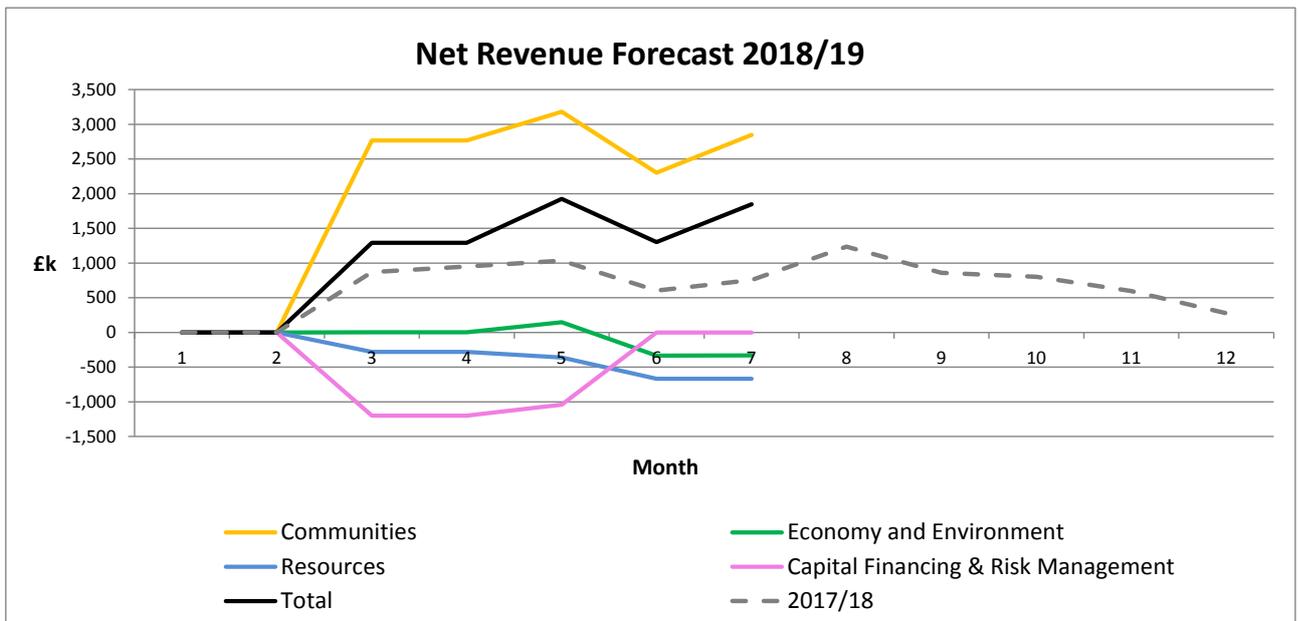
At Month Seven the Council's revenue forecast is an over spend of £1.8m against a net revenue budget of £119.4m.

The forecasts by Service are shown in the following chart.



**3.1** The main service driving the over spend is Adult Social Care with a forecast over spend of £2.1m (4%) 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.

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



**4. In Year Savings Programme**

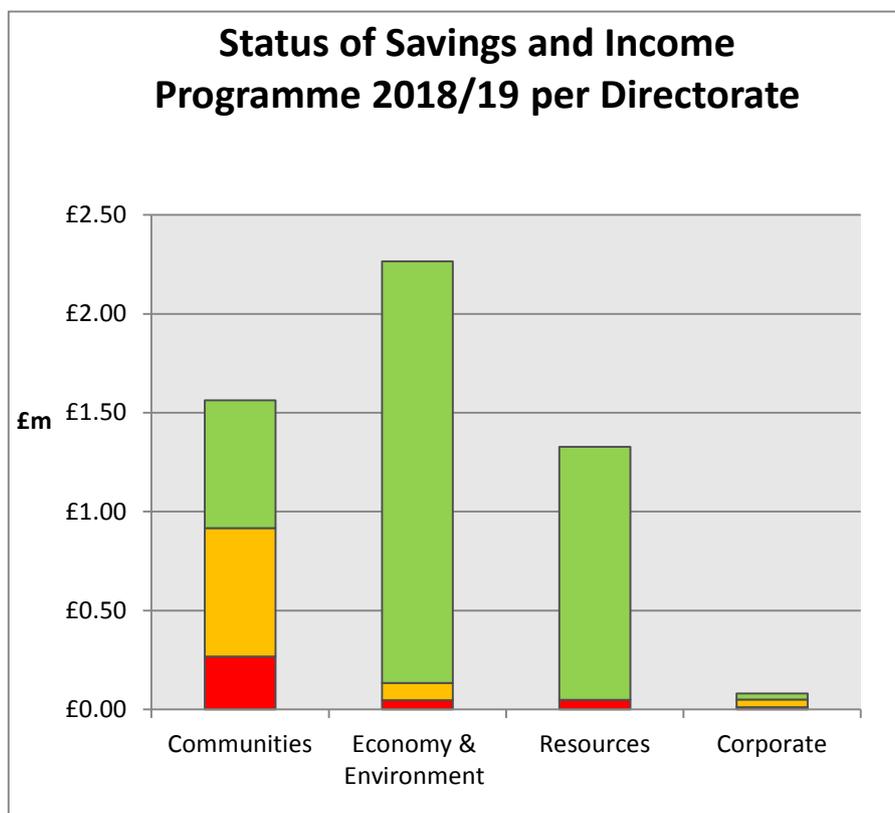
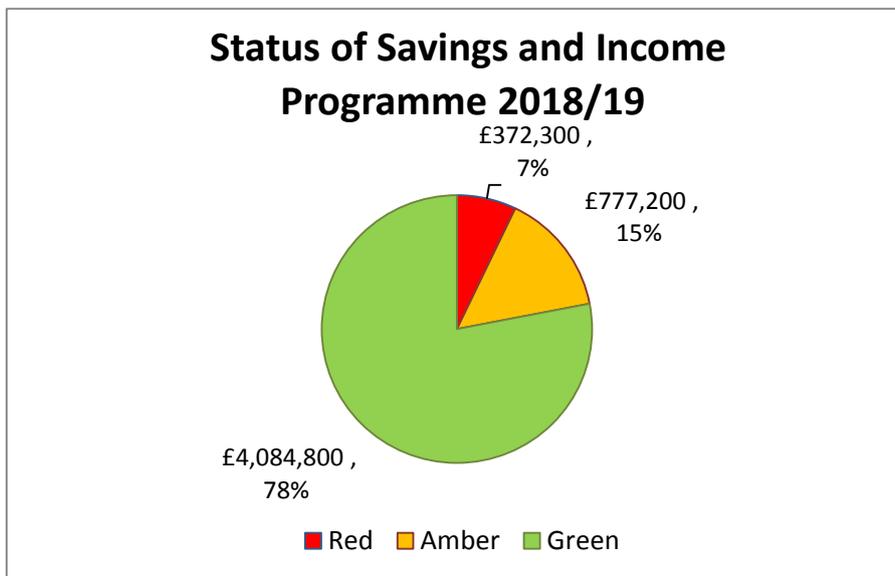
**4.1** A decision has been taken corporately to slow expenditure in the remainder of the current financial year as a corporate response to the Adult Social Care overspend. Adult Social Care has been tasked with identifying £500k mitigation strategies.

Children & Family Services and the Education Service, have been tasked with identifying mitigation strategies of £200k each. A further £500k mitigation target was allocated to corporate services. £2m has now been identified and reported within the Directorates forecasts. £1077k mitigation has been found within services with the remaining £949k forecast to be achieved by year end. Progress to date is shown in the following table:

In Year Savings 2018/19						
Directorate	Service	Actual at M7 £000	In Progress £000	Capital £000	Remaining Target £000	Total £000
Communities	Adult Social Care	176	12		312	500
	Childrens and Family Services	167	33			200
	Corporate Director - Communities					0
	Education (DSG Funded)					0
	Education	100	50	50		200
	Public Health & Wellbeing		25			25
	<b>Total</b>	<b>443</b>	<b>120</b>	<b>50</b>	<b>312</b>	<b>925</b>
Economy & Environment	Corporate Director - Environment					0
	Development and Planning	86	45			131
	Public Protection and Culture	10	20			30
	Transport and Countryside	105		303		408
	<b>Total</b>	<b>201</b>	<b>65</b>	<b>303</b>	<b>0</b>	<b>569</b>
Resources	Chief Executive	75				75
	Commissioning	46				46
	Customer Services and ICT	78	31			109
	Finance and Property	59	40			99
	Human Resources	31	19			50
	Legal Services	112	0			112
	Strategic Support	32	9			41
	<b>Total</b>	<b>433</b>	<b>99</b>	<b>0</b>	<b>0</b>	<b>532</b>
	<b>Total</b>	<b>1077</b>	<b>284</b>	<b>353</b>	<b>312</b>	<b>2026</b>

## 5. 2018/19 Savings and Income Generation Programme

5.1 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:



## 5.2 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 £645k Green, £650k Amber and £267k Red.

### Corporate Director:

£61k of savings relating to income and efficiency targets assigned to the former Prevention & Safeguarding Service are Red. The target has 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, but it is unlikely that the target will be achieved and a pressure bid has been submitted for 2019/20.

**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. 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. provider rate increases, 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 as it is not on track to deliver. This is mostly due to particularly complex West Berkshire cases before the Family Court this year. However, the unavailability of detailed timely information has made it harder to budget for this service. We are undertaking a review working with the Joint Legal Team at Reading Council to improve the process to ensure we have a better understanding of future forecasted costs

Placements management (family safeguarding), £200k, is forecast as Amber at Quarter Two. As the Placement budget is overspent in Period Seven there is a risk the savings target will not be fully achieved in year.

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 implemented yet and subsequent increase in demand for WBC children requiring respite care has filled these beds.

All other savings are expected to be achieved.

**Public Health & Wellbeing:**

Public Health & Wellbeing services 2018/19 budget was built with a £333k of savings & income generation programme.

Income generation of £29k is red due to traded services implementation being delayed. Needle Exchange, £5k, and SRCL Waste, £2k, are flagged as red due to the savings not be feasible to be fulfilled. These savings will be offset by underspends on dual diagnosis nurse.

All other savings are expected to be achieved.

**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 Civil Enforcement Officers has resulted in reduced income from penalty charges, and there has been no increased income from on street parking charges as this savings proposal was not pursued.

£75k car parks income is Amber due to external power problems, vandalism and thefts from parking machines, and less 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.

**5.3 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 C provides a list of the savings and income items that are at risk.

## 6. Communities Directorate Month Seven Review

Communities	Current Net Budget	Forecast (under)/over spend			Change from Last Month
		Quarter One	Quarter Two	Month Seven	
	£000	£000	£000	£000	£000
Adult Social Care	42,804	2,388	2,140	2,053	(87)
Children & Family Services	15,983	220	657	799	142
Corporate Director -	152	8	8	(5)	(13)
Education DSG funded	(444)	0	0	0	0
Education	8,961	152	(1)	0	1
Public Health & Wellbeing	253	0	0	0	0
<b>Communities</b>	<b>67,709</b>	<b>2,768</b>	<b>2,803</b>	<b>2,847</b>	<b>44</b>

6.1 The forecast revenue over spend for the Communities Directorate is £2.8 million against a net budget of £67.7million.

6.2 Two services are forecasting year end overspend positions as at Month Seven, Adult Social Care £2.1million and Children and Family Services £799k. Across both 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 and a further financial pressure has been identified relating to the Children and Family Service’s Childcare Lawyers budget.

### (1) Adult Social Care

Adult Social Care is forecasting an over spend of £2.1million at Month Seven, against a £42.8million budget.

The pressure is primarily within the demand led commissioning budgets. The forecast commissioning pressure at Month Seven is £1.7million against a net commissioning budget of £27million, a 6% forecast overspend. The cost of commissioning client packages from the external market has risen significantly. Average inflationary rates demanded by suppliers has exceeded the modelled 2018/19 inflation rate of 3% on which the commissioning budget was based. 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, memory and cognition support services for over 65s learning disability support services for age group 18-64 years.

As at Month Seven, £500k of additional Winter Pressures funding has been received and included in the forecast position. The additional in year funding has reduced the financial pressure created via improved Transfer of Care (TOC) rates (transfers of people from Hospital into Reablement or long term care setting where required). As a result of the additional funding the forecast overspend against Maximising Independence has reduced from £230k to online. Winter Pressures funding has also been allocated into the long term commissioning budget as one off funding to relieve financial pressures from individuals transferred from Hospital into

straight into long term care services, contributing to the £100k reduction in the long term services forecast overspend position.

The full financial benefit of the additional £500k of funding has been offset by increases in commissioning of short terms services (non TOC), which have increased from a forecast overspend of £392k at Quarter Two to £567k at Month Seven. An increase in long term services commissioning for Learning Disability clients (increase of £174k from Quarter Two) and an increase in the financial pressure generated in the Birchwood Care Home. As at Month Seven, Birchwood Care Home itself is forecasting an overspend position of £757k, a £141k increase on the forecast at Quarter Two. The pressure relates to utilising additional staffing (agency) to support improved service delivery at the home.

Although Birchwood and short term services commissioning are areas of pressure in the current financial year, the financial pressure on the long term services commissioning budget remains the most significant driver of the service overspend. The key issues driving the long term services commissioning pressure are:

- The Birchwood embargo resulted in additional commissioning of external beds, the embargo was lifted in September and forecasting now includes phased admission of new clients into Birchwood.
- Inflationary and demographic pressure on the commissioning budget.

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 firstly work with people at an early stage to try and avoid them coming into the long term care system, then to maintain as many people to stay at home avoiding high cost residential placements.

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

## **(2) Children and Family Services**

Children & Family Services is forecasting a £799k overspend against budget at Period Seven. The overspend is mainly due to Child Care Lawyers cost, placement budgets and child protection teams.

Child care lawyers are overspent by £500k which is due to four complex high costs cases. The 18/19 budget for Child Care lawyers is £425k and this includes a £200k saving target to reduce child care lawyers' costs which is not achieved. Subsequently, the current forecast spend is £925k subject to further information to be received.

The placement budgets are overspent by £279k mainly in Independent Fostering Agencies' and Special Guardianship cost centres. The increase in cost is driven by demand which fluctuates during the year.

Child protection teams are overspent by £119k primarily due to recruitment issues which has resulted in agency cover to manage vacancies and sabbaticals.

Mitigation strategies are currently under review to address the pressures identified in the Education service

In year savings have been identified, £200k, to mitigate the overspend in prior months and this has been included in the service forecast.

The CFS risk reserve is £415k and the majority of the over spend is against identified risks. Therefore the CFS reserve could be used to offset £398k of the over spend, should Members decide to do so. The forecasting assumptions and risk register will continue to be monitored until the end of the financial year.

### (3) Education

The Education Service is forecasting to be on line as at Period Seven. There are overspends in residential placements, £105k and adjustments in community care packages, £75k. SEN services are overspent owing to a reduction in SEN reform grant of £35k, and a shortfall on staffing budgets of £11k. The overspend has been partially offset by underspends on transport, £183k and other disabled children services, £21k.

Mitigation strategies are currently under review to address the pressures identified in the Education service

In year savings have been identified, £200k, to mitigate the overspend in prior months and it has all been included in the service forecast which as a result the service is reported to be on line as at Period Seven.

The Education risk reserve is £279k for 2018/19. The residential placement and community care packages over spend, £180k, relates to identified risks therefore the risk reserve could be utilised to offset the over spend, should Members decide to do so. If the reserve were used, Education Services would forecast to be underspent at year end. The forecasting assumptions and risk register will continue to be monitored until the end of the financial year

### (4) Public Health & Wellbeing

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

## 7. Economy & Environment Directorate Month Seven Review

Economy and Environment	Current Net Budget	Forecast (under)/over spend			Change from Last Month
		Quarter One	Quarter Two	Month Seven	
	£000	£000	£000	£000	£000
Corporate Director - Environment	179	0	0	0	0
Development & Planning	2,831	(114)	(232)	(230)	2
Public Protection & Culture	4,060	47	70	70	0
Transport & Countryside	23,877	70	(171)	(171)	0
<b>Economy and Environment</b>	<b>30,947</b>	<b>3</b>	<b>(333)</b>	<b>(331)</b>	<b>2</b>

The Directorate is currently forecasting a £331k under spend against a budget of £30.9m.

**(1) Development and Planning**

The service is forecasting an under spend of £230k. This is largely due to salary and associated savings in Development Control and savings of £25k in Housing as a result of project delays.

**(2) Public Protection & Culture**

The Service is forecasting an over spend of £70k. 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.
- 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.

**(3) Transport and Countryside**

The service is forecasting an under spend of £171k. In year savings are forecast to achieve £408k, largely as a result of the capitalisation programme. The service is also experiencing pressures as follows:

- Winter maintenance budgets are expected to be overspent by £73k as a result of under estimating the budget requirement. There is a risk reserve of £75k associated with this service.
- Car parking income is expected to be lower than target due in part to ticket sales in Q2 being 7% down on the same period last year.

**8. Resources Directorate Month Seven Review**

Resources	Current Net Budget	Forecast (under)/over spend			Change from Last Month
		Quarter One	Quarter Two	Month Seven	
	£000	£000	£000	£000	£000
Chief Executive	791	0	(75)	(75)	0
Commissioning	932	0	(46)	(46)	0
Customer Services & ICT	3,035	(3)	(104)	(104)	0
Finance & Property	3,199	(260)	(314)	(309)	5
Human Resources	1,472	0	(52)	(57)	(5)
Legal Services	1,066	0	(36)	(36)	0
Strategic Support	2,344	(17)	(40)	(40)	0
<b>Resources</b>	<b>12,839</b>	<b>(280)</b>	<b>(667)</b>	<b>(667)</b>	<b>0</b>

8.1 The Directorate is forecasting a £667k underspend against a budget of £12.8m. This underspend has not changed from Quarter Two, as the Directorate is reporting

on a quarterly basis. The Directorate is forecasting to achieve £0.5m in year savings in response to the corporate slow down.

## 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 risk reserves are based on service risk registers. The reserves can be released if the named risks arise, subject to member approval. 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	-777	823
Children & Family Services	38	377	415	-398	17
Education	0	279	279	-180	99
Leisure	0	50	50	0	50
Libraries	0	90	90	0	90
Transport & Countryside	0	75	75	-73	2
Legal Services	50	0	50	-50	0
<b>Total</b>	<b>969</b>	<b>1,590</b>	<b>2,559</b>	<b>-1,478</b>	<b>1,081</b>

9.2 The forecasts are before any use of these reserves, but £1.5m could be released to support the forecast position, subject to member approval.

## 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 as shown in the table:

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/Env	SSU/PPC	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
Resources	F&P	Digital transformation Revs and Bens	-147
Resources	Legal	Shared service advice	-16
Resources	Commissioning	Invest to save posts in commissioning	-42
Communities	ASC	Review of care packages	-150
		<b>Total awarded 2018/19</b>	<b>-567</b>
		<b>Closing Balance 31.3.19</b>	<b>428</b>

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. Proposals

11.1 To note the forecast position.

## 12. Conclusion

12.1 The Council is facing an in year overspend of £1.8m against a net revenue budget of £119.4 million, which is 1.5% of the net budget. The main driver of this is a £2.1m 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 position to an underspend. 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.