

---

# 2018/19 Revenue Financial Performance: Quarter Three – Supporting Information

---

### 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 Quarter Three forecast is an over spend of £250k, which is 0.2% of the net budget. The forecast position is after forecasting the impact of a corporate response to stop non-essential spend, releasing £500k of the risk management budget and releasing £812k from available risk reserves (subject to Executive approval).
- 1.2 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. At Quarter Three, £500k of this budget is proposed to be used to support the in-year overspend. The remainder will be returned to reserves.
- 1.3 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. The Quarter Three forecast of £250k, is after the proposed release of £812k from the risk reserves.
- 1.4 At Quarter three, the Communities Directorate is forecasting an overspend of £1.8m, with underspends of £367k in Economy and Environment, £613k in Resources, and £610k in Risk Management bringing the overall overspend down to £250k. Two services are forecasting overspends: Adult Social Care £1.1m and Children & Family Services £755k.
- 1.5 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, learning disability and improving Birchwood Care Home (staffing costs). At Quarter Three, it is proposed that £609k be released from the risk reserve.
- 1.6 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 four complex high court cases. The demand led placement budgets are

reporting an overspend of £474k mainly in Residential Care, Independent Fostering Agencies’ and Special Guardianship cost centres. At Quarter Three, it is proposed that £203k be released from the service risk reserve.

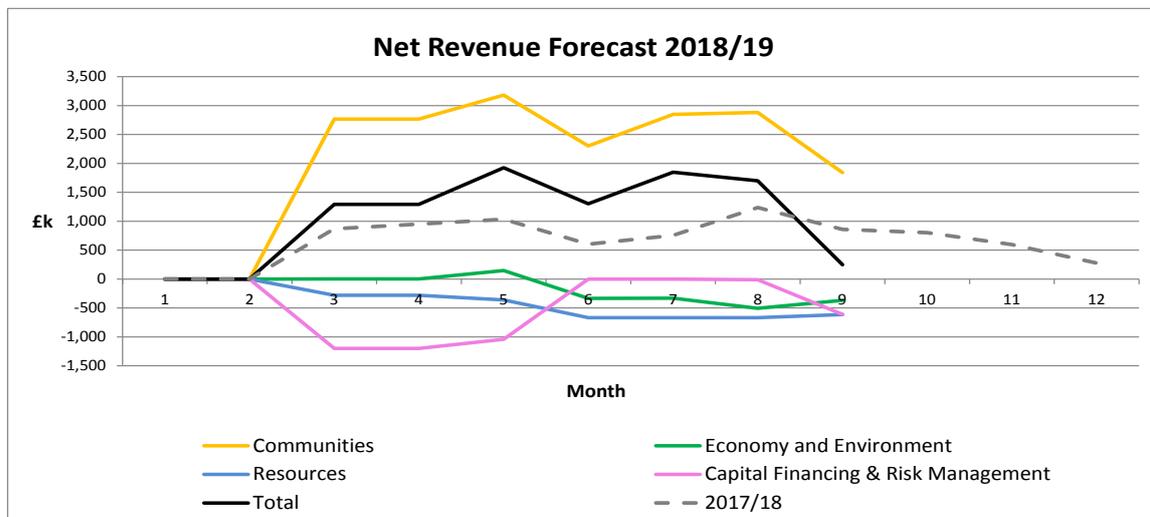
- 1.7 A decision has been taken corporately to slow expenditure in the remainder of the current financial year as a corporate response to the Adult Social Care overspend. Adult Social Care has been tasked with identifying £500k mitigation strategies. Children & Family Services and the Education Service, have been tasked with identifying mitigation strategies of £200k each. A further £500k mitigation target was allocated to corporate services. £1.4m has now been identified and reported within the Directorates forecasts. A further £853k has been found from capitalising relevant expenditure.

## 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.
- 2.2 Appendix F shows the budget changes requiring Executive approval. At Quarter Three the items requiring approval are the release of £812k from service risk reserves.

## 3. Summary Revenue Forecast 2018/19

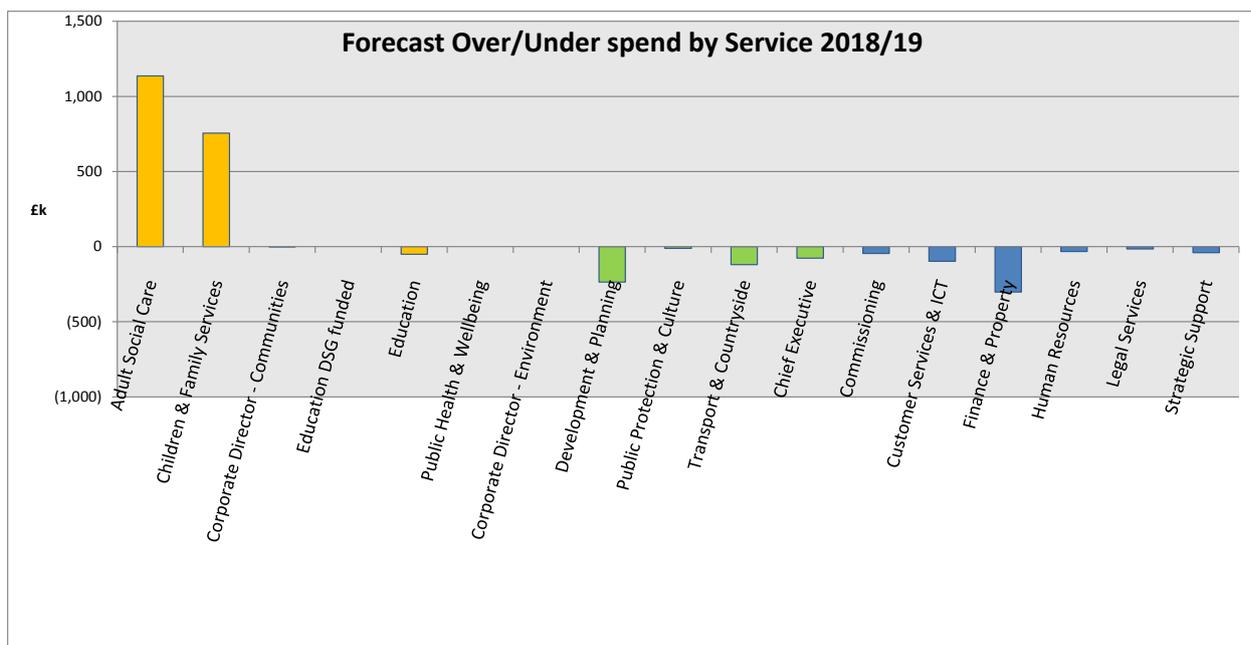
- 3.1 The Quarter Three forecast is an overspend of £250k, which is 0.2% of the net budget. Prior to the proposed use of the risk management budget of £500k and release of service risk reserves of £812k, the forecast overspend would be £1.6m.



3.2 Summary Revenue Forecast by Service

	Current Net Budget	Forecast (under)/over spend			Change from Last Quarter
		Quarter One	Quarter Two	Quarter Three	
	£000	£000	£000	£000	£000
Adult Social Care	43,689	2,388	1,640	1,136	(504)
Children & Family Services	16,107	220	657	755	98
Corporate Director -	152	8	8	(1)	(9)
Education DSG funded	(444)	0	0	0	0
Education	8,963	152	(1)	(51)	(50)
Public Health & Wellbeing	252	0	0	0	0
<b>Communities</b>	<b>68,719</b>	<b>2,768</b>	<b>2,303</b>	<b>1,840</b>	<b>(464)</b>
Corporate Director -	179	0	0	0	0
Development & Planning	2,821	(114)	(232)	(236)	(4)
Public Protection & Culture	4,060	47	70	(11)	(81)
Transport & Countryside	23,877	70	(171)	(120)	51
<b>Economy and Environment</b>	<b>30,937</b>	<b>3</b>	<b>(333)</b>	<b>(367)</b>	<b>(34)</b>
Chief Executive	791	0	(75)	(77)	(2)
Commissioning	1,042	0	(46)	(46)	0
Customer Services & ICT	3,035	(3)	(104)	(98)	6
Finance & Property	3,229	(260)	(314)	(303)	11
Human Resources	1,472	0	(52)	(33)	19
Legal Services	1,066	0	(36)	(16)	20
Strategic Support	2,344	(17)	(40)	(40)	0
<b>Resources</b>	<b>12,979</b>	<b>(280)</b>	<b>(667)</b>	<b>(613)</b>	<b>54</b>
Capital Financing	10,476	0	0	(110)	(110)
Movement through Reserves	(4,452)	0	0	0	0
Risk Management	768	(1,200)	0	(500)	(500)
<b>Capital Financing &amp; Risk Management</b>	<b>6,792</b>	<b>(1,200)</b>	<b>0</b>	<b>(610)</b>	<b>(610)</b>
<b>Total</b>	<b>119,427</b>	<b>1,291</b>	<b>1,303</b>	<b>250</b>	<b>(1,054)</b>

NB. Rounding differences may apply to nearest £k.



3.3 The main service driving the over spend is Adult Social Care with a forecast over spend of £1.1m (3%) against a budget of £44m. 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.

#### 4. In Year Savings Programme

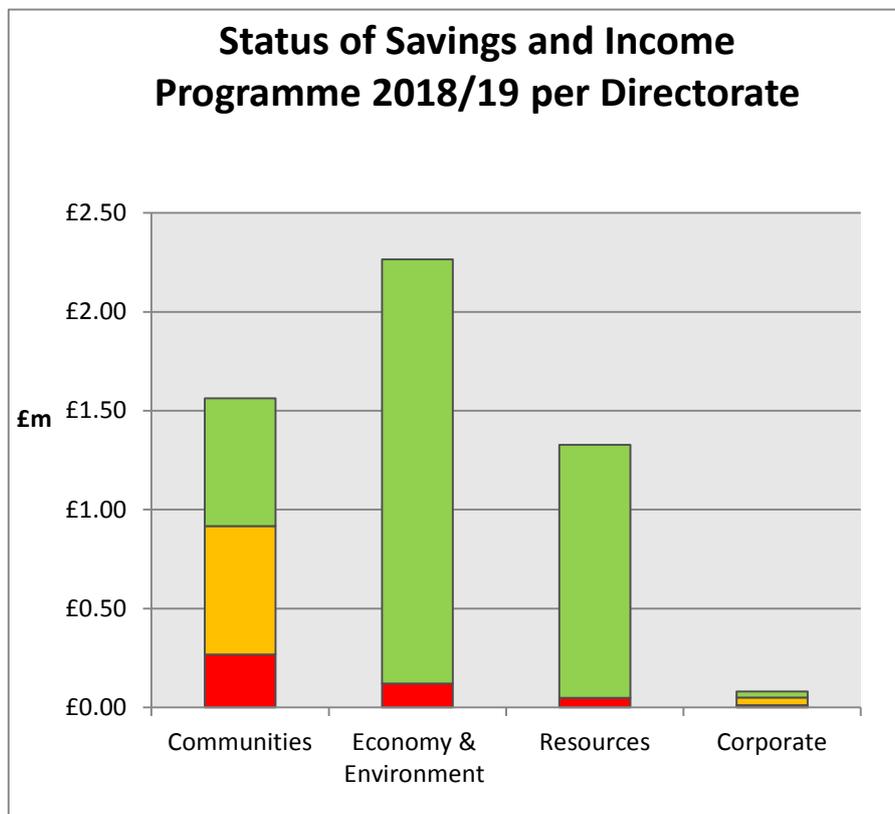
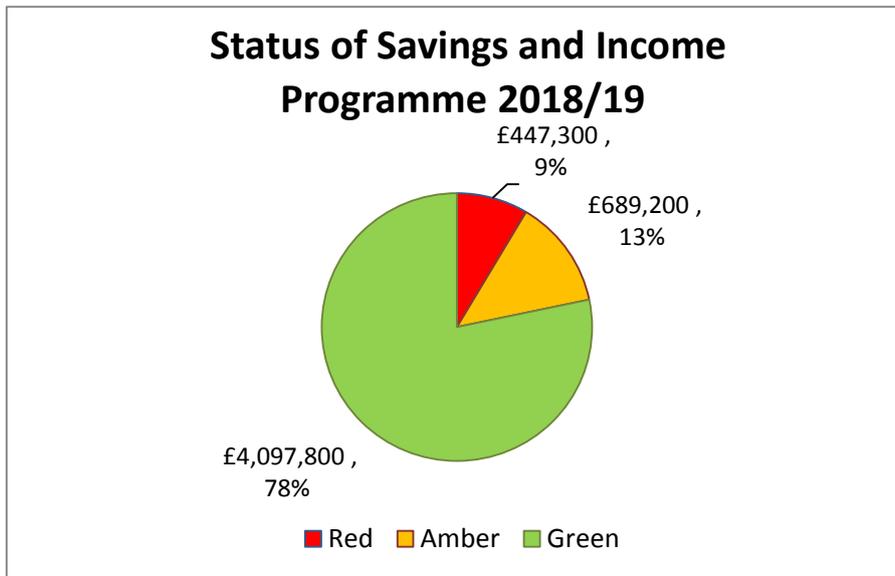
4.1 A decision has been taken corporately to slow expenditure in the remainder of the current financial year as a corporate response to the Adult Social Care overspend. Adult Social Care has been tasked with identifying £500k mitigation strategies. Children & Family Services and the Education Service, have been tasked with identifying mitigation strategies of £200k each. A further £500k mitigation target was allocated to corporate services.

4.2 £1.4m has now been identified and reported within the Directorates forecasts, with a further £850k found from capitalisation of relevant activity. Progress to date is shown in the following table:

In Year Savings 2018/19						
Directorate	Service	Actual at M9 £000	In Progress £000	Total £000	Capital £000	Total £000
Communities	Adult Social Care	215		215	350	565
	Childrens and Family Services	200		200		200
	Corporate Director - Communities			0		0
	Education (DSG Funded)			0		0
	Education	150		150	50	200
	Public Health & Wellbeing		25	25		25
	<b>Total</b>		<b>565</b>	<b>25</b>	<b>590</b>	<b>400</b>
Economy & Environment	Corporate Director - Environment			0		0
	Development and Planning	104		104	55	159
	Public Protection and Culture	15		15	95	110
	Transport and Countryside	105		105	303	408
	<b>Total</b>	<b>224</b>	<b>0</b>	<b>224</b>	<b>453</b>	<b>677</b>
Resources	Chief Executive	77		77		77
	Commissioning	46		46		46
	Customer Services and ICT	104	5	109		109
	Finance and Property	126	0	126		126
	Human Resources	32	18	50		50
	Legal Services	133	0	133	TBC	133
	Strategic Support	41	0	41		41
	<b>Total</b>	<b>559</b>	<b>23</b>	<b>582</b>	<b>0</b>	<b>582</b>
<b>Total</b>		<b>1348</b>	<b>48</b>	<b>1396</b>	<b>853</b>	<b>2249</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.

Placements management (family safeguarding), £200k, is forecast as Amber. As the Placement budget is overspent 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 red as there is a high 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. The shortfall can be covered off against the bottom line underspend for this financial year only and going forward it will need to be addressed as to whether the income target is realistically achievable.

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.

### **5.3 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 £2.14m Green and £121k Red.

#### **Transport and Countryside:**

The target net increase in penalty charges income of £46k is Red as considerable difficulty in recruiting Civil Enforcement Officers has resulted in reduced income from penalty charges. There has been no increased income from on street parking charges as this savings proposal was not pursued. Additional car parking fees built into the budget for 2018/19 of £75k is Red as external power supply problems, vandalism of, and theft from parking equipment, fewer enforcement resources than anticipated and struggling retail centres has had an adverse impact on income.

### **5.4 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:**

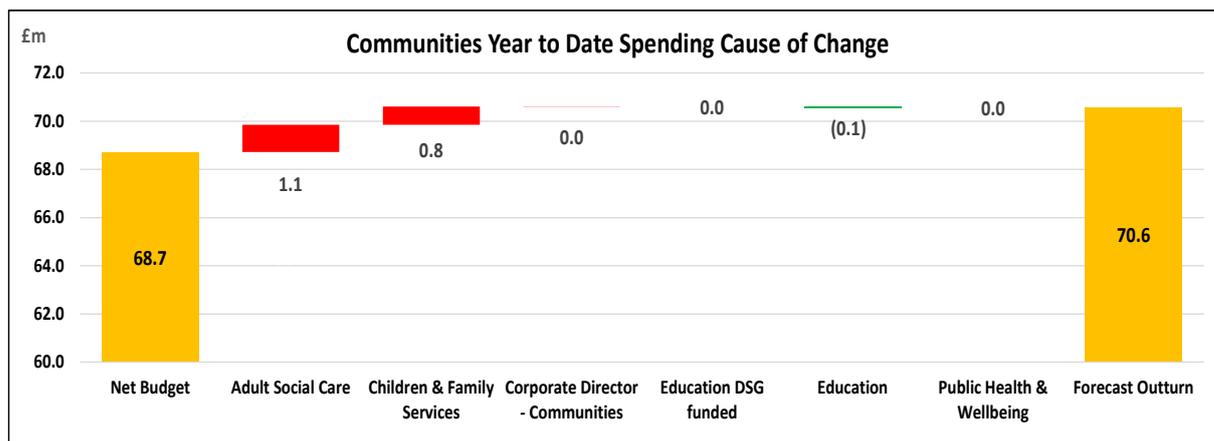
There is a £68k income target for the graphics team of which £48k is expected to be Red. This is due to reduced internal demand for the services of the imagery and graphics design team which is expected to realise only £20k of the anticipated £68k income. A pressure bid of £48k has been submitted for the 2019/20 budget. 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.

## 6. Communities Directorate Quarter Three Review

Communities	Current Net Budget	Forecast (under)/over spend			Change from Last Quarter
		Quarter One	Quarter Two	Quarter Three	
	£000	£000	£000	£000	£000
Adult Social Care	43,689	2,388	1,640	1,136	(504)
Children & Family Services	16,107	220	657	755	98
Corporate Director - Communities	152	8	8	(1)	(9)
Education DSG funded	(444)	0	0	0	0
Education	8,963	152	(1)	(51)	(50)
Public Health & Wellbeing	252	0	0	0	0
<b>Communities</b>	<b>68,719</b>	<b>2,768</b>	<b>2,303</b>	<b>1,840</b>	<b>(464)</b>

- 6.1 The forecast revenue over spend for the Communities Directorate is £1.8million against a net budget of £68.7million. The services driving the overspend are shown in the following graph:



- 6.2 Two services are forecasting year end overspend positions as at Quarter Three: Adult Social Care £1.1 and Children and Family Services £0.75m. At Quarter Three, it is proposed to release £609k from the Adult Social Care risk reserve and £203k from the Children and Family Services reserve. 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

There remain three areas of ongoing pressure: Long Term commissioning, Short Term commissioning and Provider Services.

#### Long Term Commissioning

The cost of commissioning Long Term client packages from external provider’s remains a major concern. Supplier inflation rates have increased consistently and in many cases well in excess of the assumed inflation rate of 3% on which the current

year budget was based. Every primary support reason (PSR) is forecast to be overspent for this Financial Year.

The most significant commissioning overspend is within Learning Disability (age group 18-64 years drives most of this variance) at £800k. Mental Health and Memory & Cognition services for the +65's age group also remain an area under pressure within Long Term commissioning.

Demand for Long Term care this year has increased significantly and remains higher than forecast in the ASC model.

### **Short Term Commissioning**

The main area of overspend in the Short Term Commissioning Forecast remains in Physical Support and Learning Disabilities and are due to year to date changes to care packages and increased use of short term residential care (largely driven by the self-imposed embargo on the use of Birchwood), which is used for respite care giving families a break that hopefully means that they continue to provide the bulk of ongoing care. The Adult Social Care service works very hard to minimise the number of clients going on to long term services as per the Delivering Care Differently strategy, and that can often mean putting in short term help which we hope mitigates costs further down the line.

### **Provider Services**

Birchwood Care Home is £841k overspent as at Quarter Three. Additional staffing requirements (agency) to support improved service delivery at the home and the continuation of higher levels of agency staffing than planned (versus permanent employees) drive this increase. However, after lifting the Birchwood embargo, we are now working towards increasing Birchwood capacity back up to its optimal level (one/two new client per week). The forecast takes account of the return to full occupancy and will be an area of overspend at year end. A pressure bid has been made for 2019/20 to ensure there is sufficient budget going forwards.

The remainder of our In House care homes remains below budget for this year, we are seeing some cost increases in Month Nine, driven mainly by staffing issues. We are continuing to monitor this area closely.

Mitigation strategies have been under review to address the pressures identified in the commissioning budget. As of Quarter Three, Adult Social care identified £215k against a £500k mitigation target. Main savings identified so far are from holding posts vacant, client package reviews and holding discretionary spend. No further mitigation strategies have currently been identified for this financial year. However the service have been working on further revenue savings and approval has now been obtained for the partial capitalisation of the Occupational Therapists salaries (74% of their time results in equipment installation which is treated as a capital investment.) This change represents a favourable adjustment to this year's forecast of £350k.

Therefore overall ASC has now delivered an in year cost reduction of £565k. This number, whilst higher than our original mitigation target, has been delivered in a different way than originally planned. We are continuing to deliver more in year savings and anticipate that the full year cost reduction will further increase.

## (2) Children and Family Services

Children and Family Services is forecasting a £755k overspend against budget at Quarter Three. 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 and we are awaiting further information from Reading Borough Council on an updated schedule of current costs. Childcare lawyer costs are incurred when applying for Court Orders to safeguard a child. 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 £474k mainly in Residential Care, 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 £51k 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 Children & Family Services.

In year savings of £200k have been identified to mitigate the overspend in prior months and this has been included in the service forecast. Savings have been found from not filling vacant posts, and from holding supplies and services budgets.

## (3) Education

The Education Service is forecasting to be £51k underspent as at Quarter Three. There is a significant underspend on Home to School Transport cost centres, £210k which is due to better than anticipated saving being achieved through the Transport Review group and management strategy cost centres are underspent by £65k.

The underspend has been to some extent offset by overspends in Disabled Children budgets specifically in residential placements, £86k, and adjustments in community care packages, £72k. The Disability Support Team is overspent by £96k due to demand led constraints on resources.

In year savings of £200k have been identified to mitigate the overspend in prior months and have been included in the service forecast. Savings have been found from freezing posts, capitalisation and receipt of grant.

The Education risk reserve is £279k for 2018/19. The residential placement costs are over spend, £86k, which relates to identified risks therefore the risk reserve could be utilised to offset the over spend, should Members decide to do so. However, if the reserve were used, Education Services would forecast to be underspent at year end, so there are no plans to release the reserve. 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 Quarter Three Review**

Economy and Environment	Current Net Budget	Forecast (under)/over spend			Change from Last Quarter
		Quarter One	Quarter Two	Quarter Three	
	£000	£000	£000	£000	£000
Corporate Director - Environment	179	0	0	0	0
Development & Planning	2,821	(114)	(232)	(236)	(4)
Public Protection & Culture	4,060	47	70	(11)	(81)
Transport & Countryside	23,877	70	(171)	(120)	51
<b>Economy and Environment</b>	<b>30,937</b>	<b>3</b>	<b>(333)</b>	<b>(367)</b>	<b>(34)</b>

The Directorate is currently forecasting a £367k under spend against a budget of £30.9m. Of this £407k relates to expenditure to be capitalised in year.

**(1) Development and Planning**

The service is forecasting an under spend of £236k. This is largely due to salary and associated savings in Development Control, savings in Housing as a result of project delays, and capitalisation.

**(2) Public Protection & Culture**

The service is forecasting an underspend of £11k. The costs of acquiring and bringing into use library books for all of the councils libraries is being capitalised and funded initially from developer’s contributions. This saving is estimated to be £95k in 2018/19. Without this, the Service would be forecasting an over spend of £84k. This is mainly due to:

- Mop up costs associated with two functions that have now ceased - Activity Team and the Duke of Edinburgh scheme £41k.
- Salary costs associated with libraries are expected to be in excess of target by £9k. There is a risk reserve associated with this service of £90k.
- The overall leisure net budget is expected to be exceeded by £36k, this is mainly due to the level of third party contributions. There is a risk reserve associated with this service of £50k, but as the service is underspent, there are no plans to release the reserve.

**(3) Transport and Countryside**

The service is forecasting an underspend of £120k, after capitalisation of highways revenue expenditure. Without this, the service would be forecasting an over spend of £193k. The main pressures are as follows:

- Winter maintenance budgets are expected to be overspent by £73k. There is a risk reserve of £75k associated with this service, but as the service is underspent, there are no plans to release the reserve.
- The significant forecast pressure of £135k in the parking budget reported at Q2 has increased to £229k at Q3. The main factor that has led to this worsening of the end of year estimate is income continuing to be below expectations. Sales for customer parking had been expected to pick up in the period leading up to Christmas as in previous years but this has not been the case. This reflects national trends and the difficulties being experienced by retail centres under the pressures of the online offer. In addition there has been a serious problem in recruiting Civil Enforcement Officers despite multiple attempts to recruit them with numbers being down by 3 or 4 all year. This has resulted in income from Penalty Charge Notices being significantly down. Expenditure will be held back to essential items only to limit the net pressure but the expectation is that this pressure will not reduce.

Savings from traffic £55k, management £25k, waste £14k and countryside team £15k goes some way to mitigating these pressures in-year.

## 8. Resources Directorate Quarter Three Review

Resources	Current Net Budget	Forecast (under)/over spend			Change from Last Quarter
		Quarter One	Quarter Two	Quarter Three	
	£000	£000	£000	£000	£000
Chief Executive	791	0	(75)	(77)	(2)
Commissioning	1,042	0	(46)	(46)	0
Customer Services & ICT	3,035	(3)	(104)	(98)	6
Finance & Property	3,229	(260)	(314)	(303)	11
Human Resources	1,472	0	(52)	(33)	19
Legal Services	1,066	0	(36)	(16)	20
Strategic Support	2,344	(17)	(40)	(40)	0
<b>Resources</b>	<b>12,979</b>	<b>(280)</b>	<b>(667)</b>	<b>(613)</b>	<b>54</b>

- 8.1 The Directorate is forecasting a £613k underspend against a budget of £13m.
- 8.2 The main area of underspend is in Finance and Property. 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.
- 8.3 Additional pressures arising in Quarter Three, have resulted in the overall forecast underspend falling by £54k from last quarter. The main changes are:
- Legal services – increase in overspend on disbursements budget £53k, taking the overall overspend to £129k. The budget is primarily used to fund the costs of external lawyers who are instructed to represent the Council in matters that are before the higher courts.
  - Finance – increased property cleaning and maintenance costs £13k, loss of rental income at West Point £20k

- Customer Services and ICT – internal capital costs of financing new guillotine £10k

8.4 Additional savings of £0.1m have been found toward 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. At Quarter Three, it is proposed to release £812k as per the table below.

Risk Reserve Summary	Reserve Balance 1.4.2018	Change to level of Reserve	Current Reserve Balance	Risks proposed to be funded	Risk Reserve balance 31.03.2019
	£000	£000	£000	£000	£000
Service					
Adult Social Care	881	719	1,600	-609	991
Children & Family Services	38	377	415	-203	212
Education	0	279	279	0	279
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
<b>Total</b>	<b>969</b>	<b>1,590</b>	<b>2,559</b>	<b>-812</b>	<b>1,747</b>

9.2 Communities: In Adult Social Care, risks identified on the risk register have arisen relating to care home resourcing, inflation, higher package costs, continuing health care losses and transfer of care costs. Children & Family Services and Education risks that have materialised relate to placement costs.

9.3 Economy and Environment: The Leisure risk reserve was built to support a reduced amount of third party contributions. A Transport and Countryside risk reserve of £224k was created last year for winter gritting costs. This was fully utilised. The reserve has been established at £75k this year to cover unbudgeted costs that may arise this coming winter. Other potential and ongoing budget risks in Transport & Countryside include draw downs on the Emergencies budget – the nature of this area means that outturn is difficult to predict and pressures unavoidable. As the Directorate is underspent, there is no proposed use of risk reserves.

9.4 Resources: The legal disbursements budget is currently forecasting an overspend of £129k for 2018/19. This overspend is largely due to the adverse decision in the LRIE Court of Appeal case and the cost of a number of planning inquiries. The overspend includes the abortive costs in respect of one planning inquiry which was due to take place last year, but which was adjourned until January 2019 as a result of the late service of evidence by a 3<sup>rd</sup> party. A risk reserve of £50k which was not utilised in 2017/18 is available to support the disbursements budget. Other potential and ongoing budget risks in legal services include ongoing and future legal challenges and Judicial Reviews and increases in the number of planning inquiries. As the Directorate is underspent, there is no proposed use of risk reserves.

## 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 MTF5 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
			£000
		<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
Communities	ASC	Assistive Technology	-142
		<b>Total awarded 2018/19</b>	<b>-710</b>
		<b>Closing Balance 31.3.19</b>	<b>285</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. Dedicated Schools Grant – Quarter Three Review

11.1 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.

11.2 The 2018/19 DSG allocation is £129m. This includes £35.5m which funds Academies and post 16 high needs places and is paid direct by the Education and Skills Funding Agency (ESFA). The remaining grant, after any actual brought forward over spend, is £92.8m.

11.3 The DSG budget for 2018/19 was built with a planned over spend of £464k. At Quarter Three there is a forecast overspend of £499k, which is £35k greater than planned. The overspend has reduced by £395k from Quarter Two, largely as a

result of additional High Needs funding of £380k, in recognition of the cost pressures being experienced in this area.

## 12. Proposals

- 12.1 To note the forecast position.
- 12.2 To approve the release of £609k from the Adult Social Care risk reserve and £203k from the Children and Family Services risk reserve to support the in-year overspend.

## 13. Conclusion

- 13.1 The Council is facing an in year overspend of £250k against a net revenue budget of £119.4 million, which is 0.2% of the net budget. The main driver of this is a £1.1m overspend in Adult Social Care and a £755k overspend in Children and Family Services. 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 down. 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.

---

### 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

---

### 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**
-