

Report for ACTION
Item Number: 6v



<b>Contains Confidential or Exempt Information</b>	No - Part I
<b>Title</b>	<b>Financial Update</b>
<b>Responsible Officer(s)</b>	Andrew Brooker, Head of Finance, 01628 796341
<b>Contact officer, job title and phone number</b>	Richard Bunn, Chief Accountant, 01628 796510
<b>Member reporting</b>	Councillor Dudley, Lead Member for Finance
<b>For Consideration By</b>	Cabinet
<b>Date to be Considered</b>	24 September 2015
<b>Implementation Date if Not Called In</b>	24 September 2015
<b>Affected Wards</b>	All
<b>Keywords/Index</b>	Service Monitoring

1. This report provides an update to members on the Council's financial performance at this early stage of the year. Services are currently projecting a £775k overspend.
2. There are some non-service variances including an increase in the expected level of education services grant (£55k) and Revenue Support Grant (£45k). There is also an underspend on the pay reward budget (£112k) and NNDR income which has in-part been transferred to the Development Fund leaving a variance of (£824k) in the General Fund. This makes an overall projected underspend of £261k.
3. It recommends that Strategic Directors in consultation with Lead Members implement proposals that address the predicted service overspend before the year end.
4. The Council remains in a strong financial position with healthy reserves. The Council's Development Fund currently has a balance of £2.366m. Overall our combined General Fund Reserves sit at £7.123m in excess of the £5.43m recommended minimum level set at Council in February 2015.

<b>If recommendations are adopted, how will residents benefit?</b>	
Benefits to residents and reasons why they will benefit	Dates by which they can expect to notice a difference
1. Assurance that the Council is making effective use of its resources.	24 September 2015
2. Assurance that budgets are being reviewed regularly.	24 September 2015

## 1. Details of Recommendations

### RECOMMENDED: That Cabinet:

- i) Notes that Strategic Directors in consultation with Lead Members will implement proposals that address the predicted overspend.
- ii) Recommends the proposed change to the calculation of MRP to Council (paragraph 4.5).
- iii) Recommends to Council that £500k is added to the Adult Social Care budget to support current pressures (paragraph 4.2).
- iv) Approves the addition of a £125k revenue budget funded by the Development Fund for an update to the transport model (paragraph 4.6).
- v) Recommends to Council the a £100k budget is added to the Capital Programme for 2016-17 for a Schools Participatory Budget at it's budget setting meeting in February 2016 (paragraph 4.10).
- vi) Approves the transfer of a £60k capital budget for improvements to Riverside Primary School to make it suitable for eligible two year olds (paragraph 4.9).

## 2. Reason for Decision and Options Considered

Option	Comments
As this is a monitoring report decisions are normally not necessary but may be required for some budget movements.	Requests for budget movements are included in this report in the recommendations above.

## 3. Key Implications

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered
General Fund Reserves Achieved	Below £5.4m	£5.4m-£5.49m	£5.5m-£5.7m	Above £5.7m	31 May 2016

The General Fund Reserve is £4.757m and the balance on the Development Fund is £2.366m. The combined General Fund and Development Fund reserves now sit at £7.123m. The 2015-16 budget report recommended a reserve level of £5.43m or more to cover known risks for 18 months.

## 4. Financial Details

4.1. The **Director of Children's Services** reports that there has been no change to the projected outturn position of Children's Services compared with last month, and the Director reports a projected year-end overspend of £77k (0.4%) on the Directorate's approved net controllable budget of £18.147 million. The main pressures relate to:

- The additional cost of agency staff in key vacant posts in the social care teams.
- Changes in the needs of mainly high needs pupils requiring transport to schools.

These cost pressures are currently being covered by cost savings mainly due to fewer placements of children with disabilities and children in care particularly in high cost residential and Independent Fostering agencies. It is still early in the year to predict the outturn position with any certainty, given that a relatively small number of children coming into the Borough requiring high cost care placements could still have a significant impact on costs.

4.2. The **Director of Adult and Community Services** reports a projected overspend position of £645k for the year. This month's projection represents an increase of £243k over the projection last month. This increase arises from a number of factors impacting on the cost of services to older people. As noted last month, services for older people had increased over the winter period and continue at a higher level than forecast. The number of people requiring support in residential care, and who require care and support to remain in their own home, are falling from peak numbers experienced up to April this year. However the rate of decrease is lower than expected and costs continue to exceed budget. The cost of providing "Deprivation of Liberty Safeguards" (DOLS) services to adults has increased significantly; this is a national problem following from court judgements.

Mitigations are being pursued; these include targeted reviews of packages of care to ensure they meet the current level of need. In addition Better Care Fund resources are being channelled into services provided by the Short Term Support & Re-ablement Team to prevent hospital admission. Better Care Fund resource has also been identified to contribute towards the cost of anticipated increased demand in the coming winter.

Because of the above pressures this report recommends to Council that an additional £500k is added to the Adult Social Care budget.

4.3. The **Director of Corporate Services** reports a projected year end overspend of £45k for Corporate Services against an approved net budget of £8.6m. This is a slightly worsening position of £3k compared to last month. This position will change, given that this is an early forecast, based on the trends in current expenditure patterns, with only limited mitigations built in.

This is as a result of some minor changes, both over and under.

- 4.4. The **Strategic Director of Operations** reports an unchanged projected overspend of £8k on the 2015-16 approved budget of £16.1m.

This reflects a dynamic position where additional pressures are building in some service areas, with mitigations being developed to cover these.

In addition DMT is focussing on fresh in-year savings proposals to bolster the overall directorate budget position.

4.5. **Minimum Revenue Provision (MRP)**

MRP is the charge to Revenue designed to create provision to repay loans taken out to finance capital spend, it can be likened to the principal element of a mortgage payment. The cash generated by the MRP charge is recycled to finance capital spend as part of our Treasury Management approach.

Prudential Guidelines allow Heads of Finance some flexibility in the way that this charge is calculated and many have continued with the traditional 4% of the Capital Financing Requirement.

A more asset specific MRP calculation might look at MRP on IT infrastructure of 15-20% (5-7 year lifespan) on roads of 5% (20year lifespan of work) and on property of 2% (50 year lifespan).

This approach is gaining popularity with other Authorities and it has also been highlighted by CIPFA as a way of making significant savings.

The downside of the change is that future capital financing costs would increase as we would have to pay interest on external loans. With interest rates at 3% this would add £31k annually to our financing costs unless capital receipts are available as an alternative to borrowing.

A change to the MRP policy requires Council approval and this will be sought when budget papers go to Council in February 2016. In the meantime an underspend of £900k that is subject to approval of an asset specific policy has been projected in this report. The projected saving has been transferred to the Development Fund.

4.6. **Transport Model to support Borough Local Plan**

The transport model is a tool that can forecast the transport impacts of proposed developments. The current model is required for work on the Borough Local Plan and requires an update at a cost of £125k. It is recommended that a budget for this amount is added and funded from the development fund.

4.7. **Revenue budget movements this month:**

	£000
<b>Approved Budget as at 31 July 2015</b>	<b>80,877</b>
Night Time Economy	3
Minor adjustments to overall budget	(2)

<b>Service Expenditure Budget this Month</b>	<b>80,878</b>
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#### 4.8. Capital Programme

A summary of the capital programme is shown in Appendix B. In order to make it easier to monitor scheme progress, schemes that are continuing from previous years are shown separately from new schemes approved for 2015-16.

The approved 2015-16 capital estimate is £39.480m; the projected outturn for the financial year is £39.013m. A summary of the capital budget is available below with further details in Appendix B.

	<b>Exp</b>	<b>Inc</b>	<b>Net</b>
	£'000	£'000	£'000
<b>Approved Estimate</b>	39,480	(26,253)	13,227
Variances identified	(467)	508	41
Slippage to 2016-17	0	0	0
<b>Projected Outturn 2015-16</b>	39,013	(25,745)	13,268

#### Overall capital programme status

	<b>Report to August 2015 Cabinet</b>
<b>Number of Schemes in Programme</b>	<b>404</b>
Yet to Start	13%
In Progress	60%
Completed	16%
Ongoing Programmes e.g. Disabled Facilities Grant	11%
Devolved Formula Capital Grant schemes budgets devolved to schools	0%

#### 4.9. Capital Budget changes

The borough has a statutory duty to find early education places for eligible two year olds and to this end Children's Services are engaging with schools with existing nursery provision to extend their age range to accommodate two year olds. The Government has removed the necessity for schools to have a separate registration process with Ofsted for two year olds in order to make it easier to take this younger age group.

In the borough there are "hotspots" where there is a significant pressure on two year old places. Riverside Primary School is located in such an area and it is viewed as a priority to enable eligible two year olds in this area to secure a place at the school. To this end, accommodation suitable for this young age group is required and improvements and additions to the building are essential.

The work is to be funded from the two year old capital budget and a £60k transfer of budget requested to Riverside Primary Expansion.

<b>Cost Centre</b>	<b>Description</b>	<b>Expenditure budget changes</b>	<b>Income budget changes</b>
		£'000	£'000
CKVH	2 yr. old capital entitlement	(60)	60
CSEU	Riverside (Ellington) Primary expansion 2014-15	60	(60)
	<b>Net change in budget</b>	<b>0</b>	<b>0</b>

**4.10. Capital budget additions (Schools Participatory Budget)**

The Cabinet Participatory Sub Committee met on 19 August and resolved that a minimum bid for £100k of capital funding (£33k per term) should be made by officers for the schools participatory budget. In this report Cabinet is asked to recommend to Council that the 2016-17 budget is approved at its budget setting meeting in February 2016.

**5. Legal**

In producing and reviewing this report the Council is meeting legal obligations to monitor its financial position.

**6. Value for Money**

Service monitoring ensures a constant review of budgets for economy, efficiency and effectiveness.

**7. Sustainability Impact Appraisal**

N/A

**8. Risk Management**

Risks	Uncontrolled Risk	Controls	Controlled Risk
None			

**9. Links to Strategic Objectives**

Residents can be assured that the Council is providing value for money by delivering economic services.

**10. Equalities, Human Rights and Community Cohesion**

This is a monitoring report with no actions related to staff or service provision. An Equality Impact Assessment (EQIA) has not, therefore, been completed for the production of this report. An EQIA would be required should this report generate any changes to policy.

**11. Staffing/Workforce and Accommodation implications:**

None

**12. Property and Assets implications:**

None

**13. Any other implications:**

None

**14. Consultation**

Overview & Scrutiny meetings are scheduled prior to this Cabinet. Any comments from those meetings will be reported verbally to Cabinet.

**15. Timetable for Implementation**

N/A

**16. Appendices**

Appendix A Revenue budget summary  
Appendix B Capital budget summary  
Appendix C Capital variances

**17. Background Information**

Background Papers: Budget Report to Council February 2015

**18. Consultation (Mandatory)**

Name of consultee	Post held and Department	Date sent	Date received	
<b>Internal</b>				
Corporate Management Team (CMT)	Managing Director, Strategic Directors, Heads of Legal Services and Policy & Performance.	27/09/2015	3/09/2015	Changes included in final report.
Cllr Dudley	Lead Member for Finance	27/09/2015	1/09/2015	Changes included in final report.
Cllr Burbage	Leader of the Council	2/09/2015	8/09/2015	Changes included in final report.
Christopher Targowski	Cabinet Policy Manager	1/09/2015	2/09/2015	Changes included in final report.
<b>External</b>				
None				

**19. Report History**

Decision type:	Urgency item?
For information	No

Full name of report author	Job title	Full contact no:
Richard Bunn	Chief Accountant	01628 796510

SUMMARY	2015/16		
	Budget	Approved Estimate	Projected Variance
	£000	£000	£000
Maintained Schools	53,544	48,655	0
Early Years Provision	7,351	6,150	0
De Delegated Schools Budget	548	563	0
Admissions and Services for Schools and Early Years	1,460	1,157	0
High Needs and Alternative Provision	12,671	12,869	0
Dedicated Schools Grant	(75,982)	(69,803)	0
<b>Total Children's Services - Schools Budget</b>	<b>(408)</b>	<b>(409)</b>	<b>0</b>
Education Central Costs	151	151	0
Educations Standards	699	706	0
Sufficiency and Access	2,003	2,008	210
Strategy, Commissioning & Performance	1,503	1,488	25
Early Help & Safeguarding Central Costs	501	501	0
Early Help and First Response	1,708	1,741	200
Early Help-Youth Support	1,090	1,121	0
Safeguarding and Children in Care	2,110	2,117	161
Children and Young People Disabilities Service	2,153	2,164	(332)
Resources and Placements	5,589	5,611	(212)
Berkshire Adoption Service	72	74	0
Children's Services Management	522	522	25
<b>Total Children's Services - Non Schools Budget</b>	<b>18,101</b>	<b>18,204</b>	<b>77</b>
<b>CHILDREN'S SERVICES - ELECTIONS</b>	<b>351</b>	<b>352</b>	<b>0</b>
<b>Total Children's Services</b>	<b>18,044</b>	<b>18,147</b>	<b>77</b>
Better Care Fund	1,384	1,401	0
Adult Social Care	31,606	31,699	608
Public Health	0	5	0
Housing	2,021	2,027	0
Library Information	2,266	2,284	0
Heritage & Arts	308	309	0
Adult Management	337	317	37
<b>Total Adult &amp; Community Services</b>	<b>37,922</b>	<b>38,042</b>	<b>645</b>
Director of Operations	66	53	0
Operational Transformation	161	176	0
Benefits & Business Services	808	823	(79)
Strategic Asset Management	(2,892)	(2,872)	150
Commissioning & Contracts	13,546	13,579	(415)
Neighbourhood & Streetscene Delivery Services	877	885	(20)
Community, Protection & Enforcement Services	2,442	2,493	282
Customer Experience & Engagement Service	937	940	90
<b>Total Operations</b>	<b>15,945</b>	<b>16,077</b>	<b>8</b>
Director of Corporate Services	(28)	112	(75)
Development and Regeneration Service	(850)	(829)	(119)
Corporate Management	943	981	(107)
Communications	257	279	30
Policy and Performance	428	418	0
Democratic Services	1,702	1,774	15
HR	1,182	1,192	(20)
Legal	(2)	(32)	35
Finance	2,420	2,441	16
Technology & Change Delivery	2,836	2,886	100
Building Services	41	18	0
Leisure Services	1,593	1,579	160
Leisure Centres	(2,182)	(2,182)	10
<b>Total Corporate Services</b>	<b>8,340</b>	<b>8,637</b>	<b>45</b>
<b>TOTAL EXPENDITURE</b>	<b>80,251</b>	<b>80,903</b>	<b>775</b>



SUMMARY	2015/16		
	Budget	Approved Estimate	Projected Variance
	£000	£000	£000
<b>Total Service Expenditure</b>	80,251	80,903	775
Contribution to / (from) Development Fund	(41)	(66)	1,940
Estimated net NNDR income			(1,864)
Pensions deficit recovery	1,830	1,830	0
Pay reward	605	112	(112)
Transfer to/(from) Provision for Redundancy		(24)	0
Environment Agency levy	147	147	0
Capital Financing inc Interest Receipts	<u>6,471</u>	<u>6,471</u>	<u>(900)</u>
<b>NET REQUIREMENTS</b>	89,263	89,373	(161)
Less - Special Expenses	(956)	(956)	0
Variance on budgeted Education Services grant			(55)
Variance on Revenue Support Grant			(45)
Transfer to / (from) balances	<u>0</u>	<u>(110)</u>	<u>261</u>
<b>GROSS COUNCIL TAX REQUIREMENT</b>	<u>88,307</u>	<u>88,307</u>	<u>0</u>
<b>General Fund</b>			
Opening Balance	4,751	4,606	4,496
Transfers to / (from) balances	<u>0</u>	<u>(110)</u>	<u>261</u>
	<u>4,751</u>	<u>4,496</u>	<u>4,757</u>
NOTE Service variances that are negative represent an underspend, positive represents an overspend.			

Memorandum Item	
<b>Current balance on the Development Fund</b>	
	£000
Opening Balance	1,263
Transfer (to) / from other reserves	(771)
Transfer from General Fund - sweep	0
Transfer (to) / from General Fund - other initiatives	<u>1,874</u>
	<u>2,366</u>

Portfolio Summary	2015/16 Original Budget			New Schemes – 2015/16 Approved Estimate			Schemes Approved in Prior Years			Projections – Gross Expenditure				
	Gross	Income	Net	Gross	Income	Net	Gross	Income	Net	2015/16 Projected	2015/16 SLIPPAGE Projected	TOTAL Projected	VARIANCE Projected	VARIANCE Projected
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	(£'000)	(£'000)	(£'000)	(£'000)	(%)
<b>Corporate Services</b>														
Leisure Centres	800	(400)	400	800	(400)	400	(83)	88	5	717	0	717	0	0%
Outdoor Facilities	680	(265)	415	963	(500)	463	481	(135)	346	1444	0	1,444	0	0%
Property Management	254	0	254	474	0	474	328	0	328	802	0	802	0	0%
Planning & Development	0	0	0	0	0	0	0	0	0	0	0	0	0	0%
Policy & Performance	673	0	673	842	0	842	441	0	441	1,283	0	1,283	0	0%
Regeneration & Economic Development	1,445	(890)	555	2,273	(890)	1,383	2,994	(846)	2,148	5,267	0	5,267	0	0%
Technology & Change Delivery	415	0	415	410	0	410	128	(8)	120	579	0	579	41	10%
<b>Total Corporate Services</b>	<b>4,267</b>	<b>(1,555)</b>	<b>2,712</b>	<b>5,762</b>	<b>(1,790)</b>	<b>3,972</b>	<b>4,289</b>	<b>(901)</b>	<b>3,388</b>	<b>10,092</b>	<b>0</b>	<b>10,092</b>	<b>41</b>	<b>0</b>
<b>Operations</b>														
Benefits & Business Services	0	0	0	21	0	21	93	0	93	114	0	114	0	0%
Customer Experience & Engagement Services	18	0	18	216	0	216	136	0	136	352	0	352	0	0%
Neighbourhood & Streetscene Delivery Services	30	0	30	30	0	30	14	0	14	44	0	44	0	0%
Strategic Asset Management	6,345	(3,230)	3,115	7,384	(4,030)	3,354	4,380	(3,558)	822	11,764	0	11,764	0	0%
Community, Protection & Enforcement Services	893	(682)	211	951	(736)	215	263	(114)	149	754	0	754	(460)	-52%
Commissioning & Contracts	0	0	0	0	0	0	5	0	5	5	0	5	0	0%
<b>Total Operations</b>	<b>7,286</b>	<b>(3,912)</b>	<b>3,374</b>	<b>8,602</b>	<b>(4,766)</b>	<b>3,836</b>	<b>4,891</b>	<b>(3,672)</b>	<b>1,219</b>	<b>13,033</b>	<b>0</b>	<b>13,033</b>	<b>(460)</b>	<b>(1)</b>
<b>Children's</b>														
Non Schools	205	(130)	75	220	(130)	90	346	(338)	8	566	0	566	0	0%
Schools – Non Devolved	3,952	(3,952)	0	4,423	(4,423)	0	6,041	(6,041)	0	10,416	0	10,416	(48)	-1%
Schools – Devolved Capital	302	(302)	0	419	(419)	0	423	(423)	0	842	0	842	0	0%
<b>Total Children's</b>	<b>4,459</b>	<b>(4,384)</b>	<b>75</b>	<b>5,062</b>	<b>(4,972)</b>	<b>90</b>	<b>6,810</b>	<b>(6,802)</b>	<b>8</b>	<b>11,824</b>	<b>0</b>	<b>11,824</b>	<b>(48)</b>	<b>(0)</b>
<b>Adult</b>														
Adult Social Care	256	(256)	0	256	(256)	0	480	(448)	32	736	0	736	0	0%
Housing	1,000	(1,000)	0	1,000	(1,000)	0	1,532	(1,152)	380	2,532	0	2,532	0	0%
Library & Information Service	385	(371)	14	438	(381)	57	358	(113)	245	796	0	796	0	0%
<b>Total Adult</b>	<b>1,641</b>	<b>(1,627)</b>	<b>14</b>	<b>1,694</b>	<b>(1,637)</b>	<b>57</b>	<b>2,370</b>	<b>(1,713)</b>	<b>657</b>	<b>4,064</b>	<b>0</b>	<b>4,064</b>	<b>0</b>	<b>0</b>
<b>Total Committed Schemes</b>	<b>17,653</b>	<b>(11,478)</b>	<b>6,175</b>	<b>21,120</b>	<b>(13,165)</b>	<b>7,955</b>	<b>18,360</b>	<b>(13,088)</b>	<b>5,272</b>	<b>39,013</b>	<b>0</b>	<b>39,013</b>	<b>(467)</b>	<b>0</b>
<b>Portfolio Total</b>	<b>17,653</b>			<b>39,480</b>						<b>39,013</b>				
<b>External Funding</b>														
Government Grants	(7,535)			(17,364)						(16,856)				
Developers' Contributions	(2,149)			(7,017)						(7,017)				
Other Contributions	(1,794)			(1,872)						(1,872)				
<b>Total External Funding Sources</b>	<b>(11,478)</b>			<b>(26,253)</b>						<b>(25,745)</b>				
<b>Total Corporate Funding</b>	<b>6,175</b>			<b>13,227</b>						<b>13,268</b>				

**Capital Monitoring Report - August 2015-16**

At 31 August 2015, the approved estimate stood at £39.480m

	<b>Exp</b>	<b>Inc</b>	<b>Net</b>
	£'000	£'000	£'000
Approved Estimate	39,480	(26,253)	13,227
Variances identified	(467)	508	41
Slippage to 2016/17	0	0	0
Projected Outturn 2015/16	39,013	(25,745)	13,268

**Overall Projected Expenditure and Slippage**

Projected outturn for the financial year is £39.013m

Variances are reported as follows.

	<b>Exp</b>	<b>Inc</b>	<b>Net</b>	
	£'000	£'000	£'000	
Schools - Non Devolved				
CSFQ Eton Wick kitchen 2015-16	(50)	50	0	Lower than estimated final tender
CSFR Dedworth Middle School water supply 2015-16	2	(2)	0	Final cost
CSFZ Newlands School rewire-2015-16	152	(152)	0	Newlands school works combined into one contract
CSGA Newlands Girls' School water services-2015-16	(152)	152	0	
Technology & Change Delivery				
CN58 Smarter Working	41	0	41	Final invoice for construction costs
Community, Protection & Enforcement Services				
CT52 Disabled Facilities Grant	(460)	460	0	Unallocated DFG resource, scheme will underspend by £460k.
	<u>(467)</u>	<u>508</u>	<u>41</u>	

There is no slippage to report this month.

**Overall Programme Status**

The project statistics show the following position:

<b>Scheme progress</b>	<b>No.</b>	<b>%</b>
Yet to Start	54	13%
In Progress	237	60%
Completed	66	16%
Ongoing Programmes e.g.. Disabled Facilities Grant	46	11%
Devolved Formula Capital Grant schemes budgets devolved to schools	1	0%
<b>Total Schemes</b>	<b>404</b>	<b>100%</b>