

Report for: ACTION



<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>	26 November 2015
<b>Implementation Date if Not Called In</b>	26 November 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. Services are currently projecting a £1.513m overspend. However due to a number of non-service variances totalling £1.536m (listed below) there is net underspend of £23k on the General Fund.
2. Non-service variances include an increase in the expected level of education services grant (£55k) and revenue support grant (£45k); an underspend on the pay reward budget (£112k) and a saving from the change in the Minimum Revenue Provision (MRP) policy (£900k).
3. Work has been carried to identify additional service savings to mitigate the service pressure detailed in this report. The list of savings comes to £170k and appears in appendix D. Services will include the savings in the December Finance Update.
4. Additional NNDR income (£1.864m) has accrued to the Borough, £1.440m of which has been transferred to the Development Fund. (See paragraph 4.5).
5. The Council remains in a strong financial position with healthy reserves. The Council's Development Fund currently has a balance of £1.713m. Overall our combined General Fund Reserves sit at £6.294m 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.	29 October 2015
2. Assurance that budgets are being reviewed regularly.	29 October 2015

## 1. Details of Recommendations

### RECOMMENDED: That Cabinet:

- i) Notes that **Strategic Directors in consultation with Lead Members will implement proposals that mitigate the predicted overspend.**

## 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.	No requests for budget movements are included in this report.

## 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 £4.581m and the balance on the Development Fund is £1.713m. The combined General Fund and Development Fund reserves now sit at £6.294m. 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 **Strategic Director of Children's Services** reports that year-end outturn is expected to be in line with the net controllable budget of £18.218m. This is an improved position on the £80k overspend reported to Cabinet in October. However there have been some changes at service level. The most significant of these is a £230k increase in the projected overspends in home to school transport. Projections have now been updated for pupil and contract changes at the start of the new academic year and the revised outturn projection now shows a £440k overspend against budget. In total there are changes to transport costs for at least 125 children the result of a combination of factors:

- An increase of around 100 pupils (10%) in the overall number of children qualifying for home to school transport compared with October 2014 and of

these pupils at least 35 are children with high needs, equivalent to an 11% increase in children with special needs qualifying for assistance.

- Significant increase in a number of routes and transport arrangements in the new academic year totalling around £128k to meet a small number (25) individual eligible children's transport needs.

This additional cost pressure is currently being met from one off underspends elsewhere in Children's Services, partly related to savings proposed for 2016-17 being implemented early and a small lowering in demand in the first two quarters of the financial year for high needs placement costs. Neither element will be available in the longer term and will be addressed through a growth bid in the 2016-17 budget.

- 4.2. The **Strategic Director of Adults, Culture and Health** reports a forecast overspend for the year of £2.143m of which £2.084m is in Adult Social Care. The pressures on Adult Social Care budgets are largely demand led and impact through the full range of services this budget covers. Demand for services was seen to increase towards the end of the 2014-15 financial year, which is not unusual for budgets for older people as winter pressures can produce a cyclical profile. However the increase in demand during the last winter period was higher than that experienced in recent years.

This pressure was experienced throughout the care system, as NHS providers along with adult social care providers and commissioners struggled to meet the high level of demand. Following the increased winter demand, the subsequent spring and summer saw a continuation of demand above expectation. In consequence the budget position for the current financial year has been under growing pressure. The success of the policy to support people to remain independent in their own home has in some situations added to this pressure.

The 2015-16 winter is now approaching at a time when demand remains significantly higher than predicted when the budget was set. During the year the Council was informed of a proposed reduction in the Public Health Grant. Following a national consultation as to how this should be implemented it has now been decided to allocate the reduction pro rata to the grant allocation, thus each council will lose 6.2% of its grant. RBWM will lose £276.5k of its £4.468m grant allocation. £217k of this reduction will impact on the Adult Social Care budget, £59k will be a reduction in the Health Visitor allocation for 0 to 5 year old children held within the Children's Services Directorate's budget.

Other significant demand related budget pressures include higher than expected costs for caring for those with a learning disability, and for those with mental health problems. The costs of meeting the requirements of Deprivation of Liberty Safeguarding (DOLS) regulations also are significantly above budget. Therefore the Directorate's overspend forecast has been revised as noted above, and this position will continue to be monitored closely as the winter season unfolds.

The forecast overspend in the Adult Social Care Service (£2.084m) is summarised as follows:

<b>£000</b>	<b>Description</b>
121	Additional residential care and nursing care placements for older people
400	Additional homecare provided to older people
270	Reduction in income from charges for personal budget
300	Increase in number of people receiving Direct Payments
250	Delay in achievement of savings from contract for shared lives
143	Increased cost of meeting care needs of people with a learning disability
233	Increased cost of meeting care needs of people with a mental health
313	Additional costs of meeting stricter Deprivation of Liberty Safeguarding
116	Anticipated increased demand for support towards concessionary fares
217	Reduction in Public Health Grant
(279)	net savings from in-year mitigating actions
<b>2,084</b>	<b>Total forecast overspend</b>

- 4.3. The **Strategic Director of Corporate Services** reports a projected year end overspend of £23k for Corporate Services against an approved net budget of £5.728m. This is a worsening position of £55k compared to last month due to the costs of using additional resources to clear a backlog of checks in planning. The mitigation is to continue to manage staff vacancies. The Directorate Management Team is to carry out a mid year review of its budget to ensure that it delivers a balanced position for the Directorate and starts to contribute towards the corporate overspend.
- 4.4. The **Strategic Director of Operations** projects a significant underspend of £653k on the directorate 2015-16 approved budget of £18.96m, an improvement of £553k since last month's report.

A comprehensive six month budget review across the business has flushed out positive movements in almost all service areas.

The £100k improvement in Highways & Transport is based on strong parking activity in the summer, particularly in town centre car parks, allowing an increased year end outturn projection.

An Improvement in Housing Benefit subsidy recovery and consequent reduction in bad debt provision has contributed a £300k underspend to the overall total for the Directorate.

Work is ongoing to crystallise additional efficiencies and underspends in support of the overall Council budget position.

- 4.5. **Transfer to the Development Fund**  
The net transfer to the Development was £1.94m following the change in MRP policy and additional NNDR income. This has now been reduced by £500k to £1.44m to support the General Fund from the effect of forecast service pressures of £1.529m.
- 4.6. **Savings to mitigate the service pressure**

Efforts have been made to identify savings to mitigate the projected pressure. These are listed in appendix D.

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

	£000
<b>Approved Budget as at 30 September</b>	<b>80,927</b>
Redundancy cost (funded by provision)	21
<b>Service Expenditure Budget this Month</b>	<b>80,948</b>

#### 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 £40.294m; the projected outturn for the financial year is £40.287m. 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>	40,294	(26,520)	13,774
Variances identified	(7)	48	41
Slippage to 2016-17	0	0	0
<b>Projected Outturn 2015-16</b>	40,287	(26,472)	13,815

#### Overall capital programme status

	<b>Report to November 2015 Cabinet</b>
<b>Number of Schemes in Programme</b>	<b>396</b>
Yet to Start	14%
In Progress	46%
Completed	29%
Ongoing Programmes e.g. Disabled Facilities Grant	11%
Devolved Formula Capital Grant schemes budgets devolved to schools	0%

#### 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
Appendix D	Savings to mitigate service pressure

**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	Managing Director, Strategic Directors,	3/11/2015	6/11/2015	Changes included in

Team (CMT)	Heads of Legal Services and Policy & Performance.			final report.
Cllr Dudley	Lead Member for Finance	2/11/2015	3/11/2015	Changes included in final report.
Cllr Burbage	Leader of the Council	3/11/2015	9/11/2015	Changes included in final report.
Christopher Targowski	Cabinet Policy Manager	3/11/2015	3/11/2015	Changes included in final report.
<b>External</b> None				

## 19. Report History

<b>Decision type:</b>	<b>Urgency item?</b>
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	48,707	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	1,104	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>(410)</b>	<b>0</b>
Education Central Costs	151	151	0
Educations Standards	699	706	(80)
Sufficiency and Access	2,003	2,008	440
Strategy, Commissioning & Performance	1,503	1,526	43
Early Help & Safeguarding Central Costs	501	501	0
Early Help and First Response	1,708	1,741	175
Early Help-Youth Support	1,090	1,146	60
Safeguarding and Children in Care	2,110	2,117	117
Children and Young People Disabilities Service	2,153	2,164	(237)
Resources and Placements	5,589	5,611	(543)
Berkshire Adoption Service	72	74	0
Children's Services Management	522	531	25
<b>Total Children's Services - Non Schools Budget</b>	<b>18,101</b>	<b>18,276</b>	<b>0</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>18,218</b>	<b>0</b>
Better Care Fund	1,384	1,401	0
Adult Social Care	31,606	31,699	2,084
Public Health	0	5	0
Housing	2,021	2,027	22
Library Information	2,266	2,284	0
Heritage & Arts	308	309	0
Adult Management	337	317	37
<b>Total Adults Culture &amp; Health</b>	<b>37,922</b>	<b>38,042</b>	<b>2,143</b>
Director of Operations	66	111	0
Operational Transformation	161	146	0
Benefits & Business Services	808	819	(430)
Highways & Transport	(1,776)	(1,719)	(150)
Commissioning & Contracts	543	540	0
Neighbourhood & Streetscene Delivery Services	2,615	2,608	(50)
Community, Protection & Enforcement Services	12,199	12,239	(133)
Customer Services	1,329	1,330	75
Technology & Change Delivery	2,836	2,886	35
<b>Total Operations</b>	<b>18,781</b>	<b>18,960</b>	<b>(653)</b>
Director of Corporate Services	(28)	103	(52)
Development and Regeneration Service	(850)	(846)	(59)
Corporate Management	943	981	(107)
Communications	257	279	30
Policy and Performance	428	412	0
Democratic Services	1,702	1,780	15
HR	1,182	1,195	(45)
Legal	(2)	(32)	55
Finance	2,420	2,441	16
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>5,504</b>	<b>5,728</b>	<b>23</b>
<b>TOTAL EXPENDITURE</b>	<b>80,251</b>	<b>80,948</b>	<b>1,513</b>



SUMMARY	2015/16		
	Budget	Approved Estimate	Projected Variance
	£000	£000	£000
<b>Total Service Expenditure</b>	80,251	80,948	1,513
Contribution to / (from) Development Fund	(41)	(94)	1,440
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		(65)	0
Environment Agency levy	147	147	0
Capital Financing inc Interest Receipts	<u>6,471</u>	<u>6,433</u>	<u>(900)</u>
<b>NET REQUIREMENTS</b>	89,263	89,311	77
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>(48)</u>	<u>23</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	4,558
Transfers to / (from) balances	<u>0</u>	<u>(48)</u>	<u>23</u>
	<u>4,751</u>	<u>4,558</u>	<u>4,581</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	(896)
Transfer from General Fund - sweep	0
Transfer (to) / from General Fund - other initiatives	<u>1,346</u>
	<u>1,713</u>

Portfolio Summary	2015/16 Original Budget			New Schemes – 2015/16 Approved Estimate			Schemes Approved in Prior Years			Projections – Gross Expenditure				
	Gross (£'000)	Income (£'000)	Net (£'000)	Gross (£'000)	Income (£'000)	Net (£'000)	Gross (£'000)	Income (£'000)	Net (£'000)	2015/16 Projected (£'000)	2015/16 SLIPPAGE Projected (£'000)	TOTAL Projected (£'000)	VARIANCE Projected (£'000)	VARIANCE Projected (%)
<b>Corporate Services</b>														
Leisure Centres	800	(400)	400	1,450	(600)	850	(83)	88	5	1,367	0	1,367	0	0%
Outdoor Facilities	680	(265)	415	1,063	(600)	463	482	(135)	347	1,545	0	1,545	0	0%
Property Management	254	0	254	474	0	474	328	0	328	802	0	802	0	0%
Policy & Performance	673	0	673	656	0	656	441	0	441	1,097	0	1,097	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%
<b>Total Corporate Services</b>	<b>3,852</b>	<b>(1,555)</b>	<b>2,297</b>	<b>5,916</b>	<b>(2,090)</b>	<b>3,826</b>	<b>4,162</b>	<b>(893)</b>	<b>3,269</b>	<b>10,078</b>	<b>0</b>	<b>10,078</b>	<b>0</b>	<b>0</b>
<b>Operations</b>														
Technology & Change Delivery	415	0	415	410	0	410	128	(8)	120	579	0	579	41	10%
Benefits & Business Services	0	0	0	21	0	21	93	0	93	114	0	114	0	0%
Customer Services	18	0	18	216	0	216	205	0	205	421	0	421	0	0%
Neighbourhood & Streetscene Delivery Services	30	0	30	30	0	30	14	0	14	44	0	44	0	0%
Highways & Transport	6,345	(3,230)	3,115	7,570	(4,030)	3,540	4,379	(3,558)	821	11,949	0	11,949	0	0%
Community, Protection & Enforcement Services	893	(682)	211	951	(736)	215	263	(114)	149	1,214	0	1,214	0	0%
Commissioning & Contracts	0	0	0	0	0	0	5	0	5	5	0	5	0	0%
<b>Total Operations</b>	<b>7,701</b>	<b>(3,912)</b>	<b>3,789</b>	<b>9,198</b>	<b>(4,766)</b>	<b>4,432</b>	<b>5,087</b>	<b>(3,680)</b>	<b>1,407</b>	<b>14,326</b>	<b>0</b>	<b>14,326</b>	<b>41</b>	<b>0</b>
<b>Children's</b>														
Non Schools	205	(130)	75	160	(70)	90	346	(338)	8	506	0	506	0	0%
Schools – Non Devolved	3,952	(3,952)	0	4,483	(4,483)	0	6,041	(6,041)	0	10,476	0	10,476	(48)	-1%
Schools – Devolved Capital	302	(302)	0	384	(386)	(2)	423	(423)	0	807	0	807	0	0%
<b>Total Children's</b>	<b>4,459</b>	<b>(4,384)</b>	<b>75</b>	<b>5,027</b>	<b>(4,939)</b>	<b>88</b>	<b>6,810</b>	<b>(6,802)</b>	<b>8</b>	<b>11,789</b>	<b>0</b>	<b>11,789</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	468	(381)	87	358	(113)	245	826	0	826	0	0%
<b>Total Adult</b>	<b>1,641</b>	<b>(1,627)</b>	<b>14</b>	<b>1,724</b>	<b>(1,637)</b>	<b>87</b>	<b>2,370</b>	<b>(1,713)</b>	<b>657</b>	<b>4,094</b>	<b>0</b>	<b>4,094</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>21,865</b>	<b>(13,432)</b>	<b>8,433</b>	<b>18,429</b>	<b>(13,088)</b>	<b>5,341</b>	<b>40,287</b>	<b>0</b>	<b>40,287</b>	<b>(7)</b>	<b>0</b>
<b>Portfolio Total</b>	<b>17,653</b>			<b>40,294</b>						<b>40,287</b>				
<b>External Funding</b>														
Government Grants	(7,535)			(17,338)						(17,290)				
Developers' Contributions	(2,149)			(7,267)						(7,267)				
Other Contributions	(1,794)			(1,915)						(1,915)				
<b>Total External Funding Sources</b>	<b>(11,478)</b>			<b>(26,520)</b>						<b>(26,472)</b>				
<b>Total Corporate Funding</b>	<b>6,175</b>			<b>13,774</b>						<b>13,815</b>				



**Capital Monitoring Report - October 2015-16**

At 31 October 2015, the approved estimate stood at £40.294m

	<b>Exp</b>	<b>Inc</b>	<b>Net</b>
	£'000	£'000	£'000
Approved Estimate	40,294	(26,520)	13,774
Variances identified	(7)	48	41
Slippage to 2016/17	0	0	0
Projected Outturn 2015/16	40,287	(26,472)	13,815

**Overall Projected Expenditure and Slippage**

Projected outturn for the financial year is £40.287m

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
	<u>(7)</u>	<u>48</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	57	14%
In Progress	184	46%
Completed	116	29%
Ongoing Programmes e.g.. Disabled Facilities Grant	38	11%
Devolved Formula Capital Grant schemes budgets devolved to schools	1	0%
<b>Total Schemes</b>	<u>396</u>	<u>100%</u>

## Additional savings in 2015-16 to mitigate current overspend

	£'000
1 Savings arising from new cleaning contract to be reflected in Admin Building charges	20
2 Reduction in Revenue funding for capital programme to reflect scheme re-profiling	50
3 Reduction in Training Budgets	20
4 Reduction in Stationery spend as part of stock review	20
5 Innovation Fund – recover management overheads	7
6 Review Childrens Services Agency costs - administrative not front line	33
7 Replace consultancy support for Adults IT initiatives with in-house resource	20
<b>Total Saving</b>	<b>170</b>