

READING BOROUGH COUNCIL  
REPORT BY HEAD OF FINANCE

TO:	POLICY COMMITTEE		
DATE:	31 OCTOBER 2016	AGENDA ITEM:	18
TITLE:	BUDGET MONITORING 2016/17		
LEAD COUNCILLOR:	COUNCILLORS LOVELOCK/PAGE	PORTFOLIO:	FINANCE
SERVICE:	FINANCIAL	WARDS:	BOROUGHWIDE
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## 1. EXECUTIVE SUMMARY

- 1.1 This report set out the budget monitoring position for the Council to the end of August 2016.

## 2. RECOMMENDED ACTION

- 2.1 To note that based on the position at the end of August 2016 budget monitoring forecasts an overspend of around £7.49m which is an increase of £0.65m from the July position.

## 3. BUDGET MONITORING

- 3.1 The results of the Directorate budget monitoring exercises are summarised below. There is also further detail for Directorates at Appendix 1 to this report.

	Emerging Variances £000	Remedial Action £000	Net Variation £000	% variance budget
Environment & Neighbourhood Services	2,796	(2,810)	(14)	0%
Childrens, Education & Early Help Services/	6,691	(0)	6,691	19.7%
Adults Care and Health Services Inc. Public Health	3,919	(2,994)	925	2.3%
Corporate Support Services	759	(679)	80	0%
<b>Directorate Sub total</b>	<b>14,165</b>	<b>(6,483)</b>	<b>7,682</b>	
Treasury	(196)	0	(196)	-
<b>Total</b>	<b>13,969</b>	<b>(6,483)</b>	<b>7,486</b>	

### 3.2 Environment & Neighbourhood Services

- 3.2.1 Despite increasing this year's budget for Bed and Breakfast costs, there is a significant risk for the budget to be exceeded based on current trend (higher numbers but lower cost than budgeted), even with the mitigations planned being put in place. Forecasting outturn at this stage of the year is extremely challenging as this is a demand led budget - with a range of factors impacting beyond our control demand does not follow predictable patterns. However, projections (and scenarios) are being recast regularly based on latest actual figures and an assessment of demand forecasts and project delivery plans. Currently there are 154 households in B&B and a forecast overspend of £100k is reported based on this rising to around 200 by the financial year end. Both the numbers in B&B and forecast overspend have reduced, and the position is being closely monitored as placement numbers fluctuate.
- 3.2.2 All of the services directly delivered within Economic & Cultural Development generate significant levels of income to offset operational costs and this is the key unpredictable variable in delivering to budget. Based on the information currently available a potential income shortfall of £310k is reported this month relating to known pressures, offset with £90k savings. Officers will be reviewing any opportunities to mitigate these pressures through alternative income streams in the coming months.
- 3.2.3 Overall, the Directorate is now able to report a slight underspend £14k, as the above pressures are offset by overall underspends of £233k within Transport and Streetcare, (largely arising from additional income) and £101k in Planning Development & regulatory Services, both arising from a range of variances within those service areas.

### **3.3 Children, Education & Early Help Services**

3.3.1 Since the July report the forecasted overspend has risen by just over £1m. Detail regarding the full overspend is provided below.

3.3.2 A new structure was agreed in February for Children's Social Care based on the need of having manageable caseloads. This structure cost £750k more than the existing budget and remains unfunded. Currently the majority of the structure is filled with Agency workers whilst the service is going through a continuous recruitment campaign. Recruitment to some of the vacant posts has been achieved through recruitment of overseas applicants. However this process has had problems in regards to start dates due to visa applications and therefore the use of agency has been extended. The current predicted overspend based upon staffing is £2.8m (including the unfunded £750k). This estimate is based upon predicted start dates of overseas workers and handover time for agency workers. There is a risk with this forecast in that it is based on currently known recruitment information. If the recruitment plan changes and agency staff usage continues, this could lead to the forecast overspend increasing.

3.3.3 Service demand pressures continue for the service with external placements currently predicted to be overspent by £2.4m. This estimate is based upon current usage and estimated further demand to year end. However, due to the uncertainty of demand this estimate cannot be guaranteed, but there is on-going work by the service to try and manage this and keep within this estimate.

3.3.4 There is also a saving of £545k allocated against the service which is currently unachievable due to the recent OFSTED report, as reported in July. With regard to other services areas there continues to be a pressure on Education with regard to home to school transport unachieved savings of £500k. Within Early Help services there is a pressure of £228k. This is due to the LDD service which transferred from Adults this financial year. Costs in association with external placements/short breaks are currently overspent by £510k. Other Early Help services are underspent by £282k. There is a pressure of £230k within Governance and Transformation all in relation to staff costs. £160k of this is through the need to use agency to cover vacant posts along with a further £70k of unfunded costs within the Structure for DMT.

3.3.5 Whilst the above represents the position with regard to the General Fund, we are forecasting a £3.6m pressure on the high needs block as was reported to Schools Forum in July.

### **3.4 Adult Care & Health Services**

3.4.1 During the last month the year end forecast Directorate overspend has increased by £200k (from £725k to £925k). The change has been due to the value of 15/16 costs being higher than the accrual at year end and Adults continuing to experience demand pressure in excess of available budgets (forecasting outturn is challenging due the unpredictability of demand, specifically in winter) in both nursing and community based services.

Projections are regularly reviewed based on latest known figures and an assessment of demand forecasts and project delivery plans.

3.4.2 There are a number of transformation and deficit reduction projects currently being run in order to ensure that the service achieves savings targets, but to achieve this, there are also transformation costs that need to be absorbed.

3.4.3 A key issue to note is the current dispute with the two local CCG's around Continuing Health Care Funding (including Section 117 and Free Nursing Care). The current prediction assumes the known disputed cases of £500k between the Council and CHC, are funded by the CCG. However, if this challenge were unsuccessful, the overspend would increase.

### **3.5 Corporate Support Services**

3.5.1 At the end of August the Directorate is forecasting an overspend of £80k. In previous months the Directorate had forecast a breakeven position. The reason for the change is that whilst the Directorate has identified a number of potential in year savings, there is demand pressure in both childcare lawyers and this month the Directorate has also been able to quantify that there will be a loss of Housing Benefit subsidy of around £300k.

## **4. TREASURY MANAGEMENT**

4.1 The review of the capital financing budget has identified a potential under spend of £196k. In terms of treasury activity, we have arranged up to £70.8m of temporary borrowing during the year (with £174m borrowed for various periods from various other local authorities (or similar) for various periods to manage the cash flow) and this should ensure we have enough cash available until at least the autumn. The impact of this has been to reduce the average interest rate we are paying from 3.6% to around 3.2%. The forecast incorporates our latest estimates of the capital programme and it's financing for the year.

## **5. FORECAST GENERAL FUND BALANCE**

5.1 Based upon the provisional outturn, the General Fund Balance at the end of 2016/17 was just over £5m. As indicated in the table above, assuming remedial action highlighted is carried out, there is now expected to be a net overspend on service revenue budgets of £7.7m.

5.2 The pressure on service directorate budgets is offset by a favourable treasury position (see paragraph 7.1), so there is an overall £7.5m over spend forecast.

## **6. CAPITAL PROGRAMME 2016/17**

6.1 To the end of August £13.2m of the c£70m programme had been spent. Capital spending is normally weighted to the latter part of the year, except

for significant parts of the schools building programme which is September. On this the Primary School Expansion Programme has so far spent £9.1m spent against budget of £16.0m.

## 7. HRA

- 7.1 There are currently projected to be small under and overspends within the repairs and maintenance budgets but it is currently projected these costs will be managed to budgeted amount.
- 7.2 An initial review of the likely HRA capital financing position for 2016/17 has identified those costs should be around £300k under spent. Actual rent income is currently projected to be at least £100k better than budget, amongst other reasons because of continuing good control of rent arrears and lower than budgeted void loss.

## 8. RISK ASSESSMENT

- 8.1 There are risks associated with delivering the Council's budget and this was subject to an overall budget risk assessment. At the current time those risks are being reviewed as part of budget monitoring and can be classed as follows:
- High use of agency staffing & consultants;
  - Pressures on pay costs in some areas to recruit staff or maintain services;
  - In year reductions in grant;
  - Demand for Adult Social Care;
  - Demand for Children's Social Care;
  - Increased requirement for childcare solicitors linked to activity on the above;
  - Homelessness, and the risk of a need for additional bed & breakfast accommodation;
  - Demand for special education needs services;
  - Housing Benefit Subsidy does not fully meet the cost of benefit paid

## 9. BUDGET SAVINGS RAG STATUS

- 9.1 The RAG status of savings and income generation proposals included in the 2016/17 budget are subject to a monthly review. The RAG status in terms of progress is summarised below:

	£000	%
Red	2,175	18
Amber	5,815	48
Green	4,141	34
Total	<b>12,131</b>	<b>100</b>

- 9.2 The RAG status of budget savings supplements the analysis in budget monitoring above and the red risks do not represent additional pressures to those shown above.

## 10. COUNCIL TAX & BUSINESS RATE INCOME

- 10.1 We have set targets for tax collection, and the end of August 2016 position is:

Council Tax	2016/17 £000	Previous Year's Arrears £000	Total £000
Target	40,754	1,340	42,094
Actual	40,778	979	41,757
Variance	24 above	361 below	337 below

- 10.2 For 2016/17 as a whole the minimum target for Council Tax is 96.5%, (2015/16 collection rate 96.8%). At the end of August 2016, collection for the year was 47.2% compared to a target of 47.0%, and collection is slightly ahead of 2015/16 (46.9% by end of August 2015).

### Business Rates Income to the end of August 2016

Business Rates	2016/17 £000	2016/17 %
Target	52,074	45.00%
Actual	50,508	43.65%
Variance	1,566 below	1.35% below

The target for 2016/17 as a whole is 98.50%. By comparison, at the end of August 2015, 44.27% of rates had been collected.

## 11. OUTSTANDING GENERAL DEBTS

- 11.1 The Council's outstanding debt total as at 31<sup>st</sup> August stands at £12.078 m in comparison to the 31<sup>st</sup> March figure of £3.861m. This shows an increase of £8.217m but this includes large amounts due from other public sector bodies and we note that £2.933m of the balance as at 31 August 2016 is greater than 151 days old.

## **12. CONTRIBUTION TO STRATEGIC AIMS**

- 12.1 The delivery of the Council's actual within budget overall is essential to ensure the Council meets its strategic aims.

## **13. COMMUNITY ENGAGEMENT AND INFORMATION**

- 13.1 None arising directly from this report.

## **14. LEGAL IMPLICATIONS**

- 14.1 The Local Government Act 2003 places a duty on the Council's Section 151 Officer to advise on the robustness of the proposed budget and the adequacy of balances and reserves.
- 14.2 With regard to Budget Monitoring, the Act requires that the Authority must review its Budget "from time to time during the year" and also to take any action it deems necessary to deal with the situation arising from monitoring. Currently Budget Monitoring reports are submitted to Policy Committee regularly throughout the year and therefore we comply with this requirement.

## **15. FINANCIAL IMPLICATIONS**

- 15.1 The main financial implications are included in the report.

## **16. EQUALITY IMPACT ASSESSMENT**

- 16.1 None arising directly from the report. An Equality Impact Assessments was undertaken and published for the 2016/17 budget as a whole.

## **17. BACKGROUND PAPERS**

- 17.1 Budget Working & monitoring papers, save confidential/protected items.

**DENS - Environment and Neighbourhood Services**  
**Budget Monitoring Overview for the Period: August 2016**

This overview provides the key results of the budget monitoring exercise undertaken during August 2016

**Approved Budget**

The approved budget for the directorate as shown is £32.1m, made up as follows:

	Annual Budget	Budget to date	Actual to date	Commitments	Variance	Projection to Year End
	£'000	£'000	£'000	£'000	£'000	£'000
Employee Costs	34,912	14,398	13,800	0	-598	-49
Running Costs	90,235	25,240	21,952	31,802	28,514	1,985
Gross Expenditure	125,147	39,638	35,752	31,802	27,916	1,936
Income	-92,977	-32,631	-32,890	25	-234	-1,950
Net Expenditure	32,170	7,007	2,862	31,827	27,682	-14

**Summary Projection of Year end Position**

The results of the budget monitoring exercise indicate a potential net overspend of	£-14k
	0.0%

**Directorate Commentary on Budget Monitoring for the Period**

Despite increasing this year's budget for Bed and Breakfast costs, there is a significant risk for the budget to be exceeded based on current trend (higher numbers but lower cost than budgeted), even with the mitigations planned being put in place. Forecasting outturn at this stage of the year is extremely challenging as this is a demand led budget - with a range of factors impacting beyond our control demand does not follow predictable patterns. However, projections (and scenarios) are being recast regularly based on latest actual figures and an assessment of demand forecasts and project delivery plans. Currently there are 154 households in B&B and a forecast overspend of £100k is reported based on this rising to around 200 by the financial year end. Both the numbers in B&B and forecast overspend have reduced, and the position is being closely monitored as placement numbers fluctuate.

All of the services directly delivered within Economic & Cultural Development generate significant levels of income to offset operational costs and this is the key unpredictable variable in delivering to budget. Based on the information currently available a potential income shortfall of £310k is reported this month relating to known pressures, offset with £90k savings. Officers will be reviewing any opportunities to mitigate these pressures through alternative income streams in the coming months.

Overall, the Directorate is now able to report a slight underspend £14k, as the above pressures are offset by overall underspends of £233k within Transport and Streetcare, (largely arising from additional income) and £101k in Planning Development & regulatory Services, both arising from a range of variances within those service areas.

Significant Budget Variations - Service & Explanation of Year End Position (>£100k)	Overspend £000	Underspend £000
E&CD - Pressure on agreed saving, potential bad debt write off & an income shortfall partly offset by vacancy saving due to delayed recruitment	310	90
PDRS - Pressure on agreed saving, Regulatory Service pressure (professional support requirement) and maintenance of corporate buildings overspend prediction partly offset by additional sundry property income & additional planning fees	1,120	1,221
T&SC - Unachievable savings offset by additional income and other minor positive variances	1,196	1,429
H&NS - Housing GF - Bed and Breakfast pressure (best estimate based on current projections)	170	70
Total	2,796	2,810
Forecast Net Position (over/-underspend)	-	14



**DCEEHS Summary**  
**Budget Monitoring Overview for the Period: August 2016**

This overview provides the key results of the budget monitoring exercise undertaken during August 2016

**Approved Budget**

The Approved budget for the directorate is £33.9m, made up as follows:

	Annual Budget	Budget to date	Spend to date	Commitments	Variance	Projected Year End Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Employee Costs	24,361	10,146	10,113	4,153	-33	2,760
Running Costs	37,515	15,471	15,997	6,903	525	4,047
Gross Expenditure	61,876	25,617	26,110	11,056	492	6,807
Income	-27,910	-4,677	-842	0	3,836	-116
Net Expenditure	33,966	20,940	25,268	11,056	4,328	6,691

**Summary Projection of Year end Position**

The results of the budget monitoring exercise indicate a potential net overspend of	£6691k
	19.7%

**Directorate Commentary on Budget Monitoring for the Period**

Since the July report the forecasted overspend has risen by just over £1m. Detail regarding the full overspend is provided below.

A new structure was agreed in February for Children's Social Care based on the need of having manageable caseloads. This structure cost £750k more than the existing budget and remains unfunded. Currently the majority of the structure is filled with Agency workers whilst the service is going through a continuous recruitment campaign. Recruitment to some of the vacant posts has been achieved through recruitment of overseas applicants. However this process has had problems in regards to start dates due to visa applications and therefore the use of agency has been extended. The current predicted overspend based upon staffing is £2.8m (including the unfunded £750k). This estimate is based upon predicted start dates of overseas workers and handover time for agency workers. There is a risk with this forecast in that it is based on currently known recruitment information. If the recruitment plan changes and agency staff usage continues, this could lead to the forecast overspend increasing.

Service demand pressures continue for the service with external placements currently predicted to be overspent by £2.4m. This estimate is based upon current usage and estimated further demand to year end. However, due to the uncertainty of demand this estimate cannot be guaranteed, but there is on-going work by the service to try and manage this and keep within this estimate.

There is also a saving of £545k allocated against the service which is currently unachievable due to the recent OFSTED report, as reported in July.

With regard to other services areas there continues to be a pressure on Education with regard to home to school transport unachieved savings of £500k. Within Early Help services there is a pressure of £228k. This is due to the LDD service which transferred from Adults this financial year. Costs in association with external placements/short breaks are currently overspent by £510k. Other Early Help services are underspent by £282k. There is a pressure of £230k within Governance and Transformation all in relation to staff costs. £160k of this is through the need to use agency to cover vacant posts along with a further £70k of unfunded costs within the Structure for DMT.

Whilst the above represents the position with regard to the general fund, we are forecasting a £3.6m pressure on the high needs block as was reported in Schools Forum in July.

Significant Budget Variations - Service & Explanation of Year End Position (>£100k)	Overspend £000	Underspend £000
Education & Schools	500	
Children's Social Care	5,733	
Early Help	228	
Director & Governance & Transformation	230	
<b>Total</b>	<b>6,691</b>	<b>0</b>
<b>Forecast Net Position (over/-underspend)</b>		<b>6,691</b>

**Directorate of Adults, Commissioning and Health Budget Monitoring Report**  
**Budget Monitoring Overview for the Period: August 2016**

This overview provides the key results of the budget monitoring exercise undertaken for the end of August 2016

**Approved Budget**

The approved budget for the Directorate as shown is £39.935m, made up as follows

	Annual Budget	Budget to date	Spend to date	Commitments	Variance	Projection to Year End
	£'000	£'000	£'000	£'000	£'000	£'000
Employee Costs	14,588	6,076	5,504	258	-572	-250
Running Costs	50,923	21,210	16,500	1,767	-4,710	2,338
Gross Expenditure	65,512	27,286	22,004	2,024	-5,282	2,088
Income	-25,577	-10,653	-5,514	0	5,139	-1,163
<b>Net Expenditure</b>	<b>39,935</b>	<b>16,633</b>	<b>16,490</b>	<b>2,024</b>	<b>-143</b>	<b>925</b>

**Summary Projection of Year end Position**

The results of the budget monitoring exercise indicate a potential net overspend of	<b>£925k</b>
	<b>2.3%</b>

**Directorate Commentary on Budget Monitoring for the Period**

During the last month the year end forecast Directorate overspend has increased by £200k (from £725k to £925k). The change has been due to the value of 15/16 costs being higher than the accrual at year end and Adults continuing to experience demand pressure in excess of available budgets (forecasting outturn is challenging due the unpredictability of demand, specifically in winter) in both nursing and community based services. Projections are regularly reviewed based on latest known figures and an assessment of demand forecasts and project delivery plans.

There are a number of transformation and deficit reduction projects currently being run in order to ensure that the service achieves savings targets, but to achieve this, there are also transformation costs that need to be absorbed.

A key issue to note is the current dispute with the two local CCG's around Continuing Health Care Funding (including Section 117 and Free Nursing Care). The current prediction assumes the known disputed cases of £500k between the Council and CHC, are funded by the CCG. However, if this challenge were unsuccessful, the overspend would increase.

<b>Significant Budget Variations - Service &amp; Explanation of Year End Position (&gt;£100k)</b>	<b>Overspend £000</b>	<b>Underspend £000</b>
Commission and Performance - This area is expected to breakeven but this area will be changed/merged with Wellbeing and children services in September	0	0
Adult Social Care and Transformation - Care costs commitments show that there is a large pressure within all services, particularly within the residential and community services costs. There are number of transformation and deficit reduction projects currently being run in order to ensure that the service achieves savings targets and also works towards a break even point before year end. Currently a significant risk for the Council is around Continuing Health Care and S117 (this is the section of the Mental Health Act that relates to how services are paid for an individuals being discharged from a Mental Health Hospital stay). The Council current believes that a number of clients that it is funding should actually be funded by the CCG. This could be in excess of £500k. If these placements are not funded by the CCG (CHC/S117), the Adult and Health services current predicted overspend could increase. Directorate and Transformation Costs - the costs of the interim management and transformation project will need to be met through the savings and deficit reduction projects that are underway within Adult Social Care	3,184	2,419
Corporate Training Saving - Training Needs Analyses have indicated that the needs of the services are £250k higher than the available budget, following the agreement of a Council-wide £250k reduction in budgets. CMT have agreed to reduce the requests by 25% and the operational services are currently reviewing how to achieve this target.	275	0
Reading received a cut in the Public Health grant of over £800k in 16/17. In previous months the Council was forecasting an overspend of £460k. With a significant amount of work from the Public Health team, finance and colleagues from around the Council options have been developed to ensure this budget will break even. In doing this the budget now has a high risk attached to a number of the demand lead services and this will require careful monitoring during the course of the rest of the financial year to monitor potential pressures	460	460
Wellbeing (Preventative Services - with the onset of the Narrowing the Gap Framework the expenditure on VCS grants will reduce.	0	25
Commissioning and Improvement	0	90
<b>Total</b>	<b>3,919</b>	<b>2,994</b>
<b>Forecast Net Position (overspend)</b>		<b>925</b>

