

FINANCIAL UPDATE

Latest position: Budget Monitoring 2018/19

Medium Term Financial Context

Focus on Transformation



REMINDER – BALANCING 2018/19 BUDGET

| | |
|---|----------------|
| Additional commitments (net) | £1.1m |
| Pressures | £6.0m |
| Inflation | £2.4m |
| Reverse 2017/18 use of General Reserves | £2.6m |
| Reduction in grants | <u>£3.1m</u> |
| Additional budget pressures | £15.2m |
| Expected Council Tax Increase (4.99% + taxbase) | -£3.1m |
| Identified Transformation savings | -£6.2m |
| Efficiency savings | -£3.1m |
| Expected use of General Reserves | <u>-£2.0m</u> |
| Identified funding proposals | -£14.1m |
| Gap at mid January | £1.1m |

Adults £1.8m

Childrens £1.2m

CPIS £1.0m

Leisure £0.6m



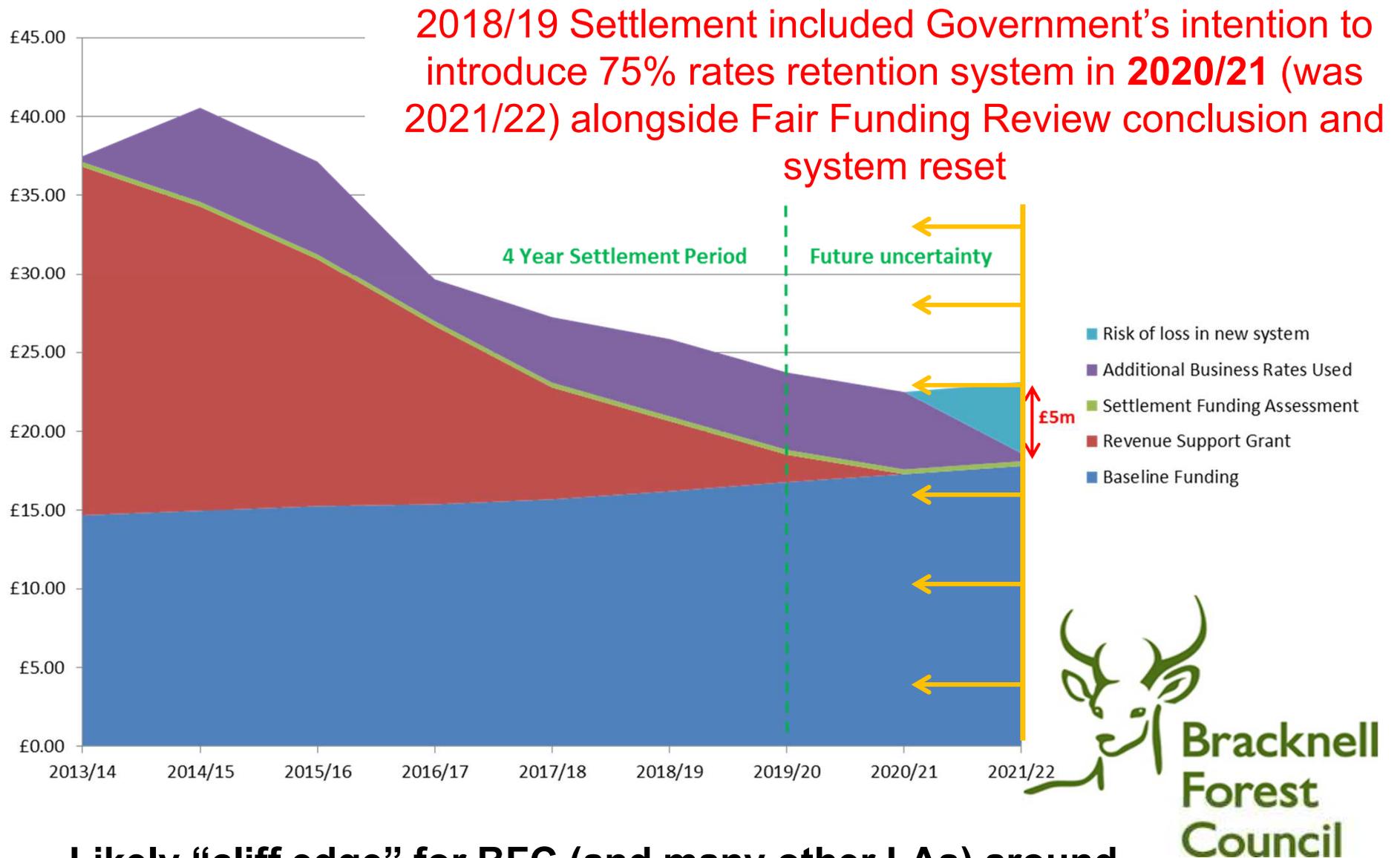
Bridged by extra 1% Council Tax and additional £0.5m of General Reserves

The latest reported 2018/19 monitoring position

- Significant increases in demand for social care services, exceeding budgeted provision;
 - Adult Social Care potential overspend of £0.5m
 - Children’s Social Care potential overspend of £1.5m
- Predicted variances from other services broadly balance out
- Expect underspend on Treasury Management (being quantified)
- Remaining Corporate Contingency £2.5m
- **CMT and DMTs to keep under close review and continue to tightly manage spend**



MEDIUM TERM FINANCIAL CONTEXT



Likely “cliff edge” for BFC (and many other LAs) around move to new funding system

BUDGET PLANNING – STARTING ASSUMPTIONS

- All Transformation programmes deliver financial savings as set out in the Commitment Budget
- Further spending pressures are no more than £3m per annum
- Efficiency savings or additional income of at least £1m per year will be identified and implemented
- Permitted Council Tax increases are approved
- Loss of recurring £4m Business Rates income above Government baseline in 2020/21
- No further deterioration in baseline funding assessment



BUSINESS RATES PILOT

- Successful bid to establish Business Rates Pool across all Berkshire Authorities as Pilot to inform new system from 2020/21
- Income from Business Rates;
 - 70% of additional sum retained in Berkshire to be used for one-off major infrastructure, estimated c £25m
 - 30% for local use, estimated £10m (probably more)
 - Expected minimum additional income £1m per authority
 - Income above that level to reflect individual authority growth
 - Overall benefit to BFC in 2018/19 now estimated at > £6m
- Enables creation of Future Funding Reserve



MEDIUM TERM: POSSIBLE SCENARIO

| | 2019/20 | 2020/21 | 2021/22 |
|----------------|---------|---------|---------|
| | £000 | £000 | £000 |
| Annual Gap | 1.4 | 7.1 | 2.0 |
| Cumulative Gap | 1.4 | 8.5 | 10.5 |

CMT currently re-assessing assumptions use to calculate the predicted gap in 2019/20 and identifying initial budget proposals

Gap in 2020/21 so large due to:

- BFC using additional business rates income to support revenue budget – system reset will remove significant part / all of this benefit (currently assuming £3m)
- No significant savings currently projected from Transformation beyond 2019/20 – by which point most services reviewed

Financial strategy: use Future Funding Reserve to manage transition to new funding system gradually over time



TRANSFORMATION PROGRAMME

- **Original target of £11.5m on-going savings has now been delivered, with one-off programme costs totalling £2.2m;**

| Transformation Savings | £m |
|---|--------------|
| Property Investment Strategy | -2.6 |
| Adult Social Care packages | -1.7 |
| Highways and Transport | -1.3 |
| Leisure Services review | -1.0 |
| Council Wide Support Services | -0.8 |
| Heathlands re-provision | -0.5 |
| Library Review | -0.5 |
| Town Centre Car Parking (excluding the Lexicon) | -0.4 |
| CYPL | -0.4 |
| Capital Financing | -0.4 |
| Major Property review - Easthampstead House | -0.3 |
| Corporate Services / CX | -0.3 |
| Early intervention / prevention | -0.3 |
| Welfare and Housing | -0.2 |
| Planning and Dev Control | -0.2 |
| Parks and Open Spaces | -0.2 |
| Parish Council Tax reduction support | -0.2 |
| Arts Review (South Hill Park) | -0.2 |
| | <hr/> |
| | -11.5 |



Transforming Adults and Children's Services

- Complex care systems involving vulnerable children and adults
- Both services experiencing significant increases in demand, with consequences that;
 - Adults delivery behind original expectation
 - Children's timing currently uncertain
- Difficult balance to strike between;
 - Whole systems approach (best addresses complexities, requires significant structural change, potentially lengthy), and
 - Targeted interventions (delivers savings quicker, can miss wider opportunities)
- Need to respond to rising service demand alongside delivering transformational change
- Pressure on resources (programme and front line) becoming a critical factor

Conclusions

- Significant demand increases causing financial pressure in current year and most probably future years
- Implies higher level of savings will be needed than predicted in 2019/20
- Transformation has delivered expected savings, current focus on pace of delivery of complex Children's and Adults programmes
- CMT and DMTs continuing to work on options for Members to start to consider in Autumn
- Securing resources to deliver scale of change needed alongside delivering services remains a key challenge

