



BUDGET MONITORING TO 30 JUNE 2015

Report by the Finance & Commercial Director

LIMITED LIABILITY PARTNERSHIP STRATEGIC GOVERNANCE GROUP

11 August 2015

1 PURPOSE AND SUMMARY

1.1 To inform the Strategic Governance Group of the financial position for SB Cares at 30 June 2015.

1.2 The budget monitoring position based on the actual income and expenditure to the 30 June 2015 shows a profit for the first quarter of £187k. The Senior Management Team have reviewed the progress being made to deliver agreed efficiencies and new business and at this early stage in the financial year are forecasting a profit of £481k which is in line with the Business Plan approved by Members in October 2014 and the Council's 2015/16 budget.

1.3 SB Cares have been awarded 2 new Care at Home contracts from Scottish Borders Council since the company commenced trading on the 1 April 2015. The first contract through a service transfer as provider of last resort for 273 Care at Home hours per week and the second through a tender award for 900 Care at Home hour per week. This in an increase in the company's Care at Home provision of 24% which has been reflected in the forecast financial position for 2015/16.

2 RECOMMENDATIONS

2.1 It is recommended that the Strategic Governance Group:-

- (a) Notes SB Cares financial position as at the 30 June 2015**
- (b) Notes the information will be shared with Scottish Borders Council to inform the revenue monitoring position**

3 BACKGROUND & UPDATE

3.1 In October 2014 the Council approved a 5 year Business Plan to set up a Limited Liability Partnership (LLP), SB Cares a fully owned Council Company, to deliver its Adult Social Care Services. There were a number of benefits set out in the business case to improve the quality of services to people receiving care and their carers. These included:

- The ability to continue to provide quality services that are more cost effective and is more responsive at a local level
 - The ability to provide and sell a range of services to people who do not meet the Council's current eligibility criteria to provide preventative services
 - More efficient deployment of resources resulting in efficiency savings
 - Ensuring the Council continues to be able to meet its statutory responsibilities by SB Cares being established as provider of last resort
 - Being able to generate a surplus that contributes to overall social care resources
- 3.2 The Business Plan set out forecast savings for the Council of £5.6m over the first 5 years. This will be achieved through reduced contract costs to the Council and surplus generation. A more commercially orientated approach will help identify efficiencies through managing better workforce practices, managing consumables demand and cost reduction.
- 3.3 In addition SB Cares is now in a position to sell services at a surplus which the Council was not legally able to offer. A number of services were identified in the business case that could be offered to clients who do not currently meet the Council's eligibility criteria or who were keen to buy additional support. These services will support the Council's priority to provide a wider range of preventative services across the Borders.
- 3.4 An assessment of the Business Plan has been carried out to inform a detailed first year plan to deliver efficiencies and new business. This assessment has found that the assumptions in the Business Plan are still reasonable with the exception that the implementation for some areas may be later in 2015/16 than previously set out. The implementation of the first year plan has been reflected in the financial forecast for 2015/16.
- 3.5 In the first four months of operation SB Cares have been awarded 2 new Care at Home contracts from Scottish Borders Council. The first contract was through a service transfer as provider of last resort for 273 Care at Home hours per week in early June 2015. The second contract was awarded after SB Cares participated in a quick tendering process for 900 Care at Home hours per week. These contracts are reflected in the latest forecast financial position for 2015/16.

4 FINANCIAL POSITION AS AT 30 JUNE 2015

- 4.1 In the first year of the Business Plan approved by members in October 2014 it forecasts that SB Cares will generate a profit of £480k. The Senior Management Team has developed a detailed first year plan to support the delivery of efficiencies and new business which has informed the financial forecast for the year ending 31 March 2015.
- 4.2 The budget monitoring position is based on actuals as at the 30 June 2015 with profit of £189k has been achieved in the first quarter. This level of profit will not be sustained as investment in the implementation of efficiencies and new business is required particularly in the latter half of the year. This is reflected in the forecast profit of £481k for 2015/16, available for reinvestment in Social Care, which is in line with the target set in the approved Business Plan.

- 4.3 A Summary of the financial position at the end of the 1st quarter is set out in the table below:

SB Cares Forecast v Business Plan as at 30 June 2015						
Description	Actuals Q1 £	Business Plan Q1 £	Variance Q1 £	Forecast 2015/16 £	Business Plan 2015/16 £	Variance £
Income	4,197,913	4,489,610	(291,697)	17,924,444	17,958,441	(33,997)
Direct cost	3,892,941	4,225,826	332,885	16,948,860	16,903,304	(45,555)
Gross Profit	304,973	263,784	41,188	975,584	1,055,137	(79,552)
Overheads	115,899	143,744	27,845	494,695	574,975	80,281
Profit	189,074	120,040	69,033	480,890	480,161	729

4.3 **Income**

The forecast income 2015/16 for SB Cares exceeds the original Business Plan by £34k. Forecast income reflects the recently awarded Care at Home contracts for 1200 hours per week which this has been offset by two services originally included in the business case not transferring to SB Cares as part of the service contract with the Council. These services were the LD Local Area Coordinators and Specialist Dementia. In addition the development of new services included in the forecast income is lower than the Business Plan due to the work required to develop systems to support the new business. Details on the progress of new business developments are included in a paper later in the agenda.

4.4 **Direct Cost**

The direct costs for 2015/16 for SB Cares are forecast to be £46k over the original Business Plan. Again this reflects the 2 Care at Home contracts recently awarded from Scottish Borders Council off set by the two services that didn't transfer. Progress has already been made towards the delivery of efficiencies in the 1st quarter from more efficient deployment of resources with savings of circa £75k already achieved. Further detail on the progress being made on delivery of efficiencies is set out in a paper later in the agenda.

4.5 **Overheads**

Forecast savings in insurance and management costs have contributed to the reduction in Overheads for the year. In addition there are savings for the year from marketing expenditure which has been delayed due to the systems development required to support the new business. Further details on SB Cares Marketing approach are included in a paper later in the agenda. It is not anticipated that there will be any impact on the delivery of the SB Cares 1st year plan from these savings from overheads.

5 IMPLICATIONS

5.1 Financial Recommendations

There are no costs attached to any of the recommendations contained in this report its content being specifically related to the latest financial positions of SB Cares for 2015/16.

5.2 Risk and Mitigations

There is a risk that SB Cares does not deliver the profit set out in the Business Plan for 2015/16.

The risks identified above are being managed and mitigated through:-

- (a) Monthly reports of actual expenditure and income against forecasts being made available to budget managers from SB Cares Financial & Operational System
- (b) Review of budget variances and monitoring of progress to deliver the first year business plan is reviewed monthly by SB Cares Senior Management team

5.3 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

5.4 Acting Sustainably

There are no significant effects on the economy, community or environment.

5.5 Carbon Management

No effect on carbon emissions are anticipated from the recommendation of this report.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

6 CONSULTATION

- 6.1 The SB Cares Senior Management Team and Chair of SB Cares have been involved in and agreed the compilation of the budgetary control statements appended.

Author(s)

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