



BUDGET MONITORING TO 30 SEPTEMBER 2015

Report by the Finance & Commercial Director

LIMITED LIABILITY PARTNERSHIP STRATEGIC GOVERNANCE GROUP

10 November 2015

1 PURPOSE AND SUMMARY

- 1.1 **To inform the Strategic Governance Group of the financial position for SB Cares at 30 September 2015.**
- 1.2 The budget monitoring position based on the actual income and expenditure to the 30 September 2015 has achieved a profit for the first six months of £253k. The Senior Management Team have reviewed the progress being made to deliver agreed efficiencies and new business are forecasting a profit of £480k which is in line with the Business Plan approved by Members in October 2014 and the Council's 2015/16 budget.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Strategic Governance Group:-**
- (a) Notes SB Cares financial position as at the 30 September 2015**
 - (b) Notes the information will be shared with Scottish Borders Council to inform the revenue monitoring position**

3 BACKGROUND

- 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 with the target for 2015/16 generating a surplus of £480k. This will be achieved over the next 5 years 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 will 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.

4 FINANCIAL POSITION AS AT 30 SEPTEMBER 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 continue to review its 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 September 2015 with profit of £253k being achieved in the first quarter. This level of profit is slightly ahead of the business case half year position of £240k. The forecast profit for the last 6 months of the year of £227k reflects a level of investment in the implementation of efficiencies and new business required in the latter half of the year for marketing and systems development.

4.3 A Summary of the half year financial position is set out in the table below:

Summary	Year to Date			Q1	Q2	Variance
	Actual £000's	Forecast £000's	Variance £000's	Forecast 2015/16 £000's	Forecast 2015/16 £000's	£000's
Income	8,638	8,455	183	17,924	17,463	(461)
Direct Cost	8,115	7,873	242	16,948	16,442	506
Gross Profit	523	582	59	976	1,021	45
Overheads	270	298	28	495	541	(46)
Profit	253	284	31	481	480	(1)

4.3 **Income**

The forecast income 2015/16 for SB Cares is now £17,463,000. The Q1 generated forecast presented to members in August was £17,924,000.

The forecasted income is therefore £461k under the Q1 forecast. The early estimate of the expected income from the two new homecare contracts have now been finalised based on the client hours that transferred to SB Cares. This has seen a reduction in the forecast income of circa £300k. In addition income has been adjusted to reflect that the pay award for staff included in the contract price has still to be agreed. The pay award inflation of £160k has therefore been temporarily removed from the forecast income for the year and the actual income to date until such time as this is agreed.

4.4 **Direct Cost**

The forecasted direct costs for 2015/16 for SB Cares are now £16,442,000. The Q1 generated forecast presented to members in August was £16,948,000.

The forecasted direct costs are therefore £506k under the Q1 forecast. This reflects the reduction in hours originally forecast from the two new Care at Home contracts awarded from Scottish Borders Council and identification of cost attributable to overheads now being correctly allocated. Progress has already been made towards the delivery of efficiencies in the 1st quarter from more efficient deployment of resources and savings from a review of supplies and services spend generating savings of £160k achieved in the first 6 months. Further detail on the progress being made on delivery of efficiencies is set out in a paper later in the agenda.

4.5 **Overheads**

The forecasted overheads for 2015/16 for SB Cares are now £541,000. The Q1 generated forecast presented to members in August was £495,000. The forecasted overheads are therefore £46k over the Q1 forecast. The increase in overheads against the Q1 forecast set out in August has been due to investment in consultancy costs to support the Homecare review which commenced in late July and forecast marketing cost to launch our services. In addition costs for overheads originally forecast in direct costs are now being correctly allocated to overheads. Further details on SB Cares Homecare review and development of new business are set out later in the agenda.

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 Board have been involved in and agreed the compilation of the budgetary control statements set out in this report.

Author(s)

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