

CABINET

14 November 2017

Title: Budget Monitoring 2017/18 – April to September (Month 6)	
Report of the Cabinet Member for Finance, Growth, and Investment	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Claire Symonds, Chief Operating Officer	
Summary	
<p>This report provides an update on the revenue budget monitoring position as at the end of September 2017.</p> <p>The total service expenditure for the year is expected to be £151.013m against a revenue budget of £145.130m – an increase of £0.479m since last month. This results in a forecast overspend position for the full year as at the end of September 2017 of £5.883m. This is an increase from the position last month which was an overspend of £5.517m. Within the overall position there has mainly been a worsening of the pressures in Care and Support services for Children.</p> <p>This is based on known factors at this stage of the year and may change as the result of successful management action or the appearance of new risks and pressures. Early identification of pressures is key to being able to plan and implement successful mitigation and the position will continue to be monitored and reported to Cabinet throughout the year.</p> <p>The Housing Revenue Account (HRA) is forecasting a revenue surplus of £38.873m which will be used as a contribution to the capital programme. This forecast surplus is a reduction of £0.769m from the planned contribution as a result of shortfalls in rent income. This position is unchanged since last month.</p> <p>This report also includes the Capital programme position at the end of quarter two. A number of additions have been requested to the in-year capital programme for the General Fund which are outlined in section five. This will increase the General Fund capital programme from £135.7m to £166.3m in 2017-18.</p> <p>However, there is a high level of slippage across the HRA capital programme which would result in a decrease in the capital forecast from £90.7m to £74.2m.</p> <p>In addition, this report includes an update on the quarterly monitoring of the Transformation programmes and their associated MTFS savings.</p>	

Recommendation(s)

Cabinet is recommended to:

- (i) Note the forecast outturn position for 2017/18 of the Council's General Fund revenue budget as detailed in section 2 and Appendix A of the report;
- (ii) Note the new financial pressures and the suggested mechanisms for resolving them, as detailed in section 3 of the report;
- (iii) Note the overview of the HRA for 2017/18, as detailed in section 4 and Appendix B of the report;
- (iv) Approve the additions to the Capital Programme outlined in section 5.2 of the report
- (v) Approve the additional budgets as outlined in sections 5.3 to the Capital programme;
- (vi) Note the reprofiled Capital Programme position for 2017/18 as detailed in section 5 and Appendix C of the report;
- (vii) Approve the capital budgets for 2018/19 and future years (appendix D); and
- (viii) Note the update on the MTFS savings given in section 6 of the report.

Reason(s)

As a matter of good financial practice, the Members' should be informed about the Council's spending performance and its financial position. This will assist in holding managers to account and in making future financial decisions.

1 Introduction and Background

- 1.1 This report provides a summary of the forecast outturn for the Council's General Fund and HRA. In addition, it provides a quarterly update on the Capital programme position and the MTFS savings.

2 Overall Position

- 2.1 As at the end of September there is a projected overspend of £5.883m. Full details are shown as an appendix to this report. This is based on current service expenditure and, in many ways, can be regarded as a worst case forecast as in most instances it does not include the potential impact of management action.
- 2.2 If this forecast was still the final position by the end of the financial year it would require a drawdown on the Council's reserves. Although we do have sufficient to cover this amount at this time, a reduction in the reserves would mean less capacity for strategic investment and the management of future other risks. For this reason, it is important that action is taken swiftly to mitigate these pressures and any others that arise in the year.

- 2.3 As previously reported there are overspends predicted for Children's Care and Support, the Homelessness budgets within Community Solutions, Disabilities Service, Leisure Services, Public Realm, Enforcement, and the Customer Access Strategy.
- 2.4 Since last month there have been changes in the forecast for Children's Care and Support, Community Solutions and a risk to be noted against the Growth and Homes Commissioning for the reasons explained below.

3. Changes to the Forecast since previously reported.

Children's Care and Support – an increase of £0.467m to £1.9m overspend

- 3.1 The overall forecast for Children's Services has risen again this month. The placement forecast has gone down by £0.1m as a result of a reduction in high cost placements. In addition, an exercise to review the most expensive high cost placements has been initiated by the Operational Director of Children's Care and Support. However, there are signs of an ongoing growth in demand and complexity of cases.
- 3.2 The staffing forecast for the service has increased this month as it may not be possible to reduce the Children in Need team as planned during the second half of the year as a result of continued high demand. There has also been an increase in legal costs of £0.1m which is linked to the level and complexity of cases in the system.
- 3.3 It is expected that another £0.2m of management action can be delivered this year and that some of the high cost placements currently forecast on an open-ended basis can be closed down in year. The current final forecast balancing these factors is now £1.9m – an increase of £0.467m since last month. The management action underway and described above may make it possible to bring this down further. However, the signs of increasing demand suggests there are risks and so the budgets will continue to be carefully monitored.

Community Solutions – small increase of £0.05m

- 3.4 There is a forecast overspend on Community Solutions of £0.448m. The long-standing pressure of just over £1m in Homelessness offset by grant and corporate bad debt provision remains largely unchanged but the position across the rest of the service has slightly worsened from an underspend to a small overspend. This is made up of a variety of small variances on staffing and income. However management action is in hand and this is expected to be resolved.

Strategy and Communications – new underspend reported of £0.06m

- 3.5 The film unit has forecast additional income above budget of £0.06m.

Growth and Homes – £0.140m risk of overspend

- 3.6 The Development Planning team have identified the risk of an overspend of £113k due to the commissioning of a study of the local economy. In order for the borough

to achieve its ambitious targets of 50,000 homes and 20,000 jobs (as set out in the Borough Manifesto) the Council requires an overarching analysis of the borough economy. The study will provide these details and will enable the Authority to take forward core aspects of the emerging Local Plan. The Local Plan requires evidence to back up core Council priorities such as the re-designation of employment land to satisfy housing and jobs targets. Efforts are being made to either fund this additional expenditure from existing resources or through consultations with Be First.

4. Housing Revenue Account

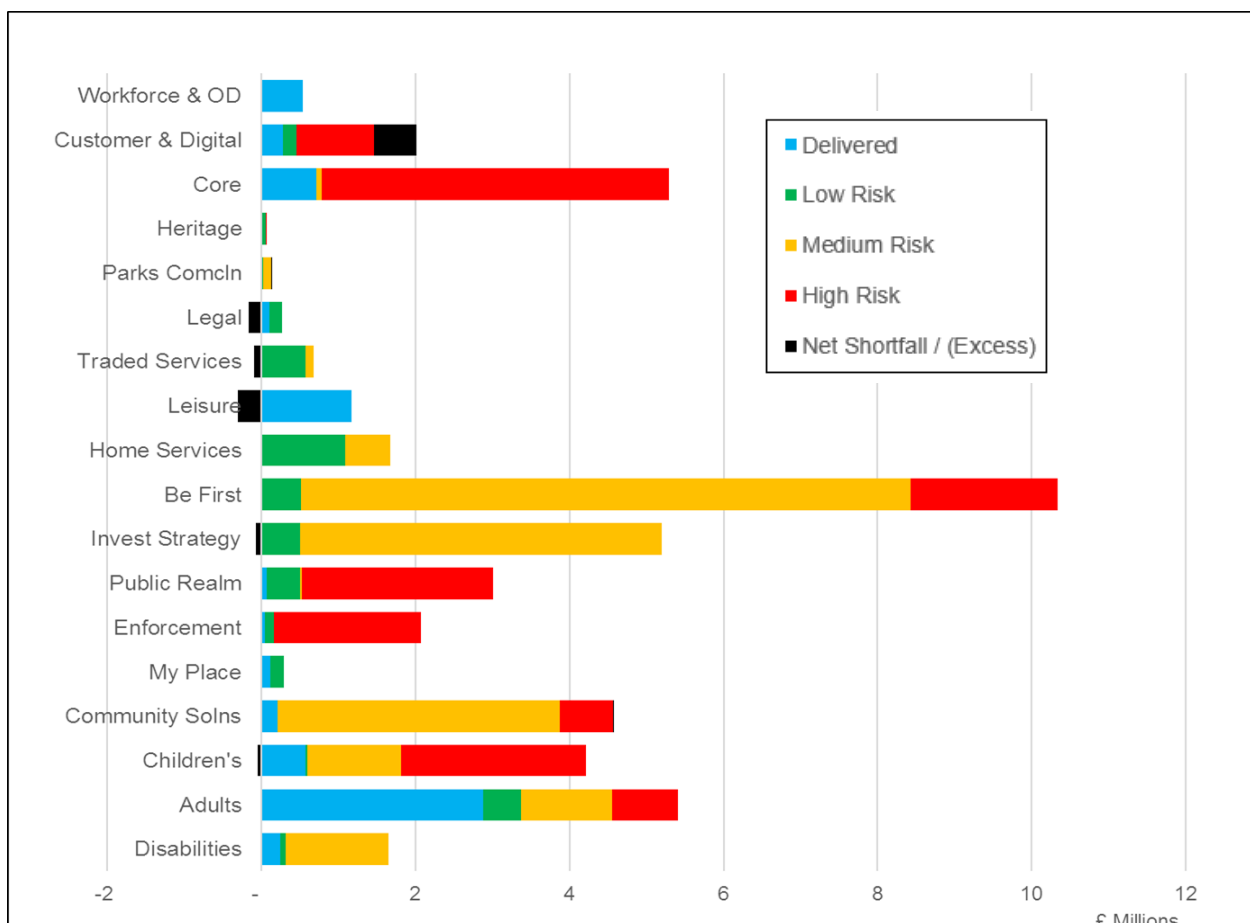
- 4.1 The current forecasts for the HRA shows an expected reduction in the surplus/contribution to the capital programme of £0.769m. This mostly relates to under achievement of income. This is unchanged since last month.

5. Capital Programme

- 5.1 On 13 February 2017 the cabinet approved a 5-year capital programme for the period 2017/18 – 2021/22, for a total budget of £226m comprising of £136m general fund programme and £90m of Housing Revenue Account. This quarterly capital monitoring update presents a summary of the status and risks of the schemes on the capital programme.
- 5.2 The following schemes have been approved since the Capital programme was last presented and Cabinet are asked to approve these additions to the programme:
- Land Acquisitions - £10m
 - Becontree Heath New Build - £5.7m
 - Street Property Purchase - £30m
- 5.3 During the course of the summer a full technological review was undertaken to establish medium term IT requirements as the Elevate Contract draws to a conclusion. This review has identified a number of data related IT projects totalling £1.48m which will modernise the Council systems, safeguard and improve security. This work is ready to commence, and one-off revenue funding has been identified. It is therefore recommended that these proposed works are added to the 17/18 Capital programme so that the projects can commence.
- 5.4 As part of the quarterly monitoring, sponsors and budget holders have been asked to confirm their expected spend this year. This is shown in Appendix C. Using these revised forecasts to update the capital programme will support the council in its planning and programming and so Cabinet are asked to approve this reprofiling and the subsequent revised programme.
- 5.5 The main areas of concern are within the Housing Revenue Account (HRA) which had an initial in year budget of £90m, and has now been revised down to £74m in year. Only £34m of the Investment in Stock budget is expected to be used in year as some design and procurement elements have been only recently finalised. Issues at some sites has also meant that only £31m of the New Build budget will be used in year. The projects will therefore continue into next year and the funding will be slipped to match the expenditure profile.

6. Transformation/MTFS savings update.

- 6.1 Appendix E provides details of the Transformation Programme's latest forecast costs and savings. The cumulative £48m 2020/21 MTFS saving / income target detailed at Appendix E was agreed by Cabinet in February.
- 6.2 Cabinet also agreed an implementation budget of £23.6m. The total forecast spend is currently £21.1m with an additional unspent £2.5m programme contingency comprising of the original contingency (£1.75m) plus retained programme underspends (£0.75m). In recognition of the level of risk involved in delivering a programme of this scale, it is considered prudent to retain this level of contingency within the programme for the time being. However, the first call on this contingency will be the activity and resourcing that may be required to deliver the additional 2018/19 MTFS savings. This implementation budget is funded by a combination of capital receipts, capital borrowing, loans (for funding wholly owned B&D companies) and HRA.
- 6.3 This is an ambitious and challenging programme and the risks underpinning delivery of these savings is monitored and reported monthly to senior management. All saving initiatives are categorised as either low, medium or high risk. Savings are categorised as high risk by the PMO and Finance if they are not specified in adequate detail; if there is no agreed delivery plan; or if the timing or value of the agreed saving is unclear. This approach enables management attention to be focussed on these high-risk items to ensure timely mitigating actions are developed. The chart below shows the current risk status of the 2016/17 to 2020/21 £48m initiatives within the Transformation Programme.



- 6.4 Overall, the programmes are progressing well to deliver the £48m annual savings / income target. The current risk profile is to be expected for a programme of this scale and Sponsors remain confident this can be delivered, although a £2.7m contingency has been incorporated in the 2018/19 MTFs to address potential shortfalls against this target. The current main risk factors are considered below.

Customer Experience & Digital

- 6.5 Work is progressing to design the new Council website, automate digital processes, improve telephone access and migrate customers to more effective channels whilst improving the customer experience. £1.5m of this £2.0m saving is currently rated as high risk as some savings are potentially double counted with other programmes and there could be contractual issues negotiating efficiency related headcount reductions with Elevate. Work is ongoing to confirm the actual value of savings that the programme will deliver.

Core Design

- 6.6 The Core Design Programme savings are not due until 2020/21. These savings will be achieved through replacing the Elevate contract and right-sizing the Council's core services to support the new organisational structure. Work is now progressing to understand the future core service requirements and to evaluate options for delivering these. This work will also confirm the likely value and timing of savings that can be delivered.

Public Realm

- 6.7 This service is forecast to substantially overspend in 2017/18 and a review is in progress to understand the level of service that can be provided within the existing base budget and whether additional funding is required to ensure the service is sustainable. This baseline is required before there can be certainty regarding the delivery of the savings proposed in the MTFs and consequently, £2.5m of the £3m target is currently scored as high risk.

Enforcement: Parking Service and PRSL Scheme

- 6.8 The Parking Service is currently forecasting an income shortfall in 2017/18. Work is in progress to understand the value of this shortfall and confirm the value of income / savings that can realistically be achieved in future years. A report is being considered at October CPG to present options and proposals for addressing this in-year budget shortfall and the future delivery of savings / income targets. Work is also in progress to confirm the potential net income that could be generated from a replacement PRSL scheme. Officers are monitoring progress of the Newham scheme and a decision from DCLG is expected shortly. LBBD is aiming to propose a scheme to DCLG in September 2018.

7. Financial Implications

Implications completed by: Kathy Freeman, Finance Director

- 7.1 This report details the financial position of the Council.

8. Legal Implications

Implications completed by: Dr Paul Feild, Senior Corporate Governance Solicitor

- 8.1 Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.
- 8.2 A consequence of the monitoring process is there will be occasions where the ongoing review will identify further expenditure that would be beneficial to the Council's objectives if brought forward during the financial year, as in the case of Be First.

Public Background Papers Used in the Preparation of the Report:

- Oracle monitoring reports

List of Appendices

- **Appendix A** – General Fund Revenue budgets and forecasts.
- **Appendix B** - HRA budgets and Forecasts
- **Appendix C** – Capital Programme Monitoring Report
- **Appendix D** – Revised Five Year Capital Programme
- **Appendix E** - Transformation Programme/MTFS savings update