

## CABINET

12 December 2017

<b>Title:</b> Budget Monitoring 2017/18 – April to October (Month 7)	
<b>Report of the Cabinet Member for Finance, Growth and Investment</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> No
<b>Report Author:</b> Katherine Heffernan, Group Manager – Service Finance	<b>Contact Details:</b> Tel: 020 8227 3262 E-mail: <a href="mailto:katherine.heffernan@lbbd.gov.uk">katherine.heffernan@lbbd.gov.uk</a>
<b>Accountable Director:</b> Kathy Freeman, Finance Director	
<b>Accountable Strategic Director:</b> Claire Symonds, Chief Operating Officer	
<b>Summary</b>	
<p>This report provides an update on the revenue budget monitoring position as at the end of October 2017.</p> <p>The budgetary position continues to be a concern. The overall forecast expenditure position has not been increased this month but a number of new risks are emerging. It is at this time of the financial year we normally become more aware of not only the true size of overspends but how realistic the actions to mitigate them are. Over the next few weeks we also expect to become clearer on the areas in which underspends will occur. Managers do not usually feel confident to report underspends until the second half of the year.</p> <p>The total service expenditure for the year is expected to be £151.013m against a revenue budget of £145.130m. This results in a forecast overspend position for the full year of £5.883m. Within the overall position there are forecast overspends on Children’s and Disabilities Care and Support, Public Realm, Leisure, Customer Services and Growth and Homes Commissioning.</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>There is no change to the forecast on the Housing Revenue Account (HRA) which 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 £0.789m from the planned contribution as a result of shortfalls in rent income.</p> <p>The Capital programme was reprofiled at the end of quarter two which increased the net General Fund programme from £135.7m to £166.7m in 2017-18. Full capital monitoring is</p>	

reported quarterly with a light touch report in the intervening months, highlighting risks and variances. Following the reprofiling there are currently no variances being forecast.

### **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 risks and the suggested mechanisms for resolving them, as detailed in section 3 of the report; and
- (iii) Note the overview of the HRA for 2017/18, as detailed in section 4 and Appendix B 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.

## **2 Overall Position**

- 2.1 As at the end of October 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.
- 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 funds to cover this amount at this time, a reduction in the reserves would mean less capacity for strategic investment and the management of future 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, Leisure Services, Public Realm, Enforcement, the Customer Access Strategy and Growth and Homes Commissioning for the reasons explained below.
- 2.4 In addition the Cabinet should note the other risks outlined below.

## **3. Financial Pressures and Risks**

- 3.1 The forecast in **Adults Care and Support** has been rising steadily throughout the financial year – largely related to pressures on the placement budgets and in year

slippage on the savings programmes. This pressure has largely been covered for Adult age services by applying the new ASC grant. £2.7m of the grant has effectively been allocated to meet pressures but there is still some residual risk.

- 3.2 It is usually the case that Adults forecasts fall somewhat in the final quarter of the year although it is not completely clear whether this is a seasonal affect or the result of management action. It is assumed that this will happen this year and so the current pressure is only being reported as a risk rather than a forecast variance.
- 3.3 The pressures on the **Disabilities Care and Support** service have also been increasing slowly throughout the year. This service provides care and support to children and adults with a wide range of needs including some people with very complex needs who require high levels of support. Additional funding has been provided in the form of the Adult Social Care Grant for Adult services but there are overspends within services for children including SEND transport (£0.337m overspent) and Social Care for Children with Disabilities (£0.383m overspent.) There are also some overspends in staffing especially in the Life Planning team with some offsetting underspends. Additional short time staff have also recently been approved in order to ensure that the Council meets the statutory deadline for ensuring all children who require one have an Education Health and Care plan. If the pressures continue to increase there is a risk the forecast outturn variance will be greater.
- 3.4 The pressures in transport and social care are largely driven by demographic change and demand and so are difficult to manage in the short term. The strategies set out in the Care and Support transformation programme such as an increased focus on independence, strength based planning and joined up services should reduce pressures in the medium term but are unlikely to result in significant reductions within year.
- 3.5 The **Children's Care and Support** forecast began to rise in early summer but appears to have stabilised at around £2m overspent. However, there are demand pressures in the system which could force the variance higher as the numbers of assessments and Children in Need have risen. There is £0.25m of future management action that has been included in the forecast. In the unlikely event that this cannot be delivered then this could add further risk.
- 3.6 A delay in achieving the **Customer Access** strategy saving has previously been reported to Cabinet. In addition to this there is a risk of further overspending within the One Stop Shop as the expected channel shift has not yet resulted in reduced demand for this service. In the new year, some aspects of the work will pass to Community Solutions.
- 3.7 In addition there is a risk concerning the court income for **Council tax recovery** activity. In recent years the amount achievable has been below the budgeted figure and there is a risk that this may be the case this year. This is a recurrent pressure that will be addressed in the MTFS.
- 3.8 As part of the Council's transformation programme a new **Growth and Homes Commissioning** structure has been created to support the Council's new approach to service delivery and ensure that the strategic outcomes are being achieved. This has resulted in some additional posts being created in Growth and Homes.

Funding for these posts is being considered as part of the MTFS but where work is required to be carried out in this financial year it is creating an additional pressure on the budget. However, the work is contributing to the overall delivery of the Transformation programme and the MTFS savings and so cannot be delayed.

- 3.9 The **Enforcement** service have a forecast pressure of £0.97m on the Parking Account. There is a management action plan that was originally estimated to bring this forecast down to around £0.45m. This plan only began to come into operation in October and so there is not yet any firm evidence of its impact. If the assumptions in the plan do not hold true then the forecast is likely to increase. This will be closely monitored over the next few months.

#### **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 £0.789m. 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. This programme was reviewed last month and additions were approved for Land Acquisitions, Street Purchasing and a new build programme at Becontree Heath.
- 5.2 The Cabinet also approved a new profile for the Cabinet programme. There are currently no variances forecast against this reprofiled budget.

#### **6. Financial Implications**

Implications completed by: Kathy Freeman, Finance Director

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

#### **7. Legal Implications**

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

- 7.1 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.

#### **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