

## CABINET

20 March 2018

<b>Title:</b> Budget Monitoring 2017/18 – April to January (Month 10)	
<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> Yes
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<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 January 2018.</p> <p>This is effectively the last full budget monitoring report of the financial year. Budget monitoring work will be carried out next month but this will largely be to inform the close down process and will not be reported through to Cabinet.</p> <p>The forecast as at the end of January has slightly improved to an overspend of £6.23m – a reduction of £0.579m since last month. Within this position Care and Support has risen slightly (by £80k) while there have been improvements in the forecasts for Enforcement, My Place and Public Realm. The total service expenditure for the year is, therefore, expected to be £151.231m against a revenue budget of £145.130m.</p> <p>This report also presents some planned year end transfers to reserves, carry forwards and virements, as well as a proposed extension of a working capital facility of up to £2.5m, to be drawn down as necessary, by the Barking and Dagenham Trading Partnership.</p> <p>The forecast on the Housing Revenue Account (HRA) is now forecasting a revenue surplus of £39.211m which will be used as a contribution to the capital programme. This is an improved position as a result of underspends within My Place.</p>	
<b>Recommendation(s)</b> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(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;</li><li>(ii) Note the financial risks and the suggested mechanisms for resolving them, as detailed in section 3 of the report;</li></ul>	

- (iii) Approve the carry forward requests into the 2018/19 revenue budget, as detailed in the table at paragraph 4.1 of the report;
- (iv) Approve the transfer of up to £1.0m “Procurement Gainshare” into the Core Infrastructure reserve to fund future investment in ICT and other core services;
- (v) Approve the virements within 2017/18 revenue budgets, as set out in paragraph 5.1 of the report;
- (vi) Note the overview of the HRA for 2017/18, as detailed in section 6 and Appendix B of the report;
- (vii) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment, to take decisions in respect of the following matters as part of the process for the closure of the Council’s accounts for 2017/18:
  - Carry forward of monies allocated or received for specific purposes where expenditure has not been incurred in the financial year;
  - The making of revenue contributions to capital;
  - The financing of redundancies and associated pension costs.
- (viii) Approve a working capital facility of up to £2.5m for the Barking and Dagenham Trading Partnership on the terms set out in section 8 of the report; and
- (ix) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment and the Director of Law and Governance, to agree the terms, including the rate, duration and security regarding the working capital facility to Barking and Dagenham Trading Partnership.

**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. It also contains the quarterly monitoring report on the Council’s General Fund and HRA capital programme. In addition, there are some carry forward requests and virements outlined in section four and five that Cabinet are recommended to approve.

**2 Overall Position**

2.1 As at the end of January there is a projected overspend of £6.230m. Full details are shown as an appendix to this report. This is based on current service expenditure and is a slight improvement on last month’s forecast position.

- 2.2 If this forecast is still the final position by the end of the financial year it will 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 will 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 Care and Support, the Homelessness budgets within Community Solutions, Leisure Services, Public Realm, Enforcement, the Customer Access Strategy and Growth and Homes Commissioning. The position in Enforcement, My Place and Public Realm has improved in the last month.

### 3. Financial Pressures and Risks

- 3.1 The forecasts in **Adults and Children's Care and Support** are stable since the previous month. The underlying position for Adults placements has worsened again slightly but additional winter pressures and other funding has been identified to offset this.
- 3.2 As reported in previous months the Children's overspend is made up of pressures in staffing (£1m), running costs (£0.3m) and placements (£0.77m). These are all long standing pressures relating to known increases in demand and difficulties in recruiting permanent social workers.
- 3.3. There are pressures across the Disabilities Care and Support service. It has been possible to mitigate the position of the services supporting Adults through application of Adult Social Care grant funding and the Improved Better Care FUnd. The final position assumes the final remaining grant funding will be used to meet these pressures and that targets for reclaiming unused Direct Payment balances will be achieved. Unfortunately, the Government has not provided similar additional funding for services supporting children and so the increases in demand in this area result in pressures for the Council.
- 3.4 There have been pressures in the **Public Realm** services reported throughout this year. These are mainly attributable to staffing costs where the budget is not sufficient to cover the costs of the current delivery model for Waste and Street Cleansing but there is also a pressure of £0.38m in Passenger Transport. The overspend rose over Christmas but has reduced in the last month – largely as a result of improvements in income (especially cemetery income.) The forecast assumes further improvements in income.
- 3.5 The My Place position is an increased underspend largely as a result of vacancies following a restructure. The benefit of this is split between the general fund and the HRA. This is in year underspend only and is not expected to recur in future years once posts are filled.
- 3.6 The Enforcement position has slightly improved. The parking overspend is offset by underspends across the directorate and there is a £51k benefit from staffing changes. However, the revised position still depends on the action plan delivering a further £0.26m of increased income before year end so there are some remaining risks to the position.

3.7 Previously reported forecast overspends in **Growth and Homes Commissioning** (£0.3m), **Customer Services** (£0.544) and **Enforcement** (£0.6m) remain at similar levels. Additional funding has been made available in the MTFS for the first two and there is an action plan in place for Enforcement that should bring spend back in to line next year.

3.8 These pressures are offset by some identified underspends. There is a net underspend in **Care and Support Commissioning** as a result of staffing underspends across the service and income from the Council's traded services is expected to be higher than budgeted. The Commissioning underspend has increased this month.

#### 4. Carry Forward Requests.

4.1 The following carry forward requests have been received.

Department	Description	Value
Adults Care & Support & Disabilities	Direct payment refunds to be transferred to Adults reserve and carried forward to contribute to Adult's MTFS position	£ 600,000
Children's Commissioning	SEND Reform grant to be carried forward to next year to contribute to the Children's MTFS position in 2018/19. £80k of this was brought forward from 2016/17.	£ 200,000
Adults Commissioning	DCLG funding to support victims of domestic abuse (£90k). This was brought forward from 2016/17 as 'Receipt in Advance'. It is intended to be transferred to reserve.	£ 90,000
Children's Commissioning	the Local Safeguarding Children Board (LSCB) also has a holding reserve to which unspent grants are transferred.	TBC
Culture & Recreation	Women's Empowerment Month (WEM).The Launch and WEM is March 2018 and the Awards are to be given in November 2018 which falls within the 2018/19 financial year.	£ 12,000
ComSols	Homelessness Grants – funding provided by the DWP/MHCLG to support the Homelessness Reduction Bill and other welfare/housing changes. This was announced part way through the year and may not be fully utilised before year end.	TBC – balance unspent at year end
ComSols	Troubled families grant – this grant is paid in instalments including a reward element. Funding does not come in evenly and is carried forward from year to year to smooth the funding of this service and provide a contingency against any termination of the grant.	TBC balance unspent at year end
<b>Total:</b>		<b>£ 902,000</b>

4.2 As set out in the table above these requests are for the carry forward of grant or other funding that has been provided or earmarked for specific purposes. It is recommended that they are approved to support the Council's long-term planning. Where the table shows 'TBC' the intention is to carry forward any unspent monies at year end.

- 4.3 The transfer of up to £1.0m “Procurement Gainshare” into the Core Infrastructure reserve, established in the MTFs in February to fund investment in ICT and other Core Services, is also requested.
- 4.4 The Council maintains a central budget to cover the early severance costs of staff who leave the Council as part of a Transformation programme. Where redundancies are expected as the result of decisions taken in 2017/18, funding will be carried forward to cover any costs. The final totals will be reported to Cabinet as part of the out-turn report.

## 5. Virements

- 5.1 In line with the Council’s constitution, Cabinet are asked to approve the following virements.

Service Block	Virement Description	Amount £
Elevate Contract	Funding for Elevate Pay Award and LLW 2017-18	182,000
Elevate Contract	Invest to Collect - Elevate Council Tax savings budget realignment	1,505,000
Children's Care & Support	MTFS growth funding 17/18 allocated to service lines	700,000
Central Expenses	Allocation of 2017/18 MTFs growth items to specific budget lines.	- <b>2,387,000</b>

- 5.2 As shown in the table above these concern the final allocation of funding already agreed as part of the 2017/18 budget process but which was held centrally prior to being written into specific budget lines. In all instances the funding has already been taken into account in the forecasts for those services so will not result in any changes to the variance.

### Housing Revenue Account

- 6.1 The Housing Revenue Account (HRA) is now forecasting a revenue surplus of £39.2m which will be used as a contribution to the capital programme.
- 6.2 The only changes to the Housing Revenue Account position from last month are the increase in available resources (RCCO) resulting from the additional HRA share of the My Place underspend (£338k) shown under Supervision and Management.

## 7. Early Closure of Accounts

- 7.1 The Council is now required to produce draft accounts by 31<sup>st</sup> May 2018. Due to the local elections there will be no cabinet meeting before this deadline and so some matters that are normally referred to Cabinet will need to be dealt with in the intervening period. It is requested therefore that delegated authority be given to the Chief Operating Officer to determine the following matters, in consultation with the Cabinet Member for Finance, Growth and Investment:

- Carry forward of monies that has been allocated or received for specific purposes where expenditure has not been incurred in the financial year

- Decisions on the making of revenue contributions to capital
- Decisions on the financing of redundancies and associated pension costs.

7.2 All such matters actioned under this delegation will be reported to Cabinet in June as part of the Final Outturn report and if appropriate to the Audit and Standards Committee as part of its scrutiny of the Statement of Accounts.

## **8 Working Credit Facility for the Barking and Dagenham Trading Partnership**

8.1 The new Trading Partnership will go live on 1 April, with the transfer of some 800 cleaning and catering staff into Barking and Dagenham Trading Partnership. However, the Home Services staff will not transfer to the company as originally planned and will remain with the Council. These new circumstances have implications for the cash flow of the new business, which was previously planning to use income from both Home and Traded services to meet its cash needs. This is no longer the case. As Barking and Dagenham Trading Partnership is predominantly funded by schools, which currently pay twice a year rather than monthly, there will be a significant cash outlay on payroll for some weeks before any income is received. The effects of this can be mitigated if other funding streams from the Council – eg for the cleaning of corporate buildings – are paid in advance, and other payments back to the Council are delayed until the end of the year, but if these prove not to be possible, the company is at risk of being unable to meet payroll costs. In addition, the planned expansion of the company into new business areas will require up-front funding, which the previous plan had again assumed would be covered by the income from Council contracts.

8.2 To avoid the company being unable to meet its commitments, approval is sought for a working capital support facility, in the form of a pre-approved loan of £2.5M, which will only be drawn down when strictly necessary. It is anticipated that the facility will only be required for the first year of operation, although this will be reviewed by the Chief Operating Officer towards the end of the first year.

8.3 Interest on the loan will be charged at an appropriate commercial rate for any periods for which money is drawn down and the terms will be compliant with state aid rules. As liquidity/cashflow is a major challenge for new entities this facility reduces the risk of failure in the first years of trading. However, Cabinet is advised that the decision should be made in the knowledge that when funding is advanced to a separate entity there is always some risk of non-repayment.

## **9. Financial Implications**

Implications completed by: Katherine Heffernan, Group Manager – Service Finance

9.1 This report details the financial position of the Council.

## **10. Legal Implications**

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

10.1 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