

CABINET

19 June 2018

Title: Revenue and Capital Outturn Report 2017/18	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Summary	
<p>This report provides an update on the outturn position for 2017-18. The draft Statement of Accounts has now been completed and published. This is now being audited and until this is completed the outturn position is technically still draft and could be subject to correction if errors are uncovered. No change is expected but any such changes will be reported to Cabinet as appropriate.</p>	
<p>The revenue budget outturn position is an overspend of £5.6m. This includes overspends of over £10.66m across a range of departments (£5m in Care and Support, £1.1m in Community Solutions, £2.1m in Public Realm, £0.7m Elevate/Customer Services, £0.6m Leisure, £0.4m Enforcement) offset by a large surplus in Traded Services (£0.9m) and underspends in Core, Commissioning and Central Services. Most of these overspends are the result of long standing structural budget deficits and many have been corrected in the 2018-19 budget – either by the provision of growth funding or by Transformation programme activity or a combination of the two. This is the case for Public Realm, Customer Services, Leisure and the Homelessness pressure in Community Solutions.</p>	
<p>The final reported forecast to Cabinet (at the end of month 10) was an overspend of £6.2m – the final position therefore represents an improved position overall. However, within that total some service overspends have worsened and this has been offset by larger underspends in Central Services. The detail is shown in Appendix A.</p>	
<p>This report also includes information on further grant and corporate budget carry forwards and transfers to and from reserves that have been assumed in this provisional outturn (in addition to those approved by Cabinet in March.)</p>	
<p>HRA income was in total £0.293m less than originally budgeted for and total expenditure was £0.964m less than budgeted resulting in a net additional £0.671m surplus that will be transferred to reserves.</p>	
<p>The outturn on the Dedicated Schools Grant budget was £210.713m against a budget of £211.386m which will result in a net transfer to the reserve of £0.673m after final adjustments.</p>	

The final Capital Programme for 2017-18 was £199.678m of which £125.408m was General Fund and £74.270m was HRA. Expenditure in 2017/18 was £170.329m in total of which £101.698m was General Fund and £68.631m was HRA as there was slippage against a number of schemes.

This report also shows the position on the reserves as at 31st March 2018.

Recommendation(s)

The Cabinet is recommended to:

- (i) Note the provisional 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) Approve the carry forwards and transfers to/from reserves as detailed in section 4 of the report;
- (iii) Note the overview of the HRA for 2017/18, as detailed in section 5 and Appendix B of the report;
- (iv) Note the overview of the Dedicated Schools Grant budget as detailed in section 6 of the report;
- (v) Note the overview of the Capital Programme as detailed in section 7 and Appendix C of the report;
- (vi) Note the overview of the Transformation programme as detailed in section 8 and Appendix D of the report; and
- (vii) Note the position of the reserves as detailed in section 9 and Appendix E of the report.

Reason(s)

As a matter of good financial practice, the Cabinet 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 summary of year end carry forwards and transfers to/from reserves and the current expected reserves position.

2 Overall Position

- 2.1 The provisional outturn position for the Council General Fund after all transactions, adjustments and transfers to/from reserves is an overspend of £5.6m – a reduction of £0.7m from the last reported forecast of £6.2m. This will be met by drawing down from the Council's budget support reserve.

- 2.2 Within the overall outturn total there were significant overspends for Care and Support, Community Solutions, Leisure Services, Public Realm, Enforcement, Customer Access/Elevate and Growth and Homes Commissioning. This is offset by surplus income in Traded Services and underspends in Core, Commissioning and Central Budgets.
- 2.3 The overall pattern of spend is similar to mid-year forecasts but the variance on some services was much greater than previously forecast. This may have implications for the 2018/19 budget where pressures are likely to continue into the new year.

3. **Commentary on variances**

Adults Care and Support

- 3.1 **Adults Care and Support** is showing a relatively small overspend (>1%) of £164k which is in line with the forecast position of £201k at month 10. Within this total the only area of significant overspend is Mental Health which has an overspend of £0.172m relating mainly to increased activity in Supported Living. This is offset by staffing underspends on the and increased client income in some establishments.
- 3.2 It should also be noted that the service witnessed an increase in home care hours, from an average of 18,000 at the beginning of the year to 20,000 in March 2018. There has also been an increase in crisis intervention activity which needs close monitoring in 2018-19. Within residential and nursing care, activity has been relatively consistent, however there has been an increase in unit costs as well as reduction in client income. The bulk of this pressure has been met through using iBCF grant leaving an overspend of £0.037m. This meets the grant condition of protection of Social Care services. Without this additional funding there would have been a significant overspend and this pressure may well continue to increase and will need careful monitoring.

Children's Care and Support

- 3.3 The final position **for Children's Care and Support** is an overspend of £3.3m. The last reported outturn forecast was a net overspend of £2.055m. The forecast has been increasing throughout the year as demand and costs have continued to rise and climbed especially steeply in the last quarter.
- 3.4 Although the forecast has risen from the position reported in period ten the distribution of pressure is still broadly similar. There is an overspend of £1.568m across placements especially for Leaving Care, Residential and Secure (with underspends in fostering) although this is partly offset by an underspend of £527k on Asylum.
- 3.5 The overspend on staffing and running costs is £2m. This reflects the continuing dependency on high cost agency staff in some teams as a result of the shortage of qualified social workers and also the need to maintain higher staffing numbers to meet the level of demand.
- 3.6 Some progress has been made in recruiting permanent staff but these pressures

are likely to continue into the 2018/19 financial year and the outturn position is therefore extremely concerning.

Disabilities Care and Support

- 3.7 There have been severe pressures within **Disabilities Care and Support** that have been increasing month on month throughout the year. This trend continued to the year end with the final position being around £529k greater than the last reported forecast
- 3.8 Pressures exist for care purchasing (placements, packages and direct payments) for both Children and Adults with Disabilities (especially Learning Disabilities). A large spare of the new ASC/iBCF grant funding was allocated to meet this pressure but the final position was in excess of this resulting in an overspend. The overspend on support for Children with Disabilities includes respite care and a high level of costs associated with the legal process such as court fees (which reflects the increase in case numbers) and court approved care packages.
- 3.9 The outturn position of the Out of Borough School Transport is an overspend of **£0.317m**. The service started the year with an inherent base budget pressure of £0.180m carried over from the previous financial year. In addition to this there has been an increase in the demand for transport by new families with disabled children moving into the Borough. The service is having to redesign its routes and third-party providers to meet the complexities and requirements of the children.
- 3.10 There are also overspends across staffing budgets linked to use of agency (and £30k for additional staff to complete EHC plans.) However, there are underspends in the centres and an over achievement of income in Psychology.

Community Solutions

- 3.11 Community Solutions throughout the year was reporting an overspend of around £1m which included an increased bad debt provision on Temporary Accommodation. Early in the year it was agreed that this would be met from Corporate Provisions reducing the service overspend to around £0.5m. However, the final outturn was £1.1m even after the cost of TA bad debt had been met centrally. (Although the actual bad debt requirement was in fact slightly less – at £0.478m not £0.6m.)
- 3.12 The final overspend was affected by a number of factors that had not been previously factored into the forecast. This included the net in year cost of the rental deposit scheme (£0.3m), and increased pressures on legal costs for work with families with No Recourse to Public Funds (£0.155m - only transferred towards the end of the year) and some one-off costs associated with service set up. In addition, the HRA recharge for Housing Management was £95k less than budgeted reflecting decreased use of HRA voids for Temporary Accommodation.
- 3.13 Now the service is fully established forecasting should be more stable next year. Further work will be carried out to ensure that the cost of the rental deposit scheme is fully funded (and also to ensure that deposits are returned where possible and appropriate.)

Enforcement

- 3.14 The final position on Parking was a net shortfall of £1m which is a worse position than previously forecast and reflects disappointing results from the action plan. However, this has been offset by underspends on other Enforcement services including Street Lighting, Housing standards and Street Enforcement.

My Place

- 3.15 The final outturn on My Place was a greater than forecast underspend mainly arising from staffing vacancies. This underspend has been shared between the General Fund and the HRA.

Leisure

- 3.16 The final overspend on the Leisure centres reflects both a shortfall against the income expectations and also overspending across a number of expenditure lines. These issues will not be relevant in future years following the transfer of the centres to a new operator.

Culture and Recreation

- 3.17 The final outturn was £0.175m which had not been previously forecast. This includes some grants erroneously accounted for during the financial year as having associated expenditure - £66k relating to the Enhancing Heritage in the Abbey and Barking Town Centre Conservation Area capital project and £21k Big Local Trust programme. The cost of grounds maintenance for the parks was also higher than anticipated.

Other Services

- 3.18 Public Realm have been forecasting an overspend in the region of £2m to £2.2m all year and the final outturn fell in this range. This overspend was largely on staffing. Core support and Care and Support Commissioning services as a whole underspent by £0.5m – about £0.1m more than forecast – mostly as a result of staffing vacancies. The exception was Growth and Homes Commissioning which overspent as a result of unfunded posts although the final position was in line with forecasts.
- 3.19 Traded Services made significant surpluses which had only been partially reflected in previous forecasts.

Central Budgets

- 3.20 Central budgets include provisions for corporate costs such as MRP, interest, insurance provisions, bad debt and various other costs that are managed by the Finance department rather than attributed to individual services. A number of these budgets and provisions were underspent. A review of the forecasting methodology in these areas will be carried out.

4. Carry Forward Requests

4.1 The following year-end adjustments – carry forwards and transfers to/from reserves are included in the forecast (in addition to those approved in March.)

	Service	Description	Amount
1)	Grants Carried Forward/Income received in advance		
	Com Sol	Pen to Print grant	£12,721
	Adults C&S	Carry forward of health portion of IBCF. The IBCF is a pooled budget and this funding is held by the Local Authority on behalf of its NHS partner.	52,149
	Children's C&S	Mockingbird project grant funding. Grant funding for a new model of foster care support.	38,700
2	Corporate Carry Forward of Underspends/(Transfers to reserves)		
	EYC - Trewern	Trewern is an income generating establishment. Surplus income from this year will be carried forward to be used to invest in service development	60,000
	EYC - Adult College	The Adult College is transferring to ComSol. In year underspends in Education will be carried forward to support the transition to a new model.	150,000
	Elevate/Core	Taxicard refunds – smoothing of income and expenditure between years.	436,800
	Strategy	As an incentive to increase income it has previously been agreed that the Film Unit may carry forward a proportion of their surplus.	20,000
	Strategy	Carry forward of this year's funding for a specific one-off photography project.	25,000
3	Other Transfers to/(from) reserves		
	Enforcement	Private Rented Sector Licensing Reserve- most landlord fees were incurred in year one of the scheme and the funding is carried forward in a reserve to meet costs in years two and three. This is this year's draw down requirement.	- 167,668
	Enforcement	Earmarked Market Reserve- Reserve Draw Down to offset revenue Vat payments to market traders	- 39,192
	Enforcement	Proceeds of Crime- Reserve Draw Down to fund Prosecution Team staffing costs	- 50,864
	ESCO	carry forward of in year surplus to meet future costs	600,000
	Investment Strategy	carry forward of in year surplus - smoothing IS savings	368,000
	Public Health	carry forward of unspent Public Health grant in line with the regulations	72,000
	Education PFI	Private Finance Initiative adjustment	979,892

Housing Revenue Account

- 5.1 The HRA outturn shows an overall increase in HRA resources of £293k. The main area of adverse variation is in Rent Income collectable because of lower than expected New Build additions in year – this is income foregone and will have a longer impact on resources in the HRA Business plan.
- 5.2 The main areas which mitigate the loss of income are the additional income from Leaseholders (actualisation), underspends in Repairs and Maintenance, Supervision and Management and unused HRA borrowing headroom as a result of capital slippage (lower interest).
- 5.3 Full details of the HRA outturn are shown in appendix B to the report.

6. Dedicated Schools Budget

- 6.1 The table below shows a high-level summary of the outturn on the Dedicated Schools Grant budget after final adjustments and DfE clawback.

DSG Block	2017-18 DSG Grant	2017-18 Outturn (after adjustments and clawback)	Year End Variance (before drawdown)	Planned drawdown from reserves	Variance against budget
	£'000	£'000	£'000	£'000	£'000
Early Years Block	19,681	17,210	(£2,471)		-2,471
High Needs Block	26,190	28,558	£2,368	-756	1,612
Schools Block	165,515	164,945	(£570)	-119	-689
TOTAL	£211,386	£210,713	(£673)	-£875	-£1,548

- 6.2 As the table shows there will be a net transfer to the DSG reserve of £0.673m after final adjustments and DfE clawback. This is the position after As the DSG budget was based on a planned drawdown from the reserve of £0.875m then this represents a net underspend against the budget of £1.5m. This was the net result of underspends on Early Years (largely the result of lower numbers of children accessing Childcare/Early Education), Central Services and a large overspend on the High Needs block.
- 6.3 The High Needs block has been under pressure for a number of years as funding has not kept pace with the growth in population and the increasing complexity of need for a small number of children with high levels of special educational needs. This is resulting in overspends in out of borough placements and top up funding. The balance on the DSG reserve is now £3.658m. This is a ring-fenced reserve.
- 6.4 The overall movement on balances held by Local Authority schools was a £3.996m drawdown. This has reduced the total balances to £8.004m. Schools may choose to draw down on their balances as part of their own local financial management plans and are not expected or encouraged to hold large surpluses. However,

drawing heavily on reserves to meet day to day costs can indicate financial pressure and we know that the funding regime for schools is becoming more difficult both nationally and locally.

- 6.5 There are currently nine schools that have a deficit (negative) balance. The council is meeting with the Headteachers and Governing bodies to ensure that there is a recovery plan in place.

7. Capital Outturn

- 7.1 Total expenditure on the General Fund capital programme was £101.698m against a programme of £125.405m. The programme has been adjusted by removal of the Reside Gascoigne scheme and the Land Acquisitions approved in January and February which should have been added to later years of the programme. Over half of the variance is from the Street Purchasing scheme which has spent £17.516m against a budget of £30m.

- 7.2 Overall the outturn position on the Education Capital Programme was a variance of £0.151m. As the borough has a very large capital programme of over £25m this is a small variance of around 0.6%. Progress has overall been good with few schemes falling significantly behind profile and some (Gascoigne and Robert Clack) showing accelerated progress. The variance will be covered by reprofiling from future years.

- 7.3 There has been slippage against a range of other schemes. These include:

• Barking Learning Centre Work	£0.214m
• Street Lighting Column Replacement	£1.609m
• Winter Maintenance Equipment	£0.421m
• Youth Zone	£0.334
• Riverside Transport Links	£0.325
• Boundary Road Hostel	£0.235m
• Abbey Green	£0.278m
• BMX Track	£0.213m
• Chadwell Heath Cemetery	£0.298m
• Demountable Swimming Pool	£1.990m

- 7.4 Expenditure across both the Disabled Adaptations schemes was £0.371m lower than budget. As this is partly funded by a revenue contribution this forms part of the Central budgets revenue underspend. The service is currently reviewing how these schemes operate to ensure that the allocation can be fully spent in future years.

- 7.5 There was accelerated spend against the following programmes:

• Footways and Carriageways	£0.569m
• Bridges	£0.166m
• Gascoigne West	£0.311m
• Knightsbridge	£0.680m
• Becontree Heath New Build	£0.933m

- 7.6 Expenditure on the HRA capital programme was £68.631m against a budget of £74.271m. Within this overall total the main variances are £9.055m of accelerated spend on Estate Renewal and £14.935m slippage on New Build.
- 7.7 Within the Estate Renewal programme the increased spend is driven by the CPO process. Agreed values are now higher and acceptances are being received earlier. This may require additional budget to be reallocated from within the overall programme (from the New Build programme.)
- 7.8 A large proportion of the New Build underspend (£8.716m) was not in fact allocated in year. There was also slippage on Ilchester Road (£1.175m) and the two Leys schemes (£3.492m.) Slippage on the scheme may result in delays in rent becoming payable with an impact on the revenue account.

8 Transformation Programme 2017/18

- 8.1 Overall, the programme has progressed well. The programme now includes a total annual savings / income target of £50m to be delivered in 2020/21 (cumulative target 2016/17 to 2020/21 is £127m) – further details are set out in Appendix D.
- 8.2 The original £48m savings / income target was agreed by Cabinet in February 2017 with additional 2018/19 savings agreed in November 2017 and £3m savings write-offs agreed in February 2018. A further adjustment has also been made to reflect the agreed Be First Business Plan.
- 8.3 This is an ambitious and challenging programme and the substantial risks underpinning delivery of these savings are monitored and reported monthly to CPG. All saving / income initiatives are categorised as either delivered, low, medium or high risk and this approach enables management attention to be focussed on high risk items to ensure timely mitigating actions are agreed and implemented.
- 8.4 Overall, the programme progressed well during 2017/18 and temporary resources are now being steadily reduced as the programmes are being closed and delivery of the remaining savings / income is being embedded into business-as-usual activities.
- 8.5 In 2017/18, the programmes delivered savings of £7.7m against a target of £8.1m (95%). Savings shortfalls have been dealt with as part of the budget outturn position reflected in this report and these shortfalls and any required mitigating actions are explained further below.
- 8.6 **Redesign Adult's Social Care - 2017/18 Savings shortfall: £1.6m**
Savings of £1.9m were delivered in 2017/18 against a target of £3.5m. Work is currently in progress to identify additional initiatives to close this gap in 2018/19 and deliver the additional £3.4m 2018/19 savings target.
- 8.7 **Enforcement - Parking Services - 2017/18 Savings shortfall: £188k**
Parking Services underachieved the £302k MTFs target by £188k in 2018/19. Work is in progress to identify, agree and implement further schemes to close this gap in 2018/19 and deliver the additional £250k 2018/19 savings target.

8.8 **Leisure - 2017/18 Savings shortfall: £171k**

The MTFS included an original savings target of £114k in 2017/18, related to the transfer of Leisure. However, costs of £57k were incurred resulting in £171k shortfall. This gap will be offset in future years when income from the Leisure provider exceeds the agreed MTFS target.

8.9 **Disability Service - 2017/18 Savings shortfall: £162k**

Savings of £251k were achieved in 2017/18 against a target of £412k. Work is currently in progress to identify additional initiatives to close this gap in 2018/19 and deliver the additional £488k 2018/19 savings target.

8.10 **Core Support services - 2017/18 Savings shortfall: £143k**

The savings target in the MTFS assumed that support services could be downsized when Leisure was transferred out. However, these savings have not been realised and work is in progress to identify replacement savings initiatives.

8.11 The above savings shortfalls were largely offset by other programmes which exceeded agreed savings / income targets in 2017/18, most significantly, the Investment and Acquisitions strategy which exceeded its 2017/18 income target by £1m.

8.12 Over the next few months, further work will be undertaken to review the 2017/18 outturn position, identify any structural deficits included in budgets and adjust the programmes with any additional savings initiatives required to address this and ensure the forecast 2020/21 MTFS is achieved.

8.13 Cabinet agreed an implementation budget of £24m and the programme is currently forecasting an underspend of £1.8m. Expenditure within 2017/18 was £8.5m - £1.8m of which is funded by the HRA, £2.3m is capital expenditure funded from borrowing and £4.4m that will be funded from Capital Receipts under the Flexible Use of Capital Receipts policy.

8.14 Underspends within the programme have also been used to fund additional activities that were not originally in scope of the programme, but support the Council's transformation agenda, including: implementation of New Ways of Working; design of the Core Support Services programme (additional funding will be required for the delivery / implementation phase); programme management support within Inclusive Growth; and implementation of the Information Asset Register to comply with GDPR requirements.

9. **Reserves**

9.1 The Council maintains a budget support reserve which is used in the first instance to fund any in-year overspends on the General Fund. There is sufficient funding in this reserve to meet this. The balance on the unearmarked General Fund reserves therefore can be maintained at the same level and so remains above the current target minimum of £15m as shown in Appendix E.

10. **Financial Implications**

10.1 This report details the financial position of the Council.

11. Legal Implications

- 11.1 Local authorities are required by law to set a balanced budget for each financial year and to report the financial position.

Public Background Papers Used in the Preparation of the Report: None

List of Appendices

- Appendix A - General Fund Outturn
- Appendix B - Housing Revenue Account
- Appendix C - Capital Programme
- Appendix D - Transformation Summary
- Appendix E - Reserves