

CABINET

16 October 2018

Title: Budget Monitoring 2018/19 - April to August (Month 5)	
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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Accountable Strategic Leadership Director: Claire Symonds – Chief Operating Officer	
Summary <p>This report shows the updated forecast based on financial performance in the first five months of the year. The overall position is approximately in line with last month's forecast but there some underlying changes that Members should be aware of. Overall the forecast is that total General Fund revenue expenditure will be £150.313m which would be an adverse variance of £4.945m. This will need to be met by a drawdown from the budget support reserve.</p> <p>The overall variance is a net position with a high level of overspends in Care and Support being offset by other services, central expenses and contingency. There are increased pressures across Care and Support and the potential forecast for this area is now an overspend of £11.8m. However, an action plan is being drawn up to reduce the overspend in Adults Care and Support and there is an expectation that £2.5m of cost reductions can be found within the People and Resilience Commissioning budgets (of which £1.5m is reflected in the forecast.) This will need careful monitoring to ensure that delivery remains on track. If recovery action is successful, the forecast could fall further – conversely if the current upwards trends in demand continue then the forecast will worsen.</p> <p>This report also contains the first update for 2018/19 on the Capital Programme, which includes proposed updates to the in-year programme.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Note the current forecast outturn position for 2018/19 of the Council's General Fund revenue budget as detailed in section 2 and Appendix A to the report;(ii) Approve the proposed revisions to the 2018/19 Capital Programme as detailed in section 4 and Appendix B to the report;(iii) Approve the reprofiled five-year Capital Programme as set out in Appendix C to the report; and	

- (iv) Note the in-year Capital Programme monitoring position as set out in Appendix D to 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 the Cabinet in holding officers 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 revenue budget and the Capital Programme for 2018/19.

2 Overall Revenue Position

- 2.1 The overall position is currently forecast to total net expenditure of £150.313m which would result in an overspend against the expenditure budget of £4.945m. If this is the year-end position, it would require a further drawdown from the Council's budget support reserve.
- 2.2 There are potential overspends across Care and Support, offset by an action plan within People and Resilience Commissioning and, at Council level, by underspends in Central Services and the use of risk contingencies written into the budget as part of the planning process. In many ways this could be regarded as a worst case forecast that should be reduced by further management action. However, it should also be noted that new pressures and risks may yet emerge. The position will be closely monitored and reported on a monthly basis.

3. More Information on the Main Variances

Children's Care and Support – potential overspend of £6.187m

- 3.1 The Children's Forecast has increased this month by £800k. The increase mostly relates to placements although there has also been an increase in staffing of £0.137m.
- 3.2 As reported last month the top three elements of the overspend are staffing, (£2.76m - a mixture of staff being required above establishment and the additional costs of agency), placements (£2.5m – especially on the cost of residential and secure placements and leaving care services), and the costs associated with legal proceedings (£0.4m including costs of Counsel, expert witnesses and court mandated assessments and investigations.)

Subjective	2018/19 Annual Budget	August	Variance against Budget	July Variance	Movement	Reason for Variance
51- Income	-2,228,000	-2,516,909	-288,909	-101,474	-187,435	Asylum seekers grant(£184k) previously disputed in 2017/18 paid.
61- Employees	11,776,950	14,537,569	2,760,619	2,623,400	137,219	Changes to staff cost projection mainly in CMT
62- Premises	75,300	147,870	72,570	66,136	6,434	Rents, security of premises, energy bills and insurance
63- Transport	261,400	335,674	74,274	42,064	32,210	Increase in forecast on staff and clients travel costs
64-Supplies and Services	1,015,840	1,871,661	855,821	705,651	150,170	Includes professional fees (consultants, legal) court expenses, accommodation expenses etc
65- Third Party Payments	19,422,980	21,948,233	2,525,253	1,965,758	559,495	Placements forecast increased
66- Transfer Payments	71,000	150,526	79,526	69,530	9,996	Other social services payments
68- Support Costs	1,216,300	1,216,300	0	-	0	Budget to match support costs for the service
Grand Total	31,611,770	37,690,924	6,079,154	5,371,065	708,089	

- 3.3 The staffing budget is reviewed every month with service managers and based on the latest position the forecast overspend has increased. The overspend on salary is due to an inherent base budget pressure of **£0.255m**, unbudgeted 17 FTE posts- **£1.178m**, agency staff premium **-£1.110m** and the inclusion of an estimate of **£0.217m** for recruitment & retention. The service is working with a high level of demand from local children and families which means the staff have been recruited above budgeted levels in order to keep caseloads manageable.
- 3.4 The impact of the recent recruitment initiatives has not yet been applied to this forecast as the savings expected from the on-boarding of EU social workers is not likely to materialise until January 2019. There will also be associated costs e.g. relocation expenses which may mean real savings will be deferred to the new financial year.
- 3.5 The projected cost of placing children in care across the various provisions is **£19.9m** with an additional sum of **£0.366m** spent on S17/S20 cases. The current forecast is for the placements cost centres to overspend by **£2.49m** – an increase of £0.5m from previous months. This forecast is based on current commitments within the system and may fluctuate if there are further large increases to the number of children in care.
- 3.6 Although the change in the Children’s services budget between years was relatively small in overall net terms there is a £1m savings expectation from reduction in LAC placement numbers and costs. The service have developed a number of initiatives that may support cost reduction (as well as providing better outcomes) but most of these are unlikely to have results in this in financial year as these strategies are long term in nature.

Disabilities Care and Support – forecast overspend of £3.7m,

- 3.7 The All Age Disability Service is forecasting a budget pressure of **£3.7m** as at Month 4. This represents an adverse movement of **£0.547m** from the position last month. There has been an increase in placements for Adults with Learning Disabilities and SEND Transport costs. The breakdown of spend by Service area is shown below:

	Full year	Period 5	Variance
	Budget 2018/19	Projection	from Budget
	£0	£0	£0
<u>Disabilities Care & Support</u>			
Adults Care Packages (inc Equipment)	8,194	9,440	1,246
Childrens Care Costs	1,174	1,956	782
SEND transport	1,919	2,624	705
Centres and Care Provision	1,958	2,085	128
Other	2,738	3,585	846
Directorate Total	15,983	19,690	3,707

- 3.8 **Learning Disabilities** – There has been an increase in the projected spend on packages for Adults with Learning Disabilities of **£0.553m** mainly attributable to supported living costs but this has been mitigated by outstanding income from joint-funded cases due from the CCG which has been estimated at **£0.364m**. The reported overspend of the service of **£1.887m** has been mitigated by use of the ASC grant **-£0.571m** and the iBCF **-£0.070m** within the provisions of the grant funding (the protection of existing care services.)

The current forecast has been arrived at by projecting all the client costs on oracle to June 2018 to the end of the financial year. No allowance has yet been made for new clients who may come into the service during the year.

- 3.9 **Children with Disabilities SEND Transport** – Following the start of the new school year the forecast has been updated. The number of children using transport has increased and a small number of new rounds have been added.
- 3.10 There has been a very slight reduction in the staffing overspend. The reduction is due to the slippage in filling vacant posts to August. There are 133.26 FTE posts within Disability Service, and 8.80 FTE vacant posts. There are currently 9.00 FTE agency staff covering vacancies. There is 1 FTE unbudgeted post at the Heathway centre.
- 3.11 There are still £0.454m of unallocated savings held centrally. These largely relate to proposals to constrain the growth in Adults placements (ie offsetting the precept

funding) through market development and changes to care management practice. However, this kind of saving is difficult to monitor and evidence in the data.

Adults

- 3.12 There is a structural budget pressure in Adults linked to demographic growth but currently it is less steep than in Disabilities and has largely been contained within the funding provided from a mixture of ASC grant/IBCF and the precept. However, there are significant pressures already showing within the service including those arising from non-delivery of savings that were covered in year (last year) by use of the Improved Better Care Fund. (This funding would otherwise have been available to cover the care package pressures)
- 3.13 The presumption in the MTFs was that savings would be delivered in time for this year, in a range of areas, but these have yet to be implemented. The shortfall in year is estimated to be in the region of £1.6m.
- 3.14 Moreover the pressures across the system are significant. The forecast overspend position has gone up from £1.693m to £1.905m P5 overspend. This increase is mainly due to the slow increase in Older People's Residential and Nursing costs. The Council has a strong strategy for managing these costs and fees are in line with or lower than other London Boroughs but there are clear cost pressures in the market.
- 3.15 Alternative savings and mitigating actions have been identified that are expected to bring the overall pressure in 2018/19 to around £0.8m. These include reviewing the use of crisis resolution and enhanced management control on expenditure. The full implementation of the approved charging policy is also expected to increase contribution income. To date Adults have a reasonably good track record of successful in year mitigation of risk and an optimistic view of the forecast suggests that reduction to under £0.9m overspend could be possible. The activity data is already showing a reduction in Home Care packages although this is not yet feeding through to the financial trend.
- 3.16 There are pressures in the staffing budget result from the pay award and the cost of some agency posts. This had previously been offset by vacancies in the JAD but it has been agreed to fill those vacancies so there will only be a part year benefit.

People and Resilience Commissioning

- 3.17 The Adults Commissioning service is projecting a marginal net underspend of £23k. The projected underspend is due to net underspend on staff costs of the Commissioning teams (65k). This is as a result of delay in filling some vacant posts as part of the ongoing restructure exercise. The Childrens Commissioning service is projecting a net underspend of £170k, due largely to staff vacancies across the various teams. The vacancies are mainly due to ongoing restructure of the service, with attendant delays in recruiting to vacant posts.
- 3.18 The People and Resilience Management team have committed to finding at least £2.5m of savings in order to offset the pressures in Care and Support. As the action plan is still being developed, £1.5m has been included in the forecast.

Further information will be brought to Cabinet over the next few months and this will need to be carefully monitored.

Enforcement – reduced forecast - now on balance or slightly underspent

- 3.19 The service ended last year with a shortfall on parking income against the expected level in the budget. Since then managers have worked to introduce service improvements and efficiencies to increase the effectiveness of enforcement activity and improve the level of income collected. The net forecast for the Parking budget is now an overspend of £0.27m – effectively on staffing which has now been rectified. The staffing overspend will be offset against increased income. The reduction in forecast is due to improved levels of income being collected.

Trading Entities – Reprofitting resulting in in year gap of £0.9m

- 3.20 The MTFS includes expected dividends from the Home Services/We Fix division of the Barking and Dagenham Trading Partnership and development activity income from Be First. This was based on the best information last summer about the expected performance of the company and the date upon which it would start trading. The latest information from the companies shows a reduced dividend from BDTP reflecting the final shape and structure and date of formation of the company.
- 3.21 It should be noted that the latest information from Be First shows an improved trading position for the company which will require a smaller working capital loan and a rephrased profile of development activity income. These factors together create a potential gap of £0.9m against the MTFS although this position may improve.

Elevate Contract and Customer Services

- 3.22 There has previously been a pressure in this area related to the recovery of court costs. This was rebased in the MTFS and is not expected to recur. However, there is a pressure of £0.2m on the IT budget which is being investigated and may be possible to resolve from the Corporate Infrastructure reserve. There is an expected saving of £0.52m for the Customer Access Strategy. The programme has achieved some channel shift and a reduction in call volumes – discussions are underway as to how far this will translate into a cashable saving, so this is currently shown as a pressure.
- 3.23 Discussions with Elevate have revealed that there is an unclaimed one-off discount of £0.487m against the target cost and a rebate of £93k on laaS. This has now been included in the forecast.

My Place and Public Realm

- 3.24 My Place is currently forecasting an underspend of £0.132m inclusive of an overspend on Public Realm. There are a number of vacancies across the service following the creation of the service – offset by some use of agency and interim staff. Recruitment activity is underway. However, the service will need to maintain some vacancies to absorb the pay award pressures.

3.25 There is an overspend in Public Realm on the Transport division mostly relating to a prior year saving that has never been achieved. This is currently partly offset by a small underspend on Waste Services. However, there are risks connected to the Fleet costs as the long lead in times for new refuse vehicles means that the service is still having to use many old vehicles which are prone to breakdowns and needing repairs. This results in cost pressures both for the cost of repairs and short-term vehicle hire while they are being carried out.

Other Operational Services

3.26 In addition there are a range of small variances in other services including £0.02m in Democratic Services (impact of the pay award) and £0.06m in Culture and Heritage.

3.27 The Elevate Client Unit has a pressure due to an expected fall in the Nationality Checking Service demand due to government asking private firms to tender for this service rather than provide it via Local Authorities from October 2018.

Central Expenses

3.28 Currently there is a projected underspend of £2.045m on Central Expenses. This is based on the position at year end last year and will be monitored closely.

3.29 In addition a number of risk provisions were written into the MTFS this year. These were as follows:

Pay Contingency	472,000
Savings Risk Contingency	2,000,000
Parking Risk Contingency	1,000,000
Accommodation cost contingency	660,000
	4,132,000

3.30 As can be seen from the descriptions these offset many of the overspends described above. As the year goes on and the figures become more certain it may be appropriate to release this funding into the specific budget lines. However, for now they are shown as offsetting underspends.

4. Capital Programme

4.1 The Capital programme was approved by Assembly in February as a total of £133.216m. As is usual practice an in-year review has been carried out.

4.2 Cabinet approval is requested to increase this to £157,489k in 2018/19. The HRA capital programme has increased from £82,730 to £90,352. This is the result of additional grant funding (as in the Disabled Facilities Grant) or reprofiling between years (carry forward of unspent allocations from 2017/18 or bring forward of monies from 2019/20 where progress against the programme has been accelerated. More information is provided in the text below and in Appendix B. Scheme by scheme monitoring information is provided as Appendix C.

4.3 The Adults Care and Support programme now includes Disabled Facilities Grant funding. In addition, the Council provides £0.4m funding for the Direct Payments

scheme. Uptake on this scheme has been low in recent years and there are concerns about the design of the current scheme. It has therefore been suspended pending a review. Options for the use of the unspent are being considered and will be brought to Cabinet in the next Capital update.

- 4.4 Spend is progressing well on the Schools programme and some funding will be drawn forward from future years where secondary school build projects are ahead of profile. The recent fire at Roding school requires £2.5m spend to be added to the programme – the funding of this is being discussed with the Council's insurers and the DfE and will be confirmed in the next Capital update.
- 4.5 The land acquisition investment strategy pot was increased by Cabinet and Assembly in January and February 2018 but not allocated to specific years. £58m has been rolled into this year's programme. This is offset by a rephrasing of the Street Purchasing Programme which is now forecast to spend £4m this year.
- 4.6 The Estate Renewal and Investment in Stock HRA programmes are to be increased by £1m and £7m in 2018/19 reflecting the updated programmes. £0.5m funding is to be transferred from the Infill sites new build budget to the Ilchester Road scheme to cover a number of additional costs including the following:
- a) Changes to specification for all units
 - b) Delays with Access negotiations outside of Party Wall Act with adjoining owner occupiers at Ilchester Sites A & B
 - c) Extension of Time with costs in respect of (b) above
 - d) Remediation of Contamination (Asbestos) on North Street site
 - e) Development of temporary car park at North Street to relief congestion for existing residents around site.
 - f) Instructions relating to the construction of the feeder road to North Street which did not form part of original contract
 - g) Works associated with detailed Archaeological investigations
 - h) Demolition of garages at Ilchester sites A & B
 - i) Additional Employer's agent fees to cover project delivery overrun

5. Financial Implications

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

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

6. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 6.1 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** – Changes to the Capital Programme
- **Appendix C** – Five Year Capital Programme
- **Appendix D** – 2018/19 Capital Monitoring