

CABINET

11 December 2018

Title: Budget Monitoring 2018/19 - April to October (Month 7)	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
Report Author: Katherine Heffernan, Group Manager – Service Finance	Contact Details: Tel: 020 8227 3262 E-mail: katherine.heffernan@lbbd.gov.uk
Accountable Director: Helen Seechurn, Interim Finance Director	
Accountable Strategic Leadership Director: Claire Symonds – Chief Operating Officer	
Summary <p>This report shows the updated forecast based on financial performance in the first seven months of the year. The forecast outturn position has remained broadly the same since last month's forecast and is now total expenditure of £149.186m against the approved budget of £145.368m which is an overspend of £3.818m. It should be noted that this is dependent on the successful delivery of the People and Resilience Action Plan which is expected to achieve a £3.5m reduction in spend from their current trajectory of which £2.5m has been included in the forecast. The plan was developed in September and October and so it is too early to see the impact of the actions taken in the financial information.</p> <p>Before the impact of the action plan there is an overspend of £11.547m across People and Resilience. Although the Children's Operations position has held steady and Disabilities has slightly improved, the Adults position has worsened somewhat. As we are now approaching the winter months, careful monitoring will be required as expenditure in this service can be strongly affected by external issues such as the weather, the performance of the health service and seasonal infections.</p> <p>In addition to this overspend there are small overspend variances in Culture and Heritage, Community Solutions and Public Realm being offset by other services, central expenses and contingency. This means that the overall variance is £3.818m.</p> <p>This report also contains the quarterly update on the Housing Revenue Account. This is showing a £17.735m revenue contribution to the capital programme/reserves which is £0.9m less than originally budgeted.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <p>(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;</p>	

- (ii) Note the forecast outturn position for 2018/19 on the Housing Revenue Account, as detailed in section 4 and Appendix B to the report;
- (iii) Agree the inclusion of Local Transport Capital Grant Funding of £0.42m in the Capital Programme, as detailed in section 5 of the report; and
- (iv) Agree the inclusion in the Fees and Charges schedule approved by Cabinet on 13 November 2018 (Minute 54) of new fees and charges relating to animal welfare as detailed in section 6 of the report, to be effective from 1st October 2018.

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 quarterly update on the Housing Revenue Account.

2 Overall Revenue Position

- 2.1 The overall position is currently forecast to total net expenditure of £149.186m against a budget of £145.368m which would result in an overspend of £3.818m. If this is the year-end position, it would require a further drawdown from the Council's budget support reserve. There is sufficient funding in this reserve to cover this amount.
- 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 £6.028m

- 3.1 The Children's Forecast has remained stable this month. There were small reductions in staffing and running costs in some areas but this has been offset by increase in the placements budget as a result of increased numbers of placements. This was partly mitigated by of a close review of commitments by brokerage and finance including clearing down old purchase orders. This work is not yet finished and so the forecast has been held constant until it is completed.

3.2 As previously reported the top three elements of the overspend are staffing, (£2.75m), placements (£2.3m), and the costs associated with legal proceedings (£0.39m) including costs of Counsel, expert witnesses and court mandated assessments and investigations – shown within Supplies and Services.). Although there have been some variations in year the pattern of expenditure has been consistent.

Subjective	2018/19 Annual Budget	Forecast (October)	Variance against Budget (October)	Variance against Budget (September)	Movement	Reason for Variance
Income	(2,228,000)	(2,674,263)	(446,263)	(271,646)	(174,617)	Estimated UASC grant for increase in the number of asylum seekers
Employees	11,773,950	14,506,527	2,732,577	2,748,591	(16,014)	Revised staff forecasts
Premises	78,300	369,121	290,821	294,389	(3,568)	Rents payable for young people housing options
Transport	261,400	262,495	1,095	20,413	(19,317)	Reduction of transport recharge forecasts and client transport costs
Supplies & Services	1,015,840	1,844,072	828,232	888,054	(59,822)	Pre-Ofsted inspection cost funded by Commissioning (£49k), reduction to membership subscriptions
Third Party Payments	19,422,980	22,009,733	2,586,753	2,323,997	262,756	10 new LAC placed with In-house foster care places & 14 new asylum seekers
Transfer Payments	71,000	134,171	63,171	55,933	7,238	Transfer payments to asylum seekers
Support Costs	1,216,300	1,188,136	(28,164)	(31,508)	3,344	Legal SERCOP charge exceeds budget
Grand Total	31,611,770	37,639,992	6,028,222	6,028,222	0	

3.3 There is a small reduction of **£0.016m** in the salary forecasts for September. This is the net movement across the team on staff salaries & other staffing related expenses. The overspend on salaries is due to several factors which include, an inherent base budget pressure of **£0.255m**, unbudgeted 17 FTE posts- **£1.178m**, agency staff premium **-£1.082m** and the inclusion of an estimate of **£0.217m** for recruitment & retention.

3.4 The projected cost of placing children in care across the various provisions remains at **£19.805m** plus a further £0.305m to be spent on supporting children under section 17 and section 20. There has been an increase in the numbers of children since September. A data cleansing exercise this month is still underway for foster placements and residential care. This is nearly complete and the full impact should be seen in the forecasts next month.

3.5 The Children's legal budget, which pays for the services of Counsel, is forecast to spend **£0.658m** against a budget of **£0.482m**. The current forecast is based on 2017/18 outturn with a 2% uplift. The cost of court applications is forecast to spend **£0.462m** against a budget of **£0.250m**. The actual expenditure on court related costs to end of month 6 is **£0.287m** so there is a risk that the current forecast may be exceeded.

- 3.6 The budget pressures within this service are long standing and reflect the demography of the borough with a very young population and high levels of deprivation and need. The pressures reached a high point in 2015/16 when the SAFE programme was set up and successfully reduced the overspend down from over £9m to under £3m. However, this residual pressure which is the result of recruitment and staffing pressures common throughout the sector and our locally high levels of need has persisted.
- 3.7 Since 2016/17 a savings requirement of £2.359m has been written into the budget in line with the original Children’s Transformation business case predicated on reduced demand for services and numbers of children looked after plus commissioning and other efficiencies. Although there has been some progress on this, the full saving has not been achieved and this position has been compounded by continued increases in demand. This has required staffing levels to be raised above the budgeted establishment and caused overspends on placements.
- 3.8 The service therefore is no longer expecting that demand reductions will be achievable in the short term. The savings programme has therefore been refocused. Work is currently underway to develop a new operating model that delivers safe and sustainable services in the most cost effective way within the context of our local demand landscape.
- 3.9 In addition new opportunities for reducing costs have been identified. These can be grouped in two strands – a strand of commissioning activity which seeks to find the most cost effective forms of care and has the potential to reduce costs by up to £2.8m in the medium term and a strand of operational activity which will deliver a lower cost reduction figure (£1m over three years) but is expected to improve outcomes for children and families.
- 3.10 However the nature of the service is such that the impact in year will be limited and so the service is likely to end the year with a high level of overspend.

Disabilities Care and Support – forecast overspend of £3.62m,

- 3.11 The All Age Disability Service is forecasting a budget pressure of **£3.62m** as at Month 6. This is a marginal improvement since last month of £29k following further management action on staffing and discretionary expenditure. The breakdown of spend is shown below:

	Full year	Period 7	Variance
	Budget 2018/19	Projection	from Budget
	£'000	£'000	£'000
Disabilities Care & Support			
Adults Care Packages (inc Equipment)	8,194	9,451	1,257
Children’s Care Costs	1,174	1,967	793
SEND transport	1,919	2,559	640
Centres and Care Provision	1,917	1,302	-615
Staffing/Care Management	2,738	4,285	1,547
Directorate Total	15,942	19,564	3,622

- 3.12 **Learning Disabilities** – The projected overspend on Learning Disability Packages at the half way point in the financial year is **£1.947m**. This has been reduced by the various contributions namely: Adults Social Care grant (**£0.571m**), iBCF (**£0.120m**). The net forecast after taking the contributions into account is an overspend of **£1.256m**, an increase of £0.01m from previous month's forecast.
- 3.13 **Children with Disabilities SEND Transport** – This is the main area of improvement this month with a reduction in forecast of £0.065m from reduced overtime and charges to other Local Authorities. However, there is still a high forecast overspend of £0.64m which reflects continued demand for this service.
- 3.14 **Children with Disabilities Social care provision** – There has been a minor upwards change to the forecast for this service area of £11k. The cost of packages in place to support to children with disabilities is now **£1.967m** which is **£0.793m** above budget. There are currently **260** direct payment clients, resulting in an overspend of **£0.392m** against the budget. **£0.153m** of the budget pressure is attributable to the projected spend on legal cases and associated court costs. The remaining overspend of **£0.248m** is due to the cost of providing respite care to the clients.
- 3.15 There are **135.25** established FTE posts within Disability Service, and **10** FTE vacant posts, majority of them within the centres. There are currently 6.00 FTE agency staff covering vacancies of which **2** are DFG funded staff working with the Enabling Independence team. There are still £0.454m of unallocated savings held centrally.

Adults Care and Support – Overspend of £2.020m

- 3.16 The Adults forecast has worsened this month resulting in an overspend of just over £2m based on current information. The service has put into place an ambitious action plan to reduce spend so the forecast should start to come down in future months. However, it must be noted that winter can have a significant but not straightforwardly predictable impact on the level of social care need.
- 3.17 The forecast has increased by £0.167m in Care packages and there is a forecast overspend of £0.107m in Mental Health for the first time this year.

	Full year	Period 7	Variance
	Budget 2018/19	Projection	from Budget
	£000	£000	£000
Adults Care & Support			
Adult packages	10,423	12,052	1,629
Adult teams	3,605	3,659	54
Adult homes and centres	1,844	1,946	102
Mental Health	4,100	4,207	107
Adults Other (Support services)	-2,798	-2,670	128
Directorate Total	17,174	19,194	2,020

- 3.18 The overall pressure on care packages is £1.692m – this bulk of this being within homecare where hours have increased since last year. The service is working to reduce this and especially crisis intervention packages but no reduction can yet be seen in the financial data. There are also increases in residential and nursing care expenditure. Price uplifts have been agreed with providers from October 2018 funded by the precept. The impact of this has been included in the forecast.
- 3.19 Although expenditure has been increasing income has not been increasing. This is being investigated.
- 3.20 There are minor pressures in the staffing budget result from the underfunding of the establishment (as a result of the corporate decision not to pass through funding for pay increases) 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. Kallar Lodge is currently forecasting a large overspend for the year £0.278m offset by underspends on Extra Care.
- 3.21 The Mental Health service is reporting a budget pressure for the first time this year. This is made up of a pressure of £0.3m on care packages especially residential and nursing care offset by staffing underspends. £0.5m of the IBCF grant has been provided as new investment in the service and this is taken into account in the forecast.

People and Resilience Commissioning and Action Plan

- 3.22 There is a net underspend across People and Resilience Commissioning of £0.123m mostly relating to staffing vacancies. The Children's Commissioning team underspend forecast has increased this month.
- 3.23 Additional in year funding for Adult Social Care was announced in early October. Full details have not yet been published but the allocation for Barking and Dagenham is expected to be in the region of £0.9m. This funding has not been taken into account in the forecasts. We are awaiting further information from the Department of Health concerning the expectations and conditions of the grant and also discussions with our local health partners.
- 3.24 In addition the People and Resilience Management team have committed to meeting these targets set by the Council's strategic management team as follows:
- To reduce the Adults Operations pressure to under £1m
 - To contain all future growth in Children's and Disability and ensure that the variance in those areas do not increase further from the end of August position
 - To find £2.5m of in year reductions from across all budgets including Public Health Grant, Children's and Adults Commissioning and Education, Youth and Childcare.
- 3.25 A management action plan is being developed and finalised but is currently estimated to provide a reduction in spend of approximately £3.5m. Actions being taken include:
- Review of Direct Payments balances and clawback of unspent monies
 - Commissioning and Procurement savings on Supported Living and Accommodation for Care Leavers

- Stronger life planning and more community focused care for working aged Disabled People
- More effective utilisation of crisis intervention services
- In year savings within the Education budget

Enforcement – reduced forecast – underspend of £0.085m

- 3.26 Enforcement began the year with a forecast overspend in Parking but strong management action and the revised fees and charges have produced a huge improvement in the position. The Parking account is reporting a significant shift from £187k overspend in period 6 to an underspend position of £30k in period 7. This is mainly attributable to overachievement of income target across two particular income streams, PCN and Non-Staff Permit charges. PCN income has seen the highest ever monthly income in October 2018 (£649k) for the past 5 years. Income from non-staff permit charges has also surpassed the target by £334k per annum. Other services under Enforcement division are forecasted to deliver £362k underspend, resulting in a total Enforcement division net position of £392k underspend.

Trading Entities – Reprofiled resulting in in-year gap of £0.9m

- 3.27 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.
- 3.28 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 two factors together create a potential gap of £0.9m against the MTFS although this position may improve. The companies will shortly be reporting their quarterly updates and the forecast will be revised at this point. This will be reflected in the monitoring report next month.

Elevate Contract and Customer Services

- 3.29 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.
- 3.30 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 IaaS. This has now been included in the forecast.

My Place and Public Realm

- 3.31 My Place is currently forecasting an underspend of £0.270m arising from 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. This underspend is being used to offset the £0.25m savings shortfall on services commissioned by My Place (Street Purchasing/Home Services).
- 3.32 There is an overspend in Public Realm on the Transport division mostly relating to a prior year saving that has never been achieved. The restructure to deliver the new operating model did not include the Fleet services and the Passenger transport service. The service had a £400k saving applied in 2016/17 with the expected reduction in service demands from Adults services. However, the changes in the level of demand have not resulted in the anticipated reduction in costs. The service finished 2017/18 with an overspend of £422k. The service is currently reporting a £300k pressure.
- 3.33 The Service is in ongoing discussions commissioning colleagues in Adults' and Children's services with a view to remodel the service to deliver an adequate service to both key customers at a reduced cost that is agreed with all parties and fully recharged proportionately to the Adults and Children's services. It is anticipated that remodelling of the service and changes to fleet arrangements will deliver cost reductions to help stem this pressure. Any residual pressure will be managed within the Transport and Fleet umbrella.

Community Solutions – net variance of £0.07m

- 3.34 Community Solutions has been formed by bringing together a range of budgets including some budgets that have faced pressures in recent years including Homelessness and MASH/NRPF from Children's services. The Temporary Accommodation pressure has been mitigated by additional MTFS growth funding and the service has also been very successful in working more effectively with families to avoid the need for accommodation. However, there are voids in some of the homeless hostels which is creating an income pressure.
- 3.35 In addition the service has inherited high levels of agency staffing in some areas (especially ex Children's.) This is being managed down by the service management but does remain a risk.
- 3.36 The service is able to mitigate these pressures through use of one-off income including a brought forward grant resulting in a small net variance this year.

Other Operational Services

- 3.37 In addition there are a range of small variances in other services including £0.02m in Democratic Services (impact of the pay award) and £0.08m in Culture and Heritage.
- 3.38 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

- 3.39 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.
- 3.40 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

- 3.41 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. Housing Revenue Account

- 4.1 The Housing Revenue Account was originally budgeted to generate an in-year revenue surplus of £18.635m to fund the capital programme. The forecast is that this will be reduced to £17.735m – an adverse variance of £0.9m. In practice this will not impact on this year's programme as any shortfall will be met by a drawdown from the HRA.
- 4.2 The revenue variance is made up of three main components – £0.5m underachievement of rental income, £0.8m underspend on Supervision and Management and £1.2m overspends in Repairs and Maintenance.
- 4.3 The rent income reduction is mostly the result of fewer properties being let as temporary accommodation which attracts a higher rent than general needs housing. The overspend on repairs has arisen as the savings on the cost of home services are not being fully delivered. A provision had been made to cover the implementation costs of this saving however which is not required resulting in an underspend in supervision and management.
- 4.4 The HRA capital programme is expected to deliver broadly on budget with the exception of Investment in Stock which is forecasting an underspend of £1.761m. Within this there is expected to be some accelerated spend against specific Investment in Stock schemes (Capital Voids) but this will be offset by other schemes not expecting to be fully spend in 2018/19, as detailed plans are still to be established (e.g. Fire Safety)

5 New Capital Funding for Local Transport

- 5.1 The Chancellor of the Exchequer announced in the budget that funding would be made available to Local Authorities to improve local transport – especially the condition of roads and potholes. We have now received confirmation of the allocation to Barking and Dagenham which is £0.42m. Cabinet are asked to

approve for this funding to be added to the capital programme to be spent in accordance with the conditions of the grant.

6. Update on Fees and Charges

- 6.1 The Council is the Licensing Authority for the purposes of the Animal Welfare (Licensing of Activities Involving Animals) (England) Regulations 2018 (the 'Regulations') which came into force on 1 October 2018, under the provisions of the Animal Welfare Act 2006. The Regulations include statutory fees and charges as follows, to apply from 1 October 2018 to 31 March 2020:

Licence Type	Application Fee	Licence / Grant Fee	Total Fee (Part A + Part B)
Animal Boarding (Dog / Cat)	£299	£244	£543
Selling animals as Pets	£299	£244	£543
Home Boarding for Dogs (up to 6)	£155	£210	£365
Dog Day Care (up to 6)	£155	£210	£365
Breeding Dogs	£299	£244	£543
Riding Establishment (Hiring out horses)	£394	£449	£843
Keeping or training animals for exhibition	£290	134	£424
Dangerous Wild Animals	£390	£244	£634

7. Financial Implications

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

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

8. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 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

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

List of Appendices

- **Appendix A** – General Fund Revenue budgets and forecasts.
- **Appendix B** – Housing Revenue Account budget and forecast.