

CABINET

22 January 2019

Title: Budget Monitoring 2018/19 - April to November (Month 8)	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision Yes
Wards Affected: All	Key Decision: Yes
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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 eight months of the year. The forecast outturn position has remained broadly the same since last month's forecast and is now a forecast of £149.225 total net expenditure against the approved budget of £145.368m which is an overspend of £3.857m. 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 £2.5m reduction in spend from their current trajectory. 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. However, as we are approaching the year end the in-year impact of any action begins to reduce so from next month the forecast impact of the plan will be tapered down.</p> <p>Before the impact of the action plan there is an overspend of just under £12.000m across People and Resilience. This month we have seen that expenditure has reduced in Disabilities as the result of securing more Continuing Care funding for individuals supported by the service and activity has reduced in some parts of the Adults service. However the reduction in activity is being offset by increases in the cost of care and the pressure in Mental Health services is increasing. In addition there has been a further increase in Childrens.</p> <p>In recognition of the high levels of demand being faced by Childrens and Disabilities it is proposed to vire £1.370m to these services to increase the approved establishment in these areas. This will enable the service to establish a number permanent posts where agency staff are currently being used. This will help to contain caseload levels and ensure that we can meet the needs of vulnerable children and families. Cabinet is asked to approve this virement.</p> <p>In addition to the overspends in Care and Support there are small overspend variances in Culture and Heritage, Community Solutions and Public Realm being offset by other services, central expenses and contingency. The Parking Service has improved its income forecast again this month and the forecast for the BD Trading Partnership has</p>	

also been improved in line with the company's latest return. This means that the overall variance is £3.857m

Recommendation(s)

The Cabinet is recommended to:

- (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; and
- (ii) Approve a virement of £1.37m from the Central Expenses budget to increase the staffing budget for Children's and Disabilities services, as detailed in paragraph 3.27 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 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 £149.225m which would result in an overspend against the expenditure budget of £3.857m. 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 £6.373m

- 3.1 The Children's Forecast has increased this month. There were increases in both the staffing forecast and the cost of placements for Looked After Children. This was partly mitigated by a close review of commitments by brokerage and finance including clearing down old purchase orders.

3.2 As previously reported the top three elements of the overspend are staffing, (£2.86m – an increase of £0.118m), placements (£2.47m), 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 (November)	Variance against Budget	Variance against Budget	Movement	Reason for Variance
Income	(2,228,000)	(2,886,809)	(658,809)	(271,646)	(387,163)	Home Office settlement of previously disputed UASC grant claims projected to year end & Contribution of Health to LAC cases (£89k) & Mocking bird grant (£86k)
Employees	11,773,950	14,639,597	2,865,647	2,748,591	117,056	Revised staff forecasts
Premises	78,300	371,447	293,147	294,389	(1,242)	Rents payable for young people incl care leavers
Transport	261,400	240,342	(21,058)	20,413	(41,470)	Reduction of transport recharge forecasts and client transport costs
Supplies & Services	1,015,840	1,861,535	845,695	888,054	(42,358)	Revised forecasts based on general office expenses based on spend to end of November
Third Party Payments	19,422,980	22,554,905	3,131,925	2,323,997	807,928	Increase in placement costs
Transfer Payments	71,000	138,854	67,854	55,933	11,922	Transfer payments to asylum seekers
Support Costs	1,216,300	1,064,640	(151,660)	(31,508)	(120,152)	Internal recharge to YOS management
Grand Total	31,611,770	37,984,511	6,372,741	6,028,222	344,519	

3.3 There are a number of strands of work looking at the staffing forecasts. This includes a recruitment and retention strategy with increased incentives for staff to remain with the borough and overseas recruitment in key shortage areas. The staffing model has also been reviewed to ensure it meets the current needs of the borough. This has identified a requirement for 17 additional posts to be added to the establishment (plus two in Disabilities.) There are currently agency staff in these posts. The Cabinet is asked elsewhere in this report to approve a virement to fund these posts.

3.4 The projected cost of placing children in care across the various provisions has increased this month to £20.127m (M7 £19.805.) an increase of £0.323m from M7. An additional sum of £0.264m is expected to be spent on S17/S20 cases which is a reduction of £0.041m from M7. The increase is thought to be driven as much by the increasing costs of care and the complexity of needs as by an absolute increase in LAC numbers.

3.5 The forecast for Legal expenditure remains the same as reported at Month 7. The projected spend is **£0.658m** against a budget of **£0.482m**. This budget pays for the services of Counsel. 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 8 is **£0.324m** 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.

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

- 3.7 The All Age Disability Service is forecasting to spend £19.472m which is £3.530m over budget (M7-£3.622m). This represents a favourable movement of £0.091m from the position at Month 7. The reduction in forecast is the net position across the service with increases in Education & Health Care Plans (EHC), Children with Disabilities (CWD) social care provision and Heathlands day centre and reductions in Enabling Independence, School Psychology and Transport.
- 3.8 **Learning Disabilities** – The projected overspend on Learning Disability Packages at the half way point in the financial year is **£1.947m**. This has remained stable since last month. The Transport overspend has also remained stable at £0.639m.
- 3.9 **Children with Disabilities Social care provision** – The position on this element of the service has improved from Month 7 £0.782m to Month 8 to £0.670m. The reduction this month has been due to a successful Continuing Health Care (CHC) challenge to Health partners, the contribution from Health amounts to £0.100m for 2 cases. It should be noted that there are an additional 18 cases awaiting a decision across the whole of the Disability service. Should any of these be successful it will reduce the forecast over the next few months.
- 3.10 The staffing position this month has improved slightly– by £0.064m – to an overspend of £0.300m. The Cabinet will be asked below to approve a virement of £0.120m for two posts to support vulnerable Children and Families.

Adults Care and Support – Overspend of £2.020m,

- 3.11 The Adults forecast has been maintained this month at 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.
- 3.12 Within this overall forecast there has been an increase in the pressures within Mental Health representing increased need for support and placements.
- 3.13 For Older People the service is continuing to experience high levels of demand with a clear net increase in numbers of people receiving services. The service is working hard both to ensure that hospital discharge is supported and admission to residential care is avoided where possible – however this is resulting in high levels of homecare and crisis resolution activity. Moreover although the number of residential/nursing placements is being kept at a low level, the costs of care are increasing.

- 3.14 Although expenditure has been increasing income has not been increasing. This is being investigated

People and Resilience Commissioning and Action Plan

- 3.15 There is a net underspend across People and Resilience Commissioning of £0.179m mostly relating to staffing vacancies. The Children's Commissioning team underspend forecast has increased this month.
- 3.16 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.
- 3.17 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 £0.502m

- 3.18 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 an increase in income of £0.111m since month 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.

Trading Entities – Improvement of £0.6m

- 3.19 The MTFs includes expected dividends from the Home Services 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 Trading Partnership has now submitted its quarter two shareholder report which shows an expected dividend to the Council of £0.632m against the target of £0.942m. On this basis an improved position is now being reported in the budget monitoring. It should be noted that the shortfall against the target is in large part the result of the delayed start and different structure of the company.

Elevate Contract and Customer Services

- 3.20 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.

My Place and Public Realm

- 3.21 A overspend of £0.18m is being reported against this service area. There are significant underspends within My Place from staffing vacancies and improved efficiency. However this is offset by pressures within Public Realm and Passenger Transport.

Community Solutions – net variance of £0.07m

- 3.22 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.
- 3.23 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.
- 3.24 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.

Central Expenses

- 3.25 Currently there is a projected underspend of £2.045m on Central Expenses. Central expenses contains the budget for the Apprenticeship levy which is forecast to underspend this year (as Council staffing has reduced since the modelling was first carried out) and the rebate on agency usage.
- 3.26 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
Temp Accommodation cost contingency	660,000
	4,132,000

3.27 It is proposed to vire £1.37m from Central Expenses to Childrens and Disabilities to fund 19 posts which are identified as required to manage current demand while maintaining reasonable caseloads.

4. Financial Implications

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

4.1 This report details the financial position of the Council.

5. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

5.1 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.