CABINET

18 February 2019

Title: Budget Monitoring 2018/19 - April to December (Month 9)	
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

This report shows the updated forecast based on financial performance in the first nine months of the year. The forecast outturn position has slightly worsened since last month's forecast and is now a forecast of £149.616 total net expenditure against the approved budget of £145.368m which is an overspend of £4.248m. It should be noted that this is dependent on the successful delivery of the People and Resilience Action Plan which is now expected to achieve a £2.161m reduction in spend from their current trajectory.

Before the impact of the action plan there is an overspend of just under £10.745m across People and Resilience. This is a lower figure since last month reflecting the provision of additional funding for staffing.

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 underspends in Enforcement, My Place, central expenses and contingency. This brings the overall variance to £4.248m.

This report also provides an update on the Capital Programme. The overall capital programme is now £284.758m of which £186.612m is General Fund, £90.352m is HRA and £7.793m is Transformation. Spend against the programme is forecast to be £193.386m – an apparent overspend which is largely the result of accelerated spend on some School expansion programmes. Funding can therefore be brought forward from future years to cover this.

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 sections 2 and 3 and Appendix A to the report; and

(ii) Note the current forecast outturn position for 2018/19 of the Council's Capital Programme as detailed in section 4 and Appendix C 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 quarterly update on the Capital Programme

2 Overall Revenue Position

2.1 The overall position is currently forecast to total net expenditure of £149.616 which would result in an overspend against the expenditure budget of £4.248m. 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 £5.352m

3.1 As previously reported the top three elements of the overspend are staffing, (£1.6m), placements (£3.2), and the costs associated with legal proceedings (£0.367m 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 (December)	December Variance against Budget	November Variance against Budget	Movement	Reason for Variance
Income	(2,228,000)	(2,897,858)	(669,858)	(658,809)	(11,049)	Review of HB income for YP in the L2L service
Employees	11,773,950	13,384,643	1,610,693	2,865,647	(1,254,954)	Funding to cover previously unfunded post
Premises	78,300	371,312	293,012	293,147	(135)	-
Transport	261,400	249,434	(11,966)	(21,058)	9,092	Client transport costs
Supplies & Services	1,015,840	1,922,680	906,840	845,695	61,145	Language empire historic order and higher increase in subsistence payments and accommodation costs for clients
Third Party Payments	19,422,980	22,652,965	3,229,985	3,131,925	98,060	Placement costs increasing in line with demand
Transfer Payments	71,000	216,270	145,270	67,854	77,415	Increase in looked after costs
Support Costs	1,216,300	1,064,640	(151,660)	(151,660)	0	
Grand Total	31,611,770	36,964,085	5,352,315	6,372,741	(1,020,426)	

3.2 Last month the Cabinet approved a virement of £1.2m of staffing budget to support an increase to the Children's establishment to reflect the high level of activity and keep caseloads in line with agreed ratios. The staffing forecast however is still an overspend of £1.611m which is largely the result of high numbers of agency staff. There are currently 52 agency staff (from a total of 249 FTE positions.) This is expected to improve significantly over the next few months as the result of a successful recruitment campaign – including recruitment from overseas. This will not reduce the pressure in this financial year but will be greatly beneficial in the next financial year – both reducing costs and improving the consistency of the service through achieving a more permanent workforce.

3.3 The forecast pressures on Children's Placements has increased this month by £0.18m. This is despite a reduction in the total number of Looked After Children and is the result of a small number of very expensive placements in residential care and two new cases in Family Assessment units. The breakdown of cost by placement type is shown below.

Placement Type	2018/19 Net Budget	December Forecast	Variance against budget	October Forecast	Previous months Variance	Movement between Months	Reason for variance
INTERNAL FOSTERING PLACEMENT COSTS	£4,957,320	£4,608,436	-£348,884	£4,604,648	-£330,304	-£18,581	A reduction of 10 LAC
PRIVATE AND VOL. RES. HOMES WITH EDUCATION	£3,750,010	£5,383,894	£1,633,884	£5,079,024	£1,461,606	£172,277	2 high costs placements
ADOPTION PLACEMENT COSTS	£3,595,830	£3,914,772	£318,942	£3,888,275	£318,942	£0	No change reported this month
SPECIALIST AGENCY FOSTERING	£2,605,600	£3,227,677	£622,077	£3,357,546	£639,778	-£17,701	Reduction in forecast for
LEAVING CARE SERVICE	£1,125,870	£1,878,987	£753,117	£1,984,861	£797,314	-£44,196	Various income streams reviewed
ASYLUM SEEKERS	£893,000	£509,834	-£383,166	£587,764	-£409,934	£26,767	2 new UASC
SECURE UNITS	£440,700	£337,561	-£103,139	£74,972	-£104,195	£1,056	Net increase of 1 YP
FAMILY ASSESSMENT UNITS	£93,700	£445,673	£351,973	£227,299	£291,868	£60,105	2 new cases in December
	£17,462,030	£20,306,832	£2,844,802	£19,804,390	£2,665,074	£179,728	
S17/20 Support to families							
CARE MANAGEMENT S17	£127,300	£155,467	£28,167	£162,042	£13,567	£14,600	Increase in accomodation cost
CARE MANAGEMENT S20 LAC	£77,000	£68,385	-£8,615	£70,376	-£11,470	£2,854	Higher cost of support for S20 cases
ASSESSMENT S17 CIN	£72,200	£57,700	-£14,500	£72,200	-£14,500	£0	
	£276,500	**£281,552**	**£5,052**	**£304,618**	**-£12,403**	**£17,455**	

3.4 The projected spend on Counsel fees (Legal) has reduced by **£0.020m** to **£0.637m** against a budget of **£0.482m.** The reduction is based on the current trend on the legal costs related to the assessments team. 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 9 is **£0.368m** so there is a risk that the current forecast may be exceeded.

3.5 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 in large part 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 £3.372m,

3.6 The All Age Disability Service is forecasting to spend £19.315m which is £3.732m over budget (M7-£3.622m). This is after the inclusion of £0.158m additional funding for staffing agreed by Cabinet in January. The forecast includes a reduction made last month on placements from increased continuing healthcare funding as a result of the P&R action plan.

3.7 Aside from the additional funding, the forecast has remained broadly stable with overspends on **Learning Disabilities (£2.017m), Transport (£0.639m)** and **Children with Disabilities Social Care (£0.7m).** In all cases the underlying cause of the overspend is the high level of demand (reflective of our growing Child and Young Adult population) and the high costs of Social Care Support services.

Adults Care and Support – Overspend of £2.020m,

3.8 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.

3.9 Within this overall forecast there are overspends on Mental Health (£0.3m), Adult care packages (£1.78m – offset by action plan measures) and Adults Homes and Centres.

3.10 As previously reported there is clear evidence in of increased numbers of people requiring services. For example we are currently paying for around 17,000 hours of home care compared with 21,000 this time last year, there are 712 Direct Payments users compared with 563 last year and there are 65 more residential and nursing placements. In addition it has been necessary to agree fee uplifts for Residential care and Direct Payments in order to fund increased employment costs. This increase has been part funded from the IBCF and the Adult Social Care precept. However together with slippage on some of the originally agreed savings programme it has contributed to the forecast pressures.

3.11 In addition there is a pressure at Kallar Lodge where there has been a delay in bringing the additional rooms into use and in the Relish café.

People and Resilience Commissioning and Action Plan

3.12 There is a net underspend across People and Resilience Commissioning of £0.179m mostly relating to staffing vacancies.

3.13 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.

3.14 It is not clear, given the high level of demand that the Adults pressure can be kept to under £1m. A forecast of £2m is included in the overall totals.

3.15 The service has delivered or has a high degree of confidence that it will deliver £2.161m of the action plan from a range of actions including further savings within Commissioning and Education. The remaining £0.339m is still being developed and verified but may not be achieved in year.

Enforcement –underspend of £0.460m

3.16 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. This is mainly attributable to overachievement of income target across two particular income streams, PCN and Non-Staff Permit charges.

Trading Entities – overspend of £0.3m

3.17 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 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

3.18 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

3.19 A underspend of £0.147m 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

3.20 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. The service is working to ensure that the hostels are used as effectively as possible including for families with no recourse to public funds.

3.21 In addition the service has inherited high levels of agency staffing in Triage (inherited from Children's services) and pressures on the legal budge. This is being managed down by the service but remains a risk.

3.22 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

3.23 Currently there is a projected underspend of £1.7m 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.

3.24 In addition two risk provisions were written into the MTFS this year for non-achievement of savings (£2m) and non-achievement of parking income (£1m.)

4. Capital Programme 2018/19

4.1 The Council's current capital budget for 2018/19 is £284.758m, made up of the GF capital programme of £186.613m, the HRA capital programme of £90.352m and the Transformation Programme of £7.793m. More information is provided in the text below and in Appendix B.

4.2 The two most significant areas of the capital programme are the provision of school places and housing. This reflects the needs of the borough in terms of dealing with a high birth rate and high level of migration into the borough. School expansion schemes are funded by Central Government (via the Education and Skills Funding

Agency), and the HRA programme is self-financed by the HRA using a mixture of Government grants, capital receipts and HRA revenue funding. Therefore, they do not pose a pressure on the General Fund, in terms of needing to borrow and servicing the cost of borrowing.

4.3 A total of £2.175m of additional small funded schemes have been added to the programme since the last report at quarter two. These are as follows:

- Additional DFG of £0.187m has been allocated by MHCLG.

- Schools Condition Allocation 2018-19 (FC04072); This is an allocation of £1,000k for 2018/19 and is a government grant that is to be used for maintaining and improving the condition of the education estate within the Council.

- Vehicle Fleet Replacement (FC04070); This is rolling replacement cycle of the Council's aging front-line vehicles. The fleet is unreliable with increased down time and costs for maintenance and repairs. This cycle is for the procurement of 21 refuse vehicles with a budget of £306k in 2018/19 and £3,075k in 2019/20 and will be funded from borrowing.

- Children's Play Spaces and Facilities (CIL) (FC04080); This project aims to ensure that every residential area in the borough has a variety of high-quality play spaces for all children, regardless of their circumstances, to play safely and free of charge. The budget will be £275k over 5 years (£55k per year for 2018-23) and will be funded from the Community Infrastructure Levy.

- Parks and Open Spaces Strategy 2017 Implementation (FC04081); for parks projects that will include a 'quick wins' programme, and ongoing works to refurbish and upgrade the borough's green spaces and to use as match funding resources to support applications for external funding. The budget will be £500k over 5 years (£100k per year for 2018-23) and will be funded from the Community Infrastructure Levy.

- Tantony Green Play Area (FC04082); This is for the regeneration of the green area that has become worn, tired and uninspiring and the facilities are life expired. The budget will be £197k for 2018/19 and will be grant funded.

- Central Park Masterplan Implementation (FC04084); This is for the design and build contract for landscaping and sports facilities within Central Park. The budget for 2018/19 will be £100k and £1,100k in 2019/20 and will be funded from borrowing.

- Play Facility at Valence Park (FC04085); This is for the design and build of a bespoke play facility at Valance Park. The quality of the park landscape is poor, and its play facilities are life expired and no longer fit for purpose. The budget for the project will be £230k for 2018/19 and will be grant funded.

4.4 There has also been some realignment of schemes between Enforcement, Public Realm, Culture and Heritage and My Place to better reflect the project management responsibilities.

4.5 In addition £13.7m of Investment Strategy funding for Be First schemes has now been included in the programme. In addition, a number of Investment Strategy Council schemes are expected to fall in this financial year including Londoneast / The Cube, Welbeck Steel, Transport House and 17 Thames Road. These together amount to £54m of spend which has been added to the programme.

4.6 The Adults Care and Support Programme is forecasting a underspend variance of £0.438m. This is largely due to the suspension of the Direct Payment Adaptations scheme for new applications while the scheme is reviewed.

4.7 The Schools budget although large is well managed and most programmes are on target or showing accelerated progress. This has resulted in an apparent overspend of £6m – however this mostly relates to three expansion schemes which are ahead of schedule and will be funded by bringing forward funding from future years.

4.8 The Street Purchasing scheme has also been suspended and it is expected that we will spend £8.3m this year on this scheme.

4.9 Although most programmes are not currently forecasting an underspend in some areas actual spend to date appears low and so there is a risk of slippage at year end. In most cases this will be carried forward.

4.10 Two high profile programmes brought forward from last year: Youthzone and the demountable swimming pool at Beacontree Heath have made good progress and are forecast to be fully spent.

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: None

List of Appendices

- **Appendix A** – General Fund Revenue budgets and forecasts.
- **Appendix B** – Changes to the Capital Programme
- **Appendix C** – Detailed Capital Monitoring