

CABINET

15 October 2019

Title: Budget Monitoring 2019/20 April to August (Month 5)	
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 Director: Claire Symonds - Chief Operating Officer	
Summary <p>This report provides a high-level overview of the key financial risks and issues faced by the Council in this financial year. At the beginning of the financial year there is a high level of uncertainty in the position – especially around demand and cost increase pressures and so the position may change. However, there are clearly significant pressures. The report describes the potential impact in high level terms and the forecasts have been made on a prudent (pessimistic) basis. The position may therefore be overstated. However, the scale of the challenge means that there is no room for complacency.</p> <p>The forecast expenditure in the General Fund is £158.544 against a budget of £148.820m. £1.226m will be funded by planned draw down from reserves leaving £157.318m which equates to a gross General Fund overspend of £9.5m, before Collection Fund and Business rates surpluses are added which then puts the overall variance at £7.0m (see Appendix A) This is largely unchanged since last month.</p> <p>As at the end of 2018/19 the budget support reserve stands at £12m. £4m of this however has been earmarked to fund Transformation programmes. This would mean that this year's overspend could be covered from this reserve. However, this would deplete this reserve leaving only the unearmarked General Fund reserve of £17m to cover future overspends.</p> <p>Although the reduction in reserves in 2019/20 is foreseen and can be managed, it is not desirable and will limit our future ability to respond to unforeseen events or invest in the borough. If this level of expenditure continues into next year it would exceed the funding plans set out in our Medium Term Financial Strategy (MTFS) and so would require the identification of further savings or income in order to set a balanced budget. For these two reasons the overspend must not be allowed to continue to grow and serious consideration needs to be given to possible remedial measures.</p> <p>Directors and Strategic Directors have been tasked with identifying any possible measures within their own spheres to mitigate the position as a matter of urgency. This is</p>	

likely to include short term management action such as delaying recruitment or procurements, bringing forward planned savings and maximisation of income. This is still been worked on and further details will be brought to Cabinet next month. The potential impact on the future years if the position is not recovered could be a requirement to determine additional saving programmes for 2020/21 to the order of £4m to 7m, although this figure is expected to come down following the completion of the detailed budget review and more robust forecasting.

The Housing Revenue Account is showing an overspend of £1.299m.

Recommendations

The Cabinet is recommended to:

- (i) Note the projected revenue outturn for Council services as set out in sections 2 and 3 to 11 and Appendix A to the report;
- (ii) Note the implications for the reserves position and the need to identify in year action in relation to General Fund expenditure;
- (iii) Note the forecast outturn on the Housing Revenue Account as set out in section 12 of the report; and
- (iv) Approve the revised profile of the HRA capital programme as set out in section 14 of this 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 The final outturn for 2018/19 was an overall overspend of just under £3m (after transfers to and from reserves were taken into account). This was the net position after collection fund surpluses and there was an underlying overspend of £7m in service expenditure budgets. In addition, it must be remembered that last year the budget setting approach was that as far as possible services would be expected to contain their own growth. Only a limited amount of additional funding was identified, and this was applied in the most part to Care and Support Services. This reduced the gap for budget setting purposes and meant that additional savings proposals were not required to be identified so 2018/19 could be a "consolidation" year.
- 1.2 However, the expectation that services could contain their own growth is a challenge for many. The small amount of growth funding that could be identified was used both to deal with some specific issues in the budget and then to provide additional care and support funding. However, the sums available for this purpose (£1m for Children's, £1.3m for Disabilities) were lower than the 2018/19 pressures. This means that those services with existing pressures are likely to continue to overspend into 2019/20.

2 2019/20 Budget Monitoring Position - Summary

- 2.1 This has led to a high level of overspend forecast. Across the Council there are known budget pressures of up to **£14.9m, with some underspends of £5.5m forecast centrally giving rise to a forecast net spend position of £9.5m**. It should be noted that this forecast has been made on a prudent basis and so there is potential for further reduction. In addition, the budget monitoring to date has focussed on high risk spend areas so as a result there may be some emerging underspends yet to be reported.
- 2.2 As in previous years there is an expected underspend within Central Expenses. The £2m provision for non-delivery of savings put into the budget in 2018/19 is still there. There are other contingency budgets such as the Redundancy budget (£1.3m of which half is currently assumed in the forecast) and the Council consistently over-achieves on gainshare against its budget (c£1.5m). In addition, there is an expectation to receive £3m in dividends from the companies giving us a total forecasted **underspend of £5.5m** on central budgets. This has reduced by £0.1m since last month due to an adjustment to the Cemeteries budget.
- 2.3 There are at outturn additional Collection Fund surpluses and business rates via the London pool have been included as **£2.5m additional income**. Overall the net overspends forecast at end of July is now expected to be £7.8m, a £830k improvement from period 4.

DEPARTMENT	ADJUSTED BUDGET	FORECAST	VARIANCE	Movement
P&R Commissioning	8,345,510	8,295,510	(50,000)	50,000
Core	6,226,000	6,450,500	224,500	32,500
Central	35,099,327	28,654,333	(5,469,000)	100,000
Education, Youth & Childcare	3,909,800	3,909,800	0	-
Law, Governance & HR	(638,206)	(638,206)	0	-
Policy * Participation	2,800,380	3,112,467	312,087	98,991
Care & Support	71,104,978	83,539,848	12,434,870	239,130
Inclusive Growth	994,880	994,880	0	-
Community Solutions	9,746,030	9,746,030	0	-
My Place	6,292,391	7,264,156	971,765	98,324
Contracted Services	4,938,920	5,988,920	1,050,000	-
Total General Fund Budget	148,820,010	157,318,238	9,474,222	57,297
Corporate Funding	(148,820,010)	(151,282,385)	(2,462,375)	0
NET GENERAL FUND POSITION	0	7,011,847	7,011,977	57,297

- 2.4 More information about the key areas of risk are given below. The overall impact on reserves will be a drawdown of around £7m from the Budget Support Reserve. This is manageable as there is sufficient funding to do this, but it would restrict our ability to respond to future unforeseen events and to invest in the borough. If this level of spending continues it could also put at risk our Medium Term Financial plans, requiring the identification of future savings.
- 2.5 It is therefore necessary to identify both short and medium remedial actions to bring spending nearer to the budget. Directors and Strategic Directors have been tasked with identifying any possible measures within their own spheres to mitigate the position as a matter of urgency. This is likely to include short term management action such as delaying recruitment or procurements, bringing forward planned savings and maximisation of income. The results of this work will be brought back to Cabinet in November.

3. Care and Support/ People and Resilience

- 3.1 The overall budget for People and Resilience (exec Education) in 2019/20 is £81.810m. The total expenditure forecast (main case) for these services 2019/20 is £95.363m which would result in an overall budget pressure of £12.5m. This would be a growth in expenditure since the previous financial year of £6.5m. These forecasts largely do not include the impact of the savings programmes across the service – if these are successful then this would decrease the variance. Currently however, the savings are contributing to the budget gap.
- 3.2 Further information on the specific services is given below.

People & Resilience Group	19/20 Budget £0	Main Forecast £0	Variance £0	Period Movement £000	Change since 2018/19 £0
Adults Care & Support	19,474	23,322	3,848	-102	1,837
Adults Commissioning	5,756	5,856	100	0	241
Disabilities Service	18,403	21,834	3,431	392	1,913
Children's Care & Support	34,490	39,691	5,201	-530	2,277
Children's Commissioning	4,387	4,237	-150	0	237
Public Health	-700	-700	0	0	0
Group Total	81,810	94,240	12,430	-240	6,505

4. Adults' Care and Support

- 4.1 The total forecast for Adults Care and Support is £23.3m would result in a budget overspend of £3.85m. The Adults budget is effectively unchanged but there continues to be upwards growth in expenditure and demand.

Service Area	19/20 Budget £000	Forecast £000	Variance £000	Period Movement £000
Adult packages	8,157	10,248	2,091	(209)
Adult teams	3,735	3,735	0	0
Adult homes and centres	2,025	2,375	350	0

Mental Health	4,567	5,974	1,407	107
Adults Other (Support services)	990	990	0	0
Directorate Total	19,474	23,322	3,848	(102)

- 4.2 The main area of increase and budget pressure is in the Adults' Care Packages. This forecast includes provision for the expected care fee increases (which will be funded from the IBCF) and assumes a continuation of the clear upwards trends in demand. This means that if demand growth slows or ceases the position may improve. There are no further savings targets within Adults. However, the brought forward savings shortfall from previous years is a significant part of the current overspend.
- 4.3 The main areas of pressure in this area are spread across the range of provision:
- £1.96m in Homecare: this is the bulk of the pressure where the service is witnessing an increase in homecare hours. The service has been reviewing crisis packages and we are likely to see a reduction during the year.
 - £517k overspend in Direct Payments which is consistent with last year's outturn position in this area.
 - £1.2m overspend in Residential and Nursing due to the volatility in this area further work is being carried out to review package costs.
 - £750k overspend across supported living, respite, day care and short-term care, these are quite small in comparison to the above, but when added together form a significant portion of the overspend.
 - The above is partially offset by a £1.6m forecast on direct payment refunds, this is a conservative projection and there is room to increase this projection if it can be justified with accurate data.
 - The forecast also includes £913k of winter pressures money which we expect to receive in December.
- 4.4 The pressures in the Homes and Centres group includes an income shortfall at Kallar Lodge and at Relish Café. Resolution of these issues would also reduce the overspend and options for Relish are being considered. The savings targets for these services together amount to £0.415m but this is unlikely to be achieved this year. Recruitment of staff for the expanded offer at Kallar is nearing completion but take up of the spaces has not yet happened. A best case estimate for this year might be £0.2m.
- 4.5 Mental Health - £1.4m overspend the bulk of which is on supported living, this is due to 14 new service users in 19/20, as well as several packages have been reviewed and uplifted. Younger Mental Health homecare is the other major contributor to this overspend. Historically there has not been much spend in this area and therefore there has been no budget; however, there is a projected £240k spend in this area for 19/20 contributing to the overspend position within mental health.

- 4.6 The position has seen an improvement from Period 4 of £102k, the key reasons for this are Improvements in client contributions across homecare and residential and nursing equating to £209k. This improvement has been partially offset by Mental health Supported living position worsening by £107k, due to a continuation of the trend seen so far of growing numbers and rising unit costs. Finance are working closely with the service to understand the underlying issues here and will be undertaking a review of all the clients within this care category.
- 4.7 The changes to the Charging Policy are expected to produce some level of savings, the current estimate for the in-year effect is £0.4m. This is not yet certain (medium risk rated) so is not included in the main forecast. Another initiative that is expected to make further savings is the MH Supported Living Review which may make a saving of up to £0.271m. However, this will need to be reviewed in the light of the pressures in the MH service.
- 4.8 If there is no further growth above that allowed for (approx. 3% on the previous year) and the initiatives listed above have effect (£0.4k charging, £0.27m MH SL, £0.2m Kallar/Relish) then a best case forecast would be in the region of £2.75m overspend.

5. Disabilities Care and Support

- 5.1 The total forecast for Disabilities Care and Support is £21.8m and would result in a budget overspend of £3.4m. The budget including iBCF transferred from Adults has increased by £1.9m – however this has effectively been matched by upwards growth in expenditure leaving the variance at around the same level as 2018/19.

Service Area	19/20 Budget £000	Forecast £000	Variance £000	Period Movement £000
Adults Care Packages (inc Equipment)	9,284	10,497	1,213	0
Children's Care Costs	1,074	2,009	935	83
SEND transport	2,619	3,152	533	233
Centres and Care Provision	1,756	2,013	257	0
Staffing/Care Management	3,670	4,162	493	76
Directorate Total	18,403	21,834	3,431	392

- 5.2 The main increases/budget variances are on the demand-led budgets for care provision especially:

- £1.2m overspend on Learning Disabilities Adults across Direct Payments, Homecare, day care and residential care;
- £852k Overspend on Children with Disabilities across Direct Payments, Respite packages and legal / court costs;
- £750k overspend on Teams and Centres, made up of pressures within the education psychology service, 80 Gascoigne Road and Life Planning; and

- £553k overspend on SEND Transport, due to existing pressure in the cost of the routes- the growth that was given to meet this pressure doesn't fully cover it.

- 5.3 The forecast is based on known commitments and has not been adjusted for future placement growth. The assumption is that the care package review activity, improved life planning and increased CHC will be enough to contain the costs of growth. If these initiatives produce greater benefits, then this would reduce the forecast.
- 5.4 Including this year's savings, the service has a cumulative total of £0.835m undelivered savings built into its budget which is contributing to the pressure. There are two MTFs savings initiatives in 2019/20 – the expansion of Shared Lives and new provision at 80 Gascoigne. It is now clear that the 80 Gascoigne savings can no longer be delivered as the CQC has deemed the additional room unfit for use, whereas the shared lives scheme is still considered high risk, thus the position is unlikely to improve this year.
- 5.5 Due to the high levels of growth in this forecast – which is largely outside the services control then this forecast is a reasonable main case. The potential best case is perhaps a potential further reduction if further client contributions or CHC income can be sought, but currently a large portion is already in the forecast.

6. Children's Care and Support

- 6.1 The total forecast for Children's Care and Support is £39.691m and would result in a budget overspend of £5.2m. The budget has been given growth of £1.4m but is currently undergoing a whole service transformation to deliver its savings proposals.
- 6.2 The third year of MTFs savings of £1.126m has been taken from the Looked After Children and Placements budget.

Service Area	19/20 Budget £0	Main Forecast £0	Variance £0	Period Movement £000
Care Management	5,063	6,988	1,925	293
Looked After Children	20,555	25,959	5,404	342
Assessment Teams	3,355	4,514	1,159	-212
Youth Offending Service	1,213	1,403	190	22
Other/Central	4,304	1,995	-2,309	192
Management Action	0	-1,168	-1,168	-1,168
Directorate Total	34,490	39,691	5,201	-531

- 6.3 The additional costs of the Children's TOM can be met from budget available within the growth funding. This is currently held centrally but will be vired across the service in line with the new TOM implementation. However, there are staffing pressures on the service in addition to this. Currently there are posts above the TOM establishment in the forecast – additional staff in Rapid Response and staff to support the probationary period of the social workers recruited from overseas. The usage of agency is around 39% which is excess the budgeted ratio of 15%. These costs together are adding around £2m to the staffing forecast; however, it is

possible that successful implementation of the Children's TOM will mean that this reduces over time during the year.

- 6.4 Previously we have not been able to evidence that these savings will be achieved in year and therefore they had not been projected within the outturn position. However, the service has provided a detailed list of actions that they will be taking in year to reduce the forecast. These amount to £1.168m and are summarised below:

	2019/20
AYSE deployment	139,600
Other agency reduction	422,840
Reduction in weekly cost of placements	233,567
Recruitment Retention Clawback	90,000
Reduction in 18+ placement costs	62,123
PAUSE funded from PHG	220,000
	1,168,130

- 6.5 The agency reduction forecasts have been based on a very thorough review of staffing (at the individual post level) and so are regarded as reasonably robust. However, changes in demand or recruitment levels could still affect these plans.

- 6.6 Most of the pressure, however, relates to the cost of Looked After Children as follows:

- £1.9m overspend on Residential Homes
- £1.3m overspend in the Leaving Care Service
- £352k overspend Family Assessment Units
- £532k overspend on Adoption Placements
- £500k overspend in Specialist Agency Fostering
- £281k overspend in Children in Care
- £256k overspend on Secure Units
- £251k overspend in the Leaving Care Team
- £155k overspend in the Fostering Team

- 6.7 The above overspend is being partially offset by a budget increase of £2.35m (including the Social Care grant). This growth has not yet been allocated out to individual services but is currently sitting as a credit in the Directorate central costs. Following final approval of the Children's TOM we will allocate this funding to the relevant areas of need with the support of the Operational Director.

7. My Place – £972k overspent

- 7.1 There is a forecast overspend on My Place of £972k. This consists of a forecast overspend of £1.229m within Public Realm which is offset by a £257k underspend, attributable to vacant posts within Business Development within My Place. The pressures within Public Realm relate to staffing costs and additional costs to support the aged fleet.

7.2 The main areas of overspend within Public Realm are shown below:

Service	Revised Budget 19-20	P05 Projection 19-20	P05 Annual Variance	% Variance from Budget	Movements
	£'000	£'000	£'000	%	£'000
-Operational Management	96	194	97		0
- Refuse	2,932	3,737	805		37
-Cleansing	3,321	3,927	607		2
-Caretaking	342	-40	-382		2
TOTAL OPERATIONS	6,691	7,818	1,127		41
PARKS AND ENVIRONMENT	2,177	2,451	274		1
ELWA	-34	-34	0		0
CORE & COMMERCIAL	-259	-369	-110		-2
TRANSPORT & ASSET MNGMT	-183	-245	-62		1
PASSENGER TRANSPORT	25	25	0		0
Grand Total	8,417	9,647	1,229	15%	40

- 7.3 Refuse is forecasting a staffing pressure of £542k. This is driven by a number of factors including £61k for overtime, £341k for agency staff above establishment and an inherent pay budget gap of £140k. There is an overspend on transport of £156k. This forecast assumes the arrival of new fleet vehicles from September 2019. The vehicle hire saving will need to be deducted from budgets in order to pay for the capital investment in the new fleet.
- 7.4 There is £10k over- achievement of income on Bulky Waste. This is additional to the £40k Transformation savings target. There is a forecast pressure of £41k on supplies and services and £75k on third party payments of which Elevate Gainshare is a contributing factor.
- 7.5 Street Cleansing is forecasting a staffing pressure of £526k - £253k from agency staffing, £68k from agency and £166k inherent pay gap. The transport budget is forecast to overspend by £83k. This is attributable to a cost model based on the arrival of new fleet vehicles from September 2019. The vehicle hire saving will need to be deducted from budgets in order to pay for the capital investment in the new fleet.
- 7.6 Caretaking is forecast to underspend by £382k. However the service believes a significant amount of Caretaking costs are being miscoded to Street Cleansing and Refuse. Finance is working with the service to investigate and resolve.
- 7.7 The pay award agreed for 2018/19 and 2019/20 was an average uplift of 2% but a considerable higher uplift of 6% was applied to Scales 1 to 3. This increase has not been funded centrally and services are required to absorb and manage this additional cost. For Public Realm, this amounted to £845k

8. Contracted Services - £1.050m forecast overspend

8.1 The overspend is largely due to a forecast overspend of £934k on B&D direct. Over the past two years savings of £0.7m have been taken for the Customer Experience and Digital Programme that have not yet been achieved in cashable terms. This is currently being assumed will be a net overspend on the budget at the end of the year. It may be possible to realise around £0.2m but this has not yet been included in the forecast. In addition, ICT are forecast to overspend by £126k.

9. Policy and Participation - £312k forecast overspend

9.1 There is a combined forecast pressure of £215k on Eastbury Manor and Valence House budgets. Improved management control and monitoring is expected to reduce the overspend. A contributing factor is the shortfall on establishment budgets.

9.2 There is currently a forecast overspend of £97k on the Film Office. The service has ambitious income targets and currently income is below the required level. The service will continue to work to identify opportunities and so there is scope for performance to improve

10. Core - £192k forecast overspend

10.1 There is a forecast overspend of £192k on the Elevate client team. This is attributable to additional staffing costs of £104k plus an income loss of £68k in Registrars.

11. Law, Governance and HR –

11.1 There is currently nil variance on Law and Governance. There are pressures across the service on the staffing budgets, but this is being managed by the service.

11.2 There are potential risks within the Enforcement service relating to Parking. Parking income was running slightly below forecast during the summer months and staffing costs are higher than budgeted due to use of agency staff ahead of the implementation of a staffing restructure. This is currently resulting in a net pressure of £0.291m. However, with the implementation of the restructure and the introduction of new CPZs there is an expectation that income levels will increase. In addition, there is scope to offset any residual pressure within the overall Enforcement service budget resulting in a balanced budget overall.

11.3 The PRPL scheme came into effect in September and income levels are being monitored.

12. Community Solutions – nil variance at present

12.1 Although there is no overspend forecast for Community Solutions it should be noted that there are significant risks to this budget. The service is working to reduce numbers of households in Temporary Accommodation and has attributed around £0.4m savings to this budget line. The reduction in the first three months of the year has been delivered somewhat ahead of target but it will be challenging to sustain

this. It should also be noted that there are some costs involved in reducing TA including the payment of rent deposits.

- 12.2 The assessment of the finance team is that there are potential risks of around £0.4m to £0.5m, including possible slippage of savings in Adult college. However, the service management has identified a range of mitigating actions including use of DHP/HRA funding, use of reserves and stricter control on Rent Deposits.

13. Housing Revenue Account – overspend of £1.266m

- 13.1 At the end of period five, the forecast position on the Housing Revenue Account is an overspend of £1,266m. This is shown as an appendix.
- 13.2 There is a projected shortfall on income of £0.435m (rent and other income.) This may be the result of high levels of voids.
- 13.3 There is an overspend within Supervision and Management service of £0.234m which is largely driven by staffing overspends in Sales and Conveyancing.
- 13.4 There is an overspend of £0.599m on Repairs and Maintenance. This is mostly made up of staffing costs and is thought to arise from the only partial achievement of the original assumptions about staffing cost reductions in the HRA business plan.

14. HRA Capital Programme

- 14.1 The overall HRA capital programme as approved by Cabinet in February was £69.180m. The largest element of this is £37.680m for Investment in Current Stock to be funded from rental surplus and there is £11.5m for Estate Renewal and £20m for a New Build Programme which will be funded from a mixture of capital receipts and borrowing.
- 14.2 The 19/20 programme forecasts spend of £32.303m, this being £5.297m below budget which will be required in 20/21. This reflects the impact of projects started in 19/20 but likely to roll over into 20/21 partly due to the need to ensure that proper section 20 processes are followed to allow the billing of leaseholders for works undertaken on their properties.
- 14.3 Prior year projects that will complete in 19/20 will spend £5.589m this year, increasing overall capital expenditure in 19/20 to £37.892m against a budget of £37.680m. The budget shortfall of £212k can be contained within allocated resources this year as the programme will continue to change throughout the year as more survey information becomes available and contingencies are likely to be released.
- 14.4 Cabinet are also requested to approve the realignment of in year spend as set out in Appendix C.
- 14.5 The Estate Renewal programme is expected to spend to budget. However there is a high risk that the New Build programme will not spend the full £20m allocation this year.

15. Reserves Drawdown

15.1 As shown in Appendix One £1.226m has been drawn down from reserves into this year's budget. These are approved carry forward amounts from last year but are listed below for information.

<u>Description</u>	<u>Reserve</u>	<u>Amount</u>	<u>Classification</u>	<u>Department</u>
Brexit Preparation Grant carry forward from 18/19	Budget Support	104,984.00	c/f from pfy	Central
Business Rates Levy Surplus 18/19	Budget Support	871,010.00	c/f from pfy	Central
Inclusive Growth carry forward from 18/19	Budget Support	250,000.00	c/f from pfy	Inclusive Growth

16. Financial Implications

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

16.1 This report details the financial position of the Council.

17. Legal Implications

Completed by Dr Paul Feild

17.1 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
- Appendix C – HRA Capital Programme