

## CABINET

21 January 2020

<b>Title:</b> Budget Monitoring 2019/20 - April to November (Month 8)	
<b>Report of the Cabinet Member for Finance, Performance and Core Services</b>	
<b>Open Report</b>	<b>For Decision:</b> No
<b>Wards Affected:</b> All	<b>Key Decision:</b> No
<b>Report Author:</b> Katherine Heffernan, Group Manager – Service Finance	<b>Contact Details</b> <b>Tel</b> 020 289 3262 <b>Email:</b> <a href="mailto:katherine.heffernan@lbbd.gov.uk">katherine.heffernan@lbbd.gov.uk</a>
<b>Accountable Director:</b> Philip Gregory, Director of Finance	
<b>Accountable Strategic Leadership Director:</b> Claire Symonds, Chief Operating Officer	
<b>Summary</b>	
<p>This report provides a high-level overview of the key financial risks and issues faced by the Council in this financial year. There are significant demand and cost pressures within the forecast which are being monitored carefully but which carry a degree of uncertainty and are may still change during the remainder of the year. The report describes the potential impact of these pressures in high level terms and the forecasts have been made on a prudent basis. The position may therefore be overstated but the scale of the challenge means that there is no room for complacency.</p>	
<p>The forecast expenditure in the General Fund is £159.908m against a budget of £148.820m. A net £0.205m will be funded by planned draw down from reserves leaving £159.702m which equates to a gross General Fund overspend of £10.882m, before Collection Fund and Business rates surpluses including monies brought forward from the previous year are added which puts the overall variance at £8.318m (see Appendix A).</p>	
<p>This is an increase in expenditure of £0.848m largely within Social Care and Support. This is the result of a budget and data reconciliation exercise which has shown that care costs for clients with Learning Disabilities had previously been understated by around £1.3m. This is offset by improvements in Adults services from the implementation of the Charging policy and in Childrens from reductions in the cost of LAC. There has also been an improvement in Community Solutions and in Central Expenses. The forecasted Corporate Income including grants, business rates and collection fund has increased by £0.09m.</p>	
<p>The net result of these movements is an increase in the overall forecast of £0.755m. If the final outturn is broadly in line with the forecast the net position is an overspend of £8.318m. As at the end of 2018/19 the budget support reserve stands at £12m. Up to £4m of this however, has been earmarked to fund Transformation programmes. This would mean that this year's overspend could be largely covered from this reserve with any further residual overspend being taken from the unearmarked General Fund reserve of £17m.</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.

### Recommendations

The Cabinet is recommended to:

- (i) Note the projected revenue outturn for Council services as set out in sections 2 to 11 and Appendix A to the report; and
- (ii) Note the implications for the reserves position and the need to identify in-year action in relation to General Fund expenditure.

### 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 have continued to overspend into 2019/20.

## 2 2019/20 Budget Monitoring Position - Summary

- 2.1 Across the Council there are known budget pressures of up to **£16.4m, with some underspends of £5.6m forecast centrally giving rise to a forecast net spend position of £10.8m.** It should be noted that this forecast has been made on a prudent basis and so there is potential for further reduction although there is also the potential for additional costs to be incurred especially in Care and Support

where we are seeing high levels of client and demand growth. It should be noted that the final quarter of the year is the period of “Winter Pressures” which can result in high demand for Adult Social Care support.

- 2.2 As in previous years there is an expected underspend within Central Expenses. The £2m provision for non-delivery of savings included in the budget in 2018/19 is still available. 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 a forecast underspend on levies of £0.2m resulting in net forecasted **underspend of £5.6m** on central budgets.
- 2.3 The Council has reviewed its policy on Minimum Revenue Provision (part of the mechanism for funding capital expenditure) and approved changes to this policy, the impact of which could result in a reduction in the forecast. However, the Public Work Loans Board has recently increased its interest rates which could offset this to some extent.
- 2.4 Included within Corporate Income are additional corporate grants, Collection Fund surpluses and business rates via the London pool totalling **£2.564m additional income**. Overall the net overspend forecast at the end of October is now expected to be £8.318m.

	MAR-20	Forecast	Forecast	
DEPARTMENT	ADJUSTED BUDGET	OUTTURN	VARIANCE	Change
SDI COMMISSIONING	7,316,490	7,166,490	(150,000)	0
CORE	6,822,740	6,936,508	113,768	0
CENTRAL MINUS F30080	35,092,527	29,530,527	(5,562,000)	(95,000)
EDUCATION, YOUTH & CHILDCARE	3,918,400	3,918,400	0	0
LAW, GOVERNANCE & HR	(1,357,906)	(1,374,906)	(17,000)	0
POLICY & PARTICIPATION	2,909,765	3,024,765	115,000	(80,503)
CARE & SUPPORT	72,133,998	86,765,998	14,632,000	1,322,000
INCLUSIVE GROWTH	994,880	994,880	0	0
COMMUNITY SOLUTIONS	9,790,605	9,987,605	197,000	(298,000)
MY PLACE	6,259,591	6,693,591	434,000	(102)
CONTRACTED SERVICES	4,938,920	6,058,920	1,120,000	0
<b>TOTAL GENERAL FUND BUDGET</b>	<b>148,820,010</b>	<b>159,702,778</b>	<b>10,882,768</b>	<b>848,395</b>
<b>CORPORATE INCOME</b>	<b>(148,820,010)</b>	<b>(151,384,326)</b>	<b>(2,564,316)</b>	<b>(92,716)</b>
<b>NET GENERAL FUND POSITION</b>	<b>0</b>	<b>8,318,452</b>	<b>8,318,452</b>	<b>755,679</b>

- 2.5 More information about the key areas of risk are given below. The overall impact on reserves will be a drawdown of around £8.3m from reserves. 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.

### 3. Care and Support/ People and Resilience

3.1 The overall budget for People and Resilience (excl Education) in 2019/20 is £81.810m. The total expenditure forecast (main case) for these services 2019/20 is £96.2m which would result in an overall budget pressure of £14.4m. There is also a significant savings gap which is contributing to the budget gap.

3.2 Further information on the specific services is given below.

People & Resilience Group	19/20 Budget £000	19/20 Forecast £000	Variance £000	Period Movement £000	Change since 18/19 £000
Adults Care & Support	19,774	22,837	3,063	-403	1,040
Adults Commissioning	4,427	4,427	0	0	141
Disabilities Service	19,432	25,367	5,935	1,859	4,439
Children's Care & Support	34,490	40,124	5,634	-134	2,754
Children's Commissioning	4,387	4,237	-150	0	237
Public Health	-700	-700	0	0	0
<b>Group Total</b>	<b>81,810</b>	<b>96,292</b>	<b>14,482</b>	<b>1,322</b>	<b>8,611</b>

### 4. Adults' Care and Support

4.1 The total forecast for Adults Care and Support is £22.8m resulting in a budget overspend of £3.06m. This is a reduction since last month – however this is largely due to a budget transfer from Adults Commissioning of £300k. The other £100k improvement relates to increased client contributions since the implementation of the new charging policy. There continue to be underlying upwards pressures in expenditure and demand.

Service Area	19/20 Budget £000	Forecast £000	Variance £000	Period Movement £000
Adult packages	7,781	8,440	659	-131
Adult teams	3,735	3,775	40	40
Adult homes and centres	2,031	2,191	160	-40
Mental Health	4,567	7,071	2,204	-271
Adults Other (Support services)	1,360	1,360	0	0
<b>Directorate Total</b>	<b>19,474</b>	<b>22,837</b>	<b>3,063</b>	<b>-402</b>

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 upward trend 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:
- £1m in Homecare – although this makes up a significant portion of the overspend, compared to last year this area has actually seen a significant reduction in net expenditure mostly due better collection of client contributions, but due to insufficient budgets still remains one of the main causes of the overall overspend.
  - £2.5m overspend in Direct Payments which is consistent with last year's outturn position in this area but continues to be an area of significant pressure. It is expected that Direct Payments will decrease in the future as more regular reviews mean that the amount paid to clients is more accurate of their needs.
  - The above is partially offset by a £1.6m forecast on direct payment refunds, this is where unspent balances are clawed back from clients' accounts where overpayments on DP has been made. If the reviews above start to take place, we will see a drop in this figure as less will be paid out to clients in the first place thus not requiring as much claw back.
  - The above is further offset by the £913k of winter pressures money which we expect to receive in December and £400k of BCF which was additional in year growth only ratified in September.
- 4.4 Adults Homes and Centres - £160k overspend due to two significant areas. The first is Kallar Lodge where there is an income shortfall due to not being able to attract the self-funders required to meet the income target. There has been a small improvement in the position in this period but there is a remaining large gap. The other is the ongoing overspend in Relish where there is a historical pressure due to the challenges in running the café as a self-funded business.
- 4.5 Mental Health has a £2.2m overspend the bulk of which (£1.6m) is on supported living, this is due to 14 new service users in 19/20, as well as several packages having been reviewed and uplifted. The overspend in this area has increased by £0.7m from last year.
- 4.6 Mental Health has also seen over 350 Dementia cases transfer over from the Locality teams this year, which has caused a significant increase in Homecare, Residential and Nursing expenditure. A lack of in borough provisions to support these numbers is also partially to blame in the significant rise in spend within Mental Health this year.
- 4.6 The level of income has been improving steadily since the implementation of changes to the Charging Policy and the latest evidence shows that the previous estimate of £0.4m can be confirmed.
- 4.7 It should be noted although the forecast has been improving over the last few months we are about to enter the "winter pressures" period and so there is still potential for it to change as a result of new demands if these are higher (or lower) than allowed for in the forecast.

## 5. Disabilities Care and Support

5.1 The total forecast for Disabilities Care and Support is £25.4m and would result in a budget overspend of £5.9m. There has been a large increase in forecast variance for the demand led budget for Adult Care Packages and Placements.

Service Area	19/20 Budget £000	Forecast £000	Variance £000	Period Movement £000
Adults Care Packages (inc Equipment)	10,313	14,025	3,712	1,763
Children's Care Costs	1,074	2,011	937	0
SEND transport	2,619	3,327	708	139
Centres and Care Provision	1,756	2,021	265	(31)
Staffing/Management	3,670	3,983	313	(12)
<b>Directorate Total</b>	<b>19,432</b>	<b>25,367</b>	<b>5,935</b>	<b>1,859</b>

5.2 There has been a large increase in forecast variance for the demand led budget for Adult Care Packages and Placements. This is the final impact of a large data cleansing exercise following the implementation of a new Care Management system finance module. There were a group of clients that were previously being paid for via manual invoices and were not included in the forecast. These have now been added to ContrOcc which has resulted in a £1.3m shift in the projections. There is also a revised forecast for CHC income that has resulted in a £0.4k reduction in the forecast.

5.3 The main budget variances after these changes are as follows:

- £3.8m overspend on Learning Disabilities Adults across Direct Payments, Homecare, day care and residential care;
- £937k Overspend on Children with Disabilities across Direct Payments, Respite packages and legal / court costs;
- £621k overspend on Teams and Centres, made up of pressures within the education psychology service, 80 Gascoigne Road and Life Planning; and
- £708k 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.

5.4 The SEND transport forecast has increased since last month. This reflects higher demand for this service. The numbers of applications for support remain high and there are many children with complex needs who require specialist services.

5.5 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, however so far demand and complexity of care needs has meant costs have increased and reviews are revealing more care costs than savings. It should be noted that there is a large cohort of young people who are due to move from

Children's to Adults services over the next few years. This may result in a large net increase in cost (for a number of reasons – a net increase in client numbers, Education funding drops out, care packages may increase as parents may not provide the same level of care and needs can increase.)

- 5.6 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.
- 5.7 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 position is unlikely to improve and if anything may worsen with further transition cases being identified that will be coming into the disability service.

## 6. Children's Care and Support

- 6.1 The total forecast for Children's Care and Support is £40.12m and would result in a budget overspend of £5.6m. This is a smallish improvement since last month largely on LAC placements.
- 6.2 The third year of MTFS savings of £1.126m has been taken from the Looked After Children and Placements budget. Growth funding to support the new TOM has been added to the service at a high level. This is currently held centrally but will be vired across the service in line with the new TOM implementation.

Service Area	19/20 Budget £000	Forecast £000	Variance £000	Period Movement £000
Care Management	5,063	6,765	1,702	4
Looked After Children	20,555	25,612	5,057	(136)
Assessment Teams	3,355	4,388	1,033	(10)
Adolescence & YOS	1,213	1,346	133	0
Other/Central	4,304	2,013	(2,291)	7
<b>Directorate Total</b>	<b>34,490</b>	<b>40,124</b>	<b>5,634</b>	<b>(135)</b>

- 6.3 The additional costs of the Children's TOM can be met from budget available within this growth funding. 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 has come down from the high point of around 39% but is still in excess of the budgeted ratio of 15%. This is the main factor in the overspends in Assessment and Care Management.
- 6.4 The service are confident of achieving the low risk targets which amount to £0.55m, most of these are to do with contract frameworks that are currently in place and costs are reducing as and when client packages are being transferred over to the cheaper framework rates, therefore these are effectively savings already within the projections and will not improve the outturn significantly as they will be converted to the new framework over time as reviews are undertaken.

- 6.5 The high-risk savings targets are unlikely to be achieved in this financial year as progress on these are still very minimal. Edge of Care may have up to 8 clients by the end of the year, but this will only at best achieve half of the target savings due to timing. The specialist in house provision will not be fully operational till January thus minimising the amount of savings this can generate in year.
- 6.6 Most of the pressure, however, relates to the cost of Looked After Children as follows:
- £1.35m overspend on Residential Homes, a reduction from last month
  - £1.1m overspend in the Leaving Care Service
  - £658k overspend in Specialist Agency Fostering
  - £632k overspend on Adoption Placements
  - £348k overspend in Children in Care
  - £326k overspend Family Assessment Units
  - £255k overspend in the Leaving Care Team
  - £179k overspend on Secure Units
  - £154k overspend in the Fostering Team
- 6.7 There is growth funding allocated in the MTFS to address some of these pressures.

## **7. My Place**

- 7.1 My Place are forecasting a budget pressure of £434k, which is unchanged from Month 8. The pressure is within Public Realm, which is forecast to overspend by £1.127m. This is offset by a forecast underspend of £693k across other services within My Place. There are some indications that successful management action is beginning to reduce the staffing overspends in Public Realm. If this continues after Christmas, then the forecast will be reviewed and may be reduced.
- 7.2 The forecast underspend of £693k across other services within My Place is largely within Business Development and is due to vacant posts. There are also underspends within Contract Management and Property and Asset Management. An overspend of £609k is forecast for Landlord Services, which is attributable to interim management costs and repairs and maintenance costs outside the scope of the contract with BDMS.

## **8. Contracted Services**

- 8.1 Contracted Services are forecasting a budget pressure of £1.12m. This consists of a forecast overspend of £994k for Barking and Dagenham Direct and £126k on ICT. 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.

## **9. Policy and Participation**

- 9.1 Culture and Heritage are forecast to overspend by £115k – an improvement since last month of £65k. The improvement is due to increased underspends in Cultural Commissioning and below forecast costs of NNDR. However, there are still staffing pressures at both Valence and Eastbury and Valence has a pressure on NNDR.

## **10. Core**

- 10.1 Core services are anticipating to overspend by £114k. This consist of £203k on the Elevate Client Unit, and an underspend of £89k on Finance.

## **11. Law, Governance and HR**

- 11.1 Law, Governance and HR are forecast to underspend by £17k. There is currently a nil variance on Law and Governance. Enforcement are forecast to underspend by £17k after transferring a £45k surplus within the Markets cost centre to the Markets reserve.
- 11.2 Within Enforcement where there are underspends across a number of service areas, offset by a forecast overspend of £293k within Parking. However, following the introduction of more CPZs in recent months there has been an increase in income that should offset the costs of scheme implementation and capital financing and the additional staffing costs. The service may therefore be able to come down to an on-budget position before the end of the year.

## **12. Community Solutions – £0.197m overspend**

- 12.1 At month 6, Community Solutions reported a pressure in their staffing budgets especially within Intervention services where there appear to be nine staff above the funded establishment. Since this issue was identified, the Director and his management team have been putting in place mitigations to offset this pressure. Since that time there has been confirmation of the Troubled Families income which supports some of the staffing costs in this area which has also improved the position. The net forecast variance is now £0.197m.
- 12.2 There are challenging targets for Temporary Accommodation reductions built in the budget which have been achieved as at the end of October. There are some associated risks around income collection in the hostels and the costs of the rent deposit and other prevention schemes, but these are being managed closely. If the Temporary Accommodation performance is sustained, this is expected to offset these risks and may even be a further mitigation against the other pressures in the service

## **13. Financial Implications**

Implications completed by Katherine Heffernan, Group Manager – Service Finance

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

## **14. Legal Implications**

Implications completed by Dr Paul Field, Senior Governance Lawyer

- 14.1 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.