

# CABINET

17 March 2020

<b>Title:</b> Budget Monitoring 2019/20 - April to January (Month 10)	
<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 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 £158.677m against a budget of £148.820m which equates to a gross General Fund overspend of £9.858m, before Collection Fund and Business rates surpluses including monies brought forward from the previous year are added which puts the overall variance at £6.743m (see Appendix A)</p> <p>This is an improvement since last month of £1.421m reflecting improvements in Care and Support Public Realm and Central Expenses. In addition to this decrease in expenditure there has been a small increase in forecast income.</p> <p>The net result is an overall forecast variance of £6.743m. 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 can be covered from this reserve no further impact on the unearmarked General Fund reserve of £17m.</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>	

## Recommendations

The Cabinet is recommended to:

- (i) Note the projected revenue outturn for Council services as set out in sections 2 to 12 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;

## 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. 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 - Katherine

- 2.1 Across the Council there are known budget pressures of up to **£16.3m, with some underspends of £6m forecast centrally giving rise to a forecast net spend position of £9.9m.** 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
- 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) and a forecast

underspend on levies of £0.2m. The Council's MRP policy has also been revised and this along with a review of capital financing requirement has meant a reduction in forecast of £0.5m. Altogether this is resulting in net forecasted **underspend of £6m** on central budgets.

- 2.3 The change to the MRP policy was approved by Cabinet and Assembly as part of the mid year review Treasury Management report in November/December respectively. From 1 April 2019 MRP for capital expenditure incurred from 1 April 2008 will be calculated using the annuity method. The MRP annuity method makes provision for an annual charge to the General Fund which takes account of the time value of money and matches the repayment profile to how the benefits of the asset financed by borrowing are consumed over its useful life (i.e. the method reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years). This re-profiling of MRP therefore conforms to the DCLG "Meaning of Prudent Provision" which provide that "debt [should be] repaid over a period that is reasonably commensurate with that which the capital expenditure provides benefits".
- 2.4 Included within Corporate Income are additional corporate grants, Collection Fund surpluses and business rates via the London pool totalling **£3.114m additional income**. Overall the net overspend forecast at the end of January is now expected to be £6.743m.

	MAR-20			
DEPARTMENT	ADJUSTED BUDGET	OUTTURN	VARIANCE	Change
SDI COMMISSIONING	7,016,490	6,796,490	(220,000)	(70,000)
CORE	6,807,740	6,855,740	48,000	(129,000)
CENTRAL MINUS F30080	34,930,527	28,834,937	(6,095,590)	(533,590)
EDUCATION, YOUTH & CHILDCARE	3,918,400	3,918,400	0	98,000
LAW, GOVERNANCE & HR	(1,180,906)	(1,300,906)	(120,000)	(91,724)
POLICY & PARTICIPATION	2,909,765	3,347,718	437,953	287,607
CARE & SUPPORT	72,433,998	86,406,998	13,973,000	(753,400)
INCLUSIVE GROWTH	994,880	994,880	0	0
COMMUNITY SOLUTIONS	9,790,605	10,273,605	483,000	0
MY PLACE	6,259,591	6,237,591	(22,000)	(164,000)
CONTRACTED SERVICES	4,938,920	6,312,315	1,373,395	(64,605)
RESIDE PARENT	0	0	0	0
<b>TOTAL GENERAL FUND BUDGET</b>	<b>148,820,010</b>	<b>158,677,768</b>	<b>9,857,758</b>	<b>(1,420,712)</b>
<b>TOTAL CORPORATE FUNDING</b>	<b>(148,820,010)</b>	<b>(151,934,326)</b>	<b>(3,114,316)</b>	<b>(50,000)</b>
				0
<b>NET GENERAL FUND POSITION</b>	<b>0</b>	<b>6,743,442</b>	<b>6,743,442</b>	<b>(1,470,712)</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 £6.7m 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 £95.56m which would result in an overall budget pressure of £13.75m. 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	22,517	2,743	(282)	746
Adults Commissioning	4,427	4,427	0	0	(1,189)
Disabilities Service	19,432	24,922	5,490	(446)	3,993
Children's Care & Support	34,490	40,230	5,740	0	2,859
Children's Commissioning	4,387	4,167	(220)	(70)	167
Public Health	(700)	(700)	0	0	0
<b>Group Total</b>	<b>81,810</b>	<b>95,563</b>	<b>13,753</b>	<b>(798)</b>	<b>6,576</b>

### 4. Adults' Care and Support

4.1 The total forecast for Adults Care and Support is £22.5m resulting in a budget overspend of £2.74m, this is a £280k improvement in the position from the previous period. There continues 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	8,093	312	(347)
Adult teams	3,735	3,735	0	(40)
Adult homes and centres	2,031	2,131	100	(60)
Mental Health	4,867	7,198	2,331	126
Adults Other (Support Serv)	1,360	1,360	0	39
<b>Directorate Total</b>	<b>19,774</b>	<b>22,517</b>	<b>2,743</b>	<b>(282)</b>

4.2 The main area of increase and budget pressure is in the Adults' Care Packages and Mental Health. 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:

- £1.2m 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.

- £1m overspend in Direct Payments. 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.
- £294k pressure in Residential and Nursing, £405k pressure under Day Care and Transport and £361k pressure in Supported Living, these are relatively in line with last year's outturn
- 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 and £400k BCF year growth ratified back in September.

- 4.4 Adults Homes and Centres - £100k overspend due to Relish Café income shortfall. Relish is currently undergoing an options appraisal which seeks to improve the commercial viability of the café with a better pricing structure, improved menu, better sourcing supplies and marketing, which should bring in greater income.
- 4.5 Mental Health has a £2.3m overspend the bulk of which (£1.5m) 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. Residential and Nursing across both Younger and Older MH has a pressure of £410k, this is an area which has significantly increased from last year with there being a lack of in borough provisions to support these complex cases causing the costs to significantly rise as we have to place clients in costly out of borough homes. A net £350k pressure across Direct Payments, Homecare and Day Care make up the remainder of the overspend.
- 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. 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 There has been an improvement project running this year looking at business processes and data within Adults. The project's successes have been well documented but, alongside the changes from the Charging Policy (which has resulted in additional contributions of £300k in year) income has jumped considerably, with £279k in one off income received and £748k of on-going income (full year effect) identified. Additionally, the overall impact on income has been significant. The ripple effect of a new focus and understanding of the financial assessment process has led to around £3m of increased income from client contributions. Around half of this can be attributable to a larger number of clients, resulting in more contributions. However, the remaining £1.5m is believed to be attributable to the project.

4.8 There are further mitigations built into the budget which could see the position improve as we get to the year-end position however It should be noted that although the forecast has been improving over the last few months 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 £24.9m and would result in a budget overspend of £5.5m. This is a £446k improvement of the position from last month.

Service Area	19/20 Budget £000	Forecast £000	Variance £000	Period Movement £000
Adults Care Packages	10,313	13,610	3,297	(359)
Children's Care Costs	1,074	1,960	886	(46)
SEND transport	2,619	3,329	710	0
Centres and Care Provision	1,756	2,034	278	(11)
Staffing/Management	3,670	3,989	319	(30)
<b>Directorate Total</b>	<b>19,432</b>	<b>24,922</b>	<b>5,490</b>	<b>(446)</b>

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

- £3.3m overspend on Learning Disabilities Adults across Direct Payments, Homecare, day care and residential care;
- £886k Overspend on Children with Disabilities across Direct Payments, Respite packages and legal / court costs;
- £597k overspend on Teams and Centres, made up of pressures within the education psychology service, 80 Gascoigne Road and Life Planning; and
- £710k 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, 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 Adult Services over the next few years. This may result in a large net increase in cost (for several 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.)

5.4 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 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 £40.2m and would result in a budget overspend of £5.7m, this position has not changed from last month.
- 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 and has now been vired to the relevant areas required.

Service Area	19/20 Budget £000	Forecast £000	Variance £000	Period Movement £000
Corporate Parenting	21,090	25,657	4,567	(66)
Safeguarding	5,327	6,349	1,022	(102)
Assessment Teams	3,811	4,415	604	144
Other/Central	1,873	2,091	218	0
Adolescence & YOS	1,726	1,389	(337)	24
Specialist Intervention Service	663	329	(334)	0
<b>Directorate Total</b>	<b>34,490</b>	<b>40,230</b>	<b>5,740</b>	<b>0</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 60% to approx. 26% 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. Most of the pressure, however, relates to the cost of Looked After Children as follows:



- £1.881m overspend on Residential Homes
- £1.3m overspend in the Leaving Care Service
- £563k overspend in Specialist Agency Fostering
- £354k overspend Family Assessment Units
- £346k overspend in Children in Care
- £299k overspend on Secure Units
- £227k overspend in the Fostering Team
- £222k overspend in the Leaving Care Team
- £152k overspend on Adoption Placements

6.6 There is growth funding allocated in the MTFs to address some of these pressures.

## **7. My Place**

7.1 My Place are forecasting to underspend by £22k. This is an improvement of £163k on the overspend of £141k which was forecast at Month 9, and is attributable to an improvement of the position within Public Realm.

7.2 Public Realm are forecast to overspend by £673k, which is a reduction of £163k on the Month 9 position. This is due to a combination of a reduction in the salaries and agency forecast and additional income.

7.3 The forecast underspend of £695k 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 £1.373m, which is a reduction of £65k on the pressure of £1.438m which was forecast at Month 9.

8.2 The overspend on ICT has increased by £229k to £355k. This is after a planned drawdown of £615k from the ICT Core Fund. The overspend is due to increases in the ICT target cost which have not been reflected in increases to the budget.

8.3 Housing Benefits Admin is forecast to overspend by £117k. Again this is due to increases in the target cost which have not been reflected in increases to the budget.

8.4 The Revenues and Benefits contract is forecast to overspend by £406k, largely due to under-recovery of courts income.

8.5 B&D Direct are forecast to overspend by £909k. This is attributable to a savings target which Elevate were unable to achieve. The overspend has reduced from last month due to an SPCN (change notice) of £44k chargeable to Care and Support.

8.6 It is anticipated that there will be an underspend of £172k on Elevate Overheads.



- 8.7 The variance on Accounts Payable has reduced by £253k. This is because the AP Fixed Procurement fee payable to Agilisys was pre-paid at the end of last financial year, and the budget monitoring forecasts to date had assumed that this fee was still to be paid.
- 8.8 The first set of services have been transferred back to the Council from Elevate. These are Accounts Payable/Procurement and the Customer Contact Centre (with the exception of the Out of Hours Service) which has been transferred to Ealing. There is expected to be an increase in the cost of these services as transferred employees will have the right to enter the Local Government Pension Scheme which requires a higher rate of employers' contribution. As the full impact of this will depend to some extent on customer choice and there are other variable factors such as overtime and allowances the in year impact is not yet confirmed. However it is expected to be in the region of £50k for two months. This will be offset against the expected gainshare underspend within Central Expenses for this year. A longer term solution will need to be found as part of the Core Savings programme.

## **9. Policy and Participation**

- 9.1 Policy and Participation are forecast to overspend by £438k. This is an increase of £288k on the £150k overspend which was forecast at Month 9. This is largely due to an increase in the forecast overspend on Parks Commissioning of £372k offset by an increase of £123k on the underspend in Strategy and Communications.
- 9.2 Within Parks Commissioning there is an MTFS savings target of £400k. It was intended that this would be realised through income of £300k from soil importation and £100k from commercial events in Parks. As this project has slipped, the £400k income will not be achieved in 2019/20. This has not previously been reported as an overspend as it was a timing issue. It may still be possible to cover through use of reserves.

Strategy and Communications was forecast to underspend by £19k at Month 9. This has increased by £123k to £142k at Month 10. This is due to a combination of an increase in the underspend from vacancy savings, a reduction in the agency forecast and additional income of £7k.

## **10. Core**

- 10.1 Core services are anticipating to overspend by £48k which is a reduction of £129k on the overspend of £177k which was forecast at Month 9. The £48k consists of an overspend on the Elevate Client unit of £56k, £76k on Strategic Leadership, £53k on Registrars and £25k on the FOI team less an underspend on Finance of £162k.
- 10.2 The overspend on the Client unit is attributable to Added Years Compensatory payments and the cost of maternity leave cover.
- 10.3 The overspend of £76k on Strategic Leadership is due to agency and consultancy costs.
- 10.4 The FOI team is overspent by £25k on agency costs. All agency staff have now been released. The overspend on Registrars is due to £100k income under-recovery which is in part due to loss of income from no longer providing the

Nationality Checking Service plus £5k on salaries, less an underspend of £52k on non-pay budgets.

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

11.1 Law, Governance and HR are forecast to underspend by £120k. There is currently a nil variance on Law and Governance. Enforcement are forecast to underspend by £120k 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 £186k within Parking which is due to a pressure on staffing budgets. 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 Parking forecast may therefore reduce to an on-budget position before year-end.

## **12. Community Solutions – £0.483m 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. In addition, this service also has an inherent shortfall in its staffing budget as the result of the unfunded pay award. Since this issue was identified, the Director and his management team have been putting in place mitigations to offset this pressure. However, the current forecast is a £0.483m overspend.

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. However this remains an area of risk for the Council.

## **13. Financial Implications**

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.