

## CABINET

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| <b>Title:</b> Budget Monitoring 2017/18 – April to May (Month 2)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                               |
| <b>Report of the Cabinet Member for Finance, Growth and Investment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                               |
| <b>Open Report</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>For Decision</b>                                                                                                                           |
| <b>Wards Affected:</b> All                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>Key Decision:</b> Yes                                                                                                                      |
| <b>Report Author:</b> Katherine Heffernan,<br>Group Manager – Service Finance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>Contact Details:</b><br>Tel: 020 8227 3262<br>E-mail: <a href="mailto:katherine.heffernan@lbbd.gov.uk">katherine.heffernan@lbbd.gov.uk</a> |
| <b>Accountable Director:</b> Kathy Freeman, Finance Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                               |
| <b>Accountable Strategic Director:</b> Claire Symonds, Chief Operating Officer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                               |
| <b>Summary</b> <p>This is the first budget monitoring report of this financial year. The Council is making good progress on its transformation journey with the setting up of new services such as Community Solutions. In order to support this transformation, the budget has been restated in line with the new structure.</p> <p>The Council, along with most other local authorities, is facing a challenging financial situation with reducing funding and significant pressures including those related to demography and demand and the impact of austerity and welfare reform on some of our residents. These pressures led to an overspend position at the end of 2016-17. The Council's management and finance team identified these pressures early and a range of actions have been taken including the provision of growth funding in the MTFs. However, the complexity of the issues tends to mean that a quick resolution is not always possible and so in many areas these pressures have continued into the new financial year.</p> <p>The forecast position for the full year as at the end of May 2017 is an overspend of £4.795m. This is based on known factors at this stage of the year and may change as the result of successful management action or the appearance of new risks and pressures. Early identification of pressures is key to being able to plan and implement successful mitigation and the position will continue to be monitored and reported to Cabinet throughout the year.</p> |                                                                                                                                               |
| <b>Recommendation(s)</b> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(i) Agree the reallocation of approved service revenue budgets into the new management structures as set out in Appendix A to the report;</li><li>(ii) Note the forecast outturn position for 2017/18 of the Council's General Fund revenue budget as detailed in section 2 and Appendix A to the report;</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                               |

- (iii) Approve the transfer of £4.385m additional funding for Adult Social Care to the Adults Care and Support Service; and
- (iv) Approve the restatement of the Capital Programme as set out in Appendix B 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 and the delivery of savings in 2017/18.

**2 Overall Position**

- 2.1 As reported to Cabinet in June, the final outturn variance for the Council's revenue budget in 2016-17 was an overspend of £4.854m. This was the result of a range of long standing pressures including demography and demand pressures and the impact of austerity on both Council budgets and our residents, especially those affected by welfare reform. These pressures were identified by the Council's management and finance team and action was taken to address them including the provision of growth funding in the Medium Term Financial Strategy. However, the issues involved are complex and the pressures are long standing. This means that they have largely continued into 2017/18 although in a reduced form.
- 2.2 There are overspends predicted for Children's Care and Support, the Homelessness budgets within Community Solutions, Leisure Services, Public Realm and Enforcement. The total forecast pressure at this stage is £4.795m. 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 to Cabinet on a monthly basis.
- 2.3 If this forecast was still the final position by the end of the financial year it would require a drawdown on the Council's reserves. Although we do have sufficient to cover this amount, a reduction in the reserves would mean less capacity for strategic investment and the management of future risks. For this reason, it is important that action is taken swiftly to mitigate these pressures and any others that arise in the year.
- 2.4 However at this stage most Council services including the HRA are currently forecasting that they will be able to work within their budget. Further details of the other services with significant variances are given below.

### **3. Main Variances**

#### **Public Realm - £1.76m overspent**

- 3.1 This service is currently in transition to new ways of working. A new organisational structure has been implemented which has separated the old department into three new service delivery blocks:- Waste services, Cleaner communities and Parks & Environment. Alongside this a review of the total establishment is underway that should reduce costs in the medium term. However, there have been some delays in implementation and the restructures have led to some short-term instability and increased need for agency staff which is leading to a current projected staffing overspend of over £1.1m - particularly in Refuse and Cleaner communities.
- 3.2 In addition there is a pressure of £0.581m relating to the costs of the current fleet vehicles many of which are in poor condition resulting in high maintenance and repair costs as well as costs in the intermittent hiring of vehicles. Capital funding has been made available to allow investment in new equipment. Once this is in place then expenditure is expected to reduce.
- 3.3 An in-depth review of staffing and budgets is currently underway as part of the wider service improvement programme. This is currently nearing completion and a detailed management action plan is being developed. This will include:
- Moving high cost agency staff to fixed term contracts (fund 3 fixed term staff from the cost of 2 agency staff).
  - Reviewing the fleet and reducing the cost whilst providing 5 new vehicles.
  - Rounds and routes review in all areas to make the service as efficient as possible, focussing on 'hot spots' and use of the right equipment.

#### **Community Solutions – Homelessness - £0.989m overspend**

- 3.4 Community Solutions is an innovative new service to provide early help and support to local residents for a range of issues including Housing issues. The service will be providing the Council's Housing Advice and Homelessness services.
- 3.5 In common with most London boroughs, this Council has experienced an increase in both the demand for temporary accommodation and the costs of provision. This led to an overspend of £3m in 2016-17. Additional funding of £1.8m was provided in the MTFs and the service put in place an action plan to contain and reduce costs. Although there has been some success with a reduction in the total net cost of temporary accommodation of around £0.5m, there is a residual pressure that is proving hard to eliminate. This is resulting in a continued overspend of just over £1.0m on the Homelessness budget which is partially offset by savings elsewhere within the service.

#### **Enforcement - £0.958m overspend**

- 3.6 There continues to be a pressure in the Parking account, which is currently forecasting a shortfall of around £0.958m against the forecast income budget. Over recent years the pattern of income has been changing as a result of changes to the regulatory framework and motorist behaviour. Income from penalty charges has reduced as residents are parking more responsibly – perhaps partly as a result of

the council's education campaigns and emphasis on civic pride. A detailed exercise has been conducted to reprofile the income budgets which is suggesting a significant shortfall. This exercise and other evidence will be used to assess which enforcement activity is most effective in both promoting good behaviour and ensuring those people who do not behave well are caught and made to pay a fair penalty. This will form the basis of an action plan for the service that will be implemented over the summer.

### **Children's Services - £0.739m overspend**

- 3.7 Children's Services have been extremely successful in improving financial management and service efficiency to reduce expenditure. The final outturn variance in 2016/17 was £2.65m – a huge reduction from the previous year and this downward trend has continued resulting in a current forecast of £0.7m. However there is still an issue with the recruitment and retention of permanent social workers resulting in the need to use higher cost agency workers. Based on the current position there is an overspend of £1.2m on staffing offset by underspends on other costs including in previously problematic areas such as NRPF and Asylum. The service is continuing to work on its recruitment strategy. If this work is successful this is likely to result in further cost reductions.

### **Leisure - £0.437m overspend**

- 3.8 There is a continuing pressure in this service mostly relating to Abbey Leisure Centre. The original business case in 2011/12 for the new Abbey Leisure Centre was based on the premise that the centre would be self-financing. However, this relied on an ambitious estimate of the possible income which could be generated.
- 3.9 Since the business case was drawn up, the market in Barking has changed with the influx of other rival establishments to the area and the implication is that the centre started with a lower customer base than in the original projections. The cost of running the centre was also underestimated.
- 3.10 The Council has appointed a new partner with expertise and experience to manage its Leisure centres from September 2017. However, there is a half year pressure forecast relating to the months leading up to the transfer.

### **Traded Services – underspend of £0.09m**

- 3.11 The Cleaning Service is forecasting a small revenue surplus that will be an underspend partly offsetting some of the pressures above.

## **4. Other Risks and Issues – Adult Social Care**

- 4.1 There are also significant demand and demographic pressures within Adults Care and Support and the new Disability service. In addition, the profile of savings for these areas is very ambitious and there is a risk of slippage.
- 4.2 However the Chancellor made a late announcement of additional funding for Adults Social Care in the spring budget. The allocation for Barking and Dagenham was £4.385m. Due to the timing of this announcement it was not

reflected in the MTFS presented to Assembly in February. The funding comes with strict conditions to ensure that it is passported through to Adults. Cabinet are therefore asked to approve the addition of this funding to the Adults Care and Support budget.

- 4.3 This funding will be sufficient to meet existing pressures within Adults and so it is currently assumed that there will be no variance in Adults and Disability Care and Support services.

## **5. Revenue Savings**

- 5.1 As set out in the MTFS, the Council has an ambitious programme of £9m of savings in 2017/18. These are being closely monitored using a programme management approach and will be reported to Cabinet quarterly. The first report will be after the end of quarter one and will consider both the in year progress and the impact on the medium term financial strategy as a whole.

## **6. Capital Programme**

- 6.1 Appendix B shows the 2017/18 capital programme. Cabinet is asked to approve the restatement of the programme in line with the new management structure. There are no reported variances at this stage of the year.

## **7. Financial Implications**

Implications completed by: Kathy Freeman, Finance Director

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

## **8. Legal Implications**

Implications completed by: Fiona Taylor, Director of Law and Governance

- 8.1 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:**

- Oracle monitoring reports

### **List of Appendices**

- **Appendix A** – General Fund Revenue budgets and forecasts.
- **Appendix B** –Capital Programme