

CABINET

19 September 2017

Title: Budget Monitoring 2017/18 – April to July (Month 4)	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Accountable Director: Kathy Freeman, Finance Director	
Accountable Strategic Director: Claire Symonds, Chief Operating Officer	
Summary	
<p>This report provides an update on the revenue budget monitoring position as at the end of July 2017.</p> <p>The forecast position for the full year as at the end of July 2017 is an overspend of £5.475m. In addition to previously reported pressures there is now a forecast overspend in relation to Customer Services and a number of other forecasts have slightly worsened.</p> <p>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> <p>A request has also been made by the Enforcement Service to seek approval for a charging regime to support enforcement of the Private Rented Sector. The budget monitoring report has previously been used to seek approval of fees and charges and so this is included as a recommendation.</p>	
Recommendation(s)	
<p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Note the forecast outturn position for 2017/18 of the Council's General Fund revenue budget as detailed in section 2 and Appendix A of the report;(ii) Note the ongoing and new financial pressures and the suggested mechanisms for resolving them, as detailed in sections 3 and 4 of the report;(iii) Note the overview of the HRA for 2017/18, as detailed in section 5 and Appendix B of the report;	

- (iv) Approve the virements from existing budgets into the new My Place and Be First service budgets as detailed in Appendix C to the report;
- (v) Delegate authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment, to approve any additional virements to implement the next stage of the Council's Transformation programme, as outlined in section 6 of the report; and
- (vi) Approve the adoption of the proposed Civil Penalty Scoring Matrix and Scale of charges related to Enforcement Activity under the Housing and Planning Act 2016 Part II (Rogue Landlords and Property Agents), as detailed in section 7 and Appendix D of the report.

Reason(s)

As a matter of good financial practice, the Members' should be informed about the Council's spending performance and its financial position. This will assist in holding managers 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 HRA. It has been agreed by the Chief Accountant and the section 151 officer that Capital monitoring will be moved on a quarterly basis only to allow more detailed but less frequent reporting. The next report is planned for November. It has also been agreed that monitoring of the Council's transformation programme will be on the same quarterly basis.

2 Overall Position

- 2.1 As at the end of June there is a projected overspend of £5.475m. Full details are shown as an appendix to this report. This is based on current service expenditure and, in many ways, can be regarded as a worst case forecast as in most instances it does not include the potential impact of management action. On the other hand, it is also possible that new pressures and risks may emerge. The commentary below notes where there is a wider potential range of outcomes around the central forecast.
- 2.2 There are overspends predicted for Children's Care and Support, the Homelessness budgets within Community Solutions, Disabilities, Leisure Services, Public Realm, Enforcement, and Elevate/Customer Services. There is a forecast underspend in Children's commissioning.
- 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 at this time, a reduction in the reserves would mean less capacity for strategic investment and the management of future other 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 In addition to this overspend there are further financial pressures that the Council is managing that Cabinet's attention is drawn to. These are also explained in the commentary below along with details of the mitigating action that is being taken

3. Main Variances

Public Realm - £1.99m overspent

- 3.1 Most of this overspend relates to staffing and the use of agency staff. An in-depth review of current staffing has been carried out and this shown that there is no budget for the funding of weekend works for street cleansing and leave and sickness cover across waste collection and cleansing. Hence the service remains over agreed/budgeted establishment.
- 3.2 There is an ongoing review of the delivery model for Street cleansing (and Caretaking service) which is due to report in the Autumn. This will include options to use existing resources to cover the full week and varying frequencies and nature of cleansing across the borough. A similar process is underway for the waste collection service.
- 3.3 The department is also reviewing the current use of agency staff with the view to filling established roles with permanent/short term contracts and so to limit use of agency to shorter term ad-hoc needs (annual leave, sickness etc.)
- 3.4 In addition there is a pressure of £0.358m 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. The existing waste collection fleet are to be assessed to ascertain what work is required to keep them in better working order for the term of the lease. The expected result of the overhaul is a reduction in the ongoing repair and maintenance bill.
- 3.5 The service has also been tasked with achieving savings from residual waste volumes and bulky waste. These amount to around £300k in total and are unlikely to be achieved in the short term. It is not clear whether alternative savings can be produced.
- 3.6 Management action in this area will include replacing agency workers with fixed term staff where possible and limiting the overall use of agency and an overhaul of the waste collection fleet.

Children's Services - £1.150m overspend

- 3.7 Although there continues to be a successful programme of management action within Children's services the placement forecast has risen this month. This relates to the need for six high cost placements in residential or secure accommodation. These are high cost services for very vulnerable children with exceptionally complex needs. This service through its very nature is subject to some demand volatility as this shift illustrates.
- 3.8 However progress continues to be made in other areas with reductions in the forecast for services to care leavers and unaccompanied asylum-seeking children. There has also been some impact from the continued recruitment programme with a net reduction in the staffing forecasts of £0.173m. There does, however, remain a

substantial staffing overspend.

- 3.9 Management action in this area includes reviewing high cost placements, finding alternative accommodation for care leavers and a recruitment and retention strategy to reduce the requirement for agency staff.

Community Solutions – £0.389m made up of Homelessness - £1.007m overspend partly offset by £0.6m additional funding (Grant/corporate provision for bad debt) and £0.018m other variances

- 3.10 The Homelessness service is continuing to experience a high level of financial pressure. The immediately actionable lines on the management action plan have largely been implemented which led to a reduction in the total net cost of temporary accommodation. Other action is now under way to increase the supply of accommodation.
- 3.11 However the running costs of the hostels and the level of bad debt linked to the service have both increased. The hostels still make a surplus but the cost of maintaining a safe service has increased with additional security staff being required.
- 3.12 The overall service variance is forecast to be just over £1m. This residual pressure will be hard to eliminate in the short term and any long-term solution will need to be linked to the revision of the Council's Housing strategy. However, for this year as a one-off remedy there is some additional grant funding support for Homelessness Prevention and Support and it may be possible to meet some of the costs of bad debt from corporate provisions. This will not however resolve the underlying issues.
- 3.13 There are further risks that have not been factored into the forecast – the most significant being the cost of temporary accommodation. Any increase in costs is unlikely to be recovered from Housing Benefit and so would result in an increase in pressure on this forecast.
- 3.14 Management action already taken includes reducing the use of bed and breakfast accommodation and more expensive nightly lets, a review of the top one hundred most expensive lettings and applying a more prevention led approach to reduce the numbers of new households in temporary accommodation. Further action is planned to increase the hostel provision; however in the short term this has led to some increased costs while works are carried out at Boundary Road. Further work will involve building on the preventative approaches in Community Solutions and taking a wider approach to increasing the Housing Supply.

Enforcement - £0.970m overspend

- 3.15 There continues to be a pressure in the Parking account, which is currently forecasting a shortfall of around £0.970m 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 assess income trends and identify actions penalty. This will form the basis of an action plan for the service. However, it is not expected that it

will be possible to eliminate the pressure in year and the likely outturn will be an overspend in the region of £0.35m to £0.5m.

- 3.16 The management action will include the introduction of new motorbikes and vehicles fitted with Automatic Number Plate Recognition systems to enable more efficient and accurate issuing of penalty charge notices and a review of the citing of CCTV cameras to target areas of high non-compliance. The business case for increasing the number of enforcement officers is also being considered.
- 3.17 There is also a pressure of £0.341m on the Private Rented Property License scheme. This will however be met from the PRPL reserve.

Contracted Services –Customer Services (Elevate) - £0.498m overspend

- 3.18 The Barking & Dagenham Direct service is currently showing a £380k pressure which relates to a Customer Access Savings that probably won't be delivered until 2018/19.

Leisure - £0.516m overspend

- 3.19 There is a £0.447m residual part year overspend for the months leading to the transfer of the service to the new provider. This is a historic pressure brought forward from previous years. In addition, there is an in-year shortfall of £0.07m as the income profiling of the new service does not line up with the MTFs savings. This however will be resolved over the medium term with the transfer to SLM

Disabilities - £0.502m overspend

- 3.20 There is a pressure of £0.502m within the Disabilities service relating to services for children with Disabilities including Home to School transport and Direct Payments and Personal Care.
- 3.21 Management action in this area includes working with parents to identify alternatives to organised transport such as direct payments

Children's Commissioning – underspend of £0.431m

- 3.22 There is currently an underspend in commissioning as the result of a high level of vacancies while a restructure is carried out.

4. Other Risks and Issues

Adults – risk of £1.813m overspend offset by new funding

- 4.1 There is a pressure of around £0.712m against the Adults Care package budgets mainly attributable to increased hospital discharges and crisis hours in younger adults and some pressures against the Direct payment budget. In addition, there around £0.9m of savings that are not expected to be delivered in year. There is a pressure of £0.11m within Mental Health which mostly relates to a backdated pay adjustment for some staff.

Disabilities - risk of £1.251m overspend offset by new funding

- 4.2 Similarly there are significant pressures in Disabilities Care and Support in addition to those listed above. There are pressures across the service but the three largest relate to care packages for clients with Learning Disabilities (£0.54m), and Equipment (£0.17m).
- 4.3 These are forecasts based on current commitments and prudent estimates of future costs – as such it is likely they are somewhat overstated. In addition, Directors and Service managers for Adults and Disabilities are putting in place a management action plan to reduce these forecasts and so it is expected that the final call on additional funding will be lower.
- 4.4 The available additional funding for Adults Social Care is around £5m (£4.4m ASC grant, £0.6m IBCF). The final allocation has not been agreed by the DASS, the cabinet member and the CCG but there are a number of areas where additional investment will be needed such as Mental Health services. However, it is expected that this funding will be available to meet pressures such as those listed.

Assets and Investment – Facilities

- 4.5 There was a saving from the Office Accommodation strategy in the 2016/17 base budget. This has resulted in a short-term pressure in this year due to slippage on vacating the Civic Centre and Stour Road however there is corporate funding available to meet this short-term gap.

5. Housing Revenue Account

- 5.1 The current forecasts for the HRA shows an expected reduction in the surplus/contribution to the capital programme of £0.789m. This mostly relates to under achievement of income. More detail is provided as an appendix.
- 5.2 Rent and Service Charge Collectable Debit is not expected to achieve the budgeted level due to:
- Rent and Service Charge - the number of dwellings available for let is lower than was assumed in the HRA business plan. There were some delays in the New Build programme last year resulting in slippage on the 2016/17 capital programme (as reported in the Outturn report) which has meant that not all the expected new stock has been available for letting resulting in a reduction in rental income.
 - a reduction in lettable HRA stock being made available for Temporary Accommodation use at higher rents
 - a lower than expected collection of Rent and Service Charge debt is being forecast, this and any subsequent movements from current to former tenant arrears/write offs will adversely impact HRA revenue position through an increased revenue contribution to bad debt being required. The Housing Service and Elevate partners continue to work together in improving collection levels throughout the year.

- The introduction of Universal Credit is also likely to impact on HRA balances, via an increase in arrears and therefore a further increase in the revenue bad debt contribution requirement.
- The level of garage relets is now forecast to be lower than the budgeted level due to a lower than anticipated uptake of the higher rent refurbished garages.

6 Budget Adjustments

- 6.1 The 1st October is a key milestone in the Council's Transformation programme when Be First starts to trade as a limited company and the new My Place service goes live. This will require another realignment of budgets.
- 6.2 From 1st October the Council will no longer directly provide Planning, Regeneration and Capital Delivery services and the Cabinet is asked to approve the deletion of these budgets for the second half of the year and the creation of a Be First commissioning budget.
- 6.3 The new My Place service will take responsibility for the management of all the Council's operational assets including Council housing and schools. It will be jointly funded from existing HRA and the General Fund budgets. Appendix C sets out the detail of the proposed virements to create the new My Place service block.
- 6.4 In addition, the Children's Services Target Operating Model includes the transfer of line management of the Youth Offending Service to the Operational Director for Children's Care and Support.
- 6.5 On the 1st October further services will transfer into Community Solutions from Children's and Healthy Lifestyles. This will also require a virement between Council budgets and the Cabinet is asked to give delegated authority to the Chief Operating Officer, in consultation with the Cabinet Member for Finance, Growth and Investment, to approve the final virement figures for this and the outstanding elements of the next stage of the Council's Transformation Programme.
- 6.5 In all instances there will be no impact on the overall Council's budget requirement.

7. Adoption of the Civil Penalty Matrix and Scale of Charges for Enforcement Activity under the Housing and Planning Act (2016).

- 7.1 The powers contained within the Housing and Planning Act 2016 came into force on 6 April 2017 and gives Local Authorities greater powers in tackling criminality within the private rented sector. New powers allow the Local Authority to issue a Notice of intention to impose a Civil Penalty of up to a maximum of £30,000 as an alternative to prosecuting for Housing Act 2004 offences. This report seeks the agreement of Members for the Civil Penalty Matrix and Scale of charges set out in appendix D to be adopted by the Private Rented Property Licensing Enforcement Team.
- 7.2 The new enforcement powers include the issuing of Civil Penalty Notices up to the maximum legal limit of up to £30,000 for certain offences under the Housing Act 2004:

- Failure to comply with an Improvement Notice
- Failure to licence or be licensed in respect of Houses in Multiple occupation (HMO's)
- Failure to licence or be licensed in respect of the Selective Licensing Scheme.
- Failure to comply with licensing conditions.
- Failure to comply with an Overcrowding Notice.
- Failure to comply with a regulation in respect of an HMO.
- Breaching a Banning Order.

7.3 A fine matrix has been developed for the implementation of civil penalties fees and this document would be used as a guide for enforcing officers to set the civil penalty at the level based upon individual circumstances and the severity of the offence. The matrix will be used to offer transparent and aid consistency in the enforcement process. determining the level of fine issued to a licence holder.

7.4 The Government has indicated that the income from the Civil penalties would be retained by the authority and must be used to further its statutory functions in relation to the private rented sector. The service will maintain a scaled level of enforcement officers to the level delivered in the Discretionary Licensing Scheme but these powers may allow us to increase the number of officers if operationally viable to increase the number of enforcement officers to protect tenants within the borough and enforce against those landlords who act with criminal intent.

7.5 The Private Rented Property Service will ensure that a strong end to end process is in place to ensure non-payment of civil penalties is taken through debt recovery in a timely manner. This is likely to include registering any debts as County Court Judgements, Bailiff action, many result in High Court writs, the registration of charging orders and enforced sale of property and bankruptcy proceedings.

8. Financial Implications

Implications completed by: Kathy Freeman, Finance Director

8.1 This report details the financial position of the Council.

9. Legal Implications

Implications completed by: Dr Paul Feild, Senior Corporate Governance Solicitor

9.1 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.

9.2 In respect of the enforcement charges referred to in section 7 above, the setting of fees and charges is the responsibility of the Cabinet

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** - HRA budgets and Forecasts
- **Appendix C** – Virements
- **Appendix D** – Private Sector Landlords Enforcement – Charges