

CABINET

17 October 2017

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| Title: Budget Monitoring 2017/18 – April to August (Month 5) | |
| Report of the Cabinet Member for Finance, Growth and Investment | |
| Open Report | For Decision |
| Wards Affected: All | Key Decision: Yes |
| Report Author: Katherine Heffernan, Group Manager – Service Finance | Contact Details: Tel: 020 8227 3262 E-mail: katherine.heffernan@lbbd.gov.uk |
| 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 August 2017.</p> <p>The total service expenditure for the year is expected to be £150.647m against a revenue budget of £145.130m. This results in a forecast overspend position for the full year as at the end of August 2017 of £5.517m. This is a small change from the position last month which was an overspend of £5.475m. Within the overall position there has been a worsening of the pressures in Care and Support services for Children while the Enforcement service has now developed its action plan and so the forecast has been revised down in that area.</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>The Housing Revenue Account (HRA) is forecasting a revenue surplus of £38.873m which will be used as a contribution to the capital programme. This forecast surplus is a reduction of £0.789m from the planned contribution as a result of shortfalls in rent income.</p> <p>This report also includes a recommendation for the Council to advance funding to Be First to enable it to progress with its start-up and essential feasibility and other development work for its initial schedule of projects.</p> | |
| Recommendation(s) <p>The Cabinet is recommended to:</p> <p>(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;</p> | |

- (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 allocation of up to £250,000 for Be First to undertake essential feasibility works in advance of its full business plan, as detailed in section 6 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 August there is a projected overspend of £5.517m. 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, with the changing of the seasons it is also possible that new risks may emerge and some pressures may worsen – especially in seasonally driven services such as Public Realm or Care for Older People. 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 the Customer Access Strategy.
- 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 the Council has 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 which the 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. However it is unlikely there will be any impact from this work within this financial year due to the long lead in times to make this kind of change.
- 3.3 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.
- 3.4 The service has also been tasked with achieving savings from residual waste volumes and trade waste income. 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.
- 3.5 There is also a saving within Passenger Transport resulting from savings on Adults transport that have not yet been achieved. Further options are being developed for this service but in the interim it is producing a pressure of £0.25m.
- 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 - £1.5m overspend

- 3.7 Although there continues to be a successful programme of management action within Children's services the placement forecast has risen again this month. There has been a further increase of three 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 further fall in the staffing forecasts of £0.286m to £0.839m bringing this variance to under one million for the first time. This is still of course 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 – £0.398m made up of Homelessness - £1.026m overspend partly offset by £0.6m additional funding (Grant/corporate provision for bad debt) and £0.027m 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. However in the short term this is increasing some pressures as it has resulted in a temporary loss of spaces at Boundary Road.
- 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 costs of the service have risen with inflation in particular the premises running costs such as utilities and the cost of ensuring there is sufficient staff or security presence.
- 3.12 The overall service variance is forecast to be just over £1.027m (a very slight rise since last month). 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. Further work will involve building on the preventative approaches in Community Solutions and taking a wider approach to increasing the Housing Supply.

Enforcement - £0.505m 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 which has formed the basis of an action plan for the service

- 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. This is forecast to reduce the income shortfall by £0.465m in year and this has been factored into the forecast. However it should be noted that this depends on assumptions about the impact of the actions undertaken and as these are not yet in place there can be no certainty about the impact so this remains a risk.

Customer Access Strategy - - £0.380m overspend

- 3.17 There is currently a £380k pressure which relates to a Customer Access Savings that probably won't be delivered until 2018/19. Last month this was shown against the Elevate service block as this is how Customer Services are delivered; however Elevate are not responsible for this saving which will be achieved through the Council's transformation process.

Leisure Services - £0.516m overspend

- 3.18 This forecast relates to the costs of running the service during the first five months of the year while they were still operated by the Council. A full reconciliation and closedown process is underway and in the interim the forecast is based on the previous year's performance. This is a historic pressure brought forward from previous years.

The Leisure centres were transferred to their new provider from 1st September. Under the new arrangements our Leisure partner will pay a concession fee that over the whole life of the contract will exceed the income currently being received from the centres, thus generating a saving. However in the first years of operation this saving does not line up with the estimated profile of income. This will be realigned in the MTFS planning process.

Disabilities - £0.249m overspend

- 3.19 There is a pressure of £0.249m within the Disabilities service relating to services for children with Disabilities including Home to School transport and Direct Payments and Personal Care. Management action in this area includes working with parents to identify alternatives to organised transport such as direct payments. The impact of this action will become clear next month as some changes have been made with effect from the start of the new school year.
- 3.20 Additional social care funding of £1.5m has been applied to the Disabilities service budget - £0.300k to Equipment and £1.2m to care package pressures especially for Adults with severe and complex Learning Disabilities.

Growth and Homes – overspend of £0.14m

- 3.21 As part of the preparation for the move to Be First an in year reconciliation of the Planning and Regeneration budgets has been carried out. This shows a small net variance of £0.04m which mostly relates to funding feasibility studies etc for the Film Studios development.
- 3.22 In addition there are pressures from the new Commissioning structure which will shortly be recruited to. There are a number of new posts in the structure which are not funded in this financial year however due to the high level of vacancies only a small provision of £0.1m has been made this year.

4. Other Risks and Issues

Adults £0.281m overspend after application of new funding but before the impact of further management action.

- 4.1 Since last month £1.4m of ASC grant and IBCF funding has been applied to this budget in accordance with the plans recently submitted to NHS England. This has left a smaller residual pressure mostly within Mental Health and Relish Café. However it is expected that this can be managed down in year – it remains however a risk.

Assets and Investment – Facilities

- 4.2 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. This is unchanged since last month.
- 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. Be First

- 6.1 Cabinet in September approved the launch of Be First from 1 October 2017. Be First is progressing with its Business Plan which will set out how it will support the delivery of the 44 Council-led development programmes. In order to maintain the momentum of scheme delivery, Be First will need funding of up to £0.250m in advance of the business plan being approved by Cabinet to progress with essential feasibility works, site surveys, market valuations, legal and financial modelling costs in respect of five projects.
- 6.2 This will allow the company to progress in developing the 44 Council-led schemes as approved by Cabinet through the Council's Investment and Acquisition Strategy in September 2017. The funding approved here will be offset against the funding approved through the business plan which will be presented to Cabinet in January.

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: Dr Paul Feild, Senior Corporate Governance Solicitor

- 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.
- 8.2 A consequence of the monitoring process is there will be occasions where the ongoing review will identify further expenditure that would be beneficial to the Council's objectives if brought forward during the financial year, as in the case of the Be First proposal.

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