

CABINET

23 January 2018

Title: Budget Monitoring 2017/18 – April to November (Month 8)	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	For Information
Wards Affected: All	Key Decision: No
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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 November 2017.</p>	
<p>The budgetary position has worsened through the Autumn months partly as a result of continued demand pressures in Care and Support. The overall forecast expenditure position is an overspend of £6.878m. By this time of the year it is normally possible to assess the full scale of the pressures being experienced and how far it is realistically possible to mitigate and reduce them in year. However, managers are still likely to be forecasting on a prudent basis and the underspending areas are only now beginning to be identified.</p>	
<p>The total service expenditure for the year is expected to be £152.007m against a revenue budget of £145.130m. This results in a forecast overspend position for the full year of £6.878m. Within the overall position there are forecast overspends on Care and Support, Homelessness, Public Realm, Leisure, Enforcement, Customer Services and Growth and Homes Commissioning.</p>	
<p>This is based on known factors at this stage of the year and could still 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>There is no change to the forecast on the Housing Revenue Account (HRA) which 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>The Capital programme was reprofiled at the end of quarter two which increased the net General Fund programme from £135.7m to £166.7m in 2017-18. Full capital monitoring is reported quarterly with a light touch report in the intervening months, highlighting risks</p>	

and variances. Following the reprofiling there are few variances being forecast. The only significant variance is £2.88m accelerated spend on two Housing General Fund programmes

Recommendation(s)

Cabinet is recommended to:

- (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 new financial risks and the suggested mechanisms for resolving them, as detailed in section 3 of the report;
- (iii) Note the overview of the HRA for 2017/18, as detailed in section 4 and Appendix B of the report; and
- (iv) Note the update on the Capital Programme as detailed in section 5 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.

2 Overall Position

- 2.1 As at the end of October there is a projected General Fund overspend of £6.878m. Full details are shown as an appendix to this report. This is based on current service expenditure and trends and expected future spending.
- 2.2 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 funds to cover this amount at this time, 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.
- 2.3 As previously reported there are overspends predicted for Care and Support, the Homelessness budgets within Community Solutions, Leisure Services, Public Realm, Enforcement, the Customer Access Strategy and Growth and Homes Commissioning

3. New Financial Pressures and Risks

- 3.1 The forecast in **Adults Care and Support** has been rising steadily throughout the

financial year – largely related to pressures on the placement budgets and in-year slippage on the savings programmes. There are particular pressures on Mental Health and on the Crisis Intervention team which works with Adults being discharged from hospital. Performance in avoiding delayed discharge from hospital remains strong but the increased level of demand is leading to budget pressures. This is partly offset by clawback of unused direct payment funding and by staffing underspends and vacancies. However, the pressures have continued to rise over recent months and may not be containable within the overall budget. The service is forecasting a **potential overspend of £0.212m**.

- 3.2 The pressures on the **Disabilities Care and Support** service have also been increasing slowly throughout the year and the net forecast after application of grant funding and before mitigating action stands at £0.887m overspent. This should be possible to bring down through mitigating actions to **£0.662m overspent**. This service provides care and support to children and adults with a wide range of needs including some people with very complex needs who require high levels of support. The forecast has increased this month as a result of some backdated care packages for two adults living outside of the borough for whom it has been established we have the funding responsibility.
- 3.3 Additional funding has been provided in the form of the Adult Social Care Grant for Adult services but there are overspends within services for children including SEND transport (£0.433m overspent) and Social Care for Children with Disabilities (£0.337m overspent.) There are also some overspends in staffing especially in the Life Planning team with some offsetting underspends. Additional short time staff have also recently been approved in order to ensure that the Council meets the statutory deadline for ensuring all children who require one have an Education Health and Care plan.
- 3.4 The **Children's Care and Support** forecast began to rise in early summer and now stands at **£2.1m overspent**. There are demand pressures across the system with an in-year increase in referrals and assessments, Children in Need and also Looked After Children. This increase in demand is contributing to overspends in staffing, legal costs and placement costs.
- 3.5 A delay in achieving the **Customer Access** strategy saving has previously been reported to Cabinet. In addition to this there is a risk of further overspending within the One Stop Shop as the expected channel shift has not yet resulted in reduced demand for this service. In the new year, some aspects of the work will pass to Community Solutions. The net forecast in this area as a result of both these factors is **£0.544m overspent**.
- 3.6 In addition there is a risk concerning the court income for **Council tax recovery** activity. In recent years the amount achievable has been below the budgeted figure and there is a risk that this may be the case this year leading to an **overspend of £0.428m**. This is a recurrent pressure that will be addressed in the MTFS.
- 3.7 As part of the Council's transformation programme a new **Growth and Homes Commissioning** structure has been created to support the Council's new approach to service delivery and ensure that the strategic outcomes are being achieved. This has resulted in some additional posts being created in Growth and Homes. The in-year impact is around **£0.3m overspend**. Funding for these posts is being

considered as part of the MTFs but where work is required to be carried out in this financial year it is creating an additional pressure on the budget. However, the work is contributing to the overall delivery of the Transformation programme and the MTFs savings and so cannot be delayed.

- 3.8 The **Enforcement** service has been experiencing below target income for some months now resulting in a pressure of around £1.085m. A management plan is in place involving better targeted CCTV and more use of automated number plate recognition systems. However, some aspects of this plan have taken time to implement reducing the in-year impact. The current plan is expected to bring the pressure down to **£0.59m overspend** although this is subject to some risk.
- 3.9 These pressures are offset by two identified underspends. There is a **net underspend of £0.16m in Children's Commissioning** as a result of staffing underspends across the service and income from the Council's traded services is expected to be higher than budgeted. There are also a range of staffing underspends within Core services and above target income from the Film Unit.

4. Housing Revenue Account

- 4.1 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. Capital Programme

- 5.1 On 13 February 2017 the cabinet approved a 5-year capital programme for the period 2017/18 – 2021/22. This programme was reviewed last month and additions were approved for Land Acquisitions, Street Purchasing and a new build programme at Becontree Heath.
- 5.2 The Cabinet also reapproved a new profile for the Cabinet programme. There are two significant variances against this new profile.
- 5.3 The Gascoigne West scheme is to be part funded by the GLA who have provided funding of £7.8m (£3m in 2016/17 and £4.8m in 2017/18) as a contribution towards the total costs. The current expenditure relates to costs in respect of decanting existing tenants and completed leaseholder sales. The scheme is progressing well with the additional £1.0m projected spend due to accelerated buy backs.
- 5.4 The Kingsbridge scheme is also progressing well now despite some initial delays that were experienced with Thames Water in relation to drainage works and the finalisation of designs. Works have now commenced on site without the previously anticipated delays and this has led to a projected £1.897m accelerated spend. Completion is forecast to be at the end of Q3 2018/19.

6. Financial Implications

Implications completed by: Kathy Freeman, Finance Director

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

7. Legal Implications

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

- 7.1 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** - HRA budgets and Forecasts