

CABINET

19 February 2018

Title: Budget Monitoring 2017/18 – April to December (Month 9)	
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 December 2017.</p> <p>The budgetary position has worsened throughout the Autumn mostly as a result of continued demand pressures in Care and Support, reaching a forecast outturn overspend position of £6.8m in November. The forecast has remained at this level this month. 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 £151.940m against a revenue budget of £145.130m. This results in a forecast overspend position for the full year of £6.81m. 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>This report also seeks Cabinet consent for some planned year end transfers to reserves and carry forward. These and the reasons for them are set out in section</p> <p>The forecast on the Housing Revenue Account (HRA) has improved by £0.259m and is now forecasting a revenue surplus of £39.132m which will be used as a contribution to the capital programme. This forecast surplus is however £0.51m less than the originally planned contribution as a result of shortfalls in rent income.</p>	

This report also includes the quarterly monitoring report on the capital programme. The programme was restated at the end of quarter two and forecasts are shown against this reprofiled programme. The General fund capital programme is now £160.9m and forecast expenditure is £164.5m. The variance of £73.567m is largely accelerated spending rather than a true cost overrun and funding will be brought forward from future years.

The HRA capital programme is £74.642m and there are two areas of variance. There are forecast overspends on the Estate Renewal programme and slippage on Decent Homes. More details are given in section of the report.

The revised capital programme is now £160.9m for the General Fund and £73.567m for the HRA. The latest monitoring position against this programme is detailed in Appendix C to this report. The forecast year end expenditure is £164.5m for the General Fund and £74.642m for the HRA.

Recommendation(s)

The 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) Approve the following year-end adjustments and carry forwards detailed in section 4 of the report:
 - a) up to £120,000 of unallocated match-funding monies for supporting the local crowdfunding platform;
 - b) up to £100,000 set-up costs in respect of the School Improvement Partnership.
- (iv) Note the overview of the HRA for 2017/18, as detailed in section 5 and Appendix B of the report; and
- (v) Note the forecast outturn of the Capital Programme as set out in section 6 and Appendix C 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 also contains the quarterly monitoring report on the Council's General Fund and HRA capital programme. In addition there are some carry forward requests outline in section four that Cabinet are recommended to approve.

2 Overall Position

- 2.1 As at the end of October there is a projected overspend of £6.810m. Full details are shown as an appendix to this report. This is based on current service expenditure.
- 2.2 If this forecast is still the final position by the end of the financial year it will 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 will 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. 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. This month there has been another increase in the home care hours but this has been offset by a decrease in the Mental Health forecast.
- 3.2 To date, this year the service has witnessed an increase in home care hours and the movement in this period is an increase in overspend of £0.083m since November 2017. The average number of hours in 2016-17 was approximately 18,000 hours while current trends suggest that this will be in the region of 20,000 hours in 2017-18 – an increase of over 10%. There have been an increased number of hospital discharges as well as an increase in unit cost which has added to the pressure. Activity in residential and nursing care has been fairly stable but the costs of placements has been rising slowly.
- 3.3 New investment has been made in Mental Health services this year from the new grant funding but there is a net pressure of around £0.19m remaining. During this year the Mental Health team has been brought back under direct council management and a number of improvements made to the service. It is expected that the new arrangements will support more robust budget management in future.
- 3.4 These pressures can be offset in year by use of the ASC grant and management action including a review of Direct Payment accounts to clawback unused funds. The forecast assumes around £1.3m clawback of which £1.1m has been achieved to date. It should also be noted that the funding allocated from the grant for new investment and further fee increases has already largely been released to support the existing pressures on the service. Overall the forecast outturn for **Adults Care and Support is therefore £0.206m overspent.**
- 3.5 There are pressures across the Disabilities Care and Support service. It has been possible to mitigate the Adults position through application of IBCF and other funding. The final position assumes the final remaining grant funding can

be given up and that the Direct Payment clawback targets will be achieved. There are no such mitigations available for expenditure on children and there are pressures in this area too.

- 3.6 The Adults pressure for Learning Disability support increased in November because of the recognition of back dated costs for two clients placed out of borough for whom we have to accept the funding responsibility.
- 3.7 There is a variance against the budget for Children with Disabilities of £0.555m. This is an increase of £0.122m from the position last month. The pressures include an increase in direct payments clients - £0.171m, high legal & court costs - £0.168m and the cost of providing respite support for the families of the children-£0.096m as well as a shortfall in income targets.
- 3.8 There are overspends in both Life Planning team from the use of agency staff (including one to release an officer to work on the Liquid Logic project.) The forecast on the EHC team includes the cost of extra staff recruited to meet the EHC plan deadline. Overall the net pressure across **Disabilities Care and Support is £0.827m overspent.**
- 3.9 The **Children's Care and Support** forecast began to rise in early summer and now stands at **£2.0m overspent.** Both the costs of staffing and the placements forecast have risen slightly this month. 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. However, there is £700k central provision against growth in demand that can be applied to offset this overspend.
- 3.10 The staffing overspend is now forecast to be £1.27m. This is a long-standing pressure which is the result of a Londonwide (or maybe even countrywide) shortage of qualified staff willing to take permanent social worker roles. As the service cannot operate safely with high levels of vacancies, it is forced to employ more expensive agency workers resulting in overspends. The situation is exacerbated by continuing high levels of demand especially in assessment which means staffing levels must be maintained.
- 3.11 The placements figure has risen again this month as a result of increased demand and the forecast is now £0.6m overspend (after application of the growth funding.) There has been a net increase of 20 LAC placements. At this stage of the year new entrants to care have a smaller impact on the in-year forecast but continuing pressures on this budget will result in future year risks which are a concern as the MTFS depends on reductions in LAC numbers and costs. The assumptions underpinning this require further testing and it is important that there is a clear action plan for managing demand in this service.
- 3.12 The forecast also assumes approximately £125k further management action will be delivered this year largely from recruitment and retention. This has been reduced from last month as there is less time for this to be realised. Moreover, it must be acknowledged that agency and staffing costs appear to have risen not fallen over the last month.
- 3.13 There have been pressures in the **Public Realm** services reported throughout this

year. These are mainly attributable to staffing costs where the budget is not sufficient to cover the costs of the current delivery model for Waste and Street Cleansing but there is also a pressure of £0.35m in Passenger Transport. The overspend has risen by £0.198m this month to **£2.315m overspent**. There are two main elements to this increase: £0.13m for additional staffing costs at Christmas and £0.066m is due to a revised operating costs' forecast for Passenger Transport.

- 3.14 Previously reported forecast overspends in **Growth and Homes Commissioning** (£0.3m), **Customer Services** (£0.544) and **Enforcement** (£0.6m) remain at similar levels. Additional funding has been made available in the MTFS for the first two and there is an action plan in place for Enforcement that should bring spend back in to line next year. 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 £0.461m** - a slight increase from last month. This is a recurrent pressure that will be addressed in the MTFS.
- 3.15 These pressures are offset by some identified underspends. There is a net underspend in **Care and Support 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 is a net underspend in Core Services with additional Film Unit Income and staffing vacancies.

4. Carry Forward Requests.

- 4.1 The Council has created a specific pot of £0.12m for match-funding to support projects generated and crowdfunded by our local residents and community groups. As with any new scheme it has taken time for projects to become ready and so much of the pot is currently unallocated. Additional training has been offered to groups and interest has been expressed in bringing forward new projects. Therefore, it is proposed to roll forward any unallocated monies up to £0.12m at year end for allocation in the following months.
- 4.2 Education Youth and Childcare have a reserve of £0.2m which has been allocated to meet the set-up costs of the School Improvement Partnership. Around half of this is forecast to be spent this year with some further costs falling in the early months of next year. It is requested that any remaining funding up to £0.1m may be carried forward for this purpose.

5. Housing Revenue Account

- 5.1 The forecast on the .Housing Revenue Account (HRA) has improved by £0.259m and is now forecasting a revenue surplus of £39.132m which will be used as a contribution to the capital programme. This forecast surplus is however £0.51m less than the originally planned contribution as a result of shortfalls in rent income.
- 5.2 The Supervision and Management underspend is £0.208m and has arisen largely as a result of vacancies in My Place following a restructure. The Repairs and Maintenance position is now forecast to underspend against the current budget provision by an additional £51k following a review of all expenditure with budget holders alongside management efficiencies and the appropriate recharging of costs for works

6. Capital Programme

- 6.1 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. This was reprofiled following the end of quarter two. The revised capital programme is now £160.9m for General Fund and £73.567m for the HRA.
- 6.2 The latest monitoring position against this programme is shown as an appendix to this report. The forecast year end expenditure is £164.5m for the General Fund and £74.642m for the HRA.
- 6.3 There is slippage on the works at Barking Learning centre which will now be carried out next year. There are variances on some schools programmes that will be funded from within the Basic Needs Allocation. The Street Lighting replacement programme has also fallen slightly behind schedule resulting in approximately £1m of slippage. This is now expected to be paid in the first few months of next year.
- 6.4 The Smarter Working Corporate Accommodation project has incurred £1.6m of additional expenditure. This includes works on the third and fourth floors of the Town Hall and also the Lower Ground Floor. These floors were not originally in scope but have enabled more workspaces to be created and greater capacity. There are also additional costs relating to works to enable the lease of the Civic to CUL and some refurbishments in Roycroft House.
- 6.5 A recent review of IT has identified the requirement for £0.126m of Capital expenditure this year to support our Business system Oracle and archive old data that must be retained and for a conference bridge system. Cabinet are asked to approve these additions to the programme.
- 6.5 There is accelerated expenditure within the Regeneration Housing programme. 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.
- 6.6 The HRA has a reprofiled 2017/18 investment programme totalling £73.567m and is currently forecast to spend £74.642m, this is £1.075m higher than the revised budget allocation. Within this the New Build programme is currently forecast to spend to budget but there are variances on Estate Renewal and Decent Homes.
- 6.7 The Estate Renewal budget of £7.123m is currently expected to spend 11.865m. The change of £2.546m from last period represents is due to far higher number of offer acceptances, further CPO determination and advance payments required. The increase in the assessed costs of Compulsory Purchase Orders is creating additional costs for this programme that will need to be carefully monitored and any impact on the viability of schemes assessed.

6.8 The investment in own stock has a reprofiled 2017/18 investment programme totalling £34.284m and is currently forecast to spend £30.617m, this is (£3.667m) lower than the revised budget. The change of (£4.347m) from last period is mainly due to slippage of 3 programmes now expecting to complete in 2018/19 and a small overspend. The programmes affected are Energy Efficiency (slippage of £0.825m), Communal Repairs (£0.329m) and Decent Homes (£3.22m slippage.) Some of the Decent Homes slippage is due to many homes in the current programme being found to require fewer works than expected. There are further dwellings on the schedule that will be surveyed in the next month and it may be possible to recover some of the slippage before year end.

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.

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** – Capital Programme 2017/18
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