

CABINET

13 November 2018

Title: Budget Monitoring 2018/19 - April to September (Month 6)	
Report of the Cabinet Member for Finance, Performance and Core Services	
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: Helen Seechurn, Interim Finance Director	
Accountable Strategic Leadership Director: Claire Symonds – Chief Operating Officer	
Summary <p>This report shows the updated forecast based on financial performance in the first six months of the year. The underlying position is approximately in line with last month's forecast, but the overall position has been reduced to a net overspend of £3.8m largely as a result of the development of People and Resilience Action plan which forecasts a reduction of £2.5m is to be achieved.</p> <p>Before the impact of the action plan there is an overspend of £11.395m across People and Resilience which in itself shows a small reduction of £0.211m reflecting the emerging impact of stronger management action to contain spend. Staffing and running costs forecasts across the service have been reviewed and action taken to reduce them as far as possible.</p> <p>In addition to this overspend there are small overspend variances in Culture and Heritage, Community Solutions and Public Realm being offset by other services, central expenses and contingency. This means that the overall variance is £3.789m.</p> <p>This report also some additional updates to the Capital Programme for 2018/19.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Note the current forecast outturn position for 2018/19 of the Council's General Fund revenue budget as detailed in section 2 and Appendix A to the report;(ii) Approve the proposed budget virement as set out in section 4 and Appendix B to the report; and(iii) Approve the proposed revisions to the 2018/19 Capital Programme as detailed in section 5 of 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 revenue budget and a number of updates to the Capital Programme for 2018/19.

2 Overall Revenue Position

- 2.1 The overall position is currently forecast to total net expenditure of £149.158m which would result in an overspend against the expenditure budget of £3.789m. If this is the year-end position, it would require a further drawdown from the Council's budget support reserve.
- 2.2 There are potential overspends across Care and Support, offset by an action plan within People and Resilience Commissioning and, at Council level, by underspends in Central Services and the use of risk contingencies written into the budget as part of the planning process. 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 on a monthly basis.

3. More Information on the Main Variances

Children's Care and Support – potential overspend of £6.028m

- 3.1 The Children's Forecast has decreased this month by £0.16m. The decrease results from management action across a range of areas and the largest element relates to placements. Finance together with Brokerage/Commissioning have been carrying out a data cleansing exercise including clearing old purchase orders. This has reduced the forecast in this area by £0.2m. Other management action includes reviews of car and travel allowances and general running costs. The staffing forecast has also stabilised.
- 3.2 As previously reported the top three elements of the overspend are staffing, (£2.75m), placements (£2.3m), and the costs associated with legal proceedings (£0.4m including costs of Counsel, expert witnesses and court mandated assessments and investigations – shown within Supplies and Services.)

Subjective	2018/19 Annual Budget	Forecast (September)	Variance against Budget	Previous Month Variance	Movement	Reason for Variance
Income	(2,228,000)	(2,499,646)	(271,646)	(288,909)	17,263	Variance due to trend of HB income to date
Employees	11,773,950	14,522,541	2,748,591	2,760,619	(12,028)	Revised staff forecasts
Premises	78,300	372,689	294,389	72,570	221,819	Rents payable for YP in street purchased properties
Transport	261,400	281,813	20,413	74,274	(53,861)	Review of car allowance, client transport and other staff transport costs
Supplies & Services	1,015,840	1,903,894	888,054	963,821	(75,767)	Review of general office expenses based on current trend
Third Party Payments	19,422,980	21,746,977	2,323,997	2,525,253	(201,257)	Historic purchase orders cleared resulting in credit to the service
Transfer Payments	71,000	126,933	55,933	79,526	(23,593)	Reduction to S17/S20 cost projections
Support Costs	1,216,300	1,184,792	(31,508)	0	(31,508)	YOS internal salary recharge
Grand Total	31,611,770	37,639,992	6,028,222	6,187,154	(158,932)	

3.3 There is a small reduction of **£0.012m** in the salary forecasts for September. This is the net movement across the team on staff salaries & other staffing related expenses. The overspend on salaries is due to several factors which include, an inherent base budget pressure of **£0.255m**, unbudgeted 17 FTE posts- **£1.178m**, agency staff premium **-£1.098m** and the inclusion of an estimate of **£0.217m** for recruitment & retention.

3.4 The projected cost of placing children in care across the various provisions is **£19.805m** with an additional sum of **£0.307m** spent on S17/S20 cases. There has been a data clearing exercise this month that has reduced the forecast in Secure and Family Assessment units. A similar exercise will be carried out for residential care next month.

3.5 The Legal budget is forecast to spend **£0.658m** against a budget of **£0.482m**, this budget pays for the services of Counsel. The cost of court applications is forecast to spend **£0.464m** against a budget of **£0.250m**. The actual expenditure on court related costs to end of month 6 is **£0.253m** so there is a risk that the current forecast may be exceeded.

Disabilities Care and Support – forecast overspend of £3.65m,

3.6 The All Age Disability Service is forecasting a budget pressure of **£3.65m** as at Month 6. This is a small decrease of £57k following management action on staffing and discretionary expenditure. The breakdown of spend is shown below:

	Budget 2018/19	Period 6 Projection	Variance from Budget
Disabilities Care & Support	£000	£000	£000
Adults Care Packages (inc Equipment)	8,194	9,450	1,256
Childrens Care Package Costs	1,174	1,956	782
SEND transport	1,919	2,626	707
Centres and Care Provision	1,917	1,987	70
Other	2,738	3,574	836
Directorate Total	15,942	19,593	3,650

- 3.7 **Learning Disabilities** – The projected overspend on Learning Disability Packages at the half way point in the financial year is **£1.947m**. This has been reduced by the various contributions namely: Adults Social Care grant (**£0.571m**), iBCF (**£0.120m**). The net forecast after taking the contributions into account is an overspend of **£1.256m**, an increase of £0.01m from previous month's forecast
- 3.8 **Children with Disabilities SEND Transport** – Following the start of the new school year the forecast has been updated. The number of children using transport has increased and a number of new rounds have been added.
- 3.9 **Children with Disabilities Social care provision** – There has been no change to the forecast for this service area. The cost of packages in place to support to children with disabilities remains **£1.955m** which is **£0.782m** above budget. There are currently **260** direct payment clients, resulting in an overspend of **£0.414m** against the budget. **£0.141m** of the budget pressure is attributable to the projected spend on legal cases and associated court costs. The remaining overspend of **£0.227m** is due to the cost of providing respite care to the clients. The employee related budget **£5.166m** is currently projected to overspend by **£0.170m**. This is a reduction of **£0.041m** from the position reported in August.
- 3.10 There are **135.25** established FTE posts within Disability Service, and **21.21** FTE vacant posts, majority of them within the centres. There are currently 5.00 FTE agency staff covering vacancies and another **2** DFG funded staff working with the Enabling Independence team. There are still £0.454m of unallocated savings held centrally.

Adults Care and Support – Overspend of £1.793m,

- 3.11 There has been a small improvement in the Adults forecast of just over £0.112m mostly related to improvements in the salary forecasts at George Crouch and Kallar Lodge.
- 3.12 There are longstanding pressures in the service arising from demographic growth, care costs increase and the non-delivery of savings. The presumption in the MTFs was that savings would be delivered in time for this year, in a range of areas, but these have yet to be implemented. The shortfall in year is estimated to be in the region of £2.2m. Alternative savings and mitigating actions have been identified that are expected to bring the overall pressure in 2018/19 to around £0.8m.
- 3.13 In the short term these actions include a short-term review of Crisis Intervention (which is where the bulk of the pressure is currently sitting) and management control on decision making. To date Adults have a reasonably good track record of successful in year mitigation of risk; on the other hand, the pressures have become greater in recent years and there is a marked upwards trend in the level of homecare. In addition, there are clear cost pressures within the market.
- 3.14 However there are a number of pressures that should be noted as shown in the table below.

Division	Full year Budget 2018/19	Period 6 Projection	Variance from Budget	
Adults Care & Support	£000	£000	£000	%
Adult packages	10,423	11,885	1,462	
Adult teams	3,605	3,713	108	
Adult homes and centres	1,844	1,939	95	
Mental Health	4,100	4,100	0	
Adults Other (Support services)	(2,798)	(2,670)	128	
Directorate Total	17,174	18,967	1,793	11%

- 3.15 The activity data produced reflected the number of people in Home Care reducing, but it showed an increase in the Crisis hours and the actual spend going through the ledger is not showing a reduction in costs to date. It may be that the forecast could start to reduce in the coming months. There is some indication that it may have plateaued and could come down in future months.
- 3.16 Pressures in the staffing budget result from the underfunding of the establishment (as a result of the corporate decision not to pass through funding for pay increases) and the cost of some agency posts. This had previously been offset by vacancies in the JAD, but it has been agreed to fill those vacancies so there will only be a part year benefit.
- 3.17 Kallar Lodge is currently forecasting a large overspend for the year £0.278m. This is however a reduction from last month's forecast following management review. The additional capacity is now on stream – the financial impact of this should become clearer in the next months.

People and Resilience Commissioning and Action Plan

- 3.18 There is a net underspend across People and Resilience Commissioning of £0.076m mostly relating to staffing vacancies.
- 3.19 Additional in year funding for Adult Social Care was announced in early October. Full details have not yet been published but the allocation for Barking and Dagenham is expected to be in the region of £0.9m. This funding has not been taken into account in the forecasts. We are awaiting further information from the Department of Health concerning the expectations and conditions of the grant and also discussions with our local health partners.
- 3.20 In addition the People and Resilience Management team have committed to meeting these targets set by the Council's strategic management team as follows:
- To reduce the Adults Operations pressure from £1.9m to £0.9m
 - To contain all future growth in Children's and Disability and ensure that the variance in those areas do not increase further from the end of August position
 - To find £2.5m of in year reductions from across all budgets including Public Health Grant, Children's and Adults Commissioning and Education, Youth and Childcare.

- 3.21 A management action plan is being developed and finalised. This is based on the Transformation plans previously presented but with a stronger focus on short term delivery and is currently estimated to provide an in year reduction in spend of approximately £2.5m. Actions being taken include:
- Review of Direct Payments balances and clawback of unspent monies
 - Commissioning and Procurement savings on Supported Living and Accommodation for Care Leavers
 - Stronger life planning and more community focused care for working aged Disabled People
 - More effective utilisation of crisis intervention services.
 - In year savings within the Education budget.

Enforcement – reduced forecast – underspend of £0.085m

- 3.22 The service ended last year with a shortfall on parking income against the expected level in the budget. Since then managers have worked to introduce service improvements and efficiencies to increase the effectiveness of enforcement activity and improve the level of income collected. The net forecast for the Parking budget is now an overspend of £0.187m. Within this there is a staffing overspend that will be offset against increased income. The reduction in forecast is due to improved levels of income being collected. This is offset by other underspends across the Enforcement directorate.

Trading Entities – Reprofiling resulting in in year gap of £0.9m

- 3.23 The MTFS includes expected dividends from the Home Services/We Fix division of the Barking and Dagenham Trading Partnership and development activity income from Be First. This was based on the best information last summer about the expected performance of the company and the date upon which it would start trading. The latest information from the companies shows a reduced dividend from BDTP reflecting the final shape and structure and date of formation of the company.
- 3.24 It should be noted that the latest information from Be First shows an improved trading position for the company which will require a smaller working capital loan and a rephrased profile of development activity income. These two factors together create a potential gap of £0.9m against the MTFS although this position may improve.

Elevate Contract and Customer Services

- 3.25 There has previously been a pressure in this area related to the recovery of court costs. This was rebased in the MTFS and is not expected to recur. However, there is a pressure of £0.2m on the IT budget which is being investigated and may be possible to resolve from the Corporate Infrastructure reserve. There is an expected saving of £0.52m for the Customer Access Strategy. The programme has achieved some channel shift and a reduction in call volumes – discussions are underway as to how far this will translate into a cashable saving, so this is currently shown as a pressure.
- 3.26 Discussions with Elevate have revealed that there is an unclaimed one-off discount of £0.487m against the target cost and a rebate of £93k on IaaS. This has now been included in the forecast.

My Place and Public Realm

- 3.27 My Place is currently forecasting an underspend of £0.270m arising from a number of vacancies across the service following the creation of the service – offset by some use of agency and interim staff. Recruitment activity is underway. However, the service will need to maintain some vacancies to absorb the pay award pressures. This underspend is being used to offset the £0.25m savings shortfall on Street Lighting.
- 3.28 There is an overspend in Public Realm on the Transport division mostly relating to a prior year saving that has never been achieved. The restructure to deliver the new operating model did not include the Fleet services and the Passenger transport service. The service had a £400k saving applied in 2016/17 with the expected reduction in service demands from Adults services. However, the changes in the level of demand have not resulted in the anticipated reduction in costs. The service finished 2017/18 with an overspend of £422k. The service is currently reporting a £300k pressure.
- 3.29 The Service is in ongoing discussions commissioning colleagues in Adults' and Children's services with a view to remodel the service to deliver an adequate service to both key customers at a reduced cost that is agreed with all parties and fully recharged proportionately to the Adults and Children's services. It is anticipated that remodelling of the service and changes to fleet arrangements will deliver cost reductions to help stem this pressure. Any residual pressure will be managed within the Transport and Fleet umbrella.
- 3.30 The service remodelling of the Waste Service Fleet was based on a refresh and replacement of a significant number of the existing fleet as most were nearing the end of the leases and/or useful life. A strategy paper was presented to Cabinet and approved in July 2018. It is however, the long lead time for build and delivery of the waste Service's Refuse Collection Vehicles (RCV) means any new RCVs will not be available until the new financial year. In the meantime, the service continues to suffer frequent breakdowns and resulting repair costs and additional costs for spot hire to cover downtime and additional demands. A detailed review of the implications of this is ongoing. It is expected that this will result in additional pressure in the service. The value of the pressure and any potential mitigation will be determined as part of the review. There is currently no forecast pressure from this, but it remains a risk.

Community Solutions – net variance of £0.07m

- 3.31 Community Solutions has been formed by bringing together a range of budgets including some budgets that have faced pressures in recent years including Homelessness and MASH/NRPF from Children's services. The Temporary Accommodation pressure has been mitigated by additional MTFs growth funding and the service has also been very successful in working more effectively with families to avoid the need for accommodation. However, there are voids in some of the homeless hostels which is creating an income pressure.

3.32 In addition the service has inherited high levels of agency staffing in some areas (especially ex Children's.) This is being managed down by the service management but does remain a risk.

3.33 The service is able to mitigate these pressures through use of one-off income including a brought forward grant resulting in a small net variance this year.

Other Operational Services

3.34 In addition there are a range of small variances in other services including £0.02m in Democratic Services (impact of the pay award) and £0.06m in Culture and Heritage.

3.35 The Elevate Client Unit has a pressure due to an expected fall in the Nationality Checking Service demand due to government asking private firms to tender for this service rather than provide it via Local Authorities from October 2018.

Central Expenses

3.36 Currently there is a projected underspend of £2.045m on Central Expenses. This is based on the position at year end last year and will be monitored closely.

3.37 In addition a number of risk provisions were written into the MTFs this year. These were as follows:

Pay Contingency	472,000
Savings Risk Contingency	2,000,000
Parking Risk Contingency	1,000,000
Accommodation cost contingency	660,000
	4,132,000

3.38 As can be seen from the descriptions these offset many of the overspends described above. As the year goes on and the figures become more certain it may be appropriate to release this funding into the specific budget lines. However, for now they are shown as offsetting underspends.

4. Budget Virement

4.1 Cabinet are asked to approved a £4.062m budget adjustment within the Adult Social Care budgets, for the allocation of c£3.8m of the Improved Better care fund grant (iBCF) across the different workstreams as agreed in the Better Care fund plan 2018-19 and to approve the realignment of c£0.233m of MTFs savings to the correct cost codes within the Adult Social Care budget. The virement is set out in Appendix B to this report.

5. Capital Programme

5.1 The Capital programme was approved by Assembly in February as a total of £133.216m. As is usual practice an in-year review was carried out and the reprofiling was approved by the Cabinet.

- 5.2 There are two new requests for approval this month. An additional £40k for the BMX track. The original capital allocation was £226k for this project but now that all the necessary site surveys have been undertaken and the works tendered it has been identified that we need an additional £40k on top of the original allocation of funding to deliver the necessary works. Several options have been pursued to value engineer downwards the cost of the scheme, but no further reduction will be possible without compromising the scheme. Capital approval is requested for this additional funding which will ultimately be funded by borrowing.
- 5.3 As outlined above there are issues in Waste services resulting from the poor condition of the vehicles. The service management are therefore requesting to bring forward £0.305k from their future years capital allocation to replace two vehicles in year.

6. Financial Implications

Implications completed by: Katherine Heffernan, Group Manager – Service Finance.

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

7. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 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: None

List of Appendices

- **Appendix A** – General Fund Revenue budgets and forecasts.
- **Appendix B** – Revenue virement for approval.