

CABINET

19 March 2019

Title: Budget Monitoring 2018/19 - April to January (Month 10)	
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 eight months of the year. The forecast outturn position improved slightly since last month's and is now a forecast of £149.353m total net expenditure against the approved budget of £145.368m which is an overspend of £3.985m.</p> <p>There is an overspend of just under £10.5m across People and Resilience. This month there have been small improvements in both Disabilities and Childrens. The overspend is offset by underspends in Commissioning and an action plan of £2.5m of which approximately £2.2m is assessed as being secure. The remaining sum of £0.281m is considered 'at risk' and alternative initiatives are being explored.</p> <p>In addition to the overspends in Care and Support there are overspend variances in Culture and Heritage, Community Solutions and Public Realm being offset by other services, central expenses and contingency.</p> <p>As the year end approaches, a number of services have requested permission to carry forward income or unspent budget to fund specific projects that will not be completed before the end of March 2019. These are listed in section 4 of the report.</p> <p>The report also contains proposals relating to a £200,000 working capital loan to B&D Reside (section 5) and virement requests (section 6).</p> <p>At last month's Cabinet meeting, Members received details of proposed additions to the Capital Programme since the last reprofiling in October 2018. Appendices C and D respectively set out details of the revisions and the full reprofiled Capital Programme for 2018/19, totalling £284.758m, for approval.</p>	

Recommendation(s)

The Cabinet is recommended to:

- (i) Note the current forecast outturn position for 2018/19 of the Council's General Fund revenue budget as detailed in section 3 and Appendix A to the report;
- (ii) Approve the carry forward requests into 2019/20 as detailed in section 4 and Appendix B to the report;
- (iii) Approve a working capital facility of up to £0.2m for the B&D Reside group of companies on the terms set out in section 5 of the report;
- (iv) Approve a virement in 2018/19 in respect of the Street Purchasing income and expenditure budgets and a virement from 2019/20 onwards in respect of the disaggregation of the placements budget for Children with Disabilities, as detailed in section 6 of the report; and
- (v) Approve the reprofiled Capital Programme for 2018/19 of £284.758m, as detailed in Appendix D to 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 other current financial issues.

2 Overall Revenue Position

- 2.1 The overall position is currently forecast to total net expenditure of £149.353m which would result in an overspend against the expenditure budget of £3.985m. If this is the year-end position, it would require a further drawdown from the Council's budget support reserve. There is sufficient funding in this reserve to cover this amount.
- 2.2 There are potential overspends across Care and Support, offset by an action plan within People and Resilience Commissioning and also in Public Realm, Culture, Customer Services. There are offsetting underspends in My Place, Inclusive Growth, Central Services and the risk contingencies written into the budget as part of the planning process.
- 2.3 There is still scope for some improvement on this overall position – some services tend to be forecast on a cautious basis and we are projecting an underspend on the Collection Fund of £1.5m, however the final position is likely to be an overspend which may require a drawdown on the budget support reserve.

3. More Information on the Main Variances

Children's Care and Support – potential overspend of £5.25m

- 3.1 The Children's forecast has reduced this month to £5.25m with decreases in both the staffing budget and the care placements budget. As previously reported the top three elements of the overspend are staffing, (£1.464m – an increase of £0.5m), placements (£2.47m), and the costs associated with legal proceedings (£0.363m including costs of Counsel, expert witnesses and court mandated assessments and investigations – shown within Supplies and Services.). Although there have been some variations in year the pattern of expenditure has been consistent.
- 3.2 The overspend on salaries is mostly driven by the high levels of agency which is creating a pressure of £1.464m. The service has been working very hard to reduce this pressure through its recruitment and retention strategy. This month has seen the successful on-boarding of permanent social workers which has reduced the staffing pressure by £0.158m.
- 3.3 The table below shows an analysis of the staffing costs in the service. The cost of agency staff is greater than the cost of an equivalent permanent staff member – which is the main driver of the overspend on staffing.

	Budget	Forecast	Variance	Previous months variance	Movement
	£	£	£	£	£
Employees salaries	11,877,400	9,345,496	(2,531,904)	(2,531,904)	0
Agency staff	435,000	4,431,545	3,996,545	4,142,180	(145,635)
Relocation costs	0	105,000	105,000	105,000	0
Staff development & training	405,500	7,366	(398,134)	(376,076)	(22,058)
Recruitment & Retention allowances	100,000	171,792	71,792	71,792	0
Staff Recruitment costs -DPS	0	205,576	205,576	205,576	0
Recruitment Staff & Events	150,000	150,000	0	0	0
Employee related expenses eg DBS checks	15,450	19,427	3,977	(5,876)	9,853
	12,983,350	14,436,204	1,452,854	1,610,693	(157,839)

- 3.4 The breakdown of permanent and agency staff across the service is shown in the next table. The number of agency staff will reduce as a result of the successful recruitment campaign.

Service Area	FTE of Payroll Staff	FTE of Agency	Total filled FTE	Vacancy FTE	Establishment FTE
Borough Wide services	66	7	73	0.71	73.71
Children's Care and Support (Operational)	3	0	3	0	3
Children's Locality Assessment	29	19	48	1	49
Children's Locality Care Management	46	26	72	1	73
Service Development	22	0	22	1	23
Youth Offending Service	24	0	24	4	28
Grand Total	190	52	242	7.71	249.71

3.5 The forecast for care and support for looked after children and children in need has remained broadly the same as last month in total. There has been a net reduction of the number of children in care – however two new high cost placements in secure accommodation have been recorded (one backdated by some months.) These placements are very expensive but also hard for the council to control or predict.

Placement Type	2018/19 Net Budget	January Forecast	Variance against budget	Previous months variance	Movement between Months	Reason for variance
INTERNAL FOSTERING PLACEMENT COSTS	£4,957,320	£4,628,147	-£329,173	-£348,884	£19,711	Increase of 3 children
PRIVATE AND VOL. RES. HOMES WITH EDUCATION	£3,750,010	£5,199,721	£1,449,711	£1,633,884	-£184,173	Contingency held in month 9
ADOPTION PLACEMENT COSTS	£3,595,830	£3,923,716	£327,886	£318,942	£8,945	Increase of 1 special guardianship
SPECIALIST AGENCY FOSTERING	£2,605,600	£3,197,808	£592,208	£622,077	-£29,868	Reduction of 4 placements
LEAVING CARE SERVICE	£1,125,870	£1,835,323	£709,453	£753,117	-£43,664	Reduction of 6 placements
ASYLUM SEEKERS	£893,000	£482,134	-£410,866	-£383,166	-£27,699	No change in numbers (48)
SECURE UNITS	£440,700	£574,184	£133,484	-£103,139	£236,623	Net increase of 2 high cost secure
FAMILY ASSESSMENT UNITS	£93,700	£445,673	£351,973	£351,973	£0	
	£17,462,030	£20,286,707	£2,824,677	£2,844,802	-£20,126	
S17/20 Support to families						
CARE MANAGEMENT S17	£127,300	£183,793	£56,493	£28,167	£28,325	More complex assessments &
CARE MANAGEMENT S20 LAC	£77,000	£99,506	£22,506	-£8,615	£31,122	overseas travel in 3 cases
ASSESSMENT S17 CIN	£72,200	£57,700	-£14,500	-£14,500	£0	
	£276,500	£340,999	£64,499	£5,052	£59,447	

3.6 The projected spend on Counsel fees (Legal) remains the same as reported last month, **£0.633m** against a budget of **£0.482m**. The cost of court applications is forecast to spend **£0.462m** against a budget of **£0.250m**. The actual expenditure on court-related costs to end of month 10 is **£0.406m** so there is a risk that the current forecast may be exceeded.

Disabilities Care and Support – forecast overspend of £3.264m

3.7 The All Age Disability Service is forecasting to spend £19.678m which is £3.264m over budget (M7-£3.622m). This represents a favourable movement of £0.108m from the position at Month 9. The budget this month has been increased by £0.472m - £0.158m increase in the staffing budget following the virement approved last month and £0.314m IBCF funding transferred to the Disability service in accordance with the approved IBCF plan. This budget change had been anticipated in previous forecasts and so is not the cause for the decrease in the overspend.

3.8 The change to the forecast is made up of the following:

- (£0.163m) – Equipment & Adaptation, £0.120m iBCF additional allocation & £0.043m unspent budget allocation due to lack of capacity to deliver all works.
- (£0.046m) - recharge of Occupational Therapy costs to the DFG in line with the guidance.
- (£0.009m)- cost reductions against team staffing budgets in a number of areas offset by additional payments to Athena for work on service reviews.
- £0.095m- increase in LD cost of packages mainly direct payments
- £0.015m – Children with Disabilities increase in payments to private contractors

3.9 The contributions to the overspend are detailed below:

3.9.1 **Learning Disabilities** – The projected overspend on Learning Disability Packages at the half way point in the financial year is **£1.371m** which is an increase of £95k. There have been increases in client numbers in several service types.

Package Type	Jan Client Number	Dec Client Number	2018/19 Revised Annual Budget	Jan Forecast	Dec Forecast	Change
			£	£	£	£
Direct payments	322	314	2,879,800	4,116,362	3,903,234	213,128
External Supported living	78	76	2,452,080	1,893,677	1,965,145	-71,468
External Residential care	40	38	2,036,400	2,396,315	2,339,048	57,267
External Day care	19	19	200,200	457,184	456,875	309
Home Care	17	13	93,000	435,102	402,430	32,672
Nursing care	7	7	0	391,945	391,945	0
Respite care	12	8	0	38,105	38,105	0
ASC Grant			0	0	-570,648	570,648
iBCF Grant			0	0	-70,000	70,000
NEETs – social care contribution			150,000	24,507	50,000	-25,493
Other *			134,472	-435,514	95,336	-530,850
Additional budget allocations						-221,402
Grand Total	495	475	7,945,952	9,317,683	9,001,470	94,811

*Net of other expenditure and income on the cost centre e.g. ILF grant & transport recharge
CHC income net off against supported living*

3.9.2 **Children with Disabilities Social care provision** – The cost of packages in place to support children with disabilities is projecting an overspend of £0.685m. £0.499m of this is attributable to the cost of packages to support Children with Disabilities and £0.186m to legal cases and associated court costs. There are currently 268 direct payment clients in January, an increase of 5 from last month. The transport overspend has remained stable at £0.642m. The staffing position this month has improved slightly, from £0.120m to £0.088m overspend.

Adults Care and Support – Overspend of £2.020m,

3.10 The Adults forecast has been maintained this month at an overspend of just over £2m based on current information. The bulk of the pressures are for Adult Care Packages where the service is continuing to experience high levels of demand with a clear net increase in numbers of people receiving services. In the final quarter of the year last year approved homecare hours were in the region of 17,000 but this is now almost 21,000 hours. There has been significant increase in crisis intervention

activity where hospital patients from the Joint Assessment and Discharge service (JAD) are resulting in homecare packages – many of which become long term.

- 3.11 Activity has also increased in Direct Payments – 653 service users now compared with 563 last year and the cost and complexity of the new packages appears to be increasing. The average for new starters is £549 per week whereas the average for cases closures is only £328.
- 3.12 According to the latest income reports, 2840 clients have received an assessment of which 33% are assessed as able to make no contribution and 3% are full cost payers (with those in between making a partial contribution.) The anticipated income from charging is £7.8m. There was a significant backlog in assessments but there has been some intense work to catch up.

People and Resilience Commissioning and Action Plan

- 3.13 There is a net underspend across People and Resilience Commissioning of £0.179m mostly relating to staffing vacancies.
- 3.14 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 to under £1m
 - 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.
- 3.15 As at month 10, circa £2.2m of the £2.5m in year reductions action plan has been delivered or is assessed as being secure. The remaining sum of £0.281m is considered 'at risk' and alternative initiatives are being explored.

Enforcement – reduced forecast – underspend of £0.779m

- 3.16 An underspend of £0.157m on the Parking Account is being forecast mainly attributable to overachievement of income on PCNs. In addition, there are underspends against CCTV (£167k), Housing Standards (£0.206k), Street Enforcement (£180k) and smaller variances in other areas giving rise to an overall underspend of £0.779m.

Trading Entities – £0.37m

- 3.17 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.
- 3.18 The Trading Partnership has now submitted its quarter two shareholder report which shows an expected dividend to the Council of £0.632m against the target of £0.942m. On this basis an improved position is now being reported in the budget

monitoring. It should be noted that the shortfall against the target is in large part the result of the delayed start and different structure of the company.

Elevate Contract and Customer Services - £0.52m

- 3.19 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. However, this will not result in a cashable saving this year.

My Place and Public Realm – underspend of £0.221m

- 3.20 A overspend of £0.221m is being reported against this service area. There are significant underspends within My Place from staffing vacancies and improved efficiency especially in Contract Management and Landlord Services divisions – (a proportion of this will accrue to the HRA but there will also be some benefit to the General Fund). This is offset by pressures within Public Realm especially in Waste and Street Cleansing following delays in implementing the staffing restructure. However, there is an overall underspend in this year.

Community Solutions – net variance of £0.07m

- 3.21 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 service has very challenging income targets for hostels which are not being achieved due to the high level of voids. The service has begun to use hostel spaces for families with no recourse to public funds (NRPF) who need assistance under the Children's Act – this is expected to reduce overall costs.
- 3.22 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. The service was restructured at the beginning of the year and has a number of vacancies which are being reviewed and either recruited to or deleted. This is offsetting agency pressures.
- 3.23 The service is using some one-off income to support its budget including carry forward of historical Troubled Families funding.

Culture and Heritage – overspend of £0.230m

- 3.24 There are some pressures in Culture and Heritage arising from shortfalls in income at Heritage sites, some unfunded posts which are being investigated and the additional costs of agency staffing. The service is working to resolve these staffing issues and to develop initiatives to increase income.

Inclusive Growth - £0.5m underspend, £0.25m after carry forward

- 3.25 There is an underspend of £0.500m on Inclusive Growth mostly arising from the high level of staffing vacancies in this area during the year. There is a request (below) for £0.25m of this to be carried forward for additional essential projects next year.

Education, Youth and Childcare - £0.436m underspend, £0.206m after carry forward.

- 3.26 There is an underspend of £0.430m being reported in EYC. Much of this relates to additional income and £0.23m of it is requested to be carried forward to fund various projects in 2019/20. (see below.)

Central Expenses – Underspend of £4.212m

- 3.27 Currently there is a projected underspend of £1.79m on Central Expenses. Central Expenses contains the budget for the Apprenticeship levy which is forecast to underspend this year (as Council staffing has reduced since the modelling was first carried out), Corporate Redundancies and the rebate on agency usage.
- 3.28 In addition risk provisions were written into the MTFs this year for £2m risk of non-delivery of savings and £1m for risk on Parking Income.
- 3.29 The Street Purchasing programme is currently projecting an in-year income shortfall of £0.457m. In order to fund the interest costs of their purchase and refurbishment income of £742k is required but currently a little under £300k is being achieved. The shortfall is mostly related to the time taken for the first letting but for some properties (such as those occupied by care leavers) the rent being charge is low and does not cover the full costs this is being reviewed.

4. Carry Forward Requests

- 4.1 The following carry forward requests have been received. Further information is provided in the appendices. These are requests to carry forward income or earmarked budget that is intended to fund specific projects. The amount to be carried forward will be the amount not used by the end of this financial year – where this is not known an estimate has been provided.

SERVICE BLOCK	Project/Programme	AMOUNT
Education, Youth & Childcare (EYC)	Speech and Language	35,000
EYC	CU London Scholarship	15,000
EYC	Colin Pond Trust	14,000
EYC	Creative and Cultural Education	66,000
EYC	BDSIP Commissioning Advice	10,000
EYC	Step Up Stay Safe	70,000
EYC	BDSIP reserve	20,000
Education, Youth and Childcare (EYC) Total		230,000

Inclusive Growth	Initiatives to support IG commissioning (half this year's underspend)	250,000
Children's Commissioning	Expanding Childrens Secure Estate	80,000
Public Health	Healthy New Towns	101,500
Policy and Participation	Lottery Community Fund	5,544
Policy and Participation	Crowdfunding pot	48,000
Policy and Participation	Neighbourhood Community Infrastructure Levy	565,000
Policy and Participation	Connected Communities	492,297
Policy and Participation	Pen to Print Project	53,000
Policy and Participation	Creative Enterprise Zone	25,000
Policy and Participation	New Town Culture Project	150,000
Policy and Participation	Film Unit Trading Surplus C/f	20,000
Policy and Participation TOTAL		1,775,341

5. Working Credit Facility for Reside

5.1 Reside, the Council's wholly owned affordable housing vehicle is undergoing a organisational refresh, with a new Board and Officer support. At the same time the financial modelling of each the schemes within the Reside structures is being reviewed. With a prudent overlap of structures to enable transfer of knowledge, approval is sought for a working capital support facility, in the form of a pre-approved loan of £0.200m, which will only be drawn down when strictly necessary. It is anticipated that the facility will only be required in this coming year, although this will be reviewed by the Chief Operating Officer towards the end of the year.

5.2 Interest on the loan will be charged at an appropriate commercial rate for any periods for which money is drawn down and the terms will be compliant with state aid rules. As liquidity/cashflow is a major challenge for new entities this facility reduces the risk of failure in the first years of trading. However, Cabinet is advised that the decision should be made in the knowledge that when funding is advanced to a separate entity there is always some risk of non-repayment

6. Virement Requests

6.1 Cabinet is requested to approve one virement in 2018/19. This is a technical virement only with no impact on the bottom line. It "grosses up" the street purchasing programme to show clearly the full income and expenditure budgets required (previously only the net income of £0.192m was shown):

To Create an income and expenditure budget for Street Purchasing.

INTEREST PAYABLE	550,000	
HOUSING STRATEGY	192,000	
STREET PURCHASING RENT INCOME		742,000

- 6.2 Cabinet is also asked to approve a virement for 2019/20. This is a budget movement to disaggregate Children with Disabilities (CWD) budgets from Children's Social Care and move them to the all age Disability service which provides a service from cradle to grave and where the responsibilities for the care of these children lies. It puts budget responsibility alongside care responsibility. This is an expenditure budget virement only, a further virement will be required to move income budgets once they have been disaggregated on an individual child basis. Permission is sought for both steps of this process. An annual review will also be required as the cohort of Children changes over time.

To disaggregate Placement Budget for Children with Disabilities

Budget for LAC with Disabilities in in-house foster care		426,100
Budget for LAC with Disabilities in residential homes		1,967,600
Budget for LAC with Disabilities in specialist agency foster care		312,300
Budget for LAC with Disabilities from CC	2,706,000	

7 Capital Programme for 2018-19

- 7.1 Last month the Cabinet received a report on the Capital Programme including information on a number of additions to the programme. These are summarised in Appendix C. Cabinet are asked to approve the updated capital programme for 2018/19 as set out in Appendix D.

8. Financial Implications

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

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

9. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 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

Public Background Papers Used in the Preparation of the Report: None

List of Appendices

- **Appendix A** – General Fund Revenue budgets and forecasts
- **Appendix B** – More information about carry forward requests
- **Appendix C** – Summary of Changes to the Capital Programme
- **Appendix D** – Capital Programme for Approval