

CABINET

18 December 2019

Title: Budget Monitoring 2019/20 - April to October (Month 7)	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision: No
Wards Affected: All	Key Decision: No
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Accountable Director: Philip Gregory – Director of Finance	
Accountable Strategic Director: Claire Symonds - Chief Operating Officer	
Summary	
<p>This report provides a high-level overview of the key financial risks and issues faced by the Council in this financial year. There are significant demand and cost pressures within the forecast which are being monitored carefully but which carry a degree of uncertainty and are therefore likely to change during the remainder of the year. The report describes the potential impact of these pressures in high level terms and the forecasts have been made on a prudent basis. The position may therefore be overstated but the scale of the challenge means that there is no room for complacency.</p>	
<p>The forecast expenditure in the General Fund is £159.059m against a budget of £148.820m. A net £0.205m will be funded by planned draw down from reserves leaving £158.854m which equates to a gross General Fund overspend of £10.034m, before Collection Fund and Business rates surpluses including monies brought forward from the previous year are added which puts the overall variance at £7,562m (see Appendix A) This is broadly in line with last month.</p>	
<p>It should however be noted that there are emerging signs of a cost pressure in Disabilities where a data cleansing exercise is being carried out which may show that care commitments have been understated for some clients. This exercise is not yet complete and there may be additional offsetting income, but this is an area of risk.</p>	
<p>As at the end of 2018/19 the budget support reserve stands at £12m. £4m of this however has been earmarked to fund Transformation programmes. This would mean that this year's overspend could be mostly covered from this reserve with any residual overspend being taken from the unearmarked General Fund reserve of £17m.</p>	
<p>Although the reduction in reserves in 2019/20 is foreseen and can be managed, it is not desirable and will limit our future ability to respond to unforeseen events or invest in the borough. If this level of expenditure continues into next year it would exceed the funding plans set out in our Medium Term Financial Strategy (MTFS) and so would require the identification of further savings or income in order to set a balanced budget. For these two reasons the overspend must not be allowed to continue to grow and serious</p>	

consideration needs to be given to possible remedial measures.
Recommendations
The Cabinet is recommended to: (i) Note the projected revenue outturn for Council services as set out in sections 2 to 11 and Appendix A to the report, and (ii) Note the implications for the reserves position and the need to identify in-year action in relation to General Fund expenditure.
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 The final outturn for 2018/19 was an overall overspend of just under £3m (after transfers to and from reserves were taken into account). This was the net position after collection fund surpluses and there was an underlying overspend of £7m in service expenditure budgets. In addition, it must be remembered that last year the budget setting approach was that as far as possible services would be expected to contain their own growth. Only a limited amount of additional funding was identified, and this was applied in the most part to Care and Support Services. This reduced the gap for budget setting purposes and meant that additional savings proposals were not required to be identified so 2018/19 could be a "consolidation" year.
- 1.2 However, the expectation that services could contain their own growth is a challenge for many. The small amount of growth funding that could be identified was used both to deal with some specific issues in the budget and then to provide additional care and support funding. However, the sums available for this purpose (£1m for Children's, £1.3m for Disabilities) were lower than the 2018/19 pressures. This means that those services with existing pressures have continued to overspend into 2019/20.

2 2019/20 Budget Monitoring Position - Summary

- 2.1 Across the Council there are known budget pressures of up to **£15.5m, with some underspends of £5.6m forecast centrally giving rise to a forecast net spend position of £10m.** It should be noted that this forecast has been made on a prudent basis and so there is potential for further reduction although there is also the potential for additional costs to be incurred especially in Care and Support where we are seeing high levels of client and demand growth.

- 2.2 As in previous years there is an expected underspend within Central Expenses. The £2m provision for non-delivery of savings included in the budget in 2018/19 is still available. There are other contingency budgets such as the Redundancy budget (£1.3m of which half is currently assumed in the forecast) and the Council consistently over-achieves on gainshare against its budget (c£1.5m). In addition, there is a forecast underspend on levies of £0.2m resulting in net forecasted **underspend of £5.5m** on central budgets.
- 2.3 Included within Corporate Income are additional Collection Fund surpluses and business rates via the London pool totalling **£2.5m additional income**. Overall the net overspend forecast at the end of October is now expected to be £7.5m.

DEPARTMENT	ADJUSTED BUDGET	FORECAST OUTTURN	VARIANCE	Change
SDI COMMISSIONING	8,345,510	8,195,510	(150,000)	(100,000)
CORE	6,226,000	6,339,768	113,768	(78,232)
CENTRAL MINUS F30080	35,099,327	29,632,327	(5,467,000)	0
EDUCATION, YOUTH & CHILDCARE	3,909,800	3,909,800	0	0
LAW, GOVERNANCE & HR	(638,206)	(655,206)	(17,000)	30,048
POLICY & PARTICIPATION	2,800,380	2,995,883	195,503	14,503
CARE & SUPPORT	71,104,978	84,414,978	13,310,000	53,000
INCLUSIVE GROWTH	994,880	994,880	0	0
COMMUNITY SOLUTIONS	9,746,030	10,241,030	495,000	379
MY PLACE	6,292,391	6,726,493	434,102	102
CONTRACTED SERVICES	4,938,920	6,058,920	1,120,000	70,000
RESIDE PARENT	0	0	0	-
TOTAL GENERAL FUND BUDGET	148,820,010	158,854,383	10,034,373	(10,200)
CORPORATE INCOME	(148,820,010)	(151,291,610)	(2,471,600)	(9,225)
NET GENERAL FUND POSITION	0	7,562,773	7,562,773	(19,425)

- 2.4 More information about the key areas of risk are given below. The overall impact on reserves will be a drawdown of around £7.5m from reserves. This is manageable as there is sufficient funding to do this, but it would restrict our ability to respond to future unforeseen events and to invest in the borough. If this level of spending continues it could also put at risk our Medium Term Financial plans, requiring the identification of future savings.

3. Care and Support/ People and Resilience

- 3.1 The overall budget for People and Resilience (excl Education) in 2019/20 is £81.810m. The total expenditure forecast (main case) for these services 2019/20 is £95m which would result in an overall budget pressure of £13m. There is also a significant savings gap which is contributing to the budget gap.
- 3.2 Further information on the specific services is given below.

People & Resilience Group	19/20 Budget £000	19/20 Forecast £000	Variance £000	Period Movement £000
Adults Care & Support	19,474	22,940	3,466	(395)
Adults Commissioning	5,756	5,756	0	(100)
Disabilities Service	18,403	22,479	4,076	454
Children's Care & Support	34,490	40,258	5,768	(17)
Children's Commissioning	4,387	4,237	(150)	0
Public Health	(700)	(700)	0	0
Group Total	81,810	94,970	13,160	(58)

4. Adults' Care and Support

4.1 The total forecast for Adults Care and Support is £22.9m resulting in a budget overspend of £3.47m as there continues to be upwards growth in expenditure and demand.

Service Area	19/20 Budget £000	Forecast £000	Variance £000	Period Movement £000
Adult packages	7,781	8,572	790	(593)
Adult teams	3,735	3,735	0	0
Adult homes and centres	2,031	2,231	200	(150)
Mental Health	4,567	7,042	2,476	348
Adults Other (Support services)	1,360	1,360	0	0
Directorate Total	19,474	22,940	3,466	(395)

4.2 The main area of increase and budget pressure is in the Adults' Care Packages. This forecast includes provision for the expected care fee increases (which will be funded from the IBCF) and assumes a continuation of the clear upward trend in demand. This means that if demand growth slows or ceases the position may improve. There are no further savings targets within Adults. However, the brought forward savings shortfall from previous years is a significant part of the current overspend.

4.3 The main areas of pressure in this area are spread across the range of provision:

- £1m in Homecare – although this makes up a significant portion of the overspend, compared to last year this area has actually seen a significant reduction in net expenditure mostly due to better collection of client contributions. However it still remains one of the main causes of the overall overspend. The budget is insufficient for current demands and is a key area for investment in the MTFs.
- £2.5m overspend in Direct Payments which is consistent with last year's outturn position in this area but continues to be an area of significant pressure. It is expected that Direct Payments will decrease in the future as more regular reviews mean that the amount paid to clients is more accurate of their needs.

- The above is partially offset by a £1.6m forecast on direct payment refunds. This is where unspent balances are clawed back from clients' accounts where overpayments have been made. If the reviews above start to take place, we will see a drop in this figure as less will be paid out to clients in the first place thus not requiring as much claw back.
- The above is further offset by the £913k of winter pressures money which we expect to receive in December and £400k of BCF which was additional in year growth only ratified in September, this is the main reason for the improved position this period from the last.

- 4.4 Adults Homes and Centres - £200k overspend due to two significant areas, Kallar Lodge where there is an income shortfall due to not being able to attract the self-funders required to meet the income target. The ongoing overspend in Relish where there is a historical pressure due to the challenges in running the café as a self-funded business.
- 4.5 Mental Health - £2.48m overspend the bulk of which is on supported living, this is due to 14 new service users in 19/20, as well as several packages having been reviewed and uplifted. Mental Health has seen over 350 Dementia cases transfer over from the Locality teams this year, which has caused a significant increase in Homecare, Residential and Nursing expenditure. A lack of in borough provisions to support these numbers is also partially to blame in the significant rise in spend within Mental Health this year.
- 4.6 The changes to the Charging Policy are expected to produce some level of savings, the current estimate for the in-year effect is £0.4m. The policy went live in October and data from the care system can evidence increased contribution rates being applied, it is hoped the November actuals will show this income coming in and therefore a confident figure can be incorporated into the forecast for P8 which will improve the outturn position.
- 4.7 If there is no further growth above that allowed for (approx. 3% on the previous year) and the initiatives listed above have effect (£0.4k charging, £0.2m Kallar/Relish) then a best-case forecast would be in the region of £3m overspend.

5. Disabilities Care and Support

- 5.1 The total forecast for Disabilities Care and Support is £22.4m and would result in a budget overspend of £4m. The budget including iBCF transferred from Adults has increased by £1.9m – however this has effectively been matched by upwards growth in expenditure leaving the variance at around the same level as 2018/19.

Service Area	19/20 Budget £000	Forecast £000	Variance £000	Period Movement £000
Adults Care Packages (inc Equipment)	9,284	11,233	1,949	402
Children's Care Costs	1,074	2,011	937	2
SEND transport	2,619	3,188	569	0
Centres and Care Provision	1,756	2,052	296	39
Staffing/Management	3,670	3,995	325	11
Directorate Total	18,403	22,479	4,076	454

- 5.2 The main increases/budget variances are on the demand-led budgets for care provision especially:
- £1.9m overspend on Learning Disabilities Adults across Direct Payments, Homecare, day care and residential care;
 - £935k Overspend on Children with Disabilities across Direct Payments, Respite packages and legal / court costs;
 - £621k overspend on Teams and Centres, made up of pressures within the education psychology service, 80 Gascoigne Road and Life Planning; and
 - £569k overspend on SEND Transport, due to existing pressure in the cost of the routes- the growth that was given to meet this pressure doesn't fully cover it.
 - In the last month there have been package reviews resulting in increased client costs and new entrants to the service adding the sum of £402k to the bottom line.
- 5.3 The forecast is based on known commitments and has not been adjusted for future placement growth. The assumption is that the care package review activity, improved life planning and increased CHC will be enough to contain the costs of growth. If these initiatives produce greater benefits, then this would reduce the forecast, however so far demand and complexity of care needs has meant costs have increased and reviews are revealing more care costs than savings. It should be noted that there is a large cohort of young people who are due to move from Childrens to Adults services over the next few years. This may result in a large net increase in cost (for a number of reasons – a net increase in client numbers, Education funding drops out, care packages may increase as parents may not provide the same level of care and needs can increase.)
- 5.4 Including this year's savings, the service has a cumulative total of £0.835m undelivered savings built into its budget which is contributing to the pressure. There are two MTFs savings initiatives in 2019/20 – the expansion of Shared Lives and new provision at 80 Gascoigne. It is now clear that the 80 Gascoigne savings can no longer be delivered as the CQC has deemed the additional room unfit for use, whereas the shared lives scheme is still considered high risk, thus the position is unlikely to improve this year.
- 5.5 Due to the high levels of growth in this forecast – which is largely outside the services control then this forecast is a reasonable main case. The position is unlikely to improve and if anything may worsen with further transition cases being identified that will be coming into the disability service.
- 5.6 There is a data cleansing exercise currently underway that suggests there may be some additional costs that will need to be added into the forecast for some existing clients with complex packages.

6. Children's Care and Support

- 6.1 The total forecast for Children's Care and Support is £40.26m and would result in a budget overspend of £5.77m. The budget has been given growth of £1.4m but is currently undergoing a whole service transformation to deliver its savings proposals.
- 6.2 The third year of MTFs savings of £1.126m has been taken from the Looked After Children and Placements budget.

Service Area	19/20 Budget £000	Forecast £000	Variance £000	Period Movement £000
Care Management	5,063	6,761	1,698	(8)
Looked After Children	20,555	25,748	5,193	18
Assessment Teams	3,355	4,398	1,043	2
Adolescence & YOS	1,213	1,346	132	(57)
Other/Central	4,304	2,005	(2,298)	28
Directorate Total	34,490	40,258	5,768	(17)

- 6.3 The additional costs of the Children's TOM can be met from budget available within the growth funding. This is currently held centrally but will be vired across the service in line with the new TOM implementation. However, there are staffing pressures on the service in addition to this. Currently there are posts above the TOM establishment in the forecast – additional staff in Rapid Response and staff to support the probationary period of the social workers recruited from overseas. The usage of agency is around 39% which is excess of the budgeted ratio of 15%. These costs together are adding around £2m to the staffing forecast; however, it is possible that successful implementation of the Children's' TOM will mean that this reduces over time during the year.
- 6.4 The service are confident of achieving the low risk targets which amount to £0.55m, most of these are to do with contract frameworks that are currently in place and costs are reducing as and when client packages are being transferred over to the cheaper framework rates, therefore these are effectively already within the projections and will not improve the outturn significantly as they will be converted to the new framework over time as reviews are undertaken.
- 6.4.1 The high-risk savings targets are unlikely to be achieved in this financial year as progress on these are still very minimal. Edge of Care may have up to 8 clients by the end of the year, but this will only at best achieve half of the target savings due to timing. The specialist in house provision will not be fully operational till January thus minimising the amount of savings this can generate in year.
- 6.5 Most of the pressure, however, relates to the cost of Looked After Children as follows:
- £1.5m overspend on Residential Homes, a reduction from last month
 - £1.1m overspend in the Leaving Care Service
 - £758k overspend in Specialist Agency Fostering
 - £532k overspend on Adoption Placements
 - £351k overspend in Children in Care
 - £310k overspend Family Assessment Units, an increase from month 6.
 - £251k overspend in the Leaving Care Team
 - £178k overspend on Secure Units, a reduction from month 6.

- £155k overspend in the Fostering Team

- 6.5.1 There are significant staffing pressures across the directorate totalling £2.84m, these are predominantly due to a significant reliance on Agency Social Workers across the service. The agency reduction forecasts have been based on a very thorough review of staffing (at the individual post level) and so are regarded as reasonably robust. However, changes in demand or recruitment levels could still affect these plans.
- 6.6 The above overspend is being partially offset by a budget increase of £2.35m (including the Social Care grant). This growth has not yet been allocated out to individual services but is currently sitting as a credit in the Directorate central costs. Following final approval of the Children's TOM we will allocate this funding to the relevant areas of need with the support of the Operational Director.
- 6.7 The forecast also assumes the below savings actions provided by the service in order to keep the overspend within the level expected, failure to achieve these will result in a worsening of the current position;

	2019/20
AYSE deployment	139,600
Other agency reduction	422,840
Reduction in weekly cost of placements	233,567
Recruitment Retention Clawback	90,000
Reduction in 18+ placement costs	62,123
PAUSE funded from PHG	220,000
	1,168,130

7. My Place

- 7.1 My Place are forecasting a budget pressure of £434k, which is unchanged from Month 6. The pressure is within Public Realm, which is forecast to overspend by £1.127m. This is offset by a forecast underspend of £693k across other services within My Place.
- 7.2 The pressure within Public Realm has not abated, and the service continues to forecast a cost pressure of £1.127m. This is within Refuse, Cleansing and Parks, offset by an underspend within Caretaking, and income over-recovery in Core and Commercial and Transport services. An in-depth exercise is being undertaken to review the forecast and to identify areas where the cost pressure can be mitigated. The new vehicles are now in use and the impact on the cost of fleet may start to be seen over the next few months.
- 7.3 The forecast underspend of £693k across other services within My Place is largely within Business Development and is due to vacant posts. There are also underspends within Contract Management and Property and Asset Management. An overspend of £609k is forecast for Landlord Services, which is attributable to interim management costs and repairs and maintenance costs outside the scope of the contract with BDMS.

8. Contracted Services

- 8.1 Contracted Services are forecasting a budget pressure of £1.12m. This consists of a forecast overspend of £994k for Barking and Dagenham Direct and £126k on ICT. Over the past two years savings of £0.7m have been taken for the Customer Experience and Digital Programme that have not yet been achieved in cashable terms. This is currently being assumed will be a net overspend on the budget at the end of the year.

9. Policy and Participation

- 9.1 Policy and Participation are forecast to overspend by £195.5k. This is an increase of £14k in the position that was forecast at Month 6. The main overspends are £107k on Valence House, £116k on Eastbury Manor and £64k on the Film Office, offset by underspends on Countryside and Conservation (£74k) and Strategy and Performance (£62k). There are staffing pressures at both Valence and Eastbury and Valence has a pressure on NNDR.

10. Core

- 10.1 Core services are anticipating to overspend by £114k. This consists of £203k on the Elevate Client Unit, and an underspend of £89k on Finance.

11. Law, Governance and HR

- 11.1 Law, Governance and HR are forecast to underspend by £17k. There is currently a nil variance on Law and Governance. Enforcement are forecast to underspend by £17k after transferring a £45k surplus within the Markets cost centre to the Markets reserve.
- 11.2 Within Enforcement where there are underspends across a number of service areas, offset by a forecast overspend of £293k within Parking. Parking income is below forecast and staffing costs are higher than budgeted. With the implementation of the restructure and the introduction of new CPZs there is an expectation that income levels will increase. PRPL income levels from the introduction of the new scheme from September 2019 continue to be monitored closely.

12. Community Solutions – £0.495m overspend

- 12.1 Community Solutions are now reporting a pressure in their staffing budgets especially within Intervention services where there appear to be nine staff above the funded establishment. In addition, there appears to be a shortfall on the Troubled Families funding which could result in a net overspend of £0.495m. Now this issue has been identified, the Director and his management team will identify mitigations to reduce this forecast.
- 12.2 There are challenging targets for Temporary Accommodation reductions built in the budget. These have been achieved to date. There are some associated risks around income collection in the hostels and the costs of the rent deposit and other prevention schemes, but these are being managed closely. If the Temporary

Accommodation performance is sustained, this is expected to offset these risks and may even be a further mitigation against the other pressures in the service

13. Financial Implications

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

13.1 This report details the financial position of the Council.

14. Legal Implications

Implications completed by Dr Paul Field, Senior Governance Lawyer

14.1 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.