

## THE EXECUTIVE

9 September 2008

### REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

<b>Title: Budget Monitoring Report July 2008/2009</b>	<b>For Decision</b>
<p><b>Summary:</b></p> <p>The report updates the Executive on the Council's revenue and capital position for the period April to July of the 2008/09 financial year.</p> <p>The current forecast across the Council in respect of its revenue budget has identified that four departments are projecting in-year pressures amounting to £6.7million (Adult &amp; Community Services £750k, Children's Services £4.5m, Customer Services £843k and Regeneration £591k). Overall this reflects a £700k reduction from the position reported in June. The largest pressure continues to remain within the Children's Services department, where significant budget pressures continue to arise from Looked after Children Placements and in meeting the Councils' Leaving Care responsibilities.</p> <p>Where pressures do exist, all departments will need to address these as part of their own, and the Council's, ongoing budget monitoring process so that they produce the necessary balanced budget by the year end. The outcomes and progress of any action plans will be monitored and reported to both the Resource Monitoring panels and the Executive through the regular budget monitoring meetings and reports.</p> <p>For the Housing Revenue Account the forecast is that the year end working balance will be £3.1million which is broadly in line with the budget projection of £3.2million.</p> <p>In regard to the Capital programme, the current working budget is £101.7million. Directors have been and are continuing to review the delivery of individual capital schemes to ensure maximum spend is achieved by the year end.</p> <p><b>Wards Affected:</b> This is a regular budget monitoring report of the Council's resource position and applies to all wards.</p>	
<p><b>Recommendations</b></p> <p>The Executive is asked to:</p> <ol style="list-style-type: none"><li>1. note the current position of the Council's revenue and capital budget as at 31<sup>st</sup> July 2008 (Appendix A and C, Sections 3 and 5 of the report);</li><li>2. note the position and projected out-turn for the Housing Revenue Account (Appendix B and Section 4 of the report);</li><li>3. note that where pressures exist Directors are required to identify and implement the necessary action plans to alleviate these budget pressures to ensure that the necessary balanced budget for the Council is achieved by year end (section 3 of the report);</li></ol>	

**Reason**

As a matter of good financial practise, the Executive should be regularly updated with the position on the Council's budget.

**Implications:****Financial:**

The overall revenue budget for July 2008 is indicating early budget pressures across four of the Council's service departments totalling £6.7million. Where pressures exist Directors are required to identify and implement the necessary action plans to alleviate these pressures. The working capital programme is now reported at £101.7 million.

**Legal:**

There are no legal implications regarding this report.

**Risk Management:**

The risk to the Council is that budgets are overspent and that this reduces the Council's overall resource position. Where there is an indication that a budget may overspend by the year end the relevant Director will be required to review the Departmental budget position to achieve a balanced position by the year end. This may involve the need to produce a formal action plan to ensure delivery of this position for approval and monitoring by the Resource Monitoring Panel and the Executive.

Similarly, if there are underspends this may mean a lower level of service or capital investment not being fully delivered. Specific procedures and sanctions are in place through the Resource Monitoring Panels, Capital Programme Management Office (CPMO), Corporate Management Team and the Executive.

**Social Inclusion and Diversity:**

As this report does not concern a new or revised policy there are no specific adverse impacts insofar as this report is concerned.

**Crime and Disorder:**

There are no specific implications insofar as this report is concerned.

**Options Appraisal:**

There are no specific implications insofar as this report is concerned.

<b>Contact Officer</b> Joe Chesterton	<b>Title:</b> Divisional Director - Corporate Finance	<b>Contact Details:</b> Tel:020 8227 2932 E-mail: joe.chesterton@lbbd.gov.uk
Lee Russell	Group Manager - Resources & Budgeting	Tel: 020 8227 2966 E-mail: lee.russell@lbbd.gov.uk

## 1. Introduction and Background

- 1.1 It is important that the Council regularly monitors its revenue and capital budgets to ensure good financial management. It is now practise within the Council for this monitoring to occur on a regular monthly basis, which helps members to be constantly updated on the Council's overall financial position and to enable the Executive to make relevant decisions as necessary on the direction of both the revenue and capital budgets.
- 1.2 The report is based upon the core information contained in the Oracle general ledger system supplemented by detailed examinations of budgets between the budget holders and the relevant Finance teams to take account of commitments and projected end of year positions. In addition, for capital monitoring there is the extensive work carried out by the Capital Programme Management Office (CPMO).
- 1.3 The monthly Resource Monitoring Panels, chaired by the lead member for finance, and attended by Directors and Heads of Service, monitors the detail of individual departments' revenue and capital budgets alongside relevant performance data and this also enhances and forms the basis of this report.

## 2. Current Position

### 2.1 Overview for Revenue Budget

- 2.1.1 The current forecast across the Council in respect of its revenue budget has identified that four departments are projecting in-year pressures amounting to £6.7 million as detailed below:

	<u>£'000</u>
Adult & Community Services	750
Children's Services	4,535
Customer Services	843
Regeneration	<u>591</u>
<b>Total</b>	<b><u>6,718</u></b>

The largest pressure is within the Children's Services department where significant budget pressures continue to arise from Looked after Children Placements, and in meeting the Councils' Leaving Care responsibilities. On the basis of existing commitments and projections to the end of the financial year, the forecast overspend in this area is £4.5million.

- 2.1.2 Details of each Department's current financial position are provided in Section 3 of this report. In those areas where budget pressures have been highlighted, continual work is being undertaken by Corporate Directors and their management teams to ensure a balanced budget is produced for the year end. To this end, Corporate Directors are beginning to identify action plans to address and rectify these pressure areas and these plans will be actively monitored by the various Resource Monitoring Panels.

### **3. Service Position**

#### **3.1 General**

3.1.1 Details of each Department's current financial position and the work being undertaken by Corporate Directors and their management teams, to ensure a balanced budget is produced for the year end, are provided in this section of the report.

#### **3.2 Adult and Community Services Department**

3.2.1 The department is currently projecting a £750k overspend position, which reflects a £150k reduction from the June position as a result of management actions taken in the last month.

However, it is clear that there are some issues and pressures facing the Department at this time, but the Executive is reminded that the Department and its Management Team have a track record of dealing with issues and pressures throughout the year to deliver a balanced budget. The current projected overspend of £750k is primarily as a result of delays in the Older Persons Home Care Modernisation programme and the anticipated 2008/09 savings taken from the base budget.

3.2.2 The department's 2008/09 budget reflects a total of £3.35million of savings which includes the outstanding £900k of savings from last years Older Persons Modernisation Programme in the Home Support Service.

The Corporate Director and the management team have implemented several actions to ensure a balanced budget is produced for the year end. These include reduction in the use of agency staff and vacancy management, tighter demand management of care budgets, exploration of partnering opportunities and utilisation of grants for existing services.

#### **3.2.3 Adult Care Services**

This service area is primarily Older Persons Residential and Home support provided by the councils remaining in-house services, and also includes the Passenger Transport Service. The net budget for this area is £7.1million. The budget pressures of £750k are being experienced in this area mainly due to the savings issues regarding the Older Persons Modernisation Programme and also some pressures within the Passenger Transport Service.

#### **3.2.4 Adult Commissioning Services**

This service area represents the Social Work and Care Management budgets in the department, together with services commissioned from the Independent and Private Sector. Service areas include Older Persons, Physical Disability, Learning Disability and Mental Health. The net budget for the area is £44.5million and is by far the largest area (70%) in cash terms in the department. The department has set itself some challenging targets in this area particularly around procurement and commissioning gains/savings. Interface issues with the local Hospitals and the PCT regarding Delayed Transfers of Care are acute in this area, and are carefully managed.

The Executive will recall pressures in previous years' regarding external care packages in this area that led to a review of the FACS eligibility criteria. It is envisaged that robust monitoring and gate-keeping will again be required in this area to contain demand within budgets in 2008/09.

### **3.2.5 Community Safety and Preventive Services**

This service area includes CCTV, Community Safety & Parks Police, Substance Misuse, Neighbourhood Management and the Youth Offending Team. The total net budgets are in the region of £4million for this area. Minor pressures are being experienced in the Community Safety area at present.

### **3.2.6 Community Services and Libraries**

This service area covers Heritage and Libraries, the Lifelong Learning Centre, Community Development and Halls, Community Cohesion and Equalities and Diversity. Net budgets are in the region of £7.7million and currently the budgets in this area are cost neutral.

### **3.2.7 Other Services, Central Budgets, Recharges, and Government Grants**

The Adult and Community Services Department receive specific government grants, and incur recharges for departmental and divisional support. All specific grants will be used in support of existing service areas. Central budgets and recharges within the department are on target.

## **3.3 Children's Services Department**

3.3.1 It is clear that the budget pressures experienced in 2007/08 from Looked after Children Placements and in meeting the Councils' Leaving Care responsibilities are continuing into 2008/09. On the basis of existing commitments and assessing the future profile for each of the 343 looked after children, the forecast is for an overspend on these budgets of £4.5m which is lower than the June forecast of £5.1m.

3.3.2 Elsewhere within Children's Services it is estimated that spending can be contained within budget. There are nonetheless a number of significant and potential variances that may partly offset each other, but the department is confident that in-year management action will contain all of those pressures. These actions include maximising grant funding, vacancy management, reviewing internal spend targets and pursuing third party income.

### **3.3.3 Schools**

The carry-forward revenue balances for schools were £6million at 31<sup>st</sup> March 2008. All schools with balances are being asked to demonstrate why they are holding balances, with the Scheme for Financing Schools allowing for clawback where schools have no plans for balances in excess of DCSF thresholds, which are 8% for primary and special schools, and 5% for secondary schools. All schools with deficits are required to have a recovery plan.

### **3.3.4 Quality and School Improvement**

The Quality and School Improvement budget is projected to overspend by £504k due to pressures relating to transport (£400k), Castle Green (£150k) and Morline House (£100k), which are partially offset by savings from vacancies in the school inspection and Assets areas.

In addition, the division will maximize the use of grants to assist with the departmental financial position.

### **3.3.5 Shared Services and Engagement**

Much of the work of the Shared Services and Engagement division is either funded from SureStart Grant or from the Dedicated Schools Grant (DSG), with only around £1million funded from the General Fund. This division has some savings targets to deliver, as well as absorbing some of the Integrated Family Services work from a now disbanded division. There are not anticipated to be any major variances at this stage.

### **3.3.6 Safeguarding and Rights**

The main budget issue for the Safeguarding & Rights service is that of the cost of Looked After Children placements and Leaving Care costs. On the basis of existing commitments and an assessment of the future profile for each of the 343 looked after children, the current forecast is for an overspend on these budgets of £4.5million.

The main reasons for this projected overspend include:

- Change in demographics – highest number of 0-18s;
- Significant improvements in the life chances of children in care;
- Complexity of cases with multiple presenting issues;
- A high number of children in need cases open to Safeguarding & Rights;
- Significant improvements in fostering service – judgment of ‘outstanding’ in January 2008 OFSTED inspection – including:
  - Not placing over approved numbers
  - Improved matching
- Deregistration of some foster carers;
- No recourse to public funds cases & new arrivals to LBBB;
- Lack of sufficient ‘edge of care’ projects to prevent admissions into care;
- Contact, transport and legal costs.

Extensive work has been done in analysing the activity that is producing these costs, with a view to identifying financial forecasts that are more sensitive to the care plans for individual children, taking account of future demand, but also to assess the likely effectiveness of any measures to prevent children having to go into care or to keep costs reasonable when this is not avoidable.

### **3.3.7 Children’s Policy Trust and Commissioning**

At present, there are concerns about cost pressures being experienced by the catering service, whose costs are predominantly charged to the Dedicated Schools Grant. The division has no pressures contributing to the General Fund position, but is maximizing the use of grants and is planning to keep vacancies across the division which may result in an underspend of £150k to assist with the departmental financial position.

### **3.3.8 Other**

Most of the costs here are for capital charges, on-going pension costs, central recharges and the costs of the Director of Children’s Services. It is not anticipated that there will be an underspend in this area which will contribute to the departmental financial position.

### 3.4 **Customer Services Department**

3.4.1 The current review and forecast of the 2008/09 revenue budgets for the Customer Services Department has highlighted some areas of pressures which may result in an overspend of £843k. The Management Team are identifying management actions to ensure actual spend for the year stays within the budget allocation.

#### 3.4.2 **Environmental and Enforcement Services**

The Environmental and Enforcement Section is projected to overspend by £350k mainly due to the loss of income within the Refuse Collection service and pressures in the Off Street Parking service.

The loss of income within the Refuse Collection service has arisen from a number of clients cancelling collection contracts because of increased charges imposed from April 2008. A review of this Service is being undertaken to mitigate this reduction and the outcome will feed into future budget monitoring reports. In terms of the Off Street Parking service this is experiencing increased costs required to generate its income targets.

The Fleet service is undergoing a review of its budgets to minimise the risk of overspending this year. This is particularly relevant as the service is undergoing a procurement process to replace the existing high maintenance fleet. The procurement process was expected to be completed in October 2008, however this has been delayed and completion is now planned for December 2008.

The division's financial resources are often overstretched due to the need to employ temporary staff to cover vacant posts to maintain regular high quality services. Whilst this pressure will continue throughout the year, robust budgetary control should enable management to contain these pressures within existing budgets.

#### 3.4.3 **General Housing**

The Council has a statutory duty to provide temporary accommodation to vulnerable clients and by the nature of the service is subject to fluctuating costs that are associated with a demand led service. A recent Government initiative to reduce the use of Temporary Accommodation by 2010 is embedded in the Departments Homelessness Strategy, however this is contingent on socio-economic factors that are outside the control of the Council and as such emphasise the need for management to maintain financial discipline through rigorous budgetary control.

The current review of the budget indicates an overspend of £402k which is due mainly to increased staff and supplies costs and additional bad debt provision. The Housing Management Team is currently working on action plans to ensure that the total spend for the financial year stays within the budget.

#### 3.4.4 **Barking & Dagenham Direct**

The Service is projected to overspend by £31k mainly in the Emergency Out of Hours Service, One Stop Shops and Contact Centre due to increasing use of agency staff to cover vacant posts. Actions are continuing to be undertaken in August to manage the use of agency staff and this should lead to further reductions in the projected overspend reported in subsequent months. The Management Team is currently discussing a transformation plan for the service which will realign service delivery to contain spends within the allocated budgets and effectively address any budget shortfall.

### 3.4.5 **Customer Strategy**

This service is projecting a small overspend of £60k mainly in employee expenses. However, robust budgetary control should enable management to contain these pressures within existing budgets.

## 3.5 **Regeneration Department**

3.5.1 The July forecast for 2008/09 for the Regeneration Department is a projected overspend by £591k. This overspend is mainly due to shortfalls in income particularly in respect of rental of commercial properties, transaction fees, land charges income and LSC funding. These overspends are being partly being offset by holding vacant posts and tight controls on expenditure in order to assist with the departmental financial position.

The current key issues for the department are:

- the creation of the Capital Programme Unit which, by drawing in staff and budgets from across the council, will require a re-structuring and the identification of savings;
- provision of free swims for under-18s – working in partnership with the PCT;
- delivery of the land disposal programme to support the capital programme and generate budgeted revenue income from transaction fees.

The management team has implemented a number of action plans to control expenditure including controls over both staff recruitment and supplies and services.

### 3.5.2 **Directorate and PPP**

The current projection is for an underspend of £157k mainly from holding posts vacant in order to assist with the departmental financial position.

### 3.5.3 **Housing Strategy & Property**

The main pressure for this division relates to potential delays in the delivery of the land disposal programme which will result in a loss of budgeted income in respect of transaction fees. Other pressures include the loss of commercial rental income due to the economic slowdown and changes in Government regulations on payments for NNDR on empty properties. The current projection indicates potential overspend of £671k.

### 3.5.4 **Spatial Regeneration**

The current projection is a small overspend of £33k. The main pressure in this area is on income generation in the Local Land Charge service as a result of the slow down in the housing market (£150k). The division has identified some additional income which will generate compensating savings if £120k.

### 3.5.5 **Leisure, Arts and Olympics**

The current projection is for a small underspend of £30k.

Potential service issues in the near future include:

- Finalisation of the Leisure Centre Value for Money review scheduled for June 2008;
- Introduction of free swimming for under 18's in partnership with PCT in September;
- Broadway Theatre – potential financial risk to the council in relation to finalisation of access and usage arrangements for Barking College which are not able to be quantified at this stage.



### 3.5.6 **Skills, Learning & Enterprise**

The main financial pressure in the division relates to a shortfall of income in relation to LSC funding and other unbudgeted operational costs resulting in an overspend of £169k.

### 3.5.7 **Asset Strategy & Capital Delivery**

The current projection is for an underspend of £97k mainly due to staff vacancies. Potential service issues for the near future are around the delivery of the Capital Programme Unit. This involves the drawing together of significant numbers of staff and budgets from across the council to create a re-shaped structure to delivery both a more effective service and significant savings. Value for Money will form an integrated part of the process of creating the new function.

## 3.6 **Resources Department**

3.6.1 The Department has identified some pressures which may result in an overspend. These include the continuing costs associated with the implementation of Single Status due to the Trade Union requests for reviewed job evaluations and costs associated with preparation for the "Investors in People" assessment. In addition, the Department is also experiencing a cost pressure in relation to its contribution towards various corporate initiatives.

The departmental management team are currently in the process of identifying alternative funding sources which may include contribution from other Departments and examining ways of funding these additional costs from existing budgets. Overall the Department is confident that it will produce a balanced budget by the end of the financial year through disciplined and robust financial management combined with timely and effective management decisions.

### 3.6.2 **Policy, Performance, Partnerships & Communications**

The current projection is for a balanced budget. The main pressures currently identified within the division relate to reduced levels of income in relation to the cessation of Standards Fund grant for the Corporate Web Team (£31k) and a reduction in the amount of income received for filming at locations within the Borough (£10K). These shortfalls can, however, be funded in 2008/09 from existing budgets as there are currently a number of vacant posts.

### 3.6.3 **Legal & Democratic Services**

There are currently no indications of any significant pressures which cannot be contained within the service budgets.

### 3.6.4 **Corporate & Strategic Finance**

There are currently a significant number of vacant posts within the division for which a number of agency staff has been approved to ensure that the service continues to deliver its statutory functions. A major recruitment process took place in June 2008 to fill a number of these positions, however a number of these posts were unable to be filled owing to the lack of suitable candidates. The division is currently reviewing how to attract suitable applicants into the organisation. In the meantime the division has to rely on the use of agency staff which may result in a pressure on its budgets. Managers have implemented tight controls on hours worked by agency staff and will continue to monitor the staff levels in order to ensure that costs are contained within existing budgets.

### 3.6.5 **ICT & e-Government**

There are currently no indications of any significant pressures which cannot be contained within the service budgets.

### 3.6.6 **Human Resources**

The Division currently has a number of cost pressures including:

- The implementation of the Council's Single Status Strategy has been successful with the process set to be fully completed by the end of July 2008. However, there is still the need for some additional work (estimated at £80k) resulting from the legal challenges from the Trade Unions in respect of the "Knowledge and Experience Allowance";
- One-off costs in respect of the Statutory Equal Pay Review and the Administrative, Technical, Professional and Clerical (ATP & C) Staff Review. The cost of this work is estimated to be in the region of £45K;
- Cost pressures of around £30K in respect of the preparation for the Authority's "Investors in People (IIP)" assessment planned for October 2008.

The departmental management team are currently in the process of identifying the necessary funding sources to finance these costs.

### 3.6.7 **Interest on Balances**

The current position on interest from investments is that these are performing to the budget target. A proportion of the Council's investments continues to be managed by two external investment managers, and the Council's Treasury Management Strategy has once again set stretching targets for these managers in 2008/09 which are being closely monitored by the Corporate Finance Division. An element of these investments may require the use of investment instruments such as gilts to be used which require tactical trades to be undertaken. Inevitably there are risks and rewards with the use of such investment instruments, and whilst the Council needs to continue to review the manager's performance it also needs to be aware that these potential risks/rewards do exist.

The position of interest on balances is also affected during the year by both performance and actual spend on the Capital Programme and the delivery of the Council's disposals programme. Any positive position arising in these areas may allow Council balances to increase, however, at the same time any weakening of this position may lead to reductions in investment income.

### 3.6.8 **Corporate Management**

There are currently no immediate issues identified within Corporate Management and it is projected that this budget will break even by the end of the financial year.

## 4. **Housing Revenue Account (HRA)**

- 4.1 The Housing Revenue Account balances in 2008/09 are forecast to reduce by £390k due to the revenue contribution of £255k towards the Housing Modernisation Programme (Capital) and other net overspends of £135k. This revised projection compares to an original budgeted reduction of £255k.

## Projected HRA Working Balance

Description	£000
Working Balance – 1 <sup>st</sup> April 2008	3,449
Projected Surplus / (Deficit) Balance 2008/09	(390)
<b>Projected Working Balance – 31<sup>st</sup> March 2009</b>	<b>3,059</b>

- 4.2 The income due from HRA tenants in respect of Housing Rents and service charges are currently forecast to overachieve by £473k, which is due to a lower than budgeted Right to Buy (RTB) sales in 2008/09.
- 4.3 Supervision and management costs are projected to overspend by £608k due to increased energy costs of £390k, increased premises costs of £60k, increased agency costs of £58k and increased estate management costs of £100k. Proactive budget management has helped to identify potential budget pressures earlier and will enable budget holders/service managers to take corrective actions to contain these pressures within existing resources.
- 4.4 RTB sales were estimated to be 200 in 2008/09 which would generate capital receipts of £17.6million. The current projection for RTB sales has reduced significantly in light of the economic downturn faced by consumers to 100 sales. This is estimated to generate capital receipts of £9.1million, equalling a projected shortfall in capital receipts of £8.5million. The revised projection will impact on the available capital receipts to the Council for investment in capital projects, reducing the retained capital receipts from a budgeted £4.4million to a projected £2.3million.

## 5. Capital Programme

- 5.1 As at the end of July, the working budget on the capital programme had increased to £101.7m against an original budget of £65.0m. Since the original budget was set, the programme has been updated for approved roll-overs from 2007/08 and a number of new schemes for 2008/09.
- 5.2 These new schemes fall into two categories:
- (a) Provisional schemes from the 2008/09 budget report that have now been successfully appraised by the Capital Programme Monitoring Office (CPMO); and
  - (b) Schemes which have attracted additional external funding, and whose budgets have been increased accordingly.
- 5.3 Whilst the current projection is that total spend will be broadly in line with the budget by the year end (current projected expenditure is £98.9m), it is vitally important that projects and budgets are subject to robust scrutiny to ensure that timetables and milestones can be adhered to, and that budgets are realistic. As a result, Directors and sponsors, with support from corporate finance and CPMO, are currently carrying on this work which will include reviewing the delivery of individual capital schemes to ensure maximum spend is achieved by the year end.

5.4 The completion of capital projects on time and on budget not only supports the Council's drive to excellence through its Use of Resources score, but will also ensure that the benefits arising from our capital projects are realised for the community as a whole.

**6. Consultees**

6.1 The members and officers consulted on this report are:

Councillor Bramley  
Corporate Management Team  
Group Managers – Corporate Finance  
Capital Programme management Office (CPMO)

**Background Papers Used in the Preparation of the Report:**

- Oracle reports
- CPMO reports