

## BUDGET MONITORING REPORT 2018/19 PERIOD 03 (JUNE)

### 1. CHIEF FINANCE OFFICER SUMMARY

- 1.1. The 2018/19 period three revenue monitor is the first full report of the financial year. It reports on the forecast year end variances in excess of £0.100m at activity level in relation to controllable budgets.
- 1.2. After removing other non-controllable budgets (internal recharges, capital financing charges & adjustments under statute) the net controllable revenue budget at period three is £151.608m and the forecast outturn position for service directorates and oneSource is £155.007m, resulting in a forecast overspend of £3.399m (2.24%). An unfavourable movement of £1.168m from period two outturn variance.
- 1.3. The table below shows the net direct expenditure (service costs) budgets, forecast outturn and variances. A full detailed summary is attached at **Appendix A**.

Table 1

Directorate	Original Budget	Revised Budget	Actuals & Encumbrances	Forecast Outturn	Forecast Outturn Variance		Previous Forecast Outturn Variance	Change in Forecast Outturn Variance
	£m	£m	£m	£m	£m	%	£m	£m
Public Health	(1.981)	(1.981)	(1.974)	(1.981)	0.000	0.00	0.000	0.000
Children's Services	36.264	37.487	9.017	39.224	1.736	4.63	0.988	0.749
Adult Services	50.274	55.466	11.406	55.466	0.000	0.00	0.000	0.000
Neighbourhoods	14.338	11.618	4.126	12.864	1.247	10.73	1.355	(0.108)
oneSource Non-Shared	1.638	17.137	13.123	17.521	0.383	2.24	0.254	0.129
Chief Operating Officer	5.549	8.513	4.184	8.545	0.032	0.38	(0.367)	0.399
SLT	1.321	1.335	0.470	1.335	0.000	0.00	0.000	0.000
oneSource shared	15.108	0.846	(12.199)	0.846	0.000	0.00	0.000	0.000
<b>Service Total</b>	<b>122.511</b>	<b>130.421</b>	<b>28.153</b>	<b>133.820</b>	<b>3.399</b>	<b>2.61</b>	<b>2.230</b>	<b>1.168</b>
Corporate Budget	29.724	20.187	9.346	20.187	0.000	0.00	0.000	0.000
Contingency	1.000	1.000	0.000	1.000	0.000	0.00	0.000	0.000
<b>Net Controllable Budget</b>	<b>153.235</b>	<b>151.608</b>	<b>37.499</b>	<b>155.007</b>	<b>3.399</b>	<b>2.24</b>	<b>2.230</b>	<b>1.168</b>

- 1.4. The variance on service directorate expenditure is £3.399m overspend. The paragraphs 1.5 – 2.0 below go into more detail on the variances.
- 1.5. The period three forecast year end position for **Neighbourhoods** is an overspend of £1.247m due to a combination of unachieved savings and increased costs across the service, this is an improved position of £0.108m from last month due to the inclusion of Registrars and Bereavement services.

In period three the Regeneration & Economic Development service is being reported under Neighbourhoods, it is anticipated period four will see the separation and subsequent reduction in the forecast overspend within Neighbourhoods. In addition Community Safety Service due to transfer into Neighbourhoods 2018/19 is being reported under Chief Operating Officer.

Regeneration - There are budget pressures of £0.196m showing a positive movement from period two of £0.164m, these are:

- £0.196m Rainham and Beam Park Joint venture (JV) majority of which relates to £0.106m of professional fees which cannot be recovered against the JV agreement. Further increased by a £0.050m underachievement of income due to slippage in the JV programme, and £0.040m professional costs relating to financial support for Bridge Close.
- There is also an increased confidence in utilising income from JV's in order to mitigate an overspend on staffing, reported in period 2 as £0.109m

Environment – This service shows a budget pressure of £0.103m an increased overspend from period two of £0.015m: The current budget position is outlined below.

- £0.050m one off pressure linked to initiatives to rectify the impacts of environmental crime.
- £0.021m Increased Mortuary charges – mitigating actions to be developed and reported in period four
- £0.032m Increased in year highway maintenance costs as a result of harsh winter weather conditions.

Development Planning and Business Support - There are budget pressures of £0.281m (an increased pressure of £0.156m from the period two forecast) as follows:

- £0.183m relates to currently unfunded works associated with the Local Plan, CIL and LIP3 (Mayors Transport Strategy). The forthcoming planning review aims to address the shortfall, through increased planning income which will need to be monitored closely throughout the year. The Service recognises further provision will be required in the base budget to meet the ever increasing demands.
- £0.102m relating to increased Legal costs of £0.169m which are partially mitigated by over achievement of planning income of c £0.067m.

Registrars and Bereavement – Period three shows a reduction in the forecast from a balanced position at period two to £0.116m underspend at period three. The current budget position is outlined below

- £0.120m one off pressure as a result of 2017/18 utility charges being posted in 2018/19.
- £0.104m staffing pressure following additional payments claimed and appeals upheld as part of the T&Cs implementation.
- Overall at period three on track to deliver savings allocated and still achieve an underspend c£0.340m but requires close monitoring as income is sales driven.

Housing - There continues to be ongoing budget pressures of £0.783m as outlined below:

£0.585m of undelivered savings as a result of the £0.340m Garages proposal of which the option originally proposed is no longer being progressed and staffing recharges from the General Fund to HRA, where only £0.065m of £0.310m is being achieved.

£0.198m for prevention options being used to avoid homeless acceptances (Find Your Own Scheme).

An audit of the c900 Private Sector Leased cases to reduce demand and costs wherever possible continues including Stock transfer options in an attempt to offset the ongoing homelessness pressures on the general fund.

Current homelessness households presenting are estimated to increase by 1,200 from 1,600 (2017/18) to 2,800 by March 2019, with those in long term temporary accommodation increasing by a net c400 to 1,576 households. The continued growth in households presenting will lead to increased spend to be reported in period four, estimated £0.800m.

- 1.6. The **oneSource Non-Shared** budget is forecasting an overspend of £0.383m, this is an increase of £0.129m against the period two forecast. The increased overspend position within non-shared, is as a result of;

Exchequer services are reporting an overspend position of £0.050m, due to the pressure as a result of historic debt within the bailiff team relating to Havering Council Tax cases, which will be transferred to non-shared during 2018-19.

The ongoing pressure continues to be reported within Property and Land Holdings due to the shortfall of income projected within Romford Market £0.255m and the unachievable income target for the abandoned land restoration scheme £0.096m. However these pressures are being part mitigated by the underspend within commercial property of (£0.247m).

Further overspends in Asset Managements are as a result of savings allocated (£0.247m) as part of the original oneSource business case within Technical Services and in line with CIPFA guidance the level of recharges to capital has reduced from previous years. The pressure from reduced recharges has been part funded by growth funding in 2018-19, however further work is on-going to look at how to recover the position.

- 1.7. The outturn position for **oneSource shared** being report for period three is breakeven, as in 2018-19, the overall oneSource surplus/deficit will be transferred to or from each of the partner authority's oneSource reserve based on the agreed cost share.

The oneSource reserve is mitigating pressures of £0.663m across the directorate, the pressures being reported include;

The restructure within property services, is not due to make any savings due to the work levels within Property Services and as result the saving target held in line with the oneSource business case of £0.171m will not be achieved.

Pressures are being reported in finance of £0.235m, as a result of additional

resources being required. Corporate funding will be submitted to mitigate the pressure.

Due to the recruitment of vacant posts within Health and Safety, the underspend of £0.086m, has been removed to leave a balanced forecasted position.

- 1.8. The **Public Health** directorate is forecasting a balanced position at year end.
- 1.9. There has been no movement in the **Adult Social Care** directorate forecast outturn variance; it continues to show a balanced position, however there are a number of underlying pressures to consider;
- There is underlying demand pressures within the Adults with Learning Disabilities activity from a combination of increased demand from Clients being discharged into the community as a consequence of the NHSE Transforming Care Programme (resulting in additional pressure of £0.190m) and also new referrals to the service from transitioning cases.
  - Although demand projections for Older People is stable, there is an underlying increase in individual service user costs following reviews and requests for increase in support due to change in needs.
  - Additionally, uplifts in rates to providers has also contributed to the underlying pressure -
    - both Residential and Nursing resulted in additional £0.355m costs, and
    - within home care, the additional cost from the uplift is projected at £0.278m

Despite the nil variance reported for the current period, there is an underlying pressure of approximately £2.500m which is being mitigated by the use of one-off balances currently held within the Business Risk reserve. Providers for Adults with Learning Disabilities are also seeking uplifts to their rates, these are currently being reviewed on a case by case basis and the service is ensuring any requests granted are fully justified.

Although approximately £2.400m of the service £3.311m 2018/19 savings are currently delivered, the expectation is for the remainder to be delivered by year end. Additional work is ongoing to re-profile or repurpose the remaining items to areas within the service offering the best opportunity, thus maximising the chance of achieving the targets.

- 1.10. The month three reported position for **Children's Directorate** is an overspend of £1.736m, representing a £0.746m adverse movement from period two, with the main areas of pressure continuing to be staffing budgets in social care and placement costs primarily for looked after children and children with disabilities. The movements are net of the impact of distributing approximately £3.000m growth across areas with underlying pressure.

The main changes since last month include those in Children's Services, where forecast over-spends have increased by £0.923m to £0.746m, primarily due to the transfer of £1.000m growth budget to the Learning and Achievement Service. The underlying forecast has not materially changed from the previous period. The £0.746m relates primarily to staffing pressure as a result of the continuing need for agency cover within the Intervention and Support Service (ISS), allowing the service to continue to deliver its statutory obligations.

Within Learning and Achievement, the position has improved by (£0.197m), of which (£1.000m) relates to additional budget transfer reflecting the share of growth awarded to the Directorate for the year. However, additional cost pressure from increased number of children with disabilities at high cost has materially negated the positive impact of the increased budget. The projected overspend at period three is £0.832m, which is attributable to a number of new cases resulting in increased pressure within placements, Direct Payments and access to Short Breaks. The increased complexity of cases has also resulted in increased costs for transport.

The Safeguarding Service position is a £0.022m adverse position from period two, with an overspend of £0.158m now expected. The underlying overspend is primarily due to additional demand for independent reviewing and quality assurance of child protection, looked after and children in need plan, which is beyond the capacity of the current establishment.

There continues to be risks and opportunities contained within the projections that need to be clarified at the earliest opportunity, a recovery plan needs to be developed and should now include proposals for both previous and current years' underlying pressures.

- 1.11. The overall variance in the **Chief Operating Officer** portfolio at period three is £0.032m, an increase of £0.399m from period two. The majority of this change relates to the transfer of Registrars and Bereavement Services to Neighbourhoods (£303k underspent at period two). The current variance relates to efficiency savings within Communications that have been paused following the recent Star Chamber session, £0.130m. There is also a forecasted pressure of £0.040m within the Library service due to unachieved income in relation to the portacabin at South Hornchurch Library.

These pressures are being offset in part, from a (£0.134m) forecasted underspend within the Policy and Performance Service which relates to various posts that are being held vacant pending restructure implementation. There are also minor underspends across the portfolio totalling (£0.004m).

## **2. NEW WAYS OF ACCOUNTING FOR ONESOURCE**

- 2.1 The new way of accounting for oneSource as agreed by the three Section 151 officers in Havering, Newham and Bexley, OMT and the oneSource Joint Committee, went live for period three. The new way of accounting reflects a commissioner/provider approach, which considers a business like method to financial management.
- 2.2 The effect of the change will continue to see all actual spend incurred on the oneSource shared cost centres in each authority, however no budget will remain on them. Budget will be moved from these cost centres in each authority to a new oneSource Commissioned service which will sit outside of oneSource, managed by the Section 151 in each authority.
- 2.3 As a result, funding for oneSource will now be shown as income received from the commissioned service. Variations to any of the agreed oneSource services will require a signed contract variation to be completed, before any adjustment will take place on the shared or commissioned cost centres.

- 2.4 It should be noted with the commencement of the new way of accounting the oneSource commissioned service should be sitting within the Chief Operating Officer directorate, however for period three the service is shown within oneSource non-shared. This will be adjusted for period four, however as a result the Budget, actual and forecast within oneSource non-shared has increased by the contract commissioned cost of £14.510m.

### 3. IN YEAR MONITORING OF MTFS SAVINGS IN CP

- 3.1. As part of the on-going budget monitoring process there is an additional requirement to provide quarterly online updates on the progress of the current MTFS Savings Plans.

For the period three revenue monitor the level of unachievable savings to 2022-23 reported by Services on the online forecasting system, amounted to £1.715m. This figure is made up of £0.615m undelivered savings from 2018-19, £1.100m forecast for 2019-20 to 2022-23. Services are required to identify alternative options for delivering the £1.665m unachieved savings from 2018/19 and future years, if considered a permanent shortfall.

- 3.2. Below is the exception reporting summary for period three. A schedule of variances with management action narrative is attached at **Appendix B**. It shows the level of savings that are currently forecasting a variance against their targets at service directorate level. This may be in relation to either permanent shortfalls, or temporary ones caused by delays in implementing plans (i.e. slippage).

### SAVINGS TRACKER PERIOD THREE 2018-19

SAVINGS		Variance					Total Variance
		2018/19	2019/20	2020/21	2021/22	2022/23	
		£m	£m	£m	£m	£m	
<b>A4000B Childrens</b>							
CH2	Revised delivery model for the Business Support Service	0.150					0.150
CH9	Charging model for children accommodated under Section 20 of the Children's Act 1989	0.050					0.050
	<b>TOTAL</b>	<b>0.200</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.200</b>
<b>A4600B Adults</b>							
AS10	Intermediate care tier, including Discharge to Assess	0.125					0.125
AS11 AS12	Managed Transitions from Children Social Care into Adults	0.100					0.100
	<b>TOTAL</b>	<b>0.225</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.225</b>

<b>A5000B Neighbourhoods</b>							
SC7	Waste Minimisation (3 sacks plus recycling)			0.500	0.500		1.000
R1S10	Income - Regeneration Projects	0.050	0.000	0.000	0.000	0.000	0.050
HH6	HRA Transfer - Transfer HRA Garages to GF	0.090					0.090
	<b>TOTAL</b>	<b>0.140</b>	<b>0.000</b>	<b>0.500</b>	<b>0.500</b>	<b>0.000</b>	<b>1.140</b>
<b>A8000B oneSource Non Shared</b>							
ONE1	Wireless and mobile infrastructure	0.050	0.100				0.150
ONE5	Spans and Layers						0.000
ONE7	Business Support						0.000
	<b>TOTAL</b>	<b>0.050</b>	<b>0.100</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.150</b>
<b>TOTAL</b>		<b>0.615</b>	<b>0.100</b>	<b>0.500</b>	<b>0.500</b>	<b>0.000</b>	<b>1.715</b>

## STAFF CONTACTS

**Andrew Blake-Herbert**  
**Chief Executive**

01708 432201

**Jane West**  
**Chief Operating Officer**  
**Section 151 Officer**

01708 431994

**Steve Moore**  
**Director of Neighbourhoods**

01708 433198

**Barbara Nicholls**  
**Director Adult Services**

01708 433069

**Tim Aldridge**  
**Director Children's Services (including Learning & Achievement)**

01708 434030

**Sean Harriss**  
**Chief Executive Officer - oneSource**

01708 434152

## Summary Controllable Revenue Budget Monitoring Period 3

		FULL YEAR REVISED BUDGET	TOTAL ACTUALS AND ENCUMB RANCES	FULL YEAR PROJECTED OUTTURN VARIANCE PERIOD 2	FULL YEAR PROJECTED OUTTURN VARIANCE PERIOD 3	DIFFERENCE IN VARIANCE SINCE LAST REPORTED
A0000A	Total	151,608,048	37,498,906	2,230,385	3,398,855	1,168,470
A3000B	Public Health	(1,981,180)	(1,974,384)	0	0	0
A3100C	Public Health	(1,981,180)	(1,974,384)	0	0	0
A4000B	Childrens	37,487,257	9,016,560	987,830	1,736,436	748,606
A4100C	Learning & Achievement	7,949,331	3,465,925	1,028,945	832,261	(196,684)
A4200C	Childrens Services	28,343,972	5,250,147	(176,342)	746,378	922,719
A4250C	Safeguarding - Quality and Assurance	1,193,954	300,487	135,226	157,797	22,571
A4600B	Adults	55,465,890	11,405,847	(0)	(0)	(0)
A4600C	Adult Services	55,465,890	11,405,847	(0)	(0)	(0)
A5000B	Neighbourhoods	11,617,535	4,126,221	1,051,609	1,246,959	195,350
A2300C	Environment	10,525,669	1,147,210	88,452	103,183	14,731
A2350C	Registrars, Cems and Crems	(2,602,810)	129,072	(303,240)	(115,849)	187,391
A2800C	Development	284,211	1,192,446	487,966	481,632	(6,334)
A2900C	Business Support - Neighbourhoods	541,148	262,855	(2,586)	(4,544)	(1,958)
A4300C	Housing Services	2,869,317	1,394,638	781,017	782,537	1,520
A8000B	oneSource Non-Shared LBH	17,137,486	13,123,276	254,470	383,202	128,732
A5200C	Exchequer Services	(1,217,210)	(4,063,694)	0	50,640	50,640
A5350C	Business Services	1,160	0	0	(50)	(50)
A5400C	oneSource Commissioning	14,510,149	14,510,149	0	0	0
A5800C	Asset Management	1,008,483	1,007,465	254,470	386,684	132,214
A5850C	Strategic HR & OD	452,324	480,279	0	12,454	12,454
A5900C	Legal & Democratic Svs	1,568,980	631,606	0	(66,526)	(66,526)
A5950C	ICT Services	813,600	557,471	0	0	0
A9000B	Chief Operating Officer	8,512,692	4,184,419	(63,524)	32,258	95,781
A2100C	Customer and Communications	4,034,375	1,522,555	28,620	162,460	133,840
A2400C	Communications	190,910	22,449	5,494	3,754	(1,740)
A2600C	Policy & Performance	2,597,661	720,395	(97,638)	(133,955)	(36,317)
A5300C	Transformation Agenda	(110)	1,315,451	0	0	0
A3150C	Joint Commissioning Unit	1,689,856	603,568	0	(1)	(1)
A5520E	Corporate Management Team	1,335,350	470,279	0	0	0
A9001B	Section 151	21,187,221	9,345,697	0	0	0
A5500C	Corporate Financial Matters	26,329,669	13,441,314	0	0	0
A5550C	Contingency	1,000,000	0	0	0	0
A5710E	External Finance	(6,142,448)	(4,095,616)	0	0	0
A7000B	One Source Shared	845,797	(12,199,009)	0	0	0



## SAVINGS TRACKER PERIOD THREE 2018-19

SAVINGS		Variance					RAG Status	Comments
		2018/19	2019/20	2020/21	2021/22	2022/23		
		£m	£m	£m	£m	£m		
<b>A4000B</b>	<b>Childrens</b>							
CH2	Revised delivery model for the Business Support Service	0.150					0.150	Partially delivered through vacancies - the vacant posts are yet to be deleted as part of the confirmation process.
CH9	Charging model for children accommodated under Section 20 of the Children's Act 1989	0.050					0.050	This needs to go out to consultation, the timeframe for delivery is still uncertain. Alternative proposals are being considered.
	<b>TOTAL</b>	<b>0.200</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.200</b>	
<b>A4600B</b>	<b>Adults</b>							
AS10	Intermediate care tier, including Discharge to Assess	0.125					0.125	Tracking mechanism yet to be developed.
AS11 AS12	Managed Transitions from Children Social Care into Adults	0.100					0.100	Although the period 3 projections include an element of Transitions cost, the extent these reduced has not been ascertained as yet.
	<b>TOTAL</b>	<b>0.225</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.225</b>	
<b>A5000B</b>	<b>Neighbourhoods</b>							
SC7	Waste Minimisation (3 sacks plus recycling)			0.500	0.500		1.000	A reduction in the LEVY is only possible when tonnage levels are reduced, the introduction of bins would greatly impact on tonnage levels however variations to the current contract will only prove cost effective if implemented at the start of a new contract term (2020/2021) member decision required 2018/19.
R1S10	Income - Regeneration Projects	0.050	0.000	0.000	0.000	0.000	0.050	Partial saving achievable as it relates to the interest due from MLH, Slippage in 2018/19 on the saving relating to Rainham and Beam Park. The remaining portion is dependant on the accounting treatment of profit/dividends due from JV's.
HH6	HRA Transfer - Transfer HRA Garages to GF	0.090					0.090	The £0.340m saving relating to the appropriation of these assets from the HRA cannot be achieved. Conversations will be had with the new administration to agree a future strategy.
	<b>TOTAL</b>	<b>0.140</b>	<b>0.000</b>	<b>0.500</b>	<b>0.500</b>	<b>0.000</b>	<b>1.140</b>	

## SAVINGS TRACKER PERIOD THREE 2018-19

SAVINGS		Variance						Comments	
		2018/19	2019/20	2020/21	2021/22	2022/23	Total Variance		
		£m	£m	£m	£m	£m	£m		
<b>A8000B oneSource Non Shared</b>									
ONE1	Wireless and mobile infrastructure	0.050	0.100				0.150		Work is ongoing to look to generate the interest and demand for businesses to work with the authority to utilise our assets, time taken to generate a market issues may cause delays in achieving the savings.
ONE5	Spans and Layers						0.000		Review is on going within service areas to identify where organisational design principles are not followed and duplication can be removed. A clearer projection of savings will be known following the completion of the reviews - 19/20 £0.500m
ONE7	Business Support						0.000		Following on from the Spans and Layers review, there is the potential for services across the authority to look to reduce its business support and potential look to have form part of a shared resource. A clearer projection of savings will be known following the completion of the reviews - 19/20 £0.200m
	<b>TOTAL</b>	<b>0.050</b>	<b>0.100</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.150</b>		
<b>TOTAL</b>		<b>0.615</b>	<b>0.100</b>	<b>0.500</b>	<b>0.500</b>	<b>0.000</b>	<b>1.715</b>		