Havering
LONDON BOROUGH

# OVERVIEW AND SCRUTINY COMMITTEE

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| **Subject Heading:** | **Current Financial Monitoring Report 2018/2019** |
| **SLT Lead:** | **Jane West**<br>Section 151 officer |
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| **Policy context:** | This report sets the current forecast outturn position for the Council's 2018/2019 revenue budget. |

## SUMMARY

1.1. The 2018/2019 period eight revenue monitor is an exception report and makes references only to forecast year end variances in excess of £0.250m at activity level in relation to controllable budgets.

1.2. After removing non-controllable budgets (internal recharges, capital financing charges & adjustments under statute) the net controllable revenue budget at period five is £153.235m and the forecast outturn position for service directorates and oneSource is £156.022m, resulting in a forecast overspend of £2.787m (1.82%). A favourable movement of £0.812m from period seven outturn variance.

1.3. The service forecast outturn position does not include the Corporate uncommitted items listed in section 1.15, amounting to £1.881m. These items would reduce the forecast overspend to £0.906m when applied.

1.4. The table below shows the net direct expenditure (service costs) budgets, forecast outturn and variances.

**Table 1**

| Directorate | Original Budget | Revised Budget | Actuals & Encum-brances | 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) | (0.332) | (0.934) | (0.332) | 0.000 | 0.00 | 0.000 | 0.000 |
| **Children's Services** | 36.694 | 37.649 | 26.053 | 39.350 | 1.701 | 4.52 | 1.786 | (0.084) |
| **Adult Services** | 50.274 | 56.075 | 39.614 | 56.075 | 0.000 | 0.00 | 0.000 | 0.000 |
| **Neighbourhoods** | 11.754 | 11.199 | 13.976 | 11.914 | 0.715 | 6.39 | 0.745 | (0.030) |
| **Regeneration Programme Delivery** | (0.004) | (0.249) | 2.197 | (0.248) | 0.000 | (0.19) | 0.481 | (0.480) |
| **oneSource Non-Shared** | 2.424 | 2.634 | 2.498 | 3.004 | 0.370 | 14.04 | 0.724 | (0.354) |
| **Chief Operating Officer** | 7.707 | 23.635 | 24.280 | 23.576 | (0.059) | (0.25) | (0.128) | 0.069 |
| **SLT** | 1.321 | 1.540 | 1.256 | 1.598 | 0.058 | 3.76 | (0.008) | 0.066 |
| **oneSource shared** | 14.323 | 1.311 | (3.487) | 1.311 | 0.000 | 0.00 | 0.000 | 0.000 |
| **Service Total** | **122.511** | **133.461** | **105.453** | **136.248** | **2.787** | **2.09** | **3.599** | **(0.812)** |
| **Corporate Budget** | 29.724 | 18.774 | 0.676 | 18.774 | 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 |
| **Net Controllable Budget** | **153.235** | **153.235** | **106.129** | **156.022** | **2.787** | **1.82** | **3.599** | **(0.812)** |

## RECOMMENDATIONS

1.5. Members are asked to note the current position.

## REPORT DETAIL

1.6. The variance on service directorate expenditure is £2.787m overspend. The paragraphs 1.7 – 1.14 below go into more detail on the variances.

1.7. The period eight year end position for **Neighbourhoods** is forecast to overspend by £0.715m due to a combination of unachieved savings and increased costs across the service. The forecast overspend has decreased by £0.030m from period seven. Details of the forecast overspend £0.715m against budget and material movements from last month are shown in the table and paragraphs below.

| Area | Projected Variance |
|---|---|
| Environment | (£0.133m) |
| Planning | £0.303m |
| Business Support | (£0.050m) |
| Registrars and Bereavement | £0.128m |
| Housing | £0.467m |
| **Neighbourhoods Total** | **£0.715m** |

**Environment** – is reporting an underspend of £0.133m this is an improved movement of £0.127m from period seven. The forecast includes unspent grant of £0.036m, Public Realm will formally request this grant be carried forward into 2019/20 if agreed the forecast outturn underspend will reduce.

- £0.036m Remaining funding from the Higher Level Stewardship (HLS) Grant agreement runs from 01/03/2010 to 29/02/2020, any unspent funds in 2018/19 will be accompanied by the requisite carry forward request.
- £0.097m Overachievement of income Garden waste

It should be noted that parking are forecasting the absorption of £0.250m saving from yellow box junctions and £0.250m Controlled Parking Zone (CPZ) extensions both of which have been delayed in implementation. The Moving Traffic contraventions (MTC) additional income has assisted in mitigating this delay but remains a risk due to compliance uncertainty.

**Planning** – is reporting budget pressures of £0.303m the increase of £0.063m from period seven is primarily due to backfilling the of the planning manager post. See below detail of the forecast pressures:

- £0.120m relates to currently unfunded works associated with the Local Plan, CIL (Community Infrastructure Levy) 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.
- £0.035m - in year adverse legal determination costs of £0.070m have been mitigated by reducing spend in other activities. It should be noted that the total projected legal costs of £0.135m are a combination of adverse planning appeals costs; planning inquires and other legal costs relating to planning case work, this pressure is mitigated through a combination of income streams within the service.
- £0.050m associated costs for maternity and agency cover.
- £0.072m Planning control agency costs restructure delays giving rise to agency costs to maintain national standards on performance related to the determination of planning applications and appeals.
- £0.063m engagement of interim planning manager to back fill permanent post whilst post holder is acting into the Assistant Director post.

- £0.011m Unanticipated costs relating to the Public enquiry for New Road (Rainham).
- (£0.050m) Actuals at period eight suggest higher than anticipated income for planning application fees.
- 0.002m a number of minor variances across the service.

In addition, the service is preparing a bid for individual project work to support strategic planning activity; this is not factored into the forecast but the cost is estimated at £0.096m.

Adjustments have been made to reflect Planning Performance Agreements (PPA) income for 2018/19 and the associated increased staffing costs c£0.200m from the restructure. There is some risk around achieving the PPA income within 2018/19 due to a phased implementation approach; this will be closely monitored to balance income against staffing resource.

**Business Support** – are forecasting an underspend of £0.050m Following the implementation of the restructure a number of posts have been filled by Part time members of staff. If FTE coverage were to change this underspend would reduce.

**Registrars and Bereavement** – is reporting budget pressures of £0.128m the £0.152m movement from period seven is primarily due to a reduction in burial income. The forecast outturn position is detailed below:

- £0.119m one off pressure as a result of 2017/18 utility charges being posted incorrectly in 2018/19,
- £0.109m staffing pressure following additional payments claimed and appeals upheld as part of the T&Cs implementation.
- £0.095m increased equipment costs for Cemeteries and Crematorium services
- Offset by £0.215m forecast income, a decrease from period seven of £0.139m, this will be closely monitored through the rest of the year.
- £0.020m a number of minor variances across the service.

**Housing** - The forecast overspend has reduced slightly to £0.467m, from £0.485m projected at Period seven.

The Housing Demand Service is forecasting an underspend of £0.118m but this is dependent on grant funding (New Burdens and Flexible Homelessness Grants). A separate piece of work is required to understand the cost of service delivery and the structure required should the grant funding no longer be available. This piece of work will feed into the wider transformation of the Housing Service.

The Management Team have reviewed the unachievable 2018/19 savings of £0.585m and have concluded that they cannot be mitigated this year.

Current homelessness households presenting are estimated to increase by 540 from 1,979 (2017/18) to 2,519 by March 2019. This increase is being contained within the budget growth provided for 2018/19.

1.8. **Regeneration Programme Delivery** – Discussions have progressed and progress made to mitigate the budget pressures reported in period seven by the following

- £0.313m HRA recharges for work relating to the 12 Estates
- £0.068m Recharges to the JV – Bridge close,
- £0.030m MLH staff recharges
- £0.067m Reduction in other expenditure, mainly staffing.

Regeneration Programme Delivery is now reporting a break even position.

1.9. The **oneSource Non-Shared** budget is forecasting an overspend of £0.370m; this is a decrease of £0.353m against the period seven forecasted outturn position of £0.723m. The decreased overspend position within non-shared, is as a result of;

Technical and Transport reducing their overspend position from £0.341m to £0.045m, following the agreement to allocate £0.124m of funding to Transport to cover the pressures caused by the Terms and Condition Review. Within Technical Services, the previously forecasted overspend relating to unachieved historic income targets, is due to receive one off funding £0.199m to cover the shortfall.

Exchequer Services, have reduced their forecasted overspend position reported in period seven of £0.341m to £0.261m, as a result of reducing the number of write offs planned to be made this financial year.

Asset Management is forecasting an overspend of £0.042m which includes; the continued pressure of £0.303m due to the shortfall of income projected within Romford Market, and the unachievable income target for the abandoned land restoration scheme £0.096m. However these pressures are being part mitigated by an over achievement of income within commercial property of £0.327m and other adjustments accounting for £0.030m.

ICT are continuing to forecast a pressure in achieving a £0.050m saving in relation to borough wifi income generation. Whilst Democratic Services have reduced their underspend from £0.066m to £0.031m, to support the member restructure. The overall position is reduced by a number of minor adjustments totalling £0.042m.

1.10. The outturn position for **oneSource shared** continues to report a breakeven position. Following on from 2017-18, the overall oneSource surplus/deficit will continue to be transferred to or from each of the partner authority's oneSource reserve based on the agreed cost share. The pressures continuing to be reported include;

Finance have reduced their overspend position reported in period seven of £0.637m, to an overspend position of £0.317m in period eight. The decrease is as a result of procurement reducing their staffing forecast as a result a number vacancies that have continued. Insurance are forecasting an increase to the level of fees being generated for the year. The continued pressures within finance remain; resulting from the additional costs of interim resources covering a number of vacancies.

A reversal of the income budgets allocated within ICT, HR, Finance, Payroll and Health & Safety in period seven relating to the impact of small business income has been reversed. The net effect of the adjustment across shared was £0.320m.

Asset Management report an overspend of £0.295m, as Property Services continue to forecast a shortfall in fee income generated from the HRA £0.141m. A further reduction to the fee income is projected for period eight, due to a number of vacancies and pressures in the team restricting the opportunity for further fee generating work.

The remaining positions being reported across oneSource shared include; Legal forecasting an underspend of £0.080m, as a result of overachievement of income. The unfunded contract costs within Exchequer Services continues to be a pressure, however overall position has improved by £0.020m, following the reduction of staffing costs forecast within Transactional Income, reducing the overall Exchequer and Transactional position to an overspend of £0.050m.

Directors continue to work on action plans to mitigate or eliminate the overspends. It is likely that this will improve the year end position further.

1.11. The overall variance within the **Chief Operating Officer** portfolio at period eight, is an underspend of £0.059m, which is a reduction from the period seven underspend position of £0.128m.

The projected underspend has reduced this period, as a result of budget currently not allocated within Emergency Planning which is due to be transferred from Community Safety £0.042m, this will be investigated and updated accordingly for period nine.

The remaining changes are as a result of Health and Wellbeing forecasting £0.009m in relation to the Cultural Strategy fee and library services reporting an increase in overspend relating to revised salary and rent costs £0.008m and other minor adjustments accounting for the remaining £0.010m change from period seven.

The position continues to forecast the costs as agreed by SLT for the new corporate approach to public consultation and engagement, which will be met from existing underspends within Policy, Performance and Community. The underspend within Policy, Performance and Community is as a result of various short term vacancies within the service following the outcomes of the Star Chamber sessions and overall vacancy management.

1.12. The month eight reported position for the **Public Health** Directorate is a nil variance, reflecting the use of the entire £10.935m ring fenced 2018/19 Public Health grant plus drawing down £0.150m from the Public Health Reserve. The value of the brought forward balance is £1.178m and is available to fund any future Public Health expenditure.

1.13. As reported at period seven, 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 with respect to the service.

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 for 2 clients rising to £0.290m for the full year in 2019/20) 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 users' costs following reviews and requests for increase in support due to change in needs. This is helping to drive up overall activity especially within Home care compared to prior year however, the service is also experiencing increases across both Residential and Nursing placements expenditure, reflecting the increasing complexity of client needs.

In spite of the nil variance reported for the current period, there continues to be an underlying pressure of approximately £2.500m. This pressure has arisen from a combination of demand for commissioned services in the Adult Community Team and Learning Disability (LD) areas in addition to the impact of uplifts in both Home Care rates mentioned above. These pressures are being mitigated by the use of one-off balances held within the Business Risk Reserves, which are likely to be used in full in 2018/19 given the current spend trajectory.

ASC anticipates approximately £1m for winter pressures (as announced in October 2018 by Government) which will be used to scale up some key services to manage additional demand through the winter period and also to offset already built in additional activity in the winter period through until end March 2019. There have also been one significant provider failure and one withdrawal from the market this month which has caused additional pressure through the need for additional staff and additional packages being required to safeguard individuals, this also will be met from the winter pressures money.

In addition, income from the NHS in respect of Continuing Health Care (CHC) clients and increased contributions from residential placements are expected to reduce the current pressure and forecast. Providers within the Adults with Learning Disability services are also seeking uplifts to their rates, these are currently being reviewed on a case by case basis and the service is actively resisting the requests where practically possible.

Although approximately £2.611m (including £0.350m currently in amber position) of the service £3.311m 2018/19 savings are being delivered, the expectation is for the remainder to be delivered by financial year end. Work is ongoing to re-profile and/or repurpose the remaining items to areas within the service offering the best opportunity, thus maximising the chance of achieving the targets.

1.14. The month eight reported position for **Children's Directorate** is an overspend of £1.701m, representing a £0.084m improvement from the previous period. The main areas of pressure continue to be staffing budgets in social care (although this has continued to show an improvement from prior periods) and placement costs primarily for looked after children and children with disabilities, along with increasing pressures in Primary and Special Home to School transport.

The improved position in period eight is primarily due to a £0.074m reduction in Learning and Achievement where staffing and agency forecasts have fallen by £0.067m and Children with Disabilities has reduced overall by £0.026m, despite there being a £0.074m increased pressure in Short Breaks for Disabled Children in this area. The overspend for the Service is now £1.259m.

In Children's Services the forecast over-spend has increased marginally by £0.013m to £0.316m. This small net increase was the result of a number of larger compensating movements across the Service. Existing Placements £0.055m, the Emergency Duty Team contract, also £0.055m, and smaller increases over MyPlace, Fostering, Transitions and Early Help totalling £0.106m, were for the most part offset by reductions in Permanent Placement Allowances £0.078m and staffing in the Intervention and Support Service £0.114m.

The Safeguarding Service overspend has improved by £0.023m to £0.127m in period eight. The potential for this reduction was highlighted in the Period 7 monitoring report. There is still an underlying pressure within the Safeguarding & Service Standards Unit, with the demand for independent reviewing and quality assurance being beyond the capacity of the current establishment.

The DSG Learning and Achievement Service is a nil variance and does not impact the Children's Directorate's financial position.

Proposals are being developed to restructure and reconfigure the Children with Disabilities Area, similar to the review undertaken within children Service. This is expected to contribute to the mitigating actions in dealing with the financial position.

1.15. A review of Corporate Budgets has identified the following areas as being uncommitted this financial year:

| | | £m |
|---|---|---|
| a. | MRP | 0.209 |
| b. | Unspent Interest Payable | 0.877 |
| c. | Interest Receivable | 0.795 |
| | **Uncommitted Corporate** | **1.881** |

1.16. No account, as yet, has been taken of the uncommitted balance in the service outturn forecast. When applied the variance on service directorate expenditure of £2.787m overspend would reduce to £0.906m.

## IMPLICATIONS AND RISKS

### Financial Implications and Risks

The financial implications of the current financial monitoring position are the subject of this report and are therefore set out in the body of this report.

### Legal Implications and Risks

Under S151 of the Local Government Act 1972 a local authority has to make proper arrangements for the administration of its financial affairs.

Under S28 of the Local Government Act 2003 a local authority has to review its budget calculations from time to time during the financial year and take appropriate action if there is any deterioration in its budget.

The Council is also required to set a balanced budget, taking into account a range of factors, including consultation feedback, and decisions must also be taken in accordance with the Council’s duties under the Equality Act 2010.

The budget consultation and approval process is separate from individual decisions which may need to be taken for example in relation to service delivery; these may require a separate consultation process and equality impact assessment before a final decision is taken.

### Human Resource Implications and Risks

The Council continues to work closely with its staff and with Trades Unions to ensure that the effects on staff of the savings required have been managed in an efficient and compassionate manner. All savings proposals or changes to the funding regime that impact on staff numbers, will be managed in accordance with both statutory requirements and the Council's Managing Organisational Change & Redundancy policy and associated guidance.

**Equalities and Social Inclusion Implications and Risks**

Havering has a diverse community made up of many different groups and individuals. The Council values diversity and believes it essential to understand and include the different contributions, perspectives and experience that people from different backgrounds bring.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the council, when exercising its functions, to have due regard to:

(i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) foster good relations between those who have protected characteristics and those who do not.

Note: ‘Protected characteristics’ are: age, gender, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council demonstrates its commitment to the Equality Act in its decision-making processes, the provision, procurement and commissioning of its services, and employment practices concerning its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing of all Havering residents in respect of socio-economics and health determinants.

Any decisions which need to be taken in furtherance of the budget proposals will be undertaken in accordance with the duty set out in Section 149 of the Equality Act 2010 and where appropriate full Equality Assessments will be undertaken and form part of the decision making process.

**BACKGROUND PAPERS**

***The Budget Monitoring Report 2018/19 Period 08 (November)***