



**Report of: Executive Member for Finance, Performance and Community
Safety**

Meeting of	Date	Ward(s)
Executive	19 September 2019	All
Delete as appropriate	Exempt	Non-exempt

BUDGET MONITORING 2019/20 MONTH 4

1. SYNOPSIS

- 1.1 This report presents the forecast outturn position for 2019/20 as at 31 July 2019. Overall, there is a forecast General Fund overspend of £0.504m, without taking into account the corporate contingency budget of £5.080m.
- 1.2 The Housing Revenue Account (HRA) is forecast to break-even over the year.
- 1.3 It is forecast that £119.206m of capital expenditure will be delivered in 2019/20 against the 2019/20 capital budget of £144.205m.
- 1.4 The agreed 2019/20 budget included savings totalling £13.775m for the 2019/20 financial year. Of these, £9.559m are currently on course for delivery ('Green' rated); £0.375m have 'Amber' risks; £2.500m are considered high risk ('Red' rated – currently still expected to be delivered but there are significant risks and could be potential delays); and £1.341m are now considered delayed/undeliverable in the current financial year ('Black' rated). We are proactively seeking replacement savings for the undeliverable savings and these will form part of the 2020/21 budget report.

2. RECOMMENDATIONS

- 2.1. To note the forecast revenue outturn for the General Fund (**Table 1**) of a forecast overspend of £0.504m, without using the corporate contingency of £5.080m. (**Section 3**)
- 2.2. To note that management action is being undertaken over the course of the financial year to bring the directorate-level overspend of £2.719m back to within agreed cash limited budgets where possible. Also, a detailed business case is being developed to request an allocation from the corporate contingency budget that will be submitted in a future report. (**Paragraph 3.3**)
- 2.3. To note the breakdown of the forecast General Fund outturn by individual variance at **Appendix 1** and by service area at **Appendix 2**.
- 2.4. To note that the HRA forecast is a net break-even position. (**Section 5, Table 1**)
- 2.5. To note the latest capital position and key capital variances with forecast capital expenditure of £119.206m in 2019/20 against the 2019/20 capital budget of £144.205m. (**Section 6, Table 2, and Appendix 3**)
- 2.6. To note that the capital programme is actively under review to establish whether project milestones and deliverables are reflected in the financial profiles of the existing 3 year programme. (**Paragraph 6.3**)
- 2.7. To note the re-profiling of the leisure capital programme between financial years. (**Paragraph 6.5**)
- 2.8. To note the latest savings tracker of agreed savings 2019/20 (**Appendix 4 and Table 3**) and the ongoing budget impact of undeliverable savings. (**Table 4**)
- 2.9. To note the allocations from the corporate transformation earmarked reserve. (**Table 5**)

3. REVENUE POSITION: SUMMARY

- 3.1. A summary position of the General Fund and HRA is shown in **Table 1**, a breakdown by individual General Fund variance in **Appendix 1** and a breakdown by General Fund and HRA service area in **Appendix 2**.

Table 1: 2019/20 General Fund and HRA Month 4 Forecast

	Net Forecast Over /(Under) Spend £m
<u>GENERAL FUND</u>	
Resources	(0.033)
Chief Executive's Directorate	0.038
Environment and Regeneration	2.714
Housing	0
People	0
Public Health	0
DIRECTORATE TOTAL	2.719

Corporate Items	(2.215)
GROSS OVER/(UNDER) SPEND	0.504
<u>HOUSING REVENUE ACCOUNT</u>	
NET (SURPLUS)/DEFICIT	0

- 3.2. This position is before taking into account the 2019/20 corporate contingency budget of £5.080m, which other things being equal at year end would improve the overall General Fund position by £5.080m.
- 3.3. All services have agreed cash limited budget allocations and therefore take responsibility for delivering a balanced budget unless a detailed business case is developed and approved for an allocation from the corporate contingency budget. Management action is therefore required over the course of the financial year to bring the directorate-level forecast overspend of £2.719m back to within agreed cash limited budgets. Where this is not possible, a business case for the drawdown of part of the 2019/20 corporate contingency funding will be submitted. The balance of the contingency will be carried forward to future years, providing much needed financial resilience for known cost pressures over the medium term.

4. GENERAL FUND

Resources (-£0.033m)

- 4.1. The Resources directorate is forecasting a (-£0.033m) underspend with the key variances detailed in **Appendix 1**. This includes the provisional use of one-off funding carried from 2018/19 currently held in earmarked reserves (-£0.500m). It is expected that either Property Services or the Resources directorate as a whole will put in place a strategy to contain the current forecast overspend and therefore this one-off funding will not be called upon. There are in year financial risks relating to Digital Services, where the service is undertaking numerous improvement projects whilst still trying to establish a new staffing structure.

Chief Executive's Directorate (+£0.038m)

- 4.2. The Chief Executive's directorate is forecasting a (+£0.038m) overspend with the key variances summarised in **Appendix 1**.

Environment and Regeneration (+£2.714m)

- 4.3. The Environment and Regeneration directorate is forecasting a (+£2.714m) overspend. The key variances behind this net overspend are set out in **Appendix 1**.
- 4.4. There are additional in-year budget risks related to income forecasts in planning (+£0.200m), commercial waste (+£0.250m) and parking (+£0.500m).
- 4.5. The management actions being taken to control this position include:
- 4.5.1. Regular monitoring of spend and income trends across the department to enable effective decisions to be taken;

- 4.5.2. Extensive work being undertaken within Street Environmental Services (SES) to control and monitor staff related spend, particularly around sickness absence management;
- 4.5.3. On-going work to drive through service changes to deliver delayed savings.
- 4.5.4. A business case is being written to draw down contingency funding where there are valid, justifiable reasons for the overspend and no further management action is possible to contain this overspend. A recommendation will follow in a future report.

Housing (Break-Even)

The Housing General Fund is forecast to break-even with no material variances from budget. The impact of Homelessness Reduction Act 2017 has resulted a steady and persistent rise in homeless cases throughout 2018/19 and this trend is continuing into the current year. This has led to an overspend on temporary accommodation (+£0.520m). However, with this Act came a new burdens grant plus a flexible homelessness support grant and these are being used to offset the overspend.

People (Break-Even)

- 4.6. The new People directorate (comprising Children's, Employment and Skills and Adult Social Services) is forecasting a break-even position with key variances set out in **Appendix 1**.

Children's, Employment and Skills - General Fund (Break-Even), Schools (-£0.460m)

- 4.7. Children's, Employment and Skills is forecasting a break-even position with no material variance from budget.
- 4.8. There are underlying demand pressures in supported accommodation (non-regulated) placements (+£0.460m), residential (regulated) placements (+£0.100m) and Joint Agency Panel (JAP) placements (+£0.500m). However, an overspend is currently not forecast as these pressures are expected to reduce under management action and/or be contained within the overall placements contingency budget of £0.500m.
- 4.9. In addition, there are in-year budget risks around youth remand and SEN Transport, particularly if activity levels increase.
- 4.10. The Dedicated Schools Grant (DSG) is forecasting an underspend of (-£0.460m or -0.3%), which relates to a prior-year balance being managed on behalf of Schools Forum.

Adult Social Services (Break-Even)

- 4.11. Whilst Adult Social Services is forecasting a break-even position, this includes the use of one-off resources totalling (-£4.176m), including Social Care Grant, Improved Better Care Fund (Stabilising the Social Care System), Winter Pressures

Funding, Direct Payments Surplus and funding carried forward from 2018/19 (-£1.539m) currently held in earmarked reserves.

- 4.12. The Adult Social Services forecast does not include an additional in-year risk of (+£0.500m) relating to the Transforming Care programme, which aims to transfer care for service users with learning disabilities and/or autism with behaviour that challenges from long stay acute hospitals to the community.

Public Health (Break-Even)

- 4.13. Public Health is funded via a ring-fenced grant and forecast to break-even with no material variances from budget.

Corporate Items (-£2.215m)

- 4.14. The forecast for corporate items, before any call on corporate contingency budgets, is a (-£2.215m) underspend with key variances set out in **Appendix 1**. The main variance is a forecast underspend of (-£3.234m) relating to treasury management.
- 4.15. The corporate items forecast currently assumes that the agreed 2019/20 cross-cutting savings (totalling £1.380m) are fully deliverable and that service cash limits will be adjusted accordingly.

5. HOUSING REVENUE ACCOUNT

- 5.1. The forecast net variance for the Housing Revenue Account is an underspend of (-£0.600m) due to general saving underspend and spend on repair and maintenance, summarised at **Appendix 2**. As this is a self financing account, any underspends go into HRA balances to be used in future years resulting in a net break-even position.

6. CAPITAL PROGRAMME

- 6.1. It is forecast that £119.206m of capital investment will be delivered in 2019/20 against the 2019/20 capital budget of £144.205m. This is set out by directorate in **Table 2** below and detailed in **Appendix 3**, which also includes the provisional capital programme for 2020/21 and 2021/22.

Table 2: 2019/20 Capital Programme Month 4 Forecast

Directorate	2019/20 Budget	2019/20 Spend To Date	2019/20 Forecast Outturn	Forecast Capital Variance
	£m	£m	£m	£m
Environment and Regeneration	16.027	4.866	16.420	0.393
Housing	114.171	22.847	90.578	(23.593)
People	14.007	3.828	12.207	(1.800)

Directorate	2019/20 Budget	2019/20 Spend To Date	2019/20 Forecast Outturn	Forecast Capital Variance
Total	144.205	31.541	119.206	(25.000)

- 6.2. As at the end of month 4, £31.541m (22%) of capital expenditure had been spent against the 2019/20 capital budget of £144.205m. Hypothetically, if expenditure continued at the same pace for the remainder of the financial year, this would lead to a capital outturn of £94.623m (66% of the 2019/20 capital budget).
- 6.3. The capital programme is actively under review to establish whether project milestones and deliverables are reflected in the financial profiles of the existing 3-year programme 2019/20 to 2021/22. The work to date has identified projects that are a mix of revenue and capital expenditure, which will be consolidated into the capital programme in a future report to the Executive. Before the capital programme can be revised, the estimated split between capital and revenue expenditure (both General fund and HRA) needs further review to confirm the funding available and ensure the most efficient use of resources.

Environment and Regeneration

- 6.4. There is an ongoing review of the outturn forecast on the Bunhill II capital scheme. Consultants Inner Circle have been commissioned by the Programme Delivery Board (PDB) to undertake an independent review of the project and construction contract. Recommendations will be made to a future Executive meeting following consultation with the Affordable Energy Board.
- 6.5. The profile of 3-year leisure capital programme will be revised in month 5 to reflect the latest expenditure profile and bring forward £0.187m of funding to 2019/20.

Housing

- 6.6. Housing has a delivery target of building 550 genuinely affordable homes by 2022 and this is still considered to be achievable. However, within the programme there is forecast slippage of £23.593m on the New Build programme budget of £76.046m. In addition to delays due to planning and re-design issues, this slippage arises primarily as a result of contractors including a very high premium in their bids to reflect Brexit uncertainty, which in turn requires the new build team to carry out protracted value engineering exercises and/or price negotiations with contractors in order to try and secure value for money. Discussions with other Local Authority developers, housing associations and the GLA indicate that these price increases are prevalent across the sector.
- 6.7. A further significant impact on increased prices are the number of site offices required within a single scheme as the contractor effectively needs to set up several site offices and provide extra personnel to make those sites secure and safe.
- 6.8. In order to mitigate the uncertainty caused by Brexit and the related increase in construction costs, the Council is currently considering reviewing its new build

contracts (this would likely require the commissioning of external procurement expertise) with a view to securing a position whereby the Council ultimately either only pays for any actual cost increases arising from Brexit or enters into a risk/cost sharing arrangement with the contractor, as opposed to paying in advance for maximum unrealised risk.

Alternatively, or in addition to the above, where agreement has not or is unlikely to be reached with the contractor, consideration could be given to delaying procurement for some schemes until the new contractor framework is in place at the end of the year. This new framework will bring in new contractors who are likely to want to price competitively and in an environment where some of the Brexit uncertainty may have been resolved. It should be noted that delaying procurement could lead to further slippage in the region of £9.000m.

People

- 6.9. The Children’s Employment and Skills capital programme is forecasting an underspend of £1.800m in 2019/20. This represents the forecast balance on the school expansion schemes contingency budget. These schemes are due to be completed by the end of the summer, and it is not anticipated that the remaining contingency budget will be used.

7. SAVINGS DELIVERY

- 7.1. The latest delivery tracker (‘RAG’ rating) of agreed savings 2019/20 is provided at **Appendix 4** and summarised in **Table 3** below.

Table 3: Summary of Agreed Savings RAG Rating

RAG Rating	2019/20 £m
Green	9.559
Amber	0.375
Red	2.500
Black	1.341
Total	13.775

- 7.2. Of the £13.775m agreed savings for the 2019/20 financial year, £9.559m are currently on course for delivery (‘Green’ rated); £0.375m have ‘Amber’ risks; £2.500m are considered high risk (‘Red’ rated – currently still expected to be delivered but there are significant risks and could be potential delays); and £1.341m are now considered delayed/undeliverable in the current financial year (‘Black’ rated). We are proactively seeking ways to mitigate the impact of these undeliverable savings.
- 7.3. The agreed 2019/20 budget included cross-cutting savings totalling £1.380m that have still to be formally allocated across services. It is currently assumed that these

cross-cutting savings are fully deliverable in 2019/20 and that service cash limits will be adjusted accordingly.

- 7.4. A breakdown of the ongoing budget impact of undeliverable savings is provided in **Table 4** below. These undeliverable savings, which are not just delayed but now considered undeliverable on an ongoing basis, will need to have an alternative proposal for delivery of the saving developed or be reversed as part of the 2020/21 budget setting process.

Table 4: Undeliverable Savings 2020-22

Directorate	Description	2020/21 £m	2021/22 £m	Total £m
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Environment and Regeneration	Waste and Recycling Centre Reorganisation	0.100	0.155	0.255
Housing	Temporary Accommodation	0.300		0.300
People	SEN Transport	0.225		0.225
	Total	0.625	0.155	0.780

linked to the delivery of savings, the one-off investment allocations in **Table 5** below have been made from the corporate transformation earmarked reserve.

Table 5: Allocations from Transformation Reserve

Description	£m
A more efficient operation at the Waste and Recycling Centre, using technology to automate access to the facility	0.305
Project and Programme Management Training Portal	0.025
Adults Social Care Transformation Review - Project Management Support	0.075
Project and Programme Management Training Workshops	0.016
Localities Programme Management Support	0.174
Accessible Transport Review - Project and Analytical Support	0.066
Implementation of Microsoft Project Online	0.130
Enterprise Resource Planner - Discovery Phase	0.180
ICT Telephony - Funding to support migration to new telephony platform	0.457
Total	1.428

8. IMPLICATIONS

Financial Implications

- 8.1. These are included in the main body of the report.

Legal Implications

- 8.2. The law requires that the Council must plan to balance its spending plans against resources to avoid a deficit occurring in any year. Members need to be reasonably satisfied that expenditure is being contained within budget and that the savings for the financial year will be achieved, to ensure that income and expenditure balance (section 28 Local Government Act 2003; the Council's Financial Regulations 3.7 to 3.10 (Revenue Monitoring and Control)).

Environmental Implications

- 8.3. This report does not have any direct environmental implications.

Resident Impact Assessment

- 8.4. The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.
- 8.5. A resident impact assessment (RIA) was carried out for the 2019/20 Budget Report approved by Full Council. This report notes the financial performance to date but does not have direct policy implications, so a separate RIA is not required for this report.

Appendices:

Appendix 1 – General Fund Revenue Monitoring by Individual Variance

Appendix 2 – Revenue Monitoring by Service Area

Appendix 3 – Capital Monitoring 2019/20 to 2021/22

Appendix 4 – Delivery of Agreed Savings 2019/20 to 2021/22

Background papers: None

Final report clearance:

Signed by:		11 September 2019
	Executive Member for Finance, Performance and Community Safety	Date

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