

CABINET	DATE 19 February 2020	ITEM NO 7
TITLE 2019/20 Revenue Budget Monitor Report	WARD (S) All	
CHIEF OFFICER Director of Finance	CABINET MEMBER Finance and Resources	
DECISION CLASSIFICATION Key	FINAL DECISION To be made at this meeting on the recommendations in this report	

I. Decision required

This report makes the following recommendations to Cabinet:

- I.1 Note a marginal improvement in the revenue monitoring position based on period 8 end of November 2019 data.
- I.2 Note the progress in achieving the 2019/20 ongoing base budget savings of £2.25m as mentioned in detail in section 4.4 of this report.
- I.3 Note that after taking account of the currently planned management actions, at this stage of the year, the General Fund budget is reporting a headline:
 - forecast overspend pressure of £15.6m
 - corporate overspend pressure of £2.2m related to “No Recourse to Public Funds”.
- I.4 To note that directorates have been progressing in year one-off measures to reduce the headline overspend pressure by a cumulative sum of £5m, from the sum mentioned in section I.3.
- I.5 Note that the Housing Revenue Account (HRA) is currently reporting pressures of £3.9m.
- I.6 Note that management action will take place to contain expenditure pressures within existing resources wherever possible, to ensure that the Medium Term Financial Strategy (MTFS) remains on track, including the work of the Budget Recovery Board (BRB) (para 5.2 refers) and the commencement of a Continuous Improvement programme across the council.

2 Links to the Royal Greenwich high level objectives

- 2.1 This report forms part of the reporting cycle for 2019/20 supporting the delivery of the Council's MTFs. As such the achievement of the budget is a key factor underpinning all aspects of the Royal Greenwich Strategy and in particular, to continue to achieve excellence and good governance in the management of public finances.

3 Purpose of Report and Executive Summary

- 3.1 This report provides an overview of the revenue budget monitoring of the Council and presents forecasts of the financial position for the year based on period 8 end of November 2019 data.

4 Introduction and Background

- 4.1 Budget savings allocations were agreed by Cabinet in February 2019 as listed below.

Directorate	2019/20 Budget Saving Target £000
Health & Adults	0
Children's Services	670
Communities & Environment	410
Housing & Safer Communities	460
Finance & Legal Services	320
Regeneration Enterprise & Skills	390
Total	2,250

Progress on achieving these savings is detailed in this report.

- 4.2 In overall terms, overspend pressures of £17.8m are forecast for the year, prior to support from additional resources. A combination of management actions and the fact that some pressures did not materialise, plus notification late in the year from the London Pool of additional business rates income resulted in a balanced outturn position for 2018/19.
- 4.3 The departmental tables detailed in Appendix A are summarised in Table I below. The financial projection column in each table represents the view of the forecast outturn position.

Table 1 - Forecast Outturn Variance by Directorate

Forecast Spend versus Budget	2019/20 Forecast Overspend / (Underspend) £m
Service	
Health & Adults	13.9
Children's Services	1.6
Communities & Environment	6.4
Housing & Safer Communities	2.9
Finance & Legal Services	0.0
Regeneration Enterprise & Skills	2.0
Service Total	26.8
<u>Corporate</u>	
No Recourse to Public Funds	2.2
Treasury Management	(11.2)
Net Position	17.8
<u>Supported by One-Off Measures</u>	
Further in Year Savings	(5.0)
Business Rates	(4.3)
Net GF Position	8.5
HRA Position	3.9

4.4 Departmental Variances

4.4.1 Health and Adult Services +£13.9m (2018/19: +£11.5m)

The latest forecast includes an increase generated by a number of new care packages. However, it is not clear whether these will continue until the financial year end and therefore an outturn lower than that tabulated above is possible.

The demand and cost pressures associated with the service will continue as a significant risk going forwards, with care packages (in particular learning disability and older people care packages) generating the majority of the overspend. Contractual pressures including application of the London Living Wage are also a contributing factor to the continuing pressure.

The service is undertaking an end to end review of processes. Initial findings reveal that through sensible practice changes, resident's outcomes can be improved, with the by-product of a reduced cost of service. Current estimates are that the financial impact could be in the order of at least £8m.

4.4.2 Children's Services +£1.6m (2018/19: +£3.8m)

The main pressure within Children Services is coming from the increase demand for Special Education Needs Transport. The service is undertaking a number of initiatives to reduce the pressure against this area. Further details of this is reflected in Appendix A.

Placements costs have reduced substantially as compared to previous years due to a reduction in demand. Please refer to Appendix A for further details.

There has been a £700k reduction in the forecast between Periods 5 and 8. Part of this reduction is due to a number of transport rounds being brought in-house and a general reduction in rounds. In addition, spend patterns against a number of services which were previously projected have not materialised, so forecast has been reduce accordingly.

Savings Target 2019-20 £670k

The service is on track to meet its £670k savings target.

4.4.3 Communities and Environment +£6.4m (2018/19: +£4.1m)

Communities and Environment, incorporating waste and sweeping services, continue to face a range of service pressures.

Street Services continue to face pressures related to historic and ongoing growth in demand from increased residential development with over 9,000 additional households over the past 5 years. Furthermore, the indexation of long-term waste disposal contracts has added more than £1.7m cost pressures since 2010. The projected overspend for Waste Services is £2.7m which includes the disposal contracts pressure, with Street Cleansing projected overspend £2.0m, this projection includes unfunded additional functions that Streets Cleansing undertake. Collection and disposal costs are also under increasing pressure from a long-term trend showing an increased volume of waste generated per household, together with continued reduced market demand for most recycled materials.

Other projected overspends are set out within Appendix A.

Savings target 2019-20 £410k

The Service has identified additional cost reductions which will be used to offset the £410k savings target.

4.4.4 Housing and Safer Communities +£2.9m (2018/19: +£0.2m)

As reported previously the Council has been faced with rising homelessness demand as a result of welfare reform measures and a shortage of suitable properties driving up rents and short-term accommodation costs in excess of Housing Benefit local housing allowance constraints. The numbers in Temporary accommodation have reached nearly 1,200. This has resulted in the £2.9m projected overspend. Steps are being taken to develop further sources of economic and sustainable accommodation, acquisition of properties under the RTB Strategy are in the region of 341 to December 2019.

Savings Target 2019-20 £460k

Savings of £460k are being closely monitored, with £357k being achieved, but due to the increase in numbers of Emergency Overnight Accommodation (EOA) £103k remains under assessment.

4.4.5 Finance and Legal Services £0.0m (2018/19: £0.0m)

Savings target 2019-20 £320k

Savings of £320k are forecast to have been achieved by year end.

4.4.6 Regeneration Enterprise and Skills +£2.0m (2018/19: +£2.7m)

The agreed parking strategy is being used as the basis for a number of initiatives within the parking service to reduce costs, review income and manage demand. Income has improved as a result compared to recent years, but remains below budget expectations and shows a forecast pressure of £0.6m. Income and other pressures on Building Control and Planning services continue to feature in 2019/20 along with pressures on property budgets for rates, utilities and building maintenance. Further work is underway to manage down these pressures as far as possible and will be monitored closely.

Savings Target 2019-20 £390k

The service is on track to meet its £390k savings target

4.4.7 (HRA) +£3.9m (2018/19: £0.0m)

The HRA is currently reporting pressures of £3.9m due to increased staffing and sub-contractor costs in Repairs and Investment as well as higher than budgeted void rate on Council properties.

4.5 Non-Departmental Variances

No Recourse to Public Funds

4.5.1 No specific funding has been provided to local councils in recognition of this demand, whereby vulnerable persons with no recourse to public funds approach the council as a last resort.

Numbers have been falling gradually over the last two years, with the resulting cost falling as well. The forecast of £2.2m overspend is £0.6m lower than the 2018/19 outturn and £1.1m lower than the previous financial year.

Treasury Management

4.5.2 In addition to the effect of favourable trends on interest rates in recent years, the Authority has increased its use of under borrowing to £170m at the end of 2018/19.

4.5.3 Significant points about this approach are:

- the foregone investment interest on these reduced deposits (around 0.75%) has been far outweighed by the saving in debt interest that would have been payable had this approach not been taken.
- this approach must continue to be viewed as time limited and can only be applied whilst external economic conditions continue with interest rates remaining historically low. When borrowing rates are forecast to rise significantly, there will be a need to consider undertaking external borrowing, in order to replace internal cash balances.

4.5.4 This process is expected to lead to the delivery of a £11.2m saving in 2019/20, although as noted above, this is unlikely to be sustainable at such levels into the future.

One-Offs

4.5.5 Further one off in year savings have been identified, by way of temporary spending freezes, flexible use of capital receipts and where appropriate, earmarked reserves to reduce headline spending pressures by £5m. Business rates from the London pool also add to the one-off resourcing position.

5. Other Measures

5.1 Since 1 July 2010 all Council Directorates have been subject to tight spending controls and the monitoring position assumes the following controls will remain throughout 2019/20:

- Staffing (authorisations by directors):
 - vacancy freeze on permanent posts unless authority given to proceed
 - controls on agency engagement and other temporary appointments

- Value for Money:
 - additional gatekeeping measures to achieve best value through adherence to Contract Standing Orders and financial regulations
 - reviews of departmental budgets through the MTFs process to identify and capture saving opportunities

5.2 Enhanced reviews of Adults & Health, Children's, Communities & Environment and Housing & Safer Communities are being undertaken during this financial year to help deliver cogent and robust plans to reduce spending levels and increase income generation in these areas. Action is taking place via the (BRB), with proposals worth £7m identified to date and progress is being closely monitored.

5.3 Some areas of over spend in 2018/19 were assisted with one-off sources of funding. Furthermore, all departments with the exception of Health and Adults have had ongoing savings to meet from the current year. These events have seen the need for departments to formulate alternative strategies to contain spend within available budgets.

5.4 There is a requirement within the MTFs that budgets are adhered to. Any major variances could potentially de-stabilise the financial strategy. Hence there is a strong discipline required to meet budget targets.

5.5 The Council is embarking upon a programme of Continuous Improvement, which is expected, amongst other things, to deliver further efficiencies. More details on this can be found in the Medium Term Financial Strategy report on the same agenda.

6. **Financial Standing**

6.1 The Royal Borough's Medium Term Financial Strategy and overall financial standing has been presented in previous budget setting reports and in the outturn position for 2018/19.

6.2 In compiling this monitoring report officers continue to be mindful of the risks faced by the Borough, which could impact on budgetary control. This is evidenced in the detailed comments under each service directorate, primarily in respect of cost/demand pressures.

6.3 Notwithstanding the Royal Borough's commitment to manage the impact of uncertain economic conditions and demand led pressures within current budget levels, there remains an ongoing risk to this position. There is therefore a need for continued management action and close monitoring of the overall position.

7. **Reasons for Recommendations**

7.1 The Cabinet is asked to note the revenue monitoring position based on period 8 to the end of November 2019 data.

8. Cross-Cutting Issues and Implications

Issue	Implications	Sign-off
Legal	This report raises no legal issues.	Azuka Onuorah Head of Legal Services 30/01/20
Finance	This report has been prepared by the Director of Finance and has no other financial implications.	Stephen Parratt Accountancy Business Change Manager 27/01/20
Equalities	The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent equality impact on end users.	Stephen Parratt Accountancy Business Change Manager 27/01/20
Risk	The revenue budget monitoring framework represents a key mitigation measure against the risk that service budgets are not contained thereby placing the achievability and sustainability of the MTFs at risk.	Stephen Parratt Accountancy Business Change Manager 27/01/20

9. Report Appendices

9.1 The following documents are to be published with and form part of the report:

- *Appendix A: Revenue Monitor: Key Departmental Variances*

10. Background Papers

None

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