London Borough of Hammersmith & Fulham CABINET 8 OCTOBER 2018	
CORPORATE REVENUE MONITOR 2018/19 MONTH 3 – 30th JUNE 2018	
Report of the Cabinet Member for Finance and Commercial Services – Councillor Max Schmid	
Open Report	
Classification - For decision and for information **Key Decision: Yes**	
Wards Affected: All	
Accountable Director: Hitesh Jolapara – Strategic Director of Finance & Governance	
Report Author: Emily Hill – Assistant Director, Corporate Finance	**Contact Details:** Tel: 020 8753 3145 Emily.Hill@lbhf.gov.uk

1. EXECUTIVE SUMMARY

1.1. Section 151 of the 1972 Local Government Act requires the Chief Financial Officer (as the responsible officer) to ensure proper administration of the Council's financial affairs. This monitoring report is part of the Council's 2018/19 budgetary control cycle. Budgetary control, which includes the regular monitoring of and reporting on budgets, is an essential requirement placed on Cabinet Members, the Chief Executive, and Directors in discharging the statutory responsibility.

1.2. The month 3 General Fund forecast outturn variance is an unfavourable **£5.118m**. Action plans of **£3.353m** are proposed as partial mitigation. If delivered they will reduce the forecast overspend to **£1.765m**.

1.3. The Administration are clear that there should be no overspends in any staffing budgets and where there are staffing overspends, Strategic Leadership Team (SLT) Directors must act urgently to keep spend within budget.

1.4. In line with many other local authorities, there is a projected overspend in 2018/19 in the High Needs Block, funded through Dedicated Schools Grant (DSG) as follows:

	£m
DSG deficit brought forward from 2016/17	2.165
DSG in-year deficit in 2017/18	4.867
In-year 2018/19 forecast deficit	6.400
Forecasted deficit at end of 2018/19 financial year	**13.432**

1.5. The Section 151 Officer recommends that £13.432m be set aside from reserves to cover the forecast deficit pending mitigating actions in future. This is a prudent position as this is to cover costs that are incurred and subject to mitigating actions.

1.6. As at 31 March 2018 the Council had earmarked reserves and general balances of £114m. Decisions have been taken that will use £28m[1] of the existing reserves whilst £16m have a restricted[2] use. The £13.432m required for the DSG deficit would further reduce the remaining balance of £70m to £57m. A review of reserves is in progress.

1.7. An emergent future risk is also set out regarding the Early Years element of DSG. Changes to the National Funding formula have potentially serious implications for the Borough's four maintained nursery schools.

1.8. The departmental appendices have been revised to provide more insight on underlying data and costs.

1.9. The HRA forecast is an unfavourable variance of £3.724m. The majority of this is due to additional costs expected to be incurred in relation to fire safety as part of the Fire Safety Plus programme.

1.10. Several underlying insights can be drawn from the report. These include:

- The need for the Council to improve further programme management and skill sets needed to deliver savings and income programmes.
- The Council's finances continue to tighten. Relatively minor overspends are widespread with few underspend areas identified. There is little 'slack' and no indication that the position will improve without change.
- In several key areas there is evidence of increased demand for services. For example, the number of household in temporary accommodation has increased by 460 (38%) in 3 years.

[1] This is a net figure. Budgeted contributions to reserves are £3m whilst commitments are £31m.

[2] Such as the Insurance Fund.

- The underlying DSG deficit of £13.4m continues to be a serious concern that the Council cannot ignore. There is further risk regarding future Early Years funding (appendix 1a).
- The impact of Grenfell and the fire safety programme continues to impact on the Housing Revenue Account (Appendix 8 - Risks).

2. RECOMMENDATIONS

2.1. Strategic Leadership Team Directors to take urgent action to bring any staffing overspends in line with budgets.

2.2. To note the forecast General Fund outturn and note that officers are developing further plans to reduce the overspend for discussion with Directors and ratification by the Strategic Leadership Team.

2.3. To set aside £13.432m in earmarked reserves regarding the forecast DSG deficit. Further discussions are required to explore options that reduce the underlying deficit, and recover the overpayment, to reduce the reliance on reserves.

2.4. To note the HRA forecast overspend and note that officers are developing further plans to reduce the overspend for discussion with Directors and ratification by the Strategic Leadership Team.

2.5. To agree the budget virements detailed in appendix 10.

3. REASONS FOR DECISION

3.1. To report the revenue expenditure position and comply with Financial Regulations.

4. MONTH 3 GENERAL FUND

4.1. The forecast month 3 overspend is **£5.118m**. This compares to a forecast overspend of £4.964m at month 2 and £4.742m at month 3 last year.

Table 1: 2018/19 General Fund Gross Forecast Outturn Variance – Month 3

Department[3]	Revised budget month 3 £m	Forecast outturn variance month 3 £m	Forecast outturn variance month 2 £m
Children's Services	40.377	2.777	3.121
Corporate Services	(0.042)	(.274)	0.101
Finance & Governance	2.146	0.051	0.120
Growth & Place	9.513	0.319	0.157
Public Services Reform	3.384	2.615	2.449
Residents' Services	63.179	2.147	0.885
Controlled Parking Account	(22.940)	(1.298)	(0.413)
Social Care	51.734	1.416	1.169
Centrally Managed Budgets	20.454	(.010)	0
Total	**167.805**	**7.743**	**7.589**
Adjustment for limiting use of the unallocated contingency to 50% (£0.850m) and not distributing the contingency (£1.775m) held for the 2018/19 pay award (Cabinet Decision Corporate Revenue Monitor Month 2).	0.000	(2.625)	(2.625)
Revised Overspend	**167.805**	**5.118**	**4.964**

Note: The month 2 and 3 figures include the realignment of Building Property and Maintenance Services Budgets between Growth and Place, Residents' Services, Finance and Governance and Public Services Reform

4.2. Action plans received from departments to mitigate the forecast overspends are summarised in table 2. All overspending departments will need to respond with further actions to reduce the net forecast overspend by year-end. Delivery of action plans has been assigned to relevant responsible officers. The forecast variance, net of planned mitigations is £1.765m (£2.338m at month 2).

[3] Figures in brackets represent underspends/ favourable movements

Table 2: Summary of Net Forecast Outturn Variances After Action Plans

Department	Gross Forecast Outturn Variance Month 3 £m	Potential Value of Action Plan Mitigations Month 3 £m	Forecast Outturn Variance Net of Planned Mitigations £m
Children's Services	2.777	0.930	1.847
Corporate Services	(0.274)	0.000	(0.274)
Finance & Governance	0.051	0.200	(0.149)
Growth & Place	0.319	0.600	(0.281)
Public Services Reform	2.615	0.000	2.615
Residents' Services	2.147	1.538	0.609
Controlled Parking Account*	(1.298)	(1.298)	0.000
Social Care	1.416	1.383	0.033
Centrally Managed Budgets	(0.010)	0.000	(0.010)
Total	**7.743**	**3.353**	**4.390**
Adjustment for limiting use of the unallocated contingency to 50% and not distributing the contingency held for the 2018/19 pay award.	(2.625)	0.000	(2.625)
Revised Overspend	**5.118**	**3.353**	**1.765**

***** The mitigating actions for Residents Services include an offset against the forecast surplus for the Controlled Parking Account

5. CORPORATE REVENUE MONITOR 2018/19 MONTH 3 HOUSING REVENUE ACCOUNT

5.1. The Housing Revenue Account is currently forecasting a deficit outturn variance of £3.724m at Month 3 (Appendix 9).

Table 3: Housing Revenue Account Forecast Outturn - Month 3

Housing Revenue Account	**£m**
Balance as at 31 March 2018	**(9.946)**
Less: Budgeted (contribution) / appropriation from balances	1.835
Less: Forecast adverse outturn variance	3.724
Projected balance as at 31st March 2019	**(4.387)**

6. DEDICATED SCHOOLS GRANT

6.1. The cumulative total DSG deficit balance carried forward to 2018/19 was £7m with an additional £6.4m deficit forecast in 2018/19.

6.2. The £13.4m cumulative deficit represents the Council spending more money than it has available and will impact on future school and council resources. It is recommended that an Earmarked Reserve be set aside to cover this potential deficit.

6.3. A dedicated project team has identified potential options (Appendix 10) to reduce the underlying funding deficit. Officers are preparing a briefing for Cabinet.

6.4. An emergent risk has also been identified for 2019/20 regarding Early Years funding. The borough's four maintained Nursery Schools, who are set to lose significant funding via the new National Funding Formula regulations, are those potentially most adversely impacted.

Table 4: Dedicated Schools Grant

	£m
DSG deficit brought forward from prior years	**7.032**
In-year forecast deficit	6.400
Forecasted deficit at end of 2018/19 financial year	**13.432**

7. VIREMENTS & WRITE OFF REQUESTS

7.1. Cabinet is required to approve all budget virements that exceed £0.1m. A request for £0.6m drawdown from the temporary accommodation reserve to fund cost avoidance payments to landlords is requested and a realignment of Residents' Services budgets totalling £0.391m.

7.2. As agreed in the month 2 report the decision to agree the necessary budget virements processed to align budgets to the new 2018/19 departmental structures is delegated to the Director of Finance and Governance in consultation with the Cabinet Member for Finance and Commercial Services.

8. CONSULTATION

8.1. The Strategic Leadership Team discussed this report.

9. EQUALITY IMPLICATIONS

9.1. As required by Section 149 of the Equality Act 2010, the Council has considered its obligations regarding the Public-Sector Equality Duty and it is not anticipated that there will be any direct negative impact on groups with protected characteristics, as defined by the Act, from the adjustments to the budgets required as a result of this Corporate Revenue Monitor.

9.2. In the event that any such adjustments might lead to a service change that could have a negative impact on groups with protected characteristics then an Equality Impact Assessment will need to be carried out.

9.3. In the event that any such adjustments might lead to a major service change then an Equality Impact Assessment will need to be carried out.

9.4. Implications completed by Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

10. LEGAL IMPLICATIONS

10.1. There are no legal implications for this report.

10.2. Implications verified by: Rhian Davies, Borough Monitoring Officer, tel. 07827 663794

11. FINANCIAL IMPLICATIONS

11.1. This report is financial in nature and those implications are contained within.

11.2. Implications completed by: Gary Ironmonger, Finance Manager, tel. 0208 753 2109.

12. IMPLICATIONS FOR BUSINESS

12.1. There are no implications for local businesses.

12.2. Implications verified/completed by: Albena Karameros, Economic Development Team, tel. 020 7938 8583.

13. COMMERCIAL IMPLICATIONS

13.1. The report seeks the approval of strategies developed to bring any staffing overspends in line with allocated budgets.

13.2. There are no procurement implications. Commercially, these strategies will have a positive impact on the Council’s budgets and spending.

13.3. Implications completed by: Andra Ulianov, Procurement Consultant, tel. 020 8753 2284.

14. IT STRATEGY IMPLICATIONS

14.1. There are no IT implications for this report.

14.2. Implications verified/completed by Howell Huws, Head of Contracts and Operations, tel. 020 8753 5025.

15. RISK MANAGEMENT

15.1. The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.

15.2. Revenue expenditure against budget is monitored by regular reports to the Strategic Leadership Team and Cabinet. These reports provide a snapshot of the revenue position for each Department and for the Council as a whole, and provide details of any projected additional budget pressures and risks, or any significant under or overspends. As the Section 151 Officer, the Strategic Director of Finance and Governance is required to keep under review the financial position of the Authority. The monthly revenue monitoring is a key part of this review process. If required, measures will be put in place to address any risks identified through the monitoring process and to contain expenditure within approved budgets.

15.3. Effective monitoring assists in the provision of accurate and timely information to Members and officers and in particular allows services to better manage their resources. Corporate Revenue Monitoring contributes to the delivery of all Council Priorities but chiefly Being Ruthlessly Financially efficient and sound risk management.

15.4. The effective use of financial resources underpins the Council's activities in support of its strategic priorities. Plans to take remedial action to manage a number of the significant issues highlighted in this report where they approach and exceed our financial risk appetite and risk tolerance have been referenced in appendix 10.

15.5. There are a number of general risks to the Council being able to match expenditure with resources this financial year and over the Medium Term Financial Plan:-

- Achievement of challenging savings targets.
- Austerity imposed by national government and its impact on Local Government.
- Brexit and the state of the UK economy.
- Commissioning and Procurement outcomes.
- Impact of the fall in the pound on inflation and pay.
- Demand-led Service Pressures e.g. Adult Social Care, Child Protection etc.

- Potential adjustments which may arise from the various Grant Claims.
- Movement in interest rates.

Risks associated with specific Services are mentioned elsewhere in this report.

15.6. Implications verified/completed by: Michael Sloniowski, Risk Manager, tel. 020 8753 2587, mobile 07768 252703

LOCAL GOVERNMENT ACT 2000

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None		

LIST OF APPENDICES

Appendix	Title
Appendix 1	Children's Services Revenue Monitor
Appendix 1a	Dedicated Schools Grant
Appendix 2	Corporate Services Revenue Monitor
Appendix 3	Finance & Governance Revenue Monitor
Appendix 4	Growth & Place Revenue Monitor
Appendix 5	Public Service Reform Revenue Monitor
Appendix 6	Residents' Services Revenue Monitor
Appendix 6a	Controlled Parking Account Revenue Monitor
Appendix 7	Social Care Revenue Monitor
Appendix 8	Centrally Managed Budgets Revenue Monitor
Appendix 9	Housing Revenue Account Revenue Monitor
Appendix 10	Virement Requests

APPENDIX 1: CHILDREN'S SERVICES
BUDGET REVENUE MONITORING REPORT MONTH 3

Table 1 - Variance by Departmental Division			
Departmental Division	**Revised Budget**	**Variance Month 3**	**Variance Month 2**
	£000	**£000**	**£000**
Family Services	27,681	2,568	2,736
Special Educational Needs and Disabilities	7,338	383	385
Education	872	0	0
Assets, Operations & Planning	4,576	(174)	0
School Funding	(90)	0	0
TOTAL	**40,377**	**2,777**	**3,121**

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Family Services		
Family Services Social Care Placements - overspend primarily due to the continued increase in service demand, higher unit costs and more complex needs. Funding is not through a formula based on head count changes meaning that as demand is rising and the budget is reduced for savings, there is limited possibility to contain expenditure within budget. Looked after children numbers have increased to 240 today compared with 185 in March 2015. An increase of 55 children at an average cost of 50k per children. As with other London Boroughs, we are seeing a rise in demand from adolescents at risk due to knife crime, child sexual exploitation and children being used for drug trafficking (County lines). Work continues both to ensure that the forecast is robust and that young people are placed in the most appropriate placement type for their need. The small net decrease from period 2 (£0.197m) is due to placements ending or stepping down. The forecast currently assumes: - contingency of £0.507m or circa 7.7 FTE which is modelled on 2017/18 net new placements - The placements overspend excludes the pressures associated with the additional project to take Dubs children as these are separately identified below.	1,922	2,135

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
The special project to take additional children was intended to be centrally funded as it sits outside the usual remit of children's services. The net overspend on DUBs is £0.169m after allowing for £0.239m growth in the 2018-19 budget and all grant income associated with these cases. This overspend is expected to rise to £0.260m in 2019-20 based on the full year cost of placements and changes to the income associated with them. Cost rise as young people become care leavers as the grant income falls significantly.	169	153
Family Support and Child Protection Staffing pressures arising from the need to use agency staff whilst permanent recruitment is taking place and due to demand pressures (3 additional social workers) are being covered in year through the one-off use of reserve funding of £0.330m Additional placement related overspend on escorts and sessional staff of £0.242m is currently being temporarily projected within this service whilst a review is taking place.	200	298
Contact and Assessment Service - The staffing overspend forecast has been eliminated by the service reducing the agency staff to 3 from 10 within the next 3 months having successfully interviewed 3 agency staff to fill newly qualified social worker vacant posts. The remainder has been mitigated by applying previously undistributed staffing inflation budget. Clarity over funding for historical income budgets is being sought to address the remainder of the Contact and Assessment overspend.	100	150
Looked After Children (LAC) and Leaving Care Non- placement costs - this relates to a projected increase in service user travel expenses, interpreter's fees and an additional security requirement when required for challenging service users.	156	0
Other minor variances	21	0
Total of Family Services	**2,568**	**2,736**
Special Educational Needs and Disabilities		
Children with Disability Placements - Ongoing placement pressure from prior years in relation to complex needs of the current cohort. The total budget for residential children's homes is £1.1m of which one placement accounts for £0.6m. This placement in due to age out of Children with Disability Care in 2019/20.	343	345
Disabled Children's Team, Short Breaks, and resources - there is a one off in year pressure on contract expenditure following the delayed opening of the Stephen Wiltshire Centre.	40	40

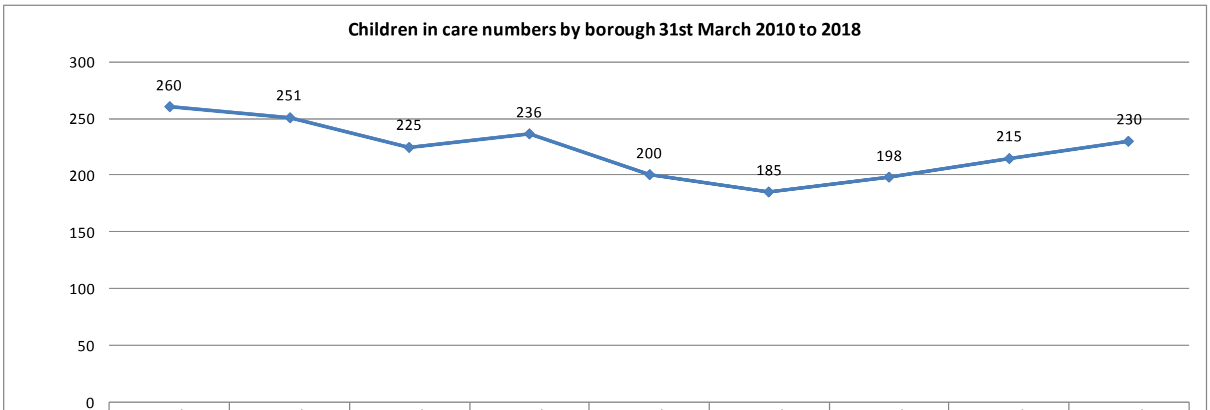
Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Total of Special Educational Needs and Disabilities	**383**	**385**
Education Service		
No net variance reported	0	0
Total of Education	**0**	**0**
Assets, Operations & Planning		
The underspend predominantly relates to staffing budget held here prior to being allocated out to the service as part of a staffing budget realignment. This will take place in August so staff budgets reflect the new structures implemented as part of 'Moving On'. This underspend partly offsets staffing overspends in Family Services. Although mitigated in year, an overall staffing variance will remain in CHS due to pressures in individual services and an overall pressure caused by the unbudgeted 2% pay award estimated at £0.350m.	(174)	0
Total of Assets, Operations & Planning	**(174)**	**0**
TOTAL VARIANCE	**2,777**	**3,121**

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	**Risk At Month 3 £000**	**Risk At Month 2 £000**
Tower Hamlets Judgement - the liability should all connected carers be paid carers fees for prior years back to 2011 is estimated to be in the region of £2.1m. Three families (6 children) have brought claims in previous financial years via the same solicitors totalling £141k. In 2018/19 one family has brought a claim in April with costs expected to be c£20k.	2,100	2,100

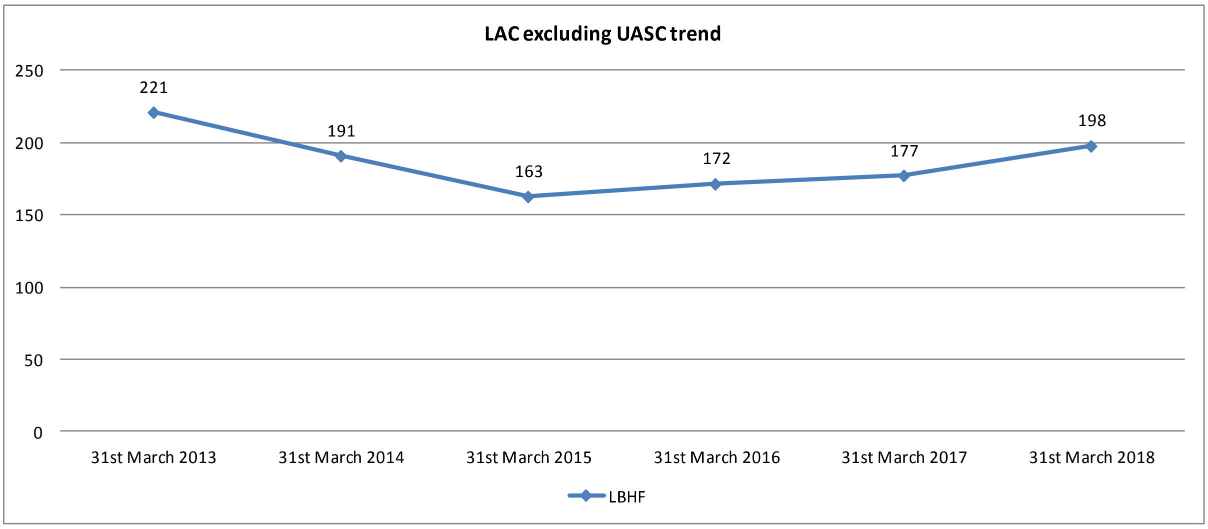
Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	**Risk At Month 3 £000**	**Risk At Month 2 £000**
New Burdens funding - The Children and Social Work Act 2017 provides all care leavers up to the age of 25 with access to a personal advisor. We now have a duty to provide a service to young people who are 21 or over and not in education. Previously our involvement would have ended. The impact and cost will be the additional social work resource required to support this new co-hort. The 2018/19 New Burdens grant has allocated £15,000 for this additional support. Initial calculation based on the DfE's assumptions of level of support required have costed the social work resource required as £65k. As this is a new duty on local authorities, it is not yet clear what the impact will be.	45	45
Children with Disability Placements - the forecast does not contain a contingency for demand led growth. Therefore, any net increase in demand will increase the overspend. The risk estimate is based on one additional placement with significant complex needs.	250	250
Unaccompanied Asylum-Seeking Children - Risk of cases moving into Care Leavers with ongoing costs	TBC	TBC
There is a risk to the staffing forecast for Special Education Needs and Disabilities. Due to extra work required to comply with the requirements of the Education and Healthcare Plans (EHCP), and compensate for deficiencies in prior year work completed under Tri-Borough management, additional resource is being utilised. Detailed post level staffing forecasts are being prepared for period 4 monitoring following the reorganisation of the service which will highlight any overspend above the budget and agreed funding available.	200	0
Placements - Placement MTFS through LAC and Family Assist needs to continue to be monitored to ensure that delivery of savings is on track. The continuing high cost placements forecast puts pressure on this activity being delivered. The number of young people in residential care remains small, however, they are often complex highly expensive cases meaning that LAC assist has to work with the young person for some time before they can even be considered for step-down or non residential placement. In addition to the contingency for net placement increase in year of circa £0.5m, there is a risk of further exceptional demand growth, particularly from high cost residential placements	300	0
TOTAL RISKS MANAGED	**2,895**	**2,395**

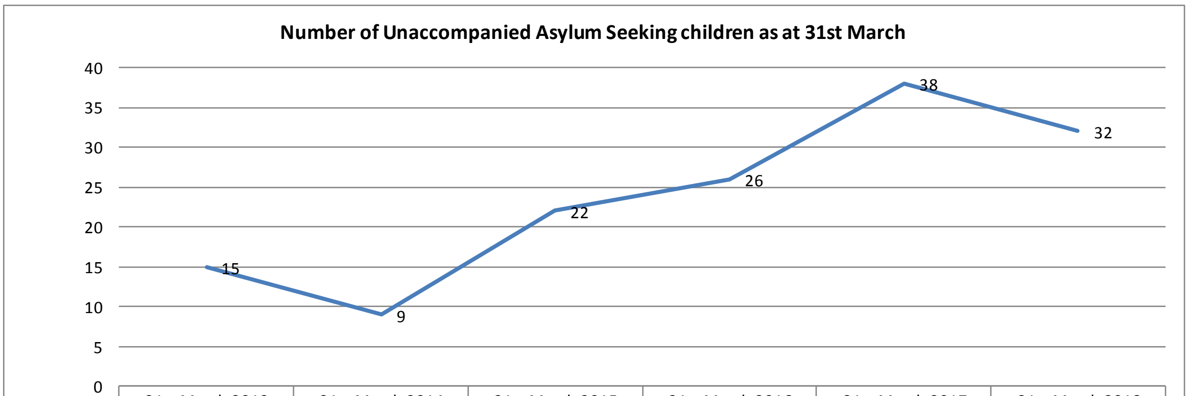
Supplementary Monitoring Information

Trend data for Looked After Children (LAC) is presented in the graphs below.



	31st March 2010	31st March 2011	31st March 2012	31st March 2013	31st March 2014	31st March 2015	31st March 2016	31st March 2017	31st March 2018
LBHF	260	251	225	236	200	185	198	215	230





	31st March 2013	31st March 2014	31st March 2015	31st March 2016	31st March 2017	31st March 2018
LBHF	15	9	22	26	38	32

	Children in Care numbers						**Children in Care rates**						
	2013	2014	2015	2016	2017		2013	2014	2015	2016	2017	**Decrease/ increase**
England	**68,070**	**68,820**	**69,500**	**70,450**	**72,670**		***60***	***60***	***60***	***60***	***62***	**3%**
London	**10,080**	**10,110**	**9,980**	**9,860**	**9,910**		***54***	***54***	***52***	***51***	***50***	**-7%**
LBHF	235	205	185	200	215		*72*	*61*	*55*	*58*	*61*	**-15%**

APPENDIX 1a: DEDICATED SCHOOLS GRANT
BUDGET REVENUE MONITORING REPORT MONTH 3

Table 1 - Variance by Departmental Division			
Dedicated Schools Grant - Paid in support of the Local Authority's School Budget	**Revised Budget**	**Variance Month 3**	**Variance Month 2**
	£000	**£000**	**£000**
High Needs Block Expenditure	17,950	6,400	6,000
Early Years Block Expenditure	19,520	0	0
Schools Block Expenditure	38,100	0	0
Central School Services Block Expenditure	4,400	0	0
DSG Income	(79,970)	0	0
TOTAL	**0**	**6,400**	**6,000**
DSG deficit brought forward from prior years		**7,032**	**7,032**
Forecasted deficit at end of 2018-19 financial year		**13,432**	**13,432**

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
High Needs Block *(High Needs funding supports provision for children and young people with special educational needs from their early years to age 25 and Alternative Provision)*		
A full system review is being undertaken to reconcile activity, funding and expenditure. A project team and governance is being put in place to identify opportunities and work streams to recover the financial position on the High Needs Block for the Local Authority and to support Special Schools with their financial planning and efficiency. The forecast overspend of £6.4m in 2018/19 is based on levels of expenditure coming into the new financial year and before mitigations and actions resulting from the High Needs Block Recovery Project.	6,400	6,000
Total of High Needs Block	**6,400**	**6,000**
TOTAL VARIANCE	**6,400**	**6,000**

Table 3 - Key Risks - Detail Items Over £250,000	

Risk Description	Risk At Month 3 £000	Risk At Month 2 £000
A key risk to High Needs is demand led growth and increasing numbers of Education & Health Care Plans and caseloads.	TBC	TBC
There has been a request from the Clinical Commissioning Group (CCG) for an increased contribution to the Speech and Language Contract in 2018/19, which, if agreed, could see a significant increase in the contract value per annum.	329-500 per annum	329k-500 per annum
There is an emerging risk for 2019/20 with respect to the Early Years National Funding Formula. A change in the NFF requires LA to passport funding via the Early Years Dedicated Schools Grant (EY DSG) to all providers based on a participation (activity model) with standard unit rates. This will have an adverse financial impact on the budgets of Schools in LBHF who have benefitted from protected payments via lump sum payments until 2018/19. Private and voluntary nursery providers in the borough are likely to see a benefit from this change. Most adversely impacted are the borough's four maintained Nursery Schools, who are set to lose significant funding via the new National Funding Formula regulations. The change threatens the financial sustainability of the 4 schools who could lose a total of between £1.2m and £2.1m of EY DSG per annum. Within these amounts is a general fund risk if Early Years DSG can no longer be applied to work with Child Protection and Children in Need referrals into the Maintained Nursery Schools. Modelling work will take place in August to understand the value of the potentially unfunded cost of proving this support from April 2019. The financial impact on Maintained Primary Schools with Nurseries from 2019/20 is estimated at £0.491m. The impact on LBHF Academies is £0.347m. In addition, the amount of EY DSG Local Authorities can hold back for central expenditure outside of the participation model will reduce by regulation - from £0.85m in 17/18 to £0.289m in 19/20. The majority of this central expenditure supports work in the new Family Support Service around Early Years and Children's Centres". This is an additional risk for 2018/19 also as the Early Years funding baseline will be adjusted for actual activity.	2,000 to 3,000 future years	0
TOTAL RISKS MANAGED	**500**	**500**

Supplementary Monitoring Information
DSG Assurance Statement For 2017/18 the Startegic Director of Finance and Governance has to submitt a DSG Assurance Statement to the Department for Education (DfE) to: • confirm the DSG received by the local authority in 2017 to 2018 was fully deployed in support of the schools budget, in accordance with the conditions of grant and the School and Early Years Finance (England) Regulations 2017. • confirm, based on their work in reviewing individual placement agreements for high needs students within non-maintained special schools, nothing has come to their attention that causes them to believe that the learners reviewed were not correctly defined as high needs • report details of any fraud cases in maintained schools, and confirm what action has been taken to address the issue. For 2018/19 the DfE have announced a new requirement that any local authority that holds a deficit, at the year end, of the DSG greater than 1% will be required to submit a recovery plan to the English Schools Funding Agency. This will be mandatory under the conditions of grant. The Department for Education (DfE) will consult with local authorities about the details of this requirement in the autumn of 2018. The current forecast defict of £13.432m is 17.51% against our provisional 2018/19 DSG allocation or 9.41% if the DSG allocation before academy recoupment is used.

APPENDIX 2: CORPORATE SERVICES
BUDGET REVENUE MONITORING REPORT MONTH 3

Table 1 - Variance by Departmental Division			
Departmental Division	**Revised Budget**	**Variance Month 3**	**Variance Month 2**
	£000	**£000**	**£000**
Human Resources	(333)	(102)	0
Executive Services	333	(318)	(79)
Communications	(42)	146	180
TOTAL	**(42)**	**(274)**	**101**

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
COMMUNICATIONS		
Forecast overspend mainly because of underachievement of traded income within the print service. At this early stage, it is expected that activity will be in line with that incurred in 2017/18.	146	180
TOTAL COMMUNICATIONS	**146**	**180**
EXECUTIVE SERVICES		
Underspends are forecast on salaries across the division.	(318)	(79)
TOTAL EXECUTIVE SERVICES	**(318)**	**(79)**
HUMAN RESOURCES		
Underspends are forecast on salaries across the division.	(102)	0
TOTAL HUMAN RESOURCES	**(102)**	**0**
TOTAL VARIANCE	**(274)**	**101**

Table 3 - Key Risks - Detail Items Over £250,000
None to report

Supplementary Monitoring Information
Corporate services are a support function. Trends used to inform expenditure forecasts include number of employees and their monthly cost, including those recruited via agencies, and any other expenditure in prior periods and financial years. Trends used to inform income forecasts (mainly services recharged to other departments for communications, printing, occupational health etc) are demand related, examples include number of print jobs, occupational health appointments etc.

APPENDIX 3: FINANCE AND GOVERNANCE
BUDGET REVENUE MONITORING REPORT MONTH 3

Table 1 - Variance by Departmental Division			
Departmental Division	**Revised Budget**	**Variance Month 3**	**Variance Month 2**
	£000	**£000**	**£000**
Facilities Management	393	(71)	0
Legal and Democratic Services	(76)	0	(2)
IT Services	539	122	122
Finance	1,323	0	0
Audit, Fraud, and Insurance	(33)	0	0
TOTAL	**2,146**	**51**	**120**

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
FACILITIES MANAGEMENT		
Forecast underspend on budgets transferred from Growth and Place for the new TFM Link Team.	(139)	0
TOTAL FACILITIES MANAGEMENT	**(71)**	**0**
IT SERVICES		
Additional external support costs for the Office 365 platform.	122	122
TOTAL IT SERVICES	**0**	**0**
LEGAL AND DEMOCRATIC SERVICES		
Legal Services: External income, in particular section 106 agreements could present a risk if the expected amount of work is not received.	0	(2)
TOTAL LEGAL AND DEMOCRATIC SERVICES	**0**	**(2)**
TOTAL VARIANCE	**51**	**120**

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	**Risk At Month 3 £000**	**Risk At Month 2 £000**
TFM Contract - Unplanned costs arising from the termination of the LINK shared service.	400	400

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	**Risk At Month 3 £000**	**Risk At Month 2 £000**
Lilla Husset building - If rent arrears dispute not resolved and a new tenant not found.	450	450
Coroners - Additional resource may be required to clear a backlog of cases.	TBC	TBC
TOTAL RISKS MANAGED	**850**	**850**

Supplementary Monitoring Information
It should be noted that Facilities Management and Building Control transferred over to Finance and Governance effective from the 9th July. Finance and Governance is a support function. Trends used to inform expenditure forecasts include number of employees and their monthly cost, including those recruited via agencies, any other expenditure in prior periods and financial years and contract payments, including fixed and variable amounts. Trends used to inform income forecasts (mainly services recharged to other departments for legal, IT, property works etc) are demand related, examples include number of hours of case work, number of devices or log ins and property charges above the fixed contract level.

APPENDIX 4: GROWTH AND PLACE
BUDGET REVENUE MONITORING REPORT MONTH 3

Table 1 - Variance by Departmental Division			
Departmental Division	**Revised Budget**	**Variance Month 3**	**Variance Month 2**
	£000	**£000**	**£000**
Housing Solutions	7,605	257	257
Housing Strategy & Growth	212	0	0
Economic Development, Skills Service	877	(6)	(8)
Planning	1,087	53	0
Finance & Resource	227	0	0
Programme Management	19	0	0
Property Services	87	0	0
Development & Regeneration	5	0	0
Corporate Property Services	(606)	15	(92)
TOTAL	**9,513**	**319**	**157**

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Housing Solutions		
There is a forecast increase in average client numbers (from a budget of 921 units to a forecast of 1,024) in Private Sector Leased (PSL) temporary accommodation schemes.	601	601
There is a forecast reduction in average client numbers (from a budget of 190 clients to a forecast of 173) in Bed and Breakfast (B&B) temporary accommodation.	(134)	(134)
Cost avoidance payments to Private Sector Leasing and Direct Letting landlords to be funded from earmarked Temporary Accommodation reserves (subject to approval of reserves drawdown of £600k). We have benchmarked our payments against those made by other boroughs and they are at the lower end of the scale.	600	600
Flexible Homelessness Support Grant to cushion the impact of the removal of the management fee for Temporary Accommodation (after allocating £207,600 to B&B, £2,253,400 to PSL and deducting an assumed £110,000 which we expect Registered Providers to claim) and ‘empower LAs with the freedom to support the full range of homelessness services they deliver’ and plan their provisions with more certainty. This is only promised for 2018/19 and 19/20 so there is a risk of significant budget pressure thereafter.	(810)	(810)

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
TOTAL of Housing Solutions	**257**	**257**
Economic Development and Skills Service		
	(6)	(8)
TOTAL of Economic Development & Skills Service	**(6)**	**(8)**
Planning		
Development Management - an overspend of £100k relates to exceptional costs for Counsel, legal and other specialist advice on several specific applications. This is offset by minor underspends of (£17k).	83	0
Other divisions - minor variances	(30)	0
TOTAL of Planning	**53**	**0**
Rent and Other Properties: There is a forecast unachievable rental income on Galena Road of £14k, repairs and maintenance for Lyric Theatre of £10k and unachievable savings of £9k.	33	40
Valuation Services: This relates to an underspend in running costs (£18k).	(18)	(132)
Total of BPM	**15**	**(92)**
TOTAL VARIANCE	**319**	**157**

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	**Risk At Month 3 £000**	**Risk At Month 2 £000**
Overall Benefit Cap.	196	196
Direct Payments (Universal Credit).	202	202
There is a risk of a further increase in the number of households in Temporary Accommodation - based on an additional 100 households this year above the current forecast.	651	651
Inflationary pressures on Temporary Accommodation landlord costs, based on an extra 1.5% rental inflation above the current forecast.	270	270
There is a risk of large families being accommodated in B&B.	258	258

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	**Risk At Month 3 £000**	**Risk At Month 2 £000**
Homelessness Reduction Bill - increase in households in temporary accommodation - extra 70 households this year above the current forecast.	506	506
Several Economic Development schemes are awaiting formal approval to use Section 106 funds.	1,098	1,098
Earmarked reserves have been utilised in recent years to accommodate the accumulated effect of annual reductions in grant funding for the Adult Learning & Skills service. The current risks exceed the funding available in the earmarked reserve.	285	285
Affordable housing and regeneration projects - feasibility studies on GF land, e.g. Linford Christie stadium.	450	450
There is a risk that the costs of current and future work in producing Supplementary Planning Documents will exceed the budgets and funding available.	50	50
In recent years, the cost of judicial reviews and major planning appeals has been met from earmarked reserves but these funds are now exhausted and therefore, there is an ongoing risk of an overspend against the budget. Some costs have crystallised and the risk has therefore been reduced by £100k this month.	599	699
Expenditure incurred on disposed assets cannot be met by disposal receipts and on properties not being sold.	20	20
Lyric Theatre - Unfunded repairs and maintenance costs above the agreed cap of £50k.	100	100
TOTAL RISKS MANAGED	**4,685**	**4,785**

Supplementary Monitoring Information
Cabinet are requested to approve a drawdown of £600,000 for cost avoidance payments for Private Sector Leasing and Direct Letting landlords to be funded from the earmarked reserve for Temporary Accommodation.
Long Term Trends: The **Temporary Accommodation service** faces a long-term trend of: • rising rents, • constraints on income collection because of Welfare Reform • increases in demand from homeless families. The number of households in Temporary Accommodation is increasing annually (1,214 at April 2016; 1,324 at April 2017; 1,444 at April 2018) and is projected to increase to 1,559 at April 2019; 1,674 at April 2020 and 1,789 at April 2021. Since the Homelessness Reduction Act came into effect in April 2018, there has been a

Supplementary Monitoring Information
Cabinet are requested to approve a drawdown of £600,000 for cost avoidance payments for Private Sector Leasing and Direct Letting landlords to be funded from the earmarked reserve for Temporary Accommodation.
significant increase in homelessness approaches and caseloads. Between May/June 2018 and May/June 2017, approaches have increased by 102% from an average of 99 per month to 199 per month. The service is focusing on tightly managing its acceptance duty and costs are being managed within the forecast figures in Table 1 above. The risk of further cost pressures is being monitored and managed closely as part of a package of measures within the Temporary Accommodation strategy.
Planning income in recent years has fluctuated between £3.5m (2016/17), £3.1m (2017/18) and is currently forecast to reach £3.7m in 2018/19. The forecast is being closely monitored and any variance from the income target will be reported here. The inherent volatility of planning income means it is difficult to predict future income expectations due to several factors including: • Changes to the statutory charging schedule • Economic factors such as the impact on planning activity of Brexit • Changes in legislation e.g. permitted development rights, Planning Performance Agreement regulation • Changes to pre-application charging fees and Planning Performance Agreement templates • Local and wider market conditions • Availability of development sites in the borough • Developers by-passing the pre-application process as it is not compulsory • Reduced developer confidence in the service through reduced staffing - may be less likely to fund Planning Performance Agreements • Government schemes to encourage house building, including grant schemes • Developers' responding to current and pipeline housing supply in borough (they don't want to flood the local market) • Adverse weather conditions

APPENDIX 5: PUBLIC SERVICES REFORM
BUDGET REVENUE MONITORING REPORT MONTH 3

Table 1 - Variance by Departmental Division			
Departmental Division	**Revised Budget**	**Variance Month 3**	**Variance Month 2**
	£000	**£000**	**£000**
Public Services Reform	**3,384**	2,615	2,449
TOTAL	**3,384**	**2,615**	**2,449**

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Public Services Reform		
External Business Intelligence sales. Forecast assumes 25% delivery of income target.	1,412	1,412
Sales of Ethical Debt solutions to other public bodies. Forecast assumes 25% delivery of income target.	450	450
Advertising Hoardings (reported in Growth and place in month 2): The adverse variances are mainly due to shortfalls in income at the L'Oreal, Bentworth Road and Woodstock Grove profit share sites and new sites that did not proceed (Fulham Palace Road and Lyric Square).	603	587
Supporting People - £209k of 2018/19 savings target of £359k relating to Mental Health Contracts have been identified.	150	0
TOTAL VARIANCE	**2,615**	**2,449**

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	**Risk At Month 3 £000**	**Risk At Month 2 £000**
Contract management savings – reported as high risk against delivery in April. Therefore 50% of savings (£1,000k budget change 18/19) to be delivered reported as a risk.	500	500
Potential costs of legal challenge (Hammersmith Flyover Advertising Hoarding/Two Towers)	2,145	2,145
TOTAL RISKS MANAGED	**2,645**	**2,645**

Supplementary Monitoring Information
Much of the expenditure in PSR relates to contract payments or regular payments to third sector providers. Information used to forecast includes a schedule of commitments, contract documentation and any changes in demands for services. For income streams a pipeline of opportunities is used to forecast for commercial activity. The advertising hoarding forecast is calculated on a site by site basis.

APPENDIX 6: RESIDENTS' SERVICES
BUDGET REVENUE MONITORING REPORT MONTH 3

Table 1 - Variance by Departmental Division			
Departmental Division	**Revised Budget**	**Variance Month 3**	**Variance Month 2**
	£000	**£000**	**£000**
Cleaner, Greener & Cultural Services	8,951	33	(206)
Transport and Highways	12,792	285	420
Leisure & Parks	4,395	75	32
Environmental Health, Community Safety & Emergency Planning	6,126	466	266
Other LBHF Commercial Services	(238)	240	240
Executive, Finance, and Contingency	825	0	0
Building Control and Technical Support	1,288	155	133
Commercial Services (FCS)	11,839	244	0
Libraries	2,628	0	0
Customer Services	14,548	649	0
Prevent	25	0	0
TOTAL	**63,179**	**2,147**	**855**

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Cleaner, Greener & Cultural Services	**0**	
Salary budget pressure as 2% pay award will not be funded corporately.	18	0
Greener Living: £343k underspend on waste disposal due to lower tonnages and the continuation of the reduced recyclate processing rate. £32k other smaller net underspends.	(391)	(306)
Culture: Commercial income saving at risk for Parks and Markets Events.	97	100
Culture (Filming and Events): Anticipated shortfall in Filming income, outturn is forecast in line with last year £136k, Events £172k income shortfall: made up by Hammersmith Town Hall lettings £72k, and £52k shortfall on funfairs (due to restrictions on using Shepherds Bush Green) £26k on concessions in parks and £20k on miscellaneous income.	309	0
Total of Cleaner, Greener & Cultural Services	**33**	**(206)**
Transport & Highways		
Salary budget pressure as 2% pay award will not be funded corporately.	64	64

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Metro Wireless WIFI income. This has never achieved the amounts originally estimated.	73	73
Transport Planning Consultancy. There is some possibility of income but the likely amounts are small.	55	55
Network Management Fixed Penalty Notice (FPN) income. Rule changes following developments in case law mean that the FPN target cannot be achieved in full.	61	54
Network Management license income shortfall.	48	45
Baymedia advertising contract. Quarterly figures for 2017/18 suggest that the budget for this was too high in Month 2. The Month 3 forecast assumes that there will be an increased level of custom and the target will be me – a greater number of lamp columns have been made available for advertising.	0	20
Forecast shortfall in recharges to projects. Additional projects may arise in year that will reduce this overspend.	147	139
IT costs are under budgeted as there has been a reliance on the IT reserve in prior years which has now been transferred to council reserves. Reported as a problem in Month 2 but has been allocated to relevant service areas in Month 3.	0	41
General Maintenance: cheaper materials to be used in road repairs.	(100)	0
Land Survey underspend due to IT charges to TFL.	(40)	(40)
Streetlighting Energy: Ongoing reduction in energy use from LED replacement project.	(19)	(19)
Other underspends.	(3)	(11)
Total of Transport & Highways	**285**	**420**
Leisure and Parks		
Salary budget pressure as 2% pay award will not be funded corporately.	8	8
Increase in recharge to Wormwood Scrubs.	(29)	0
Forecast legal and consultancy fees on new contract for Leisure Contracts.	43	0
Forecast overspend on Grounds Maintenance and repairs.	21	0
Salaries net overspend.	5	0
Additional water charges due to installation of meters.	33	33
Higher forecast for Linford Christie energy costs.	10	10
Additional cemeteries income.	(13)	(13)
Additional parks income.	(7)	(7)

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Other.	4	2
Total of Leisure and Parks	**75**	**33**
Environmental Health, Community Safety & Emergency Planning		
Licensing & Trading Standards: £59k forecast Licensing income shortfall, mostly due to £40k reduction in Olympia license fee (from £93k in 2016/17 to £53k in 2018/19), but other licensing income is also forecast to be £19k less than budget. Recovery plan being developed to address this ongoing pressure.	59	69
Community Safety: £120k income shortfall due to non-delivery of commercial income savings (£100k deployable CCTV and £20k Professional Witness). This has been escalated in order to identify a permanent resolution to this budget pressure going forwards.	120	120
Emergency Planning: Due to ongoing budget pressures in transport £30k, forecast shortfall in leasing income due to long term unachieved income target and £47k forecast income shortfall in fleet management. Possibility of securing administration fees for fleet management from WCC (£18k) and RBKC (£5k) but not yet agreed. Further £24k income risk if parking spaces and empty workshop space cannot be rented out. £7k pressure due to salary inflation not funded.	83	77
£292k salary budget pressure as 2% pay award will not be funded corporately (£113k), forecast overspend in Noise & Nuisance as absences of permanent staff due to leave or illness shifts must be covered by agency staff (£117k); overspends in Environmental Quality (£30k) and Food Safety (£15k) and other smaller net overspends, mostly long-term sickness cover in CCTV (£21k). Offset by £47k drawdown from reserves to cover overspend in Silver Rota and Civil Protection.	292	0
Income overachievement: Additional income in Noise & Nuisance (£23k) and Environmental Quality (£45k) largely due to recharges for officer time to Thames Tideway and £12k favourable on Trading Standards for FPN's and management fees.	(80)	0
Other minor net underspends.	(8)	0
Note: The2017/18 underspend in Registrars is not expected to be repeated in 2018/19 due to the loss of Nationality Checking income from October 2018 (as this scheme has been scrapped by the Government) and the impact of the planned HTH refurbishment on income levels for other ceremonies.	0	0

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Total of Environmental Health, Community Safety & Emergency Planning	**466**	**266**
Other LBHF Commercial Services		
Forecast shortfall on CCTV ducting contract (£50k income v £290k income budget). New contract being negotiated likely to be in the region of £50k pa.	240	240
Total of Other LBHF Commercial Services	**240**	**240**
Executive, Finance, and Contingency		
Forecast to break-even.	**0**	0
Total of Executive, Finance, and Contingency	**0**	**0**
Building Control and Technical Support		
Building Control: Shortfall on net income of £129k of which £14k relates to unfunded 2% pay award	129	133
Technical Support: Overspend on staffing costs of £35k of which £13k relates to unfunded pay award. This is offset by underspend in supplies and services of (£8k)	26	0
Total of Building Control and Technical Support	**155**	**133**
Commercial Services		
Forecast overspend on street cleansing due to additional costs of weed treatment.	**131**	**0**
Forecast shortfall in income for fixed penalty notices as the Night Enforcement team has ceased to operate impacting on income levels.	**6**	**0**
£77k overspend on staffing: £12k of this relates to unfunded 2% pay award, with the remainder being an overspend due to overtime (£27k) and the cost of one unfunded post in the establishment (£38k).	**77**	**0**
£30k overspend on Smart Banks as the number of these facilities has increased due to new developments being built.	**30**	**0**
This forecast assumes delivery of the £159k saving identified by E&Y to be achieved through a renegotiation of the waste contract but this remains high risk.	**0**	**0**
Total of Commercial Service	**244**	**0**

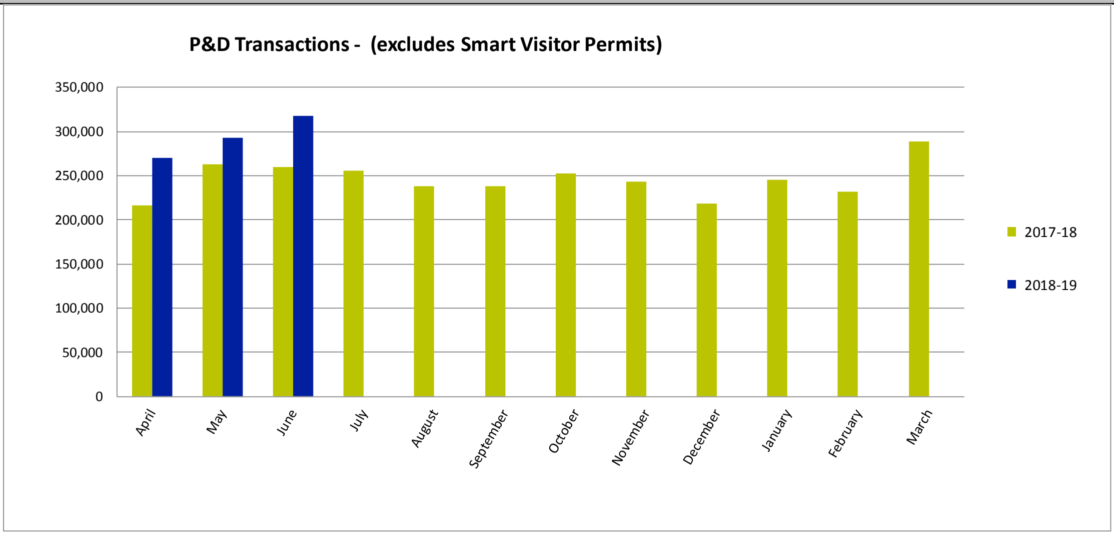
Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Customer Services		
£579k overspend on staffing. £110k of this relates to unfunded 2% pay award, however the majority of this is due to a delay in delivery of savings (£481k target). This was intended to be delivered through robotic process automation plus other process efficiencies. Work is being undertaken in the service to deliver these by 2019/20. £40k in year pressure due to new Out of Hours contract (unit cost increased from £2.56 to £6.08 per telephone call). £30k other smaller pressures.	**649**	**0**
Total of Customer Services	**649**	**0**
TOTAL VARIANCE	**2,147**	**885**

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	**Risk At Month 3 £000**	**Risk At Month 2 £000**
Loss of nationality checking income in registrar's service.	60	60
Registrars forward bookings affected by HTH redevelopment.	150	150
Serco saving assumed by Ernst & Young may not be achieved.	159	159
Contact Channel Improvement savings not achieved.	150	0
Commercial opportunities in libraries - potential risk that income targets will not be achieved.	200	0
Smart Open libraries - potential risk that savings will not be achieved due to delays in implementation.	100	0
TOTAL RISKS MANAGED	**819**	**369**

Supplementary Monitoring Information

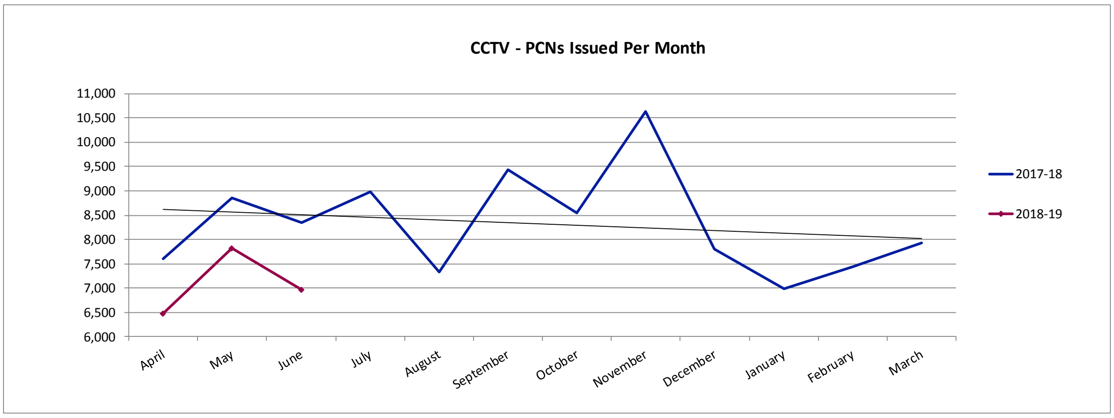
Supplementary Monitoring Information
Taken together with Parking (in Appendix 6a), the overall variance in Residents Services is £849k adverse. The biggest new financial pressure in this report is the £649k adverse position in customer services. The transfer of this service into Resident's Services this year and the arrival of a new assistant director has led to a full review of the finances of this service. The service is working on the delivery of them, but it will take longer than expected. Residents services must fund £530k of pay awards in 2018/19 and it is managing to do that in most areas except customer services. These costs will be reviewed as part of the MTFS process for 2019/20. Plans for several budget reductions have proved to be not deliverable. The service is absorbing these, except for customer services where they have proved to be too big. One of the mitigations is that the £849k total adverse variance can be brought down to £609k with the use of the reserve for the duct asset concession. Residents services will look at the feasibility of bringing forward savings ideas from 2019/20 to help balance the budget in 2018/19. **Trend Data** In Residents Services trend data is used extensively where income or expenditure is variable from month to month and is consequently hard to predict. Examples where this is the case include: • Parking income from pay & display and penalty charge notices (PCNs) • Waste disposal • Licensing income of all kinds • Legal expenditure in coroners Typically, we forecast income based on the previous year or take an average over a number of years if the pattern shows less volatility. We then adjust for one-off items that may skew the forecast, and then adjust for known changes. In **Parking** pay and display activity varies according to the demand for parking across the year. Typically, it is low in holiday periods such as August and December, and higher at other times. Cashless parking has had a significant impact in stimulating increased demand. The graph below illustrates the variability from month to month.

Supplementary Monitoring Information



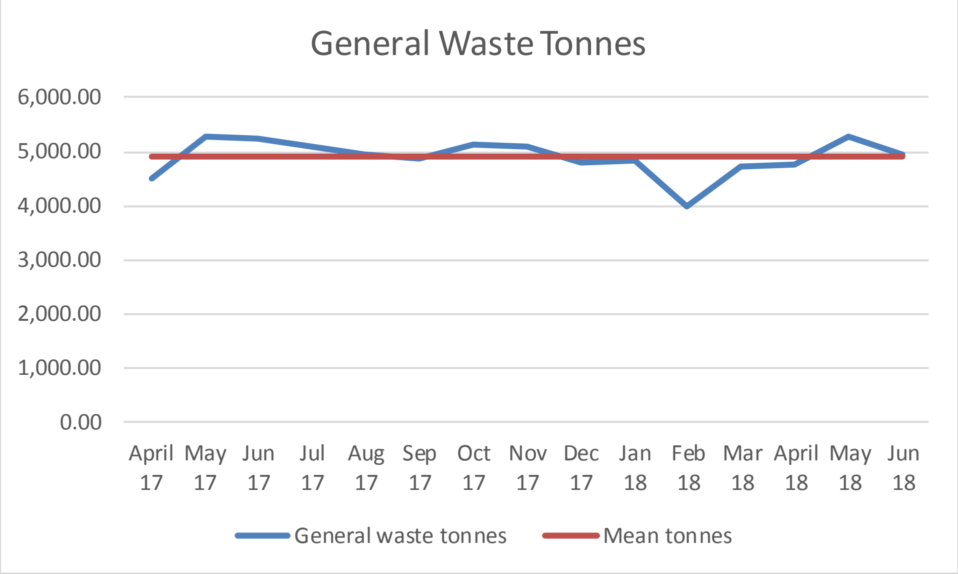
These patterns are considered in making the forecasts each month.

Fixed penalty notice activity varies according to driver behaviour, particularly for those captured by CCTV. The graph below shows the variability.



In **waste disposal** variability comes again from the behaviour of people in how much rubbish they put out and how well they separate their recyclables. The council pays for waste disposal by the tonne. The table below shows the variability around the average.

Supplementary Monitoring Information



We use data from the previous year to help inform the forecast for the current year.

In **Licensing** the approach we take is to assume the same income as last year as that represents the most up-to-date information on the number of licenced premises, adjusted for known changes such as in the charges for big licenced venues.

In **Coroners** we tend to do the same for expenditure in volatile areas where expenses are highly unpredictable and vary according to the number and type of inquests. We take an average over a number of years and adjust for one-off events such as a big inquest.

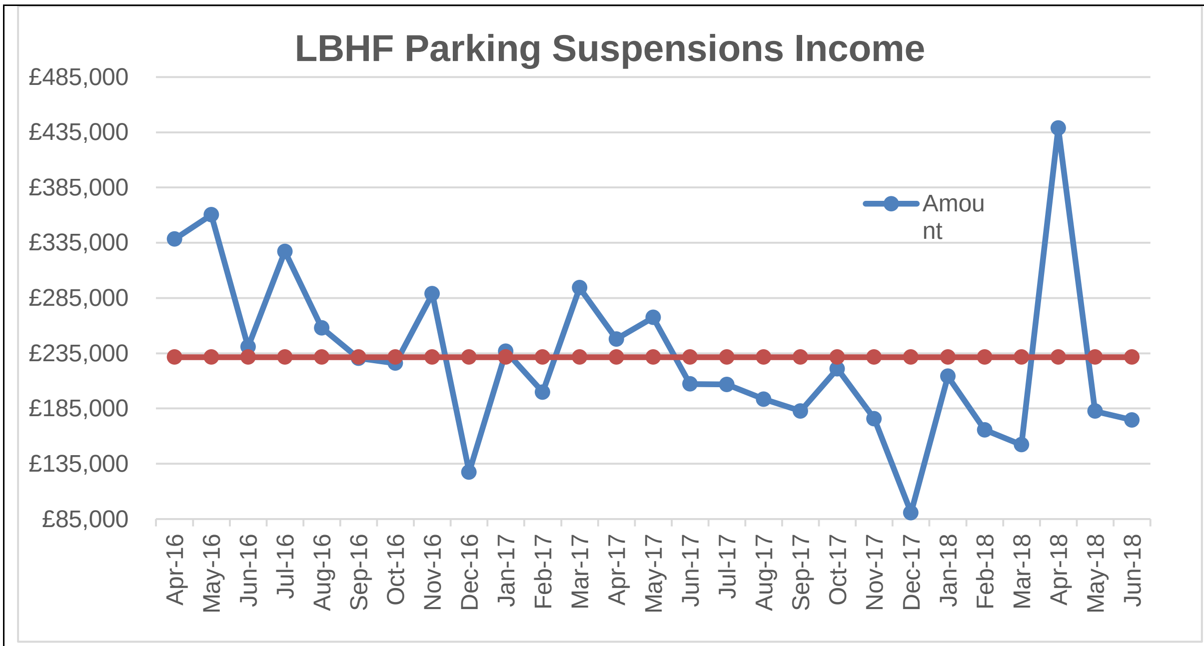
APPENDIX 6a: CONTROLLED PARKING ACCOUNT
BUDGET REVENUE MONITORING REPORT MONTH 3

Table 1 - Variance by Departmental Division			
Departmental Division	**Revised Budget**	**Variance Month 3**	**Variance Month 2**
	£000	**£000**	**£000**
Controlled Parking Account	(22,940)	(1,298)	(413)
TOTAL	**(22,940)**	**(1,298)**	**(413)**

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Parking Control		
Pay and display income overachievement.	(2,194)	(1,030)
Permits income overachievement.	(108)	(101)
Parking Penalty Charge Notice (PCN) income overachievement.	(377)	(71)
Towaways income achievement.	0	(12)
Suspensions income underachievement.	1,102	744
There is a £341k underspend on supplies services due primarily to the completion of rollout of the cashless parking resulting in reduction of cash collection and maintenance contract costs.	(365)	(395)
Salary overspend of £644k due to the full year effect of employment of Civil Enforcement Officers (CEO) last six months of financial year 2017/2018. Includes pay award cost of £112k.	644	452
TOTAL of Parking Control	**(1,298)**	**(413)**
TOTAL VARIANCE	**(1,298)**	**(413)**

Table 3 - Key Risks - Detail Items Over £250,000
None to report

Supplementary Monitoring Information
Parking overall is managing to absorb the £112k cost of the 2018/19 pay award. The adverse variance on parking suspensions suggests that general economic conditions in the borough are not as good as they were two or three years ago. The variance around the mean since April 2016 suggests that the trend remains downwards:



LBHF Parking Suspensions Income
£485,000
£435,000
£385,000
£335,000
£285,000
£235,000
£185,000
£135,000
£85,000
Amount
Apr-16
May-16
Jun-16
Jul-16
Aug-16
Sep-16
Oct-16
Nov-16
Dec-16
Jan-17
Feb-17
Mar-17
Apr-17
May-17
Jun-17
Jul-17
Aug-17
Sep-17
Oct-17
Nov-17
Dec-17
Jan-18
Feb-18
Mar-18
Apr-18
May-18
Jun-18

APPENDIX 7: SOCIAL CARE
BUDGET REVENUE MONITORING REPORT MONTH 3

Table 1 - Variance by Departmental Division			
Departmental Division	**Revised Budget**	**Variance Month 3**	**Variance Month 2**
	£000	**£000**	**£000**
Care and Assessment	21,860	241	741
Learning Disability	11,824	417	326
Mental Health	6,629	412	102
In-House Services	2,832	0	0
Community Independence & Hospital Service	1,603	0	0
Resources	6,472	0	0
Directorate & Support Service	514	0	0
Unfunded 2% Pay-Award Increase Impact on service budgets	0	205	0
Commissioning	4,095	140	0
Public Services Reform (PSR)	(4,095)	0	0
TOTAL	**51,734**	**1,416**	**1,169**

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Care and Assessment		
A projected overspend of £241,000 on the Care and Assessment Service. Like the previous year, there are continued pressures as part of the out of hospital strategy including 7-day social care services to support customers at home and avoid hospital admissions or to enable early discharge. This has led to an increase in home care costs above that which is normally expected. The main reasons for the decrease in the net overspend of (£500,00) is due to subcontracting vacant block contracted beds to other local authorities. The number of spot placements has increased since April 2018 by 24 placements of which 10 are known to the service and this is factored in the forecast.	241	741
TOTAL OF Care and Assessment	**241**	**741**
Learning Disability		
The overspend of £417,000 is mainly due to full year effect of Placements and Direct Payments which started at the end of last year. Since last month the forecast has changed due to increasing costs following a reassessment of care needs.	417	326
TOTAL OF Learning Disability	**417**	**326**
Mental Health		

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Mental Health is projecting overspend of £412,000 due to an increase of 3 new placements and the reassessment of care needs resulting in additional costs for 1 resident.	412	102
TOTAL OF Mental Health	**412**	**102**
Commissioning		
There is an overspend of £140,000 in the safeguarding services due to increase in Independence Mental Capacity Assessment contract and additional safeguarding assessments.	140	0
TOTAL OF Commissioning	**140**	**0**
2% Pay-Award Impact		
This projected overspend due to 2% pay award increase in costs and the budget not allocated to services but held Corporately to mitigate overspends.	205	0
Total 2% Pay-Award Impact	**205**	**0**
TOTAL VARIANCE	**1,416**	**1,168**

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	**Risk At Month 3 £000**	**Risk At Month 2 £000**
Estimated costs relating to Learning Disability service users transitioning from Children Services to Adult Social Care.	450	450
Year on year savings from Transformation Commissioning Programme are increasingly difficult to deliver and the department is concerned given the overall budgetary position.	900	900
TOTAL RISKS MANAGED	**1,350**	**1,350**

Supplementary Monitoring Information
The Department continues to experience significant budget pressures. The Department is projecting overspend of £1,416,000 as at period 3 an increase of £248,000 since the period 2 forecast. This is mainly because of the full year implications of new service users coming through the service from 2017/18 especially within Home Care & Learning Disability. Since last month, there are new pressures in Mental Health services and non-allocation of budget for the 2% pay-award increase. The department has factored into the forecast the new additional one-off funding from the Adult Social Care Grant of £574,000 to partly mitigate the some of these pressures. Historically, the department's budget has had underlying budget pressures, which were partly mitigated in year by using a combination of management actions to control the budget, one off reserves and from last year with the Improved Better Care Funding. At this early stage of the year, the department is highlighting a maximum risk of £1.3m due potential additional transitional service users and difficulty of some in year savings at risk of non-delivery.

Trend Data

Placements	Number of Clients	Unit Costs
17/18 P1	472	£862.51
17/18 P12	500	£895.57
18/19 Latest	524	£924.59

There were 28 new placements in 2017/18 which creates an increase in forecast of over £600K if we assume all clients are in placement for half the year. The weekly cost of placements has increased by £33.06 per week. This creates a budget pressure of over £800K. However, there has almost been the same increase in clients over a 2-month period in 2018/19 as what there was over a 12-month period last financial year. In addition, there was a shortfall in inflation funding of 1.74% that ASC had to fund. The increase in weekly cost was 3.83% but we only received 2.09% from Corporate for inflation.

Home Care	0-7hrs p/w	7-14hrs p/w	14-28hrs p/w	28+hrs p/w	Total
P1 17/18	515	372	330	125	1342
P12 17/18	487	351	316	145	1299
18/19 Latest	489	347	317	155	1308

From the above table you can see increasing/more complex needs in Home care customers, demonstrated by the increase in 30 cases of 28hrs+ per week, despite the slight drop in client numbers towards the end of 17/18 FY. This might be explained by some Home Care customers who are discharged from Hospital straight back into the community.

Direct Payments		
	Number of Clients	Average Weekly Cost
P1 17/18	486	£315.00
P12 17/18	477	£322.00
18/19 Latest	477	£336.00

There has been a slight drop in client numbers since the beginning of 2017/18 however the increasing weekly cost implies that clients' needs have been increasing leading to higher care packages.

Assumptions

1. Projections based on client numbers on Mosaic as at the end of June 2018 (assumes Mosaic data is up to date and correct).
2. Assumes no increase in clients in 2018/19 therefore we only forecast based on live clients on Mosaic. This is a riskier approach than in previous years when clients not in Mosaic were factored into the forecast. However, there are 29 Placements that are in progress with Brokerage that are not included in the projections
3. LD Transitions for 18/19 have been calculated but are not included in the forecast until Care Package is reflected in Mosaic.
4. A risk schedule has been drawn up amounting to £264K for LD ASC Clients.

APPENDIX 8: CENTRALLY MANAGED BUDGETS
BUDGET REVENUE MONITORING REPORT MONTH 3

Table 1 - Variance by Departmental Division			
Departmental Division	**Revised Budget**	**Forecast Variance Month 3**	**Forecast Variance Month 2**
	£000	**£000**	**£000**
Corporate & Democratic Core	3,708	120	120
Housing Benefits	(328)	0	0
Levies	1,570	(40)	(40)
Net Cost of Borrowing	282	0	0
Other Corp Items	6,174	70	0
Pensions & redundancy	9,048	(160)	(80)
TOTAL	**20,454**	**(10)**	**0**
Adjustment for limiting use of the unallocated contingency to 50% and not distributing the contingency held for the 2018/19 pay award		(2,625)	0
Revised Variance		**(2,635)**	**0**

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Corporate & Democratic Core		
There is a forecast overspend of £120k on net Shared Accommodation costs after factoring in the changed accommodation profile post Moving On.	120	120
Corporate & Democratic Core Total	**120**	**120**
Levies		
Corporately funded Levies are forecast to be £40k under budget.	(40)	(40)
Levies Total	**(40)**	**(40)**
Other Corporate Items		
There is a forecast overspend of £150k on Land Charge income due to the slow housing market. There is a forecast underspend of £80k on the NNDR contingency held to cover NNDR costs on civic properties.	70	0
Other Corporate Items Total	**70**	**0**
Pensions & redundancy		
Corporately funded pension costs from historic redundancy decisions are forecast to be under budget.	(160)	(80)
Pensions & redundancy Total	**(160)**	**(80)**

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
TOTAL VARIANCE	**(10)**	**70**

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	**Risk At Month 3 £000**	**Risk At Month 2 £000**
There is a risk that a reduction in cash balances will reduce the amount of investment income by up to £259k. There is a mitigating factor that interest rates may rise which could lead to a favourable variance of up to £250k.	250	250
TOTAL RISKS MANAGED	**250**	**250**

Supplementary Monitoring Information
£0.8m of the Unallocated Contingency remains uncommitted after allowing for existing commitments and applying £0.85m of the budget to cover the council wide forecast overspend approved in month 2.

APPENDIX 9: HOUSING REVENUE ACCOUNT

BUDGET REVENUE MONITORING REPORT MONTH 3

Table 1 - Variance by Departmental Division			
Departmental Division	**Revised Budget**	**Forecast Variance Month 3**	**Forecast Variance Month 2**
	£000	**£000**	**£000**
Housing Income	(76,847)	124	214
Finance and Resources	8,879	0	0
Housing Services	11,100	0	0
Property Services	2,932	3,471	3,471
Housing Repairs	14,820	129	0
Housing Solutions	217	0	0
Housing Strategy	297	0	0
Adult Social Care	48	0	0
Regeneration	362	0	0
Safer Neighbourhoods	622	0	0
Capital Charges	25,356	0	0
Business & Programme Management	3,102	0	0
SLA recharges	6,385	0	0
Revenue Contribution to Capital	4,563	0	0
(Contribution to) / Appropriation from HRA General Reserve	**1,835**	**3,724**	**3,685**

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
Property Services		
Fire Safety Expenditure - this is additional revenue expenditure on fire safety, information provided at the time of the budget did not indicate this level of revenue costs for the fire safety projects.	3,471	3,471
Total: Property Services	**3,471**	**3,471**
The out of scope element of the repairs contract with MITIE is predicted to overspend by £234k. This is due mainly to an increase in the identification by MITIE of the number of chargeable jobs, increases in void costs and increases in the number of disrepair cases. Of this, it is estimated that (£105k) will be recoverable from insurance and this will be confirmed by the loss adjustors in the coming months.	129	0
Total: Housing Repairs	**129**	**0**
Housing Income		

Table 2 - Variance Analysis		
Departmental Division	**Month 3 £000**	**Month 2 £000**
This relates mainly to a forecast shortfall in rental income from garages of £158k due to slippage in appointing a garages refurbishment contractor. At the time the budget was produced the contractor was expected to be in place by mid-February 2018, however no competitive tenders were received. The work is being retendered and the forecast assumes a contractor is in place by late July 2018. In addition, there is an anticipated shortfall on income from advertising hoardings of £35k due to contractual issues and on dwelling rents and tenants service charge income of £12k, primarily because of increased void rates. This is offset by favourable variances on income from commercial property of (£65k) and Estate Pay & Park income (£16k).	124	214
Total: Housing Income	**124**	**214**
TOTAL VARIANCE	**3,724**	**3,685**

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	**Risk At Month 3 £000**	**Risk At Month 2 £000**
Additional Fire Safety Costs - following the fire at the Grenfell housing tower block in Kensington and Chelsea, the Council has put in place the Fire Safety Plus Programme to make fire safety improvements to the housing stock beyond the current legal minimum standards. There remains a risk that more work may be needed following the outcome of the Grenfell Public Enquiry.	unknown	unknown
The implementation of the Hampshire Integrated Business Centre systems and its impact on service delivery - most notably in terms of risks to income collection, arrears management and the associated bad debt risk, financial and management reporting, systems assurance and reconciliation reporting, the time taken to resolve payment issues, the opportunity cost of officer time in managing issues arising and other factors.	unknown	unknown
MITIE Out of Scope - A review of revenue repair costs and volumes on the out of scope element of the MITIE repairs and maintenance contract indicate that there remains a risk of a further overspend this year. Officers are reviewing the position monthly in detail.	TBC	TBC
The impact of the Growth & Place restructure: The net impact of the restructure most notably additional resource requirement in the Property Services team and the further roll out of the concierge service. Finance Officers are working closely with the project team costing the emerging proposals.	unknown	unknown

Table 3 - Key Risks - Detail Items Over £250,000		
Risk Description	**Risk At Month 3 £000**	**Risk At Month 2 £000**
TOTAL RISKS MANAGED	**0**	**0**

Supplementary Monitoring Information
Repairs and Maintenance: Expenditure on the Out of Scope (OOS) element of the contract with MITIE is forecast at £3.49m for 2018/19 which would result in a £0.2m overspend. General repair works account for roughly 50% of all OOS expenditure. The projected number of general repair work orders is expected to remain fairly static at around 6,800 orders per year, however, we have seen a steady increase in the average job cost for general repairs over the past year rising from an average cost of £269.19 in 2017/18 to £320.55 in 2018/19. It is also noticeable that increases in non-general trade categories is being felt including Door Entry (average cost £302.67 in 2017/18 and £357.38 in 2018/19) following the interruption of the door entry system renewal programme (for which costs are capitalisable) resulting in higher revenue repairs costs, and plumbing (average cost £129.38 in 2017/18 and £157.20 in 2018/19). Officers are closely scrutinising these costs to mitigate against these cost increases and bring costs back within budget for this year and for future years. Actions already being implemented include additional resourcing to check jobs and costs for MITIE OOS works.
Debt servicing (interest) costs have steadily been managed downwards in recent years as maturing debt is repaid to the Public Works Loan Board and refinanced by internal borrowing. Interest payments made have fallen from £10.5m (2015/16), £9.7m (2016/17) and £8.9m (2017/18) to £8.7m this year. The interest rate applicable to the remaining debt has also fallen from an average of 5.34% (2015/16) to 4.74% (2018/19) as the Council has repaid the highest interest-bearing loans as they mature. Debt servicing costs are currently expected to be £8.4m for 2019/20 and £7.8m in 2020/21 (assuming continued access to the Earls Court funds for internal borrowing). No significant reductions in the loan servicing costs for existing debt are expected after 2020/21 as the bulk of high interest rate loans will be repaid (historically the Council has borrowed on fixed rate terms with the loans becoming repayable upon maturity). The Housing Revenue Account business plan currently assumes debt repayments of £3.8m (8.875% interest rate) in 2018/19, £8.0m (average rate 6.9%) in 2019/20 and £9.5m (4.04% interest rate) in 2020/21 and that these loans are replaced by internal borrowing from housing funds, therefore not attracting any interest charge in the accounts. If Council successfully negotiates an exit from the Earls Court agreement then this internal borrowing from housing funds would need to be replaced by interest bearing borrowing from existing GF cash and / or additional PWLB borrowing, the impact of which would be substantially offset as a result of no longer having to take out additional borrowing to deliver vacant possession of the estates. It will be important to fully understand the Council's overall long term cashflow forecasts to enable the treasury management decisions required especially in the context of other large projects such as King Street.

Supplementary Monitoring Information
Council Homes voids: the number of void dwellings not available for rent has increased from 110 (April 2017), to 140 (April 2018) and 160 in June. The void rate has historically been low (0.84% in 2016/17 and 0.98% in 2017/18) but increased recently to 1.3% largely due to a deterioration in the works turnaround time which is controlled by MITIE. The contracted works turnaround time is 10 days but the current performance is much higher at 36 days. Officers have implemented a service improvement plan with MITIE and this is expected to bring the works turnaround time down to 20 days in the coming weeks. Although the current budget for voids allows for this level of voids (1.3%), if the emerging trend is not contained, this will result in an overspend.
Commercial income: the income generated has increased since 2016/17 from £1.15m to £1.46m in 2017/18 and is expected to increase to £1.54m this year. This is due to better management by the Council and GVA Grimley in achieving tenancies and minimising voids. GVA Grimley have been managing the Council's commercial properties since May 2015.
Garages income: the income generated has been increasing steadily in the last few years as a result of improvements in the management of the garages portfolio (£0.95m in 2016/17; £1.02m in 2017/18). The void rate has improved also, falling from 35% in 2016/17, to 27% in 2017/18, to 21% for the year to date. Garages income is forecast to reach £1.05m this year though that will be a shortfall against budget of £158k. As the garages refurbishment programme is progressed, this variance is expected to be eliminated in future years and the expected garages void rate by 2021/22 is 2.4%.

APPENDIX 10 - VIREMENT REQUEST FORM
BUDGET REVENUE MONITORING REPORT – MONTH 3

Details of Virement	Amount (£000)	Department
GENERAL FUND:		
Realignment of Residents' Services budgets to reflect the impact of cashless parking and to correct wider income and budget issues: • Transport and Highways FPNs shortfall £55k • Environmental Health licensing income shortfall £70k • Transport income shortfall £70k • Transport and planning consultancy income shortfall £65k • Non-chemical weed treatment £131k	(391) 391	CPA RS
Drawdown of £600k from Temporary Accommodation Reserve to fund cost avoidance payments for Private Sector Leasing and Direct letting landlords.	(600) 600	Reserves GP
Total General Fund requests (Debits)	**991**	
HRA		
None to report		
Total HRA Requested Virements (Debits)		

Department	Abbreviation
Controlled Parking Account	CPA
Growth & Place	GP
Residents' Services	RS