

# Executive Decision Report

<p><b>Decision maker(s) at each authority and date of Cabinet meeting, Cabinet Member meeting or (in the case of individual Cabinet Member decisions) the earliest date the decision will be taken</b></p>	<p>Leadership Team - 26 February 2018</p> <p>Forward Plan reference: 05171/18/K/A</p> <p>Leadership Team Portfolio: Lead Member for Corporate Services</p>	 <p>THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA</p>
<p><b>Report title (decision subject)</b></p>	<p><b>REVENUE BUDGET MONITOR – QUARTER 3 2017</b></p>	
<p><b>Reporting officer</b></p>	<p>Director of Finance</p>	
<p><b>Key decision</b></p>	<p>YES</p>	
<p><b>Access to information classification</b></p>	<p>Public</p>	

## **1. EXECUTIVE SUMMARY**

### **Revenue Budget Monitoring**

- 1.1. The three quarter year revenue budget forecast is set out in the tables below and explanations are provided in the service commentary sections. The forecasts indicate that services departments are underspending slightly, with a significant underspend of £10m forecast for the corporately controlled budgets. The exceptional revenue expenditure relating to the Grenfell tragedy is anticipated to outturn at a net position of £51.7m in the current year, which will need to be funded from the Council's reserves.

## **2. RECOMMENDATIONS**

- 2.1. Leadership Team is requested:
  - 2.1.1. to note the financial position as set out for the whole authority in Table 1 and the commentary provided by services; and
  - 2.1.2. to require those services that are overspending to identify any mitigating savings or other management actions that may ameliorate their financial position.

## **3. REASONS FOR DECISION**

- 3.1. The services report quarterly on the budget versus actual forecast year-end position to the Leadership Team. Though mainly for information, this report does recommend remedial action to address forecast overspending.
- 3.2. The Grenfell Fire has placed unprecedented demands upon the Council's revenue resources. Whilst MHCLG has agreed to provide some financial support for the revenue costs incurred by the Council, a very substantial amount of revenue expenditure will fall for the Council to pick up from its resources.

## **4. BACKGROUND**

- 4.1. The background to this report is the original 2017-18 revenue budget as agreed by Council in March 2017.
- 4.2. This is the second monitoring report for 2017-18 produced for formal consideration by the Leadership Team. Budget monitoring was suspended in the immediate aftermath of the Grenfell fire and no first quarter report was submitted.
- 4.3. Informal budget monitoring by the Director of Finance has been instituted on a monthly cycle.

## **5. PROPOSAL AND ISSUES**

- 5.1. The current forecast outturn is shown in the table that follows. Treating Grenfell-related expenditure as an exceptional item which will need to be

met from reserves, the main service budgets show a forecast a relatively small underspend of £2.752m (or 2% of the net service budget). However, this masks the picture in individual services, which show a number of positive and negative variances.

**Table 1**

REVENUE BUDGET FORECAST - DECEMBER 2017	Actuals	Revised Budget	Forecast	Variance
	£000s	£000s	£000s	£000s
Adult Social Care	32,836	55,790	51,201	-4,589
Children's Services	31,608	40,993	43,715	2,722
Corporate Services	105	14,660	15,391	731
Environment, Leisure and Residents' Services	15,925	30,171	30,102	-69
Housing General Fund	4,247	16,886	15,854	-1,032
Libraries and Archives	1,714	3,589	3,529	-60
Planning and Borough Development	1,630	3,584	4,962	1,378
Public Health	0	0	0	0
Transport and Technical Services	-21,549	-14,380	-16,214	-1,834
Adult and Family Learning	-225	157	157	0
	<b>66,291</b>	<b>151,448</b>	<b>148,696</b>	<b>-2,752</b>
<b>Corporate Items</b>				
Grenfell	86,440	0	51,687	51,687
Corporate Budgets	-42,445	-151,448	-161,816	-10,367
	<b>43,995</b>	<b>-151,448</b>	<b>-110,129</b>	<b>41,320</b>
<b>GENERAL FUND TOTAL</b>	<b>110,286</b>	<b>0</b>	<b>FALSE</b>	<b>38,567</b>
Housing Revenue Account	-13,501	-11,138	-9,737	1,402

5.2. Table 1 shows clearly that three services are overspending significantly. Discussions are being held with the Director's concerned to see to what extent if any the issues are structural and if these issues may continue into 2018/19.

## 6. SERVICE COMMENTARIES

### Grenfell

- 6.1. The Grenfell Fire has meant that the Council has already taken a number of key decisions to provide emergency assistance to residents that have been affected by the fire. These will have a significant impact on the Council's revenue budget.
- 6.2. In 2017-18 the Council estimates that it will incurred £86.4m of revenue expenditure. The following table analyses this expenditure into its main constituent parts:

**Table 2**

<b>Grenfell</b>	<b>£mill</b>
Accommodation	36.1
Client Support	36.2
Other Costs	14.1
	<b>86.4</b>

- 6.3. Whilst DCLG has agreed to provide some financial support through the Bellwin Scheme (c£6m), Victim Support Fund (£6m) and Temporary Accommodation funding (c£20m) and Sec 31 grants (£3 mill), a very substantial amount of revenue expenditure will fall for the Council to pick up from its resources – net expenditure is anticipated to be £51.7m.
- 6.4. In presenting their service commentaries, departments have been asked to exclude the impact of the Grenfell fire from their forecasts as this will be dealt with at a corporate level.

## **7. ADULT SOCIAL CARE (Underspend £4.589m)**

### **Budget Changes**

- 7.1. The budget for Adult Social was set as part of the Council’s budget setting process and was confirmed by Cabinet in February 2017.
- 7.2. In March 2017, additional funding was announced for Adult Social Care over the three-year period 2017/18 to 2019/20. For the Royal Borough, total funding of £7.4m was announced over this three-year period. This was front loaded with £3.7m being available in 2017/18.
- 7.3. In the quarter 2 report, allocations of £920,000 towards the Transformation Programme and £527,000 towards the High Impact Change Model were assumed to be funded from this new funding. However, spend on these two initiatives is expected to be around £120,000. Should funding be required in 2018/19, then appropriate drawdowns from the 2018/19 Better Care Fund will be proposed.

### **Budget Variances**

- 7.4. An underspend of £1.8 million is currently forecast on the budget for residential, nursing, day care and intensive supported living placements. This reflects a continuing net reduction in the numbers of cases supported. This forecast is approximately £600,000 less than was assumed in the quarter 2 report, this is mainly due to a considerable reduction in the cost of transition cases being supported.
- 7.5. An underspend of £131,000 is projected against the Supporting People Budget (ASC services only). This has mainly arisen from a rationalisation of supported housing services.

- 7.6. The budget for home care, direct payments and managed accounts is projected to overspend by around £200,000, this is despite a budget virement of £2 million recently being agreed. Demand for these services can be volatile and budgets will need to continue to be closely monitored. However, this budget remains a risk for 2018/19 and a further budget virement may be required.
- 7.7. The overall budget for Adult Social Care employees is expected to overspend by approximately £560,000. This is mainly due to delays arising from the implementation of the new structure within the Integrated Care Service.
- 7.8. An underspend of £527,000 is currently forecast against the budget for Public Transport (i.e. Concessionary Fares and Taxicards).

### **Uses of Additional Funding**

- 7.9. The base budget included additional funding (£198,000) within the Better Care Fund. This funding and the new monies described in paragraph 1.2 are received by the local authority. However, their uses need to be agreed with the CCG. These two sources of funds total £3.947m in 2017/18. The planned uses of this funding are as follows:

<b>Pressure</b>	<b>£000's</b>
Contract Inflation/Market Stabilisation	1,350
Demographic Pressures/Increased Capacity	2,283
Unfunded BCF Commitments (home care)	200
Transformation	80
Investment in High Impact Change Model to address delayed transfers of care	34
<b>Total</b>	<b>3,947</b>

## **8. CHILDREN'S SERVICES (Overspend £2.722)**

- 8.1. The Children's Services overspend is forecast at £2.722 million. Family Services accounts for £1.771m and Education Service £1.138m of this overspend. The major factors causing this overspend are set out in points 8.2 to 8.12.
- 8.2. MASH (Multi Agency Safeguarding Hub) £0.192 million overspend. This is a Tri borough team set up in 2013 to undertake risk assessments of children and families to assist in decision making. Since the commencement of the service, growth bids have not been approved and therefore no budget is

available causing the overspend. Maternity vacancies have increased this overspend further due to interim replacements. A further increase may be seen due to an interim agency head of service appointment.

- 8.3. Social Work for Families and Children's Services overspend of £1.423 million is primarily from placements overspend (£0.909 million). There is a total overspend of £0.718 million relating to staffing, with £0.361 million being incurred on agency staffing. However, it is expected to be partly offset by underspends in legal and secure remand budgets. The service and finance have now managed to articulate the financial pressure caused by legislative changes and judicial decisions such as cases with No Recourse to Public Funds, Staying Put, Southwark Judgement. This equates to over £1m. A growth bid has been submitted to fund these new legislative demands.
- 8.4. Youth Offending Services are forecasting an overspend of £0.089 million. This is mainly due to interim agency arrangements to cover senior posts (£0.145 million). There is also a reduction of income (£0.058 million) due to grant income changes. A consultation is underway with plans included within it to mitigate some of those overspends by 2018/19.
- 8.5. Children's Homes £0.372 million overspend is due to delayed delivery of savings and a revised implementation date of July 2017. Full savings are expected to be delivered by 18/19.
- 8.6. The Healthlink team are reporting an overspend of £0.077 million. This is attributable to unachievable savings target for hospital income (£0.095m), however, it will be initially offset by underspends against residential assessments and S17 allowances. However, this will be closely monitored as it can be a potentially volatile and high cost area.
- 8.7. Within Looked After Children and Leaving Care there is a £0.913 million overspend. This is caused by a revision of the placement costs for Non-Funded Asylum Seekers and support for those with no recourse to public funds. UASC (Unaccompanied Asylum Seekers Children) is the main contributor £0.540 million. It is partly mitigated by small variances in other non-placement budgets.
- 8.8. There is a £0.172 million underspend in the fostering and adoption service caused by a staffing restructure that aligned the service to regional adoption agency model. Underspends from fostering placements (£0.111 million) is helping offset mitigating placement overspends in other areas, and inter agency fees (£0.058 million).
- 8.9. There is a £1.246 million underspend in Early Help. This includes an overspend of £0.095 million in the sovereign youth offending service. The main reason for the underspend is an assumption of the £1 million contribution from public health. Play Centres and Child Care outsourcing has now completed and is not expected to have any legacy cost pressures in this financial year.

- 8.10. Built into the overall family services overspend is an assumed income of £1 million from Public Health allocated against Early Help. This £1m was given by Public Health in 16/17 and the assumption is that this will be given again in 2017/18. There is currently an element of risk relating to the £1 million as Public Health believe they only committed to offering £0.5m in 2017/18.
- 8.11. Other variances totalling £0.123 million make up the balance of the £1.771 million family services variance.
- 8.12. There is currently a £1.138 million pressure forecast within the Education directorate. Volume growth pressures for Passenger Transport for post 16 statutory services account for a £0.264 million cost pressure. Staffing pressures within (SEN) Special Educational Needs staffing are causing a £0.358 million overspend. Legal and tribunal cost pressures of £0.156 million in SEN. £0.122 million overspend due to staffing costs in CWD (Children with Disability). Increased competition in 17/18 have resulted in £0.117 million cost pressures in traded services. Other minor overspend totalling £0.120 million
- 8.13. The Commissioning directorate underspend of £0.052 million, is primarily due to savings on the SALT (Speech and Language Therapist) Early years' contracts £0.138 million. And £0.032 million salary budgets underspend due to assumed recharge to corporate for staff costs relating to Grenfell. Offset by £0.095 million shortfall in kitchen maintenance traded service income and other minor overspend £0.052 million. Core staff time being spent on the Grenfell response without being fully backfilled. The Commissioning forecast assumes the transfer of staff costs up to period 6 of £0.6 million to the corporate Grenfell code. The full year forecast for Grenfell support offered by the Children's Commissioning directorate is £0.7 million.
- 8.14. Finance and Resources is forecasting an underspend of £0.182 million which is caused by centrally held budgets for staffing inflation which offset overspends across the department and are due to be allocated out.
- 8.15. The £0.047 million overspend on Safeguarding, Review & Quality Assurance is due to staffing cost pressures.

### **Analysis of Overspend Position**

- 8.16. Within the 17/18 forecast for Children's Services, is an assumption of growth that has not yet been received; £1 million from public health and £0.340 million for the expansion of the Clinical Team.
- 8.17. There remain inherent pressures within the placements budget. New Government legislation and court rulings have created new responsibilities for Local Authorities in regards to Looked After Children and Care Leavers. We anticipate £1.1M of additional costs caused by these, both in terms of placements costs and staffing required to manage higher caseloads. Staying Put, The Children & Social work Act 2017, Southwark ruling and court directed assessments are all part of this, along with social factors seeing increases in No Recourse to Public Funds cases and a growth in

Unaccompanied Asylum Seeking Children entering care, before moving on under the National Dispersal scheme.

- 8.18. A review of S113 staff cost recharging for Emergency Duty Team, Fostering and Adoption and MASH based on activity undertaken is forecast to cause a cost reduction to RBKC of circa £0.250 million. This is subject to the methodology and revised percentage splits being agreed by Executive Directors and S151 officers and will be factored into the forecasts once signed off.

## **9. CORPORATE SERVICES (Overspend £0.731m)**

- 9.1. The forecast overspend of £26,000 in **Financial Services** is made up of: underspend of £150,000 in employer's liability insurance budgets; underspend of £40,000 on external audit fees; and underspend of £40,000 in subscription fee, an overspend of £250,000 in teacher's unfunded pension costs, an overspend of £32,000 in bank charges; and an overspend of £100,000 in various staffing budgets.
- 9.2. **Customer Access:** this Service's overall budget is split between a controllable management element in respect of its day to day operating costs and income and separate element that relates to the Cost of Benefits (i.e. Housing Benefits paid, Subsidy received, recovery of overpaid benefits and charges in respect of bad debt provision). The latter is subject to demand fluctuations, governed by Regulations, or are accounting requirements, and are out of the day to day control of the Director.
- 9.3. On the controllable element of the budget, the Service is currently forecasting an overspend of £380,000. (Q2 £861,000) The key factors making this up are:

Discretionary Housing Payments: A projected overspend of £500,000 on DHP was reported in the Quarter 2 budget monitoring report. This overspend has now been funded by a virement from Housing Services to contribute to the additional temporary accommodation costs being incurred on DHP and was agreed at the Leadership Team meeting in October.

Salaries (redundancies): overspend of £508,000 due to £366,000 on Cash Collection Service redundancies (following its closure on the 1<sup>st</sup> October), £126,000 on Benefits redundancies and £16,000 on Cashiers redundancies, which would previously have been met from Reserves

Salaries: overspend of £248,000 partly due a rise in the pension contribution of which £101,000 would have been previously met from reserves and the loss of other earmarked reserves and carry forwards of £112,000.

Government Grants: Additional income of £258,000 mostly from DWP grants are also expected, but will only partially offset the overspends.

- 9.4. On the Cost of Benefits side, a surplus of Subsidy over the Benefits paid out may mean that if this past trend continues, it is possible that the projected overspends above could be partially or totally contained. However, given the demand led nature of this area of the Service, this income cannot be relied upon, and may not be accurately known until the end of the financial year.
- 9.5. The **shared ICT service** is projecting a £32,000 overspend. This is the result of various budget pressures:
- 9.6. A forecast under-recovery of income from the O2 WI-FI contract of £50,000 and an under-recovery on income from other sources of £37,000. An increase in Microsoft Enterprise Agreement Software Licence costs caused by price increases and a rise in the number of users supported, following Grenfell, of £95,000. Additional security software needed to respond to Cyber security incidents of £70,000. These pressures are expected to be offset by Section 113 charges made between Borough's, which does not have a budget, and is projected to bring net 'income' to RBKC of £270,000. However, this figure fluctuates according to demand and any changes to service provision, and could therefore be lower. There is also a moderate risk that the Income target for Development may not fully achieve the budget.
- 9.7. Although **Corporate Property** is forecasting a zero variance to budget, there are some significant budget pressures within the service. Most significant of these is the anticipated £995,000 income from private rented sector (PRS) schemes (refer 2017-18 budget proposals). Following the Grenfell tragedy these properties are being used for social housing so the anticipated income will not materialise. In current year this budget pressure is expected to be offset by underspends in business rates and energy budget. The proposed termination of the arrangements with Amey will incur some transition requests that will need a draw down from the Special Projects reserve which is included in the Council Tax report elsewhere in this agenda.
- 9.8. The forecast underspend of £382,000 (Q2 262,000) in **Strategy and Local Services** includes: the Registrar's service income surplus of £242,000; underspend in Governance Services of £128,000 mostly relating to salaries and members allowances; overspend in Community Safety of £98,000\* relating to salaries and the cost of CCTV maintenance nearly offset by an underspend of £95,000 on the Police Officer Contract; overspend in Emergency Planning of £33,000 in consultants fees to look into the response to the Grenfell tragedy partially offset by staff turnover; underspend in Community Engagement of £71,000 relating to staff turnover; in the Economic Development Service there is predicted under achievement of rental income of £101,000 at the Base-Line Business properties, due to a rent freeze relating to the Grenfell tragedy. This will be offset by additional income from a better than anticipated rent settlement from the Westbourne Studio, relating to 2016-17. [\* refer to paragraph 9.13].

- 9.9. The **Human Resources Service** is forecasting an underspend of £149,000. This is made up of: staff cost pressure £35,000\* to administer the new Central Government apprenticeship scheme and £56,000\* shortfall relating to the provision of dedicated union representatives. The former has been put forward as a growth item in the 2018-19+ Budget Review process going forward and the latter will look to be addressed in year and absorbed by the Service [\* refer to paragraph 9.13]. These are offset by an underspend in training budgets and a net income surplus resulting from the Bi-Borough arrangement with LBHF.
- 9.10. The Service is also facing a potential budget pressure of £235,000 in respect of the additional staffing costs arising from the disaggregation from London Borough of Hammersmith and Fulham, pending the processing of a virement signed off back in July. In current year the service will contain this pressure within existing budgets, although this may not be possible in future years.
- 9.11. **Managed Services** is forecasting an overspend of £867,000\*. This relates to the ongoing programme costs. The overspend has previously been funded from the Cost Reduction reserve. [\* refer to paragraph 9.13].
- 9.12. The **Innovation and Change Management** service is forecasting an underspend of £73,000. This is a shared service with LBHF. The underspend is the result of vacancies within the service.
- 9.13. Overspends marked with an asterisk would previously have been drawn down from various earmarked reserves set aside for these activities. However, the **Grenfell tragedy** has meant that these reserves may no longer be available for their originally intended purposes.

## **10. ENVIRONMENT LEISURE AND RESIDENTS SERVICES (Underspend £0.069m)**

### **Waste and Street Enforcement - £191,000 forecast underspend**

- 10.1. Commercial Waste is expected to be -£157,000 better than budget due mostly to forecast income overachievement (assuming the rest of the year is in line with last year). This has been factored into the departmental budget plans from 2018/19. Income from distribution of free literature licences is expected to exceed budget by -£22,000. Other smaller net underspends total -£12,000. Reprioritisation of the council's capital budgets means that the planned works at Denyer Street Depot are now not going ahead. As such, the council's waste and street cleansing contractor is required to operate from an alternative base, which will likely increase operating costs (expected £58,000 full year - £29,000 part year in 2017/18). If these plans progress as expected, a permanent funding solution will need to be identified. These additional costs are not included in the quarter three forecast.

### **Greener Living - £371,000 forecast underspend**

- 10.2. Waste disposal is forecasting an underspend of -£394,000, mostly due to the continuation of a reduced rate for processing recyclate. Additionally, average tonnages to date have seen year on year reductions for both general waste and recyclate. However, waste tonnages are extremely difficult to predict and can go up as well as down. Other smaller net overspends total £23,000.

### **Culture - £519,000 forecast overspend**

- 10.3. Notting Hill Carnival is forecast to be £297,000 overspent due to additional spend to strengthen the security and safety of the event. Increased investment in security and safety is expected to continue in 2018/19 and 2019/20, but at a reduced additional cost (£150,000 per year). As such, the forecast includes an additional £300,000 contribution to reserves to fund this future year budget requirement. A -£106,000 underspend is forecast against the residual budgets held for Opera Holland Park. This has been factored into the departmental budget plans for 2018/19. Other smaller net overspends total £28,000

### **Performance and Transformation - £8,000 forecast underspend**

- 10.4. An £82,000 overspend is forecast on the Strategic Head of Service due to additional project officer support to drive the department's ambitious project programme. Business Improvement is forecasting an underspend of -£89,000, due to posts held vacant pending review of the service. Other smaller net underspends total -£1,000. It should be noted that the recent decision to implement a new council wide digital platform solution will lead to one off unbudgeted costs of approximately £75,000 for ELRS. It is not clear how one off costs relating to this corporate programme are expected to be funded. As such, these potential additional costs are not currently included in the quarter three forecast.

### **Community Safety - £22,000 forecast underspend**

- 10.5. This is mostly due to staffing underspends in the Parks Police service as a result of vacancy drag.

### **Leisure and Parks - £47,000 forecast underspend**

- 10.6. The council's leisure contractor has indicated that they will be submitting a retrospective loss of income claim following the late opening of Kensington Leisure Centre in 2015 and the fact that some facilities remain unavailable – an unbudgeted overspend of £54,000 is included in the forecast to part fund this potential claim (the contractor is claiming £150,000 losses). This one off overspend is more than offset by underspends on the Lee Valley Levy (-£39,000) and fixed contractual income for the leisure contract (-£36,000). Both these underspends have been factored into the departmental budget plans for 2018/19 and so are one off this year. Other smaller net underspends total -£26,000.

### **Mortuary and Coroner Services - £140,000 forecast overspend**

- 10.7. Both services are provided under a partnership agreement hosted by Westminster City Council (WCC). Costs in this area have increased over the

past three years - the budget however, has remained the same. Budget growth of £87,000 has been agreed to fund this ongoing cost from 2018/19, but based on the latest forecast, this may not be enough. Spend in this area is difficult to predict with any accuracy due to its uncontrollable nature. This will continue to be monitored and reported. The forecast excludes additional service costs relating to the Grenfell fire - it is expected that these costs will be recharged in full to RBKC rather than being apportioned across the partner boroughs, as is the case with the normal operating costs. This cost has not yet been quantified, but is expected to be significant. It is expected that these costs will be funded centrally, rather than from ELRS budgets.

### **Executive and Finance - £17,000 forecast overspend**

- 10.8. This overspend is due to a new saving being held centrally within the department. This saving was intended to be delivered from a rationalisation of supplies and service budgets. This will be reallocated to service budgets from 2018/19.

## **11. HOUSING GENERAL FUND (Underspend £1.405m)**

### **Temporary Accommodation**

- 11.1. The Temporary Accommodation service is part of the Housing Needs and Homelessness service.
- 11.2. Recognising the anticipated budget pressures on this service, a budget increase of £1.4million was built into the 2017/18 budget. Overall this budget has increased by £4.4million over the last 3 years.
- 11.3. Prior to April 2017, local authorities in London were able to claim a management fee of £40 per property per week for households in TA (regardless of their location). From April 2017, this management fee is no longer claimable. Instead authorities have been allocated a new ring fenced grant – the Flexible Homeless Support Grant. So far funding for 2 years has been announced. The position from April 2019 is unclear.
- 11.4. The Royal Borough's allocation for 2017/18 is £4,695,000 which provides additional spending power of £1,445,000 in 2017/18 when compared to the budget provision. The expectation is that this should give us scope to support other homeless services including prevention initiatives.
- 11.5. As part of the quarter 2 monitoring report, a projected overspend of £500,000 on Discretionary Housing Payments (DHP) was forecast within the Corporate Services budget. Given the significant level of DHP's made to tenants in temporary accommodation, an in year budget virement of £500,000 was approved from the Housing Service. This budget reduction has been reflected in the position shown in this report.
- 11.6. Predicting the outturn position for such a volatile service continues to be extremely difficult. Based on a number of assumptions an underspend of £901,000 is being assumed in this report. This is summarised in the following table:

<b>Temporary Accommodation</b>	<b>Budget £000's</b>	<b>Projected Outturn £000's</b>	<b>Projected Variance £000's</b>
Gross Expenditure	32,895	33,669	774
Income	-29,794	-31,469	-1675
<b>Net Budget</b>	<b>3,101</b>	<b>2,200</b>	<b>-901</b>

- 11.7. As indicated above, expenditure in this forecast does not include the costs of accommodating households following the Grenfell fire.
- 11.8. Had the Flexible Support Grant not provided additional funding, then the budget forecast would have been close to that budgeted.
- 11.9. Given that the Flexible Support Grant reduces in 2018/19 by £200,000 and pressures on the TA budget are likely to continue, it is likely that a request will be made to carry forward some of these unused funds to 2018/19.

### **Other General Fund Revenue Budgets**

- 11.10. The Supporting People budget has a forecast underspend of £209,000. This reflects the retendering of the contracts for Single Homeless and Older People services. This underspend was assumed when setting the 2018/19 budget.
- 11.11. Expenditure on legal services has reduced over the year and an underspend of £21,000 is now being forecast. This includes a one-off recovery of £71,000 in legal costs following successful court rulings. Expenditure on this budget reflects the need for counsel's advice regarding national policy changes, and eviction and housing appeals proceedings within the Housing Needs and Homelessness service.
- 11.12. The Storage and Removals budget is projected to overspend by £146,000. This reflects the increasing need for these services due to the numbers of households in temporary accommodation.
- 11.13. There is a projected overspend of £66,000 (1.1%) on employees.
- 11.14. Funding of £524,000 over a three year period has recently been announced to support the implementation of the new burdens arising from the Homeless Reduction Act, in 2017/18 funding amounts to £188,000. Of this, approximately £100,000 is expected to be used in year. In 2018/19, the costs of implementing this Act will exceed the level of grant being provided. A request to carry forward the unused funding in 2017/18 will therefore be made.
- 11.15. An overspend of £180,000 is forecast on the budget for the Private Rented Access Scheme. This scheme helps households access private rented accommodation by providing them with the funds for a deposit.
- 11.16. An underspend of £145,000 is expected to arise following the reconfiguration of Home Improvement services. This saving was anticipated when setting the 2018/19 budget.

- 11.17. A £23,000 underspend is forecast for the Westway Travellers Site. The site is now largely self-financing as the rental income is covering the maintenance costs.
- 11.18. An underspend of £38,000 is forecast across other smaller budgets.

## **12. LIBRARIES ARTS AND HERITAGE (Underspend £0.060m)**

- 12.1. At this stage in the year, it is forecast that there will be a £60,000 underspend in the year due to increased savings achieved through the Libraries Future Delivery Model programme. It was anticipated that there would be £196,000 in year with a further £60,000 achieved in 2019/20, but the full £256,000 has been achieved.
- 12.2. There are currently variances within spend categories, but overall the outturn is expected to be £60,000 under budget.
- 12.3. The largest variance is within Tri-Borough Libraries and Archives, and the actual spend reflects a credit for redundancy accruals, for which not all have been recharged relating to Tri-Borough staff.

## **13. PLANNING AND BOROUGH DEVELOPMENT (Overspend £1.378m)**

- 13.1. Land Charges income was below budget last year and this trend has continued into 2017-18, meaning a forecast under recovery of £199,000.
- 13.2. Planning application fees and Pre-application advice/Planning Performance Agreement fees are running below budgeted levels, and are currently forecast to under recover by £504,000 and £206,000 respectively. This will be closely monitored during the year. A drop in major applications appears to be the underlying cause. This trend is also affecting other local authorities.
- 13.3. Additional income in relation to Section 106 monitoring fees and administration income in respect of the Community Infrastructure Levy (CIL) could over achieve by £130,000.
- 13.4. Building Control fees have to date been just above budget, however they are now forecast to be under recovered by £46,000.
- 13.5. Lead Local Flood risk local services grant has been received in year for £19,000.
- 13.6. On Expenditure, an overspend on salary costs of £62,000 is anticipated. This overspend relates to posts which would normally be funded from income, but this year will be covered by requesting a release from the PBD Resources reserve\*. The service is actively managing any vacant posts that arise and deciding on a case by case basis whether to fill any such posts.
- 13.7. The Service has been involved in some high profile legal cases this year and a settlement in one case could mean an overspend of £140,000. The service will continue to monitor its use of legal services to try and minimise costs incurred.

- 13.8. The dates of the Public Inspection of the Local Plan have yet to be agreed, but this could get underway later in the year. The cost of this is not yet known, but it is proposed that this should be mostly met from a carry forward held by the service group for this purpose.
- 13.9. A report by Network Rail into a possible Kensal Portobello station has been commissioned and work on this report is underway. The expected cost of £332,000 could be funded from a release from the Car Parking reserve\*.
- 13.10. An overspend on recruitment costs and by writing off some old debts is expected to cause an overspend of £38,000.
- 13.11. Overspends marked with an asterisk would previously have been drawn down from various earmarked reserves set aside for these activities. However, the Grenfell tragedy has meant that these reserves may no longer be available for their intended purposes.

#### **14. PUBLIC HEALTH (Break-even)**

- 14.1. The Public Health grant allocation is £21.452m for 2017/18, a decrease of £0.542m compared with the 2016/17 grant. The 2.5% grant reduction is at the rate applied nationally. A transfer of £1.065m is made to the NHS for dietetics treatment as this responsibility remains with them. Adding contributions from Hammersmith and Westminster towards the cost of the Public Health service (known as s113 income) brings the annual budgeted net income to £20.788m.
- 14.2. Commissioned Services' annual budget is £16.625m. Non-Commissioned Services' annual budget is £3.710m. With total budgeted cost of £20.335m, there is a budgeted £0.454m underspend. Any underspends will transfer to reserves.
- 14.3. Forecasted annual expenditure is based on the latest data available on contracts, extensions and procurement negotiations. Assuming that performance payments remain broadly similar for the remainder of the year, a cost saving of £0.628m is forecasted for commissioned services.
- 14.4. Non-Commissioned Services showed minor variances in costs associated with salaries and recharges. RBKC's contribution to the cost of the Public Health service (S113 recharges) continue to be applied at the agreed cost split for the borough for shared staff employed by WCC and LBHF.
- 14.5. Actual expenditure-to-date of £7.193m is showing as only 36% of the projected outturn of £19.920m. This indicates over £2m of delayed invoicing due to natural lags in activity and billing flows.

#### **Forecast expenditure by service**

- 14.6. Substance Misuse is projecting an outturn of £4.741m, which is £0.366m under budget. This is due to the core contracts being used in place of previously spot-purchased placements.
- 14.7. Sexual Health is forecast to underspend by £61,000 when compared with budget. This is due to the newly procured sexual health contracts for support and clinical screening costing less than the budget made available.
- 14.8. Behaviour Change is forecast to spend £96,000 more than budget due in part to the expectation that the performance element of the smoking cessation contract will be reached.
- 14.9. Families and Children's service will underspend by £0.296m. A forecast overspend of £0.142m in the obesity service is offset by underspending in School Nursing which is due to the cost of the new contract being less than the budget made available.
- 14.10. The budget for salaries and overheads is a combination of RBKC employed staff and s113 income and expenditure in relation to staff employed by LBHF and WCC. In total, the cost will be £0.195m more than budget, which is due to redundancy costs associated with the 2016 Public Health restructure, and also the use of agency staff where there are vacancies.
- 14.11. Investments in other services increased by £1m this year. Forecasts are set to budget as recipients are expected to commit or spend the funds on projects during the remainder of 2017/18.
- 14.12. Further opportunities for investing in Public Health outcomes across the Council as well as supporting the north Kensington recovery are being investigated. This will be identified over the next quarter and will form part of the Council's strategy in relation to Public Health accumulated reserves.

### **Risks**

- 14.13. The analysis and planning for the new bi-borough arrangement continues. At this time the impact on people and structures is with staff for consultation.

## **15. TRANSPORT AND TECHNICAL SERVICES (Underspend £1.834m)**

### **Environmental Health**

- 15.1. Environmental Health is forecast to underspend by £150,000. This is due to a forecast salary overspend of £18,000 and an income shortfall of £30,000 in Food Hygiene training. This is offset by a supplies and services underspend (£22,000), and a forecast overachievement of income in Licensing (£18,000), Corporate Safety (£30,000) and Pest Control (£59,000) based on year to date income received. In addition, unbudgeted grant / developer funding is forecast to be received in

Noise & Nuisance (£26,000), Environmental Quality (£26,000) and Trading Standards (£17,000).

### **Transportation and Highways – On Street Parking**

- 15.2. Transportation and Highways – On Street Parking is forecast to be £1,301,000 underspent at the year end. Income is forecast to overachieve by £2,030,000. Parking income is notoriously difficult to estimate as it is determined by many variables, such as the number of visitors coming to the Royal Borough by car, the duration of their stays, and the number and scale of building improvements. A surplus in parking must by law be spent on the purposes permitted by the law. These include roads maintenance, subsidised travel, and the maintenance of green spaces.

### **Pay and display**

- 15.3. Pay and display income is projected to overachieve against budget by £2,116,000. Income as at the end of December 2017 was 18% higher than the same period in the previous year. The Council has seen increased receipts from the roll-out of pay by phone parking across the Borough.
- 15.4. Pay by phone income is now about 80% of the total pay and display income while the remaining 20% constitutes cash payments. The number of people using pay by phone has continued to increase significantly since the roll out was completed in March 2017. Cash receipts have reduced significantly as a consequence.
- 15.5. There have been additional costs factored into the forecast arising from pay by phone parking. These include costs for the pay by phone parking operator, maintenance, and card processing costs. Cash collection costs are forecast to reduce. This has resulted in a cost variance of £945,000 for Quarter 3. This will be taken into account when the budgets are realigned for 2018/19 through a virement between Parking income and expenditure.
- 15.6. Income from Penalty Charge Notices is showing a favourable forecast of £440,000. Even though PCN issuance is down by 2% in comparison to the previous year, income in comparison to the same period last year has increased by 3%. The increase in income is as result of better income recovery of PCN debt during the first and second quarter of the year.
- 15.7. The Parking team were unable to register cases in Court or send warrants due to an IT problem with the Traffic Enforcement Centre (TEC) earlier in the financial year. This problem has now been rectified. The increase in income for PCN's is therefore a one-off occurrence in this financial year due to the successful clearing of the backlog in registering cases and clearing warrants issued.

- 15.8. Car removals income is showing an adverse variance of £369,000. There was a shortfall against budget last year for removals and this has continued into this financial year. The shortfall has arisen due to a policy change in July 2016 which required the relocation of residents' vehicles parked in suspended bays rather than towing them to a pound which gave rise to an additional charge.
- 15.9. The full year financial impact of the policy change has resulted in a 22% reduction in the number of cars being removed compared to the previous year. There is also a corresponding reduction in income of approximately 24% compared to the same period last year.
- 15.10. In recent years, the Royal Borough has received significant payments for parking bay suspensions requested by large building and development companies near their development sites. Income is projected to lower than last year but this will continue to be monitored and reviewed in line with activity.
- 15.11. Salaries are projected to underspend by £257,000 due to vacant posts and staffing costs being charged under Section 113. The Royal Borough of Kensington and Chelsea's Staff are providing support in the implementation of the new suspension processing system and carrying out the cashless parking procurement for London Borough of Hammersmith and Fulham resulting in £120,000 recharge income under Section 113.

#### **Transportation and Highways – Other Services**

- 15.12. Transportation and Highways – Other Services is forecast to be £368,000 underspent at year end.
- 15.13. Income from tables and chairs licences is expected to overachieve against the budget by £71,000 and this area is also receiving unbudgeted income of £38,000 from a new Car Club Bay operator for the creation of new bays. The number of operators was expected to be two but we now have a third. This area has also received £35,000 from S106 funds. Income from inspections, FPNs and permits is expected to underachieve against budget by £43,000.
- 15.14. The new contract for bus shelter advertising is now up and running and despite the increase in the income budget this year is expected to overachieve against that revised budget by £240,000. Income from highways licences income is expected to underachieve against budget by £32,000 and income from highways status enquiries is expected to overachieve by £28,000.
- 15.15. The claims for the recovery of the Council's costs from Transport for London (TfL) for road safety and project work is expected to result in additional funding of £24,000. Street lighting energy costs are expected to underspend against budget by £45,000. TFL traffic lighting costs are expected to underspend by £11,000. An underspend on

salaries and consultants is forecast totalling £41,000. Employee allowances are forecast to overspend against budget by £13,000. Due to the lack of Cycling schemes income from TFL, income from officer time charges will be underachieved by £93,000. An MTFs saving (income target) of £20,000 for the merging of licensing and enforcement is not expected to be achieved this year.

- 15.16. Legal fees are expected to underspend by £7,000 but this will be offset by overspends on the Confirm license of £12,000 and an underachievement of admin fee income of £11,000. Private Works is expected to underspend by £53,000 due to income write offs and management fee income.

## **16. ADULT AND FAMILY LEARNING (Break-even)**

- 16.1. The Service is mostly funded by the Skills Funding Agency credited a month in arrears with only a small direct contribution from the Council. Payments made to suppliers are paid termly in arrears. At this stage in the financial year, no significant variations are predicted.
- 16.2. The Service is currently projected to spend to budget.

## **17. CORPORATE BUDGETS**

- 17.1. These budgets are forecast to be underspend at year-end by £10.367m.
- 17.2. There are underspends on the budgets for Contingency (£3.7m) and Transfers to and from Reserves (£1.1m) – these arise from effectively freezing these budgets in light of the events at Grenfell.
- 17.3. A further £1.1m of additional income arises from DCLG Business Rates grant. This income is not budgeted as this particular amount is a one-off and the amount receivable each year is highly volatile and variable.
- 17.4. In the past £5.5m was budgeted to be transferred as a revenue contribution to capital expenditure. This budget will now be redirected to finance the costs of borrowing resulting from the Grenfell fire. In 2017-18 interest payable on new loans totals £1.1m, leaving £4.4m of this budget unspent.
- 17.5. The use of the Parking Account balance and the in-year parking surplus will be reviewed to maximise the use of these resources and ensure that there is no reduction in the budgeted level of use within the statutory constraints on these funds

## **18. CONSULTATION**

- 18.1. There are no specific consultation issues relating to this report.

## **19. EQUALITY IMPLICATIONS**

19.1. There are no equality implications arising from this report.

**20. INFORMATION, COMMUNICATIONS AND TECHNOLOGY (ICT) IMPLICATIONS**

20.1. There are no information, communication and technology (ICT) implications arising from this report.

**21. LEGAL IMPLICATIONS**

22. The legal implications are set out in the body of the report [Legal Implications verified by LeVerne Parker, Chief Solicitor (Property and Planning)]

**23. FINANCIAL AND RESOURCES IMPLICATIONS**

23.1. These are addressed throughout the report.

**Chris Buss  
DIRECTOR OF FINANCE**

**Local Government Act 1972 (as amended) – Background papers used in the preparation of this report.**

2017/18 Revenue and capital budgets as set by Council in March 2017 which can be found at <http://www.rbkc.gov.uk/councilanddemocracy/howthecouncilmanagesmoney.aspx>

Contact officer(s):

Chris Buss, Director of Finance, The Royal Borough of Kensington and Chelsea. Telephone: 020 7361 2384 E-mail: [chris.buss@rbkc.gov.uk](mailto:chris.buss@rbkc.gov.uk)

Francis Austin, Interim Group Finance Manager (Financial Planning), The Royal Borough of Kensington and Chelsea. Telephone: 07712506248 Email: [francis.austin@rbkc.gov.uk](mailto:francis.austin@rbkc.gov.uk)

Attachments: None.