

CABINET

9 March 2016

Title: Budget Monitoring 2015/16 - April to January (Month 10)	
Report of the Cabinet Member for Finance and Central Services	
Open Report	For Decision
Wards Affected: All	Key Decision: No
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Summary <p>This report provides Cabinet with an update of the Council's revenue and capital position for the ten months to the end of January 2016, projected to the year end.</p> <p>There is a projected overspend of £5.5m on the 2015/16 budget, a decrease of £0.2m from last month. The main elements of the current projection are overspends in Children's Services of £6.3m (including £1m of programme costs), overspends in Housing and Environmental services of £0.5m partially offset by underspends of £1.3m across Central Expenses and Chief Executive's. There are pressures in a number of other service areas but all are currently forecast to be managed.</p> <p>The total service expenditure for the full year is currently projected to be £156.9m against the budget of £151.4m. The projected year end overspend will significantly reduce the General Fund balance to c£21m at year end though that is still above the minimum target balance set by the Strategic Director of Finance and Investment.</p> <p>The Housing Revenue Account (HRA) is projected to break-even, leaving the HRA reserve at £8.7m. The HRA is a ring-fenced account and cannot make or receive contributions to/from the General Fund.</p> <p>The Capital Programme budget stands at £134.7m, inclusive of the European Investment Bank (EIB) funded general fund housing schemes. Forecast outturn is £141.4m, £6.7m over budget, mostly within Children's Services, which has incurred accelerated spend on projects. Funding allocations will be adjusted between years accordingly.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <p>(i) Note the projected outturn position for 2015/16 of the Council's General Fund revenue budget at 31 January 2016, as detailed in paragraphs 2.1, 2.4 to 2.10 and Appendix A of the report;</p>	

- (ii) Note the progress against the agreed 2015/16 savings at 31 January 2016, as detailed in paragraph 2.11 and Appendix B of the report;
- (iii) Note the overall position for the HRA at 31 January 2016, as detailed in paragraph 2.12 and Appendix C of the report; and
- (iv) Note the projected outturn position for 2015/16 of the Council's capital budget as at 31 January 2016, as detailed in paragraph 2.13 and Appendix D of the report.

Reason(s)

As a matter of good financial practice, the Cabinet should be regularly updated with the position on spend against the Council's budget. In particular, this report alerts Members to particular efforts to reduce in-year expenditure in order to manage the financial position effectively.

1 Introduction and Background

- 1.1 This report provides a summary of the Council's General Fund and HRA revenue and capital positions. It also provides an update on progress made to date in the delivery of the agreed savings targets built into the 2015/16 budget, setting out risks to anticipated savings and action plans to mitigate these risks.
- 1.2 It is important that the Council regularly monitors its revenue and capital budgets to ensure good financial management. This is achieved within the Council by monitoring the financial results on a monthly basis through briefings to the Cabinet Member for Finance and Central Services and reports to Cabinet. This ensures Members are regularly updated on the Council's overall financial position and enables the Cabinet to make relevant financial and operational decisions to meet its budgets.
- 1.3 The Budget report to Assembly in February 2015 provided for a target of £15.0m for the General Fund balance and the revenue outturn for 2014/15 led to a General Fund balance of £26.0m. The table below shows the available reserves at the authority's disposal to cover the cost of implementing savings proposals, the Growth Commission and the Ambition 2020 programme. The remaining GF reserve balance is now forecast to be above the target figure at £21.119m:

Projected Level of Reserves	£000	£000
Current GF balance		26,024
Other available reserves		7,127
Total available reserves		33,151
<u>Calls on reserves:</u>		
Implementation of savings proposals	(4,481)	
Growth Commission and Ambition 2020	(2,100)	
Projected overspend	(5,451)	
		(12,032)
Projected remaining reserves		21,119

- 1.4 The additional level of reserves above the minimum level provides the Council with some flexibility in its future financial planning but, to take advantage of that, it is essential that services are delivered within the approved budget for the year. Overspends within directorate budgets will erode the available reserves and

therefore limit the options that reserves could present in the medium term as the Council makes decisions on savings and service provision.

2 Current Overall Position

2.1 The following tables summarise the spend position and the forecast position of the General Fund and Housing Revenue Account (HRA) balances.

Council Summary 2015/16	Net Budget	Full year forecast at end January 2016	Over/(under) spend Forecast
	£000	£000	£000
Directorate Expenditure			
Adult and Community Services	51,074	51,074	0
Children's Services	62,750	69,061	6,311
Housing (GF)	1,512	1,702	190
Environment	19,562	19,862	300
Chief Executive	17,876	17,726	(150)
Central Expenses	(1,330)	(2,530)	(1,200)
Total Service Expenditure	151,444	156,895	5,451

	Balance at 1 April 2015	Forecast Balance at 31 March 2017
	£000	£000
General Fund	26,024	21,119*
Housing Revenue Account	8,736	8,736

*Includes the use of GF balances to implement savings proposals – see paragraph 1.3

2.2 Strategic Director of Finance and Investment's comments

2.2.1 The current Directorate revenue projections indicate an overspend of £5.5m for the financial year, primarily due to the overspend in the Complex Needs and Social Care division of Children's Services along with the associated costs of the programme to address the budget challenge. The forecast cost of the project team has reduced by approximately £0.2m as payment is made on a performance basis. It is arguable that this reduction is not necessarily a positive development as it indicates slower progress in the recruitment of permanent staff.

2.2.2 October's Cabinet was asked to note the cost of setting up of a temporary project team, estimated at £1m, to prepare and support the delivery of an Outline Business Case aimed at managing service demand and expenditure to enable a balanced budget over the next two years. That project has enabled the monitoring of the programme at a much greater level of detail than has previously been possible. This has, in turn, enabled the programme to respond to changing pressures or individual workstreams which have been more challenging to deliver. As a result,

there is greater transparency of progress and confidence in achieving such an ambitious level of change over the next year.

- 2.2.3 Barring a very dramatic change in service demand and spend, the pressure created by the Children's Services position will not be brought back to the overall budget by the end of the financial year, though work continues to significantly reduce the overall overspend to minimise the call on reserves. In the first instance, all Chief Officers have been instructed to contain any other pressures that have been identified within services and as detailed within the later paragraphs of this report. Furthermore, December's Cabinet meeting instructed all Chief Officers to implement any agreed 2016/17 savings during the current financial year to assist in reducing the overspend. Recent experience is of the financial position improving as the financial year progresses though there is no guarantee that this will always be the case.
- 2.2.4 Pressures have also emerged in the last couple of months in Environment and Housing and it is essential that those overspends are addressed in the remaining months of 2015/16 and that a balanced position is carried in to the new financial year. This is equally true in Adult Social Care where large pressures have been contained through the year to date.
- 2.2.5 Whilst the current forecast overspend would result in a reduction in the Council's General Fund balance, the balance will still remain above the budgeted target of £15.0m. The Strategic Director of Finance & Investment, as the Council's statutory Chief Finance Officer, has a responsibility under statute to ensure that the Council maintains appropriate balances and, following the settlement and the review of the use of reserves for the delivery of savings this year and next year, the projected 2016/17 year end balance would remain substantially above the target figure.
- 2.2.6 Looking forward, the revised MTFs approved in January includes additional funding for Children's Services, Adults Social Care and other demographic / service pressures which, along with the programme for Children's Services outlined above, would be expected to move towards a robust and deliverable budget in 2016/17. It will not, however, deliver an underspend equal to the forecast overspend this year to replenish reserves to the level as at April 2015.

2.3 Directorate Performance Summaries

- 2.3.1 The key areas of risk which might lead to a potential overspend are outlined in the paragraphs below. As this report reflects the position as at 31 January projected to the end of the financial year, it remains presented in the directorate structure of previous reports as the new senior management structure takes effect. The reporting format will be amended to reflect the new senior management structure in the next financial year (2016/17).

2.4 Adult and Community Services

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	54,025	51,074	51,074
Projected over/(under)spend			0

2.4.1 The Adult and Community Services Department is forecast to breakeven by year end. The department continues to actively work towards mitigating pressures of £2.7m. The table below summarises the headline pressures to be mitigated:

Main Pressures	£000
Purchase of Adult Social Care	1,503
Pressures against 2015-16 savings targets (see savings tracker appendix for details)	381
Abbey Leisure Centre income pressures	586
Mental Health residential placement costs	277
Total Pressures	2,747

2.4.2 Appendix A provides a summary by division of service and the following paragraphs explain those variances. The Adult Social Care division reflects an overall forecast pressure of £1.694m, an improvement of £0.065m from last month's forecast of £1.759m mainly due to additional income identified. The main pressure remains against the purchase of adult social care across all client groups (except mental health) which reflect a pressure of £1.503m. This pressure also includes a number of transition cases from Children's Services and the outcome of re-assessments under the Care Act. The remaining pressure of £0.191m is a combination of the undelivered Maples savings target of £0.091m and staffing pressures within the division. Forecasts continue to be monitored as activity levels fluctuate.

2.4.3 Commissioning and Partnership's is forecasting a net underspend of £0.149m, no movement from last month. This underspend has arisen from mitigating actions to utilise grant funds, underspends arising from in year staff vacancies and additional ad-hoc recharges generated by the Security team. This has mitigated the Better Care Fund (BCF) performance penalty pressure of £0.182m.

2.4.4 Mental Health is forecasting a pressure of £0.277m due to the number of residential placements. NELFT colleagues continue to work towards managing the admission and discharge process. It should be noted an increase in net placements over the remainder of the year would increase pressure on this budget.

2.4.5 Culture and Sport is forecasting a net pressure of £0.561m mainly due to income pressures within Abbey Leisure Centre an increase from last month's position of £0.433m mainly due to a reduction in projected membership numbers. With strong membership sales in January and in the first week of February it is anticipated that this pressure will reduce. The delayed opening of the Abbey Leisure Centre and the resultant reduction in income projections and also lower projected membership numbers have resulted in a forecasted increased overspend of £0.836m. This pressure will be partially mitigated by an estimated £0.250m compensation expected from the contractors who worked on the Leisure Centre project. There is also a net reduction of £0.025m as a result of staffing underspends within the Libraries and Heritage services partially offset by delays to the transfer of the management of the Broadway Theatre to the Barking & Dagenham College.

2.4.6 The Council's Public Health grant allocation for 2015/16 is £16.725m which includes £2.512m part year transfer of the 0-5 children's public health commissioning to the Local Authority. At the end of the last financial year there was a £0.978m underspend which as a ring-fenced grant has been carried-forward into the current

financial year. The grant is also subject to a 6.2% funding cut equating to c£1m. Spending plans have been reviewed in response to this. It should be noted that these reductions will impact on services across the council.

- 2.4.7 A challenging savings target of £4.145m is built into the 2015/16 budget. These are largely in the process of being delivered or already implemented. However, current forecasts indicate under delivery of £0.381m (see savings tracker for further details). Where under delivery has been identified, the Department is actively managing the resulting pressure, but it should be noted that the pressure arising from the review of future leisure provision will be managed corporately.

2.5 Children's Services

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	67,359	62,750	68,250
Projected over/(under)spend			5,500
Programme costs			811

- 2.5.1 The service is forecasting an overspend of £5.500m against a budget of £62.75m. The position includes the full delivery of the departments £2.065m 2015/16 saving target and reduction in the overspend through the Social Care Ambition and Financial Efficiency programme (SAFE). Corporate funding of £1.7m and partnership funding of £0.474m has been allocated to support the position in 2015/16. Despite an overall positive movement of £0.017m on the position reported last month, there remains ongoing risk in achieving this position. In addition to this, delivery of the SAFE programme is expected to cost £0.811m in year – a reduction of £0.222m to the position reported for December. This is primarily due to a reduction in the performance based costs of the contractors brought in to recruit permanent social workers. The service has made significant progress in reducing its agency bill but are still experiencing difficulties in recruiting qualified social workers.
- 2.5.2 The Education Service is forecast to underspend by £0.300m - an unchanged position to that reported in December. This is primarily due to underspends within the Early Years and Childcare Service and Integrated Youth Services as a result of the early delivery of 2016/17 savings and an underspend within the School Improvement Service as a result of posts being held vacant. The position is partially offset by pressures within Adult Education following reductions in Government funding and the funding of redundancy costs.
- 2.5.3 The Commissioning and Safeguarding Service is forecasting a breakeven position which remains the same as the position reported in December. The service is managing pressure of £0.322m within the Child Protection and Reviewing Service caused by difficulty in recruiting permanent staff and the need to use agency staff. Breakeven has been achieved by increases in traded income received and increased efficiencies realised through smarter commissioning. However, given the ongoing growth in demand it is unlikely that this would result in an ongoing saving without a change in policy.
- 2.5.4 Significant demand pressures within the Complex Needs and Social Care (CNSC) division have continued from 2014/15 into the current financial year. In October

2015, Cabinet approved an Outline Business Case aimed at managing service demand and expenditure in order to deliver a balanced budget by the end of 2016/17. Implementation of the approved business case is underway with progress being made towards the target reductions in 2015/16 and beyond.

2.5.5 There is considerable risk to the SAFE programme delivering on budget by the end of 2016/17. The ongoing SAFE projects are projected to close the current budget gap considerably in 2016/17 but it should be noted that continuing demand pressure on the service places a significant risk to the 2016/17 position.

2.5.6 Current projections indicate an overspend of £5.800m at the year end. This is primarily due to additional pressure on placements. The Council has a statutory duty with regard to vulnerable children and delays in moving young adults out of supported living due to the demand on available Housing has resulted in additional pressure.

2.5.7 The table below shows the original forecast overspend together with progress made to date and planned further reductions. The reduction delivered year to date is £4.626m inclusive of the £2.100m corporate funding. This will bring the service to a forecast outturn position of £5.800m at the end of the year.

	Original Forecast Overspend £000	Reduction Delivered £000	Current Position £000	Planned Further Reductions £000	Outturn Forecast £000
Complex Needs					
Agency /Staffing/ASYE	3,365	(1,357)	1,828	(138)	1,690
Placements	3,919	(196)	3,723	(391)	3,332
Transport	543	(343)	200	0	200
Legal	500	0	500	(100)	400
NRPF	1,600	(250)	1,350	0	1,350
UASC	1,128	(200)	928	0	928
Funding Adjustments	0	(2,100)	(2,100)	0	(2,100)
Total Complex Needs	11,055	(4,626)	6,429	(629)	5,800

2.5.8 The work streams underway are described below.

Reductions in Staffing Costs

The year end overspend in this area is projected to reduce by £0.180m from the position reported in December to £1.690m. The improved forecast reflects reductions as a result of the service continuing to freeze a number of vacant posts and reduce agency staff spend. Posts are being held vacant in preparation of future staff realignments.

Placements Pressure

The year end forecast reflects an overspend of £3.332m, and remains unchanged from the position reported in December. Although the net number of placements remained the same, this month saw an increase in placements costs of £169k primarily caused by new placements costing more than those leaving placements

and an increase of rates. This increase has been mitigated by an underspend in the commissioned Emergency Duty Service. The SAFE programme is to undertake a review of all placements to ensure that children's needs can be provided in the most cost efficient way. This process is now underway and is expected to deliver significant cost reductions in 2016/17.

Transport

A review of SEN Transport has been carried out which considers transport routes, travel training and revised eligibility criteria including consultation. This has identified savings for 2015/16 with a full year effect in 2016/17.

Legal Costs

Children's Services are working closely with Legal Services to identify the most cost effective way to meet the Council requirements of the service. Legal are recruiting in-house support which will reduce the cost of expensive counsel in 2016/17.

Children's Services also continually review their processes to ensure counsel is only used where absolutely necessary. These combined efforts are expected to reduce costs in 2015/16 by £100k with a larger reduction expected in 2016/17.

NRPF

The NRPF service now utilise a Fraud Officer and a Home Office Officer to identify fraudulent claims and speed up Home Office decisions. The Fraud Officer helps the initial application process and the Home Office Officer accelerates "right to remain" decisions from the Home Office. This allows families to be moved out of NRPF more rapidly following resolution with the Home Office.

UASC

The review of accommodation used for UASC clients has resulted in benefits realised through reduced costs in 2015/16 - the year end position remains unchanged and further reductions will be delivered.

2.6 Dedicated School Grant (DSG)

2.6.1 The DSG is a ring fenced grant to support the education of school-age pupils within the borough. The 2015/16 DSG allocation is £231.1m, covering Individual Schools Budgets, High Needs and Early Years services.

2.7 Housing General Fund

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	3,417	1,512	1,702
Projected over/(under)spend			190

2.7.1 The service is forecasting to overspend by £0.19m by year end, largely due to the increased cost of bed and breakfast placements.

2.7.2 Earlier in the year, when the numbers in B&B accommodation were averaging around 50 the resulting under spend was used to fund additional rental payments to Private Sector Lease providers in order to ensure a continuous supply of properties, on site security, reception improvement works at several of the Council's homeless

hostels and back dated payments to the ELHP. Now that the B&B numbers have increased to nearer the budgeted level, these costs can no longer be contained, hence the projected overspend. Every effort will, however, be made to contain costs up to year end so that a near break even position can be achieved.

- 2.7.3 The number of Bed and Breakfast placements stood at 47 at the end of January, however, the average number for the month was 90 and at one stage numbers peaked at over 100. The opening of Butler Court Hostel in the last week of January and active place management with private sector lettings agencies facilitated the reduction in numbers to 47.
- 2.7.4 Butler Court was initially expected to open in October with 69 units, however, it was established that a further 9 units could be provided and, as expected, the site opened in late January with 78 units. The enhanced refurbishment of the hostel will be funded from corporate budgets and will result in a higher level of ongoing income. These additional units coupled with the hand over of Butler Court at the end of January should result in the year end average number of B&B placements being 64 in total, which is slightly below the budgeted figure of 68.
- 2.7.5 A further pressure has also become evident in recent months resulting from a change in the Rent Deposit Scheme which has led to a shortfall in income received through Housing Benefit. The Rent Deposit Scheme was changed in order to incentivise landlords to provide a continued supply of properties and hence reduce the pressure on Bed and Breakfast numbers. This has been suspended pending a review as there will be a shortfall in the income to be generated from the scheme.
- 2.7.6 Arrears have increased by £476k since the start of the financial year, which is an increase from previous months and is due to the raising of rent arrears for out of Borough PSL properties where the associated benefit claims had not been processed. These benefit claims are expected to be processed in February and, therefore, the budget available to top up the provision is expected to be sufficient based upon current assumptions.
- 2.7.7 There are significant risks in this area if Bed and Breakfast numbers increase in the short term or the reduction forecast for the latter part of the financial year does not materialise. There are also additional risks if the available supply of PSL properties does not meet demand or the amount of bad debt increases substantially above the current provision.

2.8 Environment

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	19,687	19,562	19,862
Projected over/(under)spend			300

- 2.8.1 Environmental Services is continuing to forecast to overspend by £0.300m at year end. The service continues to manage pressure in the region of £1.8m including pressure on staffing budgets, income pressures, increased depot and fleet costs across the division, operational costs of keeping Stour Road building open and the under achievement of savings targets. However, the delivery of mitigating action by

the service of £1.5m is supporting this position. Action includes reviewing income opportunities, utilising one off grants, holding posts vacant, ensuring recharges and income collection are up to date and maintaining expenditure restraint across the service.

The table below summaries the main pressures:

Pressure	£000
Staffing	866
Fleet (across departments) and Depot	203
Income	375
2015-16 Savings (see savings tracker appendix for details)	231
Stour Road building	114
Total	1,789
Mitigating action	(1,489)
Remaining pressure	300

- 2.8.2 The Parking service is reporting a break even position. The initial risk expected from the De-Regulation Act 2015, which came into effect from April 2015, has been managed down. Projections have improved following the review of enforcement strategies undertaken earlier this year and an improving income profile year to date. However income and activity levels in December and January were lower than expected. The service will be monitoring activity and taking remedial action to mitigate any potential risks to the reported position.
- 2.8.3 Staffing pressure continues to be the main risk within the service and is primarily within refuse and cleansing. Management are taking action to review establishment costs and funding with a view to manage the in year position and determine the ongoing requirement.
- 2.8.4 Current projections indicate pressure on income budgets of £0.375m across a number of services including refuse, cemeteries, Barking Market and fleet primarily due to reduced demand. This represents an increase of £0.111m on last month's position, resulting from reduced trade waste income within Direct services.
- 2.8.5 The service has a challenging savings target of £1.7m built into the 2015/16 budget. These are largely in the process of being delivered or already implemented, however, current forecasts indicate under delivery of £0.231m. The majority of this relates to the introduction of charges for the green garden waste service which has been postponed until 2016/17. The other savings pressures relate to determining arrangements for marketing within the public realm, the postponement of changes to prestart payments and income generation in cemeteries.
- 2.8.6 Fleet (across departments) and Depot pressure of £0.203m has been forecast primarily due to risk within depot budgets in respect of utility spend and having to backfill the cost of two vehicle breakdowns within Passenger Transport. The Stour Road Building pressure remains at £0.114m which is a result of operational costs due to the continued opening of 2 and 90 Stour Road. Operational budgets were removed as both sites were expected to be closed in 2014.

2.9 Chief Executive's Directorate

Directorate Summary	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	18,716	17,876	17,726
Projected over(under)spend			(150)

- 2.9.1 Chief Executive's Directorate is projecting an underspend of £0.15m this year, though that is dependent on a number of pressures being contained within services. The current position is that these pressures will be mitigated.
- 2.9.2 There are over £2.5m of savings relating to Elevate services for 2015/16 including large individual savings relating to the transformation of ICT and Customer Services and the automation of other services. These are being monitored through joint programme boards with Elevate and Agilisys with the highest risk being on parts of the automation proposals. Previously reported pressures on errors in the processing of housing benefit have now been substantially mitigated, although a small residual risk remains.
- 2.9.3 The budget for recovery of court costs is currently being under-achieved. This is due to the court's unwillingness to add further costs to the amounts owed by residents previously in receipt of Council Tax Support. This budget will be closely monitored but any overspend will need to be mitigated by underspends elsewhere in the division.
- 2.9.4 There are pressures totalling £0.130m within Human Resources through reduced school buybacks of the service. Negotiations are currently in process to recover this business from schools, although it will be difficult to avoid an overspend in this financial year.
- 2.9.5 Marketing and Communications are forecasting to underspend by £0.088m due to staff vacancies, pending a future restructuring.
- 2.9.6 Legal and Democratic Services have delivered their savings target and are forecast to over-achieve their trading account target by approximately £0.03m, which will be used to offset overspends elsewhere in the division.
- 2.9.7 The Asset Strategy team are currently carrying out a series of rent reviews which will result in the generation of additional rental income. It is expected that the income generated will be re-invested into the commercial properties portfolio to protect or increase future revenues. Any income not invested will generate an overachievement of the income budget in the Asset Strategy team (currently forecast to be £0.206m) and this will be used to mitigate pressures in other areas of the directorate.

2.10 Central Expenses

Directorate Summary	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	2,186	(1,330)	(2,530)
Projected over(under)spend			(1,200)

2.10.1 This budget covers treasury management costs (interest paid on loans and received on investments), budgets to cover the costs of redundancy and doubtful debts and a small contingency to cover any unforeseen pressures.

2.10.2 In a low interest environment the Treasury team continues to achieve good returns on the Council's cash deposits, without a significant increase in the risk taken. A favourable variance of £0.8m is forecast against budgets for interest paid on loans and received on investments. The latest monitoring position has indicated that further underspends should be available from a VAT refund, reduced contribution to capital financing and procurement savings, giving an overall forecast underspend of £1.2m.

2.11 In Year Savings Targets – General Fund

2.11.1 The delivery of the 2015/16 budget is dependent on meeting a savings target of £23.5m. Directorate Management Teams are monitoring their targets and providing a monthly update of progress which is summarised in the table below. Where there are shortfalls, these will be managed within existing budgets and do not affect the monitoring positions shown above.

2.11.2 A detailed breakdown of savings and explanations for variances is provided in Appendix B.

Directorate Summary of Savings Targets	Target £000	Forecast £000	Shortfall £000
Adult and Community Services	4,145	3,764	381
Children's Services	2,065	2,065	-
Housing (GF)	1,005	1,005	-
Chief Executive	14,595	13,673	922
Environment	1,710	1,479	231
Total	23,520	21,986	1,534

2.12 Housing Revenue Account (HRA)

2.12.1 The HRA is currently forecast to breakeven. More detailed monitoring information is given in Appendix C.

Income

2.12.2 Income is expected to be ahead of budget by £1.884m. This is due to an increase in the number of HRA Decants being used for Temporary Accommodation generating £1.2m additional income, an increase in notified water charges of £0.6m after Council budgets were agreed and additional unbudgeted ad hoc income of £0.24m

generated from external partners for housing management services provided. This is partially offset by £0.23m in loss of rental income (net of tenant service charge gain) as the number of houses sold is lower than budgeted assumptions. There is a net nil impact to the HRA of the increased water charges as these are collected by the Council and passed through to the water company.

2.12.3 The main risk to the income position is collection performance and stock movements. The current profiled performance on rent collection is 81.29% compared to the target of 81.50%. This creates a shortfall in cash collected. Changes in government policy around repeat claims for Discretionary Housing Payments (DHP) have also impacted the allocation of DHP towards housing rents. The position will be monitored closely throughout the year. If the position is not recovered there could be an increased pressure on the bad debt provision.

2.12.4 Stock movements are monitored as level of Right to Buy sales and void levels impact the rental income position. There have been 171 Right to Buy sales so far this year and current projections continue to assume 220 sales for the year.

Expenditure

2.12.5 Expenditure is expected to be over budget by £1.884m. This is partly due to the increase in water charges payable to the water company as explained above.

2.12.6 In order to achieve a breakeven position, the Housing Service will need to manage cost pressures within the year. The most significant risk area is Repairs and Maintenance which is reporting a forecast overspend of £1.3m. Pressures include restructure and efficiency savings not delivered in 2014/15, pressures on staffing budgets and pressure on sub-contractor spend due to the high levels of responsive repairs carried out by external contractors. Additional overtime and agency costs have added to this pressure.

2.12.7 The increase in the number of HRA decants being used for Temporary Accommodation has led to additional unbudgeted void refurbishment spend in the region of £780k. However, this is offset by the additional rental income generated. The resulting net pressure within Repairs and Maintenance after deducting this spend is £578k.

2.12.8 The budgeted level of bad debt provision contribution is not expected to be required in 2015/16 due to delays in the full introduction of government's welfare reform changes. Hence a further underspend of £200k is forecast compared to last month.

2.12.9 The budgeted level of interest payable on HRA borrowing assumed borrowing to the borrowing cap. The interest payable budget assumed interest on the full level of available HRA borrowing inclusive of headroom. Additionally, one scheme, Leys Phase 2 assumed borrowing up to £3.2m. As this scheme is now not expected to go ahead in 2015/16, the charges will be deferred until 2016/17. Therefore an underspend of £765k against the interest budget is forecast.

2.12.10 The changes in forecast for interest and bad debt provisions means an additional revenue contribution towards capital expenditure of £1.9m is now available. This will be used towards funding the accelerated capital expenditure spend on Estate Renewal and Investment in Stock schemes in 2015/16.

HRA Balance

2.12.12 It is expected that HRA balances will remain at £8.7m at year end.

2.13 Capital Programme 2015/16

2.13.1 The Capital Programme forecast against the budget as at the end of January 2016 is as follows:

	2015/16 Current Budget £000	Actual Spend to Date £000	2015/16 Forecast £000	Variance against Budget £000
Adult & Community Services	2,192	1,120	2,192	0
Children's Services	27,111	22,805	30,878	3,768
Environmental Services	4,005	2,810	3,824	(181)
Chief Executive Department	10,669	4,663	10,759	89
Housing General Fund – EIB	9,222	9,670	10,752	1,530
Subtotal – GF	53,199	41,068	58,405	5,206
HRA	81,493	67,823	82,985	1,493
Total	134,691	108,891	141,390	6,699

2.13.2 The 2015/16 capital programme stands at a revised budget of £134.691m, and Directorates are currently forecasting to exceed this by £6.699m. The largest variances are within Children's Services and Housing, which will bring forward future year budgets accordingly.

2.13.3 New Capital Schemes

There are no new schemes this month.

2.13.4 Adult & Community Services

Adult & Community Services has a budget of £2.192m and current estimates indicate spend to budget with no funding issues.

2.13.5 Children's Services

The Children's Services capital programme has a revised budget of £27.110m in 2015/16. Current forecasts indicate a variance of £3.768m – an increase of £0.304m to that reported in December. This variance is mostly due to Barking Riverside Secondary Free School (£2.500m). There were initial delays in the project as a result of land issues with BRL, which led to the budget being profiled back into latter years during the mid-year re-profile. However these issues have now been overcome and the project is accelerating again, back to the position where it had originally been planned to be at this point in time. Additionally there is accelerated spend on Marsh Green Primary (£0.400m), Barking Riverside City Farm (£0.160m), and Jo Richardson Expansion (£0.383m). This month is also

reporting accelerated spend against the School Modernisation Fund of £0.272m, which has been used to undertake remedial works at schools. Over and underspends are drawn from or returned to the available funding, and re-profiled between years where necessary, such that the overall programme is completed within the total funding available.

2.13.6 **Environmental Services**

Environmental Services has a budget for 2015/16 of £4.005m, and is forecasting an in year underspend of £0.181m, consistent with last month, largely as a result of the following:

- **Street lighting replacement (£0.025m overspend)** – due to increased contractor costs. This will be met from the 2016/17 budget allocation (currently £0.5m, per the Budget Strategy Report).
- **Structural Repairs and Bridge Maintenance (£0.051m underspend)** – due to the requirement for structural testing to be undertaken on Kennedy Road and Salisbury Avenue Rail Bridge; this is currently out for tender and is not expected to be delivered until quarter two of 2016.
- **Fleet Management and Depots (£0.060m underspend)** – due to the delays in the completion of the washbay part of the scheme and a requirement for further exploratory works to be carried out.
- **BMX Track (£0.065m underspend)** – this will now be delivered in 2016/17, due to additional costs over and above the available budget. A capital bid for additional funding was agreed in January 2016 in order to fully complete the works.
- **Strategic Parks (£0.030m underspend)** - due to the delays in the Millennium Centre cafe improvement proposal which will not commence until June 2016.

2.13.7 **Chief Executive**

The Chief Executive Department has an overall budget for 2015/16 of £10.669m and is currently forecasting to exceed this by £0.895m. This is due to overspends within Regeneration on the Merry Fiddlers junction improvements (£0.070m), which will be funded by additional S106 money, and the bus stop accessibility improvements (£0.045m), which will be funded from TfL money, both of which were reported last month. Plus there is now additionally an underspend of £0.026m forecast against the Barking Town Centre TfL scheme. These variances will be reported once there is more certainty.

2.13.8 **Housing General Fund (European Investment Bank)**

The Housing General Fund (EIB) schemes have a budget for 2015/16 of £9.2m, and are forecasting to exceed this by £1.530m. This is as a result of accelerated spend, and future years budgets will be adjusted and brought forward accordingly.

2.13.9 **Housing Revenue Account (HRA)**

The HRA has a capital budget of £81.492m; and is forecasting to overspend by £1.493m overall, an improvement of approximately £0.5m on last month.

Estate Renewal – This project is now forecast to spend £11.980m in the current year against a revised budget of £9.730m which represents an accelerated spend of £2.250m. This results from a substantial increase in the number of completed leasehold buybacks and advanced progress on demolition works.

New Build Programme - The New Build schemes are currently projected to slip/underspend by £1.3m. This includes slippage of £1.4m for The Leys (including phase 2), and an £0.1m overspend for the Marks Gate Open Gateway scheme.

Investment in Stock – The revised budget for Investment in Stock is £44.845m, and it is forecasting an overall overspend of £0.543m. This is a net position and includes a number of offsetting over and underspends.

Slippage is forecast in respect of the following schemes due to various reasons including delays around retendering and delays in contractors starting on site:

- Roof replacement (£0.075m);
- Asbestos removal (£0.111m);
- Decent homes north (£0.173m);
- Window replacement (£0.761m);
- External fabrics – blocks (£0.091m);
- Fire safety works (£0.200m);
- Conversions (£0.006m).

The above underspends are more than offset by the following projects with accelerated spends:

- Voids (£0.350m);
- Central heating installation (£0.450m);
- Block and estate modernisation (£0.306m);
- Decent homes (blocks) (£0.151m);
- Energy efficiency (£0.018m).

All variances are drawn from or returned to the overall funds available within the HRA business plan.

The detailed scheme breakdown is shown in Appendix D.

3. Financial Control

- 3.1 At the end of January, the majority of key reconciliations have been prepared and reviewed. All are scheduled to be completed by the end of the financial year.

4 Options Appraisal

- 4.1 The report provides a summary of the projected financial position at the relevant year end and as such no other option is applicable for appraisal or review.

5 Consultation

- 5.1 The relevant elements of the report have been circulated to appropriate Divisional Directors for review and comment. Individual Directorate elements have been subject to scrutiny and discussion at their respective Directorate Management Team meetings.

6 Financial Implications

- 6.1 This report details the financial position of the Council.

7 Legal Issues

- 7.1 Local authorities are required by law to set a balanced budget for each financial year. During the year there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.

Background Papers Used in the Preparation of the Report:

Oracle monitoring reports

List of Appendices

- **Appendix A** – General Fund expenditure by Directorate
- **Appendix B** – Savings Targets by Directorate
- **Appendix C** – Housing Revenue Account Expenditure
- **Appendix D** – Capital Programme