CABINET

20 September, 2016

Title: Budget Monitoring 2016/17 - April to July (Month 4)	
Report of the Cabinet Member for Finance, Growth & Investment	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** Yes
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Summary

This report provides an update on the Council's revenue and capital position for the four months to the end of July 2016, projected to the year end.

There is a projected overspend of £6.722m on the 2016/17 budget, an increase of £1.941m from period two (the last position reported to Cabinet. The main elements of the current projection are overspends in Children's Services (£3.6m), Homelessness (£2.7m) and Leisure (£0.5m). There are pressures in a number of other service areas but all are currently forecast to be managed.

The total service expenditure for the full year is currently projected to be £157.0m against the budget of £150.3m. The projected year end overspend, if it is not mitigated, will contribute to a significant reduction in the General Fund balance to £16.099m at year end, which is only £1.1m above the minimum target balance set by the Strategic Director of Finance and Investment leaving little room for new risks or pressures. This means that action should be taken as a matter of urgency to address the service pressures or bring forward other mitigations to safeguard the Council's future financial stability.

The Housing Revenue Account (HRA) is projected to produce a revenue surplus of £0.6m, leaving the forecasted year end HRA reserve at £9.3m. The HRA is a ring-fenced account and cannot make or receive contributions to/from the General Fund and there are a number of potential calls on this reserve.

The Capital Programme budget stands at £199.4m. Forecast outturn is £204.1m, £4.7m over budget. It should be noted that this is due to accelerated spend in 2016/17 and the overall four year programme is running to budget.

Recommendation(s)

The Cabinet is recommended to:

(i) Note the projected outturn position for 2016/17 of the Council's General Fund revenue budget at 31 July 2016, as detailed in paragraphs 2.1 to 2.19 and Appendix A of the report;

(ii) Agree to rescind the decision made by Minute 82(vi) (19 January 2016) to fund the £2m of the initial stages of the Transformation Programme from reserves and instead for the funding to be met from capital receipts, subject to an in depth review of capital receipts and the cost of the programme overall by the Strategic Director of Finance and Investment which shall be reported as part of the MTFS to a future meeting;

(iii) Note the overall position for the HRA at 31 July 2016, as detailed in paragraph 2.20 of the report;

(iv) Note the progress made on budgeted savings to date as detailed in paragraph 2.27 and Appendix B of the report; and

(v) Note the projected outturn position for 2016/17 of the Council's capital budget as at 31 July 2016, as detailed in paragraph 2.28 to 2.33 and Appendix C of the report; and

(vi) Approve the budget virements set out in paragraph 2.34 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, HRA and Capital positions. Alongside service expenditure budgets there is also planned expenditure to implement savings proposals and to fund the Ambition 2020 programme. The revenue outturn for 2015/16 led to a General Fund balance of £21.1m and the table below shows the available reserves at the authority's disposal to cover this expenditure:

Table 1: Projected level of reserves

Projected Level of Reserves	**£'000**	**£'000**
Current GF balance		21,115
Other available reserves		4,538
Total available reserves		**25,653**
Calls on reserves:		
Implementation of savings proposals	(2,832)	
		(2,832)
Revised Level of Reserves		**22,821**

1.2 In the light of the budget risks set out in this report the Strategic Director, Finance and Investment no longer recommends funding the initial phases of Ambition 2020 and the successor Transformation Programme by drawing down from the reserve as had previously been agreed by Cabinet. Instead it is recommended that the Council take advantage of the new flexibility offered by Central Government to use Capital Receipts to fund transformational projects during the period 2016 to 2019. However this will be subject to an in depth review of capital receipts and the cost of the programme overall to ensure that there is sufficient funding for the whole of the programme including both design and implementation costs. The results of this review will be reported as part of the MTFS. Further comment on the level of reserves is given in section 3 of this report.

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:

Table 2: Council General Fund Spend Position

Council Summary	Net	Actual	Full year	Over/(under)
2016/17	**Budget**	**Expenditure to end July**	**forecast at end June 2016**	**spend Forecast**
	£000	**£000**	**£000**	**£000**
Directorate Expenditure				
Service Development & Integration	108,227	38,784	112,368	**4,141**
Customer, Commercial & Service Delivery	31,327	20,364	31,578	**251**
Growth & Homes	6,212	1,894	8,942	**2,730**
Law & Governance	590	-660	590	**0**
Finance & Investment	1,754	2,821	1,754	**0**
Central Expenses	2,205	5,671	1,805	**-400**
Total Service GF Expenditure	**150,314**	**68,872**	**157,036**	**6,722**

Table 3: The consequent forecast position on reserves.

	Opening Balance at 01-Apr 2016 £000,s	**Forecast Balance at 31-Mar-17 £000,s**
General Fund	21,115	16,099
Housing Revenue Account	8,736	9,358

The forecast general fund balance includes the agreed drawdown from reserves to fund savings proposals and the projected budget overspend shown in table 2. It should be noted that the Medium Term Financial Strategy update approved by Cabinet in July recommended a further use of £2.3m from reserves to balance the 2017/18 budget.

2.2 **Comments of the Strategic Director of Finance and Investment**

The projected general fund overspend of £6.722m will reduce the general fund balance to £16.099m. Although this is above the target minimum level of balances which is currently £15.0m it should be noted that there are still a number of significant risks to the budget that could worsen the position. In addition as stated above, Cabinet also agreed that the 2017/18 funding gap of £2.3m could be funded from reserves which will result in a further potential reduction of the general fund balance to £13.799m. This would be below the target even before the impact of any future overspends or emerging pressures. The Strategic Director, Finance & Investment has a responsibility under statute to ensure that the Council maintains appropriate balances at all times. The main elements of the projected overspend are as follows

- Children's Complex Needs & Social Care - £3.6m
- Leisure - £0.5m
- Environmental Services and Enforcement - £0.25m
- Homelessness - £2.7m

These overspends are partially offset by a £0.4m underspend in central expenses

2.3 Last year Cabinet received reports from Children's Services on the pressures in that service and setting out options for reducing expenditure. These were partially successful and the overall overspend in Children's Social Care reduced to £4.8m by year end. The SAFE programme within Children's Social Care remains in place with a focus on reducing the level of expenditure. The programme has recently undertaken a mid year review of progress to date and the future in year impact of activity currently under way. The results of this review have been used to reprofile the savings increasing the year end forecast by £0.5m and this remains an area of high risk that requires close monitoring.

2.4 The pressures in Homelessness also emerged towards the end of the last financial year and that has continued in to 2016/17. The main cause is the continuing increase in homelessness applications and the growing gap between the cost to the Council of securing temporary accommodation and the income that can be recovered from tenants through Housing Benefit. In addition to the pressures on the general housing market there has been increased competition for temporary accommodation from other Councils placing in our borough. The key concern is that this pressure may grow due to the wider external factors facing the borough and London more broadly.

2.5 The widening gap between costs and income was beginning to be apparent in May when a forecast variance of £1m was reported. The Strategic Director for Growth & Homes has worked with Finance to investigate the full extent of the pressure leading to a large upwards revaluation of the variance to £2.7m. He has also instigated a recovery plan project, similar in nature to the SAFE programme, which will be agreed by the Cabinet Member and also monitored independently by the PMO. The initial target area is to focus on those properties where there is the largest discrepancy between the daily rate and the Local Housing Allowance (LHA) available. It is intended that this project is reported to a future Cabinet meeting and tracked in the same way as the SAFE programme.

2.6 The historic trend for all services is for the final outturn position to be better than that projected throughout the year as a result of active management decisions and close monitoring of the pressure areas. It is essential that this occurs again in 2016/17 and the delivery of services within the approved budget is given equal status as other projects and programmes within the Council.

2.7 If there is not sufficient evidence of progress within the next few months, the Strategic Director, Finance & Investment and the Cabinet Member for Finance, Growth & Investment will have to consider instigating or imposing other measures on the organisation to curtail the current level of expenditure.

2.8 **Directorate Performance Summaries**

The key areas of risk which might lead to a potential overspend are outlined in the paragraphs below.

2.9 **Table 4: Service Development & Integration**

Service Block	**Full year Budget 2016/17**	**Period 4 Projection**	**Variance from Budget**
	£000	**£000**	**£000**
Adults Care & Support			
Operations	30,982	32,819	1,837
Commissioning	7,095	6,935	(160)
Mental Health	3,841	3,841	0
Adults Mgt & Support Services	1,651	(26)	(1,677)
Sub-total Adults Care & Support	**43,569**	**43,569**	**0**
Children's Care & Support			
Operations	39,172	42,777	3,605
Commissioning	8,963	8,963	0
Sub-total Children's Care & Support	**48,135**	**51,740**	**3,605**
Public Health	0	0	0
Community Safety & Offender Mgt	1,282	1,282	0
Healthy Lifestyles - Leisure	985	1,521	536
Education Commissioning	4,418	4,418	0
Capital/Central costs - Childrens	9,838	9,838	0
SDI Total	**108,227**	**112,368**	**4,141**

The budgets within Service Development and Integration are currently forecast to overspend by £4.161m by year end. The main pressures are:

- Children's Care and Support forecasting an overspend of £3.605m against a budget of £39.172m. This assumes the reprofiled SAFE programme original target savings of £5.9m will be achieved by year end. The budget is volatile and subject to statutory demand and as such and there is a risk that the position may worsen.

- Leisure services currently forecast to overspend by £0.536m. The service is reviewing all areas of spend and income to mitigate this position over the remainder of the financial year.

There are pressures also within the Adult Social Care & Support service block which the service is working to mitigate or manage through a call on Adults reserve at year end.

A challenging savings target of £4.019m has been built into the 2016/17 budget. These savings are largely in the process of being delivered or already implemented. However, current forecasts indicate under delivery of £0.088m (see Appendix B). Where under delivery has been identified, managers are actively working to manage the resulting pressure.

2.10 **Adults Care & Support**

The service delivery arm of Adult Social Care and support is currently predicting a year end breakeven position, but there remains a potential budget pressure of £1.837m which will need to be mitigated. At this stage it is assumed that this pressure would be managed in year through mitigation through the major review of care packages and placement costs in learning disabilities but a call on the Adults reserve may also be required.

The position reported is a £0.444m reduction from last month's pressure of £2.281m. This is as a result of ongoing review of cases which identified costs that could be contained within budgets held in commissioning and a reduction in the anticipated cost of short term care. The overall pressure is still primarily due to the purchasing of adult social care across all client groups but especially within learning disabilities where cost pressures have arisen due to provision made for a number of high cost transition cases and demographic growth factors.

The Commissioning service is currently forecast to underspend by £0.160m mainly as a result of underspends against the extra care services budget. Mental Health Services are currently forecasting to be on budget position at year end.

These budgets will continue to be monitored closely throughout the year as activity levels fluctuate.

2.11 **Children's Care and Support**

Significant budget pressures within the Children's Care and Support service block have continued from 2015/16 into the current financial year. At the start of the financial year the service faced a potential pressure of £9.465m on its budget. To mitigate this pressure, savings proposals totalling £5.911m were identified by the service (£5.33 within Operations) and are being implemented.

The service delivery block now has a current pressure (ie based on current activity and commitments) of £4.983m which is a reduction of £0.3m from last month. In reaching the current position the service has achieved a reduction in pressure, a large part of which has been a reduction in placement costs (£2.1m). There has also been some reduction in staffing costs but there has been little progress in the main staffing saving target of reducing the number of agency social workers and so this remains a significant risk.

It must also be recognised that while the service has made progress in containing the cost of LAC placements this is a volatile and high risk budget and could be subject to future increased statutory demand requirements.

The current pressure is before the remaining planned reduction in expenditure as a result of SAFE programme delivery. The SAFE management action has just been reviewed and the staffing saving targets have been revised down. This will be offset by increased targets for placements but there it should be noted that the overall target has been reduced by £0.5m. However the savings targets remain ambitious resulting in a level of risk that will need close monitoring. The service also will continue to review all possibilities to mitigate the projected overspend.

Table 5: Children's Care and Support –Impact of SAFE Programme

Service Area	2016-17 Budget	2016-17 Forecast	Current 2016-17 Variance	2016-17 Further Action	2016-17 Final Projected Variance
Agency/Staffing	15,283	16,939	1,656	-1,087	569
Placements	22,565	22,699	134	-507	-373
Transport	1,928	2,119	191	0	191
Legal	437	491	54	-33	21
NRPF	1,009	1,351	342	-273	69
UASC	1,098	1,078	-20	0	-20
Unattributed savings/ funding gap[1]	-3,148	0	3,148	0	3,148
Total Complex Needs	**39,172**	**44,677**	**5,505**	**-1,900**	**3,605**

2.12 Leisure

The Leisure service is currently forecasting a projected overspend of £0.536m mostly relating to the Abbey centre. This is still a relatively new facility and the business is still growing – with a forecast income increase of over £0.3m since last year. However, activity has not yet reached the expected levels resulting in an in year income shortfall of £0.366m. A number of options for expanding the customer base are being explored There are also some cost pressures which including staffing and supplies costs that the centre manager is working to reduce. An estimated £0.17m has been included in the forecast – this will be kept under review.

2.13 **Dedicated School Grant (DSG)**

The DSG is a ring fenced grant to support the education of school-age pupils within the borough. The 2016/17 DSG allocation is £235.6m, covering Individual Schools budgets, High Needs and Early Years services.

2.14 **Table 6: Customer Commercial & Service Delivery**

Division	Full year Budget 2016/17	Period 4 Projection	Variance from Budget
	£'000	**£'000**	**£'000**
Clean & Green	7,534	7,709	175
Enforcement	10,798	10,874	76
Other	153	153	0
Elevate Client Unit	12,666	12,666	0
Human Resources	36	36	0
SD Customer service & Commercial delivery	140	140	0
Total General Fund	**31,327**	**31,578**	**251**

The projection to year end is an overspend of £0.251m within Clean & Green and Enforcement services and is due to savings not being achieved. Potential pressures have been identified within other budgets, however, it is expected that they will be managed within the service.

Table 7: Pressures

Service Area	**£'000**
Green garden waste	175
School crossing patrols	76
Total	**251**

2.15 **Clean & Green**

The collection of green garden waste was due to end in September 2015 which would deliver a £220k saving in a full year (£110k in each of the financial years 2015/16 and 2016/17). This service is now continued to September 2016 at which point it is due to cease. The costs for 2016/17 will be £175k due to agency cover of the service. The saving will therefore be achieved in full in 2017/18. The service are assessing whether it is possible to make some level of in year saving despite the slippage.

There are other pressures on staffing budgets estimated at £961k which are due to staff being over established in Clean & Green. The transport and fleet spend is also forecast to be a net £198k over budget. This forecast includes £365k projected cost for vehicle repairs. The service is currently formulating a plan and expects to mitigate these pressures.

The Clean & Green portfolio also now includes Fleet management and workshop which is forecast to underspend by £160k from a combination of lower supply costs and overachievement of income.

2.16 **Enforcement Service**

The Enforcement service pressure is as a result of the School Crossing patrol saving not being delivered. Attempts to source external funding and sponsorship have to date not yielded significant results and the service continues to be provided.

There is an underlying pressure of £260k on the Parking account resulting from a projected income shortfall and increased staffing costs to improve enforcement and contract management.

However there are other underspends in the service which mitigate the overall pressure across the department. This is primarily as a result of maintaining staff vacancies in the Housing standards and Private Sector Landlords licensing service and maximising the use of grants and income in the service.

The service also anticipates that with ongoing Street lighting capital works in current year, there will be reduced pressure on the repairs and maintenance budget. This is forecast to result in a £100k underspend.

2.17 **Other Environmental services**

These include Facilities management, Passenger Transport Service, and Depots.

There is a risk that the forecasted Passenger Transport service saving of £400k will not be achieved in this financial year due to delays in conclusion and implementation of the review. The service is looking to find compensating savings.

The Elevate Client Unit is currently forecast to break even at the year end. This is at risk however due to the re-phasing of annual ICT savings and recent Service Provider Change Notices (SPCN’s) issued by Elevate due to scale and scope pressures within their Revenue & Benefits service. The impact of these issues is being managed by Central Finance and the HRA.

There is a further potential risk of £500k due to possible Council Tax Court Costs income underachievement. This occurred in 2015/16 due to court summonses being cancelled, however mitigation is in place to improve controls around the cancellations of summonses during 2016/17.

Operational HR is forecast to break even at year end; however, there is risk of pressure in the region of £55k due to not enough schools buying into the service. This will be managed by the department in order to be level spent against budget.

2.18 **Table 8: Growth & Homes**

Division	Full year Budget 2016/17	Period 4 Projection	Variance from Budget
	£'000	**£'000**	**£'000**
Culture & Recreation	4,295	4,267	(28)
Regeneration	923	923	0
Housing strategy	(85)	(85)	0
Homelessness	969	3,727	2,758
Landlord Services	110	110	0
Total General Fund	**6,212**	**8,942**	**2,730**

Culture & Recreation is forecast to under spend at year end by £0.028m, due to staff vacancies across Library services. The previously reported pressure on the Volunteer programme has been resolved and delivery of the programme is to be contained within available revenue budgets.

2.19 **Homelessness**

Homelessness is currently forecasting a pressure of £2.758m at the year end. This is due to the net cost of placing people in accommodation provided by private sector landlords, which is the largest source of temporary accommodation. The income that the Council can collect from tenants is constrained by the level of Housing Benefit payable which has been frozen for a number of years and is now below the cost of most accommodation in the borough and neighbouring areas. However the borough is still lower cost than most of London which has resulted in competition between authorities to secure temporary accommodation.

Around two thirds of the properties used for temporary accommodation produce a net cost to the Council and this is likely to increase over time. Performance bonuses are also paid to agents for providing seven or more properties to encourage them to work with Barking and Dagenham rather than other boroughs. Although the total pressure of using private sector landlord (PSL) properties is forecast at approximately £1.9m, the cost to the Council would be even greater if these properties are not secured as a result of increased use of B&B accommodation.

There were 21 Bed and Breakfast placements at the end of July 2016 which is a reduction of 30 from the April position. However, there were 1184 PSL placements at the end of July which is an increase of 85 from the April position. There will be a potential impact on these numbers due to the planned renovation works at Boundary Road hostel. There is a risk that full closure may be required and alternative accommodation will be needed for the 27 households currently occupying these units. The delay in acquiring an additional hostel has also impacted on the increase in projected average B&B numbers. This hostel is now likely to be available in July 2017 rather than in December 2016.

There are other pressures also emerging which will impact on the pressure reported above. The impact of welfare reform continues to be monitored but is expected to result in increased levels of homelessness unless preventative measures are effective. Temporary accommodation arrears have increased by £95k (5%) in this financial year, and, the current level of bad debt provision will not provide sufficient coverage, resulting in an additional pressure of £274k. The position will be closely monitored throughout the year. Former Tenant Arrears has been outsourced to Agilysis for collection and it is anticipated that some of the arrears will be recovered hence reducing the pressure on the provision required.

There continues to be a high level of security in place at the homeless hostels to enable the safeguarding of staff and residents following a number of incidents in previous years. This has resulted in a forecasted overspend of £243k. The current security provision is being reviewed to bring down the pressure in 2016/17.

A significant element of risk across the service is outside the Council's direct control. However, an action plan is being developed to support mitigation. Mitigating action includes reviewing income opportunities such as introducing service charges where possible, holding vacant posts, reviewing how services are being delivered in order to find more efficient ways of providing ,ensuring recharges and income collection is up to date and maintaining spend restraint across the service. Longer term measures include a wider range of placement options including placement out of borough. This however will be subject to Cabinet approval and development of a legally robust accommodation strategy.

The combined impact of these external pressures and the management action plan mean that there is a range of possible overspends – from £2.3m in the best case to £3.1m or more if action is not successful.

The Regeneration and Economic Development teams are currently projected to spend to budget by the end of the financial year with no specific issues or pressures at this stage.

The main risk to achieving the break even position is the in respect of recovering the budgeted level of income which is derived mainly from Planning Application and Local Land Charge fees. To date, however, income levels are in line with those of previous years and, therefore, there are no current concerns.

2.20 **Housing Revenue Account (HRA)**

The HRA is currently forecast to produce a revenue surplus of £622k.

Table 9: HRA

	Budget	**Forecast**	**Variance**
	£'000	**£'000**	**£'000**
Rents	(90,538)	(90,818)	(280)
Non Dwellings Income	(807)	(750)	57
Other Income	(19,285)	(19,453)	(168)
Interest Received	(336)	(336)	0
Total Income	**(110,966)**	**(111,357)**	**(391)**
Repairs & Maintenance	17,093	17,494	401

Supervision & Maintenance	42,572	41,578	(994)
Rent Rates and Other	700	700	0
Bad Debt Provision	2,772	2,772	0
Interest Charges	10,059	10,059	0
Corporate & Democratic Core	685	685	0
Total Expenditure	**73,881**	**73,288**	**(593)**
Revenue Contribution to Capital	**37,085**	**37,447**	**362**
Transfer to HRA Balances	**0**	**622**	**622**

The overall position shows an improvement of £0.622m from the period 3 forecast due to:

- Further cash savings in repairs and maintenance staffing costs (£0.122m) resulting from additional staff now expected to take voluntary redundancies.
- Additional underspends in Housing Management Services from efficiencies expected to be delivered on fleet costs and Estate Improvement budgets (£0.500m).

2.21 **Income**

Income is expected to over-achieve by £0.391m. The main areas of variation from budget are:

- Additional rental income of £0.280m from lower than expected void levels, partially offset by lower rental income from HRA decants used for Temporary Accommodation

- Higher than budgeted income from telecommunication masts and other income is expected £0.268m

- Lower than expected garage income £0.057m while the refurbishment programme continues.

- Lower than expected service charge income of £0.100m due to the Housing Management decision to suspend Concierge charges at Thaxted House. This is offset by an equivalent savings in payments to the security contractor.

2.22 **Expenditure**

Expenditure budgets are expected to be underspent by £0.593m. The main areas of variation from budget are:

- Supervision and Management is expected to underspend by £0.994m, this is due to Housing Management fleet/estate cost reductions (£0.500m), a staff saving (£0.394m) from the on-going voluntary redundancy process and service management savings from the suspension of the concierge service at Thaxted House (£0.100m).

- The Repairs and Maintenance Service is currently forecast to overspent by £0.401m. This is a significant reduction from 2015/16 based on expected reduction in staffing costs in 2016/17 from the on-going voluntary redundancy process. The service needs to actively work to put action plans in place in order to achieve at least break even position.

2.23 **HRA Balances**

There is a budgeted contribution to capital resources of £37.1m and it is currently assumed this will increase by £0.362m in 2016/17.

The HRA has set aside £2.5m to pay the costs of voluntary redundancy and early retirements. Current estimates suggest the cost will be in the region of £3.1m, however any shortfall should be covered by the savings realised.

Based on the current forecast it is also assumed HRA balances will increase by £0.622m this will partly contribute towards a potential risk from a court decision against LB of Southwark, which is subject to appeal currently, in respect of resale of water supply and the associated commission (to cover admin costs of circa £1.2m in 2016/17). Should the appeal fail this may result in the repayment of commission to tenants. The service is currently seeking legal advice on this matter.

In addition, there is a Government proposal to instruct Local Authorities to sell its higher value voids and pay a levy to the Government to fund Housing Association Right to Buys. Even if the Authority does not decide to sell off its voids a levy will still apply. Formal Government Policy is still awaited, but it is anticipated that some form of payment may be required in this financial year.

2.24 **Table 10: Law & Governance**

Directorate Summary	2016/17 Budget £000	2016/17 Forecast £000
Net Expenditure	590	590
Projected over(under)spend		0

This directorate is projected to spend to budget.

2.25 **Table 11: Finance & Investment**

Directorate Summary	2016/17 Budget £000	2016/17 Forecast £000
Net Expenditure	1,754	1,754
Projected over(under)spend		0

This directorate is projected to spend to budget.

2.26 **Table 12: Central Expenses**

Directorate Summary	2016/17 Budget £000	2016/17 Forecast £000
Net Expenditure	2,205	1,875
Projected over(under)spend		(400)

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

Interest on borrowing costs is currently forecast to be £0.200m better than budget due to required borrowing being lower than anticipated and additional procurement savings of £0.200m are also forecast. It should be noted however that the decision not to change the redundancy multiplier has created an increased level of risk to this budget.

2.27 **In-Year Savings Targets – General Fund**

The delivery of the 2016/17 budget is dependent on meeting a savings target of £12.9m. Directorate Management Teams are monitoring their targets and providing a monthly update of progress which is summarised in the table below. The latest update includes the impact of Cabinet's decision to retain the redundancy multiplier which means that the associated £667k saving will not be achieved. Where there are shortfalls, these will be managed within existing budgets and do not affect the monitoring positions shown above although the risks increase as more savings are not delivered A detailed breakdown of savings and explanations for variances is provided in Appendix B.

Table 13: 2016/17 Savings delivery

Directorate Summary of Savings Targets	Target £000	Forecast £000	Shortfall £000
Customer, Commercial & Service Delivery	2,790	2,604	**186**
Growth & Homes	971	371	**600**
Service Development and Integration	3,866	3,778	**88**
Finance & Investment	5,227	4,470	**757**
Total	**12,854**	**11,223**	**1,631**

2.28 **Capital Programme 2016/17**

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

Table 14: Capital Programme 2016/17

	2016/17 Revised Budget £'000	Actual Spend to Date £'000	2016/17 Forecast £'000	Variance against Budget £'000
Service Development & Integration	58,525	25,786	66,025	7,500
Customer, Commercial & Service Delivery	7,811	1,676	8,245	434
Finance & Investment	4,297	767	4,297	0
Growth & Homes	54,669	21,943	54,177	(492)
Subtotal – General Fund	**125,302**	**50,172**	**132,744**	**7,442**
HRA	74,000	12,403	71,350	(2,650)
Total	**199,302**	**62,575**	**204,094**	**4,792**

The detailed scheme breakdown is shown at Appendix C.

The main elements of the programme are as follows:

2.29 **Service Development & Integration**

The main element in the programme is the school expansion programme (£46.8m). Forecast is that it will spend £7.5m over budget – however this is due to accelerated spend on the Barking Riverside Secondary Free School for which the funding has already been agreed and received from the EFA.

2.30 **Customer, Commercial & Service Delivery**

This includes IT projects (£3.7m) and various environmental projects (£4.1m). The Directorate is showing an overspend of £0.434m primarily due to increased hardware costs for the ICT End User scheme. Funding is being reviewed to incorporate this cost

2.31 **Finance & Investment**

The main element in the programme is the corporate accommodation strategy (£4.1m). Forecast is to budget.

2.32 **Growth & Homes**

The largest project is the Gascoigne estate renewal (£37m). The monitoring shows an underspend of £0.492m primarily due to (£0.192m) retention and final account payments earmarked for next year on the Barking Riverside Trans Link (Drovers Way) and (£0.3m) earmarked for the Barking Bath house which will not be installed until the Swan Housing Development on Cambridge Road has been completed, which will now be in 2017/18.

2.33 **HRA**

The main expenditure is on new build schemes (£25.6m) and investment in existing stock (£38.6m). Forecast is £2.65m below budget, to £71.35m. The monitoring shows an underspend on 3 schemes – Infill Sites (£1m); and (£1.5m) Kingsbridge Shared Ownership Development. These schemes will complete in 2017/18 which is the main reason for some of the slippage; as the programmes have only now been agreed. (£0.15m) Margaret Bondfield New Build Bungalows scheme will complete below budget.

2.34 **Budget Virements**

In line with Financial Regulations, Cabinet are asked to approve two virements – one allocating funding to Services to cover the annual pay award and the second transferring the budget for Microsoft IT licences from Central Expenses to the relevant department.

Table 15 – Budget Virements

Department	Budget virement	Description
Virement 1		
Chief Executive	117,660	Pay Award
CC&SD	659,370	Pay Award
F&I	191,910	Pay Award
G&H	302,800	Pay Award
SD&I – Adults	487,730	Pay Award
SD&I – Children	876,030	Pay Award
Central Expenses	-2,635,500	Pay Award
NET	0	

Virement 2		
CC&SD	380,000	Microsoft IT licences
Central Expenses	-380,000	Microsoft IT licences
NET	0	

3. Options Appraisal

3.1 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.

4 Consultation

4.1 The report has been circulated to the Corporate Performance Group for review and comment. Individual Directorate elements have been subject to scrutiny and discussion at their respective Directorate Management Team meetings

5. Financial Implications

5.1 This report details the financial position of the Council.

6 Legal Issues

6.1 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** – Progress against savings targets
- **Appendix C** – Capital Programme