CABINET

13 February 2017

Title: Budget Monitoring 2016/17 - April to December (Month 9)	
Report of the Cabinet Member for Finance, Growth and 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 seven months to the end of December 2016, projected to the year end.

There is a projected overspend of £4.499m on the 2016/17 budget, an improvement of just over £0.5m from the position reported to Cabinet last month. Improvements in both the Children's Care and Support and the Elevate Client Unit have reduced the forecast. There are still pressures in a number of other service areas but all are currently forecast to be managed. These pressures include £1.4m in Adults Care and Support, which will be mitigated as planned through the drawdown of an earmarked reserve created to smooth pressures on the service pending the additional Better Care Fund monies, £0.6m income risk in Enforcement with £0.66m possible mitigations identified and £0.4m in Passenger Transport against which there is a mitigation plan for the full amount. The service area which has yet to establish a full mitigation plan is Clean and Green with pressures of £1.2m against which £0.3m possible mitigations have been identified.

The total service expenditure for the full year is currently projected to be £154.8m against the budget of £150.3m. The projected year end overspend will contribute to a reduction in the General Fund balance to £18.354m at year end, which is above the minimum target balance set by the Strategic Director of Finance and Investment. However, given the level of risk in both this year and future years it is still important that the actions taken to address the service pressures should continue and where possible other mitigations are brought forward to safeguard the Council's future financial stability.

The Housing Revenue Account (HRA) is projected to produce a revenue surplus of £1.9m, taking the HRA reserve to £10.6m although it should be noted that there are a number of potential calls on this reserve. The HRA is a ring-fenced account and cannot make or receive contributions to/from the General Fund.

The Capital Programme budget stands at £197.7m with an overall variance of £1.7m made up of over-performance of £2.6m on the General Fund programme and slippage of £0.9m on the HRA programme. These two variances are the result of timing

differences rather than increased costs.
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 December 2016, as detailed in section 4 and Appendix A to the report; (ii) Note the overall position for the Housing Revenue Account at 31 December 2016, as detailed in section 5 of the report; (iii) Note the progress made on budgeted savings to date, as detailed in section 6 and Appendix B to the report; and (iv) Note the projected outturn position for 2016/17 of the Council's capital budget as at 31 December, as detailed in section 7 and Appendix C to 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.

1 Introduction and Background

1.1 This report provides a summary of the Council's General Fund, HRA and Capital positions.

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 1: Council Spend Position

Council Summary	Net Budget	Full year forecast at end Nov 2016	Over/(under) spend Forecast
2016/17			
	£0	**£0**	**£0**
Service Development & Integration	107,149	110,022	2,873
CCSD	32,240	32,779	539
Growth & Homes	5,823	8,690	2,867
Chief Executive	299	69	-230
Finance & Investment	1,387	887	-500
Corporate and Central Costs	3,416	2,366	-1,050
Total Service GF Expenditure	**150,314**	**154,813**	**4,499**

2.2 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 2: The consequent forecast position on reserves.

Projected Level of Reserves	**£'000**	**£'000**
Opening General Fund Balance		21,115
Draw down from available reserves		4,538
Total available reserves		**25,653**
Calls on reserves:		
Implementation of savings proposals	-1,400	
Return funding to reserves for use in future years	-1,400	
		-2,800
Revised Level of Reserves		**22,853**
Reserves Drawdown to cover Overspending		**-4,499**
Forecast General Fund Reserve at 31st March 2017		**18,354**

2.3 The forecast general fund balance includes the previously drawdown from other available reserves to fund a number of the 2016/17 savings proposals. This month a thorough review of the implementation costs has been carried and due to programming changes cost efficiencies and smarter working the call on reserve is now assessed to be only £1.4m rather than the £2.8m originally set aside. The unused funding can therefore be returned to reserves for use in future years. This is shown in the table above.

2.4` Following those movements to and from the reserve and the impact of the in year overspend the General Fund reserve is now forecast to be £18.354m at year end.

3 Comments of the Chief Operating Officer

3.1 The projected overspend of £4.5m shown in the table above is an improvement from the position reported to Cabinet last month. This is to be welcomed as it now brings the underspend to just under £5m for the first time this year. The usual pattern is for forecasts to fall in the final quarter, although there is perhaps less scope for this to happen this year than in previous years and there are also some significant pressures not included in this forecast which must also be resolved if the position is not to worsen.

3.2 These pressures include £1.4m in Adults Care and Support, which will be mitigated as planned through the drawdown of an earmarked reserve created to smooth pressures on the service pending the additional Better Care Fund monies, £0.6m income risk in Enforcement with £0.66m possible mitigations identified and £0.4m in Passenger Transport against which there is a mitigation plan for the full amount. The service area which has yet to establish a full mitigation plan is Clean and Green with pressures of £1.2m against which £0.3m possible mitigations have been identified.

3.3 If expenditure cannot be managed down further, then this level of overspend would reduce the GF balance to £18.354m. Taking £2.3m from reserves to balance the 17/18 budget as planned in the MTFS would bring the balance to £16.054m which is above our target minimum level of balances of £15m but still leaves little margin for unforeseen events. Overall this means the position although improving remains finely balanced and management should continue to identify further measures that can be taken to improve the situation. The Chief Financial Officer of the Council has a responsibility under statute to ensure that the Council maintains appropriate balances at all times.

3.4 The main elements of the projected overspend are as follows, offset by underspends in Central Expenses (£1.05m), Law and Governance (£0.23m) and Asset Strategy (£0.5m):

- Children's Care and Support - £2.16m
- Leisure - £0.85m
- Environmental Services - £0.20m
- Council Tax Recovery/Elevate Client Unit- £0.34m
- Homelessness - £2.9m

3.5 In November the Strategic Director for Finance and Investment brought to Cabinet proposals for the 2017/18 budget and the Medium Term Financial Strategy to 2019/20. Achievement of the targets in that strategy depends in part on robust financial management and the whole or partial successful mitigation of the pressures being experienced by services this year.

3.6 The pressures in Children's Care and Support have been present for a number of years and additional pressures emerged in Homelessness in the last financial year and have continued into 2016/17. The robust action taken by the Council in regard to Children's is taking effect and the Homelessness position has recently begun to improve. The main cause of the pressure is the continuing increase in homelessness applications and the growing gap between the cost to the Council of obtaining temporary accommodation and the income that can be recovered from tenants through Housing Benefit. A key concern has been that this pressure may grow due to the wider external factors acting on the borough and the capital more broadly and the forecast included an element of continued growth. However, in recent months the number and cost of households in Temporary Accommodation has levelled off allowing the forecast to be reduced. A pressure has been recognised in the MTFP for Homelessness next year of £1.8m but this still requires the action plan to impact on the current level of overspend to achieve a balanced position next year.

3.7 The continuing pressure in Leisure is also a concern as it is not clear how far there is scope for this to improve in this financial year. In addition, there is a high level of risk being carried in Clean and Green and Passenger Transport services which has the potential to become a significant pressure if successful mitigating action is not identified.

3.8 The historic trend for all services is for the final outturn position to be better than that projected throughout the year though this predominantly occurs 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.

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

4. Directorate Performance Summaries

4.1 Service Development and Integration Overview

4.1.1 The budgets within Service Development and Improvement are currently forecast to overspend by £2.87m by year end as shown in the table below.

Table 3: Service Development and Integration

Service Block	Full year Budget 2016/17	Period 9 Projection	Variance from Budget	
	£0	£0	£0	%
<u>Adults Care & Support</u>				
Operations	30,669	32,030	1,361	4.4%
Commissioning	6,755	6,794	39	0.6%
Mental Health	3,841	3,871	30	0.8%
Adults Mgt & Support	1,627	197	-1,430	-87.9%
Sub-total Adults Care & Support	**42,892**	**42,892**	**0**	**0.0%**
<u>Children's Care & Support</u>				
Operations	39,172	41,922	2,750	7.0%
Commissioning	8,889	8,189	-700	-7.9%
SAFE Project Team	512	622	110	21.5%
Children's Care & Support	**48,573**	**50,733**	**2,160**	**4.4%**
Public Health	0	0	0	0
Community Safety &Offender Mgt	1,226	1,226	0	0.0%

Healthy Lifestyles - Leisure	838	1,685	847	101.1%
Education Commissioning	4,418	4,284	-134	-3.0%
Childrens Central Costs	9,202	9,202	0	0.0%
Directorate Total	**107,149**	**110,022**	**2,873**	**2.7%**

Adults' Care & Support

4.1.2 The service delivery arm of Adults' Social Care and Support is currently reflecting a breakeven position, and this includes an underlying pressure of £1.361m which is a the same as last month.

4.1.3 These budgets will continue to be monitored closely. The last quarter of the year is often a time of high demand on the service (often referred to as "winter pressures".) The impact in year is limited (as there are only a few weeks in the financial period) but must be monitored as the pressure is felt in the following final year. At this stage, it is assumed that the in year pressure will be reduced by mitigation measures but the balance will result in a call on the Adults reserve.

4.1.4 The Commissioning service is currently forecast to overspend by £0.039m which is a change from the previously projected underspend of £0.133m reported last month. The detailed review of the learning disabilities supported living budget provision has revealed a pressure of £0.191m which will be managed within the commissioning service. Movements between contract allocations has enabled the service mainly manage this pressure, but there remains a pressure of £0.039m which the service aims to mitigate.

4.1.5 Mental Health is currently forecast to breakeven at year end based on current forecast placement numbers. However, there is a potential risk that if all clients currently on the waiting list are placed, this could lead to a pressure of about £0.186m.

Children's Care and Support

4.1.6 The Children's Care and Support division is forecasting a current pressure of £2.942m. This is a net decrease of £0.230m over last month's reported figures largely due to a net decrease in the cost of LAC placements. This figure is before the planned further reduction in expenditure (£0.192m) as a result of SAFE programme delivery which will bring the overall forecast to £2.75m.

4.1.7 This further saving is expected through the recruitment of permanent staff instead of agency workers in the last quarter. It should be noted that there has been only small success to date in achieving the recruitment targets. While the service has responded by increasing efforts and putting in place more effective processes and oversight this saving should be regarded as high risk. It should be further noted that delivering a balanced budget next year depends heavily on the full year effect of the staff related and recruitment savings which amount to around £1.8m in total.

Table 4: Children's Care and Support Operations – Forecast Outturn

Details	2016-17 Budget	2016-17 Forecast	Current 2016-17 Variance	2016-17 Further SAFE Savings	2016-17 Final Projected Variance
	£'000	£'000	£'000	£'000	£'000
Agency/Staffing	15,283	16,896	1,613	-192	1,421
Placements	22,565	20,636	-1,929	0	-1,929
Transport	1,928	2,177	249	0	249
Legal	437	437	0	0	0
NRPF	1,009	998	-11	0	-11
UASC	1,098	969	-129	0	-129
Unattributed savings/ funding gap[1]	-3,148	0	3,148	0	3,148
Total C&S Operations	**39,172**	**42,114**	**2,942**	**-192**	**2,750**

4.1.8 The overspend within Operations is offset by an underspend of £0.7m within Commissioning and Partnerships – an increased underspend of £0.2m since last month. This total includes small underspends on staffing and some commissioning contracts for Short Breaks and Supported Accommodation plus contributions from the catering and cleaning trading services.

4.1.9 Other Management Costs holds the Capital Recharges budget as well as the budgets for added years' pension payments for teachers. There is a risk that this may cause a pressure in future years. The likely pressures are currently being worked through.

Education Youth and Childcare Commissioning

4.1.10 The Education Service is forecast to underspend by £0.134m - an improved position from previous months. This is primarily due to underspend within the School Improvement Service. This is due to potential risk of sustainability for the future years for DSG contributions resulting from schools funding formula reforms. The service is therefore holding back on DSG funded vacant posts.

Public Health

4.1.11 The Public Health ring-fenced grant has an allocation of £17.791m in 2016/17. (after the reduction in Public Health Grant.) The service is currently on target to breakeven at year end. There remains a pressure against the Sexual Health services which the service is managing with the available funding.

Healthy Lifestyles – Leisure

4.1.12 The service is still forecasting a projected overspend of £0.847m the same as last month. This position mostly relating to pressures in the Leisure centres. The Abbey Leisure Centre (ALC) is currently reflecting a forecast pressure of £0.603m which is as a result of potential income shortfall based on trends of £0.380m, £0.223m relates to a combination of pressures against staffing budgets and supplies & services cost pressure based on current trends.

4.1.13 As previously highlighted, the original business case in 2011/12 for the new ALC was based on the premise that the centre would be self-financing. However, this relied on an ambitious estimate of the possible income. Since the business case was drawn up the market in Barking has changed with other rival establishments being set up in the area and the Abbey centre started with a lower number of customers than in the original projections. Since its opening the centre has grown its income but a gap still remains in achieving the original ambitious targets. In addition, the costs of setting up such a centre had been underestimated.

4.1.14 The pressure also remains against the Becontree Heath Leisure Centre (BHLC) of £0.165m mainly due to staffing costs pressures based on the current establishment. Also within the Healthy Lifestyles division there are pressures arising as a result of assumed savings factored into the staffing budgets for the increment freeze of £0.052m and a £0.026m shortfall assumed against the Active Age centres income target. The service would look to continue to explore options for expanding the customer base and fees & charges are currently being reviewed which could boost income.

4.2 **Customer Commercial & Service Delivery**

4.2.1 The projection to year end is an overspend of £0.539m – an improvement since last month. This is made up of savings not being achieved in Clean and Green (£0.125m), Enforcement (£0.076m) and £0.338m pressure from non-recovery of Court costs in relation to Council Tax arrears.

Table 5: CCSD

Division	**Full year Budget 2016/17**	**Period 9 Projection**	**Variance from Budget**	
	£'000	**£'000**	**£'000**	**%**
Clean & Green	**7,452**	7,577	125	1.7
Enforcement	**11,086**	11,162	76	0.7
Other	**26**	26	0	
Elevate Client Unit	13,432	13,770	338	2.5
SD Customer service & Commercial delivery	244	244	**0**	**0**
Total General Fund	**32,240**	**32,779**	**539**	

4.2.2 In addition to the declared overspend there is around £1.1m of expenditure pressures within this service grouping and a risk of around £0.66m on Income targets making a total pressure of around £1.7m. However, managers have identified £0.96m of mitigating actions and are working on finding further action to resolve the remaining pressures and income shortfalls (£0.7m in total.).

Clean & Green

4.2.3 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 continued to the end of September 2016 at a cost of £125k in 2016/17 due to agency cover of the service. A consultation has been carried out on the future for this service and the saving is expected to be achieved in full in 2017/18.

4.2.4 Other pressures on staffing budgets remain because of the service being over budgeted establishment. The overall staffing pressure is estimated at £1.045=6m with other pressures on transport and running costs of £0.096m. The service is currently formulating a plan and expects to mitigate these pressures. However, at this stage of the year this should be regarded as high risk. The service was significantly overspent last year (£1.25m) but at that time it could be offset against underspends and additional income within Enforcement which may not be possible this year. This pressure has been recognised in the medium term financial strategy approved by Cabinet in November so is not expected to repeat in future years.

4.2.5 The Clean & Green portfolio also now includes Fleet management and workshop which is forecast to underspend by £0.1m from a combination of lower supply costs and overachievement of income. However, with repair work at the depot still ongoing, there is a risk that this underspend may be partly eroded.

Enforcement Service

4.2.6 The Enforcement service pressure is as a result of the School Crossing patrol saving which has not yet been implemented. The service has been exploring sponsorship and other external funding options but without success. The service will therefore be ceased over the coming months.

4.2.7 There is an underlying pressure of £660k on the Parking account. This is primarily a result of a projected income shortfall of £526k. The service has seen an increase in revenue from Pay and Display (P&D) parking and Permit sales, however, a significant reduction in the receipts from fines compared to last year.

4.2.8 In addition, the plans for delivering current year savings are also at risk of not being fully delivered. Delay in implementing cashless parking programme has also meant expected cost reduction for cash collection has not been fully achieved. The service is, however, continuing to review options to improve collection, reduce costs and increase income to mitigate these added risks.

4.2.9 There is also an added risk of staff cost pressures in the Highways service from increased cost of overtime without commensurate income. The service is reviewing these costs and processes and formulating actions to mitigate this.

4.2.10 However, there are other underspends in the service which mitigate pressure across the department from 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.

4.2.11 The net result of these pressures and mitigations is that the service should come in on balance or close to it but there will be restricted scope to offset overspends in other areas.

Other Environmental services

4.2.12 This includes the Passenger Transport Service. The Passenger Transport service saving of £400k will be achieved in this financial year by finding compensating savings or drawing down from reserves. Options for future years including partnership with another London Borough are currently being considered and a business case will be presented early in the new year.

Elevate Client Unit

4.2.13 The Elevate Client Unit is currently forecast to overspend by £338k by year end due to underachievement of income in respect to Council Tax Court Costs. This first occurred in 2015/16 due to court summonses being cancelled as an incentive for Council Tax payers to repay their debts. This practice has continued into 2016/17. However, this is a much reduced forecast from last month. There are several other smaller pressures within the service which are being mitigated.

4.3 **Growth & Homes**

Table 6: Growth and Homes

Division	Full year Budget 2016/17	Period 8 Projection	Variance from Budget	
	£'000	£'000	£'000	%
Culture & Recreation	4,248	4,215	(33)	
Regeneration	770	770	0	0
Housing strategy	(226)	(226)	0	0
Homelessness	921	3,821	2,900	315
Strategic Director, Growth & Homes	110	110	0	0
Total General Fund	5,823	8,690	2,867	

Departmental Performance Summary

4.3.1 The projection to year end is an over spend of £2.9m within Homelessness. Most this budget is driven by the number of people presenting, and being accepted, as statutorily homeless. Potential pressures have been identified within the other budgets, however, it is expected that they will be managed within the service areas.

Culture & Recreation

4.3.2 This service is forecast to under spend at year end by £0.033m, due to staff vacancies across Library services.

Homelessness

4.3.3 The Housing General Fund is currently forecasting a pressure of £2.9m at the year end. This is an improved forecast – down by £0.2m from previous months. The overspend 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 several years and is now below the cost of most accommodation in the borough and neighbouring areas.

4.3.4 Around two thirds of the properties used for temporary accommodation produce a net cost to the Council. However, efforts to control costs in recent months have resulted in a lower average net cost than previously forecast. The average net cost is now calculated to be around £3 per night. Performance bonuses are also paid to agents for providing seven or more properties and are forecast at £140k for the year.

4.3.5 The costs for Bed and Breakfast and Nightly Let accommodation are greater still but the service has succeeded in reducing the usage of such accommodation with numbers falling to just one in October. This has also contributed to the reduction in the forecast. However, there is a risk that it may not be sustainable throughout the year, especially once renovation works at Boundary Road begin in March. The works have been planned to require only limited decant (up to 12 at a time) and residents will be placed in PSL/HRA stock. However, the reduction in hostel accommodation may mean that B&B must be used for emergency cases.

4.3.6 There are other pressures 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 £405k (12%) this financial year, and, the current level of bad debt provision will not provide sufficient coverage, resulting in additional pressure. It should be noted that in October TA arrears has risen by £320k due to the backlog in applying housing benefits to rent accounts which is a consequence of temporarily reduced benefit officer resources. The arrears position is expected to return to normal now that resources are back to normal. As such the pressure on the BDP has been maintained at last month's position.

4.3.7 There continues to be need for security at the homeless hostels to enable the safeguarding of staff and residents following several incidents in previous years. This is creating a pressure of around £0.25m on the hostels budget.

4.3.8 A new phase of Welfare changes has recently come into force with the lowering of the overall benefits cap. The impact of this is not yet fully known but may result in increased numbers of Homelessness applications or increased levels of bad debt.

4.3.9 The November Cabinet meeting received a report on the Homelessness situation and approved the high-level strategy and an outline recovery plan. This was followed by presentation of a more detailed plan at PAASC on 5th December. Although however, the budget is unlikely to return to a balanced position within year, full delivery of the plan should reduce the overspend further.

Regeneration (Including Housing strategy)

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

4.3.11 The main risk to achieving the breakeven position for the Regeneration area is in respect of recovering the budgeted level of income which is derived mainly from Planning Application and Local Land Charge fees. The demand for Planning Applications has increased substantially over recent months and this has led to the employment of additional planning staff to cope with the demand. This additional cost can be offset by the enhanced levels of income that have been generated and, therefore, there are no current concerns in this area.

4.4 **Chief Executive**

Table 7: Chief Executive

Directorate Summary	2016/17 Budget £000	2016/17 Forecast £000	Variance £000
Net Expenditure	299	69	**(230)**

4.4.1 The Law and Governance Service is generating an income surplus, which is shown as an underspend.

4.5 **Finance & Investment**

Table 8: Finance and Investment

Directorate Summary	2016/17 Budget	2016/17 Forecast	Variance
	£000	£000	£000
Net Expenditure	1,387	887	**(500)**

4.5.1 Asset Strategy is projecting an underspend of £0.5m resulting from a surplus on B&D Reside.

4.5.2 The Housing Benefit Subsidy budgets are also included in this service grouping. Work is also being carried out to reassess the bad debt provision required – this is expected to produce further underspends.

4.6 **Central Expenses**

Table 9: Central Expenses

Summary	2016/17 Budget	2016/17 Forecast	Variance
	£000	£000	£000
Net Expenditure	**3,415**	**2,365**	**(1,050)**

4.6.1 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.

4.6.2 Interest on borrowing costs is currently forecast to be £0.2m better than budget due to required borrowing being lower than anticipated and additional procurement savings of £0.2m are also forecast. In addition, there is around £0.5m projected underspend relating to Procurement savings.

4.6.3 The recent Cabinet decision to retain the current redundancy terms means that the saving from the removal of the enhanced multiplier will not be achieved. This will be managed in year but presents a risk for future years' budgets.

4.7 Transformation Programme

4.7.1 Cabinet in October approved the creation of a £4.3m budget for the in-year costs of the design phase of the Council's transformation programme. The total cost of this phase is now estimated to be £3.7m.

4.7.2 A proportion of these costs can be properly attributed to the HRA. The Finance team are currently working on this apportionment and this will be reported in subsequent reports together with proposals for the financing of these costs.

5. Housing Revenue Account (HRA)

Table 12: HRA

HRA Classification	Budget	Forecast	Variance
	£'000	£'000	£'000
Rent	(90,538)	(90,818)	(280)
Non-Dwelling Rents	(807)	(750)	57
Other Income	(19,285)	(19,453)	(168)
Interest Received	(336)	(437)	(101)
Income	**(110,966)**	**(111,458)**	**(492)**
Repairs and Maintenance	17,093	16,843	(250)
Supervision and Management	42,572	41,382	(1,190)
Rent, Rates and Other Taxes	700	350	(350)
Bad Debt Provision	2,772	2,772	0
Interest Charges	10,059	10,059	0
Corporate and Democratic Core	685	685	0
Expenditure	**73,881**	**72,091**	**(1,790)**
Revenue Contribution to Capital	**37,085**	**37,447**	**362**
Transfer to HRA Balances	**0**	**1,920**	**1,920**

5.1 **HRA Income**

5.1.1 Income is expected to over-achieve by £0.492m. The main areas of variation from budget are:

- Additional rental income of £0.28m from lower than expected void levels, partially offset by lower rental income from HRA decants used for Temporary Accommodation

- Lower than expected service charge income of £0.1m due to the Housing Management decision to suspend Concierge charges at Thaxted House. This is offset by an equivalent savings on the payment to the security contractor.

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

- Based on a higher level of balances now expected to be held in the HRA an increased interest payment is expected (£0.101m)

5.2 **HRA Expenditure**

5.2.1 In the same way as the rest of the Council the Housing Service has a large scale transformation programme to reduce costs and improve services for tenants and residents. This included a voluntary redundancy programme funded from HRA budgets. The Improvement programme has contributed to the creation of a large overall underspend on expenditure.

- Supervision and Management is expected to underspend by £1.190m, this is due to Housing Management fleet/estate cost reductions (£0.5m) & staff saving (£0.590m) from the on-going voluntary redundancy process and service management savings from the suspension of the concierge service at Thaxted House (£0.1m).

- The Repairs and Maintenance Service is currently forecast to underspend by £0.250m. This is a significant reduction from 2015/16 due to reduction in staffing costs in 2016/17 because of the voluntary redundancy scheme. The service also continues to actively work to identify further savings and make better use of its existing resources. The forecast position is highly dependent on level of work carried out by the in-house repairs service (in preference to that completed by sub-contractors), this continues to be closely monitored to ensure no revenue pressures are created and the existing workforce are underutilised. Any management decision to move additional work to sub-contractors will also need to consider the revenue and capital budget implications of this action

- The HRA contribution towards the cost of voluntary redundancy and the additional HRA pension fund top up is currently forecast to be £3.5m but this is containable within the overall HRA budget due to the staff vacancies created from the voluntary redundancy process.

5.3 HRA Balances

5.3.1 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.

5.3.2 Based on the current forecast it is also assumed HRA balances will increase by £1.920m. However, this is before the HRA contribution to the Council's wider Transformation Programme for activity that is of benefit to the Housing service. This will be a first call on this surplus.

5.3.3 The remaining surplus 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.

5.3.3 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 now confirmed no payment will be required to central government in this financial year.

6. In Year Savings Targets – General Fund

6.1 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. Where there are shortfalls, these are either reflected in the monitoring positions above or will be managed within existing budgets.

6.2 A detailed breakdown of savings and explanations for variances is provided in Appendix B and any shortfall in savings is already incorporated in to the overall and service forecasts earlier in the report.

Table 12: Savings Targets

Summary of Savings Targets	Target £000	Forecast £000	Shortfall £000
Customer, Commercial & Service Delivery	3,190	2,604	**586**
Growth & Homes	971	371	**600**
Service Development and Integration	3,466	3,378	**88**
Finance & Investment	5,227	4,470	**757**
Total	**12,854**	**10,823**	**2,031**

7. Capital Programme 2016/17

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

	2016/17 Revised Budget £'000	Actual Spend to Date £'000	2016/17 Forecast £'000	Variance against Budget £'000
Service Development & Integration	62,032	54,580	62,832	800
Customer, Commercial & Service Delivery	9,046	3,291	10,004	958
Finance & Investment	3,029	10,699	3,029	
Growth & Homes	60,886	34,465	61,711	825
Subtotal - GF	**134,993**	**103,035**	**137,576**	**2,583**
HRA	62,659	28,582	61,759	-900
Total	**197,652**	**131,617**	**199,335**	**1,683**

New Schemes
There were no new schemes added to the Capital Programme in this reporting period.

Service Development & Integration
The main element in the programme is the school expansion programme (£53.6m). Forecast is that it will spend £0.8m over budget – however this is due to the Warren/Furze primary, Lymington Fields All through School and Gascoigne Secondary School (Greatfields) schemes being developed ahead of schedule. Funding for this is already in place and budgeted in 2017-18.

Customer, Commercial & Service Delivery
This includes IT projects (£5.1m) and various environmental projects (£3.9m). The Directorate is showing an overspend of £0.958m primarily due to increased hardware costs for the ICT End User scheme and the IT investment scheme being brought forward from future years.

Finance & Investment
The main element in the programme is the corporate accommodation strategy (£3.0m). The Land Acquisition (previously known as Barking Riverside Housing Zone), Acquisition of Royal British Legion have been moved to this Directorate from Regen in Chief Executive Directorate. At present, everything is spending to budget.

Growth & Homes
The largest project is the Gascoigne estate renewal (£37m). The monitoring shows that the Directorate will overspend by £0.825m due to delay in agreement on procurement and brief specification on Boundary Road Hostel (£0.375m) and accelerated spend of £1.2m on Gascoigne West due to buybacks.

HRA
The main expenditure is on new build schemes (£17.3m) and investment in existing stock (£36.9m). Forecast is £0.9m below budget due to delay in Modular programme development and agreement.

8. Consultation

8.1 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.

9. Financial Implications

Implications completed by: Kathy Freeman, Finance Director

9.1 This report details the financial position of the Council.

10. Legal Implications

Implications completed by: Fiona Taylor, Director of Law and Governance

10.1 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.

Public Background Papers Used in the Preparation of the Report:

- Oracle monitoring reports

List of Appendices

- **Appendix A** – General Fund expenditure
- **Appendix B** – Progress against savings targets
- **Appendix C** – Capital Programme