

CABINET

18 November 2014

Title: Budget Monitoring 2014/15 - April to September 2014 (Month 6)	
Report of the Cabinet Member for Finance	
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 six months to the end of September 2014, projected to the year end.</p> <p>The Council began the current year in a better financial position than the previous year with a General Fund (GF) balance of £27.1m. The Council's approved budget of £165.3m for 2014/15 includes a budgeted drawdown of reserves of £1.0m, agreed by Assembly in February 2014. This budget gap forms part of the savings requirement for 2015/16.</p> <p>At the end of September 2014 (Month 6), there is a projected overspend of £3.2m, predominantly on the Children's services budget after the agreed application of the remainder of the Children's Services reserve. The Director of Children's Services has prepared a report setting out in detail the reasons for the directorate's forecast overspend and available options for substantially reducing or eliminating the Children's Services overspend – this report is included at Appendix E. Alongside the measures in Children's Services, Cabinet has agreed that Chief Officers and budget managers should authorise only essential expenditure relating to their service areas and that any savings proposals agreed for future years should be implemented this year where possible. It is anticipated that these initiatives will lead to a reduction in the overspend for this financial year and the first signs of their effectiveness can be seen in this report, with the projected overspend reducing by £1.1m from the August position.</p> <p>The total service expenditure for the full year is currently projected to be £168.5m against the budget of £165.3m. The projected year end overspend coupled with the reserve drawdown will reduce the General Fund balance to £22.9m at the year end. 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>Capital Programme budgets have been re-profiled after six months of the financial year in order to more accurately reflect the likely spend in 2014/15. The revised capital budget now stands at £142.1m. Capital budgets cannot contribute to the General Fund revenue position although officers ensure that all appropriate capitalisations occur.</p>	

Recommendation(s)

The Cabinet is recommended to:

- (i) Note the projected outturn position for 2014/15 of the Council's General Fund revenue budget at 30 September 2014, as detailed in paragraphs 2.4 to 2.10 and Appendix A of the report;
- (ii) Note the impact on the outturn position of expenditure restrictions and early savings implementation agreed at 7th October Cabinet;
- (iii) Note the identified potential actions in section 2.2 to return to a balanced budget by year end;
- (iv) Agree not to call on general fund balances at this time but to instruct the Chief Finance Officer to reinforce the spend freeze with all budget managers to contribute to delivering a balanced position by year end;
- (v) Note the progress against the agreed 2014/15 savings at 30 September 2014, as detailed in paragraph 2.11 and Appendix B of the report;
- (vi) Consider the Corporate Director of Children's Services report at Appendix E and agree any appropriate steps to reduce Children's Social Care spend;
- (vii) Note progress against the agreed 2014/15 HRA savings as detailed in paragraph 2.12 and Appendix B of the report;
- (viii) Note the overall position for the HRA at 30 September 2014, as detailed in paragraph 2.12 and Appendix C of the report;
- (ix) Approve the 2014/15 budget re-profiles and increases in funding on capital budgets, as detailed in paragraph 2.13 and Appendix D of the report;
- (x) Approve a new capital budget of £283k to develop the Council's website as detailed in paragraph 2.13 and
- (xi) Agree to withdraw £148k of the saving CEX/SAV/09 presented to Cabinet on 7 October 2014 in order to continue the employment of a Scrutiny Officer and to employ a Political Assistant and a Leader and Members' Services Manager in Democratic Services, as detailed in paragraph 2.9 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 2014/15 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 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 2014 provided for a target of £15.0m for the General Fund balance. The revenue outturn for 2013/14 led to a General Fund balance of £27.1m. The current projected position, unless addressed, would mean a reduction in the General Fund balance to £22.9m, but still above the target general fund balance of £15.0m.
- 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.

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 2014/15	Net Budget	Full year forecast at end September 2014	Over/(under) spend Forecast
	£000	£000	£000
Directorate Expenditure			
Adult and Community Services	55,377	55,377	-
Children's Services	61,849	66,501	4,652
Housing and Environment	24,085	24,085	-
Chief Executive	21,312	20,881	(431)
Central Expenses	3,741	2,691	(1,050)
Total Service Expenditure	166,364	169,535	3,171
Budgeted reserve drawdown (to Central Expenses budget)	(1,044)	(1,044)	-
	165,320	168,491	3,171

	Balance at 1 April 2014	Forecast Balance at 31 March 2015
	£000	£000
General Fund	27,138	22,923*
Housing Revenue Account	8,736	8,736

*The forecast general fund balance includes the £3.2m projected overspend plus the £1m planned drawdown from reserves.

2.2 Chief Finance Officer's comments

The current Directorate revenue projections indicate an overspend of £3.2m for the end of the financial year, made up as follows:

- £0.4m underspend in the Chief Executive directorate mainly as a result of vacancies within the directorate;
- £1.1m underspend in the Central Expenses budget due to VAT refunds and reduced borrowing costs as a result of well managed cash flow; and
- £4.7m overspend in Children's Services mainly due to demand pressures in the Complex Needs and Social Care division.

As noted above, the current forecast overspend within Children's Services represents the greatest area of risk to delivering a balanced budget for 2014/15. A report by the Corporate Director of Children's Services setting out in further detail the reasons for the overspend and actions to reduce it, is attached as Appendix E to this report.

Alongside the actions by Children's Services, September Cabinet agreed that Chief Officers and budget managers only authorise expenditure on areas that are essential to the delivery of their service. The effects of these measures are starting to show in the monitoring and it is anticipated that forecast spend will reduce further as the measures become fully effective. As there will be a time delay before the impact of the freeze shows whilst previously authorised spend goes through, it is not possible to quantify the actual reduction but it is expected that the forecasts above will continue to improve with the overall overspend reducing. It is reasonable to expect that this should prevent expenditure across the Council by at least £0.5m that may otherwise have occurred.

There are also further options that have been identified that are expected to further reduce the overspend that will be monitored over the coming months. For example, the Council budgets for a certain level of bad debt in relation to temporary accommodation income but, with numbers in bed & breakfast currently lower than historically, it is probable that some of this provision will not be required. It is too early to confidently release that provision but, if numbers remain lower, it would be possible as the financial year progresses. The Council's budget also includes provision for a 1% pay award for all staff and the provisional pay offer may generate a partial in year benefit though the full budget will be required in future years. These two measures could also release approximately £0.5m towards the projected overspend.

On 7 October, Cabinet agreed a number of savings items for the next three years for management implementation and at 21 October meeting, Cabinet agreed that these should be implemented immediately wherever possible to assist with the in year position. Included in those proposals was the transfer of the funding of c£800k of services from the general fund to the public health grant from April 2015. The Cabinet Member for Adult Social Care & Health is currently reviewing the 2014/15 public health programme to consider whether this can occur in this financial year.

Officers in Finance have received legal advice that the Council's commercial property portfolio, currently split between the general fund and the HRA, should all be in the general fund. This is being followed up with the Council's external auditor and this could be a gain to the general fund of between £0.5m and £1m and an equal pressure within the HRA. If the external auditor does support the change, there will be a subsequent discussion on whether there needs to be any historical adjustment made.

Elsewhere on the agenda, Cabinet will be considering the Council's fees and charges with, in most cases, an increase from 1 January 2015. This additional income is not budgeted for in the current financial year and therefore any increase in income will mitigate the projected overspend.

The recent experience of the Council is for the position at year end to be better than the monitoring forecasts earlier in the year would indicate. The projected position for the Council at the end of each quarter and year end is shown in the table below.

	June £000	September £000	December £000	Outturn* £000
2011/12	4,551	2,211	(666)	(2,004)
2012/13	1,163	(566)	(1,692)	(3,110)
2013/14	(1,197)	(3,159)	(3,159)	(4,449)

* after agreed roll forwards and contribution to earmarked reserves

This improvement by financial year end is consistent across all services and all years. On that basis, and taking in to account the potential actions identified above, it does not feel appropriate at this point in the financial year to commit any of the Council's general balances to addressing the currently projected overspend but instead to reinforce that the spend constraint should continue. Members may, however, wish to review that again once the end of December position is reported.

Whilst the currently forecast overspend, should it not improve, would result in a reduction in the Council's General Fund balance, it would still remain above the budgeted target of £15.0m. The Chief Finance Officer has a responsibility under statute to ensure that the Council maintains appropriate balances.

The Chief Finance Officer, after consideration of the factors outlined in the CIPFA guidance on Local Authority Reserves and Balances 2003 and the other financial provisions and contingency budgets held by the Council, set a target GF reserves level of £15.0m. The General Fund balance at 31 March 2014 was £27.1m and the current forecast balance for the end of the financial year is £22.9m.

At the end of September 2014, the HRA is forecasting a balanced budget, maintaining the HRA reserve at £8.7m.

2.3 Directorate Performance Summaries

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

2.4 Adult and Community Services

Directorate Summary	2013/14 Outturn £000	2014/15 Budget £000	2014/15 Forecast £000
Net Expenditure	55,191	55,377	55,377
Projected over/(under)spend			-

The Adult and Community Services directorate is overall forecasting a breakeven position for 2014/15. This position is under review with the consideration of whether there is scope to fund the Substance Misuse and DAAT services as well as Sports Development from Public Health grant as is already agreed for next year. There are still a number of pressures within the service, particularly for Mental Health and non-residential care budgets for all client groups. These pressures have been evaluated and appropriate management actions within the service will be implemented as necessary. The net budget includes the full allocation of £4.185m social care funding transfer from NHS England; this is allocated by local Section 256 agreement and is part of our Better Care Fund (BCF) as taken to the Health and Wellbeing Board (H&WBB) in March 2014. Submission templates for the social care funding transfer have recently been released by NHS England and this is in the process of being completed.

A savings target of £2.438m is built into the 2014/15 budget. These are largely all in process of being delivered or necessary changes have already been made, any shortfalls are being covered within the relevant division.

The Adult and Community Services budget includes Public Health, responsibilities for which transferred over to the Council in April 2013. The service is wholly grant funded, i.e. a net budget and the grant for 2014/15 is £14.213m. The grant contributes towards the Council's preventative agenda by promoting healthy outcomes for adults and children. At the end of the last financial year there was an underspend of £785k, which as a ring-fenced grant has been carried-forward into the current financial year. A recent review has been undertaken in order to free up usage of the grant so that other appropriate general fund services can be charged to the grant to help alleviate the overall corporate budget pressure.

The future social care funding regime is becoming increasingly challenging with a number of existing funding streams being rolled together. A further BCF submission was sent last month following the September H&WBB. There is also further work being undertaken on planned implementation and financial impact of the Care Act. £125k grant has been awarded by the Department of Health to meeting initial implementation costs; further resource costs of £500k are estimated over the next 12 months which Cabinet has agreed will be funded from reserve monies set aside for future pressures within the directorate.

2.5 Children's Services

Directorate Summary	2013/14 Outturn £000	2014/15 Budget £000	2014/15 Forecast £000
Net Expenditure	65,016	61,849	66,501
Projected over/(under)spend			4,652

Overall the Service is forecasting in 2014/15 an over spend of £5.6m taking into account the remaining Children's Service reserve of £1.5m. The other divisions within Children's Services are currently endeavouring to mitigate this overspend using existing resources and work is now underway to review all costs to ameliorate the increase in demand within Social Care and quantify the service demand and changes in unit costs since the budget was set. Over the last couple of months a total reduction of £1.1m has been identified to prevent the overspend increasing. Further reduction are currently being investigated which would bring in further potential savings of £0.35m.

An update report to Cabinet is attached as Appendix E setting out options for significantly reducing or eliminating the adverse budget position which includes supporting quantifiable growth data, analysis and trends. Benchmarking analysis is currently being undertaken within East London solutions with the use of additional capacity to assist.

2.6 Dedicated School Grant (DSG)

The DSG is a ring fenced grant to support the education of school-age pupils within the borough. The 2014/15 DSG allocation is £228.0m, covering Individual Schools Budgets, High Needs and Early Years services.

2.7 Housing and Environment

Directorate Summary	2013/14 Outturn £000	2014/15 Budget £000	2014/15 Forecast £000
Net Expenditure	25,586	24,085	24,085
Projected over/(under)spend			-

Environmental Services is forecast to breakeven at year end, however, there is risk of pressure against the budget in the region of £1.9m which will need to be managed by the service in order to deliver a breakeven position.

Potential risk is a combination of pressure on staffing budgets, income pressure, increased ELWA disposal costs and increasing fuel and utility costs. The single largest risk is the street lighting electricity budget which has seen increasing cost pressure over recent years. This has been managed through the capping other service expenditure and utilising other sources of funding, however, the pressure is increasingly difficult to absorb as prices continue to rise and council budgets are further reduced. A budget review is taking place to enable appropriate budget allocation.

Current projections indicate risk of £470k due to delays in delivering agreed saving proposals. The Service has a savings target of £904k in 2014/15; however, the expected shortfall is due to delays in determining the future use of 2 and 90 Stour Road (£295k) and loss of income generating assets affecting the Parking Service (175k).

A significant element of risk is outside the services direct control, however, an action plan is being developed to support mitigation. Action includes reviewing income opportunities, utilising one off grants, holding posts vacant, ensuring recharges and income collection are up to date and maintaining spend restraint across the service. Alongside this, the service is reviewing budgets with a view to realigning and bringing allocation in line with requirement.

Housing General Fund

Current projections indicate a breakeven position in 2014/15. Reduced spend on Bed and Breakfast is expected to offset unbudgeted pressures within the service. The main risk to the position is the level of temporary accommodation placements, particularly the numbers within Bed and Breakfast, and the level of arrears.

There were 61 Bed and Breakfast placements as at the end of September 2014 which is a reduction from the August 2014 position of 74 placements. Placements over the first 6 months of the year have typically been within budget assumptions. A continuation of this trend over the remainder of the year should enable the service to outturn within budget. The service actively works to minimise Bed and Breakfast placements including utilising decanted stock and incentivising private sector landlords.

The status of arrears has moved over the first 6 months of the year with a greater proportion now categorised as former tenants – this follows an increase in the number of evictions. Former tenant arrears require a larger bad debt provision due to the reduced likelihood of collection. Arrears increased by £284k since August 2014. Targeted intervention and additional collection resource is being deployed to further improve arrears management.

Bed and Breakfast placements and movements in arrears continue to be closely monitored as does the impact of welfare reform.

2.8 Chief Executive's Directorate

Directorate Summary	2013/14 Outturn	2014/15 Budget	2014/15 Forecast
	£000	£000	£000
Net Expenditure	18,475	21,312	20,881
Projected over(under)spend			(431)

The Chief Executive (CE) department at this stage is reflecting a projected year end underspend position against its revised budget of (£431k) an improvement from last month's position of (£396k). This forecast underspend position is mainly attributed to in year vacancies across the department and services making some transitional arrangements to enable the delivery of 2015/16 savings. The department has also

absorbed additional pressures this month arising from shortfalls projected against the school buyback income targets in HR & Payroll.

The department had been set a savings target in 2014/15 of £1.2m, which has been achieved.

2.9 Chief Executive's Directorate Budget Savings

A number of savings were previously recommended within Democratic Services and were included in Schedule B of the savings agreed at Cabinet on 7 October for consultation with Select Committees. Following the meeting of PAASC on 29 October Members are asked to consider withdrawing the saving of a Scrutiny Officer in order to maintain capacity within the Scrutiny function.

In addition, the Corporate Peer Challenge made a strong recommendation that Members need more direct support than they currently have within the Council. Officers have considered the support arrangements in consultation with the Leader and propose that two posts be filled in order to provide that support:

- a) Leader and Members' Services Manager – this post holder will take responsibility for supporting the Leader and Cabinet Members in ensuring that new policies are developed and that Members receive appropriate support by managing the Members PA Hub and by overseeing the work of the proposed Political Assistant. This will increase the capacity of the leadership team and will ensure consistency of leadership messages across the council.

This post will be funded by not making savings from the Scrutiny Manager post that was proposed within the savings previously considered by the Cabinet.

- b) Political Assistant – this post was vacated in February 2014 and was proposed as a saving in 2015/16. However, it is now proposed that a Political Assistant be recruited. This post will provide capacity to ensure that the political objectives of the leadership are delivered consistently.

The combined costs of these proposals would be budgeted as follows:

Title	Grade	Salary	On-costs	Total
Scrutiny Officer	SO2 – PO3	£29,088 - £36,669	@29.5%= £10,817	£47,486
Leaders and Members Service Manager	PO6	£41,124 - £43,803	@30.2%= £13,228	£57,031
Political Assistant	PO2	£31,296 - £33,846	@29.3%= £9,917	£43,763
Total				£148,280

If the Cabinet agree the recommendation to re-instate these posts into the structure and to not take the savings, there will be an increased pressure of £148k on the Council's revenue budget for 2016/17. Officers have considered the structures within Democratic Services and have been unable to find alternative savings within that section and this will therefore become a corporate pressure.

2.10 Central Expenses

Directorate Summary	2013/14 Outturn	2014/15 Budget	2014/15 Forecast
	£000	£000	£000
Net Expenditure	4,382	2,697	1,647
Projected over(under)spend			(1,050)

Central Expenses is projecting an underspend of £1.1m resulting from a refund of overpaid VAT and reduction in borrowing costs as at the end of September.

Further savings may be available from the bad debt provision for council tax and temporary accommodation arrears if current collection rates are maintained; an update will be given to next month's Cabinet.

It should be noted that a potential risk has materialised due to a recent fire incident at the ELWA owned waste management plant at Frog Island which impacts all ELWA boroughs. Work is currently underway to assess the extent of the cost/timeline for remedial works and there is scope for both disruption to service provision and large additional costs. While it is hoped that all legitimate costs will be claimed from insurance, there is potential for the ELWA levy payable by Barking and Dagenham to be higher than budgeted for at the start of the financial year. This will be monitored closely in the coming weeks and mitigating actions identified where possible.

As reported elsewhere on the agenda, the Treasury Management team have successfully managed the Council's cash flow to reduce borrowing costs and improve the rate of return on cash deposits. The combined effect of this is a benefit of approximately £650k.

2.11 In Year Savings Targets – General Fund

The delivery of the 2014/15 budget is dependent on meeting a savings target of £8.7m. 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.

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	2,438	2,398	40
Children's Services	2,964	2,964	-
Housing and Environment	1,129	659	470
Chief Executive	1,219	1,219	-
Central Expenses	971	971	-
Total	8,721	8,211	510

2.12 Housing Revenue Account (HRA)

The HRA is currently forecast to breakeven.

Income

Income is expected to overachieve by £352k. Pressure of £192k on garage rents, due to a higher than expected void level, is more than offset by additional income from water charges to tenants and an expected overachievement on interest received on HRA cash balances.

The main risk to this position is the impact of welfare reform. Some provision has been made within the budget through increased bad debt provision plus the availability of discretionary housing payments. The position is being monitored closely.

HRA stock movements are being closely monitored as an increasing level of Right to Buy activity and higher than budgeted void levels may adversely impact rental income.

Expenditure

Expenditure is expected to exceed budget by £352k. Expenditure pressure within the caretaking service and delayed delivery of savings provide the main risk, however, this is expected to be mitigated through underspending budgets and the one off receipt of recovered water and sewerage overpayments. Current forecasts indicate delivery of £4.8m of the £6.1m saving requirement with a shortfall of £1.3m. This is primarily due to delays in commencing restructures, the ongoing review of energy billing within communal areas and non-receipt of income from Reside for the provision of Housing Management and Repairs and Maintenance services due to higher than expected void levels. Delayed or reduced delivery is expected to be managed within the HRA to ensure a breakeven position.

HRA Balance

It is expected that HRA balances will remain at 8.7m. There is a budgeted contribution to capital resources of £35.5m.

2.13 Capital Programme 2014/15

The Capital Programme forecast against budget as at the end of September 2014 is as follows:

	2014/15 Current Budget £'000	Actual Spend to Date £'000	2014/15 Forecast £'000	Variance against Current Budget £'000	2014/15 Re-profiled Budget £'000
ACS	10,056	5,319	10,451	395	10,451
CHS	30,806	11,657	26,882	(3,924)	26,882

H&E	5,410	408	5,492	82	5,492
CEO	9,610	2,077	8,855	(755)	8,855
Subtotal - GF	55,882	19,461	51,680	(4,202)	51,680
HRA	100,808	35,474	90,439	(10,369)	90,439
Total	156,690	54,935	142,119	(14,571)	142,119

The detail for individual schemes is shown in Appendix D.

Summary

This month there was a mid-year review of capital schemes, and Directorates were given the opportunity to re-profile their budgets in order to reflect any changes in their delivery programmes. This has resulted in a new re-profiled budget for 2014/15 of £142.1m, down from the previous budget of £156.7m. The difference will be spent in future years of the capital programme.

Included within the budget re-profiles, there is also some additional funding that is being applied to existing schemes, as detailed below, which Cabinet is asked to note.

New Schemes Requiring Cabinet Approval

Cabinet is asked to approve a new budget of £283k and the addition to the capital programme of a new scheme to develop the Council's website. This scheme will be funded from a revenue contribution. This scheme will provide the Council with a new personalised website that is designed for all devices and will support more online transactions and reporting.

Adult & Community Services (ACS)

Adult & Community Services has a new re-profiled budget for 2014/15 of £10.4m. Changes since the Original Budget set for 2014/15 include the additional budget of £100k for the new Barking Leisure Centre, which takes its total budget this year to £7.98m. This is as a result of new external funding being awarded by the Arts Council for a soft play facility. There is also the additional provision of £295k to cover the overspend on Barking Park, which will be funded by other scheme underspends, if possible, or a contribution from revenue.

Children's Services (CHS)

Children's Services had an original budget for 2014/15 budget of £30.1m, which was increased to £30.8m following Cabinet approval for the new universal infant free school meals project. This total budget will now be re-profiled down to £26.9m. Of this difference, approximately £480k relates to genuine underspends across projects, the funding for which will now be returned to the Basic Need funding to be allocated. In addition, there is £3.4m of net slippage across schemes back into 2015/16. This is a net position of funding from some schemes being brought forward from next year (including £1.0m for the Barking Riverside Secondary Free School); and funding for other schemes being deferred back to next year (including

£1.7m and £1.9m for the Jo Richardson and Gascoigne Primary schools respectively).

The majority of the Children's Services capital programme is for major school expansion projects, which are due for completion for a new September intake, and on which significant parts of the work are undertaken over the summer and other school holiday periods. Project Managers will continue to ensure that projects are delivered in time for these ultimate deadlines.

Housing & Environment (H&E)

Environmental Services had an original budget for 2014/15 of £5.104m. Since then Cabinet have approved the additional budget of £306k for 'Confirm', the environmental database, taking the total current budget to £5.410m. This total budget will now be re-profiled to £5.492m. The overall increase of £82k is accounted for by slippage of £66k and £20k on the Environmental Improvements and Barking Park Tennis projects respectively, and the application of £168k of additional Section 106 funding against the Highways Improvement Programme. This is requested in order fund urgent resurfacing works, which were not within the original programme.

Chief Executive (CEO)

The Directorate had an original Budget for 2014/15 of £7.9m. This was subsequently increased to £9.6m to reflect the new schemes approved by Cabinet, i.e. the Regeneration scheme to acquire and demolish the former Remploy site (£709k), and the Asset Strategy scheme on Corporate Accommodation and Energy Efficiency (£1.0m). This total budget will now be re-profiled down to £8.8m. This overall decrease of £755k is a net position and is derived from £1.1m of slippage across five different schemes within Regeneration and Asset Strategy, and additional funding (budget increases this year) of £384k across two Regeneration schemes. These increases include £312k for the Barking Town Centre project, as the Council has been awarded additional funding by TfL to undertake various highways/public realm improvement works in Barking Town Centre. The other increase is on the Barking Leisure Public realm works, where additional Section 106 funding will be applied, in light of tenders for the work being received and the full costs being established.

Housing Revenue Account (HRA)

The HRA has an agreed capital programme budget for 2014/15 of £100.8m. Current projections indicate a year end outturn of £90.4m and the budget for 2014/15 will now be re-profiled to this amount. The net difference will be deferred to a later years; the overall five-year budget/funding for the HRA remains the same.

Estate Renewal

The estate renewal budget is currently expected to spend to budget.

New Build

The new build programme is currently forecasting a variance of £12.8m due to slippage on a number of schemes. The main variances are the Leys (£5.8m), Margaret Bondfield (£3.6m) and Marks Gate (£1.4m). Delays on the Leys are due to a number of site investigations highlighting issues in the ground that require further investigation and remediation, and design revisions necessary to bring the project to delivery. Slippage to the Margaret Bondfield scheme is due to further site

feasibility requirements post consultation. The Marks Gate scheme has slipped due to delays in getting into contract. The New Build programme budgets will be re-profiled in line with current delivery expectations.

Investment in existing stock

The investment in existing stock programme is currently forecasting an adverse variance of £2.4m. The main variances are the Voids scheme and Decent Homes Central scheme. The Voids budget is expected to exceed the original budget by £5.3m due to increased activity and additional costs incurred in the delivery of a higher than budgeted Decent Homes void standard. The standard has been reviewed to ensure that spend in the second half of the year is managed and the overspend limited. Budget will be vired from other underspending schemes to meet the overspend. The Decent Homes Central scheme is expected to exceed its current budget by £1.2m due to significant asbestos works at Wivenhoe and Stebbing. The essential unbudgeted works will be funded by the early utilisation of 2015/16 budget allocation.

2.14 Financial Control

At the end of September, the majority of key reconciliations have been prepared and reviewed. Where they are outstanding, an action plan has been put in place to ensure that they are completed by the end of the financial year.

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 relevant elements of the report have been circulated to appropriate Divisional Directors for review and comment.
- 4.2 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** – Savings Targets by Directorate
- **Appendix C** – Housing Revenue Account Expenditure
- **Appendix D** – Capital Programme
- **Appendix E** – Children’s Services overspend reduction measures