CABINET

15 September 2015

Title: Budget Monitoring 2015/16 - April to July (Month 4)	
Report of the Cabinet Member for Finance	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** No
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Summary

This report provides Cabinet with an update of the Council's revenue and capital position for the four months to the end of July 2015, projected to the year end.

At the end of July 2015, there is a projected overspend of £6.0m, caused by an overspend on the Children's Services budget. This projection now reflects the decision agreed by Cabinet in July to transfer £1.2m from centrally identified budgets. 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 £157.4m against the budget of £151.4m. The projected year end overspend will reduce the General Fund balance to c£20m at year end and it may reduce further if future budget gaps are not closed. 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.

The Capital Programme budget stands at £137.0m, inclusive of the European Investment Bank (EIB) funded general fund housing schemes, with a forecast outturn of £138.9m (an overspend of £1.8m).

Recommendation(s)

The Cabinet is recommended to:

(i) Note the projected outturn position for 2015/16 of the Council's General Fund revenue budget at 31 July 2015, as detailed in paragraphs 2.1, 2.4 to 2.10 and Appendix A of the report;

(ii) Note the progress against the agreed 2015/16 savings at 31 July 2015, as detailed in paragraph 2.11 and Appendix B of the report;

(iii) Note the overall position for the HRA at 31 July 2015, as detailed in paragraph 2.12 and Appendix C of the report;

(iv) Note the projected outturn position for 2015/16 of the Council's capital budget as at 31 July 2015, as detailed in paragraph 2.13 and Appendix D of the report;

(v) Note that an additional cost pressure will be incurred to finance the Children's Services project team in the next quarter of the financial year, as detailed in paragraph 2.5 of the report; and

(vi) Following the endorsement of the Corporate Procurement Board to the proposed procurement arrangements via an existing framework agreement, delegate authority to the Corporate Director of Children's Services and the Chief Finance Officer, in consultation with relevant Cabinet Members, to appoint recruitment consultants to assist with a recruitment programme to reduce the use of agency staff within Children's Social Care.

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

1 Introduction and Background

1.1 This report provides a summary of the Council's General Fund and HRA revenue and capital positions. It also provides an update on progress made to date in the delivery of the agreed savings targets built into the 2015/16 budget, setting out risks to anticipated savings and action plans to mitigate these risks.

1.2 It is important that the Council regularly monitors its revenue and capital budgets to ensure good financial management. This is achieved within the Council by monitoring the financial results on a monthly basis through briefings to the Cabinet Member for Finance and reports to Cabinet. This ensures Members are regularly updated on the Council's overall financial position and enables the Cabinet to make relevant financial and operational decisions to meet its budgets.

1.3 The Budget report to Assembly in February 2015 provided for a target of £15.0m for the General Fund balance and the revenue outturn for 2014/15 led to a General Fund balance of £26.0m. Taking into account the currently projected overspend, together with the proposed use of the GF balance and other reserves to cover the implementation of savings proposals and budget gaps in 2015/16 and 2016/17, the remaining GF balance would be just above the target figure, as shown in the table below:

Projected Level of Reserves	**£'000**	**£'000**
Current GF balance		26,024
Other available reserves		7,127
Total available reserves		**33,151**
Calls on reserves:		
Implementation of savings proposals	(6,243)	
Budget Gap 2016/17	(5,170)	
Projected overspend	(5,980)	
		(17,393)
Projected remaining reserves		**15,758**

The actual cost of the implementation of savings proposals is being ascertained and this may impact positively on remaining reserves.

1.4 The additional level of reserves above the minimum level provides the Council with some flexibility in its future financial planning but, to take advantage of that, it is essential that services are delivered within the approved budget for the year. Overspends within directorate budgets will erode the available reserves and therefore limit the options that reserves could present in the medium term as the Council makes decisions on savings and service provision.

2 Current Overall Position

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

Council Summary 2015/16	**Net Budget £000**	**Full year forecast at end July 2015 £000**	**Over/(under) spend Forecast £000**
Directorate Expenditure			
Adult and Community Services	51,250	51,250	**0**
Children's Services	62,858	68,838	**5,980**
Housing (GF)	98	98	**0**
Environment	19,477	19,477	**0**
Chief Executive	17,870	17,870	**0**
Central Expenses	(109)	(109)	**0**
Total Service Expenditure	**151,444**	**157,424**	**5,980**

	Balance at 1 April 2015 £000	**Forecast Balance at 31 March 2017** £000
General Fund	26,024	15,758*
Housing Revenue Account	8,736	8,736

*Includes the use of GF balances to implement savings proposals and cover potential budget gaps up to 2016/17 – see paragraph1.3

2.2 Chief Finance Officer's comments

The current Directorate revenue projections indicate an overspend of £6.0m for the end of the financial year, made up as follows:

- £5.98m overspend in Children's Services due to demand pressures in the Complex Needs and Social Care division (£3.2m) and No Recourse to Public Funds and Unaccompanied Asylum Seeker Children cases (£2.3m). The £3.2m overspend includes the Cabinet approved transfer of £1.2m from corporately identified budgets, as agreed at Cabinet in July. Commissioning and

Safeguarding are reporting an overspend of £0.4m and Education are reporting an overspend of £0.1m.

As noted above, the current forecast overspend within Children's Services represents the greatest area of risk to delivering a balanced budget for 2015/16. Last year, Cabinet received reports from Children's Services setting out options for reducing expenditure. These were partially successful and the overall overspend in Children's Social Care reduced to £7.6m, netted to £6.1m following the application of the directorate reserve at the end of the year. Alongside the actions by Children's Services, in September 2014 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 led to a Council-wide position of a £0.07m overall overspend at year end. The budget for 2015/16 included allocations to Children's Services of £4.25m towards pressures in social care and the cost of the Children's and Families Act.

It is not proposed at this point to impose a spend freeze on the organisation but a Children's Services specific programme has been initiated with a focus on reducing the level of expenditure in Children's Social Care. A detailed action plan will be produced as an output of that programme to be implemented alongside existing management activity and that will be considered by the Chief Finance Officer, in his capacity as the statutory Section 151 Officer, as part of the assessment of the Council's position for the financial year. The ability of that plan to deliver savings, which will be monitored at a detailed level, will strongly influence any decisions on a spend freeze or other measures to reduce the in year overspend.

It is very unlikely that the Children's Services position can be brought back to budget by the end of the financial year, though it is anticipated that it can be significantly reduced, and, therefore, other actions will need to be identified to avoid a very large call on reserves in 2015/16. In the first instance, all Chief Officers have been instructed to contain any other pressures that have been identified within services and, as detailed within the later paragraphs of this report, that is currently expected to occur.

In addition to containing pressures, to ensure adequate reserves are maintained to not only provide the minimum advised buffer but also to enable investment in future programmes to deliver the Council's medium term financial strategy, further reductions in spend or extra income will be needed in all services including Children's Services. As noted in appendix E, it is estimated that the Children's Services programme can reduce spend levels by £11m by March 2017 and therefore consideration could be given to agreeing an overspend against budget for 2015/16 with the general fund balance replenished in 2016/17 to provide the funds for investment to deliver future savings. The full business plan for the delivery of the £11m will be needed before that can be reviewed as a potential option.

Whilst the currently forecast overspend, would result in a reduction in the Council's General Fund balance, with budget transfers 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 and the projected year end balance would be just above the target figure.

Looking forward, the revised MTFS approved in July includes additional funding for Children's Services and other demographic/service pressures which, along with the programme for Children's Services outlined in appendix E, would be expected to ensure a robust and deliverable budget in 2016/17.

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	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	54,025	**51,250**	**51,250**
Projected over/(under)spend			**0**

The Adult and Community Services Directorate is forecast to breakeven by year end. There are a number of pressures within the directorate amounting to c£2.8m, which the department is actively working towards mitigating, as shown in the table below:

Main Pressures	**£000**
Purchase of Adult Social Care across all client groups	1,740
Pressures against 2015-16 savings targets (see savings tracker appendix for details)	341
Mental Health residential placement costs	431
Better Care fund performance penalty – target for reduced admissions unachieved	182
Impact of Youth Offending Service in year funding cuts	70
Total Pressures	**2,764**

The forecast reflects an overall pressure of £2.764 m a reduction from last month's pressure of £3.525m. This is primarily due to a reduction in the forecast spend for purchasing adult social care across all client groups (except mental health) which previously assumed maximum care hours. The revised forecast is based on current activity data which indicates a pressure of £1.740m. This will be monitored closely throughout the year as activity levels fluctuate.

Commissioning and Partnership as a whole reflects an overall pressure of £0.252m. This is as a result of an estimated Better Care Fund (BCF) performance penalty i.e. a pooled budget managed by LBBD and the Clinical Commissioning Group (CCG) and in year grant cuts in the Youth Offending Service (YOS) being imposed by the Ministry of Justice following the Chancellor's Emergency budget.

The BCF performance penalty relating to the target for emergency admissions has reduced from £0.810m last month to £0.710m as a result of a revised method of calculating the penalty being applied. There is a 50:50 risk share between the CCG and LBBD, therefore, a potential pressure of £0.355m within ACS budgets. This pressure can partly be mitigated by utilising the BCF 2014/15 under spend thereby reducing the pressure to the Council, to £0.182m. The service continues to work with the CCG and the wider health economy to seek to reduce these non elective hospital admissions to mitigate the potential penalty.

Of the pressures against savings targets, there is a risk of £0.250m within Culture and Sport in respect of delays to the leisure and cultural services Trust proposal as a result of a corporate stop and think review currently underway. The proposal includes a further £0.750m savings target in 2016/17 and further dependant Library savings which could also be at risk

The Department holds the funding for Public Health which transferred over to the Council in April 2013. The service is wholly grant funded with a grant of £14.213m in 2015/16. At the end of the last financial year there was a £0.978m underspend which as a ring-fenced grant has been carried-forward into the current financial year. It was recently announced that there will be a £200m non-NHS health budget cut in year which will impact the Public Health budget. It is expected to be in the region of £1m, however, we are awaiting final confirmation. The service is currently reviewing its service plans to manage the implications of the recurring funding cuts. It should be noted that these reductions will impact on services across the council.

2.5 Children's Services

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	67,359	**62,858**	**68,838**
Projected over/(under)spend			**5,980**

Spend in Children's Social Care in 2014/15 was £7.6m more than the allocated budget, reducing to £6.1m after the application of the directorate reserve, further reducing to £4.9m after taking account of underspends elsewhere in the directorate. There was a loss of government grant of £0.9m in total over the previous years. It was reported that this financial position was masking significant demand pressures within the Complex Needs and Social Care (CNSC) division and the demand continues into the financial year 2015/16.

Further detail on the pressures, mitigating actions and initial feedback on the social care efficiency programme is contained in appendix E.

Significant work is underway in a Social Care Efficiency Programme, supported with additional capacity created by the temporary recruitment of a Project Team. This team is supporting the current mitigation projects, and will help Children's Services to put forward, by the end of September, the Business Case to reduce spend and demand over the next two years. This work will also feed into the Ambition 2020 projects.

One of the key factors in the overspend has been the increased use of agency staff. Work has now been undertaken with a range of recruitment specialists who have put forward a proposal, which it is proposed is accepted as an Invest to Save scheme, to reduce agency numbers by 94. Although this will cost in the region of £750,000 over two years, the benefits of reduced agency numbers will be significant (circa £1,500,000). A cost benefit analysis has been completed which recommends this course of action. A rebate via the Adecco service will be utilised towards the agency staff costs for those recruited within Children's services.

Additional funding of £3m has now been included within the Children's Service base budget for 2015/16 in support of the social care demand pressures. The allocation into the department is £2.85m to social care and £0.15m to safeguarding and commissioning. This has met the cost of staffing to meet the 1:20 caseload pressures, but has not addressed NRPF, UASC and placement pressures, or the high level of agency costs. In support of the Children's and Families Bill an additional £1.250m has also been built into the budget.

The anticipated growth is currently being modelled for the population changes and future demands anticipated in future years. Children's Services are currently endeavouring to mitigate some of the reported pressures of £11.1m using the existing resources and structured ongoing in-house service work with Group Managers.

Budgets have been realigned in support of unit cost and demand, embedded into the financial reporting via a metrics analysis of the CNSC service area. This has been used in forecasting pressures and demand placed upon the budget. Cabinet has been updated setting out options for significantly reducing or eliminating the adverse budget position and quantifiable growth data, analysis and trends. Reporting within the CNSC pressures are mitigation against each of the service areas.

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 2015/16 DSG allocation is £231.1m, covering Individual Schools Budgets, High Needs and Early Years services.

2.7 **Housing General Fund**

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	3,417	**98**	**98**
Projected over/(under)spend			**0**

Housing General Fund

Current projections indicate that the service will outturn on budget in 2015/16.

The primary risks to the position are the level of Bed and Breakfast placements and managing arrears. Significant savings are expected to be delivered through a reduction in temporary accommodation placements within Bed and Breakfast accommodation together with the renegotiation of Bed and Breakfast nightly rates.

Bed and Breakfast placements were 58 at the end of July which is below the budgeted average of 68. However, despite peaking briefly at 81 in May, average numbers over the whole of the first 4 months of the year stand at 53. The projected average number of placements per month for the year remains at 48.

Arrears have increased by £194k since the start of the financial year, although this is partly due to a backlog in processing Housing Benefit claims. The current level of bad debt provision is expected to be sufficient based upon current assumptions.

The opening of Butler Court Hostel has been rescheduled to facilitate the provision of additional units. The facility was initially expected to open in October with 69 units, however, now that full access has been obtained, it has been established that a further 11 units can be provided. The facility is now expected to open in February with 80 units. The enhanced refurbishment of the hostel will be funded from corporate budgets and will result in a higher level of ongoing income.

The combination of additional hostel units at Butler Court and 50 Wakering Road, alongside active placement management, is expected to deliver a breakeven position and enable the service to deliver its savings target. There are, however, significant risks in this area if the forecast reduction in Bed and Breakfast numbers is not achieved, the available supply of PSL properties does not meet demand or the amount of bad debt increases substantially above the current provision.

2.8 **Environment**

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	19,687	**19,477**	**19,477**
Projected over/(under)spend			**0**

Pressure of just under £3m is expected to be contained within Environmental Services (see table below):

Main Pressures	**£000**
Parking Services - Impact of De-regulation bill and existing pressures.	1,795
Pressures against 2015-16 savings targets (see savings tracker appendix for details)	389
Pressures against income targets in Environmental services	568
Stour Road buildings	90
Total Pressures	**2,842**

Environmental Services currently has a challenging pressure of c£2.842m which it is expected to contain. £1.795m of this pressure is against the Parking account as a result of the De-Regulation Act 2015 which came into effect in April 2015 having gained ministerial approval in late March 2015. This is a reduction from last month's forecast of £1.9m based on action taken by the service to mitigate the pressure such as increase in enforcement strategies. The service also has a historic pressure due to delays in determining the future use of 2 and 90 Stour Road currently estimated as £0.090m. There are also a number of risks against income targets within the service which need to be closely monitored. The service is currently working to ensure that the pressure is mitigated.

A challenging savings target of £1.810m is built into the 2015/16 budget. These are largely in the process of being delivered or already implemented. However, current forecasts indicate under delivery of £0.389m (see savings tracker for further details). Where under delivery has been identified, the Department is actively managing the resulting pressure. The Department is working to ensure pressures are managed, income opportunities reviewed, posts held vacant, recharges and income collection up to date and expenditure managed across the department.

2.9 **Chief Executive's Directorate**

Directorate Summary	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	18,716	**17,870**	**17,870**
Projected over(under)spend			**0**

Chief Executive's Directorate is currently on target to spend to budget this year though that is dependent on a number of pressures being contained within services.

There are over £2.5m of savings relating to Elevate services for 2015/16 including large individual savings relating to the transformation of ICT and Customer Services and the automation of other services. These are being monitored through joint programme boards with Elevate and Agilisys with the highest risk on parts of the automation proposals. There is also substantial ongoing demand pressures on the benefits services with high numbers of new claims and changes in circumstances that are having to be managed within existing resources.

There are pressures totalling £0.18m within Human Resources through the under-recovery of some school buybacks. However, managers are confident that these pressures can be mitigated through underspends in other area's of the directorate's budget.

2.10 **Central Expenses**

Directorate Summary	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	2,186	**(109)**	**(109)**
Projected over(under)spend			**0**

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

Currently expenditure and income is forecast to be on budget though the additional investment interest budget is challenging to achieve in a very low interest environment without a significant increase in the risk taken on placing cash deposits.

2.11 **In Year Savings Targets – General Fund**

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

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

Directorate Summary of Savings Targets	Target £000	Forecast £000	Shortfall £000
Adult and Community Services	4,045	3,629	**416**
Children's Services	2,065	1,969	**96**
Housing (GF)	1,005	1,005	**-**
Chief Executive	14,595	13,965	**630**
Environment & Enforcement	1,810	1,421	**389**
Total	**23,520**	**21,989**	**1,531**

2.12 **Housing Revenue Account (HRA)**

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

Income

Income is expected to be ahead of budget by £0.664m. This is due to an increase in water charges as notified by the water provider after Council budgets were agreed. There is a net nil impact to the HRA as these charges are collected by the Council and passed through to the water company.

The main risk to the income position is collection performance and stock movements. Current rent collection performance indicates collection will be below target of 99.24%, therefore, a significant increase in collection is required to avoid substantial impact on the HRA. If this position isn't recovered there will be increasing pressure on the bad debt provision due to increasing arrears and the likelihood of additional bad debts being written off. Stock movements are monitored as an increasing level of Right to Buy activity and higher than budgeted void levels may adversely impact rental income. There have been fewer Right to Buy sales year to date compared to budget profile, however, due to demand fluctuations over the course of a year, current projections continue to assume 220 sales.

Provision has been made within the HRA through increased bad debt provision plus the availability of discretionary housing payments to mitigate the ongoing impact of welfare reform.

Expenditure

Expenditure is expected to be over budget by £0.664m. This is due to the increase in water charges payable to the water company as explained above.

In order to achieve a breakeven position, the Housing service will need to manage cost pressures within the year. The most significant risk area is Repairs and Maintenance which is reporting an overspend of £1m. The forecast position is dependant on a number of management actions including the greater use of in-house workforce over sub contractors and the implementation of a revised repairs policy.

Existing pressures include restructure and efficiency savings not delivered in 2014/15, pressures on staffing budgets and pressure on sub-contractor spend due to the high levels of responsive repairs carried out by external contractors. Action to address the position includes establishing further productivity improvements, the introduction of a revised repairs policy to manage the workload run rate and the increased utilisation of in-house staff on capital schemes and responsive jobs in place of external sub-contractors

In order to deliver a breakeven position, the in-year revenue contribution to capital has been adjusted from £37m to £36m. This will impact the overall level of funding within the housing capital programme and will need to be considered in future planning.

HRA Balance

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

2.13 **Capital Programme 2015/16**

The Capital Programme forecast against budget as at the end of May 2015 is as follows:

	2015/16 Current Budget £'000	Actual Spend to Date £'000	2015/16 Forecast £'000	Variance against Budget £'000
Adult & Community Services	2,682	637	2,682	0
Children's Services	33,474	6,338	32,803	(671)
Environmental Services	4,215	917	4,205	(10)
Chief Executive Department	12,437	1,222	12,304	(133)
General Fund Housing - EIB	6,222	84	6,222	0
Sub-Total: General Fund	**59,030**	**9,196**	**58,216**	**(814)**
HRA	77,987	31,119	80,634	2,647
Total	**137,017**	**40,315**	**138,850**	**1,833**

The detailed scheme breakdown is shown in Appendix D.

Summary
The 2015/16 capital programme, with the inclusion of the General Fund Housing EIB schemes, stands at a revised budget of £137.0m, and Directorates are anticipating an overall Overspend of £1.8m.

New Capital Schemes
There are no new schemes.

Adult & Community Services (ACS)
Adult & Community Services has a current budget for 2015/16 of £2.682m and is currently not projecting any over or underspends across the Directorate.

Children's Services
Children's Services has a current budget of £33.4m, and is currently expecting to underspend by £0.671m overall. This is a net position and results from a number of individual scheme variances. Schemes with (under) or over spends of £0.1m or more include:

Eastbury Primary	(£0.238m)
Warren/Furze Expansion	(£0.241m)
Village Infants	£0.238m
Jo Richardson Expansion	£0.666m
Barking Riverside Free School	(£1.100m)

Under and overspends are returned to and drawn from the total Basic Need funding allocation, some of which is budgeted for future years. Officers will continue to ensure that the overall programme is delivered within budget and that all schools are completed in time for the required new intake deadlines.

Environmental Services
Environmental Services has a current capital programme of £4.2m and is currently projecting an underspend of £0.010m, which is specifically in relation to the Road Safety Improvement Scheme.

Chief Executive
The Directorate has a current budget of £12.4m and is currently projecting an underspend of £0.133m across the Directorate. This is a net position and results from a number of individual scheme variances. Schemes with (under) or over spends of £0.1m or more include:

New Dagenham Library	£0.109m
Creative Industries	(£0.300m)
Shopping Parade Enhancements	(£0.121m)
Merry Fiddlers Junction Yr 2	£0.170m

The New Dagenham Library and Merry Fiddlers schemes will be funded by additional GLA grant and Section 106 money respectively.

Housing Revenue Account (HRA)
The HRA has a capital programme budget for 2015/16 of £77.987m. Current projections indicate a year end variance of £2.646m.

<u>Investment in Stock</u>
An underspend in the current year of £0.229m is currently being projected which relates to the Decent Homes (Blocks) project which is showing an underspend of £0.179m due to a small amount of slippage in the programme. There is also a likely underspend on the Energy Efficiency project of £0.050m as, although options are currently being explored, due to staffing issues it is now unlikely that the scheme will be developed and delivered this financial year.

Tenders for urgent Fire Safety Works have recently been sought and the successful contractor is able to deliver a programme of works this financial year. However, the current budget for this project is fully committed in delivering the remaining works that were included in the previous contract. In order to provide the necessary funding it is proposed to move £0.9m from the Decent Homes (South) project. Although the Decent Homes projects are progressing well and could spend their full budget this financial year, the programme for the current year can be curtailed to make funds available for the fire safety works to be implemented more quickly.

All other projects are currently projected to be fully spent.

Estate Renewal

Actual spend to date indicates progress is ahead of schedule due to a very high level of leasehold buy back completions and advanced progress in respect of the Gascoigne Estate demolitions. The decision to bring forward the demolition of Sebastian court due to its poor state of repair has also accelerated the spend position. The demolition of Althorne Way flats is currently ongoing and will be substantially completed this financial year.

The accelerated spend has resulted in the year end projection increasing by £3.83m to £10.23m. This can be funded through the reprofiling of future year's Estate Renewal budgets. There is currently a budget of £6.0m in each of the next two financial years (2016/17 and 2017/18) and these budget will be adjusted accordingly.

New Build

The New Build Programme is currently projected to underspend by £0.955m with all projects expected to spend to budget with the exception of those detailed below.

The Lawns & Wood Lane and Abbey Road CIQ projects are now complete and, with only retentions to be released, there is some certainty around the actual costs of these schemes. Both projects have been delivered under budget and consequently a combined under spend of £0.262m is being projected.

The Leys Phase 1 project is now progressing well having been initially delayed as a result of land contamination remediation works. Current cash flow forecasts indicate a spend of £10.6m for the current financial year which is £0.334m ahead of schedule and, therefore the 2016/17 budget of £4.5m will be reprofiled accordingly.

The tender process is under way for the Leys Phase 2 project with tenders due for return in September. With a start on site date scheduled for December 15 / January 16, it is unlikely that the full £1.0m budget for 2015/16 will be spent and slippage of £0.5m is now likely.

Goresbrook Village has also now been completed with only retentions and remaining fees left to pay. There will, however, be an overspend of £0.347m once these payments have been made and this is as a result of exceptional costs being incurred that were not part of the original project budget. These costs include additional expenses incurred in diverting statutory undertakers plant and the removal and eradication of extensive amounts of Japanese knotweed.

The Illchester Road and North Street New Build Schemes have both been delayed due to a prolonged planning process. Tenders are now due to be sent out in September and, therefore, it is unlikely that the full current year budgets for these schemes will be spent. Slippage of £0.478m has been identified for the Illchester

Road Scheme, whilst North Street is likely to slip by £0.395m. In both cases the 2016/17 budgets will be reprofiled accordingly.

2.14 **Financial Control**

At the end of July, 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. 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 pressures and mitigating actions