

## CABINET

19 January 2016

<b>Title:</b> Budget Monitoring 2015/16 - April to November (Month 8)	
<b>Report of the Cabinet Member for Finance and Central Services</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> No
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<b>Accountable Director:</b> Jonathan Bunt, Strategic Director of Finance and Investment	
<b>Summary</b> <p>This report provides Cabinet with an update of the Council's revenue and capital position for the eight months to the end of November 2015, projected to the year end.</p> <p>There is a projected overspend of £6.1m on the 2015/16 budget, an increase of £0.3m from last month. The current projection consists of overspends on Children's Services and Environmental services of £6.6m (including £1m of programme costs) and £0.4m respectively, partially offset by £0.9m additional investment income from treasury management activity and a VAT refund. There are pressures in a number of other service areas but all are currently forecast to be managed.</p> <p>The total service expenditure for the full year is currently projected to be £157.5m against the budget of £151.4m. The projected year end overspend will significantly reduce the General Fund balance to c£20m at year end though that is still above the minimum target balance set by the Strategic Director of Finance and Investment.</p> <p>The Housing Revenue Account (HRA) is projected to break-even, leaving the HRA reserve at £8.7m. The HRA is a ring-fenced account and cannot make or receive contributions to/from the General Fund.</p> <p>The Capital Programme budget stands at £131.5m, inclusive of the European Investment Bank (EIB) funded general fund housing schemes. Forecast outturn is £135.1m, £3.6m over budget, mostly within Children's Services, which has incurred accelerated spend on projects. Funding allocations will be adjusted between years accordingly.</p>	
<b>Recommendation(s)</b> <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none"><li>(i) Note the projected outturn position for 2015/16 of the Council's General Fund revenue budget at 30 November 2015, as detailed in paragraphs 2.1, 2.4 to 2.10 and Appendix A of the report;</li><li>(ii) Note the progress against the agreed 2015/16 savings at 30 November 2015, as</li></ul>	

detailed in paragraph 2.11 and Appendix B of the report;

(iii) Note the overall position for the HRA at 30 November 2015, as detailed in paragraph 2.12 and Appendix C of the report; and

(iv) Note the projected outturn position for 2015/16 of the Council's capital budget as at 30 November 2015, as detailed in paragraph 2.13 and Appendix D of the report.

#### **Reason(s)**

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

## **1 Introduction and Background**

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

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

1.3 The Budget report to Assembly in February 2015 provided for a target of £15.0m for the General Fund balance and the revenue outturn for 2014/15 led to a General Fund balance of £26.0m. The table below shows the available reserves at the authority's disposal to cover the cost of implementing savings proposals, the Growth Commission, Ambition 2020 and any financing gaps in the 2016/17 budget. The latest estimate of the cost of implementing savings proposals has reduced by £1.762m compared to the last report to Cabinet and following the issue of the provisional local government finance settlement, as reported elsewhere on the Cabinet agenda, the previous budget gap of £5.170m for 2016/17 has been eliminated. The remaining GF reserve balance is now forecast to be above the target figure at £20.505m:

<b>Projected Level of Reserves</b>	<b>£000</b>	<b>£000</b>
Current GF balance		26,024
Other available reserves		7,127
<b>Total available reserves</b>		<b>33,151</b>
<b>Calls on reserves:</b>		
Implementation of savings proposals	(4,481)	
Growth Commission and Ambition 2020	(2,100)	
Budget Gap 2016/17	-	
Projected overspend	(6,065)	
		(12,646)
<b>Projected remaining reserves</b>		<b>20,505</b>

- 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. The Council's earmarked reserves will be reviewed before the year end to ensure that they are still required for their original purposes and an updated total will be advised to Cabinet as part of the main budget report in February 2016.

## 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.

<b>Council Summary 2015/16</b>	<b>Net Budget  £000</b>	<b>Full year forecast at end November 2015 £000</b>	<b>Over/(under) spend Forecast  £000</b>
<b>Directorate Expenditure</b>			
Adult and Community Services	51,033	51,033	0
Children's Services	62,748	69,315	6,567
Housing (GF)	1,512	1,512	0
Environment	18,462	18,860	398
Chief Executive	17,876	17,876	0
Central Expenses	(187)	(1,087)	(900)
<b>Total Service Expenditure</b>	<b>151,444</b>	<b>157,509</b>	<b>6,065</b>

	<b>Balance at 1 April 2015 £000</b>	<b>Forecast Balance at 31 March 2017 £000</b>
General Fund	26,024	20,505*
Housing Revenue Account	8,736	8,736

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

## 2.2 Strategic Director of Finance and Investment's comments

- 2.2.1 The current Directorate revenue projections indicate an overspend of £6.1m for the financial year, primarily due to the overspend in the Complex Needs and Social Care division of Children's Services along with the associated costs of the programme to address the budget challenge.
- 2.2.2 October's Cabinet was asked to note the cost of setting up of a temporary project team, estimated at £1m, to prepare and support the delivery of an Outline Business Case aimed at managing service demand and expenditure to enable a balanced

budget over the next two years. The ability of that plan to deliver savings, which will be monitored at a detailed level, will strongly influence any decisions on a wider spend freeze or other measures to reduce the in year overspend. Some services have already put in place a mini spend freeze to enable the containment of pressures within that area.

- 2.2.3 After reporting an improving position to recent meetings, the forecast for the Complex Needs and Social Care division has worsened by £300k this month. Across the Children's Services directorate, this is offset by improved positions for the other two divisions.
- 2.2.4 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 still anticipated that it can be significantly reduced from the earlier reported pressures, and 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. Furthermore, December's Cabinet meeting instructed all Chief Officers to implement any agreed 2016/17 savings during the current financial year to assist in reducing the overspend. Recent experience is of the financial position improving as the financial year progresses though there is no guarantee that this will always be the case.
- 2.2.5 Adequate reserves must be maintained to not only provide the minimum advised balance but also to enable investment in future programmes to deliver the Council's medium term financial strategy. Cabinet noted at its October meeting that the Children's Services programme is forecasting to 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 business case did not indicate this was achievable from within Children's Services alone with the current plan seeing the department deliver on budget in 2016/17 rather than substantially underspend.
- 2.2.6 Whilst the current forecast overspend would result in a reduction in the Council's General Fund balance, the balance will still remain above the budgeted target of £15.0m. The Strategic Director of Finance & Investment, as the Council's statutory Chief Finance Officer, has a responsibility under statute to ensure that the Council maintains appropriate balances and, following the settlement and the review of the use of reserves for the delivery of savings this year and next year, the projected 2016/17 year end balance would remain substantially above the target figure.
- 2.2.7 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 above, would be expected to move towards a robust and deliverable budget in 2016/17. It will not, however, deliver an underspend equal to the forecast overspend this year to replenish reserves to the level as at April 2015.

## 2.3 Directorate Performance Summaries

2.3.1 The key areas of risk which might lead to a potential overspend are outlined in the paragraphs below. As this report reflects the position as at 30 November projected to the end of the financial year, it remains presented in the departmental structure of previous reports as the new senior management structure takes effect. The reporting format will be amended to reflect the new senior management structure in the next financial year (2016/17).

## 2.4 Adult and Community Services

<b>Directorate Summary</b>	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	54,025	<b>51,033</b>	<b>51,033</b>
Projected over/(under)spend			<b>0</b>

2.4.1 The Adult and Community Services Directorate is forecast to breakeven by year end. The department continues to actively work towards mitigating pressures of £3.16m, down from £3.56m last month. The table below summarises the headline pressures:

<b>Main Pressures</b>	<b>£000</b>
Purchase of Adult Social Care	1,659
Pressures against 2015-16 savings targets (see savings tracker appendix for details)	381
Abbey Leisure Centre income pressures	671
Mental Health residential placement costs	265
Better Care fund performance penalty – target for reduced admissions unachieved	182
<b>Total Pressures</b>	<b>3,158</b>

2.4.2 Appendix A provides a summary by division of service and the following paragraphs explain these variances. Adult Social Care division reflects an overall forecast pressure of £1.881m, a reduction of £0.233m from last month's forecast of £2.113m. The main pressure in this area is the purchase of adult social care across all client groups (except mental health) which is projecting a pressure of £1.659m. This is an improvement of £0.369m on last month's position due to action undertaken by cluster managers to review current homecare activity resulting in a reduction in the estimated number of homecare hours required. The pressure includes a number of transition cases from Children's services and the outcome of re-assessments under the Care Act. The remaining pressure of £0.222m is a combination of the undelivered Maples savings target of £0.091m and staffing pressures within the division. Forecasts continue to be monitored as activity levels fluctuate.

2.4.3 Commissioning and Partnership's is forecasting a net pressure of £0.144m, an increase of £0.072m from last month's position of £0.072m. This is primarily due to the Better Care Fund (BCF) performance penalty of £0.182m, partially offset by underspends on extra care budgets arising from maximum hours not being utilised. The movement in the forecast followed negotiations with the extra care provider to

extend the contract and an increase in the hourly rate has been agreed and backdated to April 2015.

- 2.4.4 Mental Health is forecasting pressure of £0.265m due to the number of residential placements. NELFT colleagues continue to work towards managing the admission and discharge process. It should be noted a net increase in placements over the remainder of the year would increase pressure on this budget.
- 2.4.5 Culture and Sport is forecasting pressure of £0.683m mainly due to income pressures within Abbey Leisure Centre and non delivery of saving targets. The delayed opening of the Abbey Leisure Centre has resulted in a reduction in income projections of £0.671m. This pressure will be partially mitigated by an estimated £0.25m compensation expected from the contractors who worked on the Leisure Centre project. Delays to the Leisure Trust saving proposal equate to a pressure of £0.25m this year and risk to the additional £0.75m in 2016/17. There are further dependant Library savings which could also be at risk. There is also a net pressure of £0.012m as a result of delays to the transfer of the management of the Broadway Theatre to the Barking & Dagenham College offset by underspends within the Libraries and heritage.
- 2.4.6 The Council's initial Public Health grant allocation for 2015/16 was £14.213m, however, from the 1 October 2015, this has increased by £2.512m due to the part year transfer of the 0-5 children's public health commissioning to the Local Authority bringing the total allocation to £16.725m. 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 announced that there would be a £200m non-NHS health budget cut in year which will impact the Public Health budget. This has been confirmed as a 6.2% reduction equating to c£1m cut in funding. Spending plans have been reviewed in response to this. It should be noted that these reductions will impact on services across the Council.
- 2.4.7 A challenging savings target of £4.145m is built into the 2015/16 budget. These are largely in the process of being delivered or already implemented. However, current forecasts indicate under delivery of £0.381m (see savings tracker for further details). Where under delivery has been identified, the Department is actively managing the resulting pressure.

## 2.5 Children's Services

<b>Directorate Summary</b>	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	67,359	<b>62,748</b>	<b>68,301</b>
Projected over/(under)spend			<b>5,553</b>
Programme costs			<b>1,014</b>

- 2.5.1 The service is forecasting an overspend of £5.553m against a budget of £62.748m. The position includes the full delivery of the departments £2.065m 2015/16 saving target and reduction in the overspend through the Social Care Ambition and Financial Efficiency programme (SAFE). Corporate funding of £1.7m and partnership funding of £0.474m has been allocated to support the position in 2015/16. Despite an overall positive movement of £0.096m on the position reported

last month, there remains ongoing risk in achieving this position. The movement is due to improvements in Education and Commissioning and Safeguarding and an adverse movement within Complex Needs and Social Care (CNSC). In addition to this, delivery of the SAFE programme is expected to cost £1.014m in year.

- 2.5.2 The Education Service is forecast to underspend by £0.247m – an improvement of £0.098m on the October position of £0.150m. This is primarily due to underspends within the Early Years and Childcare Service and Integrated Youth Services as a result of the early delivery of 2016/17 savings and an underspend within the School Improvement Service as a result of posts being held vacant. The position is partially offset by pressures within Adult Education following reductions in Government funding and the funding of redundancy costs.
- 2.5.3 The Commissioning and Safeguarding Service is forecasting a breakeven position which is an improvement on the October position of £0.299m overspend. This has been achieved by an increase in traded income received, lower than forecast level of spend on a range of specialist commissioned services and increased efficiencies realised through smarter commissioning. However, given the ongoing growth in demand it is unlikely that this would result in an ongoing saving without a change in policy. The service is managing pressure of £0.280m within the Child Protection and Reviewing Service caused by difficulty in recruiting permanent staff and the need to use agency staff.
- 2.5.4 Significant demand pressures within the Complex Needs and Social Care (CNSC) division have continued from 2014/15 into the current financial year. In October 2015, Cabinet approved an Outline Business Case aimed at managing service demand and expenditure in order to deliver a balanced budget by the end of 2016/17. Implementation of the approved business case is underway with progress being made towards the target reductions in 2015/16 and beyond.
- 2.5.5 The SAFE programme aims to deliver on budget in 2016/17. Projects are well underway and savings have been achieved in a number of areas including reductions in agency staff, NRPF clients and SEN Transport costs. The £11m overspend reported in July has been reduced significantly and aims to be closed completely over two years.
- 2.5.6 Current projections indicate an overspend of £5.800m at the year end which is an increase of £0.300m on the forecast last reported to Cabinet. This is primarily due to additional pressure on placements. The Council has a statutory duty with regard to vulnerable children and delays in moving young adults out of supported living due to the demand on available Housing has resulted in Additional pressure.
- 2.5.7 The table below shows the original forecast overspend together with progress made to date and planned further reductions. The reduction delivered year to date is £3.906m inclusive of the £2.100m corporate funding. This will bring the service to a forecast outturn position of £5.800m at the end of the year.

	<b>Original Forecast Overspend £000</b>	<b>Reduction Delivered £000</b>	<b>Current Position £000</b>	<b>Planned Further Reductions £000</b>	<b>November forecast £000</b>
<b>Complex Needs</b>					
Agency /Staffing/ASYE	3,365	(992)	2,373	(383)	<b>1,990</b>
Placements	3,919	(309)	3,610	(578)	<b>3,032</b>
Transport	543	(343)	200	0	<b>200</b>
Legal	500	0	500	(100)	<b>400</b>
NRPF	1,600	(50)	1,550	(200)	<b>1,350</b>
UASC	1,128	(112)	1,016	(88)	<b>928</b>
Funding Adjustments	0	(2,100)	(2,100)	0	<b>(2,100)</b>
<b>Total Complex Needs</b>	<b>11,055</b>	<b>(3,906)</b>	<b>7,149</b>	<b>(1,349)</b>	<b>5,800</b>

2.5.8 The work streams underway are described below.

#### **Reductions in Staffing Costs**

The year end overspend in this area is projected to reduce by £0.200m from the position reported in October of £1.990m. The ASYE graduate trainees have been integrated into the Assessment and Care Placement Teams allowing the release of expensive agency workers. Posts are being held vacant in preparation of future staff realignments.

#### **Placements Pressure**

The year end forecast reflects an overspend of £3.032m, an increase of £0.300m from the position reported in October. This is due to 4 additional residential placements in November resulting in additional cost of £0.220m and delays in moving young adults out of supported living. Children's Services continue to work closely with Housing to identify suitable accommodation for young adults who are ready to move out of supported living but the high demand on housing placements has caused delays, contributing to the additional pressure. These pressures have been partially offset by a reduction in the forecast cost of Internal Fostering of £0.150m. All placements are reviewed on a regular basis to ensure that costs are minimised where possible, however, the Council does have a statutory duty to vulnerable children.

#### **Transport**

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

#### **Legal Costs**

Children's Services are working closely with Legal to identify the most cost effective way to meet the Council requirements of the service. There is a proposal to hire two advocates and to stop using 3rd party advocacy services. This will not be in place until February and so the anticipated reduction on this project is now £0.100m in 2015/16. It should be noted that it is anticipated that the full year effect of this saving in 2016/17 will be over £0.300m.



## **NRPF**

The No Resource to Public Funds service now uses a fraud officer and a home office officer to identify fraudulent claims and speed up home office decisions. The fraud officer helps the initial application process and the Home Office officer accelerates “right to remain” decisions from the Home Office. This allows families to be moved out of NRPF more rapidly following resolution with the Home Office.

## **UASC**

The review of accommodation used for Unaccompanied Asylum Seeking Children clients has resulted in benefits realised through reduced costs in 2015/16, mainly through increased use of internal fostering. The year end position remains unchanged and further reductions will be delivered.

## **2.6 Dedicated School Grant (DSG)**

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

## **2.7 Housing General Fund**

<b>Directorate Summary</b>	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	3,417	<b>1,512</b>	<b>1,512</b>
Projected over/(under)spend			<b>0</b>

- 2.7.1 The service is forecasting to outturn within budget, however, current projections indicate risk of overspend in the region of £125k 2015/16.
- 2.7.2 Significant savings were 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. However, demand over recent months has been steadily increasing and this has been further exacerbated by ongoing Welfare Reforms and the Courts confirming they have brought forward their evictions list in the run up to Christmas.
- 2.7.3 The number of Bed and Breakfast placements stood at 83 at the end of November which is above the budgeted average of 68 and, at the end of the first week in December, numbers had increased to 94. The projected average number of placements per month for the year is now estimated to be 61. However, this average will only be achieved if there is a significant reduction in the B&B numbers between now and the end of March. To this end, negotiations have taken place with one of our procured providers for the use of a block of 27 units and lease arrangements with Look Ahead Housing Association on Bevan House have been completed, where there are 12 voids.
- 2.7.4 Recent negotiations for additional PSL units coupled with the expected hand over of Butler Court at the end of January and the anticipated down turn in demand over Christmas should result in the year end average being 61 in total, which is slightly below the budgeted figure.

- 2.7.5 Earlier in the year, when the numbers in B&B accommodation were averaging around 50 the resulting under spend was used to fund additional rental payments to Private Sector Lease providers in order to ensure a continuous supply of properties, on site security and reception improvement works at several of the Council's homeless hostels. Now that the B&B numbers have increased to nearer the budgeted level, these costs can no longer be contained, hence the potential overspend. Every effort will, however, be made to reduce costs up to year end, so that a break even position can be achieved.
- 2.7.6 Arrears have increased by £243k since the start of the financial year, although this is a reduction from previous months now that the backlog in processing Housing Benefit claims has been cleared. The budget available to top up the provision is expected to be sufficient based upon current assumptions.
- 2.7.7 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 late January with 80 units. The enhanced refurbishment of the hostel will be funded from corporate reserves and will result in a higher level of ongoing income.
- 2.7.8 There are significant risks in this area if Bed and Breakfast numbers increase and the reduction forecast for the latter part of the financial year does not materialise. There are also additional risks if the available supply of PSL properties does not meet demand or the amount of bad debt increases substantially above the current provision.

## 2.8 Environment

<b>Directorate Summary</b>	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	19,687	<b>18,462</b>	<b>18,860</b>
Projected over/(under)spend			<b>398</b>

- 2.8.1 Environmental Services is forecast to overspend at year end by £0.398m. The service would need to manage pressure of £1.850m in order to outturn on budget, however, mitigation of £1.452m has been identified. This is primarily through spend restraint and holding vacancies. The adverse movement in the forecast follows a detailed review of establishment and funding. The table below summaries the main pressures:

<b>Pressure</b>	<b>£000</b>
Staffing	877
Parking Services (Impact of De-regulation Act 2015)	350
Income	327
2015-16 Savings (see savings tracker appendix for details)	226
Stour Road building	70
<b>Total</b>	<b>1,850</b>
Mitigating action	(1,452)
<b>Remaining pressure</b>	<b>398</b>

- 2.8.2 The main pressure within the service relates to the cost of staff, primarily within refuse and cleansing which has increased by £0.523m since last month. A review in November of caretaking staff between Housing and Environment has resulted in a number of staff not now being recharged to the HRA. Management are taking action to resolve the budgetary problems that result, although it is unlikely to be resolved within the financial year.
- 2.8.3 The forecast overspend for Parking remains at £350k. This follows the De-Regulation Act 2015 which came into effect from April 2015 which introduced a ban on the use of CCTV cameras for enforcement of static parking contraventions, except outside schools and bus stops. Initial indications were that this would create a pressure of £1.9m. However, following review of enforcement strategies and the income profile year to date, the initial risk has been managed down.
- 2.8.4 Current projections indicate pressure on income budgets of £0.327m across a number of services including refuse, cemeteries, Barking Market and fleet. This represents an improvement of £0.030m on last month's position.
- 2.8.5 The service has a challenging savings target of £1.7m built into the 2015/16 budget. These are largely in the process of being delivered or already implemented, however, current forecasts indicate under delivery of £0.226m. The majority of this relates to the introduction of charges for the green garden waste service which has been postponed until 2016/17. The other savings pressures relate to increasing advertising income, the postponement of changes to prestart payments for refuse workers and income generation in cemeteries.

## 2.9 Chief Executive's Directorate

<b>Directorate Summary</b>	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	18,716	<b>17,876</b>	<b>17,876</b>
Projected over(under)spend			<b>0</b>

- 2.9.1 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. The current position is that these pressures will be mitigated.
- 2.9.2 There are over £2.5m of savings relating to Elevate services for 2015/16 including large individual savings relating to the transformation of ICT and Customer Services and the automation of other services. These are being monitored through joint programme boards with Elevate and Agilisys with the highest risk being on parts of the automation proposals. There are also substantial ongoing demand pressures on the benefits service with high numbers of new claims and changes in circumstances that are being managed within existing resources. The backlog in processing change of circumstance for benefit claimants reported in last month's report has now been cleared using short term agency staff employed at Elevate's expense. However, close monitoring will be required to ensure that backlog's don't re-occur that may put at risk full reimbursement of expenditure from the Department of Work and Pensions.

- 2.9.3 There are pressures totalling £0.190m within Human Resources through the under-recovery of some school buybacks.
- 2.9.4 The review of senior management has commenced and it is expected that £0.2m of the £0.3m will be delivered by the end of the year. Further work is required to deliver the savings required from the business support review.
- 2.9.5 At the end of November, Legal and Democratic Services had already achieved their income target for the year, in addition to delivering against their savings target. If the level of trading activity continues, this is likely to generate surplus income of approximately £30k.
- 2.9.6 The Asset Strategy team are currently carrying out a series of rent reviews which will result in the generation of additional rental income. It is expected that the income generated will be re-invested into the commercial properties portfolio to protect or increase future revenues. Any income not invested will generate an overachievement of the income budget in the Asset Strategy team which will be used to mitigate pressures in other areas of the directorate.

## 2.10 Central Expenses

<b>Directorate Summary</b>	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	2,186	<b>(1,456)</b>	<b>(2,356)</b>
Projected over(under)spend			<b>(900)</b>

- 2.10.1 This budget covers treasury management costs (interest paid on loans and received on investments), budgets to cover the costs of redundancy and doubtful debts and a small contingency to cover any unforeseen pressures.
- 2.10.2 The Treasury team continues to achieve good returns on the Council's cash deposits, without a significant increase in the risk taken, in a low interest environment resulting in a favourable variance of £0.8m is forecast against budgets for interest paid on loans and received on investments. A refund of £0.1m has been received for overpaid VAT following a review of payments made over the last two years and this has increased the projected underspend to £0.9m. The position regarding the doubtful debts provision is being kept under review and it may prove possible to reduce the contribution required if current collection rates are maintained.

## 2.11 In Year Savings Targets – General Fund

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

<b>Directorate Summary of Savings Targets</b>	<b>Target £000</b>	<b>Forecast £000</b>	<b>Shortfall £000</b>
Adult and Community Services	4,145	3,764	<b>381</b>
Children's Services	2,065	2,065	-
Housing (GF)	1,005	1,005	-
Chief Executive	14,595	13,673	<b>922</b>
Environment	1,710	1,484	<b>226</b>
<b>Total</b>	<b>23,520</b>	<b>21,991</b>	<b>1,529</b>

## 2.12 Housing Revenue Account (HRA)

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

### Income

2.12.2 Income is expected to be ahead of budget by £1.914m. This is largely due to an increase in the number of HRA Decants being used for Temporary Accommodation generating £1.2m additional income and increased water charges of £0.6m as notified by the water provider after Council budgets were agreed. There is a net nil impact to the HRA of the increased water charges as these are collected by the Council and passed through to the water company.

2.12.3 The main risk to the income position is collection performance and stock movements. The current projected performance on rent collection is 98.85% compared to the target of 99.24%. This creates a shortfall in cash collected of around £0.4m. Changes in local policy around repeat claims for Discretionary Housing Payments (DHP) have also impacted the allocation of DHP towards housing rents. The Housing Service has been working with Capita to analyse tenant profiles which will assist in developing intervention models and enable improved rent collection levels and reductions in rent arrears. The position will be monitored closely throughout the year. If the position is not recovered there will be an increased pressure on the bad debt provision.

2.12.4 Stock movements are monitored as level of Right to Buy sales and void levels impact the rental income position. There have been 143 Right to Buy sales so far this year and current projections continue to assume 220 sales for the year.

### Expenditure

2.12.5 Expenditure is expected to be over budget by £1.914m. This is partly due to the increase in water charges payable to the water company as explained above.

2.12.6 In order to achieve a breakeven position, the Housing Service will need to manage cost pressures within the year. The most significant risk area is Repairs and Maintenance which is reporting a forecast overspend of £1.3m. Pressures include restructure and efficiency savings not delivered in 2014/15, pressures on staffing budgets and pressure on sub-contractor spend due to the high levels of responsive repairs carried out by external contractors. Improving the position is dependant on a number of management actions including the greater use of in-house workforce over sub contractors, establishing productivity improvements and the

implementation of a revised repairs policy. This forms part of the ongoing transformation of the housing service.

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

2.12.8 The additional income raised from HRA decant units for temporary accommodation is not sufficient to offset projected overspends and therefore a budgeted revenue contribution to capital of £0.1m will be replaced by funding from HRA capital reserves. At the end of Quarter 3 the technical accounting forecasts, including bad debt provision and interest budgets, will be reviewed in line with current activity.

### HRA Balance

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

### 2.13 Capital Programme 2015/16

2.13.1 The Capital Programme forecast against the budget as at the end of November 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	2,192	883	2,192	0
Children's Services	27,111	16,553	30,547	3,437
Environmental Services	4,005	2,525	4,005	0
Chief Executive Department	7,489	3,715	7,603	113
Housing General Fund – EIB	9,222	8,191	9,222	0
<b>Subtotal – GF</b>	<b>50,019</b>	<b>31,867</b>	<b>53,569</b>	<b>3,550</b>
HRA	81,493	56,028	81,493	0
<b>Total</b>	<b>131,511</b>	<b>87,895</b>	<b>135,062</b>	<b>3,550</b>

2.13.2 The 2015/16 capital programme stands at a revised budget of £131.5m, and Directorates are currently forecasting to exceed this by £3.6m. This variance is mostly within Children's Services, which has incurred accelerated spend on projects, and funding allocations between years will be adjusted accordingly.

### 2.13.3 New Capital Schemes

There are no new capital schemes this month.

#### 2.13.4 **Adult & Community Services**

Adult & Community Services has a revised budget of £2.483m and current estimates indicate spend to budget with no funding issues.

#### 2.13.5 **Children's Services**

Children's Services has a revised capital budget of £27.111m in 2015/16; and is forecasting to exceed this by £3.437m. This variance is mostly due to Barking Riverside Secondary Free School (£2.500m), where the project is now accelerating (subsequent to initial delays). The project will still be completed within the total budget, and the funding allocations between years will be adjusted accordingly. Additionally there are overspends on Marsh Green Primary (£0.400m), Barking Riverside City Farm (£0.160m), and Jo Richardson Expansion (£0.355m). Over and underspends are drawn from or returned to the available funding, and re-profiled between years where necessary, such that the overall programme is completed within the total funding available.

#### 2.13.6 **Environmental Services**

Environmental Services has a revised budget for 2015/16 of £4.004m. Overall the directorate is forecasting to be on budget. Some projects have a low current level of spend in relation to the forecast, and therefore an accelerated level of spend will need to be incurred in the remaining months in order to achieve the forecast position.

#### 2.13.7 **Chief Executive**

The Chief Executive Department has an overall budget for 2015/16 of £7.489m; and is currently forecasting to exceed this by £0.113m. This is due to two schemes: the Merry Fiddlers junction improvements (£0.068m), which will be funded by additional S106 money; and the bus stop accessibility improvements (£0.045m), which will be funded from TfL money.

#### 2.13.8 **Housing General Fund (EIB)**

The Housing General Fund (EIB) schemes have a budget for 2015/16 of £9.2m, and are forecasting to spend to budget.

#### 2.13.9 **Housing Revenue Account (HRA)**

The HRA has a revised capital budget of £81.493m; and is forecasting to spend to budget overall. Despite the reduced revenue contribution to capital (per 2.12.18), the overall HRA capital budget remains the same as last month, as the reduction will be offset by additional use of HRA balances (Major Repairs Reserve and Capital Receipts),

**Estate Renewal** – This area has a revised budget of £9.730m. Actual spend to date indicates progress is ahead of schedule due to a high level of leasehold buy back completions and advanced progress in respect of the Gascoigne Estate demolitions. Despite the relatively high level of spend to date, expenditure is still expected to be in line with the budget at year end.

**New Build Programme** - The New Build Programme is currently projected to spend in line with the overall revised budget of £26.917m.

**Investment in Stock** – The revised budget for Investment in Stock is £44.845m, and it is forecasting to spend to this level overall. However there are a number of

offsetting variances across individual schemes within this position, the most significant of which are the Decent Homes programme (underspend of £0.266m); and central heating installations (overspend of £0.450m). There are also a number of other scheme variances under £0.1m (shown in full Appendix D).

2.13.10 The detailed scheme breakdown is shown in Appendix D.

### **3. Financial Control**

3.1 At the end of November, 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.

### **4 Options Appraisal**

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

### **5 Consultation**

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

### **6 Financial Implications**

6.1 This report details the financial position of the Council.

### **7 Legal Issues**

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

### **Background Papers Used in the Preparation of the Report:**

Oracle monitoring reports

### **List of Appendices**

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