

## CABINET

18 October 2016

<b>Title:</b> Budget Monitoring 2016/17 - April to August (Month 5)	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> All	<b>Key Decision:</b> No
<b>Report Author:</b> Richard Tyler, Interim Chief Accountant, Corporate Finance	<b>Contact Details:</b> Tel: 020 8227 5834 E-mail: <a href="mailto:richard.tyler@lbbd.gov.uk">richard.tyler@lbbd.gov.uk</a>
<b>Accountable Director:</b> Kathy Freeman, Finance Director	
<b>Accountable Strategic Director:</b> Jonathan Bunt, Strategic Director of Finance and Investment	
<b>Summary</b> <p>This report provides an update on the Council's revenue and capital position for the five months to the end of August 2016, projected to the year end.</p> <p>There is a projected overspend of £5.786 m on the 2016/17 budget. This is a decrease in the forecast overspend of £0.936m from last month mainly the result of a reduction in the overspend in Children's Care and Support and additional income forecast in Finance and Investment. The main elements of the current projection are overspends in Services for Children (£2.9m), Homelessness (£3.1m) and Leisure (£0.5m) offset by underspends in Finance and Investment and Central Expenses. 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 £156.1m against the budget of £150.3m. The projected year end overspend will contribute to a significant reduction in the General Fund balance to £17.035m at year end, which is above the minimum target balance set by the Strategic Director of Finance and Investment. However given the level of risk in both this year and future years it is still important that action should be taken to address the service pressures or bring forward other mitigations to safeguard the Council's future financial stability.</p> <p>The Housing Revenue Account (HRA) is projected to produce a revenue surplus of £1.01m, leaving the HRA reserve at £9.75m. The HRA is a ring-fenced account and cannot make or receive contributions to/from the General Fund and there are a number of potential calls on this reserve.</p> <p>The Capital Programme budget stands at £201m of which £74m is the HRA. A reprofiling of the Schools programme is required to bring forward around £8.4m. Conversely there is £7.8m slippage on the HRA programme.</p>	

## Recommendation(s)

The Cabinet is recommended to:

- (i) Note the projected outturn position for 2016/17 of the Council's General Fund revenue budget at 31 August 2016, as detailed in section 2 of the report;
- (ii) Note the overall position for the HRA at 31 August 2016, as detailed in section 4.4 of the report;
- (iii) Note the progress made on budgeted savings to date as detailed in section 5 and Appendix B of the report; and
- (iv) Note the projected outturn position for 2016/17 of the Council's capital budget as at 31 August 2016, as detailed in section 6 and Appendix C of the report.

## Reason(s)

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

## 1. Introduction and Background

- 1.1 This report provides a summary of the Council's General Fund, HRA and Capital positions. Alongside service expenditure budgets there is also planned expenditure to implement savings proposals. The revenue outturn for 2015/16 led to a General Fund balance of £21.1m and the table below shows the available reserves at the authority's disposal to cover this expenditure:

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

- 1.2 It was recommended to Cabinet last month that they reverse their decision to fund the costs of the Transformation programme from capital receipts subject to a full review of the likely receipts and the full costs of the programme. Whilst these receipts can only normally be used to fund capital expenditure, the government is allowing their use for transformational projects during the period 2016 to 2019. Further comment on the level of reserves is given in paragraph 3.

## 2. Current Overall Position

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

**Table 1: Council Forecast Expenditure Position**

<b>Council Summary 2016/17</b>	<b>Net Budget £000</b>	<b>Full year forecast (Aug 2016) £000</b>	<b>Over/(under) spend Forecast £000</b>
Service Development & Integration	107,960	111,403	<b>3,443</b>
Customer, Commercial & Service Delivery	31,365	31,616	<b>251</b>
Growth & Homes	6,212	9,284	<b>3,072</b>
Law & Governance	590	510	<b>(80)</b>
Finance & Investment	1,983	1,483	<b>(500)</b>
Central Expenses	2,205	1,805	<b>(400)</b>
<b>Total Service GF Expenditure</b>	<b>150,314</b>	<b>156,101</b>	<b>5786</b>

**Table 2: The consequent forecast position on reserves**

	<b>Balance at 01-Apr 2016 £0</b>	<b>Forecast Balance at 31-Mar-17 £0</b>
General Fund	21,115	17,035
Housing Revenue Account	8,736	9,754

2.2. The forecast general fund balance includes the drawdown from reserves to fund savings proposals, plus the projected budget overspend shown above. The Medium Term Financial Strategy reported to Cabinet in June recommended a further use of £2.3m from reserves to balance the 2017/18 budget. Last month's budget monitoring report recommended reversal of the decision to fund the first phase costs of the Ambition 2020 and successor programmes from reserves, subject to sufficient capital receipts or other resources being available.

### **3 Comments of the Strategic Director of Finance and Investment**

3.1 Although the projected overspend of £5.8m shown in the table above is an improvement from last month it still continues to represent a very significant risk to the authority's financial position and, if it cannot be managed, would reduce the GF balance to £17.035m. The small improvement overall also masks a worsening of the overspend in the Homelessness service.

3.2 Whilst this is above the target balance of £15.0m, it should however be noted that there is currently a funding gap of £2.3m for the 2017/18 budget, which Cabinet

agreed could be funded from reserves and will result in a further reduction of the GF balance to £14.7m. This would be below the target minimum level of balances. The Strategic Director of Finance & Investment has a responsibility under statute to ensure that the Council maintains appropriate balances at all times.

- 3.3 The main elements of the projected overspend are as follows, offset by a £0.4m underspend in central expenses and £0.5m in Finance and Investment:
- Children's Complex Needs & Social Care - £2.9m
  - Leisure - £0.5m
  - Environmental Services - £0.25m
  - Homelessness - £3.1m
- 3.4 Last year Cabinet received reports from Children's Services on the pressures in that service and setting out options for reducing expenditure. These were partially successful and the overall overspend in Children's Social Care reduced to £4.8m by year end. The SAFE programme within Children's Social Care is ongoing with a focus on reducing the level of expenditure. Good progress is being made in reducing the cost of placements; however staffing cost reductions are proving harder to achieve. However the savings have also been made against additional spend areas (expenditure under section 17 and section 20). Taken together this has resulted in a fall in the overall forecast to £2.9m overspend variance.
- 3.5 The pressures in Homelessness also emerged towards the end of the last financial year and that has continued in to 2016/17 with the welfare reform pressures. The main cause is the continuing increase in homelessness applications and the growing gap between the cost to the Council of obtaining temporary accommodation and the income that can be recovered from tenants through Housing Benefit. The key concern is that this pressure may grow due to the wider external factors acting on the borough and the capital more broadly.
- 3.6 Such is the size and nature of the overspend that it is unlikely to be recovered without concerted action and management oversight. The Strategic Director for Growth and Homes has therefore commissioned a recovery plan project similar in nature to the SAFE programme. However pending the development and implementation of such a plan the position has the potential to worsen. The delay in the reporting of the recovery plan is the most significant cause of concern at the time of drafting the report.
- 3.7 The updated medium term financial strategy (MTFS) agreed by Cabinet in July including a recommendation to capture the in year benefits from the transformation and voluntary redundancy programmes and roll them forward to support balancing the draft 2017/18 position. Whilst this is helpful for the next financial year, and provides some smoothing capacity for the transformation programme to implement, it increases the pressure on 2016/17.
- 3.8 As important, in terms of the budget setting and MTFS, as bringing this year in to balance, is that the pressures impacting on 2016/17 are managed by the start of the new financial year so the momentum of overspending does not continue in to 2017/18. The SAFE programme, whilst not managing to contain the full pressure identified last year, does appear to have a positive direction of travel but the

overspend in Homelessness continues to increase and needs to be the focus of attention for the organisation over the next six months.

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

#### 4. Directorate Performance Summaries

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

##### 4.1 Service Development & Integration

- 4.1.1 The budgets within Service Development and Improvement are currently forecast to overspend by £3.4m by year end as shown in the table below.

**Table 3 – Service Development and Integration Budgets**

Service Block	Full year Budget 2016/17	Period 5 Projection	Variance from Budget	
			£0	%
<b>Adults Care &amp; Support</b>				
Operations	30,982	32,819	1,837	
Commissioning	6,828	6,673	(155)	
Mental Health	3,841	3,841	0	
Adults Mgt & Support	1,651	(31)	-(1,682)	
<b>Sub-total Adults Care &amp; Support</b>	<b>43,302</b>	<b>43,302</b>	<b>0</b>	<b>0</b>
<b>Children's Care &amp; Support</b>				
Operations	39,172	42,079	2,907	
Commissioning	8,963	8,963	0	
<b>Sub-total Children's Care &amp; Support</b>	<b>48,135</b>	<b>51,042</b>	<b>2,907</b>	<b>6%</b>
Public Health	0	0	0	
Community Safety & Offender Mgt	1,282	1,282	0	
Healthy Lifestyles - Leisure	985	1,521	536	
Education Commissioning	4,418	4,418	0	
Divisional Support - Children's	9,838	9,838	0	
<b>TOTAL</b>	<b>107,960</b>	<b>111,403</b>	<b>3,443</b>	<b>3.09%</b>

4.1.2 There has been a large improvement in the position on Children's Care and Support Operations – largely within the placements budgets. The forecast still assumes further savings will be delivered through the SAFE programme – however the forecast is based on prudent assumptions. .

4.1.3 The main pressures are:

- Children's Care and Support forecasting an overspend of £2.9m against a budget of £39.172m. This position makes the assumption that £0.8m remaining SAFE programme savings will be achieved by year end.
- Leisure services forecast to overspend by £0.536m (no change since last month). The service is reviewing all areas of spend and exploring income generation ideas to mitigate this pressure.

There still remains a pressure within the Adult Social Care & Support service block regarding the purchase of social care which the service is working to mitigate or manage through a call on the Adults services reserve at year end.

### **Adults Care & Support**

4.1.4 The service delivery arm of Adult Social Care and support is currently reflecting a balanced position, but there remains a potential budget pressure of £1.837m. The forecast has not been changed this month however within the overall figure there is some evidence of increased risks and upwards pressures in the homecare purchasing budgets (where the impact of the price increases are now being seen.) However offsetting this is an increased estimate of the level of DP clawback and a detailed piece of work is also being carried out on the LD Supported Living budgets forecast.

4.1.5 These budgets will continue to be monitored closely throughout the year as activity levels fluctuate. At this stage it is assumed that this pressure would be managed in year through mitigation - part of which is the major review of care packages and placement costs in learning disabilities but a call on the Adults reserve may also be required.

4.1.6 The Commissioning service is currently forecast to underspend by £0.155m mainly as a result of underspends against the extra care services budgets assuming maximum hours are not utilised and additional income received.

4.1.7 Mental Health is showing a small underspend (£23k) based on current placement numbers within an overall balanced position. However there are some risks to this position from their waiting list. (The estimated in year cost if all clients were placed is around £340k.)

### **Children's Care and Support**

4.1.8 Significant demand pressures within the Children's Care and Support service block have continued from 2015/16 into the current financial year. At the start of the financial year the service faced a potential pressure of £9.465m on its budget. The service delivery block now has a current pressure (ie based on current activity and commitments) of £3.693m down £1.2m from last month.

#### 4.1.9 This reduction includes

- (91k) decrease in Asylum Seekers. There was a net decrease of 5 Asylum seekers, mostly from the more expensive kinds of provision. As a result the average unit cost is around £50 per week lower (from £498 a week to £448) than in previous reporting periods..
- (54k) Legal costs have gone down as a direct result of the recruitment of the 2 extra in-house advocates which has consequently reduced the use of external counsel.
- (£237k) decrease in No Recourse to Public Funds (NRPF). There were around 70 families at the start of the year with 22 cases now closed to date. This has resulted in £237k reduction.
- (£342k) decrease across placements. There was a net increase in number of 5 placements across the whole service (excluding Asylum Seekers). However due to work carried out around reviewing use of expensive placements there has been a reduction in the average cost.
- (£510k) reduction in the Section 17 and Section 20 spend. The service have managed to close the majority of cases following a rigorous review of the service and also a change in the supplier of outreach support services to a cheaper and value for money supplier.

The first four items were all planned savings within the SAFE programme. Overall £4.26m of SAFE savings have been delivered this and are included in the forecast. The last item is in addition to the SAFE savings. The current pressure is before the remaining planned reduction in expenditure as a result of SAFE programme delivery. Around £1.1m of the revised programme savings target have yet to be delivered; however a more prudent assumption of £0.8m further savings has been made for monitoring purposes given the level of risk. This gives an outturn forecast of £2.9m overspent. This is a huge improvement since the beginning of the year.

**Table 5: Children’s Care and Support Operations– Forecast Outturn**

<b>Service Area</b>	<b>2016-17 Budget</b>	<b>2016-17 Forecast</b>	<b>Current 2016-17 Variance</b>	<b>2016-17 Further Action</b>
Agency/Staffing	14,583	16,882	2,299	(313)
Placements	22,565	21,326	(1,239)	(473)
Transport	2,628	2,119	(509)	0
Legal	437	437	0	0
NRPF	1,009	1,114	105	0
UASC	1,098	987	(111)	0
Unattributed savings/ funding gap <sup>1</sup>	-3,148	0	3,148	0
<b>Total Childrens Care and Support Operations</b>	<b>39,172</b>	<b>42,865</b>	<b>3,693</b>	<b>(786)</b>

- 4.1.10 It should however be noted that although there has been some reduction in staffing costs, there has been little progress in the main staffing saving target of reducing agency and so this remains a significant risk even at the prudent level used in the report. It must also be recognised that while the service has made particular progress in containing the cost of LAC placements this is a volatile and high risk budget and could be subject to future increased statutory demand requirements.
- 4.1.11 Nevertheless the vastly improved position is evidence of strong management action and provides a better basis to deal with any further pressures that emerge. The Commissioning and Safeguarding Service is forecasting to be on budget.

### **Education Youth and Childcare Commissioning**

- 4.1.12 There is currently no overall forecast variance. Many services in this division collect income and so face some level of inherent risk but no major in year variances have been identified. There is an income pressure of £50k in School Improvement but this is being managed within the service.

### **Public Health**

- 4.1.13 The Public Health ring-fenced grant has an allocation of £17.791m in 2016/17. (This is net of the reduction in Public Health Grant.) The budgets have been realigned to reflect current commissioning intentions including the allocation of around £157k contingency. Following this the budget is forecast to be on balance. There remains a risk to the budget from demand led services especially Sexual Health services; activity at the main local providers has fallen recently but it is not yet clear if this is a fall in total activity or a displacement to other potentially more expensive services. This will be monitored but any variance will be managed within the Public Health budget.

### **Community Safety & Offender Mgt**

- 4.1.14 Services here include the Youth Offending Service (YOS) and the Anti social Behaviour team (ASB). The service is currently forecast to breakeven, but the YOS service is expected to manage an in year funding reduction of circa £95k. This is being managed through a review of the service with the view to manage within available resources. There is an as yet unresolved budgeting issue (£140k) concerning the recharged income from the CCTV service which has now transferred to Enforcement in CCSD but was previously used to fund the ASB structure.

### **Healthy Lifestyles – Leisure**

- 4.1.15 The service is still forecasting a projected overspend of £0.536m mostly relating to pressures in the Abbey Leisure centre. The relatively new facility still indicates an income shortfall of £0.366m based on income trends. A number of options for expanding the customer base continue to be explored. There are also some cost pressures estimated at £0.170m which mainly relate to supplies and services costs which the centre requires, and the centre manager is working to review and reduce this cost pressure. This work has begun by going back to the original assumptions in the business case and examining whether they still apply. The manager and



finance are also reviewing the controllable costs i.e. staffing to identify where efficiencies can be made.

### Dedicated School Grant (DSG)

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

### 4.2 Customer Commercial & Service Delivery

**Table 6 – CCSD budgets**

Division	Full year Budget 2016/17	Period 5 Projection	Variance from Budget	
			£'000	%
Clean & Green	7,534	7,709	175	0
Enforcement	10,798	10,874	76	
Other	153	153	0	
Elevate Client Unit	12,704	12704	0	0
Human Resources	36	36	0	0
SD Customer service & Commercial delivery	140	140	0	0
<b>Total General Fund</b>	<b>31,365</b>	<b>31,616</b>	<b>251</b>	<b>0</b>

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

**Table 7**

Service Area	£'000
Green garden waste	175
School crossing patrols	76
<b>Total</b>	<b>251</b>

#### 4.2.2 Clean & Green

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

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

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

#### **4.2.3 Enforcement Service**

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

There is an underlying pressure of £260k on the Parking account. This is primarily a result of a projected income shortfall. Delay in implementing cashless parking programme has also meant expected cost reduction for cash collection has not been achieved. An increase in the number of agency Civil Enforcement officers has also contributed to the pressure.

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

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

#### **4.2.4 Other Environmental services**

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

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

#### **4.2.5 Elevate Client Unit:**

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

There is a further potential risk of £600k with respect to Council Tax Court Costs income underachievement. This occurred in 2015/16 due to court summonses being cancelled, however mitigation is in place to improve controls around the cancellations of summonses during 2016/17. There are also a number of other small staffing pressures that are being managed within the service.

Operational HR is forecast to break even at year end; however, there is risk of pressure in the region of £87k due to not enough schools buying into the service. This will need to be managed by the department in order to come in on budget.

### 4.3 Growth & Homes

**Table 8- Growth and Homes**

Culture & Recreation	4,295	4,267	(28)
Regeneration	923	923	0
Housing strategy	(85)	(85)	0
Homelessness	969	4,069	3,100
Landlord Services	110	110	0
<b>Total General Fund</b>	<b>6,212</b>	<b>9,284</b>	<b>3,072</b>

- 4.3.1 Culture & Recreation is forecast to under spend at year end by £0.028m, due to staff vacancies across Library services. The previously reported pressure on the Volunteer programme has been removed and delivery of the programme is to be contained within available revenue budgets.
- 4.3.2 Homelessness is currently forecasting a pressure of £3.1m at the year end. This is due to the net cost of placing people in accommodation provided by private sector landlords, which is currently the largest source of temporary accommodation. The income that the Council can collect from tenants is constrained by the level of Housing Benefit payable which has been frozen for a number of years and is now below the cost of most accommodation in the borough and neighbouring areas. Around two thirds of the properties used for temporary accommodation produce a net cost to the Council and this is likely to increase over time. Performance bonuses are also paid to agents for providing 7 or more properties. Although the total cost of using private sector landlord properties is forecast at approximately £1.9m, if these properties are not secured, the cost to the Council would be even greater as a result of increased use of B&B accommodation.
- 4.3.3 There are other pressures also emerging which will impact on the pressure reported above. The impact of welfare reform continues to be monitored but is expected to result in increased levels of homelessness unless preventative measures are effective. Temporary accommodation arrears have increased by £95k (5%) this financial year, and, the current level of bad debt provision will not provide sufficient coverage, resulting in an additional pressure. The position will be closely monitored throughout the year. There continues to be a high level of security in place at the homeless hostels to enable the safeguarding of staff and residents following a number of incidents in previous years.
- 4.3.4 Bed and Breakfast numbers are now at a very low level (around ten to fifteen) and not contributing to the overall pressure. However it is unlikely that this can be reduced much further for a sustained period until there is more capacity in the Council's hostels (now expected July 2017.)
- 4.3.5 A significant element of risk is outside the Council's direct control, however, an action plan is being developed to support mitigation. Mitigating action includes

reviewing income opportunities such as introducing service charges where possible, holding vacant posts, reviewing how services are being delivered in order to find more efficient ways of providing ,ensuring recharges and income collection is up to date and maintaining spend restraint across the service. Longer term measures include a wider range of placement options including placement out of borough. This however will be subject to Cabinet approval and development of a legally robust accommodation strategy.

- 4.3.6 The combined impact of these external pressures and the management action plan mean that there is a range of possible overspend – from £2.3m in the best case to £3.5m or more if action is not successful. However as another month has passed with little progress on reducing spend the likelihood of an outturn in the top part of the range increases. For this reason the forecast has been increased to £3.1m.
- 4.3.7 The Regeneration and Economic Development teams are currently projected to spend to budget by the end of the financial year with no specific issues or pressures at this stage. The main risk to achieving the break even position is the in respect of recovering the budgeted level of income which is derived mainly from Planning Application and Local Land Charge fees. To date, however, income levels are in line with those of previous years and, therefore, there are no current concerns.

#### 4.4 Housing Revenue Account (HRA)

- 4.4.1 The HRA is currently forecast to underspend by £1.018m as shown in the table below:

**Table 9: Housing Revenue Account**

HRA Classification	Budget	Forecast	Variance
	£'000	£'000	£'000
Rent	(90,538)	(90,818)	(280)
Non Dwelling Rents	(807)	(750)	57
Other Income	(19,285)	(19,453)	(168)
Interest Received	(336)	(336)	0
<b>Income</b>	<b>(110,966)</b>	<b>(111,357)</b>	<b>(391)</b>
Repairs and Maintenance	17,093	17,294	201
Supervision and Management	42,572	41,382	(1,190)
Rent, Rates and Other Taxes	700	700	0
Bad Debt Provision	2,772	2,772	0
Interest Charges	10,059	10,059	0
Corporate and Democratic Core	685	685	0
<b>Expenditure</b>	<b>73,881</b>	<b>72,892</b>	<b>(989)</b>
<b>Revenue Contribution to Capital</b>	<b>37,085</b>	<b>37,447</b>	<b>362</b>
<b>Transfer to HRA Balances</b>	<b>0</b>	<b>(1,018)</b>	<b>(1,018)</b>

4.4.2 The overall position shows an improvement of £0.396m from the period 4 forecast due to:

- Further cash savings in repairs and maintenance staffing costs (£0.200m) resulting from additional staff now expected to take voluntary redundancies and some posts now expected to remain vacant until year end.
- Additional underspends in Housing Management Services following confirmation that additional posts are to remain vacant until year end (£0.196m).

#### 4.4.3 HRA Income

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

- Additional rental income of £0.28m from lower than expected void levels, partially offset by lower rental income from HRA decants used for Temporary Accommodation
- Lower than expected garage income £0.057m while the refurbishment programme continues.
- Lower than expected service charge income of £0.1m due to the Housing Management decision to suspend Concierge charges at Thaxted House. This is offset by an equivalent savings in payments to the security contractor.
- Higher than budgeted income from telecommunication masts and other income is expected (£0.268m)

#### 4.4.4 HRA Expenditure

Expenditure budgets are expected to be underspent by £0.989m.

- Supervision and Management is expected to underspend by £1.190m, this is due to Housing Management fleet/estate cost reductions (£0.5m) & staff saving (£0.590m) from the on-going voluntary redundancy process and service management savings from the suspension of the concierge service at Thaxted House (£0.1m).
- The main areas of the forecast overspend are in the Repairs and Maintenance Service, which is currently forecast to overspend by £0.201m. This is a significant reduction from 2015/16 based on the expected reduction in staffing costs in 2016/17 resulting from the on-going voluntary redundancy process. The service needs to actively work to put action plans in place in order to achieve at least break even position.
- The HRA contribution towards the cost of voluntary redundancy is currently forecast to be £3.5m but this is containable within the overall HRA budget due to the staff vacancies created from the voluntary redundancy process.

#### 4.4.5 HRA Balances

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

Based on the current forecast it is also assumed HRA balances will increase by £1.018m, this will partly contribute towards a potential risk from a court decision against LB of Southwark, which is subject to appeal currently, in respect of resale of

water supply and the associated commission (to cover admin costs of circa £1.2m in 2016/17). Should the appeal fail this may result in the repayment of commission to tenants. The service is currently seeking legal advice on this matter.

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

#### 4.5 Law & Governance

**Table 10**

<b>Directorate Summary</b>	2016/17 Budget £000	2016/17 Forecast £000
Net Expenditure	<b>590</b>	<b>510</b>
Projected over(under)spend		<b>(80)</b>

This directorate is projected to spend to budget. There may be a small surplus (£80k) on the trading account.

#### 4.6 Finance & Investment

**Table 11**

<b>Directorate Summary</b>	2016/17 Budget £000	2016/17 Forecast £000
Net Expenditure	<b>1,983</b>	<b>1,483</b>
Projected over(under)spend		<b>(500)</b>

This directorate is projecting an underspend of £0.5m resulting from a surplus on B&D Reside.

#### 4.7 Central Expenses

**Table 12**

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

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

Interest on borrowing costs is currently forecast to be £0.2m better than budget due to required borrowing being lower than anticipated and additional procurement savings of £0.2m are also forecast.

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

## 5. In-Year Savings Targets – General Fund

5.1 The delivery of the 2016/17 budget is dependent on meeting a savings target of £12.9m. Directorate Management Teams are monitoring their targets and providing a monthly update of progress which is summarised in the table below. Where there are shortfalls, these will be managed within existing budgets and do not affect the monitoring positions shown above.

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

**Table 13**

<b>Directorate Summary of Savings Targets</b>	<b>Target £000</b>	<b>Forecast £000</b>	<b>Shortfall £000</b>
Customer, Commercial & Service Delivery	2,790	2,604	<b>186</b>
Growth & Homes	971	371	<b>600</b>
Service Development and Integration	3,866	3,778	<b>88</b>
Finance & Investment	4,560	4,470	<b>90</b>
Central Expenses	667	0	<b>667</b>
<b>Total</b>	<b>12,854</b>	<b>11,223</b>	<b>1,631</b>

## 6. Capital Programme 2016/17

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

**Table 14 – The Capital Programme for 2016/17**

	2016/17 Revised Budget £'000	Actual Spend to Date £'000	2016/17 Forecast £'000	Variance against Budget £'000
Service Development & Integration	58,625	31,615	67,098	8,473
Customer, Commercial & Service Delivery	7,811	1,708	8,245	434
Finance & Investment	4,297	980	4,297	0
Growth & Homes	56,669	15,141	56,177	(492)
<b>Subtotal - GF</b>	<b>127,402</b>	<b>49,444</b>	<b>135,817</b>	<b>8,415</b>
HRA	74,000	15,065	66,200	(7,800)
<b>Total</b>	<b>201,402</b>	<b>64,509</b>	<b>202,017</b>	<b>615</b>

The main elements of the programme are as follows:

- 6.2 **New Schemes** - One new scheme was added to the Capital Programme that was approved by Cabinet – Gascoigne West (Housing Zone) with a total budget of £7.8m of which £2m was added to this year's Capital Programme and £5.8m profiled to next year and funded by the GLA. The detailed scheme breakdown is shown in Appendix C.
- 6.3 **Service Development & Integration** - The main element in the programme is the school expansion programme (£46.8m). Forecast is that it will spend £8.4m over budget – however this is due to accelerated spend on the Barking Riverside Secondary Free School for which the funding has already been agreed and received from the EFA.
- 6.4 **Customer, Commercial & Service Delivery** - This includes IT projects (£3.7m) and various environmental projects (£4.1m). The Directorate is showing an overspend of £0.434m primarily due to increased hardware costs for the ICT End User scheme.
- 6.5 **Finance & Investment** - The main element in the programme is the corporate accommodation strategy (£4.1m). Forecast is to budget.
- 6.6 **Growth & Homes** - The largest project is the Gascoigne estate renewal (£37m). The monitoring shows an underspend of £0.492m primarily due to (£0.192m) retention and final account payments earmarked for next year on the Barking Riverside Trans Link (Drovers Way) and (£0.300m) earmarked for the Barking Bath house which will not be installed until the Swan Housing Development on Cambridge Road has been completed, which will now be in 2017/18.
- 6.7 **HRA** - The main expenditure is on new build schemes (£25.6m) and investment in existing stock (£38.6m). Forecast is £7.800m below budget, to £66.200m. The monitoring shows an underspend on 7 schemes – Leys Phase II (£3.000m); Kingsbridge Shared Ownership Development (£2.000m); Infill Sites and Ilchester Road (£1.000m) each respectively; and Bungalows, Burford Close and Communal Repairs and Upgrades (£0.800m) between them. These schemes will complete in 2017/18 which is the main reason for some of the slippage; as the programmes have only recently been agreed.

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

- Oracle monitoring reports

#### **List of Appendices**

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