

## CABINET

15 November 2016

<b>Title:</b> Budget Monitoring 2016/17 - April to September (Month 6)	
<b>Report of the Cabinet Member for Finance, Growth and Investment</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> 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 six months to the end of September 2016, projected to the year end.</p> <p>There is a projected overspend of £5.76m on the 2016/17 budget, a small decrease from last month of £0.026m. There is a new reported pressure on recovery of Court Costs within Council Tax, and an increase in the forecast pressure for Leisure services offset by an improved position in Children's Services and increased underspends in central budgets. 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 £156.07m against the budget of £150.3m. The projected year end overspend will contribute to a significant reduction in the General Fund balance to £17.061m at year end, which is above the minimum target balance set by the Strategic Director of Finance and Investment.</p> <p>The Housing Revenue Account (HRA) is projected to produce a revenue surplus of £1.2m, leaving the HRA reserve at £9.95m. 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 currently stands at £201.4m. The Forecast outturn is £197.712m, £3.69m under budget – £7.65m over on General Fund mostly relating to Schools and £11.3m under on HRA as a result of slippage.</p> <p>This month in addition to the normal budget monitoring process the Cabinet is asked to approve some reprofiling of the Capital Programme. This is the process whereby money can be drawn forward from future years of an approved programme where there is accelerated progress or pushed back where there is slippage. This will address the variances reported above.</p>	

The Operational Director for Enforcement has also requested that information be published for noting about the allocation of funding in the Highways Improvement Programme. This is shown in Appendix D to the report.

### **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 30 September 2016 as summarised in section 2 and Appendix A of the report.
- (ii) Note the position on the Dedicated Schools Grant (DSG) as summarised in paragraph 4.1.11 of the report;
- (iii) Approve the loan of £58,000 to Monteagle School from the Schools Facing Financial Difficulties fund on the terms as set out in paragraph 4.1.12 of the report;
- (iv) Note the overall position for the HRA at 30 September 2016, as detailed in section 6 of the report;
- (v) Note the progress made on budgeted savings to date, as detailed in Appendix B to the report;
- (vi) Note the projected outturn position for 2016/17 of the Council's capital budget as at 30 September 2016, as detailed in paragraph 7 and Appendix C of the report;
- (vii) Note the allocation of the Highways Improvement Programme funding as detailed in Appendix D to the report; and
- (viii) Approve the proposed reprofiling of the Capital Programme as detailed in Appendix E to the report.

### **Reason(s)**

As a matter of good financial practice, the Cabinet should be regularly updated with the position on spend against the Council's budget.

## **1. Introduction and Background**

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

## **2. Current Overall Position**

- 2.1 The following tables summarise the spend position and the forecast position of the General Fund and Housing Revenue Account (HRA) balances. It should be noted that there have been some services transferred to new line management this month

and so are reported in a different part of the hierarchy. These are explained in more detail in the individual service sections.

- 2.2 Overall there is now a forecast overspend of £5.760m which will result in a reduction of the Council's reserves.

**Table 1: Council Forecast Expenditure Position**

<b>Council Summary 2016/17</b>	<b>Net Budget £0</b>	<b>Full year forecast at end Sep 2016 £0</b>	<b>Over/(under) spend Forecast £0</b>
Service Development & Integration	108,085	111,682	<b>3,597</b>
Customer, Commercial & Service Delivery	32,264	33,145	<b>881</b>
Growth & Homes	6,210	9,272	<b>3,062</b>
Law & Governance	595	365	<b>(230)</b>
Finance & Investment	1,681	1,181	<b>(500)</b>
Central Expenses	1,479	429	<b>(1,050)</b>
<b>Total Service GF Expenditure</b>	<b>150,314</b>	<b>156,074</b>	<b>5,760</b>

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

<b>Projected Level of Reserves</b>	<b>£'000</b>
Opening General Fund 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)
<b>Revised Level of Reserves</b>	<b>22,821</b>
Reserves drawdown to cover overspending	(5,760)
<b>Forecast General Fund Reserve at 31<sup>st</sup> March 2017</b>	<b>17,061</b>

- 2.3 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.

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

- 3.1 This report represents a clear point for reflection in the financial year and, positively, there has been a small improvement in the reported position though significant pressures and overspends remain in some service areas.

- 3.2 The projected overspend of £5.76m shown in the table above would have been greater but for windfalls on central budgets and other significant risks within the services remain. If this position is maintained, the overspend would reduce the GF balance to £17.061m. Whilst this is above the target balance of £15.0m, it should be noted that the current medium term financial strategy assumptions include the use of a further £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. This would be below the target minimum level of balances. As Section 151 Officer, I have 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 £0.9m underspend in Central Expenses and £0.5m in Asset Strategy:
- Children's Care and Support - £2.75m
  - Leisure - £0.85m
  - Environmental Services - £0.25m
  - Homelessness - £3.1m
  - Council Tax recovery - £0.6m
- 3.4 On the same agenda for Cabinet, are the proposals for the 2017/18 budget and the Medium Term Financial Strategy to 2020/21. Achievement of the targets in that strategy depends in part on robust financial management and the successful mitigation of the pressures being experienced by services this year.
- 3.5 The pressures in Children's Care and Support are longstanding and pressures in Homelessness emerged last financial year and have continued into 2016/17. The robust action taken by the Council in regard to Children's is beginning to take effect, with the anticipation that the service will be on budget next year, but this has not yet been achieved for Homelessness. 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 London more broadly. A recovery plan has been enacted but, in a similar way to the SAFE programme not immediately reducing pressures, is unlikely to have a significant impact in this financial year.
- 3.6 The continuing pressure in Leisure is also a concern and is considered unlikely to improve as the landscape for the service has shifted since the original approval of an ambitious business case. In addition, a high level of risk has been identified in the Clean and Green service which has the potential to become a significant pressure if successful mitigating action is not identified and implemented.
- 3.7 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. It should be noted however that the previous capacity within service budgets to manage such pressures has largely been removed in successive budget

processes meaning the certainty that may have existed historically that this would occur can no longer be assumed.

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

#### 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 and Integration

4.1.1 The budgets within Service Development and Improvement are currently forecast to overspend by £3.597m by year end as shown in the table below. The Cleaning Service has been moved from within Facilities to Children's Care and Support Commissioning in preparation for transfer to Traded Services.

**Table 3: Budgets within the SD&I grouping**

<b>Service Block</b>	<b>Budget 2016/17</b>	<b>Period 6 Projection</b>	<b>Variance from Budget</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adults Care &amp; Support</b>			
Operations	30,982	32,739	1,757
Commissioning	6,830	6,675	(155)
Mental Health	3,841	3,841	0
Adults Mgt & Support Services	1,651	49	(1,602)
<b>Sub-total Adults Care &amp; Support</b>	<b>43,304</b>	<b>43,304</b>	<b>0</b>
<b>Children's Care &amp; Support</b>			
Operations	39,172	41,992	2,750
Commissioning	9,129	9,129	0
<b>Sub-total: Children's Care Support</b>	<b>48,301</b>	<b>51,051</b>	<b>2,750</b>
Public Health	0	0	0
Community Safety & Offender Mgt	1,280	1,280	0
Healthy Lifestyles - Leisure	944	1,791	847
Education Commissioning	4,418	4,418	0
Central Costs	9,838	9,838	0
<b>TOTAL</b>	<b>108,085</b>	<b>111,682</b>	<b>3,597</b>

The main pressures are:

- Children's Care and Support forecasting an overspend of £2.75m against a budget of £39.172m. This position assumes that £0.55m of the remaining £0.8m target SAFE programme savings will be achieved by year end.

- Leisure services forecast to overspend by £0.847m. This is an increase from last month's forecast which was £0.536m. The service will continue to review all areas of spend and explore income generation ideas to mitigate this pressure.

4.1.2 There 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.

4.1.3 A challenging savings target of £4.019m has been built into the 2016/17 budget. These savings are largely in the process of being delivered or already implemented. However, current forecasts indicate under delivery of £0.088m (see savings tracker for further details). Where under delivery has been identified, managers are actively working to manage the resulting pressure.

### **Adults Care & Support**

4.1.4 The service delivery arm of Adult Social Care and support is currently reflecting a breakeven position, but there remains a potential budget pressure of £1.757m - a reduction from last month's pressure of £1.837m as a result of an increase in the estimated residential income.

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 management action, 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 because of underspends against the extra care services budgets from not using the maximum hours and from additional income received.

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

4.1.7 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 block is now forecasting a current pressure of £3.314m. This is a net decrease of £0.378m over last month's reported figures as a result of continued reduction in placement and other commissioning costs. In addition, the Service expects to deliver a further £0.8m of further in year savings of which £0.55m are included in the forecast bringing the final figure to £2.750m overspend. It should be noted much of this saving depends on recruitment and there is some risk that it may not be achieved within the timescale. There is also a potential trading income surplus on Catering.

### **Healthy Lifestyles – Leisure**

4.1.8 The service is forecasting a projected overspend of £0.847m mostly relating to pressures in the Leisure centres. The Abbey Leisure Centre (ALC) is currently reflecting a forecast pressure of £0.603m which is an increase of £0.07m from last month's position of £0.536m due to additional staffing pressures of £0.104m based

on the current establishment and a £0.103m increase in the supplies and services cost pressure based on current trends.

4.1.9 The original business case in 2011/12 for the new Abbey Leisure Centre was based on the premise that the centre would be self financing. However this relied on an ambitious estimate of the possible income. Since the business case was drawn up the market in Barking has changed with other rival establishments coming to the area and the Abbey centre started with a lower number of customers than in the original projections. Since its opening the centre has grown its income but is some way off meeting the original ambitious targets. In addition the costs of such a centre may have been underestimated.

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

#### **Dedicated Schools Grant**

4.1.11 The DSG is a ring fenced grant to support the education of Early Years and School-age pupils within the borough. The 2016/17 DSG allocation is £240.776m covering Individual Schools' budgets, High Needs and Early Years services. In addition in 16/17 there is a planned £6.4m drawdown from the DSG reserve making a total allocation of £247.509m. There is currently a small net forecast overspend of £0.2m but it is currently expected that this can be managed within the overall funding.

4.1.12 Within the DSG is an allocated fund to provide loans to schools facing financial difficulties. Loans are generally made for a short period of up to three years and schools are expected to prepare a financial recovery plan showing how and when they will be in a position to repay the loan. The applications are scrutinised by a sub group of the schools forum and agreed by the whole forum. However Cabinet must provide the financial approval. Monteagle Primary School has made an application for a loan of £58,000 repayable over two years and this was agreed by the forum on 4 October 2016. Cabinet are asked to approve this loan.

#### **4.2 Customer Commercial & Service Delivery**

4.2.1 The projection to year end is an overspend of £0.881m. This is made up of savings not being achieved in Clean and Green (£0.175m), Enforcement (£0.076m) and £0.63m pressure from non recovery of Court costs in relation to Council Tax arrears.

4.2.2 In addition to the declared overspend there is around £1.24m of pressures within this service grouping. However managers have identified £0.82m of mitigating actions and are working on finding further action to resolve the remaining £0.42m pressure.

**Table 5: CCSD Budgets**

<b>Service</b>	<b>Full year Budget 2016/17</b>	<b>Period 6 Projection</b>	<b>Variance from Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Clean & Green	7,536	7,711	175
Enforcement	11,206	11,282	76
Other	-64	-64	0
Elevate Client Unit	13,446	14,076	630
SD Customer service & Commercial delivery	140	140	0
<b>Total General Fund</b>	<b>32,264</b>	<b>33,145</b>	<b>881</b>

**Clean & Green**

- 4.2.3 There is a declared overspend of £0.17m relating to Green Garden waste and a further £1m pressures within this service.
- 4.2.4 The collection of green garden waste was due to end in September 2015 which would deliver a £0.22m saving in a full year (£110k in each of the financial years 2015/16 and 2016/17). This service continued to the end of September 2016 and is estimated to have cost £0.175m in 2016/17 due to agency cover of the service. The service has now ceased and will only restart in the new year on a paid for basis which means the full saving should be achieved in 2017/18.
- 4.2.5 Other pressures on staffing budgets remain at the July reported position of £0.96m which are due to an over establishment of staff in Clean & Green. The transport and fleet spend is also forecast to be a net £0.2m over budget. There are also pressures on the fleet and transport budget but the service is working on a plan to mitigate these.
- 4.2.6 The Clean & Green portfolio also now includes Fleet management and workshop which is forecast to underspend by £0.16m from a combination of lower supply costs and overachievement of income.

**Enforcement Service**

- 4.2.7 The Enforcement service pressure is as a result of the School Crossing patrol saving being delayed. Agreement has now been given to end this service in January with the relevant actions put in place to make this happen.
- 4.2.8 In addition there are some underlying pressures on Parking Income but there are other underspends in the service which mitigate pressure across the department from maximising the use of grants and income in the service. The service also



anticipates that with ongoing Street lighting capital works in current year, there will be reduced pressure on the repairs and maintenance budget.

### Other Environmental services

4.2.9 These include the Passenger Transport Service. There is a business case being developed for the end of November for Passenger Transport considering either a shared service arrangement with Havering or a reduced in house service. The service will find compensating savings for the slippage and expect to make the full saving next year.

### Elevate Client Unit:

4.2.10 The Elevate Client Unit is currently forecast to overspend by £0.63m by year end due to underachievement of income in respect to Council Tax Court Costs. This first occurred in 2015/16 due to court summonses being cancelled by the Court as an incentive for Council Tax payers to repay their debts. This practice has continued into 2016/17 and collection of Council Tax arrears is ahead of target. There are a number of other smaller pressures within the service which are being mitigated.

### 4.3 Growth & Homes

4.3.1 There is a projected overspend of £3.1m relating to Homelessness and the cost of Temporary Accommodation. There are no other significant pressures.

**Table 6: Growth and Homes budgets**

Service	Full year Budget 2016/17	Period 6 Projection	Variance from Budget
	£'000	£'000	£'000
Culture & Recreation	4,295	4,267	(28)
Regeneration	923	923	0
Housing strategy	(85)	(85)	0
Homelessness	967	4,067	3,090
Strategic Director of Growth & Homes	110	110	0
<b>Total</b>	<b>6,212</b>	<b>9,284</b>	<b>3,072</b>

4.3.2 The projection to year end is an over spend of £3.1m within Homelessness. The majority of this budget is driven by the number of people presenting, and being accepted, as statutorily homeless. Potential pressures have been identified within the other budgets, however, it is expected that they will be managed within the service areas. Culture & Recreation is forecast to under spend at year end by £0.028m, due to staff vacancies across Library services.

- 4.3.3 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 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.
- 4.3.4 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 (currently £5 per night or £1,825 per year). Performance bonuses are also paid to agents for providing seven or more properties and are forecast at £119k for the year. The costs for Bed and Breakfast and Nightly Let accommodation are greater still and the service has succeeded in reducing the usage of such accommodation.
- 4.3.5 There are other pressures which will impact on the pressure reported above. The impact of welfare reform continues to be monitored but is expected to result in increased levels of homelessness unless preventative measures are effective. Temporary accommodation arrears have increased by £88k (3%) this financial year, and, the current level of bad debt provision will not provide sufficient coverage, resulting in additional pressure.
- 4.3.6 There continues to be need for security at the homeless hostels to enable the safeguarding of staff and residents following a number of incidents in previous years. This is creating a pressure of around £0.25m on the hostels budget (although they are still making a net contribution to the council.)
- 4.3.7 There has been good progress at reducing use of Bed and Breakfast with numbers falling below ten in September. However, this success may not be sustainable throughout the year and the average is forecast at around 23. The renovation works at Boundary Road are planned and a partial decant will be required (up to 12 units at a time). Although the residents will be placed into PSL/HRA stock wherever possible there is a risk that the lack of hostel accommodation may mean that B&B has to be used more frequently for emergency cases.
- 4.3.8 A significant element of risk across the service is outside the Council's direct control and the new interim manager of the Homelessness Service will be reviewing management actions in place and developing a more robust plan. Possible mitigating action identified includes reviewing rents and income opportunities, holding vacant posts, reviewing how services are being delivered in order to find more efficient ways of provision, 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 will be subject to Cabinet approval and development of a legally robust accommodation strategy.
- 4.3.9 Until the impact of the action plan starts to take effect and reduce the forecasts the pressure on this budget will remain high and there is a risk that if numbers of homeless families increase suddenly or the costs of accommodation continue to rise the pressure could increase.

## Regeneration (Including Housing strategy)

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

4.3.11 The main risk to achieving the break even position for the Regeneration area is in respect of recovering the budgeted level of income which is derived mainly from Planning Application and Local Land Charge fees. To date, income levels are in line with those of previous years and, therefore, there are no current concerns.

### 4.4 Chief Executive' and Law and Governance

**Table 7: Chief Executive's and Law and Governance**

<b>Summary</b>	2016/17 Budget £000	2016/17 Forecast £000	Variance £000
Net Expenditure	<b>595</b>	<b>365</b>	<b>(230)</b>

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

4.4.2 The Transformation team has resulted in a cost to date of £1.5m which will be met by the use of Capital Receipts.

### 4.5 Finance & Investment

**Table 8: Finance and Investment**

<b>Summary</b>	2016/17 Budget £000	2016/17 Forecast £000	Variance £000
Net Expenditure	<b>1,681</b>	<b>1,181</b>	<b>(500)</b>

4.5.1 Facilities has now transferred into this service grouping as part of Asset Strategy. This directorate is projecting an underspend of £0.5m resulting from a surplus on B&D Reside.

### 4.6 Central Expenses and Levies

**Table 9: Central Expenses and Levies**

<b>Summary</b>	2016/17 Budget £000	2016/17 Forecast £000	Variance £000
Net Expenditure	<b>1,479</b>	<b>429</b>	<b>(1,050)</b>

4.6.1 This budget covers treasury management costs (interest paid on loans and received on investments), levies from ELWA and other statutory bodies, budgets to

cover the costs of redundancy and doubtful debts and a small contingency to cover any unforeseen pressures.

- 4.6.2 Interest on borrowing costs is currently forecast to be £0.2m better than budget due to required borrowing being lower than anticipated and additional procurement savings of £0.2m are also forecast. In addition there is around £0.5m projected underspend relating to Procurement savings.
- 4.6.3 The recent Cabinet decision to retain the current redundancy terms means that the saving from the removal of the enhanced multiplier will not be achieved. This will be managed in year but presents a risk for future years budgets.

## 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 are either reflected in the monitoring positions above or will be managed within existing budgets.
- 5.2 A breakdown of savings and explanations for variances is provided in Appendix B.

**Table 10: Summary of Savings Targets**

Summary of Savings Targets	Target £000	Forecast £000	Shortfall £000
Customer, Commercial & Service Delivery	3,190	3,004	186
Growth & Homes	971	371	600
Service Development and Integration	3,466	3,378	88
Finance & Investment	5,227	4,470	757
<b>Total</b>	<b>12,854</b>	<b>11,223</b>	<b>1,631</b>

## 6. Housing Revenue Account (HRA)

- 6.1 The HRA is currently forecast to increase its balances by £1.22m as shown in the table below:

**Table 11: HRA**

HRA Classification	Budget £'000	Forecast £'000	Variance £'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	17,093	0
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>72,691</b>	<b>(1,190)</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>1,219</b>	<b>1,219</b>

The overall position shows an improvement of £0.201m from the period 5 forecast due to further cash savings in repairs and maintenance staffing costs (£0.201m) resulting from confirmation of in-year budget savings being achievable.

## 6.2 HRA Income

6.2.1 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)

## 6.3 HRA Expenditure

6.3.1 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).

6.3.2 The Repairs and Maintenance Service is currently forecast to spend to budget. This is a significant reduction from 2015/16 due to reduction in staffing costs in 2016/17 as a result of the on-going voluntary redundancy process. The service continues to actively work to achieve at least break even position. The forecast position is highly dependent on the level of work carried out by the in-house service compared to that completed by sub-contractors, therefore this continues to be closely monitored to ensure no revenue pressure is created by underutilisation of the existing workforce. Any management decision to move additional revenue work to sub-contractors will also need to consider the revenue budget implication.

6.3.3 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.

## 6.4 HRA Balances

- 6.4.1 There is a budgeted contribution to capital resources of £37.1m and it is currently assumed this will increase by £0.362m in 2016/17.
- 6.4.2 Based on the current forecast it is also assumed HRA balances will increase by £1.219m. 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.
- 6.4.3 In addition, there is a Government proposal to instruct Local Authorities to sell its higher value voids and pay a levy to the Government to fund Housing Association Right to Buys. Even if the Authority does not decide to sell off its voids a levy will still apply. Formal Government Policy is still awaited, but it is anticipated that some form of payment may be required in this financial year.

## 7. Capital Programme 2016/17

- 7.1 The Capital Programme forecast against budget as at the end of September 2016 is shown in summary in the table below, with more detail in Appendix C:

**Table 12: Capital Programme**

	2016/17 Revised Budget £'000	Actual Spend to Date £'000	2016/17 Forecast £'000	Variance against Budget £'000
Service Development & Integration	54,324	37,523	61,721	7,398
Customer, Commercial & Service Delivery	7,811	2,132	9,046	1,235
Finance & Investment	4,297	1,202	3,029	(1,269)
Growth & Homes	60,970	23,169	61,257	287
<b>Subtotal - GF</b>	<b>127,402</b>	<b>64,026</b>	<b>135,053</b>	<b>7,650</b>
HRA	74,000	19,332	62,659	(11,340)
<b>Total</b>	<b>201,402</b>	<b>83,358</b>	<b>197,712</b>	<b>(3,690)</b>

## 7.2 New Schemes

- 7.2.1 There were no new schemes added to the Capital Programme in this reporting period.

## 7.3 Service Development & Integration

- 7.3.1 The main element in the programme is the school expansion programme (£46.8m). Forecast is that it will spend £6.8m 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.

## **7.4 Customer, Commercial & Service Delivery**

7.4.1 This includes IT projects (£3.7m) and various environmental projects (£4.1m). The Directorate is showing an overspend of £1.235m primarily due to increased hardware costs for the ICT End User scheme and the IT investment scheme being brought forward from future years.

7.4.2 Within the £4.1m Environmental Services budget is the £0.705m budget for the Highways Improvement Programme. An objective condition survey of the Borough's highways has been carried out and has been used as the basis of a priority list. The resultant allocation of funding to nine roads is shown as appendix E to this report. The Cabinet is asked to note the list.

## **7.5 Finance & Investment**

7.5.1 The main element in the programme is the corporate accommodation strategy (£4.1m). Forecast is that the department will underspend by £1.269m due to planned works at Barking Town Hall now commencing in 2017.

## **7.6 Growth & Homes**

7.6.1 The largest project is the Gascoigne estate renewal (£37m). The monitoring shows an overspend of £0.737m primarily due to (£1m) brought forward on Gascoigne West and £0.855m budget added to the Gurdwara Way scheme and final account payments earmarked for next year on the Barking Riverside Trans Link (Drovers Way) for (£0.490m) and (£0.275m) 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.

## **7.7 HRA**

7.7.1 The main expenditure is on new build schemes (£25.6m) and investment in existing stock (£38.6m). Forecast is £11.34m below budget at £62.659m. The monitoring shows an underspend on 8 schemes – Leys Phase II (£3.000m), Kingsbridge Shared Ownership Development (£2.600m), the Housing Transformation Programme (£1.29m) Infill Sites and Ilchester Road (£1.000m) each respectively, and Bungalows and Burford Close (£0.715m) 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.

## **8. Capital Programme Reprofileing**

8.1 The Capital Programme is set during the Autumn of the preceding year based on the best information available at the time. Following approval of the programme, capital expenditure is scoped in more detail and it is frequently the case that the estimated costs and timetabling of the expenditure have to be revised. For this reason, it is beneficial to reprofile the programme once a year.

8.2 Appendix E shows a detailed breakdown of the reprofiling proposals for the 2017-18 budget. Cabinet is asked to approve these proposals.

- 8.3 In summary it is proposed to bring forward £11.876m of expenditure from Future Years Programmes, the bulk of which (£9.123m) is within the Schools Programme where schemes have made better than expected progress this year. A further £1.565m of IT investment is also proposed to be front loaded to allow earlier achievement of the expected associated savings.
- 8.4 At the same time it is recommended that £4.563m of General Fund capital and £10.9m of HRA capital is moved back where there is slippage.
- 8.5 Additional funding of £1m has been secured and is recommended to be added to the programme, largely in connection with Housing and Regeneration.
- 8.6 Finally £1.05m can be removed from the programme – largely where schemes have been finished at lower than estimated cost.
- 8.7 The net impact of these proposals will be a reduction of the total Capital Programme from £201.4m to £197.7m.

**Public Background Papers Used in the Preparation of the Report: None**

#### **List of Appendices**

- **Appendix A** – General Fund expenditure
- **Appendix B** – Progress against savings targets
- **Appendix C** – Capital Programme
- **Appendix D** – Allocation of the Highways Capital Programme
- **Appendix E** – Capital Programme Reprofiling