CABINET

13 December 2016

Title: Budget Monitoring 2016/17 - April to October (Month 7)	
Report of the Cabinet Member for Finance, Growth and Investment	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** Yes
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Accountable Strategic Director: Jonathan Bunt, Strategic Director of Finance and Investment	

Summary

This report provides an update on the Council's revenue and capital position for the seven months to the end of October 2016, projected to the year end.

There is a projected overspend of £5.507m on the 2016/17 budget, an improvement of £0.25m from the position finally reported to Cabinet last month as a result of an improved forecast for Children's Care and Support. There are still pressures in a number of other service areas but all are currently forecast to be managed. However, as the year advances this is becoming an increasingly risky position where there are no firm plans and actions yet in place. These pressures include £1.6m in Adults Care and Support, which will be mitigated as planned through the drawdown of an earmarked reserve created to smooth pressures on the service pending the additional Better Care Fund monies, £0.6m income risk in Enforcement with £0.66m possible mitigations identified and £0.4m in Passenger Transport against which there is a mitigation plan for the full amount. The service area which has yet to establish a full mitigation plan is Clean and Green with pressures of £1.2m against which £0.4m possible mitigations have been identified.

The total service expenditure for the full year is currently projected to be £155.8 m against the budget of £150.3m. The projected year end overspend will contribute to a significant reduction in the General Fund balance to £17.3m 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.

The Housing Revenue Account (HRA) is projected to produce a revenue surplus of £1.8m, taking the HRA reserve to £10.556m although it should be noted that there are a number of potential calls on this reserve. The HRA is a ring-fenced account and cannot make or receive contributions to/from the General Fund.

The Capital Programme budget stands at £197.7m with no variances currently projected following the reprofiling agreed at the last Cabinet meeting.

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 October 2016, as detailed in section 4 and Appendix A to the report;

(ii) Note the overall position for the Housing Revenue Account at 31 October 2016, as detailed in section 5 of the report;

(iii) Note the progress made on budgeted savings to date, as detailed in section 6 and Appendix B to the report

(iv) Note the projected outturn position for 2016/17 of the Council's capital budget as at 31 October 2016, as detailed in section 7 and Appendix C to the report;

(v) Approve the final Transformation Programme design phase budget for 2016/17 of £4.315m, to be funded from capital receipts in line with the approach approved by Cabinet under Minute 37(ii) (20 September 2016);

(vi) Note the projected expenditure on the Transformation Programme as set out in section 4.9 and Appendix D; and

(vii) Approve the additions and amendments to fees and charges for 2017 approved by Cabinet under Minute 68 (15 November 2016), as detailed in section 8 and 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, 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 service transfers this month that have resulted in apparent budget and forecast changes. These are explained in more detail in the individual service sections.

Table 1: Council Spend Position

Council Summary 2016/17	Net Budget	Full year forecast at end Sep 2016	Over/(under) spend Forecast
	£000	**£000**	**£000**
Service Development & Integration	108,058	111,447	**3,389**
Customer, Commercial & Service Delivery	32,263	33,094	**831**
Growth & Homes	6,251	9,318	**3,067**
Law & Governance	595	365	**(230)**
Finance & Investment	1,681	1,181	**(500)**
Central Expenses	1,466	416	**(1,050)**
Total Service GF Expenditure	**150,314**	**155,821**	**5,507**

2.2 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

Table 2: The consequent forecast position on reserves.

Projected Level of Reserves	**£'000**	**£'000**
Opening General Fund Balance		21,115
Other available reserves		4,538
Total available reserves		**25,653**
Calls on reserves:		
Implementation of savings proposals	(2,832)	
		(2,832)
Revised Level of Reserves		**22,821**
Reserves Drawdown to cover Overspending		**(5,507)**
Forecast General Fund Reserve at 31st March 2017		**17,314**

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 November included 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 The projected overspend of £5.5m shown in the table above is an improvement from the position reported to Cabinet last month. This is to be welcomed. However, this is still a significant overspend and has been above £5m for a number of months now. Although the usual pattern is for forecasts to fall in the final quarter there is perhaps less scope for this to happen this year. Cabinet are also reminded that there are significant pressures not included in this forecast which must also be resolved if the position is not to worsen.

3.2 These pressures include £1.6m in Adults Care and Support, which will be mitigated as planned through the drawdown of an earmarked reserve created to smooth pressures on the service pending the additional Better Care Fund monies, £0.6m income risk in Enforcement with £0.66m possible mitigations identified and £0.4m in Passenger Transport against which there is a mitigation plan for the full amount. The service area which has yet to establish a full mitigation plan is Clean and Green with pressures of£1.2m against which £0.4m possible mitigations have been identified.

3.3 If expenditure cannot be managed down further, then this level of overspend would reduce the GF balance to £17.3m. Taking £2.3m from reserves as planned in the MTFS would bring the balance to £15m which is exactly on our target minimum level of balances leaving little margin for unforeseen events. Overall this means the position remains a finely balanced one and management should continue to identify further measures that can be taken to improve the situation. The Strategic Director of Finance & Investment has a responsibility under statute to ensure that the Council maintains appropriate balances at all times.

3.4 The main elements of the projected overspend are as follows, offset by a £1.05m underspend in Central Expenses and £0.5m in Asset Strategy:

- Children's Care and Support - £2.5m
- Leisure - £0.85m
- Environmental Services - £0.25m
- Council Tax - £0.6m
- Homelessness - £3.1m

3.5 In November the Strategic Director for Finance and Investment brought to Cabinet proposals for the 2017/18 budget and the Medium Term Financial Strategy to 2019/20. Achievement of the targets in that strategy depends in part on robust financial management and the whole or partial successful mitigation of the pressures being experienced by services this year.

3.6 The pressures in Children's Care and Support have been present for a number of years and emerged in Homelessness in the last financial year and have continued into 2016/17. The robust action taken by the Council in regard to Children's is taking effect 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 the capital more broadly. A pressure has been recognised for Homelessness next year of £1.8m but this still requires the action plan to impact on the current level of overspend to achieve a balanced position next year.

3.7 The continuing pressure in Leisure is also a concern as it is not clear how far there is scope for this to improve in this financial year. In addition, there is a high level of risk being carried in Clean and Green and Passenger Transport services which has the potential to become a significant pressure if successful mitigating action is not identified.

3.8 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.

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

4. Directorate Performance Summaries

4.1 Service Development and Integration Overview

4.1.1 The budgets within Service Development and Improvement are currently forecast to overspend by £3.389m by year end as shown in the table below.

Table 3: Service Development and Integration

Service Block	Full year Budget 2016/17	Period 7 Projection	Variance from Budget	
	£0	£0	£0	%
Adults Care & Support				
Operations	30,982	32,739	1,757	
Commissioning	6,830	6,697	(133)	
Mental Health	3,841	3,816	(25)	
Adults Mgt & Support Services	1,651	52	(1,599)	
Adults Care & Support	**43,304**	**43,304**	**0**	
Children's Care & Support				
Operations	39,172	42,077	2,905	
Commissioning	9,103	8,739	(364)	
Children's Care & Support	**48,275**	**50,816**	**2,541**	
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	
Divisional Support - Children's	9,838	9,838	0	
Total	**108,059**	**111,447**	**3,388**	**3.14%**

Adults Care & Support

4.1.2 The service delivery arm of Adult Social Care and support is currently reflecting a breakeven position, and there is no movement from last month against the potential budget pressure of £1.757m. A detailed piece of work is still being undertaken on the learning disabilities supported living budgets forecast which would could further reduce the overall pressure.

4.1.3 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. However, as we get further into the financial year the scope for in year reductions is lessened and so a call on the Adults reserve may also be required. Charging the full pressure together with other commitments could reduce the reserve to around £1.0m or under.

4.1.4 The Commissioning service is currently forecast to underspend by £0.133m a reduction from last month's position of £0.155m mainly because of movements between contract allocations.

4.1.5 Mental Health is currently reflecting a projected underspend of £0.025m based on current forecast placement numbers. However, there is a potential risk that if all clients currently on the waiting list are placed, this could lead to a pressure of about £0.209m.

Children's Care and Support

4.1.6 The Children's Care and Support division is forecasting a current pressure of £3.420m. This is a net increase of £0.1m over last month's figures – largely as a result of three high cost new placements. This figure is before the future planned reduction in expenditure as a result of SAFE programme delivery.

4.1.7 The forecast assumes a further £0.515m of savings will be delivered by the SAFE programme and the service. This includes £0.26m from recruitment of staff instead of agency workers and £0.15m from bringing the residential spend back down to previous forecasts. These savings are theoretically achievable but any forecast that depends on future action carries some risk. The recruitment saving should be regarded as high risk as progress on this to date has been slow.

Table 4: Children's Care and Support Operations – Forecast Outturn

Service Area	2016/17 Budget	2016/17 Forecast	Current 2016/17 Variance	2016/17 Further Action	2016/17 Final Projected Variance
Agency/Staffing	15,283	16,830	1,547	(260)	1,287
Placements	22,565	21,108	(1,457)	(150)	(1,607)
Transport	1,928	2,119	191	0	191
Legal	437	437	0	0	0
NRPF	1,009	1,114	105	(105)	0
UASC	1,098	984	(114)	0	(114)

Unattributed savings/ funding gap[1]	-3,148	0	3,148	0	3,148
Total C&S Operations	**39,172**	**42,592**	**3,420**	**(515)**	**2,906**

4.1.8 The overspend within Operations is offset by underspends within Commissioning and Partnerships including underspends on staffing and some commissioning contracts for Short Breaks and Supported Accommodation. The Cleaning Service was transferred into Children's in September 2016, as part of the Traded Services transformation. This service is reporting an underspend of £0.113m, caused by one-off ad-hoc jobs being secured.

4.1.9 Other Management Costs holds the Capital Recharges budget as well as the budgets for added years pension payments for teachers. There is a risk that this may cause a pressure in future years. The likely pressures are currently being worked through.

Education Youth and Childcare Commissioning

4.1.10 There is currently no overall forecast variance on the General Fund budgets in this area. There is a DSG underspend of around £0.124m. This is primarily due to underspend within the School Improvement Service. This is due to potential risk of sustainability for the future years for DSG contributions resulting from schools funding formula reforms. The service are therefore holding back on DSG funded vacant posts.

Public Health

4.1.11 The Public Health ring-fenced grant has an allocation of £17.791m in 2016/17 (the table above reflects a net nil position after the reduction in Public Health Grant). The service is currently on target to breakeven at year end.

4.1.12 The risk remains against the Sexual Health services where although there has been a decline in activity levels with the main local provider this year, there is a potential pressure here as indications reflect that residents are opting for out of borough services which are more expensive. Work is underway to understand this trend and determine whether more residents are opting to go out of borough for these services than in previous years or whether there is an overall decline in the activity for this service. This will be monitored but any variance will be managed within the Public Health budget.

Community Safety & Offender Management

4.1.13 Services here include the Youth Offending Service (YOS) and the Anti-Social Behaviour team (ASB). The service is currently forecast to breakeven. There are currently no issues.

Healthy Lifestyles – Leisure

4.1.14 The service is forecasting a projected overspend of £0.847m the same as last month. This position mostly relating to pressures in the Leisure centres. The Abbey Leisure Centre (ALC) is currently reflecting a forecast pressure of £0.603m which is because of potential income shortfall based on trends of £0.380m, £0.223m relates to a combination of pressures against staffing budgets and supplies & services cost pressure based on current trends.

4.1.15 As highlighted last month, the original business case in 2011/12 for the new ALC 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 being set up in 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 a gap remains in achieving the original ambitious targets. In addition, the costs of setting up such a centre had been underestimated.

4.1.16 Becontree Heath Leisure Centre (BHLC) is 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 because 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.

4.2 Customer Commercial & Service Delivery

4.2.1 The projection to year end is an overspend of £0.831m. 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 £1.15m of expenditure pressures within this service grouping and a risk of around £0.57m on Parking Income targets. However, managers have identified £1.026m of mitigating actions and are working on finding further action to resolve the remaining pressures and income shortfalls (£0.7m in total.).

Table 5: Customer, Commercial and Service Delivery

Service Group	**Full year Budget 2016/17**	**Period 7 Projection**	**Variance from Budget**	
	£'000	**£'000**	**£'000**	**%**
Clean & Green	7,445	7,570	125	1.7
Enforcement	11,206	11282	76	0.7
Other	26	26	0	
Elevate Client Unit	13,446	14,076	630	4.7
SD CCSD	140	140	**0**	**0**
Total	**32,263**	**33,094**	**831**	**2.58%**

Clean & Green

4.2.3 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 continued to the end of September 2016 at a cost of £125k in 2016/17 due to agency cover of the service. A consultation has been carried out on the future for this service and the saving is expected to be achieved in full in 2017/18.

4.2.4 Other pressures on staffing budgets remain because of the service being over budgeted establishment. The overall staffing pressure is estimated at £1.169m. The transport and fleet spend is also forecast to be £88k over budget. The service is currently formulating a plan and expects to mitigate these pressures. However, at this stage of the year this should be regarded as high risk. The service was significantly overspent last year (£1.25m) but at that time it could be offset against underspends and additional income within Enforcement which may not be possible this year (see below.)

4.2.5 The Clean & Green portfolio also now includes Fleet management and workshop which is forecast to underspend by £164k from a combination of lower supply costs and overachievement of income. However, with repair work at the depot still ongoing, there is a risk that this underspend may be partly eroded.

Enforcement Service

4.2.6 The Enforcement service pressure is because of the School Crossing patrol saving not being delivered. Attempts to source external funding and sponsorship must date not yielded significant result and the service continues to be provided. The service is due to cease in January 2017

4.2.7 There is an underlying pressure of £720k on the Parking account. This is primarily a result of a projected income shortfall of £570k. the service has seen an increase in revenue from Pay and Display (P&D) parking and Permit sales, however, a significant reduction in the receipts from fines compared to last year.

4.2.8 Delay in implementing cashless parking programme has also meant expected cost reduction for cash collection has not been fully achieved.

4.2.9 With the introduction of 30 minutes free parking from December 2016, there is a further risk of income reduction in both Pay & Display and penalty notices due to short term changes in enforcement patterns. This should be recouped in the medium term once the new charges are brought in subsequently but the short term impact this year may be a net loss.

4.2.10 There is also an added risk of staff cost pressures in the Highways service from increased cost of overtime without commensurate income. The service is reviewing these costs and processes and formulating actions to mitigate this.

4.2.11 However, there are other underspends in the service which mitigate pressure across the department from maximising the use of grants and income in the service.

4.2.12 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.

4.2.13 The net result of these pressures and mitigations is that the service should come in on balance or close to it but there will be restricted scope to offset overspends in other areas.

Other Environmental services

4.2.14 This includes the Passenger Transport Service. The Passenger Transport service saving of £400k will be achieved in this financial year by finding compensating savings or drawing down from reserves.

Elevate Client Unit:

4.2.15 The Elevate Client Unit is currently forecast to overspend by £630k 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 as an incentive for Council Tax payers to repay their debts. This practice has continued into 2016/17. There are several other smaller pressures within the service which are being mitigated.

4.3 **Growth & Homes**

Table 6: Growth and Homes

Division	Full year Budget 2016/17	Period 7 Projection	Variance from Budget	
	£'000	£'000	£'000	%
Culture & Recreation	4,336	4,303	(33)	
Regeneration	923	923	0	0
Housing strategy	(85)	(85)	0	0
Homelessness	967	4,067	3,100	321
Strategic Director of Growth & Homes	110	110	0	0
Total General Fund	**6,251**	**9,318**	**3,067**	

Departmental Performance Summary

4.3.1 The projection to year end is an over spend of £3.100m within Homelessness. Most 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

4.3.2 This service is forecast to under spend at year end by £0.033m, due to staff vacancies across Library services.

Homelessness

4.3.3 The Housing General Fund 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 several 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 £4.30 per night or £1,570 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 £384k (11%) this financial year, and, the current level of bad debt provision will not provide sufficient coverage, resulting in additional pressure. It should be noted that in October TA arrears has risen by £300k due to the backlog in applying housing benefits to rent accounts which is a consequence of temporarily reduced benefit officer resources. The arrears position is expected to return to normal now that resources are back to normal. As such the pressure on the BDP has been maintained at last month's position.

4.3.6 There continues to be need for security at the homeless hostels to enable the safeguarding of staff and residents following several incidents in previous years. This is creating a pressure of around £0.25m on the hostels budget.

4.3.7 There has been good progress at reducing use of Bed and Breakfast with numbers falling to just one in October. 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 must be used more frequently for emergency cases.

4.3.8 The November Cabinet meeting received a report on the Homelessness situation and approved the high-level strategy and an outline recovery plan. Full delivery of the plan should prevent the forecast rising higher and may reduce the eventual out-turn; however, many of the actions will only have a real impact in the medium to long term and it does not seem likely that the budget will return to balance this year. A more concerted programme of budget recovery such as the approach used within Children is necessary in order to ensure that the pressures are addressed in the longer term.

4.3.9 A new phase of Welfare changes has recently come into force with the lowering of the overall benefits cap. The impact of this is not yet fully known but may result in increased numbers of Homelessness applications or increased levels of bad debt.

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 breakeven 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. The demand for Planning Applications has increased substantially over recent months and this has led to the employment of additional planning staff to cope with the demand. This additional cost can be offset by the enhanced levels of income that have been generated and, therefore, there are no current concerns in this area.

4.5 **Chief Executive**

Table 7: Chief Executive

Directorate Summary	2016/17 Budget £000	2016/17 Forecast £000	Variance £000
Net Expenditure	**595**	**365**	**(230)**

4.5.1 The Law and Governance Service is generating an income surplus, which is shown as an underspend.

4.6 **Finance & Investment**

Table 8: Finance and Investment

Directorate Summary	2016/17 Budget	2016/17 Forecast	Variance
	£000	£000	£000
Net Expenditure	**1,681**	**1,181**	**(500)**

4.6.1 Asset Strategy is projecting an underspend of £0.5m resulting from a surplus on B&D Reside.

4.6.2 The Housing Benefit Subsidy budgets are also included in this service grouping. Work is also being carried out to reassess the bad debt provision required – this is expected to produce further underspends.

4.7 **Central Expenses**

Table 9: Central Expenses

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

4.7.1 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.

4.7.2 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.

4.7.3 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.

4.8 Transformation Programme

4.8.1 By Minute 82(vi) of the meeting on 19 January 2016, the Cabinet approved funding of £2m from reserves for the initial stages of the Transformation Programme (known at that time as Ambition 2020) and provided within the Budget Strategy report £5m of borrowing for the investment required. An estimate of the expected costs of the Programme this year has now been made and is forecast to be £4.315m. Cabinet is asked to approve the formal creation of this budget which will be met from capital receipts in line with the approach approved by Cabinet under Minute 37(ii) (20 September 2016).

4.8.2 This spend enables the detailed design work for each workstream and the development of the implementation plan for the delivery of the £47.9m savings reported to Cabinet in the Budget Strategy 2017/18 to 2020/21 report last month.

4.8.3 The table below shows the spend to date and the projection by workstream. Note that the actuals are as at the end of September (rather than October.) A further breakdown is provided as an appendix to the report.

Table 10: Expenditure on the Transformation Programme.

Transformation Programme - Design Phase Costs	**Actual**	**Projected Outturn:**
	P6	**Full Year**
Overarching	590	934
Transformation	784	1,190
Growth and Commercial	267	1,026
Service Improvements	49	49
Enablers	434	1,116
Grand Total	**2,125**	**4,315**

5. Housing Revenue Account (HRA)

5.1 The HRA is currently forecast to underspend by £1.820m as shown in the table below:

Table 11: 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)	(437)	(101)
Income	**(110,966)**	**(111,458)**	**(492)**
Repairs and Maintenance	17,093	16,943	(150)
Supervision and Management	42,572	41,382	(1,190)
Rent, Rates and Other Taxes	700	350	(350)
Bad Debt Provision	2,772	2,772	0
Interest Charges	10,059	10,059	0
Corporate and Democratic Core	685	685	0
Expenditure	**73,881**	**72,191**	**(1,690)**
Revenue Contribution to Capital	**37,085**	**37,447**	**362**
Transfer to HRA Balances	**0**	**1,820**	**1,820**

5.2 The overall position shows an improvement of £0.601m from the previous forecast due to:

- A reduction in repairs and maintenance staffing costs (£0.150m) resulting from confirmation of in-year budget savings being achievable.
- Due to a higher than budgeted level of HRA balances now expected to be maintained the interest on cash balances is now expected to be higher than budgeted (£0.101m).
- The level of Council Tax Void liability is expected to be lower than budget due to a lower number of void properties expected in 2016/17 (£0.350m)

HRA Income

5.3 Income is expected to over-achieve by £0.492m. 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)
- Based on a higher level of balances now expected to be held in the HRA an increased interest payment is expected (£0.101m)

HRA Expenditure

5.4 Expenditure budgets are expected to be underspent by £1.690m.

- 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 Repairs and Maintenance Service is currently forecast to underspend by £0.150m. 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 also continues to actively work to identify further savings and make better use of its existing resources. The forecast position is highly dependent on level of work carried out by the in-house service in preference 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 work to sub-contractors will also need to consider the revenue and capital budget implications.
- 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.

HRA Balances

5.5 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.

5.6 Based on the current forecast it is also assumed HRA balances will increase by £1.820m, 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.

5.7 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.

6. In Year Savings Targets – General Fund

6.1 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.

6.2 A detailed breakdown of savings and explanations for variances is provided in Appendix B and any shortfall in savings is already incorporated in to the overall and service forecasts earlier in the report.

Table 12: Savings Targets

Summary of Savings Targets	**Target £000**	**Forecast £000**	**Shortfall £000**
Customer, Commercial & Service Delivery	3,190	2,604	**586**
Growth & Homes	971	371	**600**
Service Development and Integration	3,466	3,378	**88**
Finance & Investment	5,227	4,470	**757**
Total	**12,854**	**10,823**	**2,031**

7. Capital Programme 2016/17

7.1 The Cabinet approved a reprofiling of the Capital Programme in November. Following this there is no forecast variance for this year. Project managers and Finance will continue to monitor this position.

Table 13: The revised capital programme

	2016/17 Revised Budget £'000	Actual Spend to Date £'000	2016/17 Forecast £'000	Variance against Budget £'000
Service Development & Integration	61,721	45,796	61,721	0
Customer, Commercial & Service Delivery	9,046	2,262	9,046	0
Finance & Investment	3,029	1,275	3,029	0
Growth & Homes	61,257	27,730	61,257	0
Subtotal - GF	**135,053**	**77,063**	**135,053**	**0**
HRA	62,659	22,346	62,659	0
Total	**197,712**	**99,408**	**197,712**	**0**

8. Amendments to Fees and Charges

8.1 By Minute 68 of the last meeting, Cabinet approved an updated set of Fees and Charges to apply from 1st January 2017. However, for some services an uprating formula was used resulting in charges for odd amounts of money. It is proposed that these should be simplified by rounding to the nearest pound or fifty pence. The charges affected are listed in Appendix E.

8.2 This Appendix also sets out the car parking charges in Council Parks which were not clearly set out in the previous report together with the charge for staff parking and for operational permits which are unchanged from last year. These were not included in the last report but are shown here for clarity.

8.3 Finally the report proposes a small number of revisions to what was proposed in November. A number of charges for doctors and businesses and the like had been proposed to be reduced. However this is now not affordable in the light of the income pressures on the Enforcement budget and so have been put back to their previous level. In addition, two revised charges for changing and revoking Traffic Management Orders are proposed in line with the charges for new Orders.

9. Consultation

9.1 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.

10. Financial Implications

Implications completed by: Kathy Freeman, Finance Director

10.1 This report details the financial position of the Council.

11. Legal Implications

Implications completed by: Fiona Taylor, Director of Law and Governance

11.1 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
- **Appendix B** – Progress against savings targets
- **Appendix C** – Capital Programme
- **Appendix D** – Transformation Expenditure
- **Appendix E** – Amendments to the Fees and Charges for 2017