

## CABINET

17 January 2017

<b>Title:</b> Budget Monitoring 2016/17 - April to November (Month 8)	
<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> Yes
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<b>Accountable Director:</b> Kathy Freeman, Finance Director	
<b>Accountable Strategic Director:</b> Claire Symonds, Chief Operating Officer	
<b>Summary</b>	
<p>This report provides an update on the Council's revenue and capital position for the seven months to the end of November 2016, projected to the year end.</p> <p>There is a projected overspend of £5.026m on the 2016/17 budget, an improvement of just under £0.5m from the position reported to Cabinet last month. Improvements in both the Homelessness forecast and Children's Care and Support Commissioning have reduced the forecast. There are still pressures in a number of other service areas but all are currently forecast to be managed. These pressures include £1.4m in Adults Care and Support, which is an improved position since last month and 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 £0.3m possible mitigations have been identified.</p> <p>The total service expenditure for the full year is currently projected to be £155.3 m against the budget of £150.3m. The projected year end overspend will contribute to a significant reduction in the General Fund balance to £17.795m 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 £1.8m, 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.</p> <p>The Capital Programme budget stands at £197.7m with an overall variance of £1.4m made up of over-performance of £2.3m on the General Fund programme and slippage</p>	

of £0.9m on the HRA programme. These two variances are the result of timing differences rather than increased costs.

### 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 November 2016, as detailed in section 4 and Appendix A to the report;
- (ii) Note the overall position for the Housing Revenue Account at 30 November 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 30 November, as detailed in section 7 and Appendix C; and
- (v) Approve the virements totalling £1,809,699 in respect of the savings realised by the voluntary redundancy exercise, as detailed in section 4.7 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.

## 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.

Table 1: Council Spend Position

<b>Council Summary 2016/17</b>	<b>Net Budget</b>	<b>Full year forecast at end Nov 2016</b>	<b>Over/(under) spend Forecast</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Service Development & Integration	107,257	110,372	<b>3,115</b>
Customer, Commercial & Service Delivery	32,133	32,957	<b>824</b>
Growth & Homes	5,823	8,690	<b>2,867</b>
Chief Executive	299	69	<b>(230)</b>
Finance & Investment	1,387	887	<b>(500)</b>

Corporate and Central Costs	3,415	2,365	(1,050)
<b>Total Service GF Expenditure</b>	<b>150,314</b>	<b>155,340</b>	<b>5,026</b>

- 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.

<b>Projected Level of Reserves</b>	<b>£'000</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)	
		(2,832)
<b>Revised Level of Reserves</b>		<b>22,821</b>
Reserves Drawdown to cover Overspending		(5,026)
<b>Forecast General Fund Reserve at 31<sup>st</sup> March 2017</b>		<b>17,795</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 November included a further use of £2.3m from reserves to balance the 2017/18 budget.

### **3 Comments of the Chief Operating Officer**

- 3.1 The projected overspend of £5.0m 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 £1.4m in Adults Care and Support, which is an improved position since last month and 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 in Clean and Green with pressures of £1.2m against which £0.3m 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 £17.795m. Taking £2.3m from reserves to balance the 17/18 budget as planned in the MTFs would bring the balance to £15.5m which is slightly above our target minimum level of balances of £15m leaving little margin for unforeseen events. Overall this means the position although improving remains finely balanced and management should continue to identify further measures that can be taken to improve the situation. The Chief Financial Officer of the Council 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 underspends in Central Expenses (£1.05m), Law and Governance (£0.23m) and Asset Strategy (£0.5m):
- Children's Care and Support - £2.4m
  - Leisure - £0.85m
  - Environmental Services - £0.20m
  - Council Tax - £0.62m
  - Homelessness - £2.9m
- 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 additional pressures 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 and the Homelessness position has recently begun to improve. The main cause of the pressure 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. A key concern has been that this pressure may grow due to the wider external factors acting on the borough and the capital more broadly and the forecast included an element of continued growth. However, in recent months the number and cost of households in Temporary Accommodation has levelled off allowing the forecast to be reduced. A pressure has been recognised in the MTFP 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.
- 3.8 In addition, there is a high level of risk being carried in Clean and Green. The pressures in this area have built up over a number of years but have previously not been clearly identified and have been masked by underspends elsewhere.

However, this year Finance and the service have worked together to assess the true financial position.

- 3.9 The historic trend for all services is for the final outturn to be better than that projected throughout the year though this predominantly occurs because 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.
- 3.10 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 £3.115m 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	
	£000	£0	£000	%
<b>Adults Care &amp; Support</b>				
Operations	30,669	32,030	1,361	
Commissioning	6,755	6,794	39	
Mental Health	3,841	3,841	0	
Adults Mgt & Support Services	1,627	227	(1,400)	
<b>Adults Care &amp; Support</b>	<b>42,892</b>	<b>42,892</b>	<b>0</b>	<b>0%</b>
<b>Children's Care &amp; Support</b>				
Operations	39,684	42,586	2,902	
Commissioning	8,997	8,497	(500)	
<b>Children's Care &amp; Support</b>	<b>48,681</b>	<b>51,083</b>	<b>2,402</b>	<b>4.9%</b>
Public Health	0	0	0	0
Community Safety & Offender Mgt	1,226	1,226	0	0
Healthy Lifestyles - Leisure	838	1,685	847	101%
Education Commissioning	4,418	4,284	(134)	(3.0%)
Divisional Support - Children's	9,202	9,202	0	
<b>SDI Services Total</b>	<b>107,257</b>	<b>110,372</b>	<b>3,115</b>	<b>2.90%</b>

## **Adults' Care & Support**

- 4.1.2 The service delivery arm of Adults' Social Care and Support is currently reflecting a breakeven position, and this includes an underlying pressure of £1.361m which is a £0.396m reduction from last month's projection of £1.757m. This movement is mainly due to a reduction of £0.296m against provision made for transition cases and an increase of £0.100m against the projected income expected against the direct payments refund.
- 4.1.3 These budgets will continue to be monitored closely throughout the year as activity levels fluctuate. There are a number of actions underway to mitigate this pressure including a review of high cost learning disability packages and any remaining overspend will be met by a call on the Adults reserve.
- 4.1.4 The Commissioning service is currently forecast to overspend by £0.039m which is a change from the previously projected underspend of £0.133m reported last month. The detailed review of the learning disabilities supported living budget provision has revealed a pressure of £0.191m which will be managed within the commissioning service. Movements between contract allocations has enabled the service mainly manage this pressure, but there remains a pressure of £0.039m which the service aims to mitigate.
- 4.1.5 Mental Health is currently forecast to breakeven at year end 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 £0.186m.

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

- 4.1.6 The Children's Care and Support division is forecasting a current pressure of £3.28m. This is a net decrease of £0.247m over last month's reported figures, largely as the result of a net reduction in Looked After Children placements including one high cost residential placement. This is despite an increase of three new Youth Justice placements.
- 4.1.7 This figure is before the future planned reduction in expenditure as a result of SAFE programme delivery. However, it includes an overspend of £0.110m on the SAFE programme team itself. The budget for the programme was originally assessed as £1m but a saving of £0.5m was required. However, in order to achieve the objectives of the programme further resources have been needed. Further investment of £0.25m was identified as needed and agreed by the SAFE programme board. The apparent overspend of £110k is within this revised target and is being managed within the overall pressures and planning.
- 4.1.8 The forecast assumes a further £0.270m of savings will be delivered by the SAFE programme through the recruitment of permanent staff instead of agency workers in the last quarter. It should be noted that there has been little success to date in achieving the recruitment targets. While the service has responded by increasing efforts and putting in place more effective processes and oversight this saving should be regarded as high risk.

4.1.9 It should be further noted that delivering a balanced budget next year depends heavily on the full year effect of the staff related and recruitment savings which amount to around £1.8m in total.

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

Details	2016-17 Budget	2016-17 Forecast	Current 2016-17 Variance	2016-17 Further SAFE Savings	2016-17 Final Projected Variance
	£'000	£'000	£'000	£'000	£'000
Agency/Staffing	15,283	16,841	1,558	(270)	1,288
Placements	22,565	20,888	(1,677)	(109)	(1,786)
Transport	1,928	2,119	191	0	191
Legal	437	437	0	0	0
NRPF	1,009	1,114	105	0	105
UASC	1,098	945	(153)	0	(153)
Unattributed savings/ funding gap <sup>1</sup>	(3,148)	0	3,148		3,148
<b>Total C&amp;S Operations</b>	<b>39,172</b>	<b>42,344</b>	<b>3,172</b>	<b>(379)</b>	<b>2,793</b>
CCS Project Team	512	621	110	0	110
<b>TOTAL INCLUDING CCS PROJECT TEAM</b>	<b>39,684</b>	<b>42,965</b>	<b>3,282</b>	<b>(379)</b>	<b>2,903</b>

4.1.8 The overspend within Operations is offset by an underspend of £0.5m within Commissioning and Partnerships – an increased underspend of £0.137m since last month. This total includes small underspends on staffing and some commissioning contracts for Short Breaks and Supported Accommodation plus contributions from the catering and cleaning trading services.

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 The Education Service is forecast to underspend by £0.134m - an improved position from previous months. 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 is 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. (after the reduction in Public Health Grant.) The service is currently on target to breakeven at year end. There remains a pressure against the Sexual Health services which the service is managing with the available funding.

## Healthy Lifestyles – Leisure

4.1.12 The service is still 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 as a result 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.

4.1.13 As previously highlighted, 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 still remains in achieving the original ambitious targets. In addition, the costs of setting up such a centre had been underestimated.

4.1.14 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 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.

## 4.2 Customer Commercial & Service Delivery

4.2.1 The projection to year end is an overspend of £0.824m – a marginal improvement since last month. This is made up of savings not being achieved in Clean and Green (£0.125m), Enforcement (£0.076m) and £0.623m pressure from non-recovery of Court costs in relation to Council Tax arrears.

Table 5: CCSD

Service	Full year Budget 2016/17	Period 7 Projection	Variance from Budget	
			£'000	%
	£'000	£'000	£'000	%
Clean & Green	7,345	7,470	125	1.7
Enforcement	11,086	11,162	76	0.7
Other	26	26	0	
Elevate Client Unit	13,432	14,055	623	4.6
SD Customer service &	244	244	0	0



<b>Commercial delivery</b>				
<b>Total General Fund</b>	<b>32,133</b>	<b>32,957</b>	<b>824</b>	<b>2.6</b>

4.2.2 In addition to the declared overspend there is around £1m of expenditure pressures within this service grouping and a risk of around £0.66m on Income targets. However, managers have identified £0.96m of mitigating actions and are working on finding further action to resolve the remaining pressures and income shortfalls (£0.7m in total.).

### **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 £0.962 with other pressures on transport and running costs of £0.119m. These pressures have been present in the service for some time and the service was significantly overspent last year (£1.25m). However this was masked by underspends in Enforcement and other services. This year Finance and the management team have worked to bring greater transparency to the situation as a first step to resolving the issues. The cost of staffing has been reduced and the service is continuing to work to identify other potential mitigations to offset the remaining in year variance. However, at this stage of the year this should be regarded as high risk. This pressure has been recognised in the medium term financial strategy approved by Cabinet in November so is not expected to repeat in future years.

4.2.5 The Clean & Green portfolio also now includes Fleet management and workshop which is forecast to underspend by £0.1m 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 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 results 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. Options for future years including partnership with another London Borough are currently being considered and a business case will be presented early in the new year.

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

- 4.2.15 The Elevate Client Unit is currently forecast to overspend by £623k 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 8 Projection	Variance from Budget	
			£'000	%
	£'000	£'000	£'000	%
<b>Culture &amp; Recreation</b>	<b>4,248</b>	<b>4,215</b>	<b>(33)</b>	<b>(0.8)</b>
<b>Regeneration</b>	<b>770</b>	<b>770</b>	<b>0</b>	<b>0</b>
<b>Housing strategy</b>	<b>(85)</b>	<b>(85)</b>	<b>0</b>	<b>0</b>
<b>Homelessness</b>	<b>780</b>	<b>3,680</b>	<b>2,900</b>	<b>372</b>

<b>Strategic Director, Growth &amp; Homes</b>	<b>110</b>	<b>110</b>	<b>0</b>	<b>0</b>
<b>Total General Fund</b>	<b>5,823</b>	<b>8,690</b>	<b>2,867</b>	<b>49.2%</b>

### **Departmental Performance Summary**

- 4.3.1 The projection to year end is an over spend of £2.9m 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 £2.9m at the year end. This is an improved forecast – down by £0.2m from previous months. The overspend 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. However, efforts to control costs in recent months have resulted in a lower average net cost than previously forecast. The average net cost is now calculated to be around £3 per night. Performance bonuses are also paid to agents for providing seven or more properties and are forecast at £140k for the year.
- 4.3.5 The costs for Bed and Breakfast and Nightly Let accommodation are greater still but the service has succeeded in reducing the usage of such accommodation with numbers falling to just one in October. This has also contributed to the reduction in the forecast. However, there is a risk that it may not be sustainable throughout the year, especially once renovation works at Boundary Road begin in March. The works have been planned to require only limited decant (up to 12 at a time) and residents will be placed in PSL/HRA stock. However, the reduction in hostel accommodation may mean that B&B must be used for emergency cases.
- 4.3.6 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 £405k (12%) 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 £320k 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.

- 4.3.7 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.
- 4.3.8 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.
- 4.3.9 The November Cabinet meeting received a report on the Homelessness situation and approved the high-level strategy and an outline recovery plan. This was followed by presentation of a more detailed plan at PAASC on 5<sup>th</sup> December. Although however, the budget is unlikely to return to a balanced position within year, full delivery of the plan should reduce the overspend further.

### **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.

## **4.4 Chief Executive**

Table 7: Chief Executive

<b>Directorate Summary</b>	2016/17 Budget £000	2016/17 Forecast £000	Variance £000
Net Expenditure	299	69	<b>(230)</b>

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

## **4.5 Finance & Investment**

Table 8: Finance and Investment

<b>Directorate Summary</b>	2016/17 Budget £000	2016/17 Forecast £000	Variance £000
Net Expenditure	1,387	887	<b>(500)</b>

- 4.5.1 Asset Strategy is projecting an underspend of £0.5m resulting from a surplus on B&D Reside.
- 4.5.2 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.

#### 4.6 Central Expenses

Table 9: Central Expenses

Summary	2016/17 Budget	2016/17 Forecast	Variance
	£000	£000	£000
Net Expenditure	<b>3,415</b>	<b>2,365</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.

#### 4.7 Revenue Virement Requiring Cabinet Approval

- 4.7.1 In line with Financial Regulations, Cabinet are asked to approve a virement removing the in-year savings realised by the Voluntary Redundancy exercise. These savings will be transferred to reserves at year end and then drawn down to support the 17/18 budget as set out in the Medium Term Financial Strategy reported to Cabinet in November. They have not been included in the forecast variance figures.
- 4.7.2 The table below shows a summary of this virement at Operational Director level.

Table 10: VR savings Virement for Cabinet Approval.

SERVICE	Vr Savings
<b>F1000A - SERVICE DEVELOPMENT &amp; INTEGRATION</b>	<b>646,296</b>
F1050B - ADULT'S CARE & SUPPORT	313,646
F1070B - COMMISSIONING ADULT'S CARE & SUPPORT	79,675
F1130B - PUBLIC HEALTH	42,246

F1150B - HEALTHY LIFESTYLES	105,456
F2040B - COMMISSIONING CHILDREN'S CARE & SUPPORT	105,273
<b>F1500A - CHIEF EXECUTIVE</b>	<b>305,655</b>
F1720B - LAW & GOVERNANCE	305,655
<b>F3000A - CUSTOMER, COMMERCIAL &amp; SERVICE DELIVERY</b>	<b>219,952</b>
F3020B - ENFORCEMENT	120,291
F3030B - CLEAN & GREEN	99,661
<b>F4000A - FINANCE &amp; INVESTMENT</b>	<b>294,450</b>
F1520B - ASSETS & INVESTMENT	100,868
F1560B - FINANCE	31,421
F1580B - STRATEGY & PROGRAMMES	96,420
F1740B - ASSURANCE AND COUNTER FRAUD	65,741
<b>F5000A - GROWTH &amp; HOMES</b>	<b>343,346</b>
F1090B - CULTURE & RECREATION	95,401
F1780B - GROWTH, HOMES & REGENERATION	152,393
F3050B - HOUSING GENERAL FUND	95,552
<b>Grand Total</b>	<b>1,809,699</b>

## 5. Housing Revenue Account (HRA)

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)	(437)	(101)
<b>Income</b>	<b>(110,966)</b>	<b>(111,458)</b>	<b>(492)</b>
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
<b>Expenditure</b>	<b>73,881</b>	<b>72,191</b>	<b>(1,690)</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>1,820</b>	<b>1,820</b>

5.1 The overall position shows no change from the period 7 forecast.

### **HRA Income**

5.2 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**

5.3 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 and the additional HRA pension fund top up 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

- 5.4 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.
- 5.5 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.
- 5.6 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 now confirmed no payment will be required to central government in this financial year. However it will be prudent for authorities with Housing stock to build up funds for future requirements.

## 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

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

## 7. Capital Programme 2016/17

- 7.1 The Capital Programme forecast against budget as at the end of Nov 2016 is as follows:



Table 13: Capital Programme

	2016/17 Revised Budget £'000	Actual Spend to Date £'000	2016/17 Forecast £'000	Variance against Budget £'000
Service Development & Integration	62,032	47,918	62,432	400
Customer, Commercial & Service Delivery	9,046	2,823	10,004	958
Finance & Investment	3,884	5,972	3,884	
Growth & Homes	60,091	29,259	61,091	1,000
<b>Subtotal - GF</b>	<b>135,053</b>	<b>85,972</b>	<b>137,411</b>	<b>2,358</b>
HRA	62,659	24,632	61,759	(900)
<b>Total</b>	<b>197,712</b>	<b>110,604</b>	<b>199,170</b>	<b>1,458</b>

### **New Schemes**

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

### **Service Development & Integration**

7.3 The main element in the programme is the school expansion programme (£53.6m). Forecast is that it will spend £0.4m over the in-year budget – however this is due to the Gascoigne Secondary School (Greatfields) scheme being developed ahead of schedule. Funding for this is already in place and budgeted in 2017-18.

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

7.4 This includes IT projects (£5.1m) and various environmental projects (£3.9m). The Directorate is showing an overspend of £0.958m primarily due to increased hardware costs for the ICT End User scheme and the IT investment scheme being brought forward from future years.

### **Finance & Investment**

7.5 The main element in the programme is the corporate accommodation strategy (£3.0m). The Land Acquisition (previously known as Barking Riverside Housing Zone), Acquisition of Royal British Legion and Gurdwara Way have been moved to this Directorate from Regen in Chief Executive Directorate. At present, everything is spending to budget.

### **Growth & Homes**

7.6 The largest project is the Gascoigne estate renewal (£37m). The monitoring shows that the Directorate will overspend by £1.0m due to delay in agreement on procurement and brief specification on Boundary Road Hostel (£0.2m) and accelerated spend of £1.2m on Gascoigne West due to buybacks.

### **HRA**

7.7 The main expenditure is on new build schemes (£17.3m) and investment in existing stock (£36.9m). Forecast is £0.9m below budget due to delay in Modular programme development and agreement.

## **8. Consultation**

- 8.1 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.

## **9. Financial Implications**

Implications completed by: Kathy Freeman, Finance Director

- 9.1 This report details the financial position of the Council.

## **10. Legal Implications**

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

- 10.1 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.

### **Public 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