

CABINET

10 November 2015

Title: Budget Monitoring 2015/16 - April to September (Month 6)	
Report of the Cabinet Member for Finance	
Open Report	For Decision
Wards Affected: All	Key Decision: No
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Summary <p>This report provides Cabinet with an update of the Council's revenue and capital position for the six months to the end of September 2015, projected to the year end.</p> <p>There is a projected overspend of £6.1m on the 2015/16 budget. This is caused by an overspend on the Children's Services budget of £6.8m, made up of £5.8m pressures in the service and £1m programme delivery costs, partially offset by a £0.7m additional investment income from treasury management activity. There are pressures in a number of other service areas but all are currently forecast to be managed.</p> <p>The total service expenditure for the full year is currently projected to be £157.5m against the budget of £151.4m. The projected year end overspend will reduce the General Fund balance to c£20m at year end and it may reduce further if future budget gaps are not closed.</p> <p>The Housing Revenue Account (HRA) is projected to break-even, leaving the HRA reserve at £8.7m. The HRA is a ring-fenced account and cannot make or receive contributions to/from the General Fund.</p> <p>The Capital Programme budget has been re-profiled and now stands at £131.5m, inclusive of the European Investment Bank (EIB) funded general fund housing schemes, with a forecast outturn of £131.5m.</p>	
Recommendation(s) <p>The Cabinet is recommended to:</p> <ul style="list-style-type: none">(i) Note the projected outturn position for 2015/16 of the Council's General Fund revenue budget at 30 September 2015, as detailed in paragraphs 2.1, 2.4 to 2.10 and Appendix A of the report;(ii) Note the progress against the agreed 2015/16 savings at 30 September 2015, as detailed in paragraph 2.11 and Appendix B of the report;	

- (iii) Note the overall position for the HRA at 30 September 2015, as detailed in paragraph 2.12 and Appendix C of the report;
- (iv) Approve the inclusion of new capital schemes totalling £11.898m as referred to in paragraph 2.13.4 of the report and the re-profiled 2015/16 Capital Programme of £131.511m as detailed in paragraph 2.13 and Appendix D of the report.

Reason(s)

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

1 Introduction and Background

- 1.1 This report provides a summary of the Council’s General Fund and HRA revenue and capital positions. It also provides an update on progress made to date in the delivery of the agreed savings targets built into the 2015/16 budget, setting out risks to anticipated savings and action plans to mitigate these risks.
- 1.2 It is important that the Council regularly monitors its revenue and capital budgets to ensure good financial management. This is achieved within the Council by monitoring the financial results on a monthly basis through briefings to the Cabinet Member for Finance and reports to Cabinet. This ensures Members are regularly updated on the Council’s overall financial position and enables the Cabinet to make relevant financial and operational decisions to meet its budgets.
- 1.3 The Budget report to Assembly in February 2015 provided for a target of £15.0m for the General Fund balance and the revenue outturn for 2014/15 led to a General Fund balance of £26.0m. Taking into account the currently projected overspend, together with the proposed use of the GF balance and other reserves to cover the implementation of savings proposals and budget gaps in 2015/16 and 2016/17, the remaining GF balance would be just above the target figure, as shown in the table below:

Projected Level of Reserves	£000	£000
Current GF balance		26,024
Other available reserves		7,127
Total available reserves		33,151
<u>Calls on reserves:</u>		
Implementation of savings proposals	(6,243)	
Budget Gap 2016/17	(5,170)	
Projected overspend	(6,080)	
		(17,493)
Projected remaining reserves		15,658

The actual cost of the implementation of savings proposals is being ascertained and this may impact positively on remaining reserves.

- 1.4 The additional level of reserves above the minimum level provides the Council with some flexibility in its future financial planning but, to take advantage of that, it is

essential that services are delivered within the approved budget for the year. Overspends within directorate budgets will erode the available reserves and therefore limit the options that reserves could present in the medium term as the Council makes decisions on savings and service provision.

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.

Council Summary 2015/16	Net Budget £000	Full year forecast at end September 2015 £000	Over/(under) spend Forecast £000
Directorate Expenditure			
Adult and Community Services	51,340	51,340	0
Children's Services	62,975	69,755	6,780
Housing (GF)	98	98	0
Environment	19,477	19,477	0
Chief Executive	17,870	17,870	0
Central Expenses	(316)	(1,016)	(700)
Total Service Expenditure	151,444	157,524	6,080

	Balance at 1 April 2015 £000	Forecast Balance at 31 March 2017 £000
General Fund	26,024	15,658*
Housing Revenue Account	8,736	8,736

*Includes the use of GF balances to implement savings proposals and cover potential budget gaps up to 2016/17 – see paragraph 1.3

2.2 Chief Finance Officer's comments

2.2.1 The current Directorate revenue projections indicate an overspend of £6.1m for the financial year, primarily due to the overspend in Children's Services. The vast majority of the overspend remains within Complex Needs and Social Care.

2.2.2 October's Cabinet was asked to note the cost of setting up of a temporary project team to prepare an Outline Business Case aimed at managing service demand and expenditure to deliver a balanced budget over the next two years. The ability of that plan to deliver savings, which will be monitored at a detailed level, will strongly influence any decisions on a wider spend freeze or other measures to reduce the in year overspend. Some services have already put in place a mini spend freeze to enable the containment of pressures within that area.

- 2.2.3 It is very unlikely that the Children's Services position can be brought back to budget by the end of the financial year, though it is anticipated that it can be significantly reduced, and other actions will need to be identified to avoid a very large call on reserves in 2015/16. In the first instance, all Chief Officers have been instructed to contain any other pressures that have been identified within services and, as detailed within the later paragraphs of this report. Recent experience is of the financial position improving as the financial year progresses though there is no guarantee that this will always be the case.
- 2.2.4 Adequate reserves must be maintained to not only provide the minimum advised balance but also to enable investment in future programmes to deliver the Council's medium term financial strategy. Cabinet noted at its October meeting that the Children's Services programme is forecasting to reduce spend levels by £11m by March 2017 and therefore consideration could be given to agreeing an overspend against budget for 2015/16 with the general fund balance replenished in 2016/17 to provide the funds for investment to deliver future savings. The business case did not indicate this was achievable from within Children's Services alone.
- 2.2.5 Whilst the current forecast overspend would result in a reduction in the Council's General Fund balance, the balance will still remain above the budgeted target of £15.0m. The Strategic Director of Finance & Investment, as the Council's statutory chief finance officer, has a responsibility under statute to ensure that the Council maintains appropriate balances and the projected 2016/17 year end balance would be just above the target figure.
- 2.2.6 Looking forward, the revised MTFs approved in July includes additional funding for Children's Services and other demographic/service pressures which, along with the programme for Children's Services outlined above, would be expected to move towards a robust and deliverable budget in 2016/17.

2.3 Directorate Performance Summaries

- 2.3.1 The key areas of risk which might lead to a potential overspend are outlined in the paragraphs below. As this report reflects the position as at 30 September projected to the end of the financial year, it is presented in the departmental structure in place at that time. For future reports, consideration will be given as to how to amend the reporting in the short and medium term.

2.4 Adult and Community Services

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	54,025	51,340	51,340
Projected over/(under)spend			0

- 2.4.1 The Adult and Community Services Directorate is forecast to breakeven by year end. There are a number of pressures within the directorate amounting to c£3.4m, which the department is actively working towards mitigating, as shown in the table below:

Main Pressures	£000
Purchase of Adult Social Care across all client groups	2,103
Pressures against 2015-16 savings targets (see savings tracker appendix for details)	341
Abbey Leisure Centre income pressures due to delayed opening	444
Mental Health residential placement costs	379
Better Care fund performance penalty – target for reduced admissions unachieved	182
Total Pressures	3,449

- 2.4.2 The following comments relate to the divisional analysis as shown in appendix A. The Adult Social Care budget reflects an overall forecast pressure of £2.168m, a slight increase from last month's forecast of £2.166m. The pressure is primarily due to the forecast spend for purchasing adult social care across all client groups (except mental health) currently £2.103m based on current activity data. This pressure includes a provision for a number of high cost transition cases from Children's services and the outcome of re-assessments under the Care Act. The number of crisis intervention cases in the system has begun to decrease slightly but is still at a significantly higher run rate than 2014/15. The service is currently taking urgent action to review cases quickly and reduce numbers. These budgets will continue to be monitored closely throughout the year as activity levels fluctuate. The remaining pressure of £.065m is the net impact of £0.091m pressure arising from the Maples saving (ACS/SAV/06a) which will only be partly delivered this year offset by underspends of £26k arising from in year vacancies.
- 2.4.3 Mental Health is forecasting pressure on the placements budget of £0.379m. This is a reduction from last month's position of £0.431m following work undertaken to review current activity levels.
- 2.4.4 Commissioning and Partnership's is reporting pressure of £0.030m, which is a reduction from last month's projection of £0.127m. The reduction is due to holding vacancies in the Youth Offending Service (YOS) in order to manage the £0.055m in year funding from the Ministry of Justice. The service is managing the £0.182m Better Care Fund (BCF) performance penalty through underspends against extra care budgets on the basis that maximum hours are not being utilised.
- 2.4.5 The Culture and Sports division currently reflects an overall pressure of £0.48m, up from last months forecast of £0.25m. This is due to pressure of £250k due to delays to the Leisure Trust saving proposal and a reduction in income projections following the delayed opening of Abbey Leisure Centre. The Trust saving proposal includes a further £0.75m savings target in 2016/17 and there are further dependant Library savings which could also be at risk. Actions to reduce the impact on income of the delayed opening are being considered.
- 2.4.6 The Public Health service is wholly grant funded with a grant of £14.213m in 2015/16. It was announced that there will be a £200m non-NHS health budget cut in year which will impact the budget in the region of c£1m. The service has reviewed delivery plans in order to determine how the in year funding cut will be managed with a breakeven position forecast. It should be noted that these reductions will impact on services across the Council

2.5 Children's Services

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	67,359	62,975	69,755
Projected over/(under)spend			5,780
Programme costs			1,000

- 2.5.1 The service is forecasting an overspend of £5.780m against a budget of £62.975m. The position includes the delivery of £1.845m of the departments £2.065m savings target and delivery of a further £3.5m saving through the Social Care Ambition and Financial Efficiency programme (SAFE). This is a positive movement of £0.195m on the position reported last month due to movements in Education and Commissioning and Safeguarding.
- 2.5.2 The SAFE programme was agreed by Cabinet in October 2015 and outlines specific actions to be undertaken to reduce costs in Children's services over the next two years, whilst maintaining safe practices. The programme aims to deliver ongoing savings of £11.6m with £3.5m delivered in 2015/16. In addition to this, corporate funding of £1.7m and partnership funding of £0.474m will support the position in 2015/16. Cabinet also approved expenditure of £1m in 2015/16 for programme costs to support the delivery of the SAFE programme.
- 2.5.3 The budget includes additional MTFS funding of £3m within the base in support of social care demand pressures made up of an allocation of £2.85m to social care and £0.15m to safeguarding and commissioning. This has met the cost of staffing to meet 1:20 caseload pressures. The budget also includes additional funding of £1.25m in support of the Children's and Families Bill in respect of meeting the needs of disabled children.
- 2.5.4 The Education Service is forecast to underspend by £0.055m due to expected underspends within the Integrated Youth Service and School Improvement team. This is a positive movement of £0.15m from the position reported last month. The service is managing pressure of £0.1m within Adult Education due to reductions in Government funding. The potential funding of redundancy costs of £0.14m provide the main risk to this position.
- 2.5.5 The Complex Needs and Social Care Service is forecasting an overspend of £5.5m assuming delivery of the actions set out within the SAFE programme. The major areas of pressure as at September include:
- Social Care agency pressure remains at £1.4m after delivery of SAFE programme actions (£3m unmitigated) due to the number of children in the social care system and the commitment to maintain caseloads at 1:20.
 - Residential placement pressure remains at £0.147m after the delivery of programme actions (£2.05m unmitigated), however, there is a risk that this pressure will increase due to an increase in children with extreme needs. Placement requests are challenged and approved at Director level to manage cost pressures.

- No Recourse to Public Funds remains at £1.35m after delivery of programme actions (£1.6m unmitigated) due to the introduction of a new process to screen applicants and additional staff to accelerate progress through Home Office systems.
- Unaccompanied Asylum Seeker Children pressures remains at £0.928m assuming delivery of programme actions (£1.13m unmitigated). However, it should be noted that this does not include potential additional demand expected as a result of Central Government action.

2.5.6 The Commissioning and Safeguarding Service is forecast to overspend by £0.335m which is an improvement on the previous month of £0.045m. It was previously forecast at £0.38m. The pressure in this service is driven by the difficulty in recruiting permanent staff and the need to use agency staff.

2.6 Dedicated School Grant (DSG)

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

2.7 Housing General Fund

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	3,417	98	98
Projected over/(under)spend			0

2.7.1 Current projections indicate that this service will outturn on budget in 2015/16.

2.7.2 The primary risks to the position are the level of Bed and Breakfast placements and managing arrears. Significant savings are expected to be delivered through a reduction in temporary accommodation placements within Bed and Breakfast accommodation together with the renegotiation of Bed and Breakfast nightly rates. However, demand over recent months has been steadily increasing and is likely to be further exacerbated by ongoing Welfare Reforms.

2.7.3 There were 79 of Bed and Breakfast placements at the end of September which is above the budgeted average of 68 and part of an increasing trend. However, despite peaking briefly at 81 in May, average numbers over the whole of the first 6 months of the year stand at 62. The projected average number of placements per month for the year is now estimated to be 60 with the resulting under spend used to fund additional rental payments to Private Sector Lease providers in order to ensure a continuous supply of properties, security and reception improvement works at several of the Council's homeless hostels and also payments to the East London Housing Partnership.

2.7.4 Arrears have increased by £0.27m since the start of the financial year, although this is partly due to a backlog in processing Housing Benefit claims. The budget available to top up the provision is expected to be sufficient based upon current assumptions.

- 2.7.5 The opening of Butler Court Hostel has been rescheduled to facilitate the provision of additional units. The facility was initially expected to open in October with 69 units, however, now that full access has been obtained, it has been established that a further 11 units can be provided. The facility is now expected to open in February with 80 units. The enhanced refurbishment of the hostel will be funded from corporate budgets and will result in a higher level of ongoing income.
- 2.7.6 The combination of additional hostel units at Butler Court and 50 Wakering Road alongside active placement management is expected to deliver a breakeven position and enable the service to deliver its savings target. There are, however, significant risks in this area if the forecast reduction in Bed and Breakfast numbers is not achieved, the available supply of PSL properties does not meet demand or the amount of bad debt increases substantially above the current provision.

2.8 Environment

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	19,687	19,477	19,477
Projected over/(under)spend			0

- 2.8.1 Environmental Services is forecast to breakeven at year end, however, there is increasing risk against this position. The service will need to manage pressures of £1.3m to outturn on budget, as set out in the table below. The impact of the De-Regulation Act 2015, which came into effect in April 2015, has been revised to £0.350m following a review of enforcement strategies and income profile over the first half of the year. This is an improved position, albeit still a significant risk for the service.

Main Pressures	£000
Parking Services - Impact of De-regulation bill and existing pressures.	350
Staffing Pressure	354
Pressures against 2015-16 savings targets (see savings tracker appendix for details)	226
Pressures against income targets in Environmental services	260
Stour Road buildings	90
Other	10
Total Pressures	1,290

- 2.8.2 The service has a challenging savings target of £1.7m built into its base budget. Current forecasts indicate under delivery by £0.226m. The majority of this, £0.110m, relates to the introduction of charges for green garden waste service which has been postponed until 2016/17. Other savings pressures include determining arrangements for marketing within the public realm, the postponement of changes to prestart payments and income generation in cemeteries. In addition to this the service is required to manage staffing pressure of £0.354m and income risk of £0.260m in order to outturn within budget.

2.9 Chief Executive's Directorate

Directorate Summary	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	18,716	17,870	17,870
Projected over(under)spend			0

2.9.1 Chief Executive's Directorate is currently on target to spend to budget this year though that is dependent on a number of pressures being contained within services.

2.9.2 There are over £2.5m of savings relating to Elevate services for 2015/16 including large individual savings relating to the transformation of ICT and Customer Services and the automation of other services. These are being monitored through joint programme boards with Elevate and Agilisys with the highest risk on parts of the automation proposals. There is also substantial ongoing demand pressures on the benefits services with high numbers of new claims and changes in circumstances that are having to be managed within existing resources.

2.9.3 There are pressures totalling £0.190m within Human Resources through the under-recovery of some school buybacks.

2.9.4 The review of senior management has commenced and it is expected that £0.2m of the £0.3m will be delivered by the end of the year. Further work is required to deliver the savings required from the business support review.

2.9.5 At the end of September, Legal and Democratic Services have already achieved their income target for the year, in addition to delivering against their savings target. If the level of trading activity continues, this is likely to generate significant surplus income.

2.9.6 The Asset Strategy team are currently carrying out a series of rent reviews which will result in the generation of additional rental income. It is expected that the income generated will be re-invested into the commercial properties portfolio to protect or increase future revenues. Any income not invested will generate an overachievement of the income budget in the Asset Strategy team.

At the end of September, the Directorate is reporting a breakeven position and will be mitigating the pressures.

2.10 Central Expenses

Directorate Summary	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	2,186	(109)	(809)
Projected over(under)spend			(700)

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

2.10.2 Currently expenditure and income is forecast to be below budget as a result of the work of the Treasury team to achieve good returns on the Council's cash deposits, without a significant increase in the risk taken, in a low interest environment.

2.11 In Year Savings Targets – General Fund

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

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

Directorate Summary of Savings Targets	Target £000	Forecast £000	Shortfall £000
Adult and Community Services	4,145	3,804	341
Children's Services	2,065	1,845	220
Housing (GF)	1,005	1,005	-
Chief Executive	14,595	13,751	844
Environment & Enforcement	1,710	1,484	226
Total	23,520	21,889	1,631

2.12 Housing Revenue Account (HRA)

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

Income

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

2.12.3 The main risk to the income position is collection performance and stock movements. The current performance on rent collection is 98.49% compared to the target of 99.24%. However, projections indicate that the collection rate will be on profile by the year end. The current collection rate creates a shortfall in cash collected of around £0.8m. Changes in government policy around repeat claims for Discretionary Housing Payments (DHP) have also impacted the allocation of DHP towards housing rents. Rent campaigns are being undertaken to mitigate the shortfall in income collection. The housing service has been working with Capita to analyse tenant profiles which will assist in developing intervention models and enable improved rent collection levels and reductions in rent arrears. The position will be monitored closely throughout the year and it is expected that the shortfall will be recovered by the year end, however, if the position is not recovered there will be an increased pressure on the bad debt provision.

2.12.4 Stock movements are monitored as level of Right to Buy sales and void levels would impact the rental income position. There have been fewer Right to Buy sales year to date, 109 compared to expected profile of 110, however, due to demand fluctuations over the course of a year, current projections continue to assume 220 sales for the year.

Expenditure

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

2.12.6 In order to achieve a breakeven position, the Housing service will need to manage cost pressures within the year. The most significant risk area is Repairs and Maintenance which is reporting an overspend of £1m. The forecast position is dependant on a number of management actions including the greater use of in-house workforce over sub contractors and the implementation of a revised repairs policy. The increase in the number of HRA decants being used for Temporary Accommodation has led to additional void refurbishment spend, however, this is offset by the additional income generated.

2.12.7 Existing pressures include restructure and efficiency savings not delivered in 2014/15, pressures on staffing budgets and pressure on sub-contractor spend due to the high levels of responsive repairs carried out by external contractors. Action to address the position includes establishing further productivity improvements, the introduction of a revised repairs policy to manage the workload run rate and the increased utilisation of in-house staff on capital schemes and responsive jobs in place of external sub-contractors.

2.12.8 The additional income raised from HRA decant units for temporary accommodation is currently offsetting projected overspends and enabling an additional £0.2m revenue contribution to capital.

HRA Balance

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

2.13 Capital Programme 2015/16

2.13.1 The Capital Programme (2015-16) forecast against the budget as at the end of September 2015 is as follows:

	2015/16 Current Budget £000	Actual Spend to Date £000	2015/16 Forecast £000	Variance against Budget £000	Re- profiled Budget £000
Adult & Community Services (ACS)	2,682	759	2,192	(490)	2,192
Children's Services (CHS)	33,474	12,908	27,111	(6,363)	27,111
Environmental Services (ES)	4,215	1,916	4,005	(210)	4,005

Chief Executive Department (CEO)	12,437	2,842	7,489	(4,948)	7,489
Housing General Fund – EIB	6,222	2,575	9,222	3,000	9,222
Subtotal – GF	59,030	20,990	50,019	(9,011)	40,797
HRA	77,987	43,740	81,493	3,505	81,493
Total	137,017	64,740	131,511	(5,506)	131,511

2.13.2 The 2015/16 capital programme stands at a revised budget of £137.0m, and Directorates are anticipating an overall underspend of £5.5m. The detailed scheme breakdown is in Appendix D.

Budget Re-profiles and New Capital Schemes

2.13.3 At the mid-point of the financial year a budget review and re-profiling exercise is undertaken, in order to reflect updated work/build programmes. This gives the opportunity to realign budgets both between projects in the current year and between financial years where slippage or accelerated spend has occurred. Subject to approval, it is proposed that the current projected spend will become the new budgets as shown in the table above, with corresponding adjustments also being made to future year's budgets.

2.13.4 As part of this process some new schemes are also proposed to be added to the Capital Programme. They are as follows:

Directorate	Scheme	Budget	Funded by
ACS	Parsloes Park Artificial Turf Pitch	£0.060m	S106
CEO	Bus Stop Accessibility Improvements	£0.097m	TfL
GF Housing	Gascoigne Estate	£3.0m	EIB Borrowing
HRA	External Fabrics – Blocks	£0.141m	HRA
HRA	New continuation programmes for: Decent Homes North; Decent Homes South; and Fire Safety Works.	£3.1m £4.6m £0.9m	HRA (overall 5-year business plan)

2.13.5 Adult & Community Services (ACS)

Adult & Community Services has a current budget of £2.682m and is projecting an overall under spend against this of £0.490m. This includes underspends on the Direct Payments Adaptations Grant scheme (£0.2m), and the Broadway Theatre works (£0.35m) – combined with £0.060m of new spend for the Parsloes Park scheme.

2.13.6 Children's Services (CHS)

Children's Services has a current budget of £33.4m, and is currently expecting to underspend by £6.36m overall. This is a net position and results from a number of individual scheme variances.

The schemes that have caused the major slippages are the Sydney Russell Primary expansion (£2m), Robert Clack expansion (£1.5m), and the Barking Riverside Secondary School (£3m). These have primarily slipped due to procurement issues and delays in finalising agreements/contracts respectively. Marsh Green Primary (£0.4m), Warren/Furze (£0.24m) and Eastbury (£0.2m) expansion have also been re-profiled due to future phases which will now be delivered in 2016/17.

Accelerated schemes are those which are currently ahead of programme and are anticipated to incur greater spend this year as a result – and this includes Village Infants (£0.2m); School SEN expansion (£0.1m) and SMF 2014-16 (£0.4m).

Additional funds for schemes which were approved by Cabinet in March 2015 include Jo Richardson (£0.24m added in 2015/16 and £0.5m added in 2016/17); two year old nursery places (£0.29m); and the carry forward of Devolved Capital Funds (£0.31m)

Budget increases and decreases are returned to and drawn from the total Basic Need funding allocation.

2.13.7 **Environmental Services**

Environmental Services has a current capital programme of £4.2m and is currently projecting an underspend of £0.21m, which is due to the Backlog Capital Improvements scheme (£0.2m); and the TFL Road Safety scheme (£0.01m).

2.13.8 **Chief Executive (CEO)**

The Directorate has a current budget of £12.4m and is currently projecting an overall underspend of £4.9m. This is a net position and results from a number of individual scheme variances – those exceeding £0.1m are as follows:

Energy Efficiency Programme	(£0.128m)
Corporate Accommodation Strategy	(£4.745m)
Oracle R12 Joint Services	(£0.238m)
Establishment of Council Owned Energy Services	(£0.125m)
The Barking Bath House / Cambridge Road Development	(£0.300m)
Shopping Parade Enhancements	(£0.121m)
Merry Fiddlers Junction	£0.170m
Barking Town Centre Development	£0.196m

The Merry Fiddlers scheme will be funded by Section 106 money; and the Barking Town Centre scheme will be funded by additional Mayor's High Street funding.

2.13.9 **Housing Revenue Account (HRA)**

The HRA has a budget of £77.987m, and is currently forecasting an overall overspend of £3.5m, as set out below:

Estate Renewal - This area has a current budget of £6.4m, and is projecting to spend £9.7m in this financial year as a result of accelerated spend. This will be funded by bringing forward future year Estate Renewal budgets (of which there is currently £6.0m in each of the following two financial years).

New Build Programme - The New Build Programme has a budget of £28.2 and is projecting to underspend by £1.37m. Schemes with (under) or over spends of £0.1m or more include:

Lawns & Wood Lane Development	(£0.1m)
Abbey Road	(£0.163m)
The Leys (including phase 2)	(£0.166m)
Goresbrook Village	£0.347m
Ilchester Road	(£0.688m)
North Street	(0.605m)

The Lawns & Wood Lane, Abbey Road, and Goresbrook Village schemes are now complete, with only final retentions to be released. The Leys phase 1 is progressing, and phase 2 is expected to start on site late 2015/early 2016. The Ilchester Road and North Street schemes have both been delayed due to prolonged planning processes. Individual scheme variances will be drawn from / returned to the overall five-year HRA business plan.

Investment in Stock - This area has a current budget of £43.2m and is projecting a net overspend against this of £1.5m. There are some offsetting variances within this position but the overriding reason for the variance is the addition of the new Decent Homes programmes, which will be added to the budget going forward.

The detailed scheme breakdown is shown in Appendix D.

2.14 Financial Control

2.14.1 At the end of September, the majority of key reconciliations have been prepared and reviewed. Where they are outstanding, an action plan has been put in place to ensure that they are completed by the end of the financial year.

3 Options Appraisal

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

4 Consultation

4.1 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.

5 Financial Implications

5.1 This report details the financial position of the Council.

6 Legal Issues

6.1 Local authorities are required by law to set a balanced budget for each financial year. During the year there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement

there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.

Background Papers Used in the Preparation of the Report:

Oracle monitoring reports

List of Appendices

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