CABINET

15 December 2015

Title: Budget Monitoring 2015/16 - April to October (Month 7)	
Report of the Cabinet Member for Finance	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** No
Report Author: Kathy Freeman Group Manager, Corporate Finance	**Contact Details:** Tel: 020 8227 3497 E-mail: kathy.freeman@lbbd.gov.uk
Accountable Director: Jonathan Bunt, Strategic Director of Finance and Investment	

Summary

This report provides Cabinet with an update of the Council's revenue and capital position for the seven months to the end of October 2015, projected to the year end.

There is a projected overspend of £5.8m on the 2015/16 budget, a decrease of £0.3m from last month. The current projection consists of an overspend on the Children's Services budget of £6.6m, made up of £5.6m pressures in the service and £1m programme delivery costs, partially offset by a £0.8m additional investment income from treasury management activity and a VAT refund. There are pressures in a number of other service areas but all are currently forecast to be managed.

The total service expenditure for the full year is currently projected to be £157.3m 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.

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.

The Capital Programme budget was re-profiled last month and stands at £131.5m, inclusive of the European Investment Bank (EIB) funded general fund housing schemes, with a forecast outturn of £131.5m still on track.

Recommendation(s)

The Cabinet is recommended to:

(i) Note the projected outturn position for 2015/16 of the Council's General Fund revenue budget at 31 October 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 31 October 2015, as detailed in paragraph 2.11 and Appendix B of the report;

(iii) Note the overall position for the HRA at 31 October 2015, as detailed in paragraph 2.12 and Appendix C of the report;

(iv) Note the projected outturn position for 2015/16 of the Council's capital budget as at 31 October 2015, as detailed in paragraph 2.13 and Appendix D of the report;

(v) Agree that all Chief Officers be instructed to implement any agreed 2016/17 savings during the current financial year to assist in reducing the Council's overspend, as detailed in paragraph 2.2.3 of the report; and

(vi) Agree to the use of £0.6m of Council reserves to fund the development of business cases for the Ambition 2020 programme, as detailed in paragraph 2.9.7.

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**
Calls on reserves:		
Implementation of savings proposals	(6,243)	
Budget Gap 2016/17	(5,170)	
Projected overspend	(5,849)	
		(17,262)
Projected remaining reserves		**15,889**

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 October 2015 £000**	**Over/(under) spend Forecast £000**
Directorate Expenditure			
Adult and Community Services	51,368	51,368	**0**
Children's Services	64,081	70,730	**6,649**
Housing (GF)	98	98	**0**
Environment	19,477	19,477	**0**
Chief Executive	17,876	17,876	**0**
Central Expenses	(1,456)	(2,256)	**(800)**
Total Service Expenditure	**151,444**	**157,293**	**5,849**

	Balance at 1 April 2015 £000	**Forecast Balance at 31 March 2017 £000**
General Fund	26,024	15,889*
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 paragraph1.3

2.2 Chief Finance Officer's comments

2.2.1 The current Directorate revenue projections indicate an overspend of £5.8m 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 and support the delivery of an Outline Business Case aimed at managing service demand and expenditure to enable 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 from the earlier reported pressures, 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. It is also proposed that the Strategic Director of Finance and Investment issues an instruction to all Chief Officers to implement any 2016/17 savings early in order to reduce the overspend.

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 with the current plan seeing the department deliver on budget in 2016/17 rather than substantially underspend.

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 31 October projected to the end of the financial year, it remains presented in the departmental structure of previous reports as the new senior management structure takes effect. 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	**51,368**	**51,368**
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£3.5m, which the directorate is actively working towards mitigating, as shown in the table below:

Main Pressures	**£000**
Purchase of Adult Social Care across all client groups	2,028
Pressures against 2015-16 savings targets (see savings tracker appendix for details)	381
Abbey Leisure Centre income pressures due to delayed opening	700
Mental Health residential placement costs	265
Better Care fund performance penalty – target for reduced admissions unachieved	182
Total Pressures	**3,556**

2.4.2 Appendix A provides a summary by division of service and the following paragraphs explain these variances. Adult Social Care reflects an overall forecast pressure of £2.113m, a reduction from last month's forecast of £2.168m following review of estimated property debt income. The majority of the pressure, £2.028m, is due to the forecast spend on purchasing adult social care across all client groups (except mental health) based on current activity data. The pressure includes 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. The remaining pressure is the net impact of pressure arising from the partial delivery of the Maples savings target and underspends arising from in year vacancies within the service. These budgets will continue to be monitored closely as activity levels fluctuate.

2.4.3 Commissioning and Partnership's is forecasting pressure of £0.072m. This is due to a projected £0.182m Better Care Fund (BCF) performance penalty offset by a £0.110m in year underspend against extra care budgets assuming maximum hours are not utilised. The extra care budgets are used to assist older people in self-contained housing, for example sheltered housing. Approximately 90% of budgeted hours are currently utilised. Vacancies are being held in the Youth Offending Service (YOS) in order to manage the £0.055m cut to in-year funding from the Ministry of Justice.

2.4.4 Mental Health is forecasting pressure of £0.265m due to the number of residential placements. This reflects a reduction from last month's position following a review of current placement levels and NELFT colleagues managing the admission and discharge process. It should be noted an increase in net placements over the remainder of the year would increase pressure on this budget.

2.4.5 Culture and Sport is forecasting pressure of £0.736m mainly due to income pressures within Abbey Leisure Centre and non delivery of saving targets. The delayed opening of the Abbey Leisure Centre has resulted in a reduction to income projections of £0.7m. This pressure will be partially mitigated by an estimated £0.25m compensation expected from the Contractors who worked on the Leisure Centre project. Delays to the Leisure Trust saving proposal equate to a pressure of £0.25m this year and risk to the additional £0.75m in 2016/17. There are further dependant Library savings which could also be at risk. There is also a net pressure of £0.036m as a result of delays to the transfer of the management of the Broadway Theatre to the Barking & Dagenham College.

2.4.6 The Councils initial Public Health grant allocation for 2015/16 was £14.213m, however, from the 1 October 2015, this has increased by £2.512m due to the part year transfer of the 0-5 children's public health commissioning to the Local Authority bringing the total allocation to £16.725m. At the end of the last financial year there was a £0.978m underspend which as a ring-fenced grant has been carried-forward into the current financial year. It was announced that there would be a £200m non-NHS health budget cut in year which will impact the Public Health budget. This has been confirmed as a 6.2% reduction equating to c£1m cut in funding. Spending plans have been reviewed in response to this. It should be noted that these reductions will impact on services across the council.

2.4.7 A challenging savings target of £4.145m is built into the 2015/16 budget. These are largely in the process of being delivered or already implemented. However, current forecasts indicate under delivery of £0.381m (see savings tracker for further details). Where under delivery has been identified, the Department is actively managing the resulting pressure.

2.5 Children's Services

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	67,359	**64,081**	**69,730**
Projected over/(under)spend			**5,649**
Programme costs			**1,000**

2.5.1 The service is forecasting an overspend of £5.649m against a budget of £64.081m. The position includes the full delivery of the departments £2.065m 2015/16 saving target and reduction in previously identified overspend of £3.5m through the Social Care Ambition and Financial Efficiency programme (SAFE). In addition to this, corporate funding of £1.7m and partnership funding of £0.474m has been allocated to support the position in 2015/16. This is a positive movement of £0.131m on the position reported last month due to movements in Education and Commissioning and Safeguarding. In addition to this, delivery of the SAFE programme is expected to cost £1m in year.

2.5.2 The Education Service is forecast to underspend by £0.150m which is an improvement on the previous month of £0.095m. This is primarily due to underspends within the Early Years and Childcare Service and Integrated Youth Services as a result of the early delivery of 2016/17 savings and an underspend within the School Improvement Service owing to savings from posts being frozen or inability to appoint following a recruitment campaign. However, the position is partially offset by pressures within Adult Education due to reductions in Government funding and redundancy costs.

2.5.3 The Commissioning and Safeguarding Service is forecast to overspend by £0.299m which is an improvement on the previous month’s position of £0.036m. This has been achieved by an increase in traded income. The pressure in this service is driven by the difficulty in recruiting permanent staff and the need to use agency staff.

2.5.4 Significant demand pressures within the Complex Needs and Social Care (CNSC) division have continued from 2014/15 into the current financial year. Current projections indicate an overspend of £5.5m at the year end.

2.5.5 In October, Cabinet approved an Outline Business Case aimed at managing service demand and expenditure in order to deliver a balanced budget by the end of 2016/17. Implementation of the approved business case is now underway and progress has been made in a number of areas.

2.5.6 Reducing spend by the level required in the target timescale will be very challenging and will require tight governance. The SAFE Programme Board meets monthly to review progress and ensure at all times that children are not put at risk. Progress towards the savings target is reported to Cabinet via the monthly financial monitoring report.

2.5.7 The table below shows the original forecast overspend together with progress made to date and planned further reductions. This will bring the service to a forecast outturn position of £5.5m at the end of the year.

	Original Forecast Overspend £000	**Reduction Delivered £000**	**Current Position £000**	**Planned Further Reductions £000**	**October forecast £000**
Complex Needs					
Agency /Staffing/ASYE	3,365	(648)	2,717	(527)	**2,190**
Placements	3,919	(3790	3,540	(808)	**2,732**
Transport	543	(343)	200	0	**200**
Legal	500	0	500	(300)	**200**
NRPF	1,600	(50)	1,550	(200)	**1,350**
UASC	1,128	(62)	1,066	(138)	**928**
Funding Adjustments	0	(2,100)	(2,100)	0	**(2,100)**
Total Complex Needs	**11,055**	**(3,582)**	**7,473**	**(1,973)**	**5,500**

2.5.8 The work streams underway are described below.

Recruiting Permanent Social Workers
At the beginning of the financial year the service was forecasting £3m overspend as a result of additional agency costs. Children's Services have already reduced costs considerably by successfully recruiting a number of permanent staff. In addition Penna have now been employed specifically to attract, recruit and retain permanent Social Workers. This is expected to further reduce staff costs in the current year with a significant full year effect in 2016/17.

Reducing the Number of Children in Social Care
Work is underway to review all Children's Social Care cases. This has identified that a number of cases can be stepped down without risk. As part of this process the project ensures that the appropriate support packages are in place for the families to allow these cases to be stepped down. As the number of cases reduce, management are expected to regularly and quickly review the current staffing establishment to identify and then release agency staff as case numbers decrease.

Commissioning and reduction in Placements
The commissioning project has a number of strands which will both reduce costs and provide suitable outcomes for children in the borough. Placements are a key focus of the commissioning workstream. They are continually reviewed as a core function and this has identified a number of children who potentially can be stepped down from their current residential placements. The SAFE project is also reviewing the placement process to ensure that the procurement process both meets the identified need of the child and is carried out in the most cost efficient way.

LAC 18+ accommodation review
Children's Services are working closely with Housing to identify accommodation in order to allow young adults who are ready to move out of supported living. The accommodation review will also look at the options for accommodation for other client groups such as NRPF/UASC. Whilst accommodation is needed in the short term the project also recognises that this will be an ongoing issue over a longer period.

SEN Transport review
A review of SEN Transport has been carried out which considers transport routes, travel training and revised eligibility criteria including consultation. This has identified savings for 2015/16 with a full year effect in 2016/17

Reduction of Families in NRPF
The NRPF service now uses a fraud officer and a home office officer to identify fraudulent claims and speed up home office decisions. The fraud officer helps the initial application process and the Home Office Officer accelerates "right to remain" decisions from the Home Office. This allows families to be moved out of NRPF more rapidly following resolution with the Home Office.

Review of Legal Costs
Children's Services are working closely with legal to identify the most cost effective way to meet the Council requirements of the service. There is a proposal to hire two advocates and to stop using 3rd party advocacy services.

Reconfigure the Pitstop programme
The Pitstop programme was based on a joint funding arrangement with LB Newham in 2015/16. Newham have withdrawn from this arrangement necessitating a review of the service.

Move ASYE training into Social Care teams
The ASYE training programme has been in operation since April 2014. The programme has had mixed results with some graduates successfully being integrated into the Social Work teams and others dropping out of the programme. We are planning to ensure that the current ASYE cohorts are given the support and training required to successfully complete the programme and graduate. Beyond this, there is currently no plan to take in a further ASYE cohort.

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 were 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 The number of Bed and Breakfast placements stood at 76 at the end of October 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 7 months of the year stand at 64. The projected average number of placements per month for the year is now estimated to be 63 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, on site security and reception improvement works at several of the Council's homeless hostels, gainshare costs and also payments to the East London Housing Partnership.

2.7.4 Arrears have increased by £0.292m 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 Bed and Breakfast numbers increase in the short term or the reduction forecast for the latter part of the financial year does not materialise. There are also additional risks if 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. The table below summarises the main headline pressures.

Main Pressures	**£000**
Income Pressure	356
Staffing Pressure	354
Parking Services (Impact of De-Regulation Act 2015)	350
2015-16 Savings (see savings tracker appendix for details)	226
Stour Road building	90
Total Pressures	**1,376**

2.8.2 Current projections indicate pressure on meeting income targets across a number of services including refuse, cemeteries, Barking market and fleet with pressure on staffing budgets primarily within refuse and cleansing. The impact of the De-Regulation Act 2015 remains a significant risk for the service, however, the forecast remains at £0.35m following review of enforcement strategies and the income profile over the first half of the year. Mitigating action is primarily through the holding of vacancies and spends restraint within Highways, Building Control and Private Sector Housing.

2.8.3 The service has a challenging savings target of £1.7m built into the 2015/16 budget. These are largely in the process of being delivered or already implemented, however, current forecasts indicate under delivery of £0.23m. The majority of this relates to the introduction of charges for the green garden waste service which as been postponed until 2016/17. The other savings pressure relate to determining arrangements for marketing within the public realm, the postponement of changes to prestart payments and income generation in cemeteries.

2.9 **Chief Executive's Directorate**

Directorate Summary	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	18,716	**17,876**	**17,876**
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. The current position is that these pressures will be mitigated.

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 are 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. There is currently a significant backlog in processing changes of circumstance for benefit claimants. This delay results in an overpayment which is classified as a local authority error. The Department of Work and Pensions (DWP) refunds the Council for LA error overpayments, providing the overpayments are within specific thresholds. Based on current projections, the error threshold is likely to be breached, which means that the Council may not receive 100% of the overpayment back from the DWP. In order to mitigate this risk, Elevate have brought in additional resources at their own cost to reduce the backlog. The backlog is also being monitored on a weekly basis to monitor the effectiveness of the actions taken.

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 had 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.

2.9.7 By Minute 24 (21 July 2015), Cabinet initially agreed funding to support the Growth Commission (£0.5m) and to provide additional capacity required for the Ambition

2020 programme (£1m). The Growth Commission will complete its review in December 2015. The initial funding enabled Ambition 2020 to develop a number of work streams to the point of outline business case, resourced both by internal secondments and external expertise. To move a number of work streams from outline to full business case will require a reduced level of resource, currently estimated at £0.6m, than the work done to date, but it needs resourcing to develop a fully thought through plan to report to Cabinet in Spring 2016. Cabinet is now asked to agree this allocation from reserves.

2.10 **Central Expenses**

Directorate Summary	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	2,186	**(1,456)**	**(2,256)**
Projected over(under)spend			**(800)**

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 The Treasury team continues to achieve good returns on the Council's cash deposits, without a significant increase in the risk taken, in a low interest environment and a favourable variance of £0.7m is forecast against budgets for interest paid on loans and received on investments. A refund of £0.1m has been received for overpaid VAT following a review of payments made over the last two years and this has increased the projected underspend to £0.8m.

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	3,764	**381**
Children's Services	2,065	2,065	**-**
Housing (GF)	1,005	1,005	**-**
Chief Executive	14,595	13,673	**922**
Environment	1,710	1,484	**226**
Total	**23,520**	**21,991**	**1,529**

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 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 98.56% compared to the target of 99.24%. This creates a shortfall in cash collected of around £700k. Changes in government policy around repeat claims for Discretionary Housing Payments (DHP) have also impacted the allocation of DHP towards housing rents. 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. 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, 123 compared to expected profile of 128, 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 a forecast overspend of £1.3m. This has increased from last month due to additional payroll and agency staff costs not previously forecast. Improving the 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 unbudgeted void refurbishment spend in the region of £780k, however, this is offset by the additional rental income generated. The resulting pressure within Repairs and Maintenance after deducting this spend is £578k.

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 not sufficient to offset projected overspends and therefore a reduction of £0.1m in revenue contribution to capital is required.

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 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
Adult & Community Services	2,192	788	2,192	0
Children's Services	27,111	14,503	27,111	0
Environmental Services	4,005	2,135	4,005	0
Chief Executive Department	7,489	3,019	7,489	0
Housing General Fund – EIB	9,222	1,719	9,222	0
Subtotal – GF	**50,019**	**22,164**	**50,019**	**0**
HRA	81,493	48,776	81,493	0
Total	**131,512**	**70,940**	**131,512**	**0**

2.13.2 The 2015/16 capital programme stands at a revised budget of £131.5m. Following the budget re-profiling exercise that was undertaken and approved last month in which the Directorates realigned their budgets with current programmes and forecasts, there are no further scheme variances to report this month. Officers will continue to monitor and report on any further variances against the budget, as well as ensuring that all external funding is drawn down from funding bodies and projects run to schedule.

2.13.3 **New Capital Schemes**
There are no new capital schemes this month.

2.13.4 **Adult & Community Services**
Adult & Community Services has a revised 2015/16 capital budget of £2.192m. There has been a £0.200m reduction in the Adult Social Care capital programme

this year following the re-profile of Direct Payments Adaptations grant. Current estimates indicate spend to budget with no funding issues.

2.13.5 **Children's Services**
Following the budget re-profiling exercise last month, Children's Services has a revised capital budget of £27.1m in 2015/16; and spend is currently forecast to budget.

2.13.6 **Environmental Services**
The Environmental Services Capital budget for 2015/16 was originally set at £4.215m. Following the budget re-profiling exercise the budget now stands at £4.004m with all schemes expected to deliver in line with the revised budget.

2.13.7 **Chief Executive**
Schemes within the Chief Executive Department have an overall budget for 2015/16 of £7.4m, having been re-profiled down from £12.4m previously; and are all still expected to spend to the revised budgets.

2.13.8 **Housing Revenue Account (HRA)**
The HRA capital programme budget for 2015/16 was originally set at £77.987m. Following the budget re-profiling exercise the approved HRA Capital Programme budget now stands at £81.493m; and is still forecast to spend to this level.

Estate Renewal – Actual spend to date indicates progress is ahead of schedule due to a high level of leasehold buy back completions and advanced progress in respect of the Gascoigne Estate demolitions.

New Build Programme - The New Build Programme is currently projected to spend in line with the overall revised budget of £26.917m.

Investment in Stock – The realigned budget for Investment in Stock is £44.845m. All of the individual projects are currently projected to spend in line with their revised budgets.

2.13.9 The detailed scheme breakdown is shown in Appendix D.

3. Financial Control

3.1 At the end of October, 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.

4. Options Appraisal

4.1 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.

5. Consultation

5.1 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.

6. Financial Implications

6.1 This report details the financial position of the Council.

7. Legal Issues

7.1 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