CABINET

15 February 2016

Title: Budget Monitoring 2015/16 - April to December (Month 9)	
Report of the Cabinet Member for Finance and Central Services	
Open Report	**For Decision**
Wards Affected: All	**Key Decision:** No
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Summary

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

There is a projected overspend of £5.7m on the 2015/16 budget, a decrease of £0.4m from last month. The main elements of the current projection are overspends in Children's Services of £6.5m (including £1m of programme costs), overspends in Housing and Environmental services of £0.5m partially offset by underspends of £1.2m in Central Expenses and £0.1m in Chief Executive's. 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 £157.1m against the budget of £151.4m. The projected year end overspend will significantly reduce the General Fund balance to c£20m at year end though that is still above the minimum target balance set by the Strategic Director of Finance and Investment.

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 stands at £134.7m, inclusive of the European Investment Bank (EIB) funded general fund housing schemes. Forecast outturn is £141.6m, £6.9m over budget, mostly within Children's Services, which has incurred accelerated spend on projects. Funding allocations will be adjusted between years accordingly.

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 December 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 December 2015, as detailed in paragraph 2.11 and Appendix B of the report;

(iii) Note the overall position for the HRA at 31 December 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 December 2015, 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 Central Services 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. The table below shows the available reserves at the authority's disposal to cover the cost of implementing savings proposals, the Growth Commission and the Ambition 2020 programme. The remaining GF reserve balance is now forecast to be above the target figure at £20.879m:

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	(4,481)	
Growth Commission and Ambition 2020	(2,100)	
Projected overspend	(5,691)	
		(12,272)
Projected remaining reserves		**20,879**

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 December 2015 £000**	**Over/(under) spend Forecast £000**
Directorate Expenditure			
Adult and Community Services	51,033	51,033	**0**
Children's Services	62,750	69,301	**6,551**
Housing (GF)	1,512	1,702	**190**
Environment	18,522	18,822	**300**
Chief Executive	17,876	17,726	**(150)**
Central Expenses	(249)	(1,449)	**(1,200)**
Total Service Expenditure	**151,444**	**157,285**	**5,691**

	Balance at 1 April 2015 £000	**Forecast Balance at 31 March 2017 £000**
General Fund	26,024	20,879*
Housing Revenue Account	8,736	8,736

*Includes the use of GF balances to implement savings proposals – see paragraph1.3

2.2 Strategic Director of Finance and Investment's comments

2.2.1 The current Directorate revenue projections indicate an overspend of £5.7m for the financial year, primarily due to the overspend in the Complex Needs and Social Care division of Children's Services along with the associated costs of the programme to address the budget challenge.

2.2.2 October's Cabinet was asked to note the cost of setting up of a temporary project team, estimated at £1m, 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. That project has enabled the monitoring of the programme at a much greater level of detail than has previously been possible. This has, in turn, enabled the programme to respond to changing pressures or individual workstreams which have been more challenging to deliver. As a result, there is greater confidence in achieving such an ambitious level of change over the next year.

2.2.3 It is very unlikely that the pressure created by the Children's Services position can be brought back to the overall budget by the end of the financial year, though work continues to significantly reduce the overall overspend to avoid a large call on reserves. 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. Furthermore, December's Cabinet meeting instructed all Chief Officers to implement any agreed 2016/17 savings during the current financial year to assist in reducing the overspend. 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 Pressures have also emerged in the last couple of months in Environment and Housing and it is essential that those overspends are addressed in the remaining months of 2015/16 and that a balanced position is carried in to the new financial year.

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, following the settlement and the review of the use of reserves for the delivery of savings this year and next year, the projected 2016/17 year end balance would remain substantially above the target figure.

2.2.6 Looking forward, the revised MTFS approved in January includes additional funding for Children's Services, Adults Social Care 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. It will not, however, deliver an underspend equal to the forecast overspend this year to replenish reserves to the level as at April 2015.

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 December projected to the end of the financial year, it remains presented in the directorate structure of previous reports as the new senior management structure takes effect. The reporting format will be amended to reflect the new senior management structure in the next financial year (2016/17).

2.4 Adult and Community Services

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	54,025	**51,033**	**51,033**
Projected over/(under)spend			**0**

2.4.1 The Adult and Community Services Department is forecast to breakeven by year end. The department continues to actively work towards mitigating pressures of £2.6m. The table below summarises the headline pressures to be mitigated:

Main Pressures	£000
Purchase of Adult Social Care	1,567
Pressures against 2015-16 savings targets (see savings tracker appendix for details)	381
Abbey Leisure Centre income pressures	421
Mental Health residential placement costs	267
Total Pressures	**2,636**

2.4.2 Appendix A provides a summary by division of service and the following paragraphs explain these variances. The Adult Social Care division reflects an overall forecast pressure of £1.759m, an improvement of £0.122m from last month's forecast of £1.881m mainly due to additional income from property charges identified. The main pressure remains against the purchase of adult social care across all client groups (except mental health) which reflect a pressure of £1.567m. This pressure also includes a number of transition cases from Children's services and the outcome of re-assessments under the Care Act. The remaining pressure of £0.192m is a combination of the undelivered Maples savings target of £0.091m and staffing pressures within the division. Forecasts continue to be monitored as activity levels fluctuate.

2.4.3 Commissioning and Partnership's is forecasting a net underspend of £0.149m, a £0.293m reduction from last month's position of £0.144m. This is mainly due to mitigating actions to utilise grant funds, underspends arising from in year staff vacancies and additional ad hoc recharges generated by the Security team. This has mitigated the Better Care Fund (BCF) performance penalty of £0.182m.

2.4.4 Mental Health is forecasting a pressure of £0.267m due to the number of residential placements. NELFT colleagues continue to work towards improving 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 a net pressure of £0.433m mainly due to income pressures within Abbey Leisure Centre. The delayed opening of the Abbey Leisure Centre has resulted in a reduction in income projections of £0.671m and this pressure will be partially mitigated by an estimated £0.250m compensation expected from the contractors who worked on the Leisure Centre project. There is also a net pressure of £0.012m as a result of delays to the transfer of the management of the Broadway Theatre to the Barking & Dagenham College, offset by underspends within the Libraries and Heritage services.

2.4.6 The Council's Public Health grant allocation for 2015/16 is £16.725m which includes £2.512m part year transfer of the 0-5 children's public health commissioning to the Local Authority. 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. The grant is also subject to a 6.2% funding cut equating to c£1m. 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. Current forecasts indicate under delivery of £0.381m (see savings tracker for further details). The Department is actively managing the gap. It should be noted however that the budget pressure arising from the review of future leisure provision will be managed corporately.

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2.5 Children's Services

Directorate Summary	2014/15 Outturn £000	2015/16 Budget £000	2015/16 Forecast £000
Net Expenditure	67,359	**62,750**	**68,268**
Projected over/(under)spend			**5,518**
Programme costs			**1,033**

2.5.1 The service is forecasting an overspend of £5.518m against a budget of £62.75m. The position includes the full delivery of the departments £2.065m 2015/16 saving target and reduction in the overspend through the Social Care Ambition and Financial Efficiency programme (SAFE). Corporate funding of £1.7m and partnership funding of £0.474m has been allocated to support the position in 2015/16. Despite an overall positive movement of £0.035m on the position reported last month, there remains ongoing risk to achieving this position. In addition to this, delivery of the SAFE programme is expected to cost £1.033m in year.

2.5.2 The Education Service is forecast to underspend by £0.300m - an improvement of £0.053m on the November position of £0.247m. 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, together with an underspend within the School Improvement Service as a result of posts being held vacant. The position is partially offset by pressures within Adult Education following reductions in Government funding and the funding of redundancy costs.

2.5.3 The Commissioning and Safeguarding Service is forecasting a breakeven position which remains the same as the position reported in November. The service is managing pressure of £0.316m within the Child Protection and Reviewing Service caused by difficulty in recruiting permanent staff and the need to use agency staff. This has been achieved by increases in traded income received and increased efficiencies realised through smarter commissioning. However, given the ongoing growth in demand it is unlikely that this would result in an ongoing saving without a change in policy.

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. In October 2015, 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 underway with progress being made towards the target reductions in 2015/16 and beyond.

2.5.5 The SAFE programme aims to deliver on budget in 2016/17. Projects are well underway and savings have been achieved in a number of areas including reductions in agency staff, NRPF clients and SEN Transport costs. The £11m overspend reported in July has been reduced significantly and aims to be closed completely over two years.

2.5.6 Current projections indicate an overspend of £5.818m at the year end which is an increase of £0.018m on the November forecast. This is primarily due to additional pressure on placements. The Council has a statutory duty with regard to vulnerable children and delays in moving young adults out of supported living due to the demand on available housing has resulted in additional pressure.

2.5.7 The table below shows the original forecast overspend together with progress made to date and planned further reductions. The reduction delivered year to date is £4.222m inclusive of the £2.100m corporate funding. This will bring the service to a forecast outturn position of £5.818m at the end of the year.

	Original Forecast Overspend £000	**Reduction Delivered £000**	**Current Position £000**	**Planned Further Reductions £000**	**Outturn Forecast £000**
Complex Needs					
Agency /Staffing/ASYE	3,365	(1,357)	2,008	(300)	**1,708**
Placements	3,919	(236)	3,683	(351)	**3,332**
Transport	543	(343)	200	0	**200**
Legal	500	0	500	(100)	**400**
NRPF	1,600	(50)	1,550	(200)	**1,350**
UASC	1,128	(136)	992	(64)	**928**
Funding Adjustments	0	(2,100)	(2,100)	0	**(2,100)**
Total Complex Needs	**11,055**	**(4,222)**	**6,833**	**(1,015)**	**5,818**

2.5.8 The work streams underway are described below.

Reductions in Staffing Costs
The year end overspend in this area is projected to reduce by £0.272m from the position reported in November to £1.708m. The improved forecast reflects reductions as a result of the service continuing to freeze a number of vacant posts and reduce agency staff spend. Posts are being held vacant in preparation of future staff realignments.

Placements Pressure
The year end forecast reflects an overspend of £3.332m, an increase of £0.300m from the position reported in November. The previous forecast anticipated a reduction in placement costs by year end but the latest forecast shows that whilst numbers have stabilised the costs reductions are slower than expected. A key work strand of the SAFE programme is to undertake a review of all placements to ensure that children's needs can be provided in the most cost efficient way. This process is now underway and is expected to deliver significant cost reductions in 2016/17.

Transport
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.

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. Legal are recruiting in-house support which will reduce the cost of expensive counsel in 2016/17. Children's Services also continually review their processes to ensure counsel is only used where absolutely necessary. These combined efforts are expected to reduce costs in 2015/16 by £100k with a larger reduction expected in 2016/17.

NRPF
The NRPF service now utilise 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.

UASC
The review of accommodation used for UASC clients has resulted in benefits realised through reduced costs in 2015/16 - the year end position remains unchanged and further reductions will be delivered.

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	**1,512**	**1,702**
Projected over/(under)spend			**190**

2.7.1 The service is forecasting to overspend by £0.19m by year end, largely due to the increased cost of bed and breakfast placements.

2.7.2 Earlier in the year, when the numbers in B&B accommodation were averaging around 50 the resulting under spend was 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. Now that the B&B numbers have increased to nearer the budgeted level, these costs can no longer be contained, hence the projected overspend. Every effort will, however, be made to contain costs up to year end so that a near break even position can be achieved.

2.7.3 The number of Bed and Breakfast placements stood at 84 at the end of December which is above the budgeted average of 68. The numbers have continued to rise and, at the end of the first week in January, numbers had increased to 94.,. Negotiations are ongoing with our procured providers for the use of private sector units and lease arrangements with Look Ahead Housing Association on Bevan House have been completed where there were 12 voids.

2.7.4 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, it has been established that a further 9 units can be provided and is now expected to open in late January with 78 units. The enhanced refurbishment of the hostel will be funded from corporate budgets and will result in a higher level of ongoing income. These additional units coupled with the expected hand over of Butler Court at the end of January should result in the year end average being 62 in total, which is slightly below the budgeted figure.

2.7.5 The Rent Deposit Scheme was changed in order to incentivise landlords to provide a continued supply of properties and hence reduce the pressure on Bed and Breakfast numbers. This has been suspended pending a review as there will be a shortfall in the income to be generated from the scheme.

2.7.6 Arrears have increased by £334k since the start of the financial year, which is an increase from previous months and is due to a temporary backlog in processing Housing Benefit claims over the Christmas period. The budget available to top up the provision is expected to be sufficient based upon current assumptions.

2.7.7 There are, 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	**18,522**	**18,882**
Projected over/(under)spend			**300**

2.8.1 Environmental Services is forecast to overspend at year end by £0.300m. This is an improvement of £0.098m from the position reported last month primarily due to an improved position within Parking. The service will need to manage pressure of £1.628m in order to outturn on budget, however, mitigation of £1.328m has been identified. This is primarily through spend restraint and holding vacancies. The table below summaries the main pressures:

Pressure	**£000**
Staffing	856
Fleet (across departments) and Depot	163
Income	264
2015-16 Savings (see savings tracker appendix for details)	231
Stour Road building	114
Total	**1,628**
Mitigating action	(1,328)
Remaining pressure	**300**

2.8.2 The main movement from last month is within Parking, which is now forecasting to come in on budget. This is an improvement of £0.350m against the reported position last month. The initial risk expected from the De-Regulation Act 2015, which came into effect from April 2015, has been managed down. Projections have improved following the review of enforcement strategies undertaken earlier this year and an improving income profile year to date. The mild winter conditions are a contributing factor and will continue to be as long as they continue.

2.8.3 Staffing pressure continues to be the main risk within the service, primarily within refuse and cleansing. Management are taking action to review establishment costs and funding with a view to managing the in year position and determine the ongoing requirement.

2.8.4 Current projections indicate pressure on income budgets of £0.264m across a number of services including refuse, cemeteries, Barking Market and fleet, primarily due to reduced demand. This represents an improvement of £0.063m on last month's position, although further improvement is required.

2.8.5 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 £0.231m. The majority of this relates to the introduction of charges for the green garden waste service which has been postponed until 2016/17. The other savings pressures relate to determining arrangements for marketing within the public realm, the postponement of changes to prestart payments and income generation in cemeteries.

2.8.6 Fleet (across departments) and Depot pressure of £0.163m has been forecast primarily due to risk within depot budgets in respect of utility spend and having to backfill the cost of 2 vehicle breakdowns within Passenger Transport. Stour Road Building pressure has increased by £0.044m as a result of increased operational costs due to the continued opening of 2 and 90 Stour Road. Operational budgets were removed as both sites were expected to close in 2014.

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**	**17,726**
Projected over(under)spend			**(150)**

2.9.1 Chief Executive's Directorate is projecting an underspend of £0.15m 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 being on parts of the automation proposals. Previously reported pressures on housing benefit overpayment recovery have now been substantially mitigated, although a small residual risk remains.

2.9.3 The budget for recovery of court costs is currently being under-achieved. This is due to the court's unwillingness to add further costs to the amounts owed by residents previously in receipt of Council Tax Support. This budget will be closely monitored but any overspend will need to be mitigated by underspends elsewhere in the division.

2.9.4 There are pressures totalling £0.130m within Human Resources through reduced school buybacks of the service. Negotiations are currently in process to recover this business from schools, although it will be difficult to avoid an overspend in this financial year.

2.9.5 Marketing and communications are forecasting to underspend by £0.062m due to staff vacancies, pending a future restructuring.

2.9.6 Legal and Democratic Services have delivered their savings target and are forecast to over-achieve their trading account target by approximately £0.03m, which will be used to offset overspends elsewhere in the division.

2.9.7 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 (currently forecast to be £0.188m) and this will be used to mitigate pressures in other areas of the directorate.

2.10 **Central Expenses**

Directorate Summary	2014/15 Outturn	2015/16 Budget	2015/16 Forecast
	£000	£000	£000
Net Expenditure	2,186	**(249)**	**(1,449)**
Projected over(under)spend			**(1,200)**

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 In a low interest environment the Treasury team continues to achieve good returns on the Council's cash deposits, without a significant increase in the risk taken. A favourable variance of £0.8m is forecast against budgets for interest paid on loans and received on investments. The latest monitoring position has indicated that further underspends should be available from a VAT refund, reduced contribution to capital financing and procurement savings, giving an overall forecast underspend of £1.2m.

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	1,479	**231**
Total	**23,520**	**21,986**	**1,534**

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 largely 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 profiled performance on rent collection is 73.53% compared to the target of 73.70%. This creates a shortfall in cash collected. Changes in government policy around repeat claims for Discretionary Housing Payments (DHP) have also impacted the allocation of DHP towards housing rents. 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 impact the rental income position. There have been 165 Right to Buy sales so far this year and 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. 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. Additional overtime and agency costs have added to this pressure.

2.12.7 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 net pressure within Repairs and Maintenance after deducting this spend is £578k.

2.12.8 The budgeted level of bad debt provision contribution is not expected to be required in 2015/16 due to delays in the full introduction of government's welfare reform changes.

2.12.9 The budgeted level of interest payable on HRA borrowing assumed borrowing to the borrowing cap. The interest payable budget assumed interest on the full level of available HRA borrowing inclusive of headroom. Additionally, one scheme, Leys Phase 2 assumed borrowing up to £3.2m. As this scheme is now not expected to go ahead in 2015/16, the charges will be deferred until 2016/17. Therefore an underspend of £765k against the interest budget is forecast. The changes in forecast for interest and bad debt provisions means an additional revenue contribution towards capital expenditure of £1.4m is now available. This will be used towards funding the accelerated capital spend, predominately within Estate Renewal.

HRA Balance

2.12.10 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 December 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	976	2,192	0
Children's Services	27,111	19,163	30,576	3,465
Environmental Services	4,005	2,634	3,824	(181)
Chief Executive Department	10,669	3,820	10,785	115
Housing General Fund – EIB	9,222	9,571	10,752	1,530
Subtotal – GF	**53,199**	**36,163**	**58,128**	**4,930**
HRA	81,493	61,628	83,429	1,936
Total	**134,691**	**97,791**	**141,557**	**6,866**

2.13.2 The 2015/16 capital programme stands at a revised budget of £134.7m, and Directorates are currently forecasting to exceed this by £6.9m. This variance is largest within Children's Services, which has incurred accelerated spend on projects, and funding allocations between years will be adjusted accordingly.

2.13.3 **New Capital Schemes**
Added to the capital programme this month is a new scheme for the purchase of the leasehold interest in the site bordered by Clockhouse Avenue, Broadway, East Street and Gove Place, as approved by Cabinet in December 2015 (item 74). This is a Regeneration scheme and the budget of £3.180m is included in the Chief Executive's directorate total in the table above.

2.13.4 **Adult & Community Services**
Adult & Community Services has a revised budget of £2.483m and current estimates indicate spend to budget with no funding issues.

2.13.5 **Children's Services**
Children's Services has a revised capital budget of £27.111m, and is forecasting to exceed this by £3.465m. This variance is mostly due to Barking Riverside Secondary Free School (£2.500m). There were initial delays in the project as a result of land issues with Barking Riverside Ltd, which led to the budget being profiled back into later years during the mid-year re-profile. However these issues have now been overcome, and the project is accelerating again, back to its originally planned position. Additionally there is accelerated spend on Marsh Green Primary (£0.400m), Barking Riverside City Farm (£0.160m), and Jo Richardson Expansion (£0.383m). Over and underspends are drawn from or returned to the available funding, and re-profiled between years where necessary, such that the overall programme is completed within the total funding available.

2.13.6 **Environmental Services**
Environmental Services has a revised budget for 2015/16 of £4.005m, and is forecasting an in year underspend of £0.181m, as a result of the following:

- **Street lighting replacement (£0.025m overspend)** – due to increased contractor costs. This will be have to be met from the 2016/17 budget allocation, thus reducing the amount available in 16/17 (this is currently £0.5m, per the Budget Strategy Report);
- **Structural Repairs and Bridge Maintenance (£0.051m underspend)** – due to the requirement for structural testing to be undertaken on Kennedy Road and Salisbury Avenue Rail Bridge. This is currently out for tender and is not expected to be delivered until quarter two of 2016;
- **Fleet Management and Depots (£0.060m underspend)** – due to the delays in the completion of the washbay part of the scheme and a requirement for further exploratory works to be carried out;
- **BMX Track (0.065m underspend)** – this will now be delivered in 2016/17, due to additional costs over and above the available budget. A capital bid for additional funding was agreed in January 2016 in order to fully complete the works;
- **Strategic Parks (£0.030m underspend)** - due to the delays in the Millennium Centre, cafe improvement proposal which will not commence until June 2016.

2.13.7 **Chief Executive**

The Chief Executive Department has an overall budget for 2015/16 of £10.669m; and is currently forecasting to exceed this by £0.115m. This is due to two schemes: the Merry Fiddlers junction improvements (£0.070m), which will be funded by additional S106 money; and the bus stop accessibility improvements (£0.045m), which will be funded from TfL money.

2.13.8 **Housing General Fund (European Investment Bank)**

The Housing General Fund (EIB) schemes have a budget for 2015/16 of £9.2m, and are forecasting exceed this by £1.530m. This is as a result of accelerated spend, and future years budgets will be adjusted and brought forward accordingly.

2.13.9 **Housing Revenue Account (HRA)**

The HRA has a revised capital budget of £81.492m; and is forecasting to overspend by £1.936m overall.

Estate Renewal – This project is now forecast to spend £11.980m in the current year against a revised budget of £9.730m which represents an accelerated spend of £2.250m. This results from a substantial increase in the number of completed leasehold buybacks and advanced progress on demolition works.

New Build Programme - The New Build schemes are currently projected to spend in line with the overall revised budgets with the exception of Leys Phase 2 which is showing slippage of £0.400m. This is as a result of re-scoping the contract specification and retendering, in order to bring the cost of works down to within budget.

Investment in Stock – The revised budget for Investment in Stock is £44.845m, and it is forecasting an overall overspend of £0.086m. This is a net position and includes a number of offsetting over and underspends.

Slippage is forecast in respect of the following schemes:

- Roof replacement (£0.040m);
- Asbestos removal (£0.111m);
- Decent homes south (£0.523m);
- Window replacement (£0.076m);
- External fabrics – blocks (£0.091m);
- Fire safety works (£0.200m).

These variances are due to various reasons including delays around retendering and delays in contractors starting on site. These are more than offset by the following projects with accelerated spends:

- Voids (£0.350m);
- Central heating installation (£0.450m);
- Block and estate modernisation (£0.164m);
- Decent homes (blocks) (£0.151m);
- Energy efficiency (£0.018m).

All variances are drawn from or returned to the overall funds available within the HRA business plan.

The detailed scheme breakdown is shown in Appendix D.

3. Financial Control

3.1 At the end of December, 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