

**Report for:  
INFORMATION/DECISION**

**Item Number:**

**15**

<b>Contains Confidential or Exempt Information</b>	<b>No</b>
<b>Title</b>	<b>Budget Update Report 2015/16</b>
<b>Responsible Officer(s)</b>	Ian O'Donnell – Executive Director of Corporate Resources Maria G. Christofi – Director of Finance
<b>Authors</b>	Mick Bowden - Strategic Finance Partner Corporate Nisar Ahmed - Finance Manager, Strategic Planning
<b>Portfolio</b>	Cllr Johnson - Finance Performance & Customer Services
<b>For Consideration By</b>	Cabinet
<b>Date to be considered</b>	15 September 2015
<b>Implementation Date if Not Called In</b>	29 September 2015
<b>Affected Wards</b>	All
<b>Area Committees</b>	All
<b>Keywords/Index</b>	Revenue, Capital, Budget.
<b>Purpose of Report:</b> To provide Cabinet with an update on the Revenue budget position for 2015/16 as at 30 June 2015	

**1. Recommendations:**

- 1.1. It is recommended that Cabinet notes the General Fund revenue budget forecast outturn position of £4.358m net overspend (or 1.8%) for 2015/16 and that Executive Directors will be taking management actions to bring the forecast overspends into balance for year end

- 1.2. Notes the progress on delivering the 2015/16 general fund savings of £43.454m of which £34.190m has been achieved. (see Appendix 2)
- 1.3. Notes the HRA forecast outturn position of a £0.029m net underspend for 2015/16 (section 4.5).
- 1.4. Note the forecast underspend on the Capital Programme of (£0.622m)
- 1.5. Note the replacement of the £0.650m saving from 2014/15 on a one off basis in the current financial year.

## **2. Reason for Decision and Options Considered**

- 2.1 This report provides Cabinet with an update of the 2015/16 revenue budgets approved by Council in February 2015 setting out the Council's financial performance as at 30 June 2015 and actions being taken to manage risks and ensure that performance remains within the approved budgets.

## **3. Key Implications**

- 3.1 This is the second financial report on the 2015/16 budget and provides an early forecast for the financial year based on actual information for the first three months (as at 30 June 2015). Its purpose is to highlight any concerns or risks which need to be addressed through management actions.

## 4. Financial Implications

### 4.1 Revenue Budget Update 2015/16

The revenue budget forecast outturn is projecting a net overspend of £4.358m or 1.8% of the net general fund budget, as at 30 June 2015. The net position is summarised in table 1 below.

**Table 1 – Summary of Revenue Variances**

Revenue	
Directorate Controllable Budget	Q1 Variance £m
Children	(0.225)
Adults & Public Health	3.974
Children & Adults	3.749
Regeneration & Housing	0.152
Environment & Customer Services	-
Corporate Resources	-
Chief Executive	(0.015)
Housing Benefit	0.472
<b>Directorate Sub-total</b>	<b>4.358</b>
Levies & Corporate items	-
<b>General Fund Total</b>	<b>4.358</b>

4.1.1 Explanations for the main services significant forecast overspends and pressures are as follows:

#### 4.1.2 **Adults & Public Health £3.374m forecast overspend:**

##### **Adults £2.348m Overspend**

Based on current demand Adults are forecasting full year placement and homecare costs totalling £65.4m. This is reported against the total Adults budget of £63m of which £49m funds placements and homecare. External grants, income generation and claw back of historic overpayments have been applied to reduce this forecast leaving a gross pressure of £6.5m. It is estimated that further management actions of £4.2m can be achieved in year, through value for money reviews and seeking to maximise income from partner organisations. This will leave a forecast overspend of £2.348m. Further work is currently being undertaken to reduce this potential overspend.

##### **Public Health £1.626m Overspend**

Public Health is reporting an overspend in 2015/16 as a result of the announcement on 4th June that the Department of Health non NHS funding will be reduced. It has been confirmed that some or all of this reduction will be passed on to local Public Health Grants. London Councils' initial estimate was that if the full reduction is passed on this year and

shared proportionally across local authorities, the in- year grant allocation will be reduced by 7.4% or £1.626m. Management actions are being developed to manage a further pressure of £0.054m as a result of savings which cannot be fully delivered in 2015/16. Formal consultation will be taking place on how the allocation of savings will be reached and there will be a separate report to Cabinet in November 2015.

#### 4.1.3 **Housing Benefit £0.472m forecast overspend**

Housing Benefit Subsidy is forecast to be £0.472m over budget after the application of £2.508m of centrally held Welfare Reform budget. Losses on temporary accommodation are forecast to be £6.735m. Temporary accommodation caseload is currently 2,179, up 2.7% from April 15 and currently at its highest in the past 7 years. Overpayments created remain high as we continue to receive monthly files from HMRC containing cases picked up by the Right Time Information initiative. Total overpayments created are forecast to be 7.8% higher than in 2014/15 but recovery of these overpayments is not keeping pace.

4.1.4 There are minor forecast overspends within the other directorates, whilst the Chief Executive budget and the Levies and Corporate items are forecast to be on budget for 2015/16 (Appendix 1).

4.1.5 Corporate Items also includes a contingency of £3m that was set aside to offset unknown and unexpected risks and liabilities that may arise in the year. No calls have been made to date.

#### 4.2 **General Fund Balances**

4.2.1 The target for the general fund balance is £15.400m at the end of the current financial year (2015/16). Services are expected to manage their budgets to a balanced outturn position which will enable the achievement of the general fund balance of £15.400m.

<b>GENERAL FUND BALANCE</b>	<b>£m</b>
<b>Balance 1 April 2015</b>	<b>15.463</b>
Less Q1 Forecast Overspend in 2015/16	<b>4.358</b>
<b>Forecast Balance 31 March 2016</b>	<b>11.105</b>
<b>Target at 31 March 2016</b>	<b>15.400</b>

### 4.3 Progress on the achievement of the 2015/16 savings

4.3.1 During 2015/16 budget setting, General Fund savings of £43.454m and Housing Revenue Account savings of £2.019m were identified. The delivery of savings by service areas is critical to achieving a balanced budget position.

4.3.2 Progress on delivery of the savings is monitored and reported to Corporate Board as part of the monthly Finance Monitor. The progress reported to date shows that £35.883m, or 79%, of the savings have already been achieved (those categorised as green or blue). The savings are summarised in table 2 below (further detail is set out in Appendix 2):

**Table 2: Analysis of savings by category**

Department/ Directorate	Green	Amber	Red	Blue	Total	% Savings achieved
	£m	£m	£m	£m	£m	
Children	7.376	0.977	-	0.432	8.785	89
Adults	11.024	6.144	0.430	0.366	17.964	63
Children & Adults sub total	18.400	7.121	0.430	0.798	26.749	72
Housing & Regeneration	2.755	-	-	-	2.755	100
Environment & Customer Services	7.193	0.375	-	-	7.568	95
Corporate Resources	4.419	1.338	-	0.262	6.019	78
Chief Executive	0.363	-	-	-	0.363	100
<b>General Fund Sub-total</b>	<b>33.130</b>	<b>8.834</b>	<b>0.430</b>	<b>1.060</b>	<b>43.454</b>	<b>79</b>
Housing Revenue Account	1.693	0.326	-	-	2.019	84
<b>Grand Total</b>	<b>34.823</b>	<b>9.160</b>	<b>0.430</b>	<b>1.060</b>	<b>45.473</b>	<b>79</b>

<b>Key:</b>	<b>Green</b>	Savings forecast to be achieved
	<b>Amber</b>	Savings with issues but likely to be achieved
	<b>Red</b>	Savings with issues which will not be achieved in-year and have not been replaced
	<b>Blue</b>	Replacement savings for savings which had issues and would not be achieved in-year

**Red savings:** The £0.430m rated as being at risk of non-delivery relates to savings proposals which are being partially delivered in 2015/16. Alternative proposals need to be developed in respect of the anticipated shortfalls.

#### 4.4 Savings with Replacements 2014/15 and 2015/16

4.4.1 **2014/15 savings:** for the 2014/15 savings there were 7 replacement savings, of which one has now been permanently replaced three are currently at amber savings, three will have further one-off replacement saving and one saving cannot be achieved this year. For 2015/16 there are currently three one year replacement savings.

#### 4.5 Housing Revenue Account (HRA)

##### HRA Balances

4.5.1 The HRA balance brought forward as at 1 April 2015 is £4.926m. The current advice is that the Council's required minimum HRA balance is 5% of budgeted turnover which equates to £3.422m in 2015/16. The brought forward balance is within this prudent level of working balances. The Estate Regeneration delivery fund stands at £16.778m.

##### HRA Forecast 2015/16

4.5.2 The HRA is currently forecasting a £0.029m underspend as at June 2015.

**Table 5 – HRA summary forecast 2015/16**

	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total Income	(68.441)	(68.491)	(0.050)
Total Expenditure	68.441	68.462	0.021
<b>In Year Deficit / (Surplus)</b>	-	(0.029)	(0.029)
<b>Balance c/f</b>	(4.926)	(4.955)	(0.029)

## 5 Capital Forecast

- 5.1 Overall capital expenditure is forecast to be £195.317m, against the revised budget of £235.941m. At this stage it is anticipated that £40.002m of the programme will be delivered in future years leaving an underspend of £0.622m in 2015/16.

Service	Original Budget	Revised Budget	(Slippage) / Accelerated Spend	YTD Actual	Current Forecast	Forecast Variance (Under) / Over Spend
	£m	£m	£m	£m	£m	£m
Schools	51.680	51.219	(0.520)	1.681	50.699	-
Children's & Families	0.044	1.101	-	0.096	1.101	-
Adult Services	1.164	1.411	-	(0.012)	1.411	-
Housing & Regeneration	98.939	119.764	(20.339)	7.711	99.425	-
Environment & Customer Services	33.077	41.171	(10.479)	1.933	30.070	(0.622)
Corporate Resources	18.587	21.275	(8.664)	2.278	12.611	-
<b>Total</b>	<b>203.491</b>	<b>235.941</b>	<b>(40.002)</b>	<b>13.687</b>	<b>195.317</b>	<b>(0.622)</b>

### Major Capital Variances

Within the variance of £0.622m in Environment and Customer Services, spending on the Havelock Family Centre accounts for £0.420m and this is due to spending being in line with secured funding.

## 6 Legal

- 6.1 The Council has a duty to monitor its budgets during the financial year and to take remedial action if necessary.

## 7 Value for Money

- 7.1 Any value for money implications of budget decisions will need to be taken into account to ensure that Council resources have their optimum impact.

## 7 Sustainability Impact Appraisal

- 7.1 N/A

## **8 Risk Management**

- 8.1 The biggest risk to the budget is non-delivery of the agreed savings built into the 2015/16 budget and this report sets out progress on budgets and action plans to mitigate any risk of overspends. Budgets continue to be closely monitored on a monthly basis through reports to Corporate Board and FSG and also through briefings to the Portfolio Holder for Finance, Performance & Customer Services.
- 8.2 These updates are regularly reviewed by Corporate Board and the Portfolio Holder and updates on the financial environment the Council is operating in are provided in Budget Strategy reports to Cabinet.

## **9 Community Safety**

- 9.1 There are no direct community safety implications as part of this report.

## **10 Links to the 6 Priorities for the Borough**

- 10.1 Continued strong financial performance and financial governance is critical to the budget management process of the organisation and supports the Council's objective of delivering value for money.

## **11 Equalities, Human Rights and Community Cohesion**

- 11.1 There is no need for an Equality Impact Assessment as part of this report. Impact assessments were completed for all departmental service plans as part of the 2015/16 budget setting process.

## **12 Staffing/Workforce and Accommodation implications:**

- 12.1 There are no direct staffing/workforce and accommodation implications as part of this report.

## **13 Property and Assets**

- 13.1 There are no direct property and assets implications as part of this report.

## **14 Any other implications**

- 14.1 There are none.

## **15 Consultation**

- 15.1 None required.



**16 Appendices:**

Appendix 1 – Revenue budget monitoring forecast 2015/16

Appendix 2 – Monitoring of 2015/16 Savings as at 30 June 15

Appendix 3 – Replacement Savings 2014/15

Appendix 4 – Replacement Savings 2015/16

**17 Background Information:**

2015/16 Budget strategy and process

## Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Internal				
Ian O'Donnell	Executive Director of Corporate Resources	02/09/15	02/09/15	Throughout
Maria G. Christofi	Director of Finance	17/08/15	17/08/15	Throughout
Martin Smith	Chief Executive	02/09/15	02/09/15	Throughout
Helen Harris	Director of Legal Services	02/09/15	02/09/15	Throughout
Keith Townsend David Archibald Pat Hayes	Executive Directors	02/09/15	02/09/15	Throughout
Cllr Yvonne Johnson	Cabinet Member for Finance & Performance	02/09/15	02/09/15	Throughout

## Report History

<b>Decision type:</b> For information and action		<b>Urgency item?</b> No	
Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
Report no:	Report author and contact for queries:		
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