
BUDGET MONITORING REPORT 2014/15 PERIOD 03 (JUNE)

1. SUMMARY

- 1.1 The 2014/15 period 3 revenue monitor reports that:
- The forecast revenue outturn is currently projected at an overspend balance of £2.0m for the General Fund and a breakeven position for the oneSource directorate.
 - Risk assessed budgets are based on last year's assessment and those considered high risk will be reported on in for future months. As with this report, a full review of all budgets will be undertaken on a quarterly basis.
 - The Dedicated Schools Budget (DSB); Public Health; the Collection Fund and the Housing Revenue Account are ringfenced and any year end variance will remain with them.

2. RECOMMENDATIONS

CMT are asked:

- 2.1 To note the proposed outturn position at **Appendix A** and are reminded to brief their lead members on said position for their area.
- 2.2 To note the use of the Corporate Contingency.
- 2.3 To note the approval of allocating the majority of the unused Corporate Provisions and the Corporate Contingency into the Strategic Reserve to fund future potential redundancies.

3. MONITORING APPROACH

- 3.1. Detailed monitoring reports to CMT will be on a quarterly basis, with exceptions in the intervening periods.
- 3.2. Online Forecasting (CP) is embedded now and will operate very much as last year.
- 3.3. The time allocated to budget holders and senior managers to finalise their forecast is unchanged at 3 weeks, with the forecast being available to view within 4 weeks of the end of each period.
- 3.4. All high risk budgets will be continued to be reviewed on a monthly basis by Operational Finance staff (June to February). Medium risk budgets will be reviewed on a rolling quarterly basis and low risk budgets will not be reviewed.

4. ANALYSIS OF MAJOR VARIANCES BY SERVICE

- 4.1 Forecast variances reported by Heads of Services are identified in the Summary attached at **Appendix A**.
- 4.2 The 2014/15 forecast outturn as at period 3 is set out in the table overleaf.

Directorate	Revised Budget £'000	Forecast Outturn £'000	Forecast Outturn Variance £'000
Culture, Community & Economic Development	43,794	43,797	3
Public Health	0	0	0
Childrens, Adults & Housing	104,150	106,087	1,937
Resources	13,593	13,664	71
Sub total	161,537	163,548	2,011
Contingency	2,000	2,000	0
Revenue Total	163,537	165,548	2,011
Dedicated Schools Budget	0	0	0
oneSource	7,245	7,248	3
Grand Total	170,782	172,796	2,014

Collection Fund	0	(3,750)	(3,750)
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Housing Revenue Account	0	(137)	(137)
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- 4.3 Further information on the reasons for the major variances in excess of 25k can be found at **Appendix B**. This includes the explanations provided by budget holders on any variances.
- 4.4 The oneSource directorate is reporting a breakeven position at this period. Information on the major Service variances is presented at **Appendix C**. Any year end variance will be shared with its partner, the London Borough of Newham, as per the business case.
- 4.5 The Collection Fund is reporting a £3.75m surplus and as a ringfenced area any variance, surplus or otherwise, will be returned to the fund.
- 4.6 The overall forecast takes no account of any potential surplus to be realised from corporate provisions. However as we proceed into the financial year the level of “uncommitted” provisions and other corporate items such as excess interest will be presented to CMT.
- 4.7 CMT has agreed that any year end unused amounts mentioned in section 4.6 will be allocated to the Strategic Reserve to contribute to the funding of the ongoing Transformation and Redundancy Programme.

5. HOUSING REVENUE ACCOUNT

- 5.1 The overall underspend of £137k forecast is primarily due to
- new starters coming into post later than budgeted for, and
 - rent and service charge income rates remaining steady despite welfare reforms.

However, some cost centres have not been updated following the Homes and Housing restructure so there is some uncertainty that could lead to movement in the forecasts until mid-year.

6. PUBLIC HEALTH

- 6.1 A review exercise has been undertaken to align 14/15 revised budgets at cost centre level as per expected year end spend. Therefore, at the end of quarter one, a nil year end balance is expected.

- 6.2 Any underspend identified at 14/15 year end can be carried forward into 15/16 via the public health reserve in line with PH grant guidance.

7. CORPORATE CONTINGENCY

- 7.1 The opening balance of the Corporate Contingency fund is £2m and as anticipated at this stage of the year no allocations have been processed to date.
- 7.2 However, there are known committed allocations (approx. £0.5m) that, once approved and or realised, will be processed.
- 7.3 As stated at a previous CMT meeting, it is also anticipated that any year end surplus will be needed to fund the potential transformation reserve shortfall.

8. THE TRANSFORMATION RESERVE AND FUNDING REDUNDANCIES

- 8.1 The latest position on the transformation reserve and the funding of redundancies was reported to CMT on 17th July 2014 and the key elements were:

- £15.7m has been set aside in the Strategic Reserve this year to fund the transformation and other general specific projects.
- £8.4m of the above is available to fund future redundancies (including oneSource).
- The total future exit costs are estimated at approx. £2.5m for the current year and £13m for the next round of MTFS (4 years).
- £7.1m is the potential shortfall in redundancy funding

- 8.2 The above assessment was based on current available information and could change significantly as the budget strategy is formalised.

- 8.3 However in order to plan to fund the potential shortfall CMT are asked to consider allocating the majority of the unused Corporate Provisions and the Corporate Contingency into the Strategic Reserve.

9. EARMARKED RESERVES

- 9.1 The quarterly update on the proposed use of the earmarked reserves is available at **Appendix D**. The setting up of the earmarked reserves is undertaken to provide specific resources for key priority improvement areas.

10. ANALYSIS OF SHORT TERM DEBTORS

- 10.1 The table below shows the level of outstanding debt as represented in the 2013/14 statement of accounts. During the course of the financial year a comparison will be undertaken with the level debts presented to the Debt Management Board:

Short term Debtors 14/15

	Gross	BDP	Net
		(set 31/03/14)	(set 31/03/14)
	£m	£m	£m
Council Tax	12.9	-8.2	4.7
Business Rates	1.9	-1.1	0.8
Government Departments	6.2	0.0	6.2
Capital	10.5	0.0	10.5
Housing Benefits Overpayments	8.4	-5.2	3.2
Parking	1.9	-1.4	0.5
Housing	4.7	-3.7	1.0
Social Services	5.2	-1.4	3.8
Other Local Authorities	0.7	0.0	0.7
Health Authorities	0.9	0.0	0.9
Other Sundry Debtors	11.4	-2.1	9.3
Total	64.7	-23.1	41.6

10.2 Housing includes the following:

- Housing Rents;
- Private Sector Leasing;
- Leaseholders
- Helpline; Garages; and Former Tenant Arrears.

10.3 Some elements of the above only become debtors at the year end, and are therefore not reported on in-year by the Debt Management Board.

STAFF CONTACTS

Overview, Corporate Finance and Resources	Andrew Blake-Herbert Group Director	01708 432201
Culture, Community and Economic Development	Cynthia Griffin Group Director	01708 432260
Children, Adults and Housing	Joy Hollister Group Director	01708 433804
Public Health	Cynthia Griffin Group Director	01708 432260

Appendix A

Summary Revenue Budget Monitoring Period 3 2014-15

		FULL YEAR REVISED BUDGET	TOTAL ACTUALS AND ENCUMB RANCES	FULL YEAR PROJECTED OUTTURN VARIANCE PERIOD 3
A00000	Total	(7,245,109)	(2,709,096)	2,010,838
AB0000	Culture, Community & Economic Development	43,794,214	9,685,843	2,804
AB1000	Culture & Leisure	13,422,821	4,023,444	17
AB2000	Corporate & Customer Transformation	3,642,274	1,620,716	76,420
AB4000	Directorate Support Service	76,041	(602,616)	0
AB5000	Streetcare	19,039,843	3,177,355	20,704
AB6000	Communications	179,600	(313,313)	0
AB7000	Economic Development	2,665,770	(178,838)	120
AB9000	Policy & Community Manager	1,679,630	218,614	(46,390)
AF9000	Regulatory Services	3,088,235	1,740,481	(48,067)
AC0000	Public Health	0	(760,714)	0
AC1000	Public Health	0	(760,714)	0
AD0000	Children, Adults & Housing	104,149,454	27,904,688	1,936,904
AB3000	Homes & Housing	730,677	1,639,010	(13,285)
AD9000	Mental Health	3,141,990	898,646	45,840
AE2000	Learning & Achievement	12,027,238	1,535,609	638,466
AE3000	Childrens Services	26,852,535	7,319,954	829,094
AE4000	Business & Performance	1,818,280	767,182	(41,019)
AE6000	Adult Services	59,578,734	15,744,288	477,808
AF0000	Resources	(155,188,777)	(39,538,913)	71,130
AF1000	Finance & Procurement	(49,280)	18,767	0
AF4000	Corporate Financial Matters	13,416,511	758,288	0
AF5000	Contingency	2,000,000	0	0
AF6000	Business Systems	0	0	0
AF7000	Asset Management	531,160	(2,049,422)	(14,421)
AF8000	Strategic HR & OD	116,820	(245,957)	19,850
AG1000	External Finance	(170,782,288)	(31,910,739)	0
AG2000	Exchequer Services	(1,391,990)	(6,319,173)	2,290
AL1000	Legal & Democratic Svs	970,290	667,377	63,411
AL2000	Transformation Agenda	0	(458,053)	0
AA0000	Collection Fund Directorate	0	(35,266,022)	(3,750,000)
AA1000	Collection Fund Srvc	0	(35,266,022)	(3,750,000)

Revenue Budget Monitoring Period 3 2014-15

		FULL YEAR REVISED BUDGET	TOTAL ACTUALS AND ENCUMBRANCES	FULL YEAR PROJECTED OVERTURN VARIANCE PERIOD 3	REASON FOR FULL YEAR PROJECTED OVERTURN VARIANCE
A00000	Total	(7,245,109)	(37,975,118)	(1,739,162)	
AA1000	Collection Fund Srvce	0	(35,266,022)	(3,750,000)	Overall underspend expected on NNDR, CT support o be carried forward
AA1010	Collection Fund Act	0	(35,266,022)	(3,750,000)	Period 3 £3.75mil. £3mil due to NNDR unsuccessful appeals and increase in NNDR Rateable Value. Remaining £750k mil due to CTS underspend.
AB0000	Culture, Community & Economic De	43,794,214	9,685,843	2,804	
AB1000	Culture & Leisure	13,422,821	4,023,444	17	
AB1020	Arts Services	410,840	225,273	28,525	Underlying pressure on Fairkytes Arts centre budget including payment on £30k in grant monies to Queens theatre and studio three. Service area working on a management plan to address this projected overspend
AB1080	Grounds Maintenance DSO	895,750	1,374,409	(77,746)	Projected surplus is as a result of improved income performance.
AB1160	Countryside Services	196,450	77,748	(25,087)	vacant post pending approval to recruit.
AB1300	Library Service	3,170,139	850,050	47,623	Increase in National Non Domestic Rates (Business Rates) of £45k per annum, associated with the new Rainham Library building, is the main reason for the projected overspend of £47k which will need to be contained and addressed within the Service.
AB2000	Corporate & Customer Transformat	3,642,274	1,620,716	76,420	£76k is the net position after operational underspends.
AB2330	CRM	3,834,566	1,620,716	(115,872)	The underspend is due to delays in recruitment to vacancies which is an ongoing process
AB2360	Customer Serv Transform	(192,292)	0	192,292	£192k is the outstanding target for 2014-15. There will be a £34k slippage of this in 2014-15 with full delivery next year.
AB5000	Streetcare	19,039,843	3,177,355	20,704	Overall stable position although known pressures expected in Parking & highways, ongoing management action being taken to reflect budget movements and relainments
AB5400	Borough Roads B & TS	658,530	(603,584)	(159,100)	Forecast based on last years out turn and stable workload to match last year outturn this financial year
AB5460	Parking Facilities	(152,790)	261,460	177,995	mainly a reduction in CEO income reflecting the trend of last year
AB5700	Borough Roads	8,393,490	655,534	167,282	There are a number of planned actions during the later half of 2014 that will contribute towards reducing this overspend

Revenue Budget Monitoring Period 3 2014-15

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AB5750	Refuse Coll & Waste Dis	3,696,960	(1,020,369)	(115,304)	There are a number of budget realignments due to take place in the coming months that will reflect the new waste contract rates, in addition we are projecting greater income on green waste service, and reduce cost in other waste disposal charges
AB5760	Street Cleansing	4,663,870	1,410,437	78,059	Some small scale staffing pressure due to Maternity leave and other secondment cover in yr, HOS seeking to recover as much of this as possible in yr
AB5780	Streetcare Management	253,231	957,162	(149,300)	Salaries underspends arising from delayed recruitment, anticipate recruitment being completed by October.
AL1360	Safety On The Road	310,470	147,650	(39,532)	Salary underspend arising from recent retirement, HOS considering options to net off other pressures within streetcare
AB9000	Policy & Community Manager	1,679,630	218,614	(46,390)	ACE Service has now closed, HAVCO's core grant has been reduced to reflect this.
AB7140	Corporate Policy and Community	903,870	59,693	(46,390)	ACE Service has now closed, HAVCO's core grant has been reduced to reflect this.
AF9000	Regulatory Services	3,088,235	1,740,481	(48,067)	Underspend primarily reflects income achievement in Planning, Building Control and Crematorium plus activity/ salary underspends set against reduction in burials/ ancillary income plus agency cost in planning to sustain performance in response to Government requirements
AB2320	Births Deaths & Mrgs	302,000	399,532	75,837	£75K overspend due to under achievement in income
AB3420	Crematorium & Cems	(929,210)	(14,000)	(109,934)	Underspend comprises of over achievement on crematorium income, reduced burials, reduced utility costs.
AF9450	Development Control Svs	785,720	(19,297)	(29,509)	The £29k underspend is the net result of £122k underspend in Building Control, net of other pressures in Planning.
AD0000	Children, Adults & Housing	104,149,454	27,904,688	1,936,904	
AD9000	Mental Health	3,141,990	898,646	45,840	The budgets managed by NELET are projecting a slight overspend due to placement and support package activity, and these are reviewed on ongoing basis to ensure value for money in commissioning activity.

Revenue Budget Monitoring Period 3 2014-15

		FULL YEAR REVISED BUDGET	TOTAL ACTUALS AND ENCUMBRANCES	FULL YEAR PROJECTED OVERTURN VARIANCE PERIOD 3	REASON FOR FULL YEAR PROJECTED OVERTURN VARIANCE
AE6210	Mental Health Needs	3,141,990	898,646	45,840	The budgets managed by NELET are projecting a slight overspend due to placement and support package activity, and these are reviewed on ongoing basis to ensure value for money in commissioning activity.
AE2000	Learning & Achievement	12,027,238	1,535,609	638,466	Overspend due to SEN transport costs. Number of children and the complexity of cases is likely to lead to an increase in wheelchairs and escorts and possibly the numbers of routes.
AE3350	SEN	1,795,420	516,435	644,630	The number of children and the complexity of cases is likely to lead to an increase in wheel chairs, escorts and possibly routes. This pressure on spending is in an area already looking at further savings proposals. Both of these cost pressures and further savings proposals will be considered together as will be developing personalised pathways for children and young people which may include transport. This may then lead to a wider review of the councils transport service.
AE3000	Childrens Services	26,852,535	7,319,954	829,094	A number of issues are contributing to projected overspend . Main areas are increasing numbers of looked after children and placements costs. Also there is a reduced level of Adoption Reform Grant this year.
AE3830	Existing Placements	6,956,670	1,726,587	433,733	There has been an increase in the numbers of children being looked after including some large sibling groups. This has also led to an increase in more expensive Independent Fostering placements.
AE3840	Leaving Care Service	1,662,366	633,646	280,382	The projected overspend is made up mainly from placement costs. There has been an increase in looked after children including some with very high need and risk factors who have come into care at 16/17 years. Also there have been delays in young people moving into independent accommodation resulting in the need to continue semi-independent accommodation beyond 18 years.
AE3860	Fostering, Adoption & Other Costs	894,286	358,972	114,226	Adoption reform grant lower than previous year plus increased demand on prescriptions

Revenue Budget Monitoring Period 3 2014-15

		FULL YEAR REVISED BUDGET	TOTAL ACTUALS AND ENCUMBRANCES	FULL YEAR PROJECTED OVERTURN VARIANCE PERIOD 3	REASON FOR FULL YEAR PROJECTED OVERTURN VARIANCE
AE4000	Business & Performance	1,818,280	767,182	(41,019)	Forecasting underspend due to residual vacancies arising from the recent staffing restructure (all due to be occupied by September) as well as other vacancies for part of the year; generation of income, and some staff voluntarily reducing their hours. The residual underspend has been earmarked to fund the future Principal Social Worker role(s)
AE4290	Adult Stroke Service	2,230	41,002	51,710	Budget to be realigned to clear this overspend
AE4600	Performance and Policy	1,128,260	442,131	(70,746)	Budget to be realigned and partly due to vacancies from restructure
AE6000	Adult Services	59,578,734	15,744,288	477,808	The predicted overspend is due to: (a) placement activity in Learning Disabilities which will need to be closely monitored over the subsequent months; (b) Dreywood Court; and (c) pressures in the Preventative Service (rents and council tax in ASC run schemes). Transport remains a pressure especially in Learning Disabilities and Yew Tree for £196k. Budgets throughout the Service are in the process of being realigned following the Primary Support Reason recoding and staffing restructures
AE4400	Strategy & Commissioning	3,709,250	1,062,282	208,680	The overspend is due to Dreywood Court cost pressure
AE6170	Adult Community Team	23,019,878	6,638,695	(126,278)	Underspend currently projected on staffing budgets. To note income budgets are to be realigned due to PSR recoding and expenditure budgets are to be closely monitored as more information on actual spend becomes available.
AE6190	Prevention	5,694,023	1,644,962	145,738	The overspend is due to the pressure of rents and council tax in RJC, St Ethelberga and Painsbrook. Pressure in Transport for Yew Tree of £63k

Revenue Budget Monitoring Period 3 2014-15

		FULL YEAR REVISED BUDGET	TOTAL ACTUALS AND ENCUMBRANCES	FULL YEAR PROJECTED OVERTURN VARIANCE PERIOD 3	REASON FOR FULL YEAR PROJECTED OVERTURN VARIANCE
AE6200	Learning Disabilities	19,290,060	4,774,606	271,026	Three high cost Transition cases expected in year and Ordinary Residence import and export pressures have resulted in projected overspend position. CLDT has a dedicated resource to work on CHCF and OR, to reduce overspend position. Transport forecast is significantly above budget as in 2013-14 as the pressure remains at £133k overspent. As the service carries out a review to increase the level of personalised support, linked to proposed savings plans, this may lead to a review of the use of transport for this client group. This may then lead to a wider review of the councils transport service.
AF0000	Resources	(155,188,777)	(39,538,913)	71,130	
AF7650	Prop & Land Hldgs	(1,886,930)	(761,570)	(104,570)	Whilst some projected rental income is below target or part of schemes that have been delayed, the overall performance of the commercial rent portfolio has more than counter-balanced both this effect and any impact of other operational budget variations - thereby giving rise to a positive projected budget variation at P3.
AF7750	Transport Accounts	769,530	457,368	90,149	Mainly due to Passenger Travel service additional pressure of 22% pension on additional hours & overtime.
AL1000	Legal & Democratic Svs	970,290	667,377	63,411	the projected overspend is as a result of the £68k efficiency through reduction in mayoral activity which requires further detailed exploration. If any of the proposals relate to reduced staffing then these will have to be redirected as a onesource efficiency rather than LBH efficiency. more detail will be available by end of Period 4 once a more detailed analysis has been conducted
AL1320	Democratic Services	950,000	403,517	63,411	the projected overspend is as a result of the £68k efficiency through reduction in mayoral activity which requires further detailed exploration. If any of the proposals relate to reduced staffing then these will have to be redirected as a onesource efficiency rather than LBH efficiency. more detail will be available by end of Period 4 once a more detailed analysis has been conducted

OneSource Financial Position

Appendix C

Period 3 2014/15

SERVICE	REVISED BUDGET	YTD ACTUALS	YTD ENCUMBRANCES	ACTUALS + ENCUMBRANCES	YTD REMAINING BUDGET	FY PROJECTED OUTTURN	FY PROJECTED OUTTURN VARIANCE	REASON FOR FY PROJECTED OUTTURN VARIANCE
Finance oneSource	309,730	(769,928)	352,171	(417,757)	877,487	124,300	(185,430)	Staffing vacancies.
Business Services	1,283,110	193,682	6,503	200,185	1,082,925	983,110	(300,000)	Reduced requirement for investment in systems.
Exchequer & Transactional Services	18,563,750	248,317	952,228	1,200,545	17,413,205	18,563,750	0	
Legal & Governance	2,621,040	334,292	148,740	483,032	2,138,008	2,604,131	(16,909)	
ICT Services	(77,900)	(2,492,545)	3,550,278	1,057,733	(1,335,633)	(77,900)	0	
Asset Management Services	400,479	1,058,267	113,200	1,171,467	(770,988)	861,061	460,582	The service has a challenging Year 1 efficiency target approaching £1m, but transformation reviews to realise the majority of this saving won't be complete until October at the earliest. The savings shortfall will be mitigated in part by deferred recruitment, virements from other budgets and a part-year realisation of the efficiency savings. The service will realise the full year savings from 2015/16.
Strategic & Operational HR	14,200	(35,766)	128,849	93,083	(78,883)	65,200	51,000	This is a oneSource saving for 2014/15 and as the department is fully staffed this cannot be achieved without a restructure or vacancy arising. One officer's maternity will save some if not backfilled but this will have a service delivery impact.
TOTAL	23,114,409	(1,463,681)	5,251,969	3,788,288	19,326,121	23,123,652	9,243	

Variance Apportionment

Newham	61%	5,638
Havering	39%	3,605

EARMARKED RESERVES

DESCRIPTION	BALANCE 31 ST MARCH 2014	CURRENT BALANCE 30 ST JUNE 2014	PROPOSED BALANCE 31 ST MARCH 2015	REASON FOR / PURPOSE	HOW / WHEN USED	HOW MANAGED AND CONTROLLED	PROCESS AND TIMESCALE FOR REVIEW OF RELEVANCE AND ADEQUACY
School Meals Service	36,702	36,702	0	To support development within the school meals service.	Upon agreeing with Members.	Group Director Childrens Service.	Reviewed as part of monitoring
Crematorium & Cemetery Funds	326,557	326,557	226,557	These funds have existed for many years to maintain cemeteries and to help finance improvements at the crematorium. This covers: (a) fund created by fees (b) Cemetery Memorial fund (c) Memorial Garden Fund	Report to Governance Committee 15/10/03 approved Head of Service authorising schemes.	By the relevant Head of Service and Cemeteries and Crematoria Manager.	Annual Report to Council as part of Budget.
Approach was reviewed by Governance Cttee	5,913	5,913	5,913				
Training Reserve	332,470	332,470	232,470	Used to support training and development in ASS.	As needed and discussed at ASS Board.	By Group Director Finance & Commerce	As part of normal monitoring.
Climate Change agreed via Cabinet Report	57,464	57,464	0	To provide on Invest to Save pot specifically for climate change initiatives.	When allocated by the Climate Change Group.	Via Climate Change Group	Part of Climate Change Group agenda.
Section 106 Interest Reserve *See note 1 This is reviewed under Code/Regulation. See Note 1	17,289	17,289	10,000	The accumulated interest on Section 106 deposits to be applied to relevant capital schemes	Report regularly prepared for Lead Member Resources.	Report shared with Lead Member Resources regularly.	Report shared with Lead Member Resources regularly.
TOTAL	1,271,004	1,271,004	1,069,549				