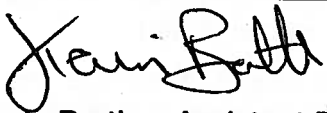


Haringey Council

Report for:	Cabinet, 16 September 2014	Item Number:	
Title:	Budget Monitoring Report 2014/15 - Period 4		
Report Authorised by:	 Kevin Bartle – Assistant Director - Finance (CFO)		
Lead Officer:	Neville Murton, Head of Finance (BAS)		
Ward(s) affected: All		Report for Key/Non Key Decisions:	

1. Describe the issue under consideration

- 1.1 To consider the forecast financial revenue and capital outturns for 2014/15 based on actual performance to 31 July 2014 (Period 4).
- 1.2 To consider the proposed management actions and approve the budget adjustments (virements) and draw downs from reserves set out in Appendix 3 as required by Financial Regulations.

2. Introduction by Cabinet Member for Resources and Culture – Councillor Jason Arthur

- 2.1 The budget for 2014/15 requires the delivery of a significant level of savings in addition to those already successfully delivered in previous years. We are all aware that this is not the end of the savings that we will have to make going forward with £54m needed by 2017 identified in the budget report to Cabinet and full Council in February 2014, increasing to a forecast £70m by 2019.
- 2.2 We managed to deliver a net under spent budget in 2013/14 and that is to be highly commended given the challenges faced both from reduced government funding and increasing demographic pressures.



- 2.3 It is these demographic pressures that are beginning to bite further in this financial year and I, therefore, have to report to members a forecast overspend in both the Children's and Adults Services budgets based on the budget monitoring undertaken at the end of July 2014. This report explains the position in more detail.
- 2.4 I am naturally concerned about this and have personally reviewed the management action plans that have been put in place by the Directors concerned. Directors will be expected to report back to me on a regular basis to ensure that these plans are being fully implemented.
- 2.5 These are volatile budgets that require careful monitoring and control but I am nevertheless confident that we will make inroads into the forecast overspend and expect to be able to report an overall balanced position by the end of the financial year.
- 2.6 I will report on this position again this year and I commend this report to you.

3. Recommendations

That Cabinet:-

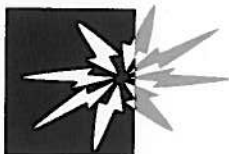
- 3.1 Consider the report and the progress being made against the Council's 2014/15 budget in respect of revenue and capital expenditure;
- 3.2 Approve a £5m transfer to HRA reserves as a result of improved treasury management activity (paragraph 5.15); and,
- 3.3 Approve the budget changes (virements) and draw downs from Service Reserves set out in Appendix 3.

4. Alternative options considered

- 4.1 This report proposes that the Cabinet should consider the overall financial position for 2014/15 in line with existing procedures.
- 4.2 A risk based approach to budget monitoring has been developed in order to manage the Council's finances in a time of economic and financial uncertainty.
- 4.3 Cabinet could choose to adopt a less rigorous regime and examine the financial position at a later stage. Projections could be marginally more accurate if a delayed approach was adopted, but there would be less time for robust development and consideration of management action and virements.

5. 2014/15 Budget Outturn Forecast as at 31 July 2014

- 5.1 In overall terms a net revenue *overspend* of £1.9m is being forecast by officers for the Council's General Fund. An *overspend* of £0.4m is forecast in respect of the Housing Revenue Account (HRA) as set out in Appendix 1.



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- 5.2 The overall position on capital is a forecast overspend of £1.2m; a £2.7m *overspend* on general fund and a £1.5m underspend against HRA capital projects as set out in Appendix 2.
- 5.3 Budget holders have provided an estimated outturn position based on data to the end of July 2014. Because of significant overspends initially indicated in both the Children's and Adults Service areas, both mainly in relation to their placement budgets, specific meetings were held with the Directors of Children's and Adults Services separately in July to discuss the position and identify the action being taken. The summary overall revenue position is set out in Table 1 below.

Table 1 – Summary 2014/15 Revenue Position

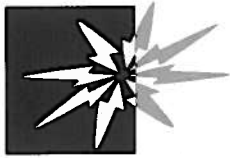
General Fund	2014/15 Budget Variance		
	Budget	Estimated Outturn at period 4	Variance
	£000	£000	£000
Leader and Chief Executive	117	117	0
Chief Operating Officer	77,818	78,342	524
Deputy Chief Executive	162,517	168,467	5,950
Dir. of Regeneration/ Planning	7,284	7,448	164
Non Service Revenue (NSR)	33,963	29,263	(4,700)
Total	281,699	282,613	1,938

	2013/14 Budget Variance		
	Budget	Estimated Outturn at period 4	Variance
	£000	£000	£000
Housing Revenue Account (HRA)	(10,432)	(10,033)	400

Significant issues identified

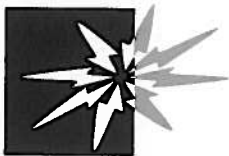
Deputy Chief Executive

- 5.4 There are pressures being reported within both Children's and Adults Services. The former is currently projecting an overspend of £2m arising from pressures in the Looked after Children, No Recourse to Public Funds and homelessness budgets. The latter is forecasting an overspend of £3.5m on Adults Social Care. Further details, including management action to address these pressures are set out below.



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- 5.5 A previously approved budget saving of £2.25m has been actioned this year and taken from the Looked after Children's budget, however the number and cost of placements have not yet fallen to the targeted level. There are also pressures arising from increased numbers of children and families in need including those from overseas who have no recourse to public funds through the benefits system.
- 5.6 These pressures are being addressed as part of the ongoing improvement programme within Children's. This includes:
- A weekly Resources Panel chaired by the Assistant Director and tighter managerial controls and systems in place;
 - Weekly meeting with the Director of Children's Services, Assistant Director for Safeguarding to review performance on reduction targets;
 - Reviewed monthly at the Director's Management Team and Monthly Budget call over and with the Cabinet Lead Member on a monthly basis;
 - Increasing the number of internal and more cost effective foster carers;
 - Reviewing high cost foster care placements to ensure they are still appropriate and required;
 - Efficient and effective permanency planning, or safe return home with better quality care at home;
 - Early Help and prevention effectively implemented through the establishment of an early help service to address social care demand at a much earlier stage and with a view to reducing the need for long term care.
- 5.7 Within Adults, Haringey is continuing to experience high levels of demand for care, especially amongst Older People. The Director has put in place a management action plan which:
- identifies areas where compensatory savings can be made from within their service areas;
 - puts into effect the cleansing of the underlying placement data in order to ensure that the projections are as accurate as possible; and,
 - instigates high cost placement reviews to challenge the appropriateness of new high costs placements.
- 5.8 Clearly in light of the projected overspend these areas need to be kept under close review and progress towards bringing the projections back into line with the approved budget monitored over the forthcoming months. The Senior Leadership Team and the Cabinet Lead Member will be kept apprised of progress on reducing the forecast overspend.
- 5.9 There is also a projected overspend within Schools and Learning of £450k. The largest component is the projected costs of redundancy payments within schools although this figure will need to be updated once all schools have completed all



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their staffing plans. The Assistant Director for Schools is currently carrying out a review of traded services that will seek to address other shortfalls in this budget.

Chief Operating Officer

5.10 The variance within the Chief Operating Officer (COO) budgets is a net £524k *overspend* which includes a number of under and overspends as outlined below:

- £601k net underspend within Community Housing predominately within the Housing Related Support budget where there is now a reduced need to support clients with learning disabilities (£405k). Also, within the direct budget there is an underspend on repairs and maintenance budgets (£494k) due to better controls. These underspends are partially offset by a £298k overspend on salary budgets across the service (savings not fully achieved).
- £450k *overspend* in Environment & Community Services largely within direct services as a result of slippage in transferring the White Hart Lane Sports Centre to Fusion (£73k); the loss of 17 further schools from the Catering Service (£241k) and an emergency bridge repair (£57k). There are further cost pressures from security costs at vacant council sites.
- £275k overspend in Libraries from a number of pressures including the service's inability to meet its income target and planned savings not achieved.
- £400k overspend in Customer Services predominately due to slippage in delivery of the 2014/15 savings (£660k) partially offset by forecast over achievement of court costs income.
- There are also staffing budget pressures in Human Resources and a further pressure on Culture and Change. It is currently assumed that these costs will be met from the Transformation Reserve subject to further approval.

5.11 The forecast underspend of £4.7m in Non Service Revenue (NSR) consists of an assumption that the Council's £2m contingency will not be required; that no call will be made this year on the recently approved borrowing costs budget to support the new acquisitions fund (£1.9m) and that the Council continues to manage down debt costs through its successful internal borrowing programme, which is currently estimated to contribute a further £800k this year.

5.12 The Interim Chief Operating Officer will be working with Assistant Directors to manage these cost pressures down and expects to be able to report an improved position by the next report to Cabinet.



Director of Regeneration, Planning & Development

5.13 The variance within the Director of Regeneration, Planning and Development's budgets is a forecast overspend of £164k with includes a number of under and overspends as outlined below:

- Within Regeneration there are pressures largely arising from the decision not to revise the Adult Learning Service fee structure in 2014/15; the service manager is, however, confident that these pressures will be managed by the year-end.
- There are minor overspends reported within the Planning Service and the Tottenham programme; both should be managed within the overall service budget by the year-end through management action or additional funding.

Housing Revenue Account (HRA)

5.14 The HRA forecast position for period 4 is a net *overspend* of £400k. This is made up of a £1m pressure in the company account as some agreed savings have yet to be met. The company expects to make significant inroads into this overspend by the year end; the unification of the service is also expected to contribute to the required saving. There is also a £600k underspend in the managed account relating to provision for bad debts due to the implementation of a revised methodology for calculation, bringing it in line with normal Council procedures.

5.15 There is a significant contribution (£5m) that it is proposed should be made to HRA reserves as a result of re-financing our long term debt which is part of the Council's successful treasury management policy (also impacting positively on the General Fund highlighted elsewhere in this report).

6. 2014/15 Capital Programme

6.1 The overall forecast position as at period 4 is an overspend of £1.2m of which £2.7m relates to an overspend on the general fund and a £1.5m underspend on the HRA. The detail is set out in Appendix 2.

6.2 The only significant issue to highlight within the Capital Programme relates to the forecast overspend on the Technopark project of £1.7m, within Regeneration, Planning and Development. The imperative is to establish the final costs to complete the Technopark sale and the potential movement of part of the Ashley Road Depot site. A separate report on this agenda addresses this issue in more detail including recommendations for resolution.

6.3 The reported variance on the HRA is mainly slippage in relation to Decent Homes mainly as a result of delays in the procurement process.



7. Comments of the Chief Finance Officer and financial implications

- 7.1 As the report is primarily financial in its nature, comments of the Chief Finance Officer are contained throughout the report.

8. Head of Legal Services and legal implications

- 8.1 There are no specific legal implications in this report.

9. Equalities and Community Cohesion Comments

- 9.1 Equalities issues are a core part of the Council's financial and business planning process.

10. Head of Procurement Comments

- 10.1 Not applicable.

11. Policy Implication

- 11.1 There are no specific policy implications in this report.

12. Use of Appendices

Appendix 1: Forecast Revenue Outturn by Service Area

Appendix 2: Forecast Capital Outturn by Service Area

Appendix 3: Virements and Reserve transfers requiring Cabinet approval

13. Local Government (Access to Information) Act 1985

- 13.1 The following background papers were used in the preparation of this report:

- Budget management papers
- Medium Term Financial Planning Reports

- 13.2 For access to the background papers or any further information please contact
Neville Murton – Head of Finance (Budgets, Accounting and Systems Team)

