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13 October 2015

To: All Members of the Overview & Scrutiny Committee

Dear Member,

Overview and Scrutiny Committee – 19 October 2015

I attach a copy of the following reports for the above-mentioned meeting which were not available at the time of collation of the agenda:

10. BUDGET MONITORING - PERIOD 5 (PAGES 1 - 20)

To receive the period 5 budget monitoring report and consider and approve any relevant budget virements.

11. BUDGET SCRUTINY (PAGES 21 - 24)

To consider the budget scrutiny process for 2016/17.

Yours sincerely

Natalie Layton
Principal Committee Co-ordinator

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Report for: Overview and Scrutiny

Item number: 10

Title: The Council's financial position as at August 2015 (Month 5)

Report authorised by: Tracie Evans, Chief Operating Officer

Lead Officer: Neville Murton, Head of Finance

Ward(s) affected: All

**Report for Key/
Non Key Decision:** Non key

1. Describe the issue under consideration

- 1.1. To support oversight of the Council's financial performance this Committee receives regular reports covering the Council's latest financial position. The position as at the end of August 2015 will be considered by the Cabinet on 20th October 2015 and that report is appended.

2. Cabinet Member Introduction

- 2.1. Not applicable

3. Recommendations

- 3.1. That the Committee reviews the Council's latest financial position and makes any recommendations to Cabinet, in light of their review, that it feels necessary.

4. Reasons for decision

- 4.1. As part of the Overview and Scrutiny committee's protocol, it is required to give consideration to, and review of, the council's financial performance. This requirement is met through the review of the quarterly report to Cabinet on the Council's financial position and performance.

5. Alternative options considered

- 5.1. None

6. Background information

- 6.1. Cabinet receives regular information on the council's finances, the latest of which sets out the position as at the end of August 2015. This covers the Council's latest estimated capital and revenue outturn position and a range of additional information to inform the strategic consideration of the Council's financial position.

7. Contribution to strategic outcomes

- 7.1. The review of financial performance is essential if the Council is to ensure its strategic outcomes are delivered. Involvement of Overview and Scrutiny further contributes to that aim.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

- 8.1. The comments of the Chief Finance Officer and Assistant Director of Corporate Governance, along with relevant equalities comments, if appropriate, are included in the attached Cabinet report.

9. Use of Appendices

- 9.1. None

10. Local Government (Access to Information) Act 1985

- 10.1. Access information is included in the attached Cabinet report

Report for: Cabinet

Item number: 8

Title: Budget Monitoring

Report

authorised by : Tracie Evans – Chief Operating Officer

Lead Officer: Neville Murton – Head of Finance, Budgets and Accounting

Ward(s) affected: ALL

Report for Key/

Non Key Decision: Key

1. Describe the issue under consideration

- 1.1. To consider a range of indicators relevant to the Council's overall financial health. These include the forecast financial revenue and capital outturns for 2015/16 based on actual performance to 31 August 2015.
- 1.2. To consider the proposed management actions set out in this report and approve the budget adjustments (virements) in Appendix 1 as required by Financial Regulations.

2. Cabinet Member Introduction

- 2.1. The Council's 2015 – 2018 Medium Term Financial Strategy (MTFS) was published alongside the Council's Corporate Plan in December 2014 and the final budget for 2015/16 was approved in February 2015.
- 2.2. The MTFS reflected the significant financial challenges facing the Council due to sustained funding reductions implemented by the government as part of their draconian austerity measures. In summary the MTFS delivered savings of c£70m and was substantially balanced, requiring a net contribution from reserves of £4.3m over the three year planning period.
- 2.3. I reported the Council's provisional outturn position to you in June and this confirmed the budgeted surplus for 2014/15 of £4.9m had been achieved together with a further planned £2.2m for the establishment of a Risk Reserve. This position has now been confirmed following the audit and approval of the Council's 2014/15 Statement of Accounts. The achievement of that position balanced the need for the reserves contribution set out in the 2015-2018 MTFS and also allowed the creation of the Risk Reserve for potential application from 2015/16.
- 2.4. We are now awaiting the Government's Spending Review in November which will be an opportunity to review our assumptions about the resources available to us over the medium term.
- 2.5. I am of course concerned by the forecast overspends this year. The Council can expect to face the continuing challenge of a reducing resource base along with increasing demands and customer expectation for services but, due in part to the Council's 2014/15 outturn performance, we are in a good position to deliver the Corporate Plan and priorities in 2015/16.

- 2.6. There are a number of budget pressures emerging this year, particularly in Children's and Adults services. I have already engaged with the Directors of both services to ensure robust plans are in place to reduce the forecast overspend position this year and I am continuing this process through regular challenge sessions alongside the Chief Finance Officer (CFO).
- 2.7. In addition to this, a broader deficit reduction strategy will be put in place, with particular focus on reducing costs through more efficient procurement practices. I will also be working with the CFO to review both existing reserves for re-prioritisation and use of unallocated base budget provisions. Income from council tax and business rates will continue to be reviewed on an ongoing-basis to ensure that we improve our collection rates in both areas.
- 2.8. I hope that the Cabinet will consider the analysis set out in this report to be useful and I am asking officers to continue developing and reporting such information to assist us in our strategic financial management role.

3. Recommendations

That Cabinet:-

- 3.1. Consider the report and the progress being made against the Council's 2015/16 budget in respect of net revenue and capital expenditure;
- 3.2. Approve the budget changes (virements) as set out in Appendix 1;
- 3.3. Note the use of the Strategic Risk Reserve to mitigate the Council's overall revenue position as set out in Section 7 to the report;
- 3.4. Note the range of strategies to bring the current years budget into balance, including challenge meetings (Star Chamber) as described at paragraph 16.2 to this report; and,
- 3.5. Maintain under review the key risks and issues identified in this report alongside the adequacy of the Council's reserves.

4. Reasons for decision

- 4.1. Members' involvement in financial monitoring is an essential part of delivering the Council's priorities.
- 4.2. The constitution requires Members to approve certain financial transactions such as virements according to approved limits.

5. Alternative options considered

- 5.1. This report proposes that the Cabinet considers the financial position for 2015/16 in line with existing procedures. However, it also includes enhanced financial information to give the Cabinet a more rounded view of the Council's financial position.
- 5.2. A risk based approach to budget monitoring has been developed in order to manage the Council's finances at a time of economic and financial uncertainty including additional benchmarking information.
- 5.3. 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.

6. Background information

- 6.1. Following the conclusion of the period 5 budget management processes, the Council's estimated revenue and capital position for 2015/16 is set out below

together with relevant issues. The outturn position for the Housing Revenue Account (HRA) is also included.

- 6.2. In addition extended budget information has been updated to provide the Cabinet with a range of additional information to support strategic financial decision making.
- 6.3. There are four broad areas of analysis each with further detail within them as summarised below:
- Financial/ Management Indicators
 - Revenue outturn 2015/16
 - Key financial management issues 2015/16
 - Capital outturn
 - Capital receipts
 - Collection Fund
 - Liquidity Indicators
 - Working capital
 - Cash flow
 - Debt analysis
 - Sustainability Indicators
 - Reserves
 - Risks

7. Revenue Outturn 2015/16

7.1. Budget managers have been providing their estimated outturn position as at the end of Period 5 (August 2015). The overall position on the General Fund is an estimated **overspend of £16.5m**. Following the finalisation of the 2014/15 accounts, the Risk Reserve of **£2.2m** is available to provide mitigation. The revenue position is summarised in Table 1 with further details of the key budget issues and pressures being set out further below.

7.2. For the Housing Revenue Account (HRA) the estimated outturn position is an **overspend of £142k**. Which reflects a small reduction against the budgeted surplus agreed by the Council in February 2015.

Table 1 – Summary Revenue Position (Month 5)

£'000 General Fund	2015/16 Budget Variance		
	Budget	Estimated Outturn	Variance
Leader and Chief Executive	4,049	4,049	0
Chief Operating Officer	71,043	78,268	7,225
Deputy Chief Executive	143,422	158,056	14,634
Dir. of Regeneration/ Planning	16,545	16,728	183
Non Service Revenue (NSR)	9,884	4,384	(5,500)
Total	244,943	261,485	16,542

7.3. In addition to the above position on the General Fund revenue account, the Risk Reserve, established following the 2014/15 closure of accounts process, is available. This provides a further £2.2m to offset the overall position, resulting in a total net forecast **overspend position of £14.3m**.

7.4. Given this overall position it is clear that there may be a further need to call upon the Council's reserves at the end of the year in order to cover the overspend position. The options for managing the pressures now being seen

will need careful consideration in consultation with the Lead Member for Resources and Culture.

- 7.5. The position on the ring fenced Housing Revenue Account (HRA) is summarised in the table below. The original budget was set to generate a surplus in order to provide resources for future investment in the Council's housing stock. In the event the current projection suggests that a slightly smaller surplus will be made. :

	2015/16 Budget Variance			
	£'000 HRA	Budget	Estimated Outturn	Variance
Housing Revenue Account		(16,315)	(16,173)	142

8. Key Financial Management Issues 2015/16

Children's Services (Deputy Chief Executive)

- 8.1. The budget management information form Children's Services identifies a gross forecast overspend of £5.2m. In addition Dedicated Schools Grant (DSG) budgets are showing an overspend of £0.6m. Assumed management action of £1.2m is expected to result in a reduction of the forecast net overspend to £4.0m.
- 8.2. There are a number of areas within the service where pressures are being seen. The main area of pressure is within the safeguarding service where, based on current and expected numbers of Looked After Children (LAC), there is a £2.6m pressure.
- 8.3. There is a further risk that the remaining management action, now totalling £1.2m, may also be at risk; of this amount £0.5m is in respect of management actions which have been RAG rated as Green and so there is a higher level of confidence that these will be achieved. The remaining £0.7m is associated with placement budgets and there are clearly risks of not achieving this and the position worsening. Indicators include the assumed number of additional LAC being exceeded (target 10 average to date 15) and pressure being seen in Leaving Care client budgets (including Asylum).
- 8.4. There are also indications that a number of savings proposals are slipping e.g. £1.7m reduction in service for Young People (inc. Young Offenders); £200k for the impact of Early Help on demand and £180k for the new delivery model for social care, where plans are still being developed.

Adults Services (Deputy Chief executive)

- 8.5. The projection from Adults services indicates a net overspend of £10.9m. This includes assumed management action amounting to £1.2m.
- 8.6. The service overspent by £3 million last year as a result of demographic pressures and the rising costs of care. These pressures have continued into 2015/16 which has led to an increased overspend position. Currently client numbers are around 100 higher than at the beginning of the year; adding further pressure to the outturn position.
- 8.7. In addition the service has adopted an ambitious new strategy for supporting people with social care needs as part of the Corporate Plan and the Medium Term Financial Strategy. This new approach is expected to deliver significant savings as well as improved outcomes for people; however due to the far ranging and complex nature of the changes required and the Council's

commitment to a co-production approach the benefits of the transformation are not expected to be achieved in the current financial year leading to a delay in the delivery of savings.

8.8. The service continues to take action across all client groups to assist with the management of costs including:

- Care Package reviews
- Contract re-negotiations
- Reducing dependency of existing clients on existing packages through re-ablement
- Improving VFM for spot contracts.

8.9. It is clear however, that the implementation of fundamental changes to realise the savings proposals are necessary to bring the expenditure in this area back into line with the approved budget.

Other Deputy Chief Executive areas

8.10. The Commissioning budget is showing a £289k underspend which is mainly attributable to variances against staffing budgets and which will be maintained to offset pressures elsewhere within the Deputy Chief Executive's area.

General Fund Housing (Chief Operating Officer)

8.11. The Housing service within the General Fund is presently showing an overspend of £4.3m. The pressure is attributable to the Temporary Accommodation budget.

8.12. Although the numbers of people in Temporary Accommodation in total (TA) is fairly constant the cost of acquiring TA is continuing to rise. This is for two main reasons, firstly increases in rent levels for existing properties, as existing landlords switch properties to more expensive nightly rated stock and secondly increased costs for newly acquired units, as the existing unit is sold when the landlord decides to 'cash in' on a rising property market. Therefore the gap between rent paid out and collected is growing further apart, in common with the rest of London.

8.13. For example, although the London cap rate for a 2 bed unit is £294 a week, the subsidy is only £247.90, leading to a yearly loss of £2,400, on occasions the Council needs to spend up to £315 per week to secure a unit, increasing the yearly loss to £3,500.

8.14. To reduce this overspend the Council will need to explore a range of other options which are subject to separate Cabinet reports.

Environmental Services and Community Safety (Chief Operating Officer)

8.15. Overall ECS are projecting an overspend of £320k. The main area of pressure is against the catering contract where a £397k pressure is apparent.

8.16. Although this position has worsened slightly in the current period as outstanding single status payments have been made, there is confidence that the position will not worsen any further and that the overall position can be balanced across the service within the current financial year.

Customer Services (Chief Operating Officer)

8.17. Following the creation of the new Shared Service Centre (SSC) the information relating to Customer Services, which sits outside the SSC, has been separately identified. Customer Services are currently showing an overspend of £1.07m

- 8.18. This overspend mainly relates to the non-achievement of staff savings associated with the customer services transformation project and further pressures resulting from historic changes to opening and weekend opening hours savings which have not been contained within existing budgets. The Service are due to present a briefing paper to the Chief Operating Officer; setting out their plans to mitigate overspends both in-year, and for future years.

Shared Service Centre (SSC) (Chief Operating Officer)

- 8.19. Overall within the SSC there is an estimated overspend of £1.512m. The Business Infrastructure Programme (BiP) has a range of savings that are yet to be delivered amounting to c£682k. On creation of the SSC all relevant budgets have been transferred and reduced in line with savings proposals; the action to achieve those budget reductions is now taking place including in particular staffing restructures and reduction of agency staff costs.
- 8.20. Within the Housing Benefit/ Discretionary Housing Payments (DHP) paid, and subsidy receivable area, a pressure of c£454k is being projected. This area is subject to the variations of demand, which have been heightened by the impact of the Welfare Reform changes. The Grant allocation for DHP was reduced in 2015/16 from the previous year's level of £2.5m down to £1.5m as part of these ongoing changes.
- 8.21. There is a risk that, despite the Service's efforts to carefully manage the administration of DHP (within the Regulations), and to limit any excess of spend over the allocation, the expected demand pressures will still give rise to a deficit at the year end which is currently anticipated to be £454k..
- 8.22. The HR service is also reporting an overspend of £376k the main drivers for this overspend is a reduced level of income from schools over a number of traded activities and a consequent failure to reduce staffing costs commensurately (£383k).

Regeneration, Planning and Development (Director of Regeneration)

- 8.23. Regeneration, Planning and Development is currently projecting an overspend of £183k, this largely relates to a shortfall in disposal fee income within the capital delivery unit.

Non Service Revenue

- 8.24. At this stage an underspend of c£5.5m is available representing the clear need to utilise the contingency as a strategy for offsetting service budget pressures and the continuation of the benefits from the successful Treasury Management strategy. In addition a review of the potential demands against the centrally retained inflation budget has been carried out and, as a result of the pay award covering the period until March 2016, no further calls against this budget in respect of employee cost increases are envisaged in 2015/16 enabling additional resources to be made available to offset service overspends.

Housing Revenue Account (HRA)

- 8.25. The Housing Revenue Account is showing an overspend of £142k, this is due to projected income shortfalls in the Managed Account from Supported Housing and garages where budget savings have been identified but not achieved.

Virements

- 8.26. A number of virements are set out at Appendix 1; this differentiates between those that are provided for information and those that, in accordance with the Council's financial regulations, require the formal approval of Cabinet.

9. Capital Outturn

- 9.1. Currently there is a projected underspend of £2.4m against the 2015/16 approved General Fund Capital Programme, the HRA is also projecting an underspend of £1.6m. Appendix 2 shows the current programme for both of these areas.
- 9.2. Appendix 2 shows the variances against the individual projects within the approved capital programmes. The main areas of variance include the Business Improvement Programme (BIP) IT projects which are showing an underspend of £1.032m where the procurement processes have secured a combination of less expensive options.
- 9.3. There is an Information Technology forecast underspend of £1.1m; the proposed projects are currently being reviewed; however it is likely that the projects in the approved capital programme are likely to be delayed or alternatives proposed for approval.
- 9.4. Within the Children's Services building programme the contingency to cover unforeseen circumstances is unlikely to be required in full and an underspend of £1.4m is currently being projected.
- 9.5. The Housing Revenue Account Capital Programme is projected to underspend by £1.6m. £1.080m of this is due to procurement delays in respect of the mechanical and electrical works programme resulting in slippage into a future financial year.
- 9.6. The projected underspending in the General Fund will result in a reduced need for borrowing in 2015/16. For the HRA the slippage will temporarily increase the level of balances at the end of the year pending scheme completion; Members will be asked at the end of the year to agree to carry forward these resources which will facilitate completion of the projects in future financial years'

10. Capital Receipts

- 10.1. The General Fund capital expenditure programme agreed by the Council in February 2015 is in part predicated on the achievement of capital receipts. In total over the period 2015 – 2018 a further £41.7m of receipts are required to finance expenditure. In the current year receipts of £9.3m are forecast and although, to date, only c£1m has been achieved, the expectation is that the target will be fully met.
- 10.2. If there is a shortfall of capital receipts, caused by timing issues the Council will need to consider the extent to which it might need to undertake temporary borrowing. However, as set out above the lower estimated level of capital expenditure will also impact on the need for the various sources of financing.

11. Collection Fund

- 11.1. The Collection Fund reflects a statutory obligation on the Council to maintain a separate ring-fenced account for the collection of business rates and council tax and the distribution of these between Haringey (30%), the Greater London Assembly (20%) and central government (50%).

Business Rates

- 11.2. The latest forecast outturn for net business rates income is £62.80m which is £1.55m lower than originally forecast.
- 11.3. Since the introduction of the Business Rate Retention Scheme local authorities have been responsible for making provision for the cost of future potential losses in business rate income arising from appeals against previous rating revaluations (the last ones took place in 2005 & 2010). The number of appeals outstanding in Haringey at 31 August 2015 is 831 cases with an annual cash value of approximately £25.9m.
- 11.4. During the period April to August 2015, 237 appeals were settled either successfully or dismissed/withdrawn; this had the impact of reducing the Council's overall rateable value by £676k.
- 11.5. Virgin has filed a new appeal in Q4 2014/15 to have all their valuations administered in a single location. Should this be settled in 2015/16 in a single location out of our borough, the potential settlement for backdated rate payments could be in the region of £7.2m and a loss of annual rate income of c£1m, of which 30% would be attributable to the Council.
- 11.6. The in-year collection rate to August 2015 is 49.5% and this area is on target for the budgeted collection rate of 97%.

Council Tax

- 11.7. The latest forecast outturn for council tax income is £107.46m which is £2.71m higher than originally forecast. The key reason for the variance can be attributed to higher than expected collection from council taxpayers under the Local Council Tax Reduction Scheme.
- 11.8. The in-year collection rate to August 2015 is 46.97% and is on target for the budgeted collection rate of 95%.

12. Liquidity Indicators

Working Capital

- 12.1. The Treasury Management Strategy Statement places a high emphasis on security of the Council's funds. One of the ways to do this is to minimise the funds held which need to be invested. During the year to date officers have been managing cash balances to keep them to a minimum and only borrowing externally when it is required to meet the Council's obligations. There has been no new borrowing in the year to date and we have, therefore, realised a further saving in the interest payments budget.
- 12.2. The current approach to borrowing was recently discussed with Arlingclose using their projections of interest rate movements. The conclusion was that short term borrowing remained appropriate to fund temporary funding gaps. However, rates remain attractive from a longer term perspective and if long term borrowing is required in the next 12-24 months to fund the capital programme then consideration should be given to locking in current rates, even if this did incur a short term cost. Uncertainty around the timing of capital expenditure has to date caused reluctance to commit to longer term borrowing
- 12.3. Interest rates earned on investments remain low and significantly less than the cost of new borrowing and therefore the strategy of minimising cash balances is continuing in 2015-16. Borrowing will be taken only when required for liquidity purposes with the preference being short term local authorities' loans at very low rates. However longer term interest rates continue to be carefully monitored.

- 12.4. The interest payable on borrowing for 2015-16 is currently projected at £15.4 million (HRA £10.3 million and General Fund £5.1 million) compared with £16.3 million for the prior year.

Icelandic Banks Update

- 12.5. A further Heritable distribution of £792k was received during August, bringing total distributions received into the Council's bank account from the Icelandic banks to £35.6m out of the original £36.9m invested, which is a 96% recovery. Further recoveries from Heritable (£0.3m outstanding) remain possible.

Debt Analysis

Business Rates

- 12.6. Summary information relating to Business Rates debt levels and collection performance in 2015/16 is set out below in Table 2.
- 12.7. In-year performance as at the end of August achieved 49.56% against a target of 48.50%. This reflects an improvement on the previous year of 0.93%.

Table 2 – Business Rates debt performance 2015/16 (Period 5)

Net Collectable Debt	Net Collected		Last year at same point	Target	Variance		Gross Arrears
	£m	%			%	£m	
68.3	33.9	49.56	48.63	48.50	1.06	0.7	8.4

Council Tax

- 12.8. Summary information relating to Council Tax debt levels and collection performance in 2015/16 is set out below in Table 3.
- 12.9. In-year collection performance is increasing but remains 0.35% lower than last year and 3.53% behind target. The service has resumed enforcement activity pending the response from Grant Thornton in respect of their review of court costs. It is anticipated that further improvement will be seen over the coming months.

Table 3 – Council Tax debt performance 2015/16 (Period 5)

Net Collectable Debt	Net Collected		Last year at same point	Target	Variance Ahead / (Behind)		Gross Arrears
	£m	%			%	%	
113.2	53.2	46.97	47.32	50.50	(3.53)	(4.0)	28.4

Housing Benefit Overpayments (Excluding Council Tax Benefit)

- 12.10. Summary information relating to Housing Benefit Overpayment debt levels and collection performance in 2015/16 is set out below in Table 4.
- 12.11. The service has collected 16.3% to end August which compares favourably with 12.4% last year. Data cleansing activities continue. Arrears may reduce during September as first quarter write-offs are processed subject to how much new debt is created.

Table 4 – Housing Benefit Overpayment debt performance 2015/16 (Period 5)

Debt b/fwd	New debt	Recovered			Debt o/s		
		2015/16		Last year	Debtors	Live HB	Total
£m	£m	£m	%	%	£m	£m	£m
26.7	7.8	5.4	16.3	12.4	14.6	14.1	28.7

Corporate Debts

12.12. Summary information relating to corporately managed debt levels and collection performance in 2015/16 is set out below in Table 5.

Table 5 – Corporate debt performance 2015/16 (Period 5)

Net Debts				Bad Debt Provision		
Year-end	P5 15/16	NYD	Due	B/Fwd	P5 15/16	Change
£m	£m	£m	£m	£m	£m	£m
40.1	29.8	17.8	12.0	2.336	2.508	0.172

NYD = Not Yet Due

12.13. Corporate Debts are lower than at year-end but temporarily higher than they were at the end of period 2. This is due to the recent billing to the GLA of £9.5m which was subsequently paid by the 10th September. The GLA also made payment in early September of a £0.4m bill that was 2 months old.

12.14. Whilst aged debt was higher than expected at the end of August, a large £0.4m payment was received on 7th September from Hanover Housing.

Write offs

12.15. So far in 2015/16 there have been £5.6m uncollectable debts, across all services including housing, written off or in the process of write-off approval. Debts are only written off when it has been established that the debt is uncollectable for example where the debtor cannot be traced despite all efforts, including the use of tracing agents; debts can also only be written off through the approval of the Chief Finance Officer and the Lead Member (for larger debts) and Members can be assured therefore that the writing off of a debt is not undertaken lightly.

12.16. Members are also reminded that the level of old debts which had been provided for, but not written off, was raised by the external auditors in their 2014/15 report. This reflects the action that is being taken to identify and write off debts appropriately.

13. Sustainability Indicators

Reserves

13.1. The Council's 2014/15 outturn position indicates that the General Fund reserve at 31 March 2015 stood at £25.8m; taking into account the 2015/16 budget requirement to draw £4.2m from reserves the estimated closing position at March 2016 is £21.6m.

13.2. However, given the significant overspend identified in this report, the potential implications for the Council's reserves and the associated risk needs careful consideration in consultation with the Lead Member for Resources and Culture. Members are asked to note that the need to use reserves, in support

of the estimated outturn overspend, will be further considered in the light of financial performance and reported to Cabinet.

- 13.3. The Housing Revenue Account General Reserve stood at £38.6m (March 2015) from £26.6m (March 2014). The 2015/16 HRA budget assumes a further contribution to the General HRA reserve of £16.3m and although currently showing a minor overspent revenue position this projection appears to be reasonable.

14. Financial Risks

- 14.1. As part of the budget setting process the Chief Finance Officer carries out an assessment of the adequacy of the Council's general reserves to meet a range of both identified and unforeseen risks. This assessment carried out in February 2015 indicated total risks of £12.5m to be held against the centrally retained contingency budget (£2.0m) and the level of general reserves. In addition as set out earlier in this report at the end of 2014/15 it was possible to create an earmarked Risk Reserve of £2.2m to further mitigate those risks.

- 14.2. The latest key financial risk register is also included as Appendix 3.

15. Summary/ Conclusions

- 15.1. Overall the General Fund projected **overspend of £14.3m** at this stage of the year needs urgent management attention in order to avoid a worsening of the serious budget position.
- 15.2. The continuation of significant budget pressures within Adults and Children's services from previous years is already being seen in 2015/16 and this is a serious concern given the ambitious savings targets in these areas for this and future years' budgets.
- 15.3. For capital expenditure within the General Fund the primary source of financing is through Prudential Borrowing and, as a result, any slippage in expenditure against the programme will result in a lower than budgeted need for borrowing; resulting in a consequent short term benefit to the General Fund revenue account.
- 15.4. For the HRA a similar situation exists although, the primary funding source is through the Major Repairs Allowance which is, in effect, direct revenue financing of capital expenditure; as such any slippage will be available to add to the HRA revenue reserves.
- 15.5. A number of risks together with an assessment of the impact and likelihood of impact has been compiled and should be kept under review. The identified risks around the Council's medium term finances and the 2015/16 revenue outturn position are starting to crystallise and a review of the adequacy and prioritisation of the council's reserves, both general and earmarked, is necessary to manage the pressures; the Lead Member for Resources and Culture will be kept fully informed as actions are developed and any proposed use of reserves in support of revenue expenditure will be highlighted to Cabinet in future budget monitoring reports.

16. Actions

- 16.1. A range of detailed actions have being identified and are being developed and progressed collaboratively across the Council as part of a Deficit Recovery Plan (DRP).
- 16.2. There are already significant budget pressures within Children's, Adults and General Fund Housing services that require decisive and strategic action. A series of challenge meetings (STAR CHAMBERS) will take place in October, and which will include the Lead Member for Resources and Culture, to ensure that a continued focus on key areas is maintained. In addition all service management teams are being briefed on the Council's financial position, and their role in tackling the issues, re-emphasised.

17. Contribution to strategic outcomes

- 17.1. Adherence to strong and effective financial management will enable the Council to deliver all of its stated objectives and priorities.

18. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

- 18.1. This report covers all of the relevant financial implications for members to consider.
- 18.2. The Assistant Director of Corporate Governance has been consulted on this report. The Cabinet is responsible for approving virements in excess of certain limits as laid down in the Financial Regulations at Part 4 Section I, and within the Executive's functions at Part 3 Section C, of the Constitution. There are no specific legal implications arising from this report.

19. Use of Appendices

Appendix 1 – Virements Schedule

Appendix 2 – Capital Programme financial summary

Appendix 3 – Financial Risk Register.

20. Local Government (Access to Information) Act 1985

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

- Budget management papers
- Medium Term Financial Planning Reports

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

Virements for Cabinet Approval

Proposed virements are set out in the following table.

Virements						
Period	Service/AD Area	Rev/ Cap	Amount current year (£'000)	Full year Amount (£'000)	Reason for budget changes	Description
5	School & Learning	Rev	955		Reflect approved DSG budget allocation onto SAP	Re-alignment of budgets to reflect actual DSG recd 15-16
5	School & Learning	Rev	(425)		Reflect approved DSG budget allocation onto SAP	High Needs budget increase as agreed by school forum 25.2.2015
5	School & Learning	Rev	1,879		Reflect approved DSG budget allocation onto SAP	Reduction in line with introduction of funding for actual numbers for 2 year old places. Previously funded on estimates.
6	COO/ECS	Cap	(250)		Reflect approved current TFL budget allocation onto SAP	Re-allocation of Bridges program - Station Road reduction by £190k and Oakfield Bridge reduction by £60k . Capital nature works
6	COO/ECS	Cap	381		S278 Highways works 2015-16	S278 - Hornsey Depot Highways & Statutory Works
7	QA Early Help - SQIP	Rev	397	397	Re-alignment of SQIP salary budgets	To amalgamate three cost centres within the SQIP
7	First Response	Rev	850	850	Realignment of First Response Service salary budget	Establish cost centre for Single Point of Access & MASH service within the First Response Service
7	Alternative Provision Commissioning	Rev	338	338	Realignment of DSG funding	In Year Funding for Alternative Provision placements by secondary schools.
7	Children in Care & Placements	Rev	753	753	Realignment of budget	Secure accommodation
7	Children in Care & Placements	Rev	307		Realignment of grant budget	Remand to Youth Detention Accommodation
7	Youth Community & Participation Service	Rev	741	741	Budget realignment	New Early Help structure
7	Youth Offending Service	Rev	1,544	1,544	Budget realignment	New Early Help structure
7	Early Help & Family Support	Rev	1,688	1,688	Budget realignment	New Early Help structure
7	Early Years	Rev	317	317	Realignment of DSG funding	Early Years Pupil Premium
7	SSC - IT	Cap	950		New Budget set up	2015/16 budget for Evergreening
6	Housing Services	Cap	9,480		The balance of the DH grant which was carried forward by the GLA to this year.	Decent Homes Grant
6	RPD	Rev	275		Drawdown from Urban Renewal reserve	Additional funding to progress the Investment Framework and Area Action Plan for the Wood Green area prior to January Cabinet decision on the wider programme. This funding will enable required studies and consultation to be undertaken to inform the Cabinet decision.
6	COO	Rev	291		Drawdown from transformation reserve	Reward project team budget
4	COO	Rev	934		Drawdown from transformation reserve	Workforce plan - total £1,428m
6	COO	Rev	1,996		Drawdown from transformation reserve	Transformation - BIP.
6	COO	Rev	400		Drawdown from Capital Financing reserve	CST capital, revenue element
6	Adults	Rev	1,000		Drawdown from transformation reserve	Priority 2 efficiencies

Virements for Noting

Virements						
Period	Service/AD Area	Rev/ Cap	Amount current year (£'000)	Full year Amount (£'000)	Reason for budget changes	Description
1	Adults	Rev	103	103	Technical Virement	Reflect reduction to NHS contribution to Learning Disabilities Pooled Budget following NHS efficiency savings
2	Adults	Rev	34	34	Budget realignment	To reflect change in mgt responsibility for post running Green Pepper Café
2	Adults	Rev	8	8	Budget realignment	To reflect agreed NHS contributions to Learning Disabilities Pooled Budget - Mgt
4	Adults	Rev	43	43	Budget account realignment	Transfer of Supported Housing rent budget to appropriate account code
4	Adults	Rev	57	57	Budget realignment	To reflect agreed NHS contributions to Learning Disabilities Pooled Budget
5	Adults	Rev	84	0	Salaries Budget realignment	Adults Management salaries funding virement
7	Safeguarding & Support	Rev	135	135	Budget Realignment	Safeguarding & Support Section 17 budget
7	First Response	Rev	45	45	Budget Realignment	First Response Section 17 budget
7	First Response	Rev	77	77	Budget Realignment	Unachievable Housing Benefit Income
7	Alternative Provision Commissioning	Rev	38	38	Realignment of DSG funding	Alternative Provision Pupil Premium
7	Children in Need of Support & Protection	Rev	16	16	Budget Realignment	Head of Children in Need and Support & Protection
7	Children in Care & Placements	Rev	25	25	Budget Realignment	Head of Children in Care & Placements
7	Local Safeguarding Children's Board	Rev	9	9	Budget Realignment	Unachievable income
7	Youth Offending Service	Rev	2		Grant	Youth Justice Board - Restorative Justice Maintenance Grant 2015-16
5	Schools & Learning	Rev	178		Budget Realignment due to change in reporting lines	Cost related to Attendance & Welfare service now moved to Behaviour & Alternate Provision Management
5	Schools & Learning	Rev	17		Budget Realignment due to change in reporting lines	cost related to Attendance & Welfare service now moved to Behaviour & Alternate Provision Management
5	Schools & Learning	Rev	34		Budget Realignment due to change in reporting lines	cost related to Attendance & Welfare service now moved to Behaviour & Alternate Provision Management
5	Schools & Learning	Rev	(196)		Budget Realignment due to change in reporting lines	DSG budget allocated to support distributed costs on Behavior & Alternate provision management
5	School & Learning	Rev	(128)		Reflect approved DSG budget allocation onto SAP	Realignment in arrears budget agreed by school forum 4.12.2014
5	School & Learning	Rev	(138)		Reflect approved DSG budget allocation onto SAP	New de delegated budget for 15/16
5	School & Learning	Rev	200		Reflect approved DSG budget allocation onto SAP	reduction as agreed by school forum. 25.2.2015
6	RPD	Cap	25	0	Funding confirmed was £25k higher than assumed when reported to Feb 2015 Cabinet	Amend budget to match the Hisg Street Fund allocation in GLA agreement
6	RPD	Cap	281	0	New grant	GLA funding for Green Link project
6	RPD	Cap	98	0	Higher cost of Holcombe Rd Market project	Additional capital funding for Holcombe Rd Market
6	RPD	Cap	15	0	TFL grant received for Monument Way Footpath project	TFL grant for Monument Way Footpath project
6	ICF	Cap	197		CITB - New projects	New approved projects under CITB
6	GOV	Rev	60	60	Budget Realignment	Realignment of budget in Registrars
5	CIF	Rev	816	816	Budget Realignment	SSC Staffing Budget Realignment for CIF
5	CIF	Cap	13		Budget Realignment	14/15 Capital c/fwd correction of coding
6	GOV	Rev	4,552	4,552	2015/16 Legal Budget load	Setting up agreed legal budget for 2015/16 on SAP
5	CIF	Rev	300	300	Budget Realignment	Budget to pay for Enterprise licence

Virements for Cabinet Approval

Proposed virements are set out in the following table.

Virements						
5	SSC	Rev	337	337	Budget Realignment	SSC team budget
6	SSC/Fin/R&B	Rev	1,461	1,461	SSC staffing alignment	SSC Staffing Budget Realignment for Finance
6	SSC/HR/NSR	Rev	744	744	SSC staffing alignment	SSC Staffing Budget Realignment for HR
6	COO/ECS	Cap	58		S278 Highways works 2015-16	S278 - Cross Lane, Former Water Works High Street N8
6	COO/ECS	Cap	160		S106 Highways works 2015-16	S106 - Lymington Avenue N22 (Walking & Cycling £80k and Highways Improvements £80k) total £160k
6	COO/ECS	Rev	30		Drainage - Budget adjustment - one off expenditure budget (funded by Environment Agency grant) to carry out specified works at Laksour Close	Traffic Management - Drainage revenue budget
6	COO/ECS	Rev	120	120	Budget realignment split budget activity to appropriate GL account from TPP to Agency. Technical Virement	Traffic Management - Drainage revenue budget
6	COO/ECS	Rev	25		Reflect approved current TfL budget allocation onto SAP	TfL allocation- Bridges programme (Leeside Bridge). Revenue nature works
6	COO/ECS	Rev	90		Reflect approved current TfL budget allocation onto SAP	TfL allocation - TfL BCP Staffing 2015-16 correction
6	COO/ECS	Rev	13		Reflect approved current TfL budget allocation onto SAP	TfL BCP Cycle grants for Schools 2015-16
6	COO/ECS	Rev	20		Reflect approved current TfL budget allocation onto SAP	TfL allocation - Safe Drive Stay Alive
6	NSR/CYPS	Rev	31		Reprofiling of grant from control account	Employment Grant re-profiling
6	NSR/COO	Rev	100		Creation of Specialist Projects	COO -Special Projects Budget
6	NSR	Rev	100		NSR contingency until bad debt provision finalised	2015/16 £100k finance budget reduction to be allocated to NSR contingency until bad debt calculated at YE
5	CR03	Rev	55	55	Finance re-profiling	Finance re-profiling
5	CR03	Rev	18	18	Finance overheads re-profiling	Finance overheads re-profiling
5	CR04	Rev	48	48	Procurement re-profiling	Procurement re-profiling
6	Housing Services	Rev	195	195	Re-alignment of budget in-line with the changes in the operational structure	There has been a number of changes in the budget responsibility after the restructure. The budget virement is a net nil.
6	Housing Services	Rev	1,062	1,062	Re-alignment of budget in-line with the changes in the operational structure	There has been a number of changes in the budget responsibility after the restructure. The budget virement is a net nil.
6	RPD	Rev	68	68	Re-alignment of budget in-line with the changes in the operational structure	Housing Commissioning, Investment & Sites - There has been a number of changes in the budget responsibility after the restructure. The budget virement is a net nil.
7	DSG/NSR	Rev	1,009	1,009	Central recharges	Re alignment of DSG/NonDSG central recharges
6	NSR	Rev	80	80	Budget Realignment	Senior Officers pay award budget SAP code correction

Transfers from Reserves

Reserves						
Period	Service/AD Area	Rev/ Cap	Amount current year (£'000)	Full year Amount (£'000)	Reason for budget changes	Description
6	RPD	Rev	250		Drawdown from Urban Renewal Reserve	Urban Renewal Reserve funds to be released for costs associated with Development Vehicle
6	RPD	Rev	50		Drawdown from Labour Market Growth reserve	Tottenham Employment & Skills costs to be funded from Worklessness reserve
6	RPD	Rev	170		Drawdown from General reserves	Fashion Enter costs to be funded from corporate reserves
6	RPD	Rev	275		Drawdown from Urban Renewal reserve	Additional funding to progress the Investment Framework and Area Action Plan for the Wood Green area prior to January Cabinet decision on the wider programme. This funding will enable required studies and consultation to be undertaken to inform the Cabinet decision.
6	COO	Rev	291		Drawdown from transformation reserve	Reward project team budget
4	COO	Rev	934		Drawdown from transformation reserve	Workforce plan - total £1,428m
6	CYPS	Rev	36		Drawdown from transformation reserve	Priority 1, Best start in life/Haringey 54,000 - total bid £1.036m
6	RPD	Rev	125		Drawdown from transformation reserve	Planning Development Management - total bid £200k
6	COO	Rev	67		Drawdown from transformation reserve	Transformation - Priority 3 Portfolio Manager
6	COO	Rev	98		Drawdown from transformation reserve	Transformation - Tier 3 review
6	RPD	Rev	160		Drawdown from service reserve	Industrial Living
6	Commissioning	Rev	46		Drawdown from transformation reserve	Services to schools
6	COO	Rev	1,996		Drawdown from transformation reserve	Transformation - BIP.
6	COO	Rev	125		Drawdown from transformation reserve	BA Training Phase 2 & 3 £26k; Local Partnerships £99k
6	Commissioning	Rev	39		Drawdown from service reserve	Services - OBOF
6	Adults	Rev	1,000		Drawdown from transformation reserve	Priority 2 efficiencies
6	COO	Rev	400		Drawdown from Capital Financing reserve	CST capital, revenue element

Capital Programme 2015-16	Original	Revised	Spend to Date	Forecast @ P5	Projected Variance
	£	£	£	£	£
* Multiple Client Group Schemes	0	181,000	78,284	181,000	-
* Housing Aids & Adaptations	2,149,000	1,200,000	377,691	1,200,000	-
* DFG Non Agency	0	-	7,130	-	-
* DFG Agency	0	949,000	591,760	949,000	-
** Adults Capital Programme	2,149,000	2,330,000	1,054,865	2,330,000	0
* Information Technology	1,150,000	1,611,000	304,731	464,730	- 1,146,270
* Customer Services	4,400,000	5,104,000	967,624	5,104,000	-
* Cross Directorate	0	-	134,364	-	-
* Evergreening	0	487,000	338,167	1,373,167	886,167
* Electoral Registration Transforma	0	5,000	-	5,000	-
* BIP SSC Capital Programme	3,000,000	3,000,000	154,790	1,967,135	- 1,032,865
* Alexandra Palace	900,000	966,000	-	966,000	-
* Corporate Management of Property	800,000	1,139,000	80,598	1,139,000	-
* Recreation projects	385,000	569,000	69,975	569,000	-
* Lordship Recreation Ground	0	331,300	20,432	331,300	-
* Leisure External Capital Works	229,000	229,000	339,517	229,000	-
* Parking Plan	300,000	300,000	2,009	300,000	-
* Parking CCTV Camera	234,000	234,000	-	234,000	-
* Street Lighting CMS & LED Investm	3,000,000	3,000,000	-	3,000,000	-
* Street Lighting	400,000	400,000	-	400,000	-
* Section 278 Highways Act 1980 wor	0	500,000	-	500,000	-
* Road Safety Improvement	150,000	150,000	-	150,000	-
* Front Line Services S106 Schemes	0	632,000	11,066	632,000	-
* BorRds, H'ways Resurfacing & St F	3,000,000	3,136,000	92,565	3,136,000	-
* TFL - Bus Stop Accessibility	0	200,000	136	200,000	-
* Sustainable Transport - Drainage	200,000	200,000	1,560	200,000	-
* TFL - Borough Cycle Programme	0	45,000	19,970	45,000	-
* TFL - Area Based Schemes	0	-	34,100	-	-
* TFL - Enabling Works	0	69,000	-	69,000	-
* TFL - Corridors/Neighbourhoods Su	4,569,000	1,555,000	40,525	1,555,000	-
* TFL - Bridges	0	270,000	-	270,000	-
* TFL - Principal Road Renewal	0	478,000	-	478,000	-
* Downlane Recreation Ground			11,855		-
** Chief Operating Officer	22,717,000	24,610,300	1,627,259	23,317,332	(1,292,968)
* Devolved Capital	550,000	533,600	-	533,600	-
* PFI Costs	570,000	1,643,000	299,336	1,685,000	42,000
* Repairs & Maintenance	1,000,000	1,082,000	251,223	600,000	- 482,000
* Programme Contingency	1,000,000	1,540,400	2,490	150,000	- 1,390,400
* Social Care	100,000	50,000	-	50,000	-
* Primary Capital Programme	1,400,000	1,995,000	274,371	2,114,000	119,000
* Match Funded Projects	200,000	419,000	156,905	299,000	- 120,000
* Electrical and ICT Infrastructure	250,000	50,000	661	50,000	-
* School Expansion - Temporary	1,500,000	500,000	-	-	- 500,000
* School Expansion - Permanent	1,380,000	2,135,000	458,295	2,188,000	53,000
* Capital for 2 year old provision	200,000	527,000	270,534	478,000	- 49,000
* Schools - roof works	1,000,000	1,351,000	46,905	1,803,000	452,000
* Youth & Young Adults	0	200,000	-	200,000	-
** Childrens & Young People Capital	9,150,000	12,026,000	1,760,720	10,150,600	(1,875,400)
* CPO's	500,000	500,000	-	-	- 500,000
* Private Sector Housing Activity			120,000		-
* Housing Combined with New Work	0	433,000	317,934	433,000	-
* Affordable Housing Projects	36,807,000	41,567,000	659,593	41,567,000	-
* Housing In Fill Phase 1A			189,700		-
** Housing_GF Capital Programme	37,307,000	42,500,000	1,287,227	42,000,000	- 500,000
* PHE - Recovery Centre Grant			29,000		-
** Public Health Capital Programme	-	-	29,000	-	-
* Energy Saving Measures	0	925,000	768,109	925,000	-
* Accommodation Strategy Phase 2	270,000	810,000	161,661	810,000	-
* Hornsey Town Hall Redevelopment	300,000	561,000	63,755	561,000	-
* Ashley Road/Marsh Lane	600,000	600,000	306,138	600,000	-
* Technopark	500,000	623,000	142,815	623,000	-
* Keston Centre	200,000	200,000	-	200,000	-
* Tottenham Regeneration-MasterPlan	900,000	1,290,000	313,712	1,015,000	- 275,000
* Green Lanes (OLF)	0	277,000	73,021	277,000	-
* Recycling Centre Reprovision	0		7,083		-
* Alexandra Palace Landscaping	0	117,000	25,913	117,000	-
* F2F programme	0	-	108,033	2,000,000	2,000,000
* NPD Highways & Parking	1,193,000	1,193,000	-	1,193,000	-
* GHR	300,000	625,000	27,102	625,000	-
* N17 Design Studio			3,094		-
* Tottenham Hale Gytratory			3,925		-
* English Heritage PSICA - Myddleton rd			56,836		-
* Environmental Contribution THR			300		-
* Opportunity Investment Fund	1,604,000	1,604,000	140,000	1,160,000	- 444,000
* West Green Road Tropical Park	0	70,000	55,027	70,000	-
* Wood Green Regeneration	275,000	275,000	-	275,000	-
* Tottenham Heritage Buildings	110,000	110,000	-	110,000	-
* Strategic Acquisitions	0		1,000		1,000
* Low Carbon Zones Plan	0	243,000	-	243,000	-
** Dir of Regen,Planning & Develop	6,252,000	9,523,000	2,105,294	10,805,000	1,282,000
*** AA_General Funds	77,575,000	90,989,300	7,864,365	88,602,932	- 2,386,368
** Housing Estate Improvement	1,000,000	1,000,000	208,730	1,000,000	-
** Planned Preventative Maintenanc	3,269,000	3,269,000	87,877	2,700,000	- 569,000
** Housing Structural Works	200,000	200,000	14,927	200,000	-
** Housing Extensive Void Works	300,000	300,000	551	300,000	-
** Stock Survey	80,000	220,000	140,557	220,000	-
** Energy Conservation	100,000	100,000	-	100,000	-
** Boiler Replacement	5,000,000	5,000,000	755,267	5,000,000	-
** Capitalised Works	420,000	420,000	94,759	420,000	-
** Lift Improvements	1,000,000	1,000,000	41,658	1,000,000	-
** Decent Homes	33,188,000	35,202,000	9,900,978	35,202,000	-
** Asbestos Removal	160,000	160,000	128,349	160,000	-
** Saltram Close Regeneration			28		-
** Mechanical & Electrical Works	3,000,000	5,575,000	176,515	4,495,000	- 1,080,000
** Professional Fees	2,000,000	2,000,000	424,199	2,000,000	-
** Fire Protection Work	3,000,000	3,000,000	7,315	3,000,000	-
** Supported Living Scheme	750,000	750,000	64,782	750,000	-
** Adaptation of Office Accomodati			57,686		-
** Conversions & Extensions (HFH)	600,000	600,000	-	600,000	-
** Security/CCTV	0	200,000	963	200,000	-
** Internal Communal Flooring	0	200,000	-	200,000	-
*** AA_HRA	54,067,000	59,196,000	12,105,141	57,547,000	(1,649,000)
**** Total	131,642,000	150,185,300	19,969,506	146,149,932	(4,035,368)

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Risk Title	Internal Controls	Risk and Control Ownership	Date of last review	Impact	Likelihood	RAG/ Score	Comments
Uncertainty around Government funding levels negatively impacts on the Council's MTFS. Also issues around potential changes to 2015/16 specific grant levels	The use of independent modelling tools to supplement local analysis provides an additional sense check on funding projections, continued attendance at key events and the timely evaluation of government announcements.	Assistant Director - Finance and Head of Finance Budgets, Accounting & Systems	01-Sep-15	9	7	63	We are awaiting the next Spending review (Autumn 2015) to review current assumptions in the MTFS.
Material over / under spends materialise in either revenue &/ capital. These could be either un-forecasted or of significant magnitude that they disturb the Council's financial position.	The Council's budget monitoring process places more onus on the budget holder and re-inforces the accountability of the relevant AD. This may result in poorer forecasting, at least in the short term, however Finance are targeting their limited resources on the more high profile or volatile areas of expenditure.	All Heads of Finance	17-Sep-15	9	9	81	Projected overspending in both Adults and Children's Services has been identified and follow adverse 2014/15 outturn variances. Emerging Temporary Accommodation pressure as well.
The Council fails to set a balanced budget for 2016/17 and beyond.	The MTFS for 2015 - 2018 covered a full three year planning period and was substantially balanced.	Assistant Director Finance	01-Sep-15	9	2	18	
Non-compliance with Prudential Framework.	Prudential limits are approved by Members annually with quarterly reporting of outcomes v limits and benchmarks to the Corporate Committee.	Head of Pensions & Treasury	24-Sep-15	5	2	10	
Failure to maximise income/recover debts.	Monthly reports are produced on income recovery and debt boards are held to review performance. A review of debt management across the council has been undertaken and consolidation is taking place through the SSC. Bad debt provisions are reviewed regularly and are a further control against uncollectable debt.	Corporate Debt Manager and devolved managers with accountability for debts pending consolidation.	01-Sep-15	7	3	21	

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Report for: Overview and Scrutiny 19th October 2015

Item number: 11

Title: Budget Scrutiny 2016/17

Report authorised by: Tracie Evans – Chief Operating Officer.

Lead Officer: Neville Murton – Head of Finance (Budgets and Accounting)
020 8489 3176 neville.murton@haringey.gov.uk

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** N/A

1. Describe the issue under consideration

The Overview and Scrutiny Committee's role in scrutinising the budget is set out in the Council's Constitution (Part 4 Section G) and further described in the Scrutiny Protocol.

In previous years the O&S Committee has tasked the individual Scrutiny Panels with reviewing and providing comments on the individual savings and investment proposals relevant to their areas with the full O&S Committee taking the lead role for those areas not covered by a specific panel and the provision of any overarching comments on the draft budget proposals to the Cabinet.

This paper considers the role of Overview and Scrutiny for the 2016/17 budget following the approval of the Council's three year Medium Term Financial Strategy (MTFS) in February 2015.

2. Cabinet Member Introduction

Not Applicable

3. Recommendations

It is recommended that the scrutiny of the 2016/17 budget which is part of the approved MTFS 2015 - 2018 be undertaken only by the Overview and Scrutiny Committee and at its meeting in January 2016.

4. Reasons for decision

The Council's budget setting process provides for a formal scrutiny process to be undertaken by the Overview and Scrutiny Committee. This paper provides guidance on budget scrutiny for the 2016/17 budget in accordance with the existing Scrutiny Protocol.

5. Alternative options considered

Not applicable.

6. **Background information**

Previously the Council's Medium Term Financial Planning (MTFP) process has set out, typically over a three period, the expected resources available to the Council.

In order to allow the Council to set its budget in the February preceding the financial year in question a range of proposals for that year were developed between October and the December Cabinet. Some proposals spanned future financial years i.e. including an effect in years 2 or 3 of the MTFP but in large part there was often a resource shortfall for years 2 and 3 which would, be balanced by a further range of proposals being developed in the period October to December of year 1 of the MTFP.

The O&S Committee developed a Budget Scrutiny protocol which revolved around reviewing the proposals agreed at the December Cabinet meeting and providing formal comments on them to the February Cabinet and in advance of the full Council agreeing its final budget and setting the Council Tax.

In February 2015 the Council approved a three year MTFS which contained the detail of proposals which met in total the estimated resource needs over the period 2015 – 2018. All of the proposals in the MTFS were considered by the O&S Panels and Committee and their comments taken into account at the February 2015 Cabinet meeting. There is therefore no need to undertake further scrutiny of approved proposals for 2016/17.

Following the Chancellor's Autumn Statement and Spending Review 2015, there are likely to be incidental changes to the Council's resource levels for 2016/17 however, the expectation is that the proposals already agreed will continue to be implemented in order to deliver the Council's 2016/17 and 2017/18 budgets. The approval of the Council's 2016/17 budget by full Council including the formal setting of the Council Tax requirement will still take place in February 2016.

There will be a need for the O&S Committee to review any proposed changes arising from the government's announcements in order to finalise the 2016/17 budget; given those changes are unlikely to be service specific it is most appropriate for the full O&S Committee to review and provide its comments to the February Cabinet meeting as in previous years.

At this stage no further savings proposals are being developed in 2015 for 2016/17 and therefore the expectation is that there will not be a need for new proposals above those already approved and already subject to the budget scrutiny process.

In May 2016 work will commence on a new three year MTFS that will use the last year of the currently approved MTFS (2017/18) and add a further two years (2018/19 and 2019/20). That will result in a new range of proposals for the latter

two years being initially approved by Cabinet in December 2016 and thereby being subject to O&S consideration at that time.

However, it needs to be acknowledged that the delivery of £70m of savings over a three year period is a challenge for the Council. To the extent that some of the approved proposals prove difficult to implement or according to the intended timescale, the need to take action to accelerate later years' proposals, develop new proposals, or make amendments to proposals already approved is a possibility.

It is therefore important that the O&S Committee and the relevant Scrutiny Panels continue to be involved in oversight of the implementation of the MTFS including through the review of the detailed delivery plans; this role is also covered by the Scrutiny Protocol (Paragraph 8.3 first bullet point) which provides for the three year MTFS to be scrutinised during the period May to November.

7. Contribution to strategic outcomes

The MTFS covers all of the Council's strategic outcomes and the budget scrutiny process is an important part of ensuring that the Council's budget is developed in line with its strategic outcomes.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

No additional financial comments are required above those included in the report.

Under Section 9F of the Local Government Act 2000 (as amended), Overview and Scrutiny Committee has the power to review or scrutinise and make reports or recommendations with respect to the discharge of any functions of the of the executive or council. Under Section 9FA, Overview and Scrutiny Committee may appoint a sub-committee to assist with the discharge of its functions. The Council's Constitution gives effect to these legislative powers.

Part 4 Section G of the Constitution sets out the power of Overview and Scrutiny Committee with regard to budget setting and the arrangement for the exercise of this power. Paragraph 1.5, provides that "The Overview and Scrutiny Committee shall undertake scrutiny of the Council's budget through a Budget Scrutiny process. The procedure by which this operates is detailed in the Protocol covering the Overview and Scrutiny Committee".

The Overview and Scrutiny Protocol at Paragraph 8.1, provides that "The budget shall be scrutinised by each Scrutiny Review Panel, in their respective areas. Their reports shall go to the OSC for approval. The areas of the budget which are not covered by the Scrutiny Review Panels shall be considered by the main OSC. The Protocol goes on to suggest a budget scrutiny process and timetable that includes Cabinet to report on the new 3-year Medium Term Financial Plan (MTFP) to members of the OSC by December, Scrutiny Review

Panel Meetings in January to consider the MTFP and OSC Meeting in January to consider and make recommendations on the budget proposals.

The MTFS 2015-18 which includes indicative budget for 2016/17 and investment and savings has already gone through the budget scrutiny process set out in the Protocol. Subject to the outcome of the Chancellor's Autumn Statement and Spending Review 2015, it is not currently envisaged that there will be a departure from the MTFS for 2016/17. Therefore, the Committee can adopt the budget scrutiny process recommended for 2016/17 i.e. budget scrutiny by Overview and Scrutiny Committee only and not by Scrutiny Review Panels. The recommendation also aligns with the Committee's principal role responsible for the overview and scrutiny function.

9. Use of Appendices

None

10. Local Government (Access to Information) Act 1985

- a. Council's Constitution (Part 4 Section G)
- b. Scrutiny Protocol.