

Agenda item:

Cabinet

On 7 June 2011

Report Title. Financial Outturn 2010/11	
Report of: Director of Corporate Resources Signed : Kevin Bartle	
Contact Officer : Kevin Bartle, Lead Finance Officer Telephone 020 8489 5972	
Wards(s) affected: All	Report for: Key Decision
<p>1. Purpose of the report</p> <p>1.1. To set out the provisional revenue and capital outturn for 2010/11 and to consider revenue and capital carry forward requests.</p>	
<p>2. Introduction by Cabinet Member for Finance & Sustainability (Councillor J Goldberg)</p> <p>2.1 Staff are to be commended for their hard work, efforts and achievement for bringing our net General Fund expenditure within the budget with a small surplus of £51k. While it would not be normal to celebrate such an achievement this has been no normal year. We have seen unprecedented cuts to budgets in the region of £17m and severe additional demand pressures on some of our services especially in managing homelessness and supporting children's safeguarding.</p> <p>2.2 It was these budget cuts and pressures which precipitated the warning of the projected £10m overspend early in the financial year and why we took action to constrain spending, and to actively manage our non-service revenue accounts to ensure we were able to protect the most critical services.</p>	

- 2.3 Had we gone into the current year with an overspend this could have been crippling to the Council especially with the government continuing to deny us the same flexibility as private sector organisations enjoy when they restructure. Specifically, and reflected herein, being allowed to finance just £780,000 of our redundancy bill from capitalisation (i.e. through longer term loans) is creating and adding unnecessary levels of risk to budgets and ultimately to frontline services.
- 2.4 While when I set the budget, with the agreed Medium Term Financial Plan at February's Full Council, I had assumed we would end the year with a balanced budget, the reality is that at that point we were still looking at a £2.4m projected overspend.
- 2.5 While we remain absolutely opposed to the size and scale of central government cuts to our budget, not just because of the damage they inflict on much valued, loved and needed services, but because of the damage they are doing to the economic recovery, the achievement of a balanced budget represents prudent management of our resources, giving us freedoms to make choices for the people of Haringey in future years, and to prevent frontline services from deeper cuts than is necessary, and a resolve to drive our borough forwards despite being starved of a fair level of resources to do so.
- 2.6 This is because while we have managed to face up to the double squeeze of budget cuts alongside rising demands, both pressures are not set to go away, and over the current financial year we will need to deliver on the £41.1m cuts to our budget being imposed by the nature of the Coalition's financial settlement for Haringey. This out-turn report should give confidence to residents, colleagues on both sides of the Chamber, and staff that the Council has the strength to steward and navigate the impacts of these Coalition's ideological agenda.
- 2.7 The capital outturn shows less slippage than had been reported at Period 11 with a final under spend of £14.8m equating to 8.7% of the approved programme. The explanations for the variances are set out in Appendix 2. It is recommended that approval of the capital carry forward requests, as set out in Appendix 3, is delegated to the Chief Financial Officer, in consultation with me.
- 2.8 The HRA is showing a surplus for the year of £0.3million which is an improvement on the projected position in Period 11 due to lower than anticipated capital financing and insurance recharges.
- 2.9 The Council's draft Statement of Accounts for 2010-11 is currently being finalised. This draft will be subject to audit which is due to be completed in early September. The final audited accounts will then be submitted to Corporate Committee in late September for approval.
- 2.10 I commend this report to the Cabinet for approval.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

- 3.1 This report is in line with Council priorities set out in the Council Plan and Medium Term Financial Strategy.

4. Recommendations

- 4.1 To note the provisional general fund revenue outturn of a £51k surplus for 2010/11.
- 4.2 To note the reasons for variations and to approve the planned transfers to reserves detailed in Appendix 1.
- 4.3 To note the provisional Housing Revenue Account (HRA) outturn surplus of £0.3m.
- 4.4 To note the provisional capital outturn of a £14.8m programme net underspend and the reasons for variations set out in Appendix 2.
- 4.5 To note capital carry forward requests of £12.6m set out in Appendix 3.
- 4.6 To delegate to the Chief Financial Officer, in consultation with the Cabinet Member for Finance & Sustainability, the approval of capital carry forward requests and their associated method of funding. The approved schemes will be reported to the July meeting of the Cabinet.
- 4.7 To note the outturn of a £1.8m overspend for schools that decreases schools' balances to £2.6m at the end of 2010-11.
- 4.8 To note that the Council's draft Statement of Accounts for 2010/11 will be approved by the Chief Financial Officer by 30 June 2011. The accounts are subject to audit and the final audited accounts will be presented to the Corporate Committee on 27 September 2011 for final approval.

5. Reason for recommendation(s)

- 5.1 This report allows Cabinet to consider the financial outturn position against the approved budget and to approve transfers to/from reserves.

6. Summary

- 6.1 This report sets out the Council's provisional outturn for 2010/11. The year-end general fund surplus is £51k (0.02% of the approved revenue budget) excluding the Dedicated Schools Grant (DSG). A detailed analysis of the variances between outturn and the approved budget are set out in Appendix 1.
- 6.2 The report also sets out the capital outturn position, which shows a net under spend of £14.8m (8.7% of the approved budget). A detailed analysis of the variances between outturn and the approved budget are set out in Appendix 2. Carry forward

requests of £12.6m are submitted for consideration and are set out at Appendix 3. The positions on the HRA, non-schools and schools DSG and Collection Fund are also reported.

- 6.3 In overall terms the general fund revenue outturn shows a £1.6m improvement compared with the Period 11 projections and a £10m improvement compared to the projections earlier in the financial year when the government announced its in-year cuts in funding. The gradual improvement over the past nine months is a reflection of the management action taken to reduce expenditure, particularly through the staff recruitment controls and curtailment of the Area Based Grant funded service programme.

7. Head of Legal Services Comments

- 7.1 The Head of Legal Services notes the report and confirms that all statutory and constitutional requirements are met.

8. Equalities & Community Cohesion Comments

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

9. Consultation

- 9.1 Consultation on the preparation of the Council's revenue and capital budgets has been undertaken with residents and business community representatives.

10. Use of appendices /Tables and photographs

- Appendix 1 - Explanation of significant revenue variances.
- Appendix 2 - Explanation of significant capital variances.
- Appendix 3 - Capital carry forward proposals.

11. Local Government (Access to Information) Act 1985

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

- SAP outturn reports; and
- Final accounts working papers.

For access to the background papers or any further information please contact Kevin Bartle, Lead Finance Officer, on 0208 489 5972.

12. Background

- 12.1 This report sets out the provisional financial outturn position for the General Fund, Housing Revenue Account, Dedicated Schools Budget, Collection Fund and the Capital Programme. The Statement of Accounts will be prepared in accordance with the Accounts and Audit Regulations 2011 and the draft accounts (which will be subject to audit) will be approved by the Chief Financial Officer before 30 June.
- 12.2 The external audit of the accounts will commence in July. The auditors will submit a report on the findings, and issue their formal opinion, at Corporate Committee on 27 September 2011.

13 Outturn – Revenue General Fund

- 13.1 The general fund revenue outturn is summarised in the following table. There is a net general fund surplus of £51k after planned transfers to reserves: the variance represents 0.02% of the net approved budget. The variances are explained in more detail in Appendix 1. This figure in total is a £1.6m improvement on the Period 11 outturn projection. The main reasons for the improvement are set out in paragraph 13.2 below.

Table showing the general fund revenue outturn summary

Directorate	Approved revenue budget	Variance from budget
	£'000	£'000
Children and Young People	70,557	7,755
Adults, Culture & Community	78,590	(240)
Corporate Resources	6,071	(743)
Urban Environment (excl HRA)	56,862	(76)
Policy, Performance, Partnerships & Communications	1,722	(106)
People, Organisation & Development	(729)	(750)
Chief Executive	999	(95)
Non-Service Revenue	31,523	(5,796)
Total – General Fund	245,595	(51)
Children and Young People Non-Schools DSG	0	(1,274)
Children and Young People Schools DSG	0	1,808

- 13.2 The main changes since Period 11 are lower than anticipated cost accruals for outstanding social care commitments (reduction of £400k), transfer of redundancy costs to the Transition Reserve (reduction of £360k), further net savings on Area Based Grant (ABG) expenditure (reduction £450k), lower than anticipated North London Waste Authority costs (reduction £300k) and other miscellaneous budget variances (reduction of £90k).
- 13.3 The main budget variances throughout 2010-11 have been an overspend in Children and Young People (CYPS) and an underspend in Non-Service Revenue (NSR). The overspend in CYPS has been driven by the high number of Looked After Children, a position which has been recognised in the 2011-2014 Medium Term Financial Plan through approved growth in this service budget of £7.4m.
- 13.4 The Non-Service Revenue budget consists of four main elements, Treasury (interest earnings and debt financing costs), contingencies and provisions, the Council's contribution to Alexandra Palace and Park, and payments to levying bodies (e.g. Lee Valley, North London Waste Authority and London Pensions Fund Authority). The underspend on NSR is mainly attributable to:
- Area Based Grant funding which was not allocated to service areas to mitigate the impact of reductions in other government grant funding;
 - savings in debt financing costs through the use of internal cash balances in lieu of borrowing; and,
 - unallocated contingency.

The Council received £3.6m in Performance Reward Grant which was accounted for through NSR and has been transferred to reserves (see paragraph 14.3 below). This is part of an overall £4.2m transfer from NSR to reserves which includes a contribution towards future redundancy costs resulting from the implementation of the Council's savings programme and a provision for the Council's share of the deficit on the Collection Fund.

- 13.5 The provisional outturn for the Alexandra Park and Palace Trust shows a deficit of £2.3m, compared with a budgeted deficit of £2.0m, causing an overspend of £0.3m mainly due to the Ice Rink project. This variance is included in the non-service revenue net under spend. There is also an outstanding expenditure item of £16k relating to the Master Plan budget which will be met from contingencies in 2011-12.

14 Transfers to Reserves

- 14.1 Transfers to reserves are made at the end of each financial year in line with the approved financial strategy. The most significant call on reserves in 2011-12 will be redundancy costs although a request to capitalise these costs is currently under consideration by Communities and Local Government (CLG).

- 14.2 The tables in Appendix 1 show the planned transfers to reserves that will be made as part of the accounts closure process. These include transfers for capital financing and to meet the redundancy costs resulting from the implementation of the Council's savings programme and are in accordance with previous reports to Members.
- 14.3 The overall level of General Fund reserves has increased by £10.6m since the approval of the Medium Term Financial Plan. The main reasons for this variance are:
- The Performance Reward Grant (PRG) of £3.6m which was confirmed in March 2011. This includes £1.0m payable to the Police and NHS as part of our strategic partnership;
 - Additional NHS funding to support the Council's investment in adult care reablement services of £1.1m. Again this funding was confirmed in March 2011;
 - Housing Benefit Grant Claim provision of £1.0m. (Each year the Council submits a substantial housing benefits claim which is in the region of £290m. As in previous years, it is proposed additional estimated grant above budget should be added to the reserve taking a prudent approach in the event that there are any issues arising from the subsequent audit of the subsidy claim);
 - A provision of £1.6m to cover the Council's share of a £2m deficit on the Collection Fund (see Section 18 below); and,
 - Capital programme slippage, allied to a reduced call on reserves through use of capital receipts (see Section 15 below).
- 14.4 The table in paragraph 13.1 shows an outturn for schools of a £1.8m overspend which will decrease school reserves to £2.6m at the end of 2010/11.
- 14.5 Section 17 below sets out the reasons for a £3.2m increase in HRA reserves.

15 Outturn - Capital

- 15.1 The final approved capital programme for 2010/11 was £169.7m. The provisional net underspend is £14.8m as set out in the following table (8.7% of the approved budget). The level of underspend was £2.2m less than had been anticipated at Period 11. This movement was mainly within Children's, Urban Environment and the HRA.

Directorate	Approved Budget	Outturn	Variance
	£'000	£'000	£'000
Children & Young People	79,719	71,298	(8,421)
Adults, Culture & Community	9,079	7,186	(1,893)
Corporate Resources	8,337	5,566	(2,771)
Urban Environment – General Fund	17,531	15,887	(1,644)
Urban Environment – HRA Housing	55,033	54,966	(67)
Total	169,699	154,903	(14,796)

- 15.2 Detailed explanations of the variances are set out in Appendix 2 but substantially relate to schemes not being completed to time for various reasons and thus slipping into the next financial year. However, £5.6m of the under spend relates to BSF capital contingencies which were not required in 2010-11 and form part of the £12.6m carry forward request (see Section 16 below).
- 15.3 The Council's agreed capital programme for the period 2010/11 to 2013/14 was partly based on achieving usable capital receipts of £7.7m in 2010/11 (excluding Compulsory Purchase Orders). This total was achieved although through a slightly different mix of property sales.
- 15.4 The capital receipts reserve for 2010/11 has a balance at the year-end of £4.7m after financing spend on capital receipts funded projects as outlined below:

	£000
Opening balance at 1 April 2010	2,590
Net Usable receipts generated in 2010/11	8,591
Used for financing in 2010/11	(6,455)
Closing balance at 31 March 2011	4,726

- 15.5 However, a number of projects have slipped and are the subject of carry forward requests. It is recommended that these schemes are reviewed by the Chief Financial Officer and Cabinet Member for Finance and Sustainability based upon available resources and contractual commitments.

16 Capital Carry Forward Proposals

- 16.1 The Council's financial regulations stipulate that Cabinet will determine any carry forward sums in respect of budget variations at the year-end.
- 16.2 Capital carry forward requests are included for consideration amounting to £12.6m and are detailed in Appendix 3. At this stage, it is recommended that authority to approve the carry forward requests is delegated to the Chief Financial Officer, in consultation with the Cabinet Member for Finance and Sustainability.

17 Housing Revenue Account (HRA)

- 17.1 The provisional HRA outturn for the year is a surplus of £0.3m against a target of a £2.9m deficit, a variance of £3.2m. The working balance, therefore, is increased to £8.0m as at 31 March 2011, as shown in the following table.

Item	Revised Budget	Outturn	Variance
	£'000	£'000	£'000
Income	(113,510)	(108,978)	4,532
Expenditure	116,381	108,682	(7,699)
Net deficit / (surplus)	2,871	(296)	(3,167)
Working balance b/fwd 1 April 2010		(7,664)	
Working balance c/fwd 31 March 2011		(7,960)	
Planned closing balance as at 31 March 2011		(4,793)	
Variation in closing balance		(3,167)	

- 17.2 The main variances were lower than budgeted Housing Subsidy Income of £2.9m which was more than off-set by reduced capital costs (£4.0m) as a result of significantly reduced external borrowing in the year, insurance and other property costs (£1.2m), bad debt provisions (£0.4m) and net service charges (£0.5m).
- 17.3 One of the actions from the original repairs improvement plan was for the Haringey Repairs Service to relocate to Broadwater Farm. £175k of Reserves was earmarked in 2010/11 for this purpose. However the move did not take place and will now happen in 2011/12.

18 Collection Fund

- 18.1 The provisional outturn on the collection fund is showing a £2m deficit relating to Council Tax income for 2010-11. Although the in-year collection rate of 96.1% is already above the overall target of 96%, this improvement has been more than offset by a higher than anticipated level of discounts and exemptions. The discounts and exemptions reduce the net sum collectable. Any deficit will need to be met by the Council (79%) and the GLA (21%) in proportion to the respective elements of the total council tax charge.
- 18.2 At this stage £1.6m has been transferred to, and earmarked in, reserves for the Council's share of the deficit.

19 Provisions and Contingent Liabilities

- 19.1 Under accounting requirements the Council is required to consider any areas where it feels there is a potential future liability. Depending on the certainty of this liability and information on the value of the liability, the Council will either raise a provision for this liability or disclose a contingent liability in the notes to the accounts. All areas for provisions and contingent liabilities are in the process of being reviewed. These will be considered in the near future and finalised and reported as part of the Statement of Accounts.

20 Recommendations

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- 20.2 To note the reasons for variations and to approve the planned transfers to reserves detailed in Appendix 1.
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