



Haringey Council

Agenda item:

Cabinet

19 July 2011

Report Title. The Council's Budget Management Performance – May 11

Report of Director of Corporate Resources (Chief Financial Officer)

Signed : *J. Parker* 12/7/11

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Wards(s) affected: All

Report for: Key Decision

1. Purpose of the report (That is, the decision required)

- 1.1. To report, on an exception basis, the Council's budget management performance for the year to May 2011.
- 1.2. To agree the budget virements set out in this report in accordance with financial regulations.
- 1.3. To agree the recommendations set out in paragraph 4.

2. Introduction by Cabinet Member for Finance & Sustainability (Cllr Joe Goldberg)

2.1. The level of savings this Council has had to implement in 2011/12, and going forward, is unprecedented. I am particularly concentrating on ensuring close monitoring of the budget is being carried out and am personally involved in a regular monitoring meeting with the Heads of Finance.

2.2. I am most concerned that a net £1.6m overspend is being forecast and I shall be monitoring the position closely and intend to be reporting an improved position over the next few months.

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

3.1 This report sets out performance against a number of indicators that measure progress against the Council's priorities.

4 Recommendations

4.1 To consider the report and the progress being made against the Council's 2011-12 budget.

4.2 To agree the budget changes (virements) set out in Appendix 2.

4.3 To require the Director of the Children's Service to take necessary action to bring current year spending to within the approved budget.

5 Reason for recommendation(s)

5.1 To ensure that Members are kept informed about the current financial position of the Council and actions being taken to ensure the Council delivers a balanced budget position at the year end.

6 Head of Legal Services Comments

6.1 There are no specific legal implications in this report.

7 Equalities & Community Cohesion Comments

7.1 Equalities are a central thread throughout the Council's performance and many of the indicators have equalities implications. Equality impact is considered alongside performance by services.

8 Consultation

8.1 Periodically throughout the year the report will show, as appropriate, the results of consultation with residents, service users and staff.

8.2 The Council consults widely on its budget proposals with residents, businesses,

service users and other interested parties.

9 Use of appendices /Tables and photographs

9.1 Appendix 1 - The aggregate projected revenue position in 2011/12.

9.2 Appendix 2 – Proposed Virements.

10 Local Government (Access to Information) Act 1985

10.1 Budget management papers

10.2 Business Plans

11. Background

11.1 This is the first budget management report for the current financial year, 2011/12 and provides the projected spend position for the Council based on the actual spend incurred to May 2011. The financial projections are based on the financial monitoring reports prepared for the budget review meetings for period 2.

11.2 This is the first of a new quarterly budget management report that Cabinet will receive. Following the Financial Management Support Functions Review and the consequent reductions to finance staff required to meet the savings targets the budget management process has changed and will now only be reporting to Cabinet on a quarterly basis. In the intervening period the high risk and volatile budgets of the Council will continue to be reviewed and challenged at the monthly meeting with the Director of Resources (Chief Financial Officer) and Chief Executive.

12 Budget Projections

12.1 There is a projected net over-spend at the year end of £1.6m based on the position as at the end of May. The reason for this projected overspend is the pressure within the Children's Service which is explained below. An analysis of the main variations, pressures and risks within each directorate is set out in the following paragraphs.

Adults and Housing

12.2 The Adults and Housing Directorate is currently projecting a balanced position by the year end. However, there are a number of risks which could impact this position. For both areas even a small increase in client numbers or cost of placement/accommodation could have significant effect on the year end projection. Specifically for Adult and Community Services it is anticipated that NHS North Central London will continue to review jointly or wholly NHS funded clients. At this time it is not possible to estimate the impact on the Council with

certainty but the risk is highlighted in this report and mitigation plans are being put into place.

- 12.3 It should also be noted that there are pressures associated with achieving the Supporting People budget reductions approved in the Council's savings programme. However, these pressures are being mitigated by management action and should not cause a year end adverse variance.

Children's Services

- 12.4 A budget pressure is reported due to the continuing demands in the Looked After Children (LAC) budgets within the Children and Families Business Unit. The service has received significant investment as part of the 2011-12 budget setting process but the early indications are that some of the on-going pressures present in 2010-11 remain or have increased further.
- 12.5 Analysis of the Children's Services budget identifies an overall gross pressure of some £2.5m in safeguarding. The Directorate has taken management action to reduce the net outturn position for Children's Services to a projected £1.6m but there remain significant risks within the key budget areas that indicate a worsening position is also possible. For this reason, therefore, it is deemed prudent to alert Members that the budget pressure in Children's Services could rise, over the course of the year, to a net figure closer to £2.5m if, for example, further additional costs associated with Looked After Children are experienced.
- 12.6 In the light of this position the Director has, in consultation with the Chief Executive, re-introduced for the Children's Service both a recruitment control mechanism and a spending embargo on non staff related spending that was in place during part of 2010-11 across the Council. The Chief Executive is now leading a short term piece of work to ensure that there is a robust recovery plan in place.
- 12.7 The Directorate is looking at all opportunities to further mitigate this overspend and these will be reported to Cabinet in due course.
- 12.8 The number of Looked After Children (LAC) at 603 is some 43 above the number assumed in setting the 2011-12 budget (560). This also represents an increase of 6 over the number in the previous month. A particular issue this month has been specific police action targeted at trafficked children which resulted in 7 additional children being taken into care simultaneously.
- 12.9 Salary pressures are also apparent in all of the key teams dealing with children's safeguarding services. The main cause of this is the cost of employing agency staff at rates above those assumed in setting the budget. Across the three main areas (First Response, Safeguarding and Support and C-i-C, Leaving Care and Asylum) an overspend of £743,000, which is incorporated within the gross position, is anticipated which represents 0.08% of the overall salaries budget across these areas.

12.10 There is an increasing financial cost of maintaining existing services in Early Years services following the savings programme decision to implement significant reductions to that budget. Following the recent call-in of the decision, alternative plans and proposals are currently being developed in conjunction with the Haringey Children's Centre Alliance (HCCA). The estimated cost of the delay associated with the Children's Centre element of the savings programme is now approaching £0.7m (previously estimated at £0.6m), although this can currently be off-set by the corporate risk provision approved as part of the Medium Term Financial Plan 2011-2014.

Place and Sustainability

12.11 There are pressures within the Place and Sustainability Budget mainly relating to shortfalls in Commercial Rent projections within Property Services. However, the service is seeking ways to mitigate these pressures and thus is not projecting an overspend at this point. Major restructures to deliver significant levels of budget savings are ongoing in both Front Line Services and Planning Regeneration and Economy and timely completion will help ensure a balanced budget.

Corporate Resources

12.12 At period 2 the Corporate Resources Directorate has identified three key pressures. At this stage it is assumed that action can be taken to address these and the year end forecast is to break even.

12.13 The first pressure is in relation to Revenues, Benefits and Customer Services which continue to experience high demand with benefits caseloads 7% higher than last May. This is likely to lead to increased printing and postage costs and the service has yet to finalise the full service integration which increases budgetary risk in this area.

12.14 The second relates to continuing high levels of demand for legal services, which is projected to be in excess of available resources by an estimated £1m. All directors are aware of this issue and legal services are currently meeting with them and their management teams to work to reduce demand down and mitigate the position; the objective being to achieve a balanced legal services budget by the year end.

12.15 There are additionally pressures within the staffing budgets within Corporate Resources which are being managed.

Chief Executive's Services

12.16 The Chief Executive's services have highlighted a small number of budget pressures largely within the Communications team. The main issue relates to the print and design teams who have income targets to achieve. Due to strict

expenditure controls last financial year, there was a shortfall in income and the service is prudently assuming similar pressures this year. The head of service is looking for compensating savings to minimise this risk and currently the directorate as a whole is forecast to balance at year end.

Public Health

- 12.17 At Period 2 the Public Health directorate has no revenue issues to report and is forecasting to break even at year end.

Non Service Revenue

- 12.18 Non-service revenue, which largely consists of budgets for capital financing costs, levies and contingencies, has a projected underspend of £0.7m which is the risk provision being used to off-set the Children's Centres slippage highlighted earlier in this report. The Council's £2 million approved contingency is also held within this budget, which is available to support unplanned pressures that may arise across the Council.

13 Savings 2011/12

- 13.1 The total agreed reductions within the Council's savings programme for 2011/12, in order to achieve a balanced budget, were £41m. Overall a projected variance of £2 million against these proposals is being reported, however these shortfalls are being met from either elsewhere within the relevant services' budgets or from the risk provision.

14 Treasury Management

- 14.1 During the first two months of 2011/12 the Council's cash balances have increased in line with the cashflow forecast. There has been no need, therefore, to borrow and the total of the borrowing portfolio remains at £630.8m. The average cash balance in the period was £53.3m and the average interest rate earned was 0.67%. The Council's investments are in UK bank call accounts and money market funds. These funds are invested on an instant access basis but pay interest rates in line with 2-3 month fixed term deposits. The instant access enables the Council to call back investments quickly, which is a beneficial position to be in at present in the light of market uncertainty relating to events in Europe.

15 Capital

- 15.1 The overall capital programme for the Council in 2011/12 is £39.7 million, across all of the services. As at period 2 there are no projected variations projected on capital schemes.

15.2 The target level of in-year receipts from asset disposals in 2011/12, as agreed as part of the Council's capital strategy, is £9.3m. In the first two months of the financial year no receipts have yet been realised. A review of the disposal projections has been carried out and has resulted in a revised forecast of £7m of receipts for 2011/12. This reduction is due to the slippage of the disposal of Hornsey Depot site (see further report on this agenda) of £8m. However this is offset by a number of other sites being identified for sale and projected to realise a capital receipt this financial year. This slippage in receipts does not affect the overall financing of the Council's capital programme for 2011/12.

16 Virements

16.1 Appendix 2 details out the virements requiring approval as at period 2.

Appendix 1

Revenue 2011/12 - The aggregate revenue projected position in 2011/12 is shown in the following table.

	Approved Budget	Projected variation
	£m	£m
Adults and Housing	100.9	0.0
Place & Sustainability	53.4	0.0
Public Health	0.9	0.0
Corporate Resources	7.4	0.0
Children and Young People	82.8	
- Children & Families		1.6
- Children's Centres		0.7
Chief Executive	1.6	0.0
Non-service revenue	39.1	(0.7)
Total - General Fund	286.2	1.6
Children and Young People (DSG) - Non-Schools	0.0	0.0
Children and Young People (DSG) - ISB	0.0	0.0
Total - Dedicated Schools Grant	0.0	0.0
Total - Housing Revenue Account	(0.3)	0.0

Proposed virements are set out in the following table.

Revenue Virements						
Period	Service	Key	Amount current year (£'000)	Full year Amount (£'000)	Reason for budget changes	Description
2	AH	Rev	146	146	Corrective Budget Realignment	Realignment of salaries budgets between cost centres within Learning Disabilities Day Opportunities
2	AH	Rev*	4,385	4,385	Corrective Budget Realignment	Realignment of Learning Disabilities budgets to reflect 2011-12 Health (Section 75) funding
2	AH	Rev*	2,419	2,419	Corrective Budget Realignment	Realignment of Supported Housing budgets
2	AH	Rev*	974	974	Corrective Budget Realignment	Realignment of budgets within Mental Health including correction of internal recharge budgets and reflecting reduced Health funding.
2	AH	Rev*	107		Corrective Budget Realignment	Virement to reflect 2011-12 one off Health funding (Mental Health)
2	CR	Rev	(229)	(229)	Corrective Budget Realignment	Changes to the Technopark budget
2	CR	Rev*	(257)	(257)	Corrective Budget Realignment	IT removing Telecoms income budget
2	NSR	Rev	168		Corrective Budget Realignment	One off contribution from NSR with regards to deficit for pensioners sub-fund
2	NSR	Rev*	(446)	(446)	Corrective Budget Realignment	Corporate overheads reduction with regards to H4H, HRA and Pension Income Reduction
2	NSR	Rev*	714	714	Corrective Budget Realignment	Inflation allocation to services with regards to various contracts and domestic rates
2	NSR	Rev*	3,428	3,428	Corrective Budget Realignment	Allocation of earmarked budgets from NSR with regards to Single Status and Concessionary Fares
2	NSR	Rev*	629	629	Corrective Budget Realignment	Realignment of Treasury Management budget
3	AH	Rev*	317		Corrective Budget Realignment	Realign residential homes income budgets and transfer surplus to Mental Health Commissioning.
3	AH	Rev*	265		Corrective Budget Realignment	Realign Older People Day Care budgets including virement of £100k from Residential care
3	AH	Rev*	275		Budget Savings	Early achievement of 2012/13 budget savings from Whitehall Street to be held in Deputy Directors budget
3	AH	Rev*	336	336	Corrective Budget Realignment	Realign budgets within Internal Home Care
3	AH	Rev*	910	859	Corrective Budget Realignment	Realignment of salaries budgets between cost centres within Housing as part of the rethinking merger with Adults.
3	PP	Rev*	577		Grant Allocation 2011-12	Grants allocation for Drug Intervention Programme and Drug and Alcohol Action Team

Capital Virements						
Period	Service	Key	Amount current year (£'000)	Full year Amount (£'000)	Reason for budget changes	Description
3	CR	Cap*	(1,955)		Budget Realignment	Hornsey Town Hall Redevelopment rephasing

1 Financial regulations require proposed budget changes to be approved by Cabinet. These are shown in the above table. These changes fall into one of the following categories:

- all changes in gross expenditure and/or income budgets between business units in excess of £100,000; and
- all changes in gross expenditure and/or income budgets within business units in excess of £100,000.
- any virement that affects achievement of agreed policy or produces a future year's budget impact if above £100,000.

2 Under the Constitution, certain virements are key decisions. Key decisions are:

- for revenue, any virement which results in change in a directorate cash limit of more than £250,000; and
- for capital, any virement which results in the change of a programme area of more than £250,000.

3 Key decisions are highlighted by an asterisk in the table.

4 The above table sets out the proposed changes. There are two figures shown in each line of the table. The first amount column relates to changes in the current year's budgets and the second to changes in future years' budgets (full year).