

Agenda item:

**Cabinet**

**On 15 June 2010**

Report Title. <b>Financial Outturn 2009/10</b>	
Report of: <b>Director of Corporate Resources</b> Signed :  <b>Julie Parker</b>	
Contact Officer : <b>Kevin Bartle, Head of Corporate Finance</b> <b>Telephone 020 8489 3743</b>	
Wards(s) affected: <b>All</b>	Report for: <b>Key Decision</b>
<p><b>1. Purpose of the report</b></p> <p>1.1. To set out the provisional revenue and capital outturn for 2009/10 and to consider revenue and capital carry forward requests.</p>	
<p><b>2. Introduction by Cabinet Member for Finance &amp; Sustainability (Councillor J Goldberg)</b></p> <p>2.1 The reported revenue financial outturn is broadly in line with the position last reported to Cabinet for period 11 with known service over spends particularly within CYPS and Urban Environment being offset to some degree by under spends within the non service revenue budgets. In view of the significant budgetary challenges ahead, it is recommended that no over spends be carried forward into 2010/11, apart from those associated with trading accounts, and that only one revenue carry forward is approved, the rationale for which is set out in the report. The recently announced central government spending cuts will have an impact on the Council's resources for 2010/11 as we are expecting a significant in year reduction in grants. As yet the size is unknown so impacting on our ability to plan our finances.</p>	

- 2.2 The capital outturn is also in line with that reported at period 11 with a final underspend of £27.8m equating to 14.1% of the approved programme. The explanations for the variances are set out in Appendix B. It is recommended that £21.4m of the capital carry forward requests, as set out in Appendix D, are approved.
- 2.3 I ask Cabinet to delegate to the Chief Financial Officer, in consultation with myself, the approval of additional capital carry forward requests, for schemes that are contractually committed, where there is available capital resource. For other carry forward requests and the 2010/11 capital programme schemes funded fully or partly from capital receipts I have asked for a review to be undertaken. The outcome of this will be reported to the July meeting of the Cabinet.
- 2.4 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 £2.183m overspend for 2009/10. This figure will increase to £2.391m on approval of the revenue carry forward requests set out below.
- 4.2 To note the reasons for variations and to approve the planned transfers to reserves detailed in Appendix A, including the transfer from general balances of £2.391m to fund the net revenue overspend set out above.
- 4.3 To note the provisional Housing Revenue Account (HRA) outturn and to agree the treatment of the Homes for Haringey deficit set out at paragraph 13.17.
- 4.4 To approve the revenue carry forward proposal amounting to £0.515m in Appendix C and to note the required carry forward of the Catering DSO trading deficit of £0.307m.
- 4.5 To note the provisional capital outturn of a £27.8m underspend and the reasons for variations set out in Appendix B.
- 4.6 To approve capital carry forward requests proposals of £21.4m set out in Appendix D.
- 4.7 To delegate to the Chief Financial Officer, in consultation with the Cabinet Member for Finance & Sustainability, the approval of additional capital carry forward

requests, relating to contractually committed schemes only given the level of available funding (see paragraph 13.15).

- 4.8 To request the Chief Financial Officer to carry out a review of the 2010/11 capital programme together with the 2009/10 carry forward requests that do not relate to contractually committed schemes to ensure viability of the entire programme in light of likely reductions in available capital resources. The outcome of this review and the proposals for carry forward of capital receipt funded schemes, will be reported to the July meeting of the Cabinet.
- 4.9 To note the outturn of a £2.208m overspend for schools that decreases schools' balances to £4.407m at the end of 2009/10 and to note the carry forward of the in-year deficit.
- 4.10 To note the carry forward of a £0.722m DSG underspend referred to in paragraph 14.3 and to approve the earmarking to help support child safeguarding resource issues. A report will be taken to the Schools Forum outlining this proposal and seeking their support.
- 4.11 To delegate to the Chief Financial Officer authority to prepare the Council's financial accounts such that the financial position of the Council is optimised.
- 4.12 To note that the Council's financial statements for 2009/10 are to be approved by General Purposes Committee prior to external audit.

## **5. Reason for recommendation(s)**

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

## **6. Summary**

- 6.1 This report sets out the Council's provisional outturn for 2009/10. The year end general fund deficit is £2.183m (0.98% of the approved revenue budget) excluding carry forward requests and the Dedicated Schools Grant (DSG).
- 6.2 The report also sets out the capital outturn position, which is a net underspend of £27.8m (14.1% of the approved budget). Carry forward requests of £21.4m are submitted for approval and are set out at Appendix D. The positions on the HRA, non-schools and schools DSG are also reported.
- 6.3 In overall terms, after taking into account adjustments previously reported through the budget management process, the revenue financial outturn is broadly in line with last budget monitoring report to Cabinet and the agreed financial strategy. It should be noted, however, that the use of reserves to fund an in-year overspend in 2009/10 had not been specifically anticipated.

## **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 A - Explanation of significant revenue variances.
- Appendix B - Explanation of significant capital variances.
- Appendix C – Revenue carry forward proposals.
- Appendix D - 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, Head of Corporate Finance, on 0208 489 3743.

## **12. Background**

12.1 This report has four sections:

- outturn – revenue and capital
- carry forward proposals – revenue

- carry forward proposals – capital
- provisions and contingent liabilities

12.2 This report sets out the provisional financial outturn position. The final statement of accounts will be prepared in accordance with the Accounts and Audit Regulations 2003 and will be reported to the General Purposes Committee on 28 June 2010 for approval prior to external audit. This meets the statutory deadline for the financial statements to be approved by the end of June 2010.

12.3 The external audit for the Council's 2009/10 accounts will commence on 1 July 2010. The auditors will submit a report on the findings of their audit to General Purposes Committee on 23 September 2010 and they will subsequently complete their audit by issuing their formal opinion before the end of September.

### **13. Outturn – Revenue and Capital**

13.1 The general fund revenue outturn is summarised in the following table. There is a net general fund over spend of £2.183m (before carry forward approvals), after planned transfers to reserves, which is 0.98% of the approved budget. The variances are explained in more detail in Appendix A. This figure in total is in line with that previously reported to Cabinet, which was a net over spend of £1.95m at period 11 although there have been some movements within individual Directorate figures, the main reasons for which are set out in paragraph 13.2.

*Table showing the general fund revenue outturn summary before approval of carry forwards*

<b>Directorate</b>	<b>Approved revenue budget</b>	<b>Variance from budget</b>
	<b>£'000</b>	<b>£'000</b>
Children and Young People	51,706	4,335
Adults, Culture & Community	76,859	994
Corporate Resources	6,028	530
Urban Environment (incl. Housing)	50,823	1,725
Policy, Performance, Partnerships & Communications	8,687	(202)
People, Organisation & Development	(659)	(281)
Chief Executive	719	112
Non-Service Revenue	28,214	(5,030)
<b>Total – General Fund</b>	<b>222,377</b>	<b>2,183</b>
Children and Young People (DSG) – Non Schools	20,326	(722)
Children and Young People (DSG) – Schools	145,035	2,208
<b>Total - DSG</b>	<b>165,361</b>	<b>1,486</b>

- 13.2 The main changes since period 11 are the impact of a year end accrual to account for single status payments due to staff in 2009/10, but not yet paid. This has had an impact on all Directorates, however the impact on ACC is worthy of particular note given the previous forecasts of outturn for the directorate reported to Cabinet, of an overspend of £0.5m, excluded the impact of single status payments. The outturn position above, therefore, is in line with that previously forecast. Additionally, the final underspend on NSR is higher than forecast largely due to an increase in the VAT reclaim (one-off) over that reported to Cabinet for period 11 and the impact of a debt rescheduling decision which has led to a higher than forecast underspend on interest payments.
- 13.3 The provisional outturn for the Alexandra Park and Palace Trust shows a deficit of £2.326m, compared with a budgeted deficit of £1.728m, causing an overspend of £0.598m. This is included in the non-service revenue net under spend. The Council's 2010/11 budget setting process agreed an additional £0.243m to address this on-going deficit as well as a one-off investment to support development of a master plan and additional capital investment. The 2010/11 position will need to be monitored carefully.
- 13.4 The Haringey Forward Programme had a budgeted target of realising £2.547m of on-going revenue savings during 2009/10, however a sum of £1.776m has actually been achieved, resulting in a shortfall of £0.77m. This balance has been moved into 2010/11 and is currently planned to be delivered in full.

- 13.5 Transfers to reserves are made at the end of each financial year in line with the approved financial strategy. The tables in Appendix A show the planned transfers to reserves that will be made as part of the accounts closure process. These include transfers for capital financing and interest earnings and are in accordance with previous reports to Members. A transfer will also be made from general balances to cover the in-year revenue overspend.
- 13.6 Each year the Council submits a substantial housing benefits claim which is in the region of £290m. The position on this claim is yet to be finalised so the accounts have been closed on the latest subsidy reports available. It is proposed that any 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.
- 13.7 The Sustainable Investment Fund (SIF), a ring-fenced fund of £500k to finance one-off type environmental 'invest to save' schemes has completed its third year. Matched funding provided by Salix, in August 2007, amounted to £155k bringing the total available to £655k. In this financial year, a series of lighting upgrades and controls have been installed in leisure centres and libraries. Pool covers and an innovative water filtration system at Tottenham Green Leisure Centre, the first of its kind in a public UK leisure facility, which will significantly reduce water consumption in the coming years, have also been funded.
- 13.8 In total, £290k was committed for energy saving projects this financial year. The actual savings achieved from these projects are 229 tonnes of CO<sub>2</sub> and £31,750 on gas and electric payments (2,061m<sup>3</sup> of water and over £2,900 in water costs have been saved) although this is expected to rise in 2010/11 as projects were completed at various stages through the year.
- 13.9 The table in paragraph 13.1 shows an outturn for schools of a £2.208m in-year overspend which will decrease school balances to £4.407m at the end of 2009/10. An under spend of £0.722m against the non-schools allocation of DSG is also reported.
- 13.10 The final approved **capital programme** for 2009/10 was £196.7m. The provisional underspend is £27.8m as set out in the following table (14.1% of the approved budget). The net capital underspend has increased by £3.3m from the figure reported to Cabinet at period 11 this is mainly within Urban Environment and the HRA.

Directorate	Approved Budget	Outturn	Variance
	£'000	£'000	£'000
Children & Young People	95,203	81,045	(14,158)
Adults, Culture & Community	14,439	9,400	(5,039)
Corporate Resources	8,069	5,576	(2,493)
Urban Environment – General Fund	19,771	14,635	(5,136)
Urban Environment – HRA Housing	59,067	58,136	(931)
Policy, Performance, Partnerships & Communications	121	112	(9)
<b>Total</b>	<b>196,670</b>	<b>168,904</b>	<b>(27,766)</b>

13.11 Detailed explanations of the variances are set out in Appendix B but substantially relate to schemes either not being completed to time for various reasons and thus slipping into the next financial year or in the case of the BSF programme delivery was mainly on target and therefore the contingency is not being utilised. The underspend reduces to £24.39m (12.4% of the approved budget) if an adjustment for the underspend on the BSF contingency (£3,376m) is made. The majority of the underspend is within CYPS against the BSF programme. However, the 12 BSF secondary school projects are now on site, with lower spend in 2009/10 associated with re-profiling of some projects to accommodate operational requirements of schools and uncertain timing of contingency spending on unforeseen construction issues. The BSF programme is expected to deliver projects generally within agreed timeframes, with the underspend reflecting adjusted timing of spend, but does not impact on the overall cost of delivering the programme over its life. A robust and challenging corporate monitoring process of the Council's capital programme will continue in 2010/11 with the aim of delivering projects on time and on budget.

13.12 The Council's agreed capital programme for the period 2009/10 to 2011/12 was partly based on achieving usable **capital receipts** of £9.1m in 2009/10. The final position is that £4.8m has been generated, resulting in a shortfall of £4.3m. This variation is analysed below:

	<b>£m</b>
Planned 2009/10 disposals achieved in previous year	(3.2)
Planned disposal removed from the 2009/10 programme	(1.8)
Disposals planned for 2009/10 but deferred to 2010/11	(2.0)
New disposals in 2009/10 not included in original plan	2.7
	<b>(4.3)</b>



13.13 Right to buy (RTB) disposals were more or less on target, usable receipts of £0.49m were achieved compared to the target of £0.5m. Other non RTB asset disposals have under-achieved against the plan by £4.3m as indicated above. The under achievement results mainly from planned 2009/10 disposals being achieved in the previous year, the removal of a significant disposal from the 2009/10 programme and deferred sales which are now expected to occur in 2010/11. However, new disposals identified in 2009/10, but not included in the original target, have partly off-set the shortfall. Property market conditions continue to remain difficult into 2010 and may significantly affect the 2010/11 capital programme. It is planned to undertake an early review of capital receipts forecasts for 2010/11 to mitigate the potential impact of any downturn in numbers of disposals and values obtained compared to plans.

13.14 The capital receipts reserve for 2009/10 indicates a surplus of approximately £2.6m after financing spend on capital receipts funded projects as outlined below:

	<b>£000</b>
Opening balance at 1 April 2009	6,170
Usable receipts generated in 2009/10	4,838
Used for financing in 2009/10	(8,393)
Closing balance at 31 March 2010	<b>2,615</b>

13.15 However, a number of capital receipts funded projects have slipped and may need to be funded in 2010/11. Current requests for carry forward of capital receipts funded schemes amount to £5.1m against available resources of £2.6m. It is **recommended** that these carry forward requests be reviewed and only those that are contractually committed are considered. It is **recommended** that this review and approval is delegated to the Chief Financial Officer in consultation with the Cabinet Member for Finance and Sustainability. The shortfall in funding is as a result of a very challenging property market condition brought about by the recession which has resulted in a lower than anticipated generation of capital receipts. There is also much uncertainty about the availability of capital grants from central government in 2010/11 so it is therefore considered prudent to take this approach. In addition, it is **recommended** that the Chief Financial Officer carries out a review of the remaining 2009/10 carry forward requests and the 2010/11 capital programme to ensure viability of the programme in the light of likely reductions in available capital resources.

13.16 The provisional **HRA** outturn for the year is a surplus of £0.538m against a target of £0.607m, a variance of £0.069m. The working balance, therefore, is increased to £7.786m as at 31 March 2010, as shown in the following table.

Item	Revised Budget	Outturn	Variance	Variance
	£'000	£'000	£'000	%
Income	113,183	112,372	811	0.7%
Expenditure	112,576	111,834	(742)	0.7%
<b>Net deficit / (surplus)</b>	<b>(607)</b>	<b>(538)</b>	<b>69</b>	11.4%
Working balance b/fwd 1 April 2009	7,248			
Working balance c/fwd 31 March 2010	7,786			
Planned closing balance as at 31 March 2010	7,855			
<b>Variation in closing balance</b>	<b>69</b>			

13.17 The surplus includes underspends in the Managed Accounts due to lower than budgeted energy costs, a £0.723m revenue contribution to capital and an overspend on the Company Accounts of £0.768m. The variation on the company accounts reflect increased gas maintenance and boiler replacement costs to achieve 100% servicing of all HRA properties. It is **recommended** that the full £0.538m is transferred to the HRA working balance. It should be noted that this transfer from reserves has the effect of balancing the company accounts in year.

#### 14. Carry Forward Proposals – Revenue and Capital

14.1 The Council's financial regulations stipulate that Cabinet will determine any carry forward sums in respect of budget variations at the year-end. For this year, in view of the general fund overspend position, it is proposed that apart from the catering DSO trading deficit which is required to be carried forward, only one revenue carry forward is recommended for approval. The request relates to 2009/10 ABG funding earmarked to be used to fund the Haringey Guarantee and deliver worklessness interventions. Due to the late notification of this additional money, it was not possible for the service to commission work and given the likely reduction in 2010/11 ABG, it is proposed that this underspend should be carried into 2010/11.

14.2 The impact of agreeing this revenue carry forward on the general fund would be to increase the forecast outturn to £2.391m. It is **recommended** that this variance is funded from general balances.

14.3 The DSG non schools underspend of £0.722m is also proposed to be carried forward. Any balance of DSG funding is required to be carried forward under legislation. The utilisation of the carry forward is required to be discussed with the Schools Forum. It is permissible to use DSG resources in support of "combined services" and, given the issues in respect of safeguarding children, it is **recommended** that all of the underspend is earmarked to help support this area.

- 14.4 The outturn for schools is an in-year overspend of £2.208m, reducing school reserves from £6.615m at the end of 2008/09 to £4.407m at the end of 2009/10. This will be carried forward automatically as required by regulation.
- 14.5 Capital carry forward proposals are included for consideration amounting to £21.4m. This is mainly in respect of schemes that have encountered slippage and the projects will be delivered in the new financial year. This proposal excludes schemes that are either fully or partly funded by capital receipts which are recommended for delegation to the Chief Financial Officer for approval, where appropriate, in consultation with the Cabinet Member for Finance & Sustainability. The carry forward proposals are detailed in appendix D.

## **15. Provisions and Contingent Liabilities**

- 15.1 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.