



Haringey London Borough of

Report for:	Cabinet 8 th November 2011	Item number	
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Title:	Financial Performance Forecasts as at 30th September 2011
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Report authorised by :	Director of Corporate Resources <i>J. Parker 28/10/11</i>
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Lead Officer:	Graham Oliver Tel: 020 8489 3725; Email: Graham.Oliver@haringey.gov.uk
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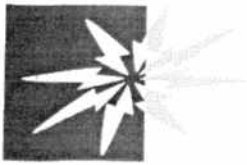
Ward(s) affected: All	Report for Key/Non Key Decision: Key
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1 Describe the issue under consideration

- 1.1 To consider the forecast financial revenue and capital outturns for 2011/12 based on actual performance to 30th September.
- 1.2 To consider the proposed management actions and approve the budget adjustments (virements) in response to monthly budget management during the first half of the financial year.
- 1.3 **Cabinet Member Introduction**
- 1.4 Our budget for 2011-12 requires the delivery of an unprecedented level of savings. In that context the projected overspend of £1.75m (0.6% of the total budget) as set out in this report is a highly commendable achievement by the Council's officers.
- 1.5 Overall I will continue to ensure the budget is monitored closely and I do expect that the position will improve over the next few months.

2 Recommendations

- 2.1 To consider the report and the progress being made against the councils 2011/12 budget in respect of revenue and capital.
- 2.2 To approve the budget changes (virements) set out in Appendix 3 and the carry forward request in para 8.4.
- 2.3 To require the Director of Childrens Service to take the necessary action to bring current year spending to within the approved budget.



3 Revenue Budget Projection

- 3.1 The overall forecast outturn position as projected by budget holders using financial information up to 30th September is shown in Appendix 1. The overall General Fund forecast is an over spend of £1.75m. However this is after containing a number of significant pressures both within and across the Directorates. The HRA is forecasting a £2.5m underspend. The financial position for each Directorate is discussed in more detail in the body of this report.

4 Adults & Housing Directorate

- 4.1 Overall the Directorate is forecasting an outturn position on the General Fund of £0.4m under budget.
- 4.2 Adult & Community Services
- 4.3 There are full year underspends projected in period 6 but these are being offset against the pressures anticipated in the second half of the financial year in relation to funding withdrawals for service users who no longer meet NHS North Central London funding criteria.
- 4.4 Additional care packages pressures have been identified across Adults commissioning for 2012/13. This budget pressure is the subject of on-going review and its potential impact on 2012/13 is being assessed.
- 4.5 Community Housing Services
- 4.6 Community Housing Services are projecting a £0.4m under spend at outturn, the major variances are detailed below:
- 4.7 Private Sector Leases are currently showing a projected underspend as a result of the successful renegotiations with landlords at the introduction of the new subsidy system.
- 4.8 Across the department delays in recruitment and the holding of vacancies are producing savings which are mitigating the pressures.

5 Chief Executive's Directorate

- 5.1 Currently the Directorate is forecasting a net over spend of £0.1m which is mainly as a result of pressures in Human Resources and to a lesser extent Communications, being offset by some under spends in other areas.
- 5.2 The HR forecast over spend is the result of the retention, to the end of September, of redundant staff, scheduled to be released from the



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beginning of the year, to support delivery of the significant organisational changes arising from the corporate savings programme.

- 5.3 The pressure in Communications is largely due to a delay in implementing the restructuring within translation and interpretation. This is being offset by under spends in Policy, Intelligence & Partnerships by holding vacancies ahead of further planned savings in 2012/3.

6 Corporate Resources Directorate

- 6.1 The Directorate overall forecast is a breakeven position although there are some pressures and mitigating underspends as set out below.
- 6.2 There are budget pressures of circa £0.2m in benefits and local taxation due to the increasing caseloads in the service and their associated costs. These budgets continue to be closely monitored to ensure a balanced position by the year-end.
- 6.3 The IT business unit is forecasting an under spend of £0.25m due to the renegotiation of the call costs and a one off rebate for last year.
- 6.4 To date there has been a significant pressure for the legal service as demand has been in excess of the allocated resources. All Directorates have been looking at ways of reducing demand and mitigating the position. However it is felt that as the demand levels as similar to that of last year reducing it in the short term is not realistic. An appropriate virement is to be made to reflect ensure the budget is at a realistic level. This issue was raised in the July Cabinet report.

7 Children & Young People's Directorate

- 7.1 The net outturn position for Children's Services is an overspend of £1.7m across the department. The factors affecting the gross position and the management action associated with minimising, as far as is possible, the net position, are set out further below.
- 7.2 The service has received significant investment as part of the 2011-12 budget setting process and the early indications were that the on-going pressures present in 2010-11, largely related to the number of Looked After Children (LAC) and their associated costs had not significantly subsided. However there is now some evidence that numbers have stabilised and they now stand at 588 (September 2011) compared with around 600 at the beginning of the year.
- 7.3 The Chief Executive has constituted a Transformation Board to continue to take forward improvements in Children's Services within the budget available both in 2011-12 but also going forward in 2012-13



where savings attributable to reductions in the number of LAC are included in the Council's Medium Term Financial Plan.

- 7.4 There remains a residual risk associated with the implementation of the revised Children's Centres proposals which are now programmed for implementation in January 2012. The Corporate Committee recently considered the outcome of the staffing consultation which will enable the recruit to stay process to commence. Action has been taken to reduce costs as far as possible following the delay to the implementation of the proposals and the estimated cost of the slippage (£100k) is included in the overall overspend position for the service. At this stage there is sufficient provision which has been retained corporately, as part of the 2011-14 Medium Term Financial Plan, to cover risk in this area.
- 7.5 Looked After Children (LAC) Placements
- 7.6 Analysis of the Childrens Services budget identifies an overall gross pressure of £2.8m in safeguarding. The Directorate has taken management action to reduce this to a net outturn position of £1.6m.
- 7.7 The management actions that are currently in place are aiming to ensure that identified children, and particularly those in high cost placements, have strategies in place which move them into more appropriate lower cost placements during the course of 2011-12. There is evidence that these actions are starting to have a positive effect on the likely outturn position.
- 7.8 There are however still some significant risks associated with this budget particularly as the number of LAC are in excess of those assumed in setting the original budget, although some evidence of stabilisation in numbers has been seen over the last few months.
- 7.9 Children and Families Staffing Costs
- 7.10 As previously reported salary pressures are apparent in all of the key teams dealing with children's safeguarding services. Again management action is being taken to reduce reliance on agency staff and bring staffing numbers into line with the numbers of established posts.
- 7.11 Prevention and Early Intervention (PEI) – Youth Offending Service Staffing Costs
- 7.12 Some vacant posts have been held in this area, although the service anticipates being fully staffed from December. Taking into account the level of vacancies held, together with other outstanding issues such as pending single status appeals and the need for an appropriate adult



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contract, an under spend is anticipated by year end, which is offsetting other pressures elsewhere within the Directorate.

7.13 Prevention and Early Intervention - Schools

7.14 School balances have been falling in overall levels for the last few years and more schools are finding it necessary to seek Licensed Deficit arrangements. A panel of School Forum members met recently to agree the distribution of the contingency for schools in financial difficulty; these are typically those schools with deficit issues.

7.15 An enhancement to the Pupil Premium, which provides additional resources for each pupil entitled to Free School Meals, has been recently announced. The increase from £430 per pupil (with FSM) to £488 relates to 2011-12 with further increases announced over the period of the spending review.

7.16 The Council is also awaiting the outcome of recently closed consultations in respect of the methodology for calculating the Local Authority Central Services Equivalent Grant (LACSEG) and more fundamental arrangements for School Funding changes from 2013-14.

8 Place & Sustainability Directorate

8.1 The net outturn position for Place & Sustainability is a £0.4m overspend largely due to the underachievement of budgeted levels of rental income within Commercial Property.

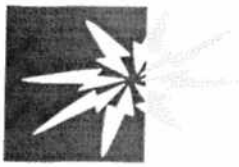
8.2 There are a number of other pressures across the directorate being offset against early achievement of 2012-13 savings and one off increases in waste income.

8.3 Costs related to the creation of a Tottenham Regeneration team are still being evaluated and external funding is being sought where possible.

8.4 The 2011/12 budget contains £60k for Olympic legacy projects that are not in the base budget for 2012/13. In order to run a small grants programme in conjunction with the Olympics and to ensure funding is available to maximise the impact of the Torch Relay passing through Haringey it is recommended that an early decision is made to carry forward this funding into 2012/13.

9 Housing Revenue Account

9.1 The HRA is currently forecasting a year end under spend of £2.5m mainly due to capital financing costs being under the budget set. The overall budget position will continue to be monitored and consideration



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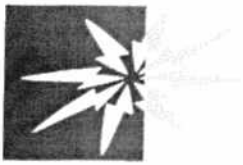
will be given to the options this offers to the council as part of setting the 2012/13 budget.

10 Non Service Revenue

- 10.1 The year end forecast for Non-service revenue (NSR), which largely consists of budgets for capital financing costs, levies and contingencies is an underspend of £0.1m which is the risk provision being used to offset the Children's Centres savings slippage. Overall for the £41m revenue savings in 2011/12 this currently the only area where it is anticipated that the full saving may not be achieved. There are shortfall in some other savings proposals but these are being met from elsewhere within the relevant services budgets.
- 10.2 The Council's £2m approved contingency is also held within this budget, which is available to support unplanned pressures that may arise across the council. One area of uncertainty is the overall costs of the riots in August 2011 and the extent to which funds spent can be claimed from government funding streams. This area will be carefully monitored.
- 10.3 The Alexandra Palace and Park Trust continues to work to maximise the profit generated and keep discretionary expenditure to a minimum and currently no additional contribution is anticipated for this financial year. Work is also progressing with the longer term regeneration master plan and it is proposed that any under spend the palace can achieve in 2011/12 is ring fenced for work on the regeneration project.

11 Treasury Management

- 11.1 During 2011/12 a total of £53.5m of long term borrowing is maturing and although internal balances can be used in lieu of borrowing to some extent, some refinancing of this debt is required. As a result of introduction of self-financing of housing, the Council is expecting to have £241m of PWLB loans repaid on 1st April 2012. It is in the Council's interests to maximise the amount of the loans with relatively high interest rates that are repaid by government. Therefore on the advice of the Council's treasury management advisers, it is planned to avoid taking any PWLB borrowing until after the repayment. As a short term alternative, £40m of loans have been taken from other local authorities for periods between 9 months and 1 year.
- 11.2 Cash balances averaged £41.9m during the first six months of the year and the average interest rate earned was 0.72%. Following a series of downgrades of UK banks, RBS, Nat West, Lloyds, Bank of Scotland and Nationwide Building Society were removed from the Council's lending list as they no longer meet the minimum criteria set out in the Treasury Management Strategy Statement. There are no outstanding deposits with any of these banks. The Council's funds are held in

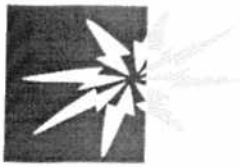


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instant access accounts only to enable investments to be called back quickly if required while uncertainty remains in the markets.

12 Capital Programme

- 12.1 The overall capital programme is forecasting £4.18m under budget as set out in Appendix 2. The major variances are discussed in the paragraphs below. The Capital bidding process for 2012/13 is underway for those schemes where the Council provides the funding, the resulting recommended new year programme will form part of the Medium Term Financial Planning report to the December Cabinet. The recommended programme will factor in available resources. Schemes which have slipped into the following year will be resubmitted in the bidding process.
- 12.2 The final construction project (Woodside High School) within the BSF programme has now reached practical completion, and has completed on time and within budget at a total cost of £29.5m. This means that the construction element of the BSF programme has now closed, and the BSF Board approved the programme close report at its last meeting on 25th October. The total programme involved major construction works across 12 secondary schools, including the site acquisition and construction of the new school at Heartlands, plus significant investment in ICT and the procurement of a managed service ICT contract, which runs to August 2013. All projects were delivered within budget.
- 12.3 The total cost of the BSF programme from inception through to completion is £214m. BSF funding received from DfE totalled £186m, with a further £15m provided from other external grants. Additional funding from the Council of £13m has been provided from other capital allocations, revenue contributions, school contributions and planning gain (S106) contributions. Financial close of the programme will not be complete until 2013, once the ICT contract has concluded, and all outstanding fee and retention payments have been released at the end of the construction defects period.
- 12.4 The position of the affordable housing project is being reviewed to consider if the resources should be applied in a different way to achieve a better outcome. This will be considered as part of the councils overall review of the capital programme.
- 12.5 The variation on the information technology infrastructure programme is occurring due to the need to reassess the profile of the expenditure and taking into account the latest pricing information.
- 12.6 The project on the reprovision of the recycling centre is closely linked to a decision by the North London Waste Authority (NLWA) on recycling



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centres and at this stage no commitment have been made until the position with NLWA is known.

- 12.7 There is some slippage in the accommodation strategy spend due to the start dates on certain projects, however some costs expected to be incurred in 2012/13 on dilapidations have been brought forward.

13 Virements

- 13.1 The Council constitution determines the level of virements which fall to be approved by Cabinet and of those, which represent key decisions. They virements which require approval at the end of September (period 6) are presented in Appendix 3.

14 Comments of the Chief Financial Officer and Financial Implications

- 14.1 The comments of the Chief Financial Officer and Financial implications are included throughout the report.

15 Head of Legal Services and Legal Implications

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

16 Policy Implications

- 16.1 As a budget monitoring report there are no specific policy implications flowing from this report.

17 Use of Appendices

- 17.1 Appendix 1: Forecast Revenue Outturn by Directorate
17.2 Appendix 2: Forecast Capital Outturn by Programme
17.3 Appendix 3: Revenue and Capital Virements

18 Local Government (Access to Information) Act 1985

Budget management papers
Business plans

APPENDIX 1

Table 1: Revenue 2011/12 - The aggregate revenue projected position in 2011/12 is shown in the following

Directorate/Fund	Approved Budget		Projected variation	
	£m		£m	
Adults & Housing	101.00		(0.40)	
Corporate Resources	7.61		0.00	
Chief Executive	1.57		0.15	
Place & Sustainability	53.65		0.40	
Children & Young People	83.56			
- Children & Families			1.60	
- Children's Centres			0.10	
Public Health	0.81		0.00	
Non-service revenue	38.00		(0.10)	
Total - General Fund	286.19		1.75	
Children & People (DSG) - Non Schools	0.00		0.00	
Children & People (DSG) - ISB	0.00		0.00	
Total - Dedicated Schools Grant	0.00		0.00	
Total - Housing Revenue Account	(0.29)		(2.50)	

Table 2: **Capital 2011/12** - The aggregate capital projected position in 2011/12 is as shown in the following table.

Capital Scheme	Approved Budget	Spend to Date	Projected Variance
	£m	£m	£m
Place & Sustainability Directorate			
Reprovision of Recycling Centre	0.90	0.00	(0.90)
Parking Plan	0.60	0.01	0.00
Street Lighting	0.80	0.25	0.00
Resurfacing	1.30	0.00	0.00
TfL	2.10	0.10	0.00
Solar Photovoltaic Programme	2.72	0.00	0.00
Marsh Lane Depot Project	0.26	0.01	0.05
Tottenham Hale Gyratory	1.50	1.09	0.00
Affordable Housing	0.85	0.00	(0.78)
Corporate Management of Propert	0.81	0.08	(0.20)
Accommodation Strategy Phase 2	1.38	0.21	(0.53)
Lordship Recreation Ground	3.08	1.10	0.00
Other schemes under £1m	2.28	0.67	0.18
Total - Place & Sustainability	18.57	3.52	(2.17)
Childrens Directorate			
BSF Schools Capital Programme	11.60	5.88	(0.30)
ICT Managed Service Provider	2.56	0.18	0.00
Primary Capital Programme	12.71	5.38	(0.25)
School Expansion - Temporary	1.00	0.08	0.00
Repairs & Maintenance	1.00	0.30	(0.01)
Electrical and ICT Infrastruct	1.07	0.20	0.00
PFI Costs	2.43	0.27	0.00
Devolved Capital	2.04	0.00	0.00
Other schemes under £1m	1.32	0.30	0.00
Total - Childrens	35.73	12.58	(0.57)
Adult & Housing Directorate			
Adults			
DFG Agency	1.54	0.38	0.00
Housing Aids & Adaptations	1.20	0.51	0.00
Other schemes under £1m	0.53	0.32	0.00
Total - Adults	3.27	1.20	0.00
HRA			
Extensive Voids	0.60	0.33	0.00
Boiler Replacement	2.00	1.00	0.00
Capitalised Works	4.00	2.10	0.00
Lift Improvements	1.40	1.03	0.00
Decent Homes Standard	19.00	3.60	0.00
Saltram Close	0.00	0.00	0.06
Major Works Conversions	0.10	0.33	0.37
Professional Fees	1.41	0.69	0.00
Retained Hostels Borough Wide	1.00	0.00	0.00
Digital TV System (IRS)	3.50	0.59	0.00
Other schemes under £1m	1.55	0.36	0.00
Total - HRA	34.56	10.03	0.43
Corporate Resources Directorate			
IT Capital Programme	1.66	0.39	(0.07)
Infrastructure Programme	4.29	0.28	(1.81)
Alexandra Palace	0.78	(0.26)	0
Total - Corporate Resources	6.72	0.41	(1.88)
Total - Haringey Capital Programme	98.86	27.74	(4.18)

Table 3: **Proposed virements** are set out in the following table.

Revenue Virements					
Period	Service	Key	Amount current year (£'000)	Reason for budget changes	Description
6	CYPS	Revenue	126	Budget Realignment	Transfer of Young People s DAAT budget from Public Health to Children s Services
6	CYPS	Revenue	311	Budget Realignment	Re-allocation from Director's budget to service salary budgets
6	P&S	Revenue	100	Budget Realignment	Accommodation Strategy Savings - Removal of budget for 476 High Rd. to reflect accommodation strategy savings
6	P&S	Revenue	146	Budget Realignment	Property services - Reallocation of Property Service budgets to reflect current management structure
6	P&S	Revenue	150	Grant Allocation	Distribution of TfL grant across projects
6	P&S	Revenue	118	Grant Allocation	Distribution of Capital Ambition "Cashable Savings Delivery Project" Grant across projects
6	P&S	Revenue	150	Budget Realignment	Partner Contributions for ongoing projects Upper Lee Valley Partnership
6	P&S	Revenue	388	Budget Realignment*	Partner Contributions for North London Strategic Partnership projects
6	P&S	Revenue	347	Budget Realignment*	Realignment of Transport overheads as reflected in the new integrated Waste and Transport Contract
6	P&S	Revenue	673	Grant Allocation*	TfL Grant- Budget allocation to revenue nature schemes
6	P&S	Revenue	214	Grant Allocation	Dept of Transport grant - potholes funding
6	CR	Revenue	3,000	Budget Realignment*	Reallocation of resources to reflect forecast level of legal services work
6	CE	Revenue	422	Grant Allocation*	Allocation of budget to fund Children & Adults Social Worker training
6	CR	Revenue	195	Grant Allocation	Capital Ambition's London Energy project funding
6	CR	Revenue	380	Budget Realignment*	Realignment of Print and Design budget to reflect activity levels

Capital Virements					
Period	Service	Key	Amount current year (£'000)	Reason for budget changes	Description
6	A&H	Capital	567	Grant Allocation*	Capital Investment in Community Capacity Grant
6	A&H	Capital	4,000	Budget Realignment*	DCLG approved brought forward Decent Homes funding
6	P&S	Capital	111	Budget Realignment	Repairs & Maintenance to Schools - reallocation from planned maintenance to projects
6	P&S	Capital	1,500	Use of unapplied Capital Grant*	Transfer of unused GAF funding to Tottenham Hale Gytratory budget for completion of Phase 1

- Financial regulations require proposed budget changes to be approved by Cabinet. These are shown in the above table. These 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.
- 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.
- Key decisions are highlighted by an asterisk in the table.
- The above table sets out the proposed changes. There are two figures shown in each line of the table. The first amount column