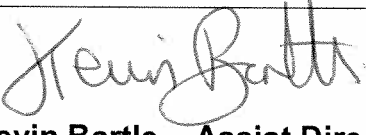


**Haringey** Council

Report for:	<b>Cabinet 7<sup>th</sup> February 2012</b>	Item number	
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Title:	<b>Financial Performance Forecasts as at 31<sup>st</sup> December 2011</b>
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Report authorised by :	 <b>Kevin Bartle – Assist Director (Finance) For the Director of Corporate Resources</b>
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Lead Officer:	<b>Graham Oliver</b> Tel: 020 8489 3725; Email: <a href="mailto:Graham.Oliver@haringey.gov.uk">Graham.Oliver@haringey.gov.uk</a>
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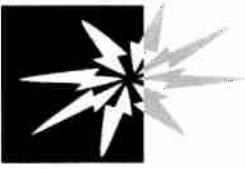
Ward(s) affected: <b>All</b>	Report for Key/Non Key Decision: <b>Key</b>
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**1 Describe the issue under consideration**

- 1.1 To consider the forecast financial revenue and capital outturns for 2011/12 based on actual performance to 31<sup>st</sup> December 2011.
- 1.2 To consider the proposed management actions and approve the budget adjustments (virements) in response to monthly budget management during the financial year to date.
- 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 underspend of £3.8m (1.3% of the total budget) as set out in this report is a highly commendable achievement.
- 1.5 However members should be aware of financial pressures continuing to be a risk to the Council's overall budget strategy, particularly around safeguarding issues (children's and adults) and homelessness. Overall I will continue to ensure the budget is monitored closely and that any impact on future years' budgets is addressed.

**2 Recommendations**

- 2.1 To consider the report and the progress being made against the Council's 2011/12 budget in respect of revenue and capital expenditure.
- 2.2 To approve the budget changes (virements) set out in Appendix 3.



- 2.3 To approve the transfer of the General Fund risk provision to general reserves as outlined in paragraph 10.3 below.

### **3 Revenue Budget Projection**

- 3.1 The overall forecast outturn position as projected by budget holders using financial information up to 31st December is shown in Appendix 1. The overall General Fund forecast is an under spend of £3.8m. 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**

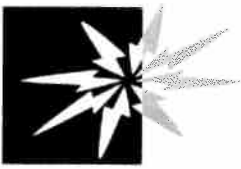
- 4.1 Overall the Directorate is forecasting an outturn position on the General Fund of £3.0m under budget.

#### Adult & Community Services

- 4.2 There is a forecast underspend of £1.5m within Adults and Community Services. The Care Purchasing pressures have been largely successfully managed down and there are large underspends across the staffing and service budgets from holding staff vacancies. In addition there has been early achievement of £1.3m of HESP savings. The directorate has undergone a programme of significant change in the way it delivers services and this change has been made as swiftly as possible in order to minimise uncertainty and maximise the savings produced.

#### Community Housing Services

- 4.3 Community Housing Services are projecting a £1.5m under spend at outturn. The bulk of this underspend (£1.2m) relates to spending on temporary accommodation for homeless people and families. This year the service has been able to hold steady, and even slightly reduce, the numbers of homeless people. At the same time, a joint procurement strategy and a positive negotiating strategy have worked to keep the costs of private sector temporary accommodation down. These two factors combined have resulted in an underspend this year. However the service is expecting increasing pressure from changes to the welfare system and the gloomy economic climate that together may lead to increased homelessness across London. The balance relates to staffing and service budgets.



**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 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 along with shortfalls in achieving budgeted income. This is being offset by underspends in Policy, Intelligence & Partnerships achieved by holding vacancies ahead of further planned savings in 2012/13.

**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 £0.3m in Revenues, Benefits and Customer Services due to the increasing caseloads in the service and their associated costs.
- 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 and there is a small income surplus forecast in Registrars.

**7 Children & Young People's Directorate**

- 7.1 The net outturn position for Children's Services is now an estimated overspend of £0.7m across the department; this reflects an improvement largely attributable to the numbers of Looked After Children (LAC) and their associated costs 'plateauing' and starting to show signs of reduction. The factors affecting the gross position and the management action associated with minimising, as far as is possible, the net position, are set out below.
- 7.2 The last Cabinet report, which referenced the position at the end of September 2011, highlighted some stability in the numbers of LAC with numbers (excluding unaccompanied minors) at 588 down from around 600 at the beginning of the year. The latest position confirms stability in numbers with a further fall to 576 LAC at the end of December 2011.



- 7.3 The service recognises the challenging 2012-13 budget in respect of LAC with a reduction of £1.9m already approved in the Medium Term Financial Plan (MTFP). Further savings have been identified in respect of the Residential Homes provision and the service continues to take forward actions contained in the Strategic Improvement Plan with the specific intention both to end the 2011-12 financial year with as close to a balanced budget as possible and additionally to position the service to meet the 2012-13 budget including agreed savings reductions.

#### Looked After Children (LAC) Placements.

- 7.4 Taking into account contributions from the Dedicated Schools Budget, on-going approval for which has been included in the 2012-13 DSB Budget Strategy considered by the Schools Forum and agreed by the Cabinet in December, the placements budget currently indicates an overspend of £0.7m. In order to improve this position further additional Resource Panels have been held during January to consider specific areas of cost pressure: residential placements; high cost 16 – 18 year old placements and 0 – 5 year old placements. A number of actions have been agreed and will be tracked against the agreed target dates into 2012-13.
- 7.5 Client costs in the Leaving Care service and Section 17/20 payments made in support of children outside the statutory care system are showing pressures amounting to around £0.4m although this is partially offset from underspends of £0.3m on a range of other allowances such as in respect of Special Guardianship, Adoption and Foster Carer expenses and Residence Orders.

#### Staffing Costs

- 7.6 Staffing costs in the key teams dealing with Children's Safeguarding services continue to show cost pressures arising from additional staff over establishment numbers and the use of agency staff in the early part of the year, however the ratio of permanent staff has significantly improved to around 82% and these teams will be operating at budgeted establishment levels by the start of 2012-13.

#### Transport

- 7.7 The costs of transporting children with Special Educational Needs (SEN) to schools both within and outside of the borough has reduced both through reductions in contract costs and staff efficiency savings following a restructuring of the service; savings of around £0.5m are apparent and are offsetting pressures elsewhere within the overall Children's Services budget.



Prevention and Early Intervention – Youth Offending Service staff costs

- 7.8 Savings in staff costs of £0.2m identified previously following the service restructuring and incorporation into Children's Services earlier in the financial year, continue to be available and are being used to offset other pressures.

Schools

- 7.9 The number of schools with deficits continues to cause concern and, in order to give additional confidence in the quality of the deficit recovery plans being submitted, a former headteacher with substantial financial experience has been engaged from resources agreed by the Schools Forum contingency panel to work with a number of schools. Outcomes from this work will be reported back in the next monitoring report.

**8 Place & Sustainability Directorate**

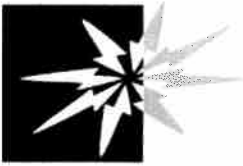
- 8.1 The net outturn position for Place & Sustainability remains at a projected £0.4m overspend largely due to the underachievement of budgeted levels of rental income within Commercial Property.
- 8.2 There are a number of other pressures across the directorate being offset against early achievement of 2012-13 savings and one off increases in waste income.
- 8.3 Costs related to the creation of a Tottenham Regeneration team have been evaluated, 2011-12 costs are expected to be contained within the position shown above and longer-term funding of the team will be subject to agreement by Cabinet, external funding is being sought where possible.

**9 Housing Revenue Account**

- 9.1 The HRA is currently forecasting a year end underspend of £2.5m mainly due to capital financing costs being under the approved budget. The overall budget position will continue to be monitored and consideration 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 £2.0m which relates to the general contingency which is now unlikely to be required in 2011/12 given the improving



services' forecast outturn position. The £2m approved contingency has been held unallocated during this year to support unplanned pressures that may have arisen across Council budgets.

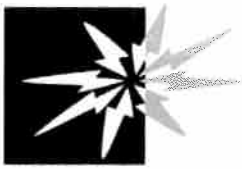
- 10.2 The Alexandra Palace and Park Trust continues to work to maximise the profit generated and keep discretionary expenditure to a minimum and currently no additional contribution is anticipated for this financial year. Work is also progressing with the longer term regeneration master plan and it is proposed that any under spend the Palace can achieve in 2011/12 is ring fenced for work on the regeneration project or supporting investment needs.
- 10.3 A risk provision of £1.8m was included in the 2011/12 budget against the possible slippage of agreed savings programme proposals. It is now evident that this provision is not required and it is **proposed** that it is transferred into general reserves to be used in 2012/13, if required, as a contingency against the potential slippage of approved savings proposals.

## **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 the introduction of self-financing of housing, the Council is expecting to have £232m of PWLB loans repaid on 1<sup>st</sup> 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. On the advice of the Council's treasury management advisers, therefore, 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 £45m during the first nine months of the year and the average interest rate earned was 0.67%. A series of credit rating downgrades has resulted in the Council now only being able to invest in the UK government guaranteed Debt Management Office and AAA rated instant access money market funds. The instant access nature of the money market funds enables investments to be called back quickly if required while uncertainty remains in the markets.

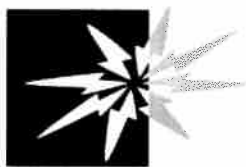
## **12 Capital Programme**

- 12.1 The overall capital programme is forecasting **£10.67m** under budget as set out in Appendix 2. The major variances are discussed in the paragraphs below.



**Haringey** Council

- 12.2 The projected overspend on the HRA Capital programme (£400k) relates largely to major works conversions. Additional funding of £355k has recently been received from the North London Strategic Housing capital pot, for which there is a virement included in appendix 3, that will cover the majority of this overspend.
- 12.3 The project on the reprovision of the recycling centre is closely linked to a decision by the North London Waste Authority (NLWA) on recycling centres and at this stage no commitments have been made until the position with NLWA is known, thus resulting in a projected underspend of £900k.
- 12.4 The Affordable Housing project is projecting a £780k underspend. To date, feasibility work on various projects has been undertaken to support a report on the overall affordable housing programme that will be brought to Cabinet with recommendations on how to commit the balance of the budget in this area.
- 12.5 There has been a review of the works element of the Accommodation Strategy due to the impact of the Council's savings programme on staffing numbers and therefore accommodation needs, which are resulting in a projected underspend of £730k on this programme. A report will be brought to Cabinet at a later date to agree a revised programme of works.
- 12.6 The BSF Schools capital programme is forecast to be £1.22m under budget. This is a result of anticipated expenditure on specialist equipment, asbestos removal and professional fees no longer being required. Additionally, it is expected that retention payments currently outstanding will not be paid by the end of the year, and will need to be carried forward for settlement in the next year.
- 12.7 The ICT Managed Service Provider scheme is now largely controlled by schools. Most schools are now planning to delay any ICT refresh expenditure to the end of the contract, and as a result it is projected to be £1.26m under spent this financial year. There is not expected to be any underspend on this contract overall.
- 12.8 The projected £530k underspend on the Temporary Schools Expansion scheme is a result of only three of the four projects being completed. Expenditure relating to the Lea Valley project and contingency budget will slip to 2012/13.
- 12.9 PFI Costs in relation to lifecycle projects are expected to be £730k under budget in year. This is a result of a number of projects at different stages of commissioning, and it is expected that there will be some slippage into 2012/13.



## **Haringey Council**

12.10 Re-phasing of the rollout of the Infrastructure Renewal programme within Corporate Resources has resulted in a projected £2.96m slippage from 2011/12 into future years.

12.11 The IT Capital programme is used for the implementation and improvement of specific IT systems. Budget is only allocated once detailed business cases have been agreed and some budget remains unallocated at period 9; furthermore some projects already in train are now forecast to complete in the early part of 2012/13. These factors are causing a projected underspend of £700k.

### **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. The virements which require approval at the end of December (period 9) 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	(3.00)
Corporate Resources	7.61	0.00
Chief Executive	1.57	0.10
Place & Sustainability	53.65	0.40
Children & Young People - Children & Families - Children's Centres	83.56	0.70 0.00
Public Health	0.81	0.00
Non-service revenue	38.00	(2.00)
<b>Total - General Fund</b>	<b>286.19</b>	<b>(3.80)</b>
Children & People (DSG) - Non Schools	0.00	0.00
Children & People (DSG) - ISB	0.00	0.00
<b>Total - Dedicated Schools Grant</b>	<b>0.00</b>	<b>0.00</b>
<b>Total - Housing Revenue Account</b>	<b>(0.29)</b>	<b>(2.50)</b>

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

<b>Capital Scheme</b>	<b>Approved Budget</b>	<b>Spend to Date</b>	<b>Projected Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Place &amp; Sustainability Directorate</b>			
Reprovision of Recycling Centre	0.90	0.00	(0.90)
Parking Plan	0.60	0.18	0.00
Street Lighting	0.80	0.33	0.00
Resurfacing	1.30	0.71	0.00
TfL	2.10	0.85	0.08
Solar Photovoltaic Programme	2.72	0.09	0.04
Marsh Lane Depot Project	0.26	0.01	(0.10)
Tottenham Hale Gyrotory	1.50	1.27	0.00
Affordable Housing	0.85	0.00	(0.78)
Corporate Management of Property	0.81	0.12	(0.33)
Accommodation Strategy Phase 2	1.38	0.35	(0.73)
Lordship Recreation Ground	3.08	2.41	0.00
Other schemes under £1m	2.28	0.67	(0.47)
<b>Total - Place &amp; Sustainability</b>	<b>18.57</b>	<b>6.98</b>	<b>(3.18)</b>
<b>Childrens Directorate</b>			
BSF Schools Capital Programme	11.60	8.04	(1.22)
ICT Managed Service Provider	2.56	0.74	(1.26)
Primary Capital Programme	12.71	8.36	(0.10)
School Expansion - Temporary	1.00	0.38	(0.53)
Repairs & Maintenance	1.00	0.60	(0.01)
Electrical and ICT Infrastructure	1.07	0.77	0.01
PFI Costs	2.43	0.79	(0.73)
Devolved Capital	2.04	0.00	0.00
Other schemes under £1m	1.32	0.43	(0.36)
<b>Total - Childrens</b>	<b>35.73</b>	<b>(4.20)</b>	<b>(4.20)</b>
<b>Adult &amp; Housing Directorate</b>			
<b>Adults</b>			
DFG Agency	1.54	0.78	(0.02)
Housing Aids & Adaptations	1.20	0.81	0.00
Other schemes under £1m	0.53	0.12	0.00
<b>Total - Adults</b>	<b>3.27</b>	<b>1.72</b>	<b>(0.02)</b>
<b>HRA</b>			
Extensive Voids	0.60	0.36	0.00
Boiler Replacement	2.00	2.05	0.00
Capitalised Works	4.00	1.46	0.00
Lift Improvements	1.40	1.33	0.35
Decent Homes Standard	19.00	6.57	0.00
Saltram Close	0.00	0.03	0.04
Major Works Conversions	0.10	0.54	0.48
Professional Fees	1.41	1.06	0.00
Retained Hostels Borough Wide	1.00	0.00	0.00
Digital TV System (IRS)	3.50	1.60	0.00
Other schemes under £1m	1.55	0.51	(0.47)
<b>Total - HRA</b>	<b>34.56</b>	<b>15.50</b>	<b>0.40</b>
<b>Corporate Resources Directorate</b>			
IT Capital Programme	1.66	0.40	(0.70)
Infrastructure Programme	4.29	0.50	(2.96)
Alexandra Palace	0.78	(0.26)	0
<b>Total - Corporate Resources</b>	<b>6.72</b>	<b>0.65</b>	<b>(3.65)</b>
<b>Total - Haringey Capital Programme</b>	<b>98.86</b>	<b>20.65</b>	<b>(10.67)</b>

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

<i>Revenue Virements</i>					
Period	Service	Key	Amount current year (£'000)	Reason for budget changes	Description
7	AH03 / CR02	Rev*	1,624	Discontinue the HB Admin Recharge	Discontinuation of the virement between benefits and Homelessness from 2011/12 onwards
8	CR02/M1	Rev*	164	Fund diff in grant claim from NSR	Match budgeted income to reclaimable figure in NNDR3 grant claim.
7	CE	Rev*	517	Savings Programme Team Funding	Responsibility and therefore, funding for corporate programme management will move to PIP from April 2012
8	CE	Rev*	145	Budget Realignment	Feedback and Information governance activity, and therefore management, now centralised within PIP
7	CYPS	Rev*	199	Budget Realignment	Budget reallocation - adjustment
7	CYPS	Rev*	362	Budget Realignment	Aligning budgets with projected spend
7	CYPS	Rev*	162	Budget Realignment	Reprofile Youth Mgt & Connexions
8	CYPS	Rev*	496	Budget Realignment	Creating budget for Housing Benefits
9	CYPS	Rev*	145	Budget Realignment	Alignment of budget with spend
7	AH	Rev*	358	Budget Realignment	Virement of one off PCT funding from reserves to cover overspend in Mental Health Commissioning
7	AH	Rev	161	Budget Realignment	Budget for Direct Payments growth from Physical Disabilities to Older people
7	AH	Rev	168	Budget Realignment	Internal residential homes salaries underspend to Deputy Director's provision
8	AH	Rev*	6,637	Budget Realignment	Movement of revised salaries budgets within the business unit following Personalisation and Assessment Service restructure; Revised structure approved at General Purposes Comm 19/05/11.
8	AH	Rev	130	Budget Realignment	Community Alarm income budget realignment to bring in line with projected actuals
9	AH	Rev*	842	Budget Realignment	Substance Misuse & HIV-AIDS Care Purchasing rebase
9	AH	Rev*	1,870	Budget Realignment	Movement of budgets within Learning Disabilities Pooled Budget.
9	AH	Rev*	269	Budget Realignment	Personalisation and Assessment Service - running costs realignment following restructure
9	P&S	Rev*	193	Budget Realignment	Transport Services Overheads realigned in relation to savings identified in Cabinet Report regarding integrated Waste Management Contract.

- 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

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

<b>Capital Virements</b>					
<b>Period</b>	<b>Service</b>	<b>Key</b>	<b>Amount current year (£'000)</b>	<b>Reason for budget changes</b>	<b>Description</b>
8	CR	Capital	155	Create approved Capital Budget	IT Single Front Line Project
9	P&S	Capital	770	Distribution of grant	Tottenham Hale Gyrotory - GAF Funded
7	P&S	Capital	152	Additional receipts	S278 Park Tavern
10	P&S	Capital	198	Contributions	Ducketts Common
10	A&H	Capital	355	Grant received	North London Sub Region Conversions
10	A&H	Capital	138	Budget Realignment	Community Capacity Grant: Telecare
10	A&H	Capital	100	Budget Realignment	Community Capacity Grant: Vulnerable Adults - supported living
10	A&H	Capital	50	Budget Realignment	Community Capacity Grant: Winkfield - Mod - Day Opps
10	HRA	Capital	1,699	Technical Adjustment	Review of available resource reducing Mechanical and Electrical scheme.

1 Financial regulations require proposed budget changes to be approved by Cabinet. These are shown in the above table and 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.

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- 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