

**Haringey** Council

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| <b>Report for:</b> | Overview and Scrutiny Committee |
|--------------------|---------------------------------|

|               |   |
|---------------|---|
| <b>Title:</b> | Financial Performance Forecast as at 31 July 2012 |
|---------------|---|

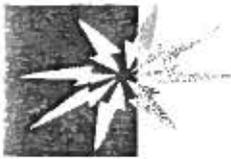
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| <b>Lead Officer:</b> | Kevin Bartle, Assistant Director - Finance<br> |
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| <b>Date:</b> | 22 October 2012 |
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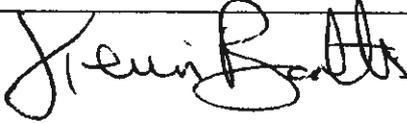
**1. INTRODUCTION**

- 1.1 The attached report, which was considered by Cabinet on 18 September 2012, is presented to the Overview & Scrutiny Committee for consideration.





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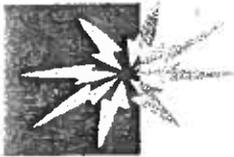
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| Report for:           | Cabinet   | Item Number: |  |
| Title:                | The Council's Budget Management Performance – July 2012   |              |  |
| Report Authorised by: | <br>Kevin Bartle – Interim Chief Financial Officer |              |  |
| Lead Officer:         | Barry Scarr – Interim Head of Corporate Finance   |              |  |
| Ward(s) affected: All | Report for Key decisions  |              |  |

**1 Describe the issue under consideration**

- 1.1 To consider the forecast financial revenue and capital outturns for 2012/13 based on actual performance to 31 July 2012.
- 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.

**2 Introduction by Cabinet Member for Finance and Carbon Reduction – Councillor Joe Goldberg**

- 2.1 The budget for 2012/13 requires the delivery of a significant level of savings on top of those already successfully delivered in 2011/12. The Government's front loaded austerity programme continues to unjustly penalise the Borough and its residents, and in that context the delivery of a broadly balanced General Fund projection as set out in this report is to be commended.
- 2.2 Members should be aware of the financial pressures and risks contained within the medium term financial plan, in particular, the demographic pressures surrounding the delivery of Adult Social Care. Budget pressures in Children's Social Care have so far been contained, although the budget is volatile and will be monitored closely



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during the remainder of the year.

### **3 Recommendations**

#### **3.1 Cabinet is recommended to:**

- a) Consider the report and the progress being made against the Council's 2012/13 budget in respect of revenue and capital expenditure.
- b) Approve the budget changes (virements) set out in Appendix 3
- c) Approve the capital carry forward of £396k relating to Alexandra Park and Palace from 2011/12 to 2012/13.

### **4 Other options considered**

- 4.1 This report proposes that the Cabinet should consider the overall financial position for 2012/13 in line with existing procedures.
- 4.2 A risk based approach to budget monitoring has been developed in order to manage the Council's finances in a time of economic and financial uncertainty.
- 4.3 Cabinet could choose to adopt a less rigorous regime and examine the financial position at a later stage. Projections could be marginally more accurate if a delayed approach was adopted, but there would be less time for robust development and consideration of management action and virements.

### **5 Revenue Budget Projection**

- 5.1 The overall forecast outturn position for the General Fund as projected by budget holders using financial information up to 31 July 2012 is a broadly balanced position. The Housing Revenue Account (HRA) is forecasting an overspend of £482k. The main variations, risks and pressures for both the General Fund and the HRA are analysed below.

#### **Adults & Housing Directorate**

- 5.2 Overall, the Directorate is forecasting a £2.1m overspend on the General Fund at the year-end and a £482k overspend on the HRA based on the position at the end of July.

#### **Adults and Community Services**

- 5.3 There is a forecast overspend of £2.1m within Adults and Community Services. Care commissioning for older people is projected to overspend by £2.8m – client numbers increased in 2011/12 and the full year impact of this increase has resulted in a severe pressure. Both the number of clients entering the system and the length of time that they are supported appears to have increased – partly driven by improvements in medical treatment for chronic disease. The number of clients in residential care has also increased. Care decommissioning for adults with physical disabilities is projected to overspend by £0.4m due to a net increase in the number of clients with a care package and commissioning for adults with mental health



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needs is also projected to overspend by £1.2m. The service manager is working to manage demand but there is a risk that there will be further transfers from NHS continuing health care, which will increase the pressure. Learning Disability care commissioning is also projecting an overspend of £0.2m due to increased transition numbers from Children's to Adults.

- 5.4 Management action has been taken to reduce staffing budgets by delaying recruitment on non essential posts and reducing running costs. This has resulted in a £1.4m saving which can be offset against the above overspends. The central care purchasing budget, which is used to take account of changing trends, will also be used to reduce the overspend by an additional £1.1m.
- 5.5 Whilst management action is being implemented in order to contain costs and demand pressures, the forecasts assume no net growth in client numbers. This may not be possible to achieve for a statutory service. Key risks include the number of outstanding NHS continuing health care reassessments and the fact that the NHS will be looking to reduce hospital admissions and the length of stay due to the need to make substantial savings.
- 5.6 The 2011/12 outturn report approved by Cabinet in June allowed for the carry forward of a £1.7m budget underspend for Adults and Community Services. This is currently being held in central reserves. A request may be made to release these funds if the risks cannot be mitigated and the Director's management action does not restore a balanced position.

### Community Housing Services

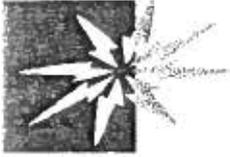
- 5.7 The Community Housing Services Budget is projected to be broadly in balance by the end of the financial year. There are minor variations across budget headings leading to a projected £18,000 underspend. The key risk for the service is the introduction of the Welfare Reform Act and the resources required to prepare for the impact.

### **Chief Executive's Directorate**

- 5.8 The Directorate is forecasting an overspend of £300k. £160k is due to the risk of the HESP team not being fully covered by external funding, partly offset by staffing budget savings; Human Resources are projected to overspend by £100k largely caused by the profiling of savings and both Electoral Services and Communications are forecasting shortfalls on income targets. These pressures are to some extent being offset by an underspend in Strategy and Business Intelligence where vacancies are being held vacant pending further savings in 2013/14.

### **Corporate Resources Directorate**

- 5.9 The Directorate is projecting a balanced position for the year-end based on figures as at 31 July. Revenues, Benefits and Customer Services continue to monitor demand and resource risks relating to the general economic climate and the introduction of Welfare Reform and localised Council Tax support.



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

- 5.10 The Directorate is projecting a balanced position for the year-end based on figures as at 31 July. Spending on Looked after Children (LAC) is being constrained within budget, which was reduced in the 2012/13 MTFP by £1.9m following the approval of significant growth for the Directorate in 2011/12 of £7.4m. The numbers of children in the system have fallen significantly since the previous financial year. Previous projections in this financial year had indicated an underspend on this budget, however in period 4 a number of unit costs appear to have increased along with an increase in the numbers of children looked after. The Director is concerned at the apparent trend emerging this period and will, in consultation with finance colleagues, monitor the situation closely. A more detailed report on this situation will be brought to Cabinet as part of the next monitoring report in December 2012.
- 5.11 Legal Costs and No Recourse to Public Funds clients have combined cost pressures of £500k, but this is being met from within existing budgets.

### **Place and Sustainability Directorate**

- 5.12 The Directorate is projecting a £600k overspend for the year based on figures as at 31 July.

#### Single Front Line

- 5.13 Parking income is projecting a shortfall of £200k on Pay & Display income, a trend that has carried forward from the previous year. PCN income offset the shortfall in 2011/12, but this is not likely to be repeated in the current year. This is mitigated by projected underspends in the Neighbourhood Action Team due to delayed recruitment and over-achievement in income expected from the NLWA in respect of recyclates.

#### Planning, Regeneration and Economy

- 5.14 The service is currently projecting an underspend of £200k, as the cost of delivering the worklessness programme will be less than originally estimated. The service are keen, however, to ensure all allocated worklessness resources are fully applied and will be working to that end during the rest of the financial year.

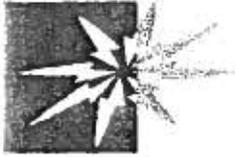
#### Property

- 5.15 Property are forecasting an overspend of £120k, largely due to the planned saving not being achieved from the cleaning contract, which will commence in September 2012, and not April 2012, as originally envisaged.

#### Leisure

- 5.16 The service is projecting an overspend of £510k at the end of the financial year. This is due to a combination of a shortfall in sports service income in the current year and to the delayed commencement of the new Leisure Services contract.

#### Culture and Libraries



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- 5.17 The continuation of base budget pressures, mainly a shortfall in budgeted income and grant, means that the service is projecting an overspend of £250k. Mitigating actions are being discussed with Members.

### **Public Health**

- 5.18 At period 4 the Public Health Directorate has no revenue issues to report and is forecasting a balanced position for the year-end.

### **Housing Revenue Account**

- 5.19 The HRA is currently forecasting a year-end overspend of £482k. Better performance on voids has increased rental income by £394k and service charge income is projected to be £79k better than anticipated. The Council's retained account is projected to be £74k overspent, mainly in relation to supported housing, which has been unable to meet savings targets. The main overspend is in the Homes for Haringey Company Account, which is forecasting a £880k overspend. The bulk of this relates to Property Services and pressures in the Repairs Contract budget. The Council will be working closely with Homes for Haringey to attempt to ensure that these costs will be contained as the year progresses.

### **Non Service Revenue**

- 5.20 Non-service revenue consists of budgets for capital financing costs, levies and contingencies. The overall financial position assumes that the general contingency of £2m will not be required in the year, resulting in a forecast underspend of £2m.

### **Treasury Management**

- 5.21 The Council's debt profile changed dramatically at the end of 2011/12 with the repayment of £233m PWLB debt as a result of Housing Revenue Account 'Self Financing' contained within the provisions of the Localism Act. The Council took a prudent approach to setting the overall interest budget with a view to the risks in the market at the time but early indications are that the interest payable budget will underspend by £1m this year. The position will be monitored closely during the year.

### **Capital Programme**

- 5.22 The overall capital programme revised budget for the Council is £94m across all services. As at period 4, the programme in total is projected to be marginally underspent by the year-end. Individual Directorate totals and variations are shown in Appendix 2.
- 5.23 The Housing Revenue Account is projecting a capital underspend of £449k. The extensive void works programme is projected to underspend by £1.01m and Mechanical and Electrical works by £1.18m. Offsetting these are a projected overspend of £1.94m on decent homes and £267k on TV and digital aerials.



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5.24 The 2011/12 year-end position on capital for Alexandra Park and Palace showed an underspend of £396k. The current year programme is predicated on this amount being carried forward and Cabinet is requested to approve the carry forward of this budget into 2012/13.

5.25 The Place and Sustainability directorate capital programme is forecasting a balanced position.

### **Virements**

5.26 Appendix 3 sets out the virements over £100k requiring approval by Cabinet as at period 4.

## **6 Comments of the Chief Financial Officer and financial implications**

6.1 As the report is primarily financial in its nature, comments of the Chief Financial Officer are contained throughout the report.

## **7 Head of Legal Services and legal implications**

7.1 There are no specific legal implications in this report.  
Equalities and Community Cohesion Comments

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

## **8 Head of Procurement Comments**

8.1 Not applicable.

## **9 Policy Implication**

9.1 There are no specific policy implications in this report.

## **10 Use of Appendices**

10.1 Appendix 1: Forecast Revenue Outturn by Directorate.

10.2 Appendix 2: Forecast Capital Outturn by Directorate.

10.3 Appendix 3: Virements over £100k requiring approval.

## **11 Local Government (Access to Information) Act 1985**

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

- Budget management papers
- Business plans

11.2 For access to the background papers or any further information please contact Barry Scarr, Interim Head of Corporate Finance, on 0208 489 3743.

## Appendix 1

**Revenue 2012/13** - The aggregate revenue projected position in 2012/13 is shown in the following table.

|  | Approved Budget | Projected variation |
|--|-----------------|---------------------|
|  | £m              | £m                  |
| Adults and Housing                     | 94.9            | 2.1                 |
| Place & Sustainability                 | 57.5            | 0.6                 |
| Public Health                          | 0.8             | 0.0                 |
| Corporate Resources                    | 8.7             | 0.0                 |
| Children and Young People              | 83.8            | 0.0                 |
| Chief Executive                        | 1.6             | 0.3                 |
| Non-service revenue                    | 31.1            | (3.0)               |
|  |                 |                     |
| <b>Total - General Fund</b>            | <b>278.4</b>    | <b>0.0</b>          |
|  |                 |                     |
|  |                 |                     |
| <b>Total - Housing Revenue Account</b> | <b>(7.5)</b>    | <b>(0.4)</b>        |

## APPENDIX 2

**Capital 2012/13** - The aggregate revenue projected position in 2012/13 is shown in the following table.

| Capital Scheme                              | Approved Budget | Spend to Date | Projected Variance |
|---|-----------------|---------------|--------------------|
|   | £m              | £m            | £m                 |
| <b>Place and Sustainability Directorate</b> |                 |               |                    |
| Transport for London                        | 3.8             | 0.2           | 0.0                |
| Parking Plan                                | 0.4             | 0.0           | 0.0                |
| Street Lighting                             | 0.5             | 0.0           | 0.0                |
| Resurfacing                                 | 0.5             | 0.0           | 0.0                |
| Tottenham Hale Gyratory                     | 3.2             | 0.0           | 0.0                |
| Affordable Housing                          | 0.8             | 0.0           | 0.0                |
| Energy Saving Measures (Green Deal)         | 0.5             | 0.0           | 0.0                |
| Tottenham Regeneration                      | 0.5             | 0.0           | 0.0                |
| Northumberland Park Regeneration            | 1.3             | 0.0           | 0.0                |
| Solar PhotoVoltaic Programme                | 0.0             | 0.9           | 0.0                |
| Corporate Management of Property            | 1.1             | 0.1           | 0.0                |
| Dilapidation Surveys                        | 0.6             | 0.0           | (0.3)              |
| Accommodation Strategy Phase 2              | 0.5             | 0.1           | 0.0                |
| Lordship Recreation Ground                  | 1.7             | 0.6           | 0.0                |
| Downlane Recreation Ground                  | 0.5             | 0.0           | 0.0                |
| Other Schemes under £1m                     | 2.0             | 0.1           | (0.4)              |
| <b>Total - Place and Sustainability</b>     | <b>17.9</b>     | <b>1.9</b>    | <b>(0.7)</b>       |
| <b>Childrens Directorate</b>                |                 |               |                    |
| BSF Schools Capital Programme               | 2.8             | 0.0           | 0.1                |
| ICT Managed Service Provider                | 2.7             | 0.0           | 0.0                |
| Primary Capital Programme                   | 16.6            | 2.9           | (0.5)              |
| Early Years and Community Access            | 0.5             | 0.0           | 0.0                |
| Planned Asset Maintenance                   | 1.6             | 0.1           | 0.0                |
| Devolved Schools Capital                    | 0.8             | 0.0           | 0.0                |
| Carer Home Adaptations                      | 0.1             | 0.0           | 0.0                |
| <b>Total - Childrens</b>                    | <b>25.1</b>     | <b>3.1</b>    | <b>(0.4)</b>       |
| <b>Adults and Housing Directorate</b>       |                 |               |                    |
| <b>Adults</b>                               |                 |               |                    |
| Disabled Facilities Grant - Agency          | 1.5             | 0.2           | 0.0                |
| Housing Aids and Adaptations                | 1.2             | 0.4           | 0.0                |
| Multiple Client Group Schemes               | 0.7             | 0.0           | 0.0                |
| <b>Total - Adults</b>                       | <b>3.5</b>      | <b>0.6</b>    | <b>0.0</b>         |
| <b>HRA</b>                                  |                 |               |                    |
| Structural Works                            | 0.6             | 0.0           | (0.2)              |
| Extensive Void Works                        | 1.4             | 0.0           | (1.0)              |
| Boiler Replacement                          | 3.5             | 0.8           | 0.0                |
| Capitalised Repairs                         | 4.6             | 0.5           | 0.0                |
| Lift Improvements                           | 2.2             | 0.0           | (0.1)              |
| Decent Homes                                | 25.3            | 1.4           | 1.9                |
| Saltram Close                               | 0.5             | 0.1           | (0.1)              |
| Mechanical and Electrical Works             | 1.3             | 0.0           | (1.2)              |
| Professional Fees                           | 1.5             | 0.0           | 0.0                |
| Major Voids and Accommodation               | 0.5             | 0.0           | 0.0                |
| Other Schemes                               | 1.5             | 0.1           | 0.2                |
| <b>Total - HRA</b>                          | <b>42.8</b>     | <b>2.9</b>    | <b>(0.5)</b>       |
| <b>Corporate Resources Directorate</b>      |                 |               |                    |

## APPENDIX 2

|   |             |            |              |
|---|-------------|------------|--------------|
| IT Capital Programme                      | 0.3         | 0.1        | 0.0          |
| Infrastructure Programme                  | 2.6         | 0.9        | 0.0          |
| Customer Services                         | 0.2         | 0.0        | 0.0          |
| ERP Replacement – One SAP                 | 0.7         | 0.0        | 0.0          |
| Alexandra Palace                          | 1.4         | 0.0        | 0.0          |
| <b>Total - Corporate Resources</b>        | <b>5.0</b>  | <b>1.1</b> | <b>0.0</b>   |
| <b>Total – Haringey Capital Programme</b> | <b>94.2</b> | <b>9.5</b> | <b>(1.5)</b> |

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   |
| 1                 | AH      | Rev | 376                         | 376                      | Budget Realignment                              | Transfer surveyors income budgets to appropriate profit centre  |
| 1                 | AH      | Rev | 134                         | 134                      | Budget Realignment                              | Learning Disabilities Day Opportunities budget realignment  |
| 1                 | AH      | Rev | 110                         | 110                      | Budget Realignment                              | Transfer of 3 posts within Adults Business Unit to reflect restructuring  |
| 1                 | AH      | Rev | 206                         | 206                      | Budget Realignment                              | Transfer of Vol Sector Team costs to new profit centre within Adults Commissioning  |
| 1                 | AH      | Rev | 257                         | 257                      | Budget Realignment                              | Budget realignment of Older Peoples Day Care following HESP savings   |
| 1                 | AH      | Rev | 233                         | 233                      | Budget Realignment                              | Learning Disabilities transport budget realignment  |
| 1                 | AH      | Rev | 896                         | 1,191                    | Budget Realignment                              | Transfer existing Vol Sector grants budgets to create investment fund (to be allocated)   |
| 1                 | AH      | Rev | 1,875                       | 0                        | Budget Realignment                              | Transfer of vacancy factor to Deputy Director to cover anticipated overspends   |
| 1                 | AH      | Rev | 1,110                       | 1,110                    | Budget Realignment                              | Budget from internal home care to create reablement team  |
| 2                 | AH      | Rev | 190                         | 0                        | Budget Realignment                              | Transfer of vacancy factor to Deputy Director to cover anticipated overspends   |
| 2                 | AH      | Rev | 923                         | 923                      | Budget Realignment                              | Reprovision of budget to Commissioning following closure of Whitehall Street  |
| 2                 | AH      | Rev | 3,527                       | 3,527                    | Budget Realignment                              | Allocation of Commissioning Investments and re-base   |
| 2                 | AH      | Rev | 800                         | 0                        | Budget Realignment                              | Internal residential homes reprovision costs to external commissioning budget   |
| 3                 | AH      | Rev | 464                         | 0                        | Budget realignment                              | Corporate Overheads adjustment between Housing and Non Service Revenue  |
| 3                 | PS      | Rev | 207                         | 0                        | Budget realignment                              | Allocation of Flood Grant to Service  |
| 3                 | PS      | Rev | 435                         | 435                      | Budget realignment                              | Budget Realignment of Mortuaries & Coroners from Public Health  |
| 4                 | AH      | Rev | 150                         | 0                        | Budget realignment                              | Internal Residential Homes savings to Older People Commissioning  |
| 4                 | AH      | Rev | 350                         | 350                      | Budget realignment                              | Housing Advice Team to new cost centre  |
| 4                 | PS      | Rev | 146                         | 146                      | Budget realignment                              | Centralisation of Cleaning budget prior to externalisation  |
| 4                 | CEX     | Rev | 1,112                       | 1,112                    | Budget move                                     | Realignment of Schools' maternity leave insurance and payroll budgets within HR business unit to reflect management responsibility.                 |
| 4                 | CEX     | Rev | 482                         | 482                      | Budget move                                     | Realignment of Schools union duties budgets within HR business unit to reflect management responsibility.   |
| 4                 | CR      | Rev | 1,338                       | 1,338                    | Budget Realignment                              | Permanent creation of budget for Discretionary Housing Payments   |
| 4                 | CR      | Rev | 163                         | 163                      | Budget moved to Non Service Contingencies.      | Removal of direct recharge income in relation to Construction Procurement group activity.   |
| 4                 | PH      | Rev | 459                         | 0                        | Allocation of grant income                      | DAAT - Pooled Treatment Budget 2012-13 created as per agreement between NHS and LBH   |
| 4                 | PH      | Rev | 178                         | 0                        | Allocation of grant income                      | Grant to Fund Blenheim CDP 'Insight Programme' as a one off - Fund transferred from Pooled Treatment Budget to LB Haringey.                         |
| 4                 | PH      | Rev | 444                         | 444                      | Budget realignment & allocation of grant income | Realignment of Mayor Office Police & Crime Grant to reflect the 12/13 figure and creating increased funding from NHS Haringey for drug intervention |
| 4                 | PH      | Rev | 952                         | 952                      | Removal of on-going grant allocation            | Removal of on-going effect of the Drug Intervention Programme grant as it can vary year on year.  |
| 5                 | AH      | Rev | 992                         | 841                      | Budget realignment                              | Allocation of centrally held care purchasing budgets to reduced projected overspends in Older People & Mental Health Commissioning                  |
| 5                 | PS      | Rev | 800                         | 800                      | Budget realignment                              | Adjustment of 2012-13 concessionary travel budget allocation  |
| 5                 | PS      | Rev | 300                         | 0                        | Budget realignment                              | One off budget provision for specific Highways Maintenance works  |

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).