



<b>Report for:</b>	<b>Cabinet – 18 March 2014</b>	<b>Item number</b>	
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<b>Title:</b>	<b>The Council's Budget Management Performance – January 2014 (period 10)</b>
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<b>Report authorised by :</b>	 <b>Kevin Bartle, Assistant Director - Finance</b>
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<b>Lead Officer:</b>	<b>Neville Murton – Head of Finance. 0208 489 3176. neville.murton@haringey.gov.uk</b>
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<b>Ward(s) affected:</b> <b>All</b>	<b>Report for Key/Non Key Decision:</b> <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 2013/14 based on actual performance to 31 January 2014.
- 1.2. To consider the proposed management actions and approve the budget adjustments (virements) greater than £100,000 as required by Financial Regulations.
- 1.3. To consider progress in delivering savings for 2013/14 and 2014/15.

**2. Cabinet Member Introduction**

- 2.1. The 2013/14 budget required the delivery of a significant level of savings, and, as we approach the end of the financial year, I am pleased to be able to report that we are now forecasting an overall underspend.
- 2.2. The Government's austerity programme continues to unjustly penalise the Borough and its residents; it was initially envisaged that austerity would



start to taper off at this point, but as we all know, it will now continue for at least the next five years if current plans continue.

2.3. We continue to demonstrate that we are able to maintain financial control in the most difficult circumstances and have again delivered a balanced budget for 2014/15 that not only includes further significant savings but allows us to invest in our priorities whilst freezing Council Tax for a further year.

### **3. Recommendations**

That Cabinet:-

3.1. Consider the report and the progress being made against the Council's 2013/14 budget in respect of revenue and capital expenditure (**Appendices 1 & 2**).

3.2. Approve the budget changes (virements) set out in **Appendix 3**.

3.3. Approve transfers to/ from earmarked reserves of:

- £135k from reserves to match fund the European Social Fund programme (Paragraph 6.2)
- £160k from reserves to fund 2013/14 commitments against the Jobs Fund (Paragraph 6.3)

### **4. Alternative Options considered**

4.1. This report proposes that the Cabinet should consider the overall financial position for 2013/14 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. At this stage of the financial year the Cabinet needs to understand clearly the projected outturn position and what, if any, action needs to be taken and so no alternative options have been considered at this time.

### **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 January 2014 is an **underspend of £4m**. The Housing Revenue Account (HRA) is forecasting an **overspend of £0.65m**. The main variations, risks and pressures for both the General Fund and the HRA are analysed below.

#### **Adults and Housing**

5.2. Both Adults and Community Housing Services are currently forecasting a reduction in the forecast spend position; they are now reporting a **balanced** position overall.



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- 5.3. The Adults overspend is an improvement on previous months and is showing that the range of management actions being applied are starting to have a positive impact.
- 5.4. Improvements are being seen in Mental Health Care purchasing following a review by the new Head of Service; a net fall in the number of clients in Older People and in care purchasing in Learning Disabilities.
- 5.5. The call on the winter pressures funding is not now likely to be as great as anticipated and the service will be looking to carry some of this forward at the year-end, subject to agreement.
- 5.6. There is a significant reduction in the forecast spend in Housing Services. The change mostly relates to revised estimates for Private Sector leased Temporary Accommodation and a reduced spend against Repairs and Maintenance.

### **Place and Sustainability**

- 5.7. In overall terms the Place and Sustainability budget has reduced its forecast position and is now forecasting a **balanced position by the year end**.
- 5.8. Within the directorate, the Operational Services budget forecast has improved by £300k this period mainly due to the increase in parking income and the changes to parking bands saving has also had an impact. Improvements are also being shown in the Tottenham Team budget, assisting the overall position, following a review of charges made to the HRA.

### **Chief Executive**

- 5.9. The previously identified pressure within the Chief Executive's budget relating to Transformation Programme costs, particularly Customer Services, is showing a projected overspend of circa **£300k**, however these additional costs are planned to be met from the Transformation Reserve.

### **Public Health**

- 5.10. The Sexual Health service is showing a significant budget pressure of just under £1m which has been managed by delaying or not undertaking other commissioned services. Extensive negotiations have been continuing with the main providers of Sexual Health Services; the last of these to be concluded is the service at the Whittington which is the subject of another report to this meeting.
- 5.11. In overall terms the Public Health budget is expected to **break-even** this year although to the extent that an underspend is achieved the service anticipates submitting a request to create an earmarked Public Health reserve, in line with Department of Health guidelines and the Cabinet's previous agreement (16 April 2013), to deliver some of those services that have been delayed this year in the next financial year.



- 5.12. The service is currently negotiating new fixed price contracts for most sexual health services in 2014/15 avoiding potential significant overspends in that year.

#### **Children and Young People**

- 5.13. The overall position in Children and Young People continues to be forecast as **break-even** at the year end. However the underlying spend in Children and Families has increased; this is substantially due to some clients moving into more expensive placements rather than a net increase in Looked after Children. The Director has agreed to review the decision making in relation to these increased costs.
- 5.14. There is no improvement to the forecast costs associated with those having No Recourse to Public Funds (NRPF) with the overspend still forecast at £1.1m at the year-end. The Director has made arrangements for this budget to be jointly managed with Adults services with one officer having accountability. The Director is confident this will have a positive impact on the position in 2014/15.

#### **Legal Services**

- 5.15. Currently, Legal Services are estimating a **£300k** underspend due to the over achievement of external income against that budget.

#### **Non Service Revenue**

- 5.16. As previously reported the £2m contingencies budget remains unused and the Council's treasury management performance continues to deliver savings which is now estimated to be £2m underspent this year. This results in a **£4m** forecast underspend on Non Service Revenue.

### **6. Revenue Transfers from Reserves**

- 6.1. In previous years, resources have been set aside in reserves to fund specific initiatives taking place at a future date; at this stage of the year it is proposed to draw down from these reserves where the activity has been undertaken and there is some certainty about the relevant costs. The paragraphs below identify the proposed transfer of resources from reserves.
- 6.2. In March 2012 Cabinet agreed to support the tri-borough (Haringey, Enfield and Waltham Forest) ESF programme which is supporting 200 Haringey residents into sustained employment. The programme is scheduled to complete in September 2014 and £135k is required in 2013/14 to match fund programme costs. Provision for this has been retained in the council's reserves and a drawdown of those reserves is now requested.
- 6.3. A drawdown of £160k is requested from the reserve created to support the on-going commitments against the Haringey Jobs Fund programme relating to jobs created before the programme was frozen in November 2012.

### **7. Housing Revenue Account (HRA)**



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7.1. The Housing Revenue Account (HRA) is currently estimating a **£0.65m** overspend, however this includes c£600k of redundancy costs which Cabinet has agreed to offset against a draw down from HRA reserves; as a result the HRA is anticipated to be broadly balanced.

7.2. The original budget was set to deliver a £12.5m surplus to provide for future investment in the housing stock. However, in order to account correctly for HRA income it is proposed that the current rental and service charge income budgets be changed to reflect a 365 day rental year as opposed to the current 53 week budget assumption. This has the effect of reducing those income budgets by the equivalent of 6 days (£1.5m); there is a corresponding adjustment to the 2014/15 budget which has already been made as part of the 2014/15 budget setting process. The revised budget surplus for 2013/14 would therefore fall to £11.0m.

### Company Account

7.3. The Company Account is showing a forecast overspend of **£0.513m**; this includes provision for £0.6m of redundancy costs following implementation of a range of saving measures, particularly in the repairs service. Further savings are in progress and the potential redundancy cost is expected to rise. Cabinet approval has already been given to drawing down up to £3m from HRA reserves to cover these estimated redundancy costs.

7.4. Underspends in other areas of the Company Account, including the application of the contingency budget, are being used to minimise the underlying pressure (i.e. excluding the costs of redundancy).

### Managed Account

7.5. The current rent budget within the Managed Account has been set on the basis of a 53 week rent year. However, as set out above Cabinet approval is being sought to restating the budget on a daily (365) basis. With the rent budget restated, the managed account is showing a forecast overspend of **£0.644m**. This is primarily associated with an increased bad debt provision, which shows a projected overspend of £0.682m.

### Retained Account

7.6. The retained account is showing a forecast underspend of **£0.5m** primarily as a result of reduced insurance charges.

## 8. Capital Programme

8.1. The Adults and Housing General Fund capital programme is currently forecasting a broadly **balanced** outturn position.

8.2. The Housing (HRA) capital programme is showing a **£2.3m** underspend mainly as a result of slippage, this however includes a forecast overspend on the Decent Homes programme of £0.6m. This in turn relies on significant expenditure being defrayed within the next 2 months as only £7m of the budgeted £16m has been spent as at the end of period 10. Progress in this area will be closely monitored to the end of the financial year.



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8.3. There is slippage forecast against a number of the Place and Sustainability projects and, as a result, the Director has now requested a reallocation of management responsibility for the Green Lanes project.

8.4. The Children's Services capital programme is currently projecting an under spend against budget of **£3.6m**. The majority of this (£2.3m) is accounted for by contingency budgets not required in the current year. These will be proposed for carry forward to provide contingency cover for the 2014/15 programme, which will cover risks relating to the early development stage of the next tranche of school expansion projects. A further £1.3m of budget relating to the Rhodes Avenue Expansion is also not required in the current year; this will also be proposed for carry forward into 2014/15 to cover the completion costs on this project which is due to complete in May 2014.

### **9. Medium Term Financial Plan (MTFP) Savings**

9.1. The savings required for 2013/14 have either been largely delivered or replaced with compensating savings. Members have also recently considered and approved the 2014/15 budget including the approved savings for that year and the MTFP for 2014 – 2017.

### **10. Virements**

10.1. Appendix 3 sets out the virements over £100k requiring approval by Cabinet as at period 10. There are separate tables for 2013/14 and for 2014/15 where amendments to the budget approved by the Council are required.

### **11. Comments of the Chief Finance Officer and financial implications**

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

### **12. Assistant Director Corporate Governance Comments and legal implications**

12.1. There are no specific legal implications in this report.

### **13. Equalities and Community Cohesion Comments**

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

### **14. Head of Procurement Comments**

14.1. Not applicable.

### **15. Policy Implications**

15.1. There are no specific policy implications in this report.

### **16. Reasons for Decision**

16.1. This report is mainly for noting the Council's current forecast financial position. However, there are financial management decisions to be taken



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by Cabinet, in accordance with financial regulations, regarding the approval of transfers from/to reserves and relating to budget virements.

### **17. Use of Appendices**

Appendix 1: Forecast Revenue Outturn by Directorate.

Appendix 2: Forecast Capital Outturn by Directorate.

Appendix 3: Virements over £100k requiring approval.

### **18. Local Government (Access to Information) Act 1985**

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

- Budget management papers

18.2. For access to the background papers or any further information please contact Neville Murton – Head of Finance (Budgets, Accounting and Systems Team)