




**Haringey Council**

<b>Report for:</b>	<b>Cabinet – 25 June 2014</b>	<b>Item Number:</b>	
<b>Title:</b>	<b>The Council's Provisional Financial Outturn 2013/14</b>		
<b>Report Authorised by:</b>	 <b>Kevin Bartle – Assistant Director (Finance)</b>		
<b>Lead Officer:</b>	<b>Neville Murton – Head of Finance (Budgets, Accounting and Systems)</b>		
<b>Ward(s) affected:</b> <b>All</b>	<b>Report for Key/Non Key Decisions:</b> <b>Non key Decision</b>		

## **1. Describe the issue under consideration**

- 1.1. Following the conclusion of the financial year, the provisional revenue and capital outturn for 2013/14 is set out in this report, together with a number of proposed transfers to specific reserves.
- 1.2. The report sets out the provisional outturn position for the General Fund, Housing Revenue Account, the Dedicated Schools Budget, the Collection Fund and the Capital Programme for 2013/14.
- 1.3. The outturn position will be reflected in the Council's Statement of Accounts, which will be signed for audit by the Chief Financial Officer before 30th June 2014 and will remain provisional until the conclusion of the statutory audit process.

## **2. Cabinet Member introduction**

- 2.1. I am pleased to report that the council has again risen to the challenge of balancing its budget against a backdrop of severe government cuts. Based on how the Government continues to apportion the cuts, we know that areas more reliant on



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ever decreasing amounts of Revenue Support Grant, like Haringey, will continue to be the hardest hit.

- 2.2. Despite this, the Council has again successfully managed the budget while still managing to protect frontline services. Staff and Members have worked hard to maintain the prudent and sensible approach to financial management of the Council's resources, including the bolstering of key reserves which will be used to support transformational activities.
- 2.3. The work on balancing future years' budgets is well underway, given that we already project savings in the order of £60m - £70m will be necessary over the medium term. Our transformation programmes are key to making the changes that are necessary if we are to continue to deliver first class services to our residents in those areas which, through consultation, are identified as priorities.
- 2.4. The Council's draft Statement of Accounts for 2013/14 is currently being finalised; this draft will be subject to audit which is due to be completed by early September. The final audited accounts will then be submitted to Corporate Committee for approval in September.
- 2.5. I commend this report to the Cabinet for approval.

### 3. Recommendations

Cabinet is recommended to:

- 3.1. note the provisional General Fund revenue outturn of a £5.491m surplus for 2013/14;
- 3.2. note the reasons for variations and to approve the planned transfers to reserves (£15.320m) detailed in Appendix 1 and section 10;
- 3.3. note the provisional Housing Revenue Account (HRA) outturn surplus of an additional £8.091m above the budgeted surplus level and the reasons for variances set out in Appendix 2;
- 3.4. approve the creation of a new HRA smoothing reserve to hold asset value fluctuations as described in paragraph 7.2 and 7.3;
- 3.5. note the provisional outturn of a £4.789m underspend for schools' delegated budgets that increases schools' balances to £11.719m at the end of 2013/14;
- 3.6. note the provisional Collection Fund surplus of £9.066m of which £7.221m (79.6%) is the Council's share;
- 3.7. note the provisional capital outturn of a £18.74m programme variance and the reasons for variations, which is mainly project slippage, set out in Appendix 3;
- 3.8. consider and approve capital carry forward requests of £10.27m set out in Appendix 4 noting in particular the need to consider financing options pending resolution on the delayed capital receipts from 2013/14; and,
- 3.9. note that the Council's draft Statement of Accounts for 2013/14 will be approved by the Chief Financial Officer by 30 June 2014. The accounts are subject to audit and



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the final audited accounts will be presented to the Corporate Committee on 25 September 2014 for final approval.

### 4. Alternative options considered

4.1. The reporting of the Council's outturn and management of financial resources is a key part of the role of the Chief Financial Officer (Section 151 Officer) and no other options have been considered.

### 5. Background information

5.1. This report sets out the provisional financial outturn position for the General Fund, Housing Revenue Account, Dedicated Schools Budget, Collection Fund and the Capital Programme. The Council's Statement of Accounts will be prepared in accordance with the Accounts and Audit Regulations and the draft accounts (which are subject to audit) will be approved by the Chief Financial Officer by 30 June. Work will continue during June to finalise the accounts and this work may result in some changes to the final position reported.

5.2. The external audit of the accounts will commence in July. The auditors will submit a report on their findings, and issue their formal opinion, at Corporate Committee on 25 September 2014.

### 6. Outturn 2013/14 – Revenue General Fund

6.1. The General Fund revenue outturn is summarised in Table 1 below. There is a net surplus on the fund of £5.491m after proposed transfers to reserves: the variance represents 1.9% of the net approved budget and is broadly consistent with the position reported to Cabinet in March, which was based on period 10 forecasts.

6.2. Following the finalisation of the audited outturn position, the remaining General Fund surplus will be added to the Council's reserves.

*Table 1 - showing the draft general fund revenue outturn summary*

Directorate	Approved revenue budget	Variance from budget after proposed transfers to reserves
	£m	£m
Adults and Housing (excluding HRA)	98.531	(828)
Chief Executive, Strategy & Performance	10.952	(145)
Corporate Resources	0.133	(164)
Children and Young People's Service	74.602	(227)
Place and Sustainability	58.431	(240)
Public Health	18.268	(2)
Non-Service Revenue	27.159	(3,885)
<b>Total – General Fund</b>	<b>288.076</b>	<b>(5,491)</b>



6.3. The majority of the underspend has occurred in the Non-Service Revenue (NSR) budget and this is in line with the forecasts made throughout the financial year which explained that the position is attributable to unspent contingencies and the council's proactive Treasury Management strategy of maximising internal borrowing.

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

7.1. The revised budget for the HRA provided for a planned revenue surplus of £10.9m that would fund future capital expenditure, including an expanded Decent Homes programme. The provisional outturn figure for the HRA is a surplus of £19.034m – an additional surplus of £8.091m.

7.2. Members are being asked to approve the creation of a 'smoothing reserve' of £4.238m as described below and there is a further planned revenue contribution to capital of £7.223m, with the remaining balance of £7.573m being transferred to the HRA Reserve.

7.3. In accordance with accounting rules the revaluation of HRA assets has resulted in a £4.238m benefit to the HRA Income and Expenditure Account. In order to guard against future potential downward fluctuations in asset values adversely affecting the HRA, it is proposed to create a new 'smoothing reserve' to hold these asset value changes year on year. Members' agreement to this approach is sought.

## **8. Dedicated Schools Grant (DSG)**

8.1. The ring-fenced Dedicated Schools Grant (DSG) covers both schools' delegated budgets and centrally retained services for pupils and schools. Schools collectively underspent their delegated budgets by £4.789m in 2013/14 which can be largely attributable to the additional resources that schools received following the successful campaign to more appropriately recognise area costs in schools.

8.2. The centrally retained elements of the DSG underspent by a further £2.311m; a large element of this relates to provision for two year olds which has been the subject of an earlier Cabinet report.

## **9. The Collection Fund**

9.1. Following the implementation of the Business Rates Retention Scheme, the Collection Fund now reflects the position on both Business Rate and Council Tax collection activities.

9.2. The risk on collection activities now rests wholly with the Council and the GLA, with surpluses and deficits relating to both Council Tax and Business Rates being shared between them. In 2013/14 the Collection Fund shows a provisional surplus of £9.067m, which is shared between the Council and the GLA on an 80:20 basis. The Council's share of the surplus is therefore £7.221m which is consistent with previous estimates and the latest Medium Term Financial Plan.

## **10. Transfers to / From Reserves**

10.1. A number of transfers to reserves are being proposed which are detailed fully in Appendix 1, some key transfers are summarised below:



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- The Public Health Grant (£501k) was underspent and it is proposed to transfer this sum to a ring-fenced Public Health reserve; this proposal is in accordance with guidance previously issued.
- There have been a number of grants received that have no conditions and which are, therefore, accounted for fully within the 2013/14 revenue account; however the underspends are proposed to be added to the Council's reserves to meet future years' expenditure. In summary these include: – Troubled Families Grant (£954k); Support Fund Grant (£877k); Welfare Reform Grant (£278k); Mortgage Rescue Scheme Grant (£265k); Waste Grant (£524k); and Electoral Registration (£103k).
- It is proposed to transfer the surplus generated from Insurance activities (£609k) to an earmarked reserve to provide a buffer against future claims.
- The support provided to Alexandra Park and Palace was underspent in 2013/14 by £1.0m and it is proposed to transfer this to an earmarked reserve for future regeneration work at the Palace. This proposal accords with the wishes of the Alexandra Park and Palace board.
- In addition transfers are proposed in the following areas where the resources are ring-fenced under statute and must be retained for specific purposes:
  - Schools' delegated budget balances - £4.789m;
  - Non – Schools DSG - £2.311m;
  - Housing Revenue Account - revaluation smoothing reserve - £4.238m;
  - Housing Revenue Account – General Reserves - £7.573m.

10.2. A number of transfers from reserves are also being proposed (Appendix 1):

- Following the finalisation of the 2012/13 Housing Benefit grant claim a repayment of £899k has been made; this sum was previously retained in reserves against the risk of such a repayment being required.
- It is proposed to transfer £180k from the reserve created to support jobs fund expenditure in order to match the 2013/14 expenditure in that area.

## 11. Outturn 2013/14– Capital

11.1. The final approved capital programme for 2013/14 was £97.8m. The provisional net underspend, including slippage, is £18.7m as set out in Table 2 below (19.2% of the approved budget).



*Table 2 - showing the draft capital outturn summary*

<b>Directorate</b>	<b>Approved Budget</b>	<b>Outturn Variance</b>
	<b>£m</b>	<b>£m</b>
Children & Young People	21.134	(4.792)
Adults and Housing	4.039	(0.621)
Corporate Resources	6.351	(4.777)
Place and Sustainability	32.447	(6.821)
Housing Revenue Account	33.802	(1.729)
<b>Total</b>	<b>97.773</b>	<b>(18.740)</b>

- 11.2. Detailed explanations of the variances are set out in Appendix 3 and a number of projects, which are subject to carry forward requests, are set out in Appendix 4; given that the majority of the variance above relates to programme slippage (as opposed to actual underspending on projects) these will need to be factored into the financing assumptions for 2014/15.
- 11.3. Underpinning the 2013/14 capital expenditure programme was a significant capital receipt (c£15m) in relation to the proposed sale of Hornsey Depot. Partly because of the slippage against the 2013/14 programme it has been possible to finance the 2013/14 expenditure by temporarily utilising c£2m from the capital financing reserve. However, there remains uncertainty about the timing of the Hornsey Depot receipt and it is understood that a Judicial Review of the associated development has been lodged which may delay the receipt further.
- 11.4. As a consequence there may be a need to adopt a range of measures to ensure that the Council's capital expenditure programme remains affordable; these measures might include the further temporary use of reserves or additional borrowing which will have revenue implications.
- 11.5. It is important to note, therefore, that given the current shortfall on capital receipts, funding will need to be identified for any capital carry forward approved. However, this is essentially temporary funding assuming that the Hornsey Depot receipt is eventually realised.

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

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

## **13. Assistant Director of Corporate Governance Comments and legal implications**

- 13.1. The Assistant Director, Corporate Governance, has been consulted in the preparation of this report and confirms that all statutory and constitutional requirements have been addressed. Accordingly, there are no immediate legal implications arising out of the report.



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

14.1. Not applicable.

## **15. Head of Procurement Comments**

15.1. The Head of procurement has been consulted on this report and confirms that there are no procurement implications

## **16. Policy Implication**

16.1. The council's Medium Term Financial Plan and its annual budget represents the resource framework for the delivery of Council policy and its objectives. The outturn report identifies whether or not those policies and objectives have been delivered within the approved resource envelope.

## **17. Reasons for Decision**

17.1. It is important for Members to understand the Council's financial position at key times of the year in order to inform their decision making and strategic planning.

## **18. Use of Appendices**

Appendix 1 – General Fund – explanation of revenue variances by service area  
Appendix 2 – HRA – explanations of revenue variances  
Appendix 3 – Capital Programme – explanation of capital variances by project  
Appendix 4 – Capital Project carry forward requests

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

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

- SAP outturn reports
- Final accounts working papers – proposed transfers to reserves.

1.2 For access to the background papers or any further information please contact Neville Murton – Head of Finance (Budgets, Accounting and Systems Team) on 020 8489 3176.