



<b>Report for:</b>	<b>Cabinet – 18 November 2014</b>	<b>Item Number:</b>	
<b>Title:</b>	<b>Budget Monitoring Report 2014/15 – Period 6</b>		
<b>Report Authorised by:</b>	<b>Kevin Bartle – Assistant Director - Finance (CFO)</b>		
<b>Lead Officer:</b>	<b>Neville Murton, Head of Finance (BAS)</b>		
<b>Ward(s) affected: ALL</b>	<b>Report for Key Decision</b>		

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

- 1.1 To consider the forecast financial revenue and capital outturns for 2014/15 based on actual performance to 30 September 2014 (Period 6) set out in **Appendices 1 and 2**.
- 1.2 To consider the proposed management actions and approve the budget adjustments (virements) set out in **Appendix 3** as required by Financial Regulations.

## **2. Cabinet Member Introduction**

- 2.1 The budget for 2014/15 requires the delivery of a significant level of savings in addition to those already successfully delivered in previous years. We are all aware that this is not the end of the savings and to that end we have been considering savings proposals which will meet the £70m gap that is currently estimated.
- 2.2 The demographic pressures that were apparent when the July position was reported to you have continued in both the Children's and Adults' Services budgets based on the budget monitoring undertaken as at the end of September 2014. This report explains the position in more detail.



## **Haringey Council**

- 2.3 Directors and other relevant senior officers are continuing to keep the position under urgent review in order that we can deliver an overall balanced position by the end of the financial year.
- 2.4 I will continue to keep the Cabinet informed on these issues and I commend this report to you.

### **3. Recommendations**

That Cabinet:-

- 3.1 Consider the report and the progress being made against the Council's 2014/15 budget in respect of net revenue and capital expenditure.
- 3.2 Approve the budget changes (virements), and note the transfers to/ from reserves approved by the Chief Financial Officer, as set out in **Appendix 3**.

### **4. Alternative options considered**

- 4.1 This report proposes that the Cabinet should consider the overall financial position for 2014/15 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. Background information**

- 5.1 In overall terms a net revenue overspend of £2.2m is being forecast by officers for the Council's General Fund. Following Cabinet's approval in September for the transfer of £5m to Housing Revenue Account (HRA) reserves, a minor overspend (£70k) is being reported in respect of the HRA.
- 5.2 An overall capital underspend of £7.1m is being reported; the position against the General Fund capital programme is a forecast underspend of £3.3m; a £3.8m underspend against HRA capital projects is also being reported.

### **6. 2014/15 Revenue Outturn Forecast**

- 6.1 Budget holders have provided an estimated outturn position based on data to the end of September 2014.



Table 1 – Summary 2014/15 Revenue Position

£'000 General Fund	2014/15 Budget Variance		
	Budget	Estimated Outturn as at period 6	Variance
Leader and Chief Executive	3,967	3,967	0
Chief Operating Officer	83,542	82,817	(725)
Deputy Chief Executive	147,667	155,157	7,490
Dir. of Regeneration/ Planning	5,767	5,870	103
Non Service Revenue (NSR)	40,756	36,056	(4,700)
<b>Total</b>	<b>281,699</b>	<b>283,867</b>	<b>2,168</b>

£'000	2014/15 Budget Variance		
	Budget	Estimated Outturn as at period 6	Variance
Housing Revenue Account (HRA)	(10,432)	(10,362)	70

### ***Significant issues identified***

#### **Deputy Chief Executive**

- 6.2 There are pressures being reported within both Children's and Adults' Services. The former is currently projecting an overspend of £3.5m arising from pressures in the First Response team and the Looked after Children, No Recourse to Public Funds and Homelessness budgets, offset by management action and underspends elsewhere. The latter is forecasting an overspend of £3.5m on Adults' Social Care. Further details, including management actions to address these pressures, are set out below.
- 6.3 A previously approved budget saving of £2.25m has been actioned this year and taken from the Looked after Children's budget, however the number and cost of placements have not yet fallen to the targeted level. Since the last budget report, management action has been put in place including tighter managerial controls around new placements and a targeted review of high cost placements. This has resulted in a reduction in the forecast of around £350k. Further reductions are expected as a result of the continuation of this management action and will be reported on in future reports.
- 6.4 However other pressures have emerged including pressures in the staffing budget for First Response and support for families in need including homeless families and those with No Recourse to Public Funds. These pressures are being addressed as part of the ongoing improvement programme within Children's.
- 6.5 Within Adults, Haringey is continuing to experience high levels of demand for care across all client groups and the number of people receiving care has risen year on



year. There is a management action plan to deal with the associated budget pressure in this service which includes:-

- Holding staff vacancies and reducing running costs in non care purchasing budgets;
- Improving systems and processes for recording and approval of care packages to increase the accuracy of the forecast and ensure that there is good gate-keeping; and,
- Reviewing existing care packages to check they are still appropriate, ceasing care that is no longer needed or referring clients for continuing health care assessment.

6.6 Clearly in light of the projected overspend these areas need to be kept under close review and progress towards bringing the projections back into line with the approved budget, monitored over the forthcoming months. The Senior Leadership Team are being kept apprised of progress on reducing the forecast overspend.

6.7 There is also a projected overspend within Schools and Learning of £490k. The largest component is the projected costs of redundancy payments within schools (£240k) although this figure may need further revision once all schools staffing plans are known. Most of the rest relates to income targets that are not being achieved. The Assistant Director for Schools is currently carrying out a review of traded services that will seek to address this issue.

### **Chief Operating Officer**

6.8 The variance within the Chief Operating Officer's (COO) budgets is a net £725k underspend which includes variations as outlined below:-

- Housing General Fund is reporting a projected underspend of £1.7m. This is mainly attributable to two factors. Firstly, reductions in contract costs in the Housing Related Support budget (£874k) this is a significant improvement from previous months following a review of contracts including termination of some due to poor performance. The second reason relates to an underspend in the direct budget of £732k due to favourable lease costs. However, this budget is volatile and the projection is subject to change as existing leases expire and rising rent levels may mean they cannot be replaced at the same cost. Following period 6, the responsibility for this budget transfers to Homes for Haringey as part of the Housing Unification process.
- There is a forecast £250k overspend in Environment & Community Services largely within direct services as a result of slippage in transferring the White Hart Lane Sports Centre to the new contractor Fusion; the loss of 17 further schools from the Catering service and costs of an emergency bridge repair.
- A £275k overspend in Libraries from a number of pressures including the service's inability to meet its income target; planned savings not achieved and costs of the interim head of service above available budget.



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- A £450k overspend in Customer Services predominately due to slippage in delivery of the 2014/15 savings, partially offset by forecast over achievement of court costs income.

6.9 The forecast underspend of £4.7m in Non Service Revenue (NSR) consists of an assumption that the Council's £2m contingency will not be required; that no call will be made this year on the recently approved borrowing costs budget to support the new acquisitions fund (£1.9m) and that the Council continues to manage down debt costs through its successful internal borrowing programme, which is currently estimated to contribute a further £800k this year.

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

6.10 Following the approval of Cabinet to transfer £5m to the Housing Revenue Account (HRA) Reserve, the HRA is currently forecasting an overspend of £70k. This comprises a forecast overspend of £689k in the company account, offset by projected underspends in the Managed (£536k) and Retained (£83k) accounts. The projected overspend in the Company Account is due to additional security costs related to pirate radio stations and slippage against savings targets. The underspend within the Managed Accounts is largely due to a reduction in the provision for bad debts.

### **Regeneration Planning and Development**

6.11 Currently Planning and Regeneration areas are reporting an overall overspend of £103k, although the Director has indicated that action is being taken in order to contain this within the coming months.

## **7. Collection Fund**

7.1 The Collection Fund recognises transactions associated with both Council Tax and Business Rates collection activities. In both cases the Council is the billing authority with precepts being levied by the Greater London Authority for Council Tax and with Business Rates being shared between the Council (30%) the GLA (20%) and the Government (50%) under the Business Rates retention scheme.

7.2 Surpluses or deficits on the Collection Fund are settled between the relevant authorities after the end of the financial year and so have no direct impact on the Council's 2014/15 budget. However, the Collection Fund position does give an indication of performance for future years' and is an important element of the Council's longer term financial planning.

7.3 The estimated position on the Council Tax element of the Collection Fund at September (period 6) is a surplus of £3.1m of which £2.4m is attributable to Haringey Council's share.

7.4 The estimated position on the Business Rates element of the Collection Fund at September (Period 6) is a deficit of £2.6m of which £0.8m is attributable to Haringey Council's share.



7.5 The estimated position on the Collection Fund for 2014/15 will be factored into the 2015 to 2018 Medium Term Financial Strategy.

## **8. 2014/15 Capital Programme and Capital Financing**

### **General Fund**

8.1 The overall forecast position against the individual programme areas, as at period 6, is set out below.

8.2 The largest underspends within the programme are occurring in the Children's Services programme which account for £2.6m of the overall £3.3m underspend; this relates to a number of projects and is attributable both to programme slippage due in a number of cases to extended consultation periods and a reduced requirement for project contingency sums for a number of projects nearing completion.

**Table 2 – Summary 2014/15 General Fund Capital Position**

<b>Area</b>	<b>Budget £000s</b>	<b>Estimated Outturn as at period 6 £000s</b>	<b>Variance £000s</b>
Regeneration, Planning and Development	26,322	26,132	(190)
Children's Services	11,683	9,064	(2,619)
Chief Operating Officer/ Council wide schemes	7,867	7,776	(91)
Environmental Services and Community Safety	25,279	24,903	(376)
GF Housing	6,520	6,520	0
Adults	2,919	2,919	0
Public Health	116	116	0
<b>TOTAL General Fund</b>	<b>80,706</b>	<b>77,430</b>	<b>(3,276)</b>



**Financed by:**

Capital Grants From Central Government Departments (inc SCE(C))	7,206	5,913	(1,293)
Grants & Contribution From Private Developers & Leaseholders	38	28	(10)
Grants & Contribution From Non-Departmental Public Bodies	95	0	(95)
Capital Funding From GLA Bodies	8,493	8,155	(338)
Use of Capital Receipts	13,690	13,359	(331)
Section 106	839	923	84
Financing From HRA	5,594	5,594	0
Financing From General Fund Revenue Account	3,827	3,917	90
Other Local Authorities	300	482	182
Prudential Borrowing	33,984	32,816	(1,168)
Use of reserves	6,640	6,243	(397)
<b>Total Capital Financing General Fund</b>	<b>80,706</b>	<b>77,430</b>	<b>(3,276)</b>

8.3 The conclusion from this is that the underspend on capital was originally intended to be financed primarily from Government Grant and Prudential Borrowing. Subject to any conditions upon the grant funding it should also be possible to reduce borrowing still further by applying the available capital grant to finance expenditure originally envisaged as being financed from borrowing.

8.4 However, before taking that decision it is important to note the currently low levels of capital receipts arising from disposals. The section below highlights this issue which, if the anticipated receipts are not achieved, would lead to an increase in the borrowing need for expenditure that was anticipated to be funded from receipts.

**Disposals**

8.5 The General Fund capital financing relies to a large extent on capital receipts from the Council's disposals programme. The current position against the forecast receipts is set out below:

**Table 3 – Capital Receipts**

	Original Forecast Receipts (MTFP Feb. 2014)	Current Forecast Receipts	Actual Receipts to date (period 6)	Variance against Current Forecast
	£000	£000	£000	£000
Capital Receipts 2014/15	8,591	22,106	1,183	13,515





8.6 The current variance relates almost entirely to the anticipated receipt from Hornsey Depot which was anticipated, but not received in 2013. The current position remains that the Council was successful in defending a Judicial Review which was delaying the completion of the sale (and hence the associated receipt). Judgement is now awaited on whether the judicial review can be referred to the court of appeal, or is dismissed. If the case is dismissed the receipt should be available to finance capital expenditure in 2014/15 as anticipated. However any further delay would almost certainly have implications for the level of Prudential borrowing needed.

**HRA – 2014/15 Capital Programme and Financing Position**

8.7 The HRA Capital Programme is forecast to underspend by £3.8m largely due to slippage on the Decent Homes programme from the contractors’ original plans.

**Table 4 – Summary 2014/15 HRA Capital Position**

	<b>Budget £000s</b>	<b>Estimated Outturn at period 6 £000s</b>	<b>Variance £000s</b>
HRA Capital expenditure	56,800	52,995	(3,805)

**Financed by:**

Capital Grants From Government Departments (inc SCE(C))	25,480	25,480	0
Grants & Contributions from Private Developers & Leaseholders	2,500	2,500	0
Financing From HRA	9,482	5,677	(3,805)
Financing From Major Repairs Reserve (MRR)	19,338	19,338	0
<b>Total HRA Capital Financing</b>	<b>56,800</b>	<b>52,995</b>	<b>(3,805)</b>

**9. Approval of Virements and Transfers to/from Reserves**

- 9.1 In accordance with financial regulations, there are a number of requests for virement, both capital and revenue in nature, which require the approval of Cabinet, and are set out in **Appendix 3**.
- 9.2 In addition, the Chief Financial Officer (CFO) has approved a number of transfers to or from reserves. The Council maintains earmarked and general reserves for a number of reasons and the level of reserves and their purposes are considered and approved annually by Members when setting the budget. The CFO has the power to agree transfers to or from reserves having considered a formal request from officers, and members are being asked to note the approvals made.
- 9.3 Consequently budgets will need to be created in order to give officers authority to incur expenditure against such additional resources; associated virements are therefore required. Cabinet are asked to approve those virements that are above the delegated threshold and these are set out in the appendix.





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

10.1 As this report is primarily financial in its nature, comments of the Chief Finance Officer are contained throughout the report.

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

11.1 The Assistant Director of Corporate Governance has been consulted in the preparation of this report and confirms that there are no specific legal implications in this report.

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

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

## **13. Head of Procurement Comments**

13.1 n/a

## **14. Policy Implication**

14.1 There are no specific policy implications in this report.

## **15. Reasons for Decision**

15.1 Members' involvement in financial monitoring is an essential part of delivering the Council's priorities.

15.2 The constitution requires Members to approve certain financial transactions such as virements according to approved limits.

## **16. Use of Appendices**

Appendix 1: Forecast Revenue Outturn by Service Area

Appendix 2: Forecast Capital Outturn by Service Area

Appendix 3: Virements requiring Cabinet approval and transfers to/ from reserves for noting.

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

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

- Budget management papers
- Medium Term Financial Planning Reports

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