



**Haringey Council**

<b>Report for:</b>	<b>Cabinet</b>	<b>Item Number:</b>	
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<b>Title:</b>	<b>Budget Monitoring Report 2014/15 – December 2014</b>
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<b>Report Authorised by:</b>	<b>Kevin Bartle – Assistant Director - Finance (CFO)</b>
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<b>Lead Officer:</b>	<b>Neville Murton, Head of Finance (BAS)</b>
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<b>Ward(s) affected: ALL</b>	<b>Report for Key/Non Key Decisions:</b>
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## **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 31 December 2014 as 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 have been previously highlighted have continued in both the Children's and Adults' Services budgets. This report explains the position in more detail.



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- 2.3 I have emphasised to Directors and other relevant senior officers that they must keep the position under urgent review in order to meet my expectation that we will 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 the estimated outturn for the General Fund is a small **underspend of £400k** and, although there is confidence that the General Fund budget can be balanced by the year-end, there remain substantial concerns about demographic and other pressures in the current financial year including the extent to which they will continue to be present going forward.
- 5.2 One-off resources of around £3.5m have now been identified and used to achieve a near balanced position and, as such, these cannot be assumed to be available in future years; suggesting a £3.1m underlying budget pressure for the Council. Given the substantial savings which have been identified through the recent Medium Term Financial Strategy (MTFS) process it is imperative that budget discipline is maintained.
- 5.3 Following Cabinet's approval in September for the transfer of £5m to Housing Revenue Account (HRA) reserves, a **balanced position** is being reported in respect of the HRA.



5.4 An overall capital **underspend of £18.4m** is being reported; the position against the General Fund capital programme is a forecast underspend of £6.0m; a £12.4m 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 December 2014.

**Summary Position**

**Table 1 – Summary 2014/15 Revenue Position**

£'000 General Fund	2014/15 Budget Variance		
	Budget	Estimated Outturn as at period 9	Variance
Leader and Chief Executive	4,118	4,118	0
Chief Operating Officer	82,721	82,659	(62)
Deputy Chief Executive	150,107	157,677	7,570
Dir. of Regeneration/ Planning	5,774	6,074	300
Non Service Revenue (NSR)	38,979	30,771	(8,208)
<b>Total</b>	<b>281,699</b>	<b>281,299</b>	<b>(400)</b>

£'000	2014/15 Budget Variance		
	Budget	Estimated Outturn as at period 9	Variance
Housing Revenue Account (HRA)	(10,432)	(10,354)	22

**Significant issues identified**

**Deputy Chief Executive**

6.2 There continue to be pressures reported within both Children’s and Adults Services. The former is currently projecting an **overspend of £3.5m** arising from a number of pressures across the service. The latter is also forecasting an **overspend of £3.5m** on Adults Care Purchasing. Both services have in place management action plans to address these pressures.

6.3 The largest single area of pressure within Children’s is within the care budget for Looked After Children. Management action has been put in place including tighter managerial controls around new placements and a targeted review of high cost placements. The service has also been successful in recruiting new Local Authority foster carers who can provide local high quality placements at a lower cost than fostering agencies. As a result of this action the forecast has reduced by around £800k from the peak forecast in the summer which is in line with expectations. Further reductions are expected as a result of the continuation of



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this management action although given that it is now January, the effect on this year's budget will be small.

- 6.4 In addition to this, there are also a number of other pressures including an overspend 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 areas are being addressed as part of the ongoing improvement programme within Children's.
- 6.5 A pressure has also emerged within the area of services for children with additional needs. This service is funded by both Dedicated Schools Budget (for the Special Education Needs element) and the Council base budget (for the social care element). There are comparatively high numbers of children in Haringey who are provided with services and this budget is under pressure from rising numbers. The Children's management team are reviewing this budget carefully and will be taking necessary corrective action.
- 6.6 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 also a management action plan in this service which includes:-
- Holding staff vacancies and reducing running costs in non care purchasing budgets;
  - Improving systems and process for recording and approval of care packages to increase the accuracy of the forecast and ensure that there is good gate keeping.
  - 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.
- 6.7 There is evidence that the management action plan is having an effect in Adults and considerable in year savings have been achieved (in the region of £1.7m). However at the same time, there continues to be a high level of demand for services which is partially negating these actions.
- 6.8 There is also a projected overspend within Schools and Learning of £570k. The largest component is the projected costs of redundancy payments within schools (£450k) and there are also costs arising from a backdated pay settlement for one service. There are also some losses on traded services. The Assistant Director for Schools is currently carrying out a review of traded services that will seek to address this issue.
- 6.9 The variance within the Chief Operating Officer's (COO) budgets is a net **underspend of £62k** which reflects variances as outlined below:
- The Housing General Fund is reporting a projected **underspend of £1,202k**, £927k of which relates to the Housing Related Support elements of the budget with the remaining underspend of £275k relating to Temporary Accommodation costs.



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- There remains a forecast **overspend** in Environment & Community Services although this has reduced by £100k to **£150k**. The pressures remain largely within direct services as a result of slippage in transferring the White Hart Lane Sports Centre to Fusion; the loss of 17 further schools from the Catering service and costs of an emergency bridge repair which are being offset by underspends elsewhere. The forecast assumes that we see no significant adverse weather conditions in the last quarter of the year.
- There is now a **£990k overspend** in the Customer Services area; an increase of £260k. The main drivers of the overspend in libraries (**£510k**) remain planned savings not being achieved this financial year and pressure on the current staffing budget along with some one-off costs such as the interim head of service above available budget and increased security costs. In revenues and benefits the pressure of **£675k** is predominately due to slippage in delivery of the 2014/15 savings partially offset by forecast over achievement of court costs income.

6.10 The forecast increased **underspend of £8.2m** 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.

6.11 In addition, and following the settlement of the NJC pay award the Council's inflation provision for pay and prices has been reviewed. The pay award is effective from January 2015 and so the full year's provision is not required and this together with a re-assessment of other inflationary pressures means that an amount of around £2m can be retained centrally to offset some of the pressures being reported in service budgets.

6.12 Officers in the Revenues and Benefits Service have also been carrying out and have reported on an exercise to resolve a number of historical credit balances held in relation to Council Tax accounts; this exercise has allowed the release of £1.5m in the current financial year.

6.13 It is important to note that the benefit now assumed from the inflation budget is unlikely to be available in future years as the pay award covers the whole of the 2015/16 financial year and the windfall from the exercise to review Council Tax credits can only be taken once.

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

6.14 The HRA forecast position reflects an overall balanced position, following previous Cabinet approval to transfer £5m to reserves. However, within the forecast this reflects overspends of £513k on the retained account due to pressures around the New Build programme and £108k on the Company Account, being offset by a £599k underspend on the Managed Account.

### **Regeneration Planning and Development**

6.15 Within Regeneration there is an overall pressure of £300k mainly due to a shortfall in fee income relating to disposals along with smaller variances relating to staff



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costs on the accommodation strategy work and minor pressures in the planning policy area.

**7. 2014/15 Capital Programme**

**General Fund**

7.1 The overall forecast position against the individual programme areas, as at December 2014, is set out below.

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

<b>Area</b>	<b>Budget</b>	<b>Estimated Outturn as at period 9</b>	<b>Variance</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Regeneration, Planning and Development	29,735	30,082	347
Children’s Services	11,683	7,459	(4,224)
Other Corporate Schemes	7,892	6,831	(1,061)
Environmental Services and Community Safety (COO)	26,173	25,583	(590)
General Fund Housing	500	0	(500)
Adults	2,919	2,919	0
Public Health	116	116	0
<b>TOTAL General Fund</b>	<b>79,018</b>	<b>72,990</b>	<b>(6,028)</b>

7.2 The variances within the Regeneration, Planning and Development area relate to the re-provision of the Recycling Centre in Western Road (£489k overspend), where costs will be refunded by North London Waste Authority and Ashley Road depot relocation that is presently showing an overspend of £245k; these are offset by other more minor individual project variances.

7.3 There are no significant issues within the CYPS capital programme, the projected underspend is a combination of some minor slippage and also due to contingency budgets not being required.

7.4 The variance within the former Corporate Resources budgets relates to slippage due to delays in the contract for the Energy Efficiency programme. Environment has relatively minor slippage due to reduced spend on repairs and maintenance on Corporate buildings and minor slippage on the Leisure capital works programme. The variance on the Housing General Fund budget relates to the Compulsory Purchase Order budget of £500k where no net spend is expected this financial year.

**Disposals**

7.5 As detailed in the previous Cabinet report the 2014/15 General Fund capital programme financing relies to a large extent on capital receipts from the Council’s disposals programme. The Cabinet were advised that the level of actual receipts were substantially below the anticipated level, almost entirely due to the



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uncertainty around the timing of the receipt associated with the disposal of Hornsey Depot which was subject to an on-going legal process.

- 7.6 The position is now more positive in that all outstanding legal matters have been resolved and there is now no legal impediment to the disposal being concluded; there is, therefore, now real confidence that the receipt will be received in the current financial year.

### HRA – 2014/15 Capital Programme

- 7.7 The variance on the HRA is largely due to two items; slippage of £1.6m on Planned Preventative Maintenance where works are now scheduled to start in May 2015 to avoid winter working and a projected underspend of £4.7m on the Decent Homes Programme, although there is considerable slippage within this programme. Work undertaken to date has significantly overspent the allocated budget and urgent analysis work is currently being undertaken to assess what the Council can afford to deliver from the available resources for Decent Homes in the longer-term. At this point the programme is continuing to ensure that Grant Funding from the GLA is maximised.

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

	Budget £000s	Estimated Outturn at period 6 £000s	Variance £000s
HRA Capital expenditure	62,820	50,451	(12,369)

## 8. Approval of Virements and Transfers to/from Reserves

- 8.1 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 these are set out in **Appendix 3**.
- 8.2 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. Comments of the Chief Finance Officer and financial implications

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

## 10. Assistant Director of Corporate Governance Comments and legal implications

- 10.1 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.



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

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

### **12. Head of Procurement Comments**

12.1 n/a

### **13. Policy Implication**

13.1 There are no specific policy implications in this report.

### **14. Reasons for Decision**

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

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

### **15. 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.

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

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

- Budget management papers
- Medium Term Financial Planning Reports

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