



**Haringey Council**

<b>Report for:</b>	<b>Cabinet – 26 June 2015</b>	<b>Item Number:</b>	
<b>Title:</b>	<b>The Council's Financial Outturn 2014/15</b>		
<b>Report Authorised by:</b>	<b>Kevin Bartle – Assistant Director of Finance (CFO)</b>		
<b>Lead Officer:</b>	<b>Neville Murton – Head of Finance (Budgets, Accounting and Systems)</b>		
<b>Ward(s) affected:</b>	<b>Report for Key/Non Key Decisions:</b>		
<b>All</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 2014/15 is set out in this report, together with a number of requests to carry forward resources and proposed transfers to earmarked reserves.
- 1.2. The report sets out the provisional outturn position for the General Fund, Housing Revenue Account (HRA), the Dedicated Schools Budget (DSB), the Collection Fund and the Capital Programme for 2014/15.
- 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 2015 and will remain provisional until the conclusion of the statutory audit process.
- 1.4. The provisional position has been summarised over the following areas:
  - The General Fund revenue account;
  - The HRA revenue account;
  - The General Fund capital programme;
  - The HRA capital programme;
  - The Dedicated Schools Budget; and,
  - The Collection Fund.



## **2. Cabinet Member introduction**

- 2.1. I am pleased to report that once again the council has risen to the challenge of balancing its budget against a backdrop of severe government cuts that disadvantage the neediest. However, given the level of reductions that still need to be delivered and the uncertainty we have about future funding for Local Authorities under a new government we must redouble our efforts to maintain financial discipline across the whole Council.
- 2.2. We have previously been led to believe that going into a new parliament the country's finances would have recovered from previous economic shocks yet we now find ourselves with only half of the deficit eliminated and with more pressures than ever before to deliver valuable public services to the most vulnerable in society.
- 2.3. Notwithstanding the significant financial challenges that can be seen in both Children's Services and Adult Social care, and is illustrated by the budget variances in those areas as set out in this report, this Council has successfully managed the budget overall; focussing on our key priorities and setting out clearly our approach through the Corporate Planning process which incorporates the Medium Term Financial Strategy.
- 2.4. We will continue to adopt a robust approach to budget management in 2015/16 and when I next present a budget management report to the Cabinet in July 2015 I will highlight the action that I will be proposing in order to manage those pressures appropriately.
- 2.5. We have delivered what we said we would when setting the budget and, as a result, have been able to provide prudent amounts to enable us to manage the risks that are inherent in the transformational change we are undertaking to maintain the delivery of key services.
- 2.6. The Council's draft Statement of Accounts for 2014/15 is currently being finalised; this draft will be subject to the independent external 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.
- 2.7. I commend this report to the Cabinet for approval.

## **3. Recommendations**

- 3.1. Cabinet is recommended to consider and approve:
  - the various provisional revenue outturn positions (General Fund, HRA, DSB) as set out in this report and in particular the explanations for the outturn variances set out in Appendices 1(a) to 1(g);
  - the service revenue requests for carry forward and transfers to/ (from) reserves also set out in Appendices 1(a) to 1(g);



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- the provisional capital outturn positions (General Fund and HRA) as set out in this report and in particular the explanations for the outturn variances set out in Appendix 2;
- the capital carry forward requests set out in Appendix 3; and,
- the performance of the Council Tax and NNDR Collection Fund in 2014/15.

### 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 therefore 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 the rest of June to finalise the accounts and this work may result in some changes to the final position reported here.

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 24 September 2015.

### 6. Outturn 2014/15 – Revenue General Fund

6.1. The General Fund revenue account was approved by Council in February 2014 with a planned contribution to General Fund balances of £4.957m, which has been achieved. Table 1 below summarises the provisional outturn position on the General Fund including the accounting adjustment to reflect any Revenue Contributions to Capital Outlay (RCCO); it also summarises proposed requests to either carry forward resources or to transfer resources into earmarked reserves, which the Cabinet are asked to consider and approve.

6.2. For the General Fund the overall position is an **underspend** of **£2.2m**. This position reflects the proposed transfer to reserves of £4.957m explained above, the CFO has further considered the Council's financial position together with its existing reserves, and has identified the need to create an earmarked Risk Reserve, which it is proposed the remaining balance of £2.2m be transferred to. This is illustrated in Table 1 below.

6.3. There were significant overspends in both Children's and Adults social care in 2014/15 as set out in Table 1 below; primarily these have arisen due to increasing numbers of children and adults leading to those services being unable to maintain spending within the approved budget. Both services are implementing management action plans designed to bring spending back into line with approved budgets during 2015/16.



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6.4. The Chief Operating Officer also reported a net overspend of £1.2m mainly as a result of pressures in customer services where additional staff were required to manage the integration of Customer Services with Libraries. There was also a planned contribution towards redundancy costs relating to the transferred waste management contract with Veolia, where the Council required contract savings to be made.

6.5. More detailed explanations of the above and variances across all areas are set out in Appendices 1 (a) to 1 (g).

### Summary Position

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

£'000 General Fund	2014/15 Budget Variance			
	Budget	Budget Variance	Proposed Transfers	Provisional Outturn
Leader and Chief Executive	4,206	(1,856)	1,225	(631)
Chief Operating Officer	87,500	1,461	(265)	1,196
Deputy Chief Executive	151,363			
- Children's Services		5,142		5,142
- Adults Services		3,082		3,082
- Other DCE		(101)	(144)	(245)
Dir. Of Regeneration/ Planning	6,397	(144)	44	(100)
Non Service Revenue (NSR)	32,233	(5,344)	(5,308)	(10,652)
<b>Total</b>	<b>281,699</b>	<b>2,240</b>	<b>(4,448)</b>	<b>(2,208)</b>
<b>Net underspend transferred to Risk Reserve</b>				<b>(2,208)</b>
				<b>0</b>

**Note:** Budget variances include Revenue Contributions to Capital Outlay (RCCO)

### 7. Housing Revenue Account (HRA)

7.1. For the Housing Revenue Account the planned surplus of £10.4m has been achieved and the adjusted surplus of £12.029m, which is the budgeted £10.432m and the in-year underspend of **£1.597m**, set out in Table 2 below will be transferred to HRA Reserves.



**Table 2 – The Housing Revenue Account**

£'000 HRA	2014/15 Budget Variance			
	Budget	Estimated Variance	Proposed Transfers	Provisional Outturn
Housing Revenue Account	<b>(10,432)</b>	<b>(1,924)</b>	<b>327</b>	<b>(1,597)</b>

**8. Dedicated Schools Budget (DSB)**

8.1. The provisional outturn position for the Dedicated Schools Budget is an overall **underspend** of **£469k** of which £37k represents a decrease in schools' delegated budgets and the remainder is in respect of centrally held items within the DSB.

8.2. Overall, the year-end balances held in schools' delegated budgets now stands at £11.7m.

**9. The Collection Fund**

9.1. The overall position on the Collection Fund was a minor deficit of **£141k**. This comprises two elements: Council Tax which ended the year with a surplus of £4.977m and National Non Domestic rates (NNDR) which ended the year with a deficit of £5.118m.

9.2. These variances can be largely attributed to the continued better than anticipated performance against the Council Tax Reduction Scheme assumptions resulting in the Council Tax surplus. For NNDR there have been a significant number of successful appeals. Cabinet are reminded that for NNDR the risks are shared between the Council, The Greater London Authority (GLA) and the Government; illustrating the extent of the issues in that area and highlighting the potential risks should the government seek to reduce the central share.

**10. Outturn 2014/15– Capital**

10.1. The final approved Capital Programme Budget for the General Fund in 2014/15 was £86.046m and for the Housing Revenue Account £56.8m. Taking into account the proposed requests for carrying forward resources the overall position was an **underspend/slippage** against General Fund projects of **£11.4m** and an **underspend/slippage** against the Housing Revenue Account of **£7.6m**. This position together with the proposed requests to carry forward resources (Appendix 3) has been summarised in Table 3 below:

**Table 3 – Summary 2014/15 capital position**

£'000	2014/15 Budget Variance			
	Budget	Estimated Variance	Proposed C/Fwd	Revised Variance
General Fund	<b>86,046</b>	<b>(20,589)</b>	<b>9,231</b>	<b>(11,358)</b>
Housing Revenue Account	<b>56,800</b>	<b>(17,969)</b>	<b>10,322</b>	<b>(7,647)</b>



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10.2. The financing implications of this underspent position have been reviewed in order to maximise the financial benefit to the Council; to this end capital receipts have substantially been used to replace proposed prudential borrowing. The impact of these decisions on the financing of future expenditure have also been taken into account.

10.3. A detailed analysis of the reasons for these variances is set out in Appendix 2 with a number of requests for the carry forward of resources into future years set out in Appendix 3. The supporting resources for financing these carry forward items have been identified and reserved on the Council's balance sheet to ensure that these schemes can continue to be financed.

### **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 of Corporate Governance Comments and legal implications**

12.1. The Assistant Director of 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.

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

13.1. Not applicable.

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

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

### **15. Policy Implications**

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

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

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

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

Appendices 1 (a) to 1 (g) – Analysis of revenue variances, carry forward requests and proposed transfers to or from reserves

Appendix 2 – Analysis of capital variances

Appendix 3 – Proposed capital carry forward requests



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

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

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

18.2. 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.