

Report for: OSC 17th July

Item number: 9

Title: Provisional Outturn 2016/17

Report authorised by : Tracie Evans – Chief Operating Officer

Lead Officer: Jo Moore – Deputy Chief Finance Officer

Ward(s) affected: ALL

Report for Key/

Non Key Decision: Key

1. Introduction

- 1.1. This report sets out the Council's provisional budget outturn for the year ended 31 March 2017. It sets out the provisional revenue and capital outturn for the General Fund showing the variances against budget together with the movements on reserves and the provisional capital and Housing Revenue Account (HRA) revenue outturn. It also provides explanations of significant under/overspendings.
- 1.2. The Council's statutory accounts are still in the process of being finalised and there may be further adjustments to the provisional outturn arising from the completion of this work.

2016/17 Outturn Position

- 1.3. The approved General Fund revenue budget for the year was £255.6m and the provisional outturn is estimated at £271.7m, which represents a net overspend of £16.1m (6.3%).
- 1.4. Within this net figure there are a number of key overspends totalling £27.2m: £7.8m on Children, £12.4m on Adults and £7.0m for temporary accommodation. These overspends have been mitigated by a number of underspends: £3m in respect of recognition of housing benefit overpayments; £6.0m on non-service revenue budgets and £1.8m pension auto-enrolment provision that was not required in year.
- 1.5. The net General Fund overspend position is £16.1m, but there are a number of services that have underspends, where the service has submitted requests for unspent budgets to be carried forward. A total of £6.9m has been requested for carry forward as expenditure relating to these budgets will be incurred in 2017/18.
- 1.6. The overall General Fund Revenue outturn variance for the year ending 2016/17, has improved by £5.2m from the Quarter 3 report that went to

Cabinet in February 2017, which advised a projected outturn deficit of £21.3m.

- 1.7. The provisional outturn report gives the opportunity to consider the overall financial performance of the Authority at the end of March 2017. It provides some information on which the Council's Statement of Accounts will be based and will remain provisional until the conclusion of the statutory audit process.
- 1.8. The revised capital programme budget for the 2016/17 was £202.8m and expenditure was £112.5m. The majority of the underspend of £90.3m (45%) relates to slippage in programme delivery and therefore it is proposed that the budget will be rolled forward to future years of the capital programme.
- 1.9. The 2016/17 (HRA) revenue net budget was set at £14.9m surplus. The provisional revenue outturn for the HRA is an underspend of £10.7m giving a total surplus in the year of £24.6m to be transferred to HRA reserves to fund the HRA capital investment programme.

2. Cabinet Member Introduction

- 2.1. The Period 9 monitor to Cabinet on 14th February 2017 set out a draft quarter 3 (December 2016) position of a net £21.3m overspend requiring an additional drawn down from General Fund Reserves. The final 2016/17 end of year outturn position in this report shows the Council had an overall deficit (overspend) of £16.1m. This represents a £5.2m improvement on the position previously reported to Cabinet but is still a significant concern.
- 2.2. The key areas of overspend were in relation to Adult and Children's social care and temporary accommodation. However, the financial impacts of the continued increase in demand were projected early in the year and so management actions were able to be implemented to mitigate those pressures without which the overspend is likely to have been significantly higher. These areas will remain a key focus for management actions in the next financial year.
- 2.3. There were also a number of one-off sources of income which have helped strengthen reserves in 16/17 particularly in relation to the transformation reserve. This is important to ensure that the Council has sufficient resources to invest in digital and other solutions to meet the challenging MTFS savings proposals.
- 2.4. This is the second consecutive financial year that the Council has reported a significant revenue outturn deficit to budget. The total drawn from reserves in these two years to mitigate overspend is around £22.8m.
- 2.5. Our financial prudence in previous financial years has meant that we were able to use reserves in 2016/17 to smooth the impact of government cuts and the resulting overspend due to delay in implementing planned efficiencies. However, reliance on reserves is not sustainable in the long run. Therefore, it is critical that strong financial

controls are developed and put in place to ensure that the Council is in a position to spend in line with planned budget in 2017/18.

- 2.6. We must also substantially pick up the pace of transformation in the demand-led areas of Adult Services, Children Services and Temporary Accommodation if we are to avoid significant overspends in 2017/18 as together these services account for nearly 70% of the Council's net expenditure.
- 2.7. I will be working closely with the CFO, Deputy CFO and broader Corporate Leadership Group to ensure that there are plans in place to accelerate the delivery of the Medium Term Financial Strategy.
- 2.8. This final outturn will be reflected in the Council's Statement of Accounts, which will be signed for audit by the Chief Financial Officer before 18th June 2017.

3. Recommendations

- 3.1. Cabinet is recommended to:
 - a. Note the provisional revenue and capital outturn for 2016/17 as detailed in the report;
 - b. Approve revenue carry forward requests of £9.4m at Appendix 1;
 - c. Approve capital carry forwards requests totalling £81.6m at Appendix 2;
 - d. Approve the use of reserves as set out in Appendix 3;
 - e. Approve the quarter 4 capital budget virements at Appendix 4;
 - f. Approve the quarter 4 revenue budget virements at Appendix 4; and
 - g. Approve the revised MTFS capital programme profile set out in section 17 of this report.

4. Alternative Option considered

- 4.1. The report of the council's outturn and management of the financial resources is a key part of the role of the Chief Operating Officer (Section 151 Officer) and no other options have therefore been considered.

5. Provisional General Fund revenue outturn 16/17

5.1. The General Fund revenue expenditure at the end of March 2017 before reserves transfer was £271.7m against budget of £255.6m. This resulted in a deficit (overspend) position of £16.1m. Table 1 below sets out net expenditure against budget at assistant directorate level and also provides the variance to budget and also compares outturn to Q3 forecast.

Table 1 – General Fund Provisional Outturn 2016/17

	Revised Budget	Forecast Outturn	Forecast Variance	Forecast Variance	Movement from
	Period 12	Period 12	Period 12	Q3	Q3
	£'000	£'000	£'000	£'000	£'000
Leader and Chief Executive Officer	2,887	2,472	(415)	(189)	(226)
Deputy Chief Executive					
AH Director for Adult Social Services	74,100	86,518	12,418	12,441	(23)
CY Director Of Children Services	46,958	54,785	7,827	5,717	2,110
Public Health, Commissioning & Other	41,355	42,592	1,237	167	1,070
Deputy Chief Executive	162,412	183,895	21,482	18,325	3,157
Chief Operating Officer					
Commercial & Operations	38,010	39,811	1,801	926	875
Other (SSC, Customer Services)	20,112	14,813	(5,299)	(282)	(5,017)
Chief Operating Officer Total	58,122	54,624	(3,498)	644	(4,142)
Regeneration, Planning & Development					
Housing General Fund	14,543	21,562	7,019	7,325	(306)
Regeneration, Planning & Development	11,159	8,627	(2,532)	(435)	(2,097)
Regeneration, Planning & Development total	25,702	30,189	4,488	6,890	(2,402)
Total for service areas	249,123	271,180	22,057	25,670	(3,613)
Non service Revenue	6,504	525	(5,979)	(5,428)	(551)
Contract Procurement savings	-	-	-	1,060	(1,060)
TOTAL	255,627	271,705	16,079	21,302	(5,223)

5.2. As previously reported to Cabinet, three areas have accounted for the majority of the overspend; Adults Social Care (£12.4m), Childrens Social Care (£7.8m) and Temporary Accommodation (£7m). The demand led nature of these services made it difficult for cost to be contained within the approved budget. These underlying budget pressures have been addressed in the 2017/18 budget, so these services are expected to spend in line with approved budgets in 2017/18.

5.3. The Chief Operating Officer directorate budget had a net surplus of £3.5m due mainly to a one off benefit arising from the recognition of housing benefit overpayment.

5.4. Non Service Revenue budget also had underspend arising from not needing to draw on a budget that had been set aside for pensions auto-enrolment (£1.8m), underspends on capital financing (£1.9m) and general contingency budget (£2.5m).

Housing Revenue Account

- 5.5. The provisional outturn for the HRA is an underspend position of £10.7m against budgeted surplus of £14.9m. Total surplus at year end is therefore £25.6m taking into account the year end underspend. It should be noted that HRA surpluses are ringfenced and cannot be used for General Fund purposes. Section 14 of the report details the reason for underspend in the HRA.

Capital Programme

- 5.6. Capital programme outturn shows that 57% (£112.7m) out of a revised budget of £202.8m had been spent. Unspent capital budgets along with source of financing are carried forward to be spent in future years. The 2017/18 capital programme has been updated to reflect these carry forwards and Cabinet is asked to approve the revised capital programme budget

6. Revenue Finance Overview

- 6.1. Table 1 above summarises the provisional revenue outturn position for the General Fund. The table shows the position before transfers to or from reserves and the provisional outturn is compared against reported forecast at Q3.
- 6.2. Services are able to request that a reserve is created, if certain relevant criteria have been met and the request has been approved by the Chief Finance Officer. Cabinet is advised of new reserves request and is asked to agree that they are created as part of this report. Once a reserve has been created, the relevant service manage the use of the reserve and are able to drawdown against the reserve to mitigate future costs that meet the purpose for which the reserve was established.
- 6.3. A summary of the Council's reserves is included at Appendix 3 - it shows where proposed transfers to or from reserves have been made and Cabinet is asked to agree these proposed transfers.
- 6.4. The Council's Medium Term Financial Strategy (MTFS) shows that the Council faces significant financial challenges in the short to medium term. The Chief Finance Officer sees the strategic use of reserves as an important component of supporting the successful setting and delivery of a balanced Medium Term Financial Strategy (MTFS).
- 6.5. A summary of outturn position for each assistant directorate is set out below.

7. Leader and Chief Executive Officer £0.4m underspend

- 7.1. The Leader and Chief Executive Office, which includes Corporate Governance and the Policy and Business Management services has an underspend of £0.4m against a budget of £2.9m. The service was able to mitigate budget pressures arising from the BREXIT referendum and local by-elections by generating better than expected income from legal services.

8. Chief Operating Officer £3.5m underspend

- 8.1. The Chief Operating Officer (COO) directorate, which includes Customer Services, Commercial and Operations, Shared Service Centre and Transformation and Resources services, had net underspend of £3.5m against a total budget of £58.1m. A summary of the position for each of the services is set out below.

Commercial and Operations

- 8.2. There was an overspend position within Commercial and Operations of £1.8m. Of the overspend, £1.4m relate to a number of legacy issues which were outside of the Service's control, but prevented achievement of planned efficiencies. The remaining £0.4m is made up of overspends in Traffic Management and Neighbourhood Action teams and a small underspend in Direct Services.
- 8.3. The Traffic Management service was unable to implement two savings initiatives relating to new way of parking enforcement (£0.6m) and the introduction of LED street lighting (£0.4m). Some of the overspend resulting from these were mitigated by an increase in income from CCTV traffic enforcement cameras and controlled parking zone enforcement (£0.7m), However, this was not enough to return the business unit to a balanced budget position.
- 8.4. All other services within Commercial and Operations ended the year in a break even position except for the Neighbourhood Action team which overspent by £0.2m due to the additional costs of temporary staff and Direct Services which underspent by £0.1m.

The overspend of £1.8m within Commercial and Operations has been offset by a £5.3m underspend in other COO areas.

Other – Shared Service Centre

- 8.5. Following the 2015/16 external audit and after the 2016/17 budget had been set, the Council, based on audit recommendation adopted an accounting policy that meant that the Council recognised housing benefit debtors that have arisen as a result of benefit overpayment. This created a one-off benefit in 2016/17 of £3.1m of additional income.

Other – Customer Services

- 8.6. Customer Services overspent by £0.1m. The budget overspend was due to delays in implementing the planned restructure of the service. Whereas the original implementation date was 1 April 2016, the restructure did not fully become operational until December 2016. Mitigating actions taken in year helped to manage the pressure, but these were not enough to fully compensate for the delay.

Other – Chief Operating Officer

- 8.7. Within the Chief Operating Officer's area, the pension's auto-enrolment budget of £1.8m, a provision which had been made to mitigate anticipated budget pressure arising from a refresh of auto-enrolment at the new staging date for staff that were not enrolled at the original staging date in 2014, was not required. This was as a result of a reduction in the Council's establishment and lower than expected enrolment in the pension fund meant that this provision was not required in year.

9. Deputy Chief Executive £21.7m overspend

- 9.1. The Deputy Chief Executive (DCE) directorate accounts for approximately two thirds of the Council's net budget. Within the directorate are some of the major frontline services provided by the Council, but it also means that these services face the greatest demand pressures. Therefore, the majority of the reported overspend has occurred as a result of demand outstripping budgeted resources in the year.

Adult Social Services

- 9.2. The cost of care packages in Adults Services faced the most pressure throughout the year, but the expectation of overspend had been reported as early as period 2 of the financial year. At that point, cost of care packages was forecast to overspend by £17.3m. However, through management action the outturn position is 33% (£5.8m) lower than the original forecast overspend. The outturn position for cost of care packages is £11.5m overspend against a budget of £57.8m.
- 9.3. Other services within Adult Social Care that had noteworthy overspends are Osbourne Grove (£0.5m) due to a delay in the implementation of planned efficiencies; and Learning Disabilities (£0.8m) also because of a delay in implementing planned efficiency initiatives relating to the reconfiguration of the Day opportunities for learning disabilities clients. However, some of the overspend arising from the Learning Disability overspend was partially mitigated by staff salaries underspend in the Assessment and Social Work teams.
- 9.4. Total overspend for Adult Social Services at the end of the year was £12.4m against a budget of £74.1m.

Children and Young People

- 9.5. The Looked After Children (LAC) service has reported an overspend position throughout the year. The service was unable to find any mitigating actions to reduce the projected overspend, therefore ended the year with an overall overspend of £5.1m. Further breakdown of overspend in LAC include: £2.8m overspend in increased payments to providers and carers within Social Care Placements; £1.8m overspend in Social Care Workforce overspend due to delay in implementing planned service restructure; and £0.2m overspend on non-staffing budget within the “No Recourse to Public Funding (NRPF)”, due to a significant increase in the number of families being supported.
- 9.6. There are other overspends within Children and Young People totalling £2.5m including £800k relating to Home to Schools Transport service, which was due to higher than expected numbers of children requiring the service and consequently more buses and taxis needed to support the demand. Disabled Carers Respite overspent by £400k mainly as a result of the complexity of the needs of the cohort of children being more severe than initially anticipated.
- 9.7. Special Education Needs and Disability (SEND) Top Ups budget overspent by £1.3m largely due to the higher than expected pupil numbers requiring additional level of support. Budget overspend in CYP was partially offset by underspend in Early Help and Targeted Response team (£0.4m) due to better than expected ‘payment by results’ income.
- 9.8. Total overspend in Children and Young People at the end of the year was £7.8m against a budget of £47.0m.

10. Regeneration, Planning & Development £4.6m overspend

Housing General Fund

- 10.1. Housing services which includes Community and Commissioned services overspent their budgets by a net amount of £7.0m against a budget of £14.5m.
- 10.2. Cost pressure arising from having to provide temporary accommodation for households in the borough is the reason for overspends in this area. As a result of management action, including the embedding of a Chief Immigration Officer, which has had an effect on the time taken to resolve cases, and also other mitigating actions led to the number of households requiring temporary accommodation in the Borough to stabilise.
- 10.3. The budget overspend in 2016/17 is £7.7m, but the underlying budget pressure in the temporary accommodation budget has been addressed for 2017/18, so the expectation is that budget performance will be in line with approved budget in future.

- 10.4. The underspend position of £0.7m in Housing Commissioned services partly offset overspend in Community Housing. The underspend position in this service is due to less reliance on agency staff as permanent staff have been employed following a service restructure.

Other Regeneration, Planning and Development

- 10.5. The remainder of services within Regeneration, Planning and Development reported net underspend of £2.5m due mainly to slippage in projects relating to Crossrail and Wood Green Area action plan and the European Social Fund projects in the borough. These funds will be transferred to reserves to be spent in future years by the service to deliver these projects. Therefore, cannot be used to reduce overspend in 2016/17.

11. Non Service Revenue £6.0m underspend

- 11.1. The underspend in Non Service Revenue (NSR) budget is as a result of the Council not requiring to use its contingency budget (£2.5m) and treasury management strategy that has facilitated underspend in debt financing (£3.5m) expenditure for the year.

Contract Procurement £1.1m overspend

12. Savings that are cross cutting are usually held in NSR and allocated to service budgets once delivered. Within the Medium-Term Financial Strategy there was an expected c£1.9m of savings in contract costs over 2015/16 and 2016/17. Whilst the service has enabled c£2.98m savings during this period only £0.84m has been enabled as budget savings, but remaining amount has helped to reduce overspends in key service areas. Therefore since period 6 the forecast has shown an under-achievement position at year-end of £1.1m. Nevertheless, it is expected that the savings will increase in 2017/18 as the benefits of the implementation of the Dynamic Purchasing System (DPS) are felt.

13. Council Tax £6.1m underspend

- 13.1. The Council has a statutory obligation to maintain a separate ring-fenced account for the collection council tax. The council tax scheme is designed to be self balancing. Therefore an estimate of any accumulated surplus or deficit is made each year and factored into the following year's tax requirement. In this way, most of the benefit or burden of any in-year variance is received or borne by taxpayers in the following year.
- 13.2. Monies received into the Collection Fund are distributed between the Council (81.4%) and its preceptor, the GLA, (18.6%) based on their respective shares. In year collection of Council tax stand at 96.15% which compares favourably with the Council's comparator group and

shows a slight improvement on 2015/16 performance. This performance along with other factors such as reduction in single persons discount resulted in a surplus of £6.6m available for distribution in 2017/18.

**14. Business Rates
overspend**

£0.4m

- 14.1. In 2016/17, the business rates collection performance was 98.4% - a slight improvement from last year's performance. The Council retained 30% of business rates collected in 2016/17, 50% was transferred to central government and 20% to the GLA.
- 14.2. The business rates collection underperformed expectation in 2016/17 resulting in £0.4m which will be recognised in 2017/18 financial year.

15. HRA revenue outturn 16/17

£10.7m underspend

- 15.1. The provisional HRA revenue outturn is a budget underspend of £10.7m achieved by overachieving on income (£1m) and underspending on expenditure by £9.7m. The HRA outturn summary is set out in Table 2.
- 15.2. The main cause of underspends in the HRA relate to better than expected outcomes on a number of charges to the Account. The treasury management strategy that benefitted the General Fund had a similar impact on the HRAs debt financing charges in the year resulting in underspend of £3.6m. Depreciation charges in the year were also below budget producing underspend of £3.0m.
- 15.3. Housing Management budget had underspend of £0.8m due to lower than expected water rates and council tax charges. Other Property Cost budget underspent by £1m due to savings on the Leaseholder Insurance charge to the Account. Similarly, General Fund recharges were below expectation due to a delay in the Estate Regeneration Programme, underspending by £1.7m.
- 15.4. However, the favourable budget variances in these areas are offset by pressures arising from the managed budgets including in respect of garage income and the Homes for Haringey management fee (£0.6m).
- 15.5. On the income side, the HRA overachieved income on Dwelling Rental (£0.5m), Hostel Rental (£0.5m) and Leaseholder Service Charges (£0.7m) income budgets. The resulting underspend was slightly offset by underachievement of income in Tenant Services (£0.4m), Non

Dwelling Rents (£0.1m) and Miscellaneous income (£0.2m) budgets given net overall underspend against the income budget of £1m. The under recovery of income in these areas were largely due to a shortfall in garage rents against budget and income in respect of tenants' service charges.

Table 2 HRA Summary Revenue Outturn

HRA Budget 2016/17 I&E Account	2016/17 Original Budget	2016/17 Revised Budget	2016/17 Draft Outturn	YTD Variance
	£000's	£000's	£000's	£000's
Income				
Dwelling Rental Income	(82,850)	(82,850)	(83,359)	(509)
Non Dwelling Rents	(3,129)	(2,996)	(2,886)	110
Hostel Rental Income	(2,364)	(1,847)	(2,341)	(494)
Leasehold Service Charge Income	(7,101)	(7,101)	(7,819)	(718)
Tenant Service Charge Income	(11,376)	(11,276)	(10,893)	383
Miscellaneous Income	(7,155)	(7,155)	(6,936)	218
Supported Housing - SP Grant	(1,343)	0	0	0
Total Income	(115,319)	(113,225)	(114,234)	(1,009)
Expenditure				
Non-HfH Estates Costs	7,447	7,454	7,464	10
Housing Management Costs & NNDR	6,399	6,373	5,584	(789)
Repairs & Maintenance	4,540	4,540	4,540	(0)
Bad Debt Provision	1,022	1,022	1,004	(18)
Hostel Expenditure	579	579	348	(231)
Supported Housing	1,741	0	0	0
Community Alarm	1,626	1,433	1,521	87
Regeneration Team Recharge	805	805	871	66
Other Property Costs	1,233	2,486	1,456	(1,030)
General Fund Recharges	7,037	6,605	4,909	(1,696)
Capital Financing Costs	10,900	13,216	9,558	(3,658)
Depreciation Charge	18,000	18,000	14,972	(3,028)
Management Fee	35,609	35,855	36,453	599
Total Expenditure	96,937	98,366	88,680	(9,686)
(Surplus) for the year on HRA services	(18,382)	(14,859)	(25,554)	(10,695)

16. Dedicated Schools Grant

£0.45m overspend

16.1. Table 3 below sets out the final position on the Dedicated Schools Grant for 2016/17. This show a deficit of £0.45m resulting from overspend of

£1.3m in High Needs block which is offset by underspends in Schools (£0.48m) and Early Years (£0.37m) services.

Table 3 - Dedicated School Grant outturn summary

2016/17 DSG	Budget	Outturn	Variance
	£'000	£'000	£'000
Schools Block	143,637	143,158	(479)
Early Years Block	15,450	15,083	(367)
High Needs Block	30,300	31,597	1,297
Total DSG	189,387	189,838	451

17. Capital Programme Outturn

- 17.1. At its meeting in June 2016 Cabinet agreed a 10 year capital strategy and programme with 2016/17 being year 1. The approved General Fund capital programme for 2016/17 was set at £115.2m and the Housing Revenue Account capital programme at £83.8m.
- 17.2. Table 4 set out the outturn position against the revised budget following proposed quarter 4 virements.

TABLE 4 – CAPITAL OUTTURN SUMMARY

	Revised Budget	Provisional Outturn	Variance
	£'000	£'000	£'000
Priority 1	15,132	7,838	-7,294
Priority 2	2,584	1,559	-1,025
Priority 3	19,825	13,554	-6,271
Priority 4	59,690	26,961	-32,729
Priority 5	5,875	909	-4,966
Priority X	15,272	4,499	-10,773
Contingency	666	0	-666
General Fund Total	119,044	55,320	-63,724
Housing Revenue Account	83,775	57,209	-26,566
Total	202,819	112,529	-90,290

- 17.3. The General Fund budget has been revised upward by £3.8m to account for additional grant funding from TfL (£3.0m) for the Wightman Road Bridge and additional GLA resources being allocated for the NDP schemes (£0.8m).
- 17.4. Detailed, individual project carry forward request are set out in Appendix 2. A summary of the outturn position is set out at priority level below.

Priority 1

- 17.5. The primary and secondary school modernisation and enhancement programme (£8.1m) has been delayed due to ongoing condition assessment of the assets and the establishment of a programme of work for the next five years following those assessments. This gives rise to underspend of £7.3m out of a total capital budget of £15.1m for Priority 1.

Priority 2

The disabled facilities grant capital budget underspent by £1m, which accounts for most of the underspend in this area. The inability to gain access to residents' homes to enable installations to be carried out is the principal reason for the delay in the programme. Overall, this area underspent by £1.03m against a capital budget of £2.58m.

Priority 3

- 17.6. There has been some delay in the implementation of the planned capital expenditure in this area. Amongst delayed programme is the relocation of the CCTV control room (£2.1m) from its current location to the new Marsh Lane Depot. The commissioning of additional condition survey on Council's assets has caused delay with the wider programme in this area resulting in underspend of £2.4m. Also, the budget for developer contributions has underspent by £0.8m.
- 17.7. Capital expenditure in the year attributable to Priority 3 was £13.6m (70%) out of a budget of £19.3m leaving underspend of £5.7m.

Priority 4

- 17.8. The Priority 4 capital budget is complex and contains work streams that are by their nature difficult to predict in terms of the incidence of the expenditures (e.g. property acquisitions).
- 17.9. The High Road West acquisition (HRW) budget underspent this year by £1.54m – a request has been made to carry forward this underspend in order to be able to deliver acquisitions in future years. Unlike the HRW acquisition budget, the Tottenham and Wood Green regeneration scheme overspent its acquisitions budget by £1m due to more opportunities being available than was originally programmed. This scheme's budget will be re-profiled to reduce expenditure in 2017/18.
- 17.10. The delay of the Marsh Lane project has resulted in £8.1m underspend against planned expenditure in the year. Again, due to delays to the Alexandra Palace East Wing restoration project, the Council's match

funded contribution to this project was not wholly drawn down creating underspend of £2m.

- 17.11. The Wards Corner compulsory purchase order is now expected early in 2017/18 creating underspend of £9.2m. The Alexandra Palace maintenance budget underspent by £1.3m and will be taken to the approved capital programme contingency.
- 17.12. The Opportunity Investment Fund has underspent by £2.4m and the carry forward of this grant is the subject of discussion with the GLA. If the GLA agree that the grant is carried forward, the Council will be expected to provide match funding contribution of £0.5m.
- 17.13. Capital expenditure in the year attributable to Priority 4 was £28.8m (49%) out of a budget of £58.4m leaving underspend of £29.6m.

Priority 5

- 17.14. There were two major capital schemes within Priority 5 relating to the modular build programme and property acquisitions schemes. Whilst a significant amount of work was carried out during the year by Homes for Haringey and the Housing service on options for delivery, both schemes are now on hold pending the consideration of legal advice as to the best way to commission delivery. Therefore only £0.9m (15%) of a total capital budget of £5.9m was spent leaving underspend of £5m to be carried forward into future years.

Priority X

- 17.15. The three major schemes within this priority relate to the ICT Business Improvement Programme (£4.7m budget), Corporate ICT development programme (£2.3m budget) and the Face2Face programme to support customer service library improvements (£3.5m budget). These schemes are linked to MTFS savings proposals, the future ways of working programme and the new Shared Service arrangement for ICT. The shared services budget underspent by £4.6m. The corporate IT board and the evergreening budgets underspent by £3.6m. Phase one of the F2F scheme has been largely completed and plans are being put into place to invest the balance of funding. Further plans are being scoped for the other projects through the Future Ways of Working and the Shared Digital Board.
- 17.16. Overall, capital expenditure for Priority X in the year amounted to £4.5m (29%) of planned budget of £15.7m resulting in underspend of £11.2m.

Housing Revenue Account

- 17.17. The HRA capital expenditure at year end stands at £57.2m (68%) out of planned budget of £83.8m resulting in underspend of £26.6m.
- 17.18. Some of the schemes contributing to the underspend include the leaseholder buyback programme, the underspend on this scheme mostly caused by the front loading of the budget (£9.6m). Other

contributors were stock acquisition budget (£7m) underspending by £6.7m and the new build budget has underspend of £2m.

- 17.19. Attached at Appendix 2 is a list of proposed carry forward budgets. Haringey has a large and complex capital programme and is in the early stages of its current 10-year programme. It is anticipated that the pace of delivery of the 10-year programme will increase in 2017/18.

18. Revised Capital Programme

- 18.1. The revised capital programme for 2017/18-2021/22, taking into account the budgets carried forward and the latest re-profiled estimates for the Haringey Development Vehicle related projects, is set out below.

Table 5 – Revised Capital Programme (2017/18 – 2021/22)

	Original 2017/18 Budget	Carry Fwd and HDV	Revised 2017/18 Budget	Revised 2018/19 Budget	Revised 2019/20 Budget	Revised 2020/21 Budget	Revised 2021/22 Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Priority 1	6,050	7,300	13,350	6,620	6,620	26,020	18,000
Priority 2	1,868	1,025	2,893	1,818	1,818	1,818	1,818
Priority 3	13,470	5,925	19,395	13,090	10,710	10,250	10,370
Priority 4	38,960	26,225	66,185	26,307	44,030	29,125	36,075
Priority 5	11,465	4,966	16,431	11,665	12,885	3,525	525
Priority X	5,274	11,413	16,687	6,450	6,950	9,350	10,950
General Fund Total	78,087	56,854	134,941	65,950	83,013	80,088	77,738
Housing Revenue Account	43,991	24,910	68,901				
Total	122,078	81,764	203,842	65,950	83,013	80,088	77,738

19. Reserves

- 19.1. Revenue reserves are amounts set aside by the Council to fund future growth and investment needs and to counter financial risk. These include general reserves/balances that must be maintained by the Councils. It should be noted that reserves can only be used for the purposes for which they were created unless Cabinet approval is obtained to change its use. The reserves movements in 2016/17 are set out in Appendix 3.
- 19.2. The original 2016/17 budget required the use of £1.9m of General Fund reserves to set a balance budget.
- 19.3. In February 2017, a revised Treasury Management Strategy was approved by Full Council which included a revision to the Council's Minimum Revenue Provision policy. This resulted in £7.9m revenue saving which was planned to be used to rebalance the Transformation Reserve in order to provide additional funding for the savings and future ways of working transformation agenda.
- 19.4. The MTFs report that went to Cabinet in February 2017 indicated a need to transfer £25m to GF reserve in order to maintain a general balance of £15m based on an estimated overspend of £21m.

- 19.5. As a result of the reduced overspend position and clarification of other reserve movements, it is now proposed to move a sum of £13m to General Fund balances after taking account of planned contributions from MRP savings (£7.9m) and additional 15/16 Council Tax surplus (£3.1m).
- 19.6. This will leave a General Fund working balance of £15.0m and Earmarked Reserves of £48.6m. It should be noted that £8.8m has been approved to be used to enable a balanced budget for 2017/18 to be set which will, if required, reduce reserves further.

20. Conclusion

- 20.1. Overall at the end of the 2016/17 financial year, the General Fund shows a £16.1m overspend position which will be met from the General Fund reserve as previously reported to Cabinet.
- 20.2. The majority of overspend in 2016/17 have arisen due to underachievement of planned efficiency savings and demand pressures in adult social care, children social care and temporary accommodation which were forecast earlier in the financial year and enabled mitigating actions to be taken to prevent the overspend increasing further.
- 20.3. There were also a number of one-off sources of income which have helped strengthen reserves particularly in relation to transformation resources which are going to be critical in delivering the significant transformation agenda required to deliver future years' savings.

21. Contribution to strategic outcomes

- 21.1. Adherence to strong and effective financial management will enable the Council to deliver all of its stated objectives and priorities.

22. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Chief Finance Officers Comments

- 22.1. There are no further Chief Finance Officer (CFO) comments or finance implications arising from this report. All related finance issues have been highlighted within the body of the report as this is a report of the CFO.

Assistant Director of Corporate Governance

- 22.2. The Assistant Director of Corporate Governance has been consulted on this report and confirms that all statutory and constitutional requirements have been addressed. There are no legal implications arising out of this report.

Equalities

22.3. There are no equalities issues arising from this report.

23. Use of Appendices

Appendix 1 – Revenue Carry Forwards

Appendix 2 – Capital Carry Forwards

Appendix 3 – Reserve Movements

Appendix 4 – Budget Virement List

24. Local Government (Access to Information) Act 1985

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

- Budget management papers
- Medium Term Financial Planning Reports

24.2. For access to the background papers or any further information please contact Jo Moore – Deputy Chief Finance Officer.

APPENDIX 1

YEAR END TRANSFERS TO RESERVES	£000s	YEAR END TRANSFERS FROM RESERVES	£000s
LEADER AND CHIEF EXECUTIVE		LEADER AND CHIEF EXECUTIVE	
Grant - Independent Electoral Registration	20	Insurance	142
CHIEF OPERATING OFFICER		CHIEF OPERATING OFFICER	
Leisure borrowing	1,300	IT Infrastructure Reserve	158
Leisure contract	53	Debt Repayment Reserve	1,300
Customer Services Transformation Project	94		
PFI Grant	1,059		
HR Transformation Funding	425		
Grant - MBRI supporting universal credit	54		
Grant - Implementation of Benefits cap	147		
DEPUTY CHIEF OPERATING OFFICER		DEPUTY CHIEF OPERATING OFFICER	
Children & Young People Transformation	114	DSG	451
Mental Health Commissioning	41	DSG Reserve for school cash set off	1,185
Childrens Centres Early Years	160		
Early Years	387		
Virtual school Trust Education Agency	43		
Schools & Learning - Governor Services	25		
Funding for excluded pupils	85		
Grant - Pupil Premium	22		
High Needs Grant	111		
Public Health	238		
DIRECTOR REGENERATION AND PLANNING		DIRECTOR REGENERATION AND PLANNING	
Labour Market Resilience	688	Tottenham including HRW	95
Regeneration restructure	61	Carbon Solar	8
Carbon Solar PV	140		
CIL admin income	100		
Tottenham including HRW	230		
Opportunity Investment Fund	2		
Enterprise Row Insurance proceeds	220		
Fountayne Business Centre	35		
HDV Transformation funding	219		
Wood Green Transformation Funding	375		
Housing older people service	300		
Grant - Homelessness	112		
Grant - Transport Challenge	76		
Total	6,936		3,339
HRA EMR requests			
Housing Strategy	1,462		
HRA smoothing reserve	331		
Homes for Haringey	629		
sub total	2,422		

CAPITAL CARRY FORWARDS

Scheme Number	Description	C/Fwd 2017/18 £000's
PRIORITY 1		
101	Repairs and Maintenance at Primary Schools expenditure less than anticipated across a range of small scheme	379
102	Primary Schools Modernisation and Enhancement expenditure has been less than budgeted due to scheme delays. However, a significant amount of the budget has now been committed.	3,726
103	Primary Schools New Places. The minor carry forward is to meet contractual commitments.	268
104	Early Years overspend due to a range of minor scheme overspends	-31
109	This budget contains the YOS and YAS relocation as well as the PDC relocation. The expenditure is required to complete these schemes	619
114	Secondary Schools R&M. The majority of the requested carry forward is to meet contractual commitments with the largest being Highgate Roofing Works at £583k.	1,379
199	This budget contains the programme contingency for the P1 capital programme (£849k) and a budget for adapting foster carers homes for children with disabilities	960
P1 – Total		7,300
PRIORITY 2		
201	Disabled Facilities Grant. It is proposed to carry forward this grant to utilise on suitable projects as and when they arise	828
206&207	The carry forward is requested to meet contractual obligations on the Ermine Road scheme and other minor expenditures	197
P2 – Total		1,025
PRIORITY 3		
301	Street Lighting. This budget slightly overspent and the overspend is being carried forward to 2017/18	-44
302	Borough Roads. Due to delays to schemes it is proposed to carry forward these resources to ensure their completion.	314
303	Highways Structures. Due to delays to schemes it is proposed to carry forward these resources to ensure their completion	178
305	Borough Parking Plan. This budget slightly overspent and the overspend is being carried forward to 2017/18	-23
307	CCTV Relocation. Due to delays on the Marsh Road Depot scheme this project did not incur any expenditure. The resources are still required	2,100
309	No carry forward required	0
310	Developer contributions. These resources need to be carried forward to ensure that the expenditure can occur	816
311, 313 & 314	These schemes are all related to the Parks Service. There are firm plans in place to utilise these resources in 2017/18	238
316	Asset Management of Council Buildings. There have been significant difficulties with the performance of the main contractor resulting in the underspend. It is requested that this resource is carried forward to 2019/20.	0
P3 – Total		3,579

APPENDIX 2

Scheme Number	Description	C/Fwd 2017/18 £000's
PRIORITY 4		
401	Tottenham Hale Green Space. The ongoing regeneration of the area will require continued budget support through this carry forward	504
402	Tottenham Hale Streets. The ongoing regeneration of the area will require continued budget support through this carry forward	282
403	Tottenham Regeneration. The ongoing regeneration of the area will require continued budget support through this carry forward	197
406	Discussion are ongoing with the GLA over the level of grant that they will make available in 2017/18 but a carry forward of LBH resources is required.	500
407	Growth on the High Road. The underspend has been due to delays in delivering a range of projects.	135
411	Tottenham high Road & Bruce Grove Station. Projects within the scheme have been delayed with the most significant being the Bruce Grove Station Forecourt. The carry forward is required to complete the scheme	663
415	North Tottenham Heritage Initiative. The scheme has been delayed and the carry forward required to meet commitments.	253
421	HRW Business Acquisition. Discussions with a number of business are ongoing and the carry forward is required to ensure completion of the scheme. The expenditure will ultimately be reimbursed to the Council via the appointed development partner.	1,543
429	Strategic Acquisitions. The Council acquired five properties and over achieved the budget. This carry forward will be deducted from the 2017/18 budget.	-983
430	Wards Corner CPO. There was no expenditure this year but the project is still ongoing and the budget will be needed.	9,200
434 & 435	Wood Green Regeneration. Delays to projects mean that a carry forward of resources is required to continue with the scheme.	437
438	Vacant possession of the Civic Centre. This has been delayed but the project will shortly be out to tender and the carry forward is required to fund the project.	92

APPENDIX 2

Scheme Number	Description	C/Fwd 2017/18 £000's
439	Ways of working. This is an ongoing project that has a number of commitments and the carry forward is required to complete the scheme	387
444	Marsh Lane Depot. After a steep increase in cost a review is being undertaken. The carry forward will be required to complete the scheme	8,124
445	Hornsey Town Hall	543
446	Alexandra Park Heritage. The procurement by the trust of the main contractor was delayed whilst value engineering was undertaken resulting timing difference for the Council's contribution	2,000
447	Alexandra Pallace Maintenance. The budget loaded was incorrect. The carry forward is proposed for the overall approved capital programme contingency	1,338
450	Winkfield Road. The development of options has taken longer than expected. The carry forward is required in order to deliver vacant possession to allow for disposal for affordable housing.	225
452	Low Carbon Zones	260
462	Western Road Recycling. Unbudgeted expenditure carried forward to be met from P4 overall resources	-23
464	Bruce Castle. Works delayed and carry forward needed to complete the project.	174
465	DEN. Minor overspends tht will need to be carried forward to 2017/18 budget	-4
499	Other. A range of minor over and under spends from old schemes. It is proposed that the carry forward is to the overall approved capital programme contingency.	378
P4 – Total		26,225
PRIORITY 5		
505, 506 & 599	Acquisition of temporary accommodation	4,966
P5 - Total		4.966
PRIORITY 6		
601-604	Business Improvement Programme/Corporate IT Board/Evergreening/Shared Services. This budget contains provision for the SSC tri-borough project that has been delayed. The carry forward is required to enable the project to complete.	8,227
605	Customer Services	1,120
606 & 621	F2F and Library ICT. There are firm plans for these areas and the resources are required in order to complete the projects	810
699	Approved Capital Programme contingency	1,056
P6 – Total		11,213
Total GF		54,308

APPENDIX 2

Scheme Number	Description	C/Fwd 2017/18 £000's
HRA		
590	Homes for Haringey is requesting permission to carry forward £6.2m from the 2016/17 Capital Programme to fund the Decent Homes contractual commitment from the 2016/17 programme. This will enable the 2017 Major Works budget to fund the new projects starting this year which will enable more homes to be made decent in 2017/18.	6,223
591	The funding is required to acquire leaseholder properties on the Love Lane estate, with 79 leaseholders interested. The Council has an obligation to acquire these properties, as agreed by Cabinet in 2014.	6,967
592	The funding is required to acquire leaseholder properties on the Love Lane estate, with 79 leaseholders interested. The Council has an obligation to acquire these properties. This includes homeless disturbance payments.	2,121
593	New supply to meet housing needs, and use RTB receipts to avoid repayment with high interest charge.	6,420
594	The programme is a year behind and commitments to Borrás Construction is £3,300,000, which will be covered by the carry forward amount.	3,179
Total HRA		24,910
Grand Total (2017/18)		79,218
2019/20 C/Fwd		£'000
316	Asset Management of Council Buildings. There have been significant difficulties with the performance of the main contractor resulting in a significant underspend. It is requested that this resource is carried forward 2019/20	2,346
Total (2018/19)		81,564

TRANSFERS TO/FROM RESERVES

	Balance 01/04/16	2016/17 movements				Balance 31/03/17
		To reserve	From reserve	Realign	16/17 Outturn	
Service Reserves	(5,552)	(5,064)	2,303	-	-	(8,313)
Insurance Reserve	(10,004)	(778)	919	5,000	-	(4,863)
PFI Lifecycle Reserve	(9,772)	(1,059)	1,815	-	-	(9,016)
IT infrastructure Reserve	(996)	-	158	-	-	(838)
Accommodation Strategy	(442)	-	-	-	-	(442)
Transformation	(7,766)	(7,900)	5,327	-	-	(10,339)
Financing Reserve	(5,810)	(3,070)	-	8,000	-	(880)
Debt Repayment Reserve	(5,259)	(1,394)	1,550	-	-	(5,103)
Community infrastructure reserve	(3,000)	-	-	-	-	(3,000)
Urban renewal reserve	(1,403)	-	1,119	-	-	(284)
Unspent Grants Reserve	(3,795)	(543)	825	-	-	(3,513)
Labour Market Growth Resilience Reserve	(1,789)	(688)	898	-	-	(1,579)
Risk Reserve	(400)	-	-	-	-	(400)
Total Earmarked Reserves	(55,988)	(20,496)	14,914	13,000	-	(48,570)
General Fund Balance	(20,004)	-	1,919	(13,000)	16,079	(15,006)

2016/17 QUARTER 4 VIREMENT LIST

Description	Amount
REVENUE VIREMENTS	£
BUSINESS OWNER VALUATION & LEGAL FEES	250,000
FINAL CARE ACT FUNDING ALLOC 2015& 2016	340,000
CARE ACT FUNDING 2016/17	556,300
STAFFING BUDGET RE-ALIGNMENT	282,800
MARSH LANE SALT STORE J750K	750,000
2016/17 REVISED DEPRECIATION BUDGET	23,304,840
2016/17 DEPRECIATION BUDGET	21,118,285
1.8M AUTO ENROLMENT ONE OFF	1,800,000
ALLOCATION OF BIP CAPITAL PROGRAMME FUNDING	1,379,900
PRIORITY 2 TRANSFORMATION PROGRAMME	1,000,000
HFH-GF TRANSFORMATION RESERVE BID 16/17	533,074
MRP / RESERVE CORRECTION	1,927,600
MRP / RESERVE CORRECTION REVERSAL	1,700,000
REVERSAL HFH GF TRANSF RES BID 2016/17	533,074
MRP / RESERVE TRANSFER	7,946,000
COLLECTION FUND 15/16 SURPLUS TRANSFERRED TO RESERVES	3,070,000
ADDITIONAL GRANT RECEIVED IN YEAR TO NON SERVICE REVENUE	556,300
CAPITAL VIREMENTS	
FEASIBILITY STUDY FOR A DECENTRALISED ENERGY NETWORK IN TOTTENHAM HALE	150,000
FEASIBILITY STUDY FOR A DECENTRALISED ENERGY NETWORK IN WOOD GREEN	150,000
FEASIBILITY STUDY FOR WALLTHOF	20,000
BUDGET CORRECTION FOR ALEXANDRA PALACE MAINTENANCE BUDGET	70,000
BUDGET FOR HORNSEY TOWN HALL	580,000