ISLINGTON

Finance and Resources Department

Report of: Executive Member for Finance, Performance and Community Safety

Meeting of:	**Date**	**Ward(s)**
Executive	9th February 2017	All
PPS	**14 March 2017**	

FINANCIAL MONITORING 2016-17 MONTH 9

1. SYNOPSIS

1.1 This report presents the forecast outturn position for 2016-17 as at 31st December 2016. Overall, there is a forecast gross General Fund overspend of £2.3m.

1.2 The Housing Revenue Account (HRA) is forecast to break-even over the year.

1.3 It is forecast that £112.5m of capital expenditure will be delivered in 2016-17.

2. RECOMMENDATIONS

2.1. To note the forecast revenue outturn for the General Fund (**Table 1 and Appendix 1**) of a gross overspend of £2.3m, including corporate items. (**Paragraph 3.1**)

2.2. To note the actions to reduce the forecast gross General Fund overspend, and that any remaining overspend at year-end will be covered by drawing down from the £3m corporate contingency budget. (**Paragraphs 3.2 and 3.3**)

2.3. To note that the net HRA forecast is a break-even position. (**Section 5, Table 1 and Appendix 1**)

2.4. To note the latest capital position with forecast capital expenditure of £112.5m in 2016-17. (**Section 6, Table 2** and **Appendix 2**)

3. REVENUE POSITION: SUMMARY

3.1. A summary position of the General Fund and Housing Revenue Account is shown in **Table 1** with a more detailed breakdown contained in **Appendix 1** (by service area).

Table 1: 2016-17 General Fund and HRA Month 9 Forecast

	Forecast Over/(Under) Spend (£000)
GENERAL FUND	
Finance and Resources	713
Chief Executive's Department	955
Core Children's Services (Excluding Schools)	3,580
Environment and Regeneration	3,080
Housing and Adult Social Services	(17)
Public Health	0
DEPARTMENTAL TOTAL	**8,311**
Corporate Items	(5,974)
GROSS OVER/(UNDER) SPEND	**2,337**
HOUSING REVENUE ACCOUNT	
NET (SURPLUS)/DEFICIT	**0**

3.2. To reduce the underlying, forecast General Fund overspend, the following actions are being undertaken to bring the 2016-17 budget into balance:

3.2.1. Corporate Directors are identifying further management actions to bring down their departmental overspends; and

3.2.2. There will be clawback, at a level to be agreed, on new carry-forwards at the end of this financial year.

3.3. Any remaining overspend at year-end will be covered by drawing down from the £3m corporate contingency budget.

4. GENERAL FUND

Finance and Resources Department (+£0.7m)

4.1. The Finance and Resources Department is forecasting an overspend of (+£0.7m). This is due to the following variances:

4.1.1. (+£1.2m) shortfall against the commercial property income target due to savings materialising over a longer time frame.

4.1.2. Re-phasing of the ICT shared service saving (+£0.5m) to allow the new service to get up and running.

4.1.3. Compensating in-year management actions of (-£0.65m) through the more efficient use of staff for processing Housing Benefit claims, and (-£0.35m) managed underspend in accommodation and facilities using the building repairs fund.

Chief Executive's Department (+£0.96m)

4.2. The Chief Executive's Department is currently projecting a (+£0.96m) overspend. This is as a result of the legacy overspend position in the Strategy and Community Partnerships division prior to the Chief Executive Department restructure that took effect on 1st October 2016. The legacy overspend relates to the following:

4.2.1. New Homes Bonus (NHB) grant funding was received over the 2015-17 period and it was planned that this would replace council funding and other reducing funding streams within the Strategy and Community Partnerships division. However, this funding was committed against other expenditure in the division, meaning that the budgeted savings were no longer deliverable. Efforts are continuing to identify savings to reduce the overspend further.

Children's Services

General Fund (+£3.58m)

4.3. A (+£3.58m) provisional outturn overspend is forecast for the General Fund (non-schools) Children's Services budget as a number of pressures against demand led specialist services have continued from 2015-16 into 2016-17; especially in relation to increasing numbers of personal budget packages, care proceedings, care leavers, unaccompanied asylum seeking children and looked after children. Further overspends are occurring against secure accommodation costs and from the late notice of a further cut in grant funding from the Youth Justice Board. An overspend is also forecast against the universal free school meals budget as pupil numbers continue to increase and eligibility for statutory free school meals reduces. The key variances are as follows:

4.3.1. Increased demand for high level personal budgets to deliver community based packages. (+£0.2m)

4.3.2. Leaving Care costs for 18+ year olds - significant increase in the number of care leavers that we are obliged to offer a service to. Includes rising 18's (Southwark judgement). (+£0.70m)

4.3.3. Unaccompanied Asylum Seeker Children (UASC) - the numbers of UASC have increased by 36 over the duration of the last financial year. The authority is allocated grant to cover the costs of an individual; however, this is not sufficient to meet the sums expended. The first 25 cases are not funded by the Home Office. (+£0.15m)

4.3.4. Children Looked After (CLA) staffing including Independent Futures and the associated increase on client (non-placement) costs (e.g. travel, interpreters, and rents). (+£0.15m)

4.3.5. Increase in support packages for young people placed for Adoption because of severe disability and the need for 1 to 1 support to carers. (+£0.1m)

4.3.6. CLA Placements – increase in the number and complexity of cases for the under-18 cohort of CLA. These are mainly regulated residential placements. (+£0.70m)

4.3.7. Increase in support for 16-17 years olds living in supported accommodation. (+£0.60m)

4.3.8. Youth Justice – late notification of £40k reduction of Youth Justice Board grant for 2016-17. (+£0.04m)

4.3.9. Disabled Children's Services – re-phasing of savings from the service review and rationalisation. (+£0.15m)

4.3.10. Universal Free School Meals - increased pupil numbers and reduced eligibility for statutory free school meals. The forecast will be updated after the October 2016 schools' census. (+£0.5m)

4.3.11. Holloway Pool Subsidy – savings from the removal of subsidy will not be realised in full. (+£0.06m)

4.3.12. Special Educational Needs (SEN) Transport (+£0.65m) - Increasing numbers of pupils and complexity of need.

4.3.13. Children's Centres - net overspend from bringing Westbourne Children's Centre back in house (General Fund share). (+£0.03m)

4.3.14. Short Breaks - increased use of targeted short breaks services by families assessed as requiring a personal budget. (+£0.04m)

4.3.15. Cardfields - overspend against premises costs as business rates have not previously been levied against this facility. (+£0.015m)

4.3.16. Grant Aid - underspend due to a different profile in take up of subsidised childcare than budgeted for. (-£0.04m)

4.3.17. Central staffing underspend of (-£0.165m).

4.3.18. Universal Youth - forecast short-term underspend as previously decommissioned services are re-commissioned. (-£0.3m)

4.4. Management action to reduce the overspend is currently underway which includes holding vacancies and reviewing high-cost social care packages, but demand in some areas is outstripping supply.

Schools (-£0.1m)

4.5. A Dedicated Schools Grant (DSG) underspend of (-£0.1m) is forecast. All of the provisional DSG underspend consists of balances from previous years' underspends that are being managed to support specific areas of activity as previously agreed by Schools Forum.

Environment and Regeneration (+£3.080m)

4.6. The Environment and Regeneration Department is forecasting a (+£3.080m) overspend.

4.7. The main reasons for the overspend are set out below and are a combination of longstanding structural issues previously contained by managerial action across the department, shortfalls in income due to market conditions or decisions made by third parties impacting on earlier assumptions and delays in implementing earlier savings decisions.

Public Realm Division (+£2.088m)

4.8. The Public Realm division is forecast to be £1.998m overspent. This is as a result of:

Delays in realising savings around waste collection and recycling services and not implementing the Village Principle and consequential operational costs (+£3.110m)

4.8.1. A communally based Food and Garden Waste service was proposed as part of the 2014-15 budget setting process. A pilot was agreed to start in June 2015 for three months (+£0.03m). The establishment of the basic elements of the waste and recycling collection services provides the platform for the delivery of the Village Principle. A much longer period of time was taken than anticipated to assess the Food and Garden pilot; to consider alternative options and for the necessary consultative and decision making processes to be completed. This has led to the non-delivery of the savings as originally predicted (+£1.9m). It has also led to additional operational costs to support an ageing fleet as decisions on fleet replacement have also been delayed (+£0.6m). Further to this extra staffing costs have been incurred to ensure vital frontline services are maintained as a result of vehicle breakdowns (+£0.555m) and additional door-to–door recycling containers are required for the new schedule launch in February 2017 (+£0.025m).

Shortfall in Trade Waste Income (+£0.372m)

4.8.2. The proposal was to progressively increase trade waste income by £1m over three years. Income is now gaining momentum as planned management actions take effect. The projection above is prudent and if the current rate of growth is maintained the overall shortfall could be as low as (+£0.25m).

Shortfall in Income from Advertising Concession contract (+£0.5m)

4.8.3. A survey of the whole borough had identified 60 premium advertising sites which could have generated income of around £9/10k each, totalling between £0.54m and £0.6m. These, however, were not granted planning permission by the Planning Committee. The current position is that planning permission has been granted for only 16 sites, the realisable market value of which are currently being established.

Use of Islington Trading Company (iCo) to deliver subsidy of (+£0.1m)

4.8.4. iCo is now trading in a number of areas – Trade Waste, Memorials, Schools Human Resources and Pest Control. It is likely that the level of activity will now deliver against the trading activity in these areas.

Parking Account (-£2.0m)

4.8.5. All income streams within the Parking Account are currently performing above the levels expected in the financial model and if this trend continues, will result in a significant underspend against budget which can be utilised against Highways and Transport related spend that would otherwise need to be funded from Council revenue and/or capital resources.

4.8.6. Improvements to the accuracy of Penalty Charge Notice (PCN) issues and debt recovery has increased the average value of a PCN, and parking bay suspension income remains high as a consequence of the high levels of economic activity in the borough. Pay and display levels are on target and permit sales have increased. Improvements to the monitoring of moving traffic offences are planned to be operational within the financial year that will also improve compliance levels in this area.

Other (+£0.006m)

4.8.7. Unachievable digital-led productivity gains saving. (+£0.1m)

4.8.8. There is an offsetting corporate allocation of (-£0.095m) relating to further legal costs on a settled claim against three privately owned mature London Plane trees that had been proven to cause subsidence. Due to strong public support, the Council argued for retaining the trees and won the appeal for the trees to be retained. The claimants then proceeded with a claim against the Council for repair costs.

4.8.9. Small overspends throughout the rest of the division of (+£0.001m).

<u>Public Protection Division (+£0.69m)</u>

4.9. There are a number of longstanding structural budget issues within the Public Protection Division that have materialised over recent years and were subject to extensive reporting during the 2015-16 monitoring cycle. These pressures, as reported during 2015-16, are detailed below:

4.9.1. (+£0.18m) pressure within business support mainly around cost pressures relating to staff budgets and non-staffing budgets around IT / licensing costs.

4.9.2. (+£0.14m) pressure in Houses in Multiple Occupation (HMO licensing) income with licenses lasting 5 years and income budgets remaining unachievable.

4.9.3. (+£0.14m) pressure relating to staff costs that were part funded by ‘Smoke-free’ grant that is no longer received.

4.9.4. (+£0.09m) pressure within the library service mainly around deteriorating income streams on DVD / music rentals and hall lettings.

4.9.5. (+£0.05m) pressure relating to a saving relating to loss of Public Health grant.

4.10. For 2016-17, budgets have been subject to a re-basing exercise and consequently all areas are around the breakeven position, with the identified budget shortfall described above, of around (+£0.6m), now labelled as management action. The division and department will look for actions and opportunities to reduce this deficit over the financial year; however, a decision has been taken to remove this deficit through a permanent departmental budget adjustment in 2017-18.

4.11. There is a continued downturn in Local Land Charges income of (+£0.1m).

4.12. The remaining service areas within this division are underspent by (-£0.01m).

Planning and Development Division (+£0.302m)

4.13. Development Management has cost pressures around the use of agency staff (used for vacancy and temporary cover) which is offset by an underspend on salaries due to vacant posts and strong pre-application income performance. The latter could reduce this net overspend position if this continues over the financial year. (+£0.026m)

4.14. The Building Control service is holding vacancies (-£0.135m) offset by a projected shortfall in income (+£0.2m), unfunded agency costs (+£0.1m), an unallocated saving of (+£0.08m) and an unbudgeted invoice of (+£0.04m) relating to a prior year Scootability payment within the Spatial Planning and Transport (SPAT) service.

4.15. The remaining service areas within the division are showing a slight underspend. (-£0.009m).

Housing and Adult Social Services (Break-even Position)

Adult Social Care (Break-even Position)

4.16. Adult Social Care is forecasting a break-even position over the financial year.

Housing General Fund (Break-even Position)

4.17. The Housing General Fund is forecast to break-even over the financial year.

Public Health (Break-even Position)

4.18. Public Health is funded via a ring-fenced grant of £27.3m for 2016-17. There is a forecast net break-even position for the financial year.

Corporate Items (-£6m)

4.19. By integrating Strategic Community Infrastructure Levy (CIL) funding with the capital medium term financial strategy (MTFS), it is forecast that there will be £3.5m of previously unbudgeted Strategic CIL funding available for funding infrastructure in the 2016-17 capital programme. This will deliver a saving of (-£3.5m) of the annual corporate revenue contribution to the capital programme in 2016-17 and over the medium term.

4.20. The Council has continued to follow a successful Treasury Management Strategy of shorter-term borrowing at low interest rates. This is forecast to save the General Fund (-£2.2m) in interest charges this financial year. The Treasury Management Strategy is kept under constant review to ensure that available resources are optimised and the longer-term interest rate position reviewed within an effective risk management framework and in line with the approved strategy.

4.21. Additional net unbudgeted grant income (-£0.6m) has been received to compensate for the impact of Government policy on our retained business rates income in 2016-17 (e.g. the continued doubling of small business rates relief).

4.22. The corporate position reflects the allocation of (-£1.6m) of HRA resources to the General Fund towards the digital services infrastructure projects/improvements that were agreed in the month 4 monitoring report.

4.23. These savings are partially offset by:

4.23.1. Corporate savings of (+£1.0m) being applied to the Environment and Regeneration pressure on the cross-cutting Wi-Fi concession saving due to a lack of suitable General Fund sites (this is a net-nil impact overall as the Environment and Regeneration overspend is reduced, in respect of this applied funding, by the same amount).

4.23.2. (+£0.8m) uncontrollable pressure due to the Council's statutory duty to provide assistance to all destitute clients who are Non-European Union nationals and can demonstrate need under Section 21 of the National Assistance Act, 1948. This is commonly referred to as No Recourse to Public Funds (NRPF).

4.23.3. (+£0.095m) further legal costs within Environment and Regeneration relating to a settled claim against three privately owned mature London Plane trees that had been proven to cause subsidence. This corporate adjustment offsets the costs within Environment and Regeneration.

5. HOUSING REVENUE ACCOUNT

5.1. The forecast outturn for the HRA is a gross surplus of (-£2.6m) to be transferred into the HRA risk equalisation reserve, leaving a break-even position overall.

5.2. The key reasons for the forecast gross (-£2.6m) surplus are:

5.2.1. An increase in rental income of (-£2m) due to the post budget setting confirmation that PFI properties were to be excluded from the 1% rent reduction.

5.2.2. A review of annual leaseholder service charges leading to an underlying increase in charges of £1m, applied to both 2015-16 actuals and 2016-17 estimates, meaning a (-£2m) increase in income.

5.2.3. Other additional net income, mainly in relation to charges for other services and facilities. (-£0.2m)

5.2.4. Offsetting this is a charge in respect of new digital services projects/improvements to IT infrastructure of (+£1.6m).

6. CAPITAL PROGRAMME

6.1. It is forecast that £112.5m of capital investment will be delivered in 2016-17. This is set out by department in **Table 2** below and detailed at **Appendix 2**.

Table 2: 2016-17 Capital Programme Month 9 Forecast

Department	2016-17 Revised Budget (£m)	2016-17 Capital Forecast (£m)	Forecast Re-profiling (to)/from Future Years (£m)
Children's Services	18.9	18.9	(0.0)
Environment and Regeneration	23.0	22.2	(0.8)
Housing and Adult Social Services	61.2	71.4	10.2
Finance and Resources	0.1	0.0	(0.1)
Total	**103.2**	**112.5**	**9.3**

7. IMPLICATIONS

Financial Implications

7.1. These are included in the main body of the report.

Legal Implications

7.2. The law requires that the Council must plan to balance its spending plans against resources to avoid a deficit occurring in any year. Members need to be reasonably satisfied that expenditure is being contained within budget and that the savings for the financial year will be achieved, to ensure that income and expenditure balance.

Environmental Implications

7.3. This report does not have any direct environmental implications.

Resident Impact Assessment

7.4. A resident impact assessment (RIA) was carried out for the 2016-17 Budget Report approved by Full Council. This report notes the financial performance to date but does not have direct policy implications, so a separate RIA is not required for this report.

Background papers: None

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Signed by

30 January 2017

Executive Member for Finance, Performance and Community Safety

Date