ISLINGTON

Resources Department
Newington Barrow Way, N7

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

Meeting of:	Date	Ward(s)
Executive	23rd November 2017	All

FINANCIAL MONITORING 2017-18 MONTH 6

1. SYNOPSIS

1.1 This report presents the forecast outturn position for 2017-18 as at 30th September 2017. Overall, there is a forecast gross General Fund overspend of £7.0m. This reflects the strain on the Council's budgets of increasing service pressures and ever dwindling Central Government funding. Action is required to bring this overspend down; otherwise the Council's reserves will be dangerously low going into 2018-19.

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

1.3 It is forecast that £124.6m of capital expenditure will be delivered in 2017-18.

2. RECOMMENDATIONS

2.1. To note the forecast revenue outturn for the General Fund (**Table 1**) of a gross overspend of £7.0m, including corporate items, an improvement of £2.6m over the past month. (**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 corporate contingency budgets in the first instance. (**Section 4**, **Paragraph 3.2 and Table 2**)

2.3. To note the breakdown of the forecast General Fund outturn by individual variance at **Appendix 1** and by service area at **Appendix 2**.

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

2.5. To note the latest capital position with forecast capital expenditure of £124.6m in 2017-18. (**Section 6, Table 3** and **Appendix 3**)

2.6. To note the Treasury Management mid-year 2017-18 update, including the regulatory update. (**Section 7**)

3. REVENUE POSITION: SUMMARY

3.1. A summary position of the General Fund and HRA is shown in **Table 1**, a breakdown by individual variance at **Appendix 1** and a breakdown by General Fund service area at **Appendix 2**. The General Fund forecast outturn has improved by £2.6m over the past month.

Table 1: 2017-18 General Fund and HRA Month 6 Forecast

	Forecast Over/(Under) Spend (£000)
GENERAL FUND	
Resources	(972)
Chief Executive's Department	(300)
Core Children's Services (Excluding Schools)	5,565
Environment and Regeneration	418
Housing and Adult Social Services	940
Public Health	0
DEPARTMENTAL TOTAL	**5,651**
Corporate Items	1,327
GROSS OVER/(UNDER) SPEND	**6,978**
HOUSING REVENUE ACCOUNT	
NET (SURPLUS)/DEFICIT	**0**

3.2. Any overspend at year-end will be covered by drawing down from corporate contingency budgets in the first instance. Prior year and current year corporate contingency budgets total £6.7m. If the forecast gross overspend remained at £7.0m, this would leave £0.3m to fund from other sources, including general balances. Departments are implementing management actions to dampen the level of the General Fund overspend in 2017-18 but further management actions are required to start to bring the level of the overspend down. After seven years of Central Government cuts, there are no easy management actions to take.

3.3. The Council, in comparison to others in London, has limited available reserves to cope with this financial pressure. It is important that all steps possible be taken during the financial year to bring spending back at least to the level of the corporate contingency budgets and ideally below. The estimated unallocated reserves that will be available to use at year end, not including the corporate contingency budgets, are shown in **Table 2** below:

Table 2: Unallocated Reserves

	2017-18 £m
Housing Benefit Reserve	4.5
General Fund Balances (excluding schools)	8.6
Redundancy Reserve (residual balance from 2016-17)	0.3
Total	**13.4**

4. GENERAL FUND

Resources Department (-£1.0m)

4.1. The Resources Department is forecasting, after management actions, an underspend of (-£1.0m) over the financial year with the key variances detailed in **Appendix 1**.

Chief Executive's Department (-£0.3m)

4.2. The Chief Executive's Department is forecasting an underspend of (-£0.3m) over the financial year with the key variances detailed in **Appendix 1**.

Children's Services - General Fund (+£5.57m), Schools (Break-Even)

4.3. The Children's Services Department is forecasting a (+£5.57m) General Fund overspend, the largest of any council service but not inconsistent with other similar councils. The key variances behind the General Fund net overspend are set out in **Appendix 1**.

4.4. Management actions being undertaken are as follows:

4.4.1. Vacancy management across services;

4.4.2. Review high cost packages and personal budgets;

4.4.3. Wider review of Children Look After placements, cost drivers and commissioning arrangements;

4.4.4. Review housing benefit collection arrangements;

4.4.5. Review dispersal arrangements for Unaccompanied Asylum Seeking Children – placing young people in other authorities where dispersal scheme is in operation;

4.4.6. Loss of £3m Dedicated Schools Grant funding mitigated by recycling early childhood transformation and childcare subsidy savings, disapplication from DSG funding regulations and funding identified through line by line DSG review; and

4.4.7. Reviewing contract arrangements and viability between the Council, Greenwich Leisure and relevant school bodies for Holloway Pool.

4.5. The schools' dedicated schools grant position is forecast at break-even.

Environment and Regeneration (+£0.418m)

4.6. The Environment and Regeneration Department is forecasting a (+£0.418m) overspend. The key variances behind this net overspend are set out in **Appendix 1**.

4.7. The management actions being taken to control these pressures are:

4.7.1. Regular monitoring of spend and income trends across the department to enable effective decisions to be taken.

4.7.2. Extensive work being undertaken within Street Environmental Services to control and monitor staff related spend in particular overtime levels, agency staff and sickness absence.

4.7.3. Vacancy and recruitment management across the department and control over non-essential expenditure.

4.7.4. On-going work to drive through service changes to deliver the delayed savings.

Housing and Adult Social Services (+£0.940m)

Adult Social Services (+£0.940m)

4.8. Adult Social Services is forecasting a (+£0.940m) overspend. The key variances behind this net overspend are set out in **Appendix 1**.

4.9. The management actions being taken to control the net overspend are:

4.9.1. Review of savings plans;

4.9.2. Finance training for all budget holders;

4.9.3. Review of all agency staff and establishments in order to reduce staffing pressure; and

4.9.4. Review of all current care packages to ensure projections have been made accurately.

Housing General Fund (Break-Even)

4.10. The Housing General Fund is forecasting a break-even position for the financial year.

Public Health (Break-Even)

4.11. Public Health is funded via a ring-fenced grant of £26.6m for 2017-18. There is a forecast net break-even position for the financial year.

Corporate Items (+£1.3m)

4.12. There is a (+£0.8m) uncontrollable cost 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).

4.13. (+£1.2m) of planned savings are now considered unachievable in 2017-18, including cross-cutting savings relating to further channel shift and income generating activities across the Council.

4.14. There is a (+£0.6m) unbudgeted cost relating to the estimated General Fund cost of the new apprenticeship levy.

4.15. These overspends are partially offset by:

4.15.1. Net unbudgeted grant income totalling (-£0.9m), for example to compensate for the impact of Government policy on our retained business rates income in 2017-18 and to reimburse previously top-sliced New Homes Bonus funding.

4.15.2. A forecast underspend of (-£0.4m) on the corporate levies budget compared to the estimate before the start of the financial year.

5. HOUSING REVENUE ACCOUNT

5.1. The net total forecast variance for the Housing Revenue Account is projected to be a break-even position over the financial year.

6. CAPITAL PROGRAMME

6.1. It is forecast that £124.6m of capital investment will be delivered in 2017-18. This is set out by directorate in **Table 3** below and detailed at **Appendix 3**.

Table 3: 2017-18 Capital Programme Month 6 Forecast

Directorate	2017-18 Capital Budget (£m)	2017-18 Capital Forecast (£m)	Forecast Re-profiling (to)/from Future Years (£m)
Children's Services	16.8	6.8	(10.0)
Environment and Regeneration	27.9	27.9	0.0
Housing and Adult Social Services	90.6	89.9	(0.7)
Total	**135.3**	**124.6**	**(10.7)**

6.2. The forecast re-profiling of the Children's Services capital programme into future years, totalling £10.0m, mainly relates to updated schedules of work across the new build and school expansion schemes (£7.3m) and schools capital contingency budgets (£2.0m). This will be reviewed over the coming months and re-profiled into future years as part of the 2018-19 budget setting process.

7. TREASURY MANAGEMENT MID-YEAR UPDATE

7.1. The 2017-18 treasury management and investment strategy was agreed by Council on 23rd February 2017. There has not been any change in strategy over the six-month period to 30th September 2017 and the strategy remains to minimise borrowing cost by using surplus internal cash and borrowing at optimal times at variable or fixed rates including borrowing in advance of need. As at 30th September 2017 the Council had £93.8m of temporary investment (at an average rate of 0.51%), compared to £100m at 31st March 2017. The long-term debt now stands at £259.2m, a decrease of £8m compared to 31st March 2017 due to debt maturing. The Council has complied within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy

Statement and Annual Treasury Statement up to 30th September 2017 (the period-end of this report).

7.2. Local authorities are currently treated by regulated financial services firms as professional clients who can 'opt-down' to be treated as retail clients instead. From 3rd January 2018, as a result of the second Markets in Financial Instruments Directive (MiFID II), local authorities will be treated as retail clients who can 'opt-up' to be professional clients, providing that they meet certain criteria. Regulated financial services firms include banks, brokers, advisers, fund managers and custodians, but only where they are selling, arranging, advising or managing designated investments. In order to opt-up to professional, the authority must have an investment balance of at least £10 million and the person authorised to make investment decisions on behalf of the authority must have at least one year's relevant professional experience. In addition, the firm must assess that that person has the expertise, experience and knowledge to make investment decisions and understand the risks involved. The Council meets these criteria and intends to opt-up by completing the qualitative and quantitative assessment templates designed and agreed by the LGA and Investment Associations to maintain its professional status.

8. IMPLICATIONS

Financial Implications

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

Legal Implications

8.2. 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

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

Resident Impact Assessment

8.4. The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

8.5. A resident impact assessment (RIA) was carried out for the 2017-18 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.

Appendices:

Appendix 1 – General Fund Revenue Monitoring by Individual Variance
Appendix 2 – Revenue Monitoring by Service Area
Appendix 3 - Capital Monitoring

Background papers: None

Signed by

Executive Member for Finance, Performance and Community Safety

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