



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

Meeting of:	Date	Ward(s)
Executive	14 June 2018	All

FINANCIAL MONITORING 2017-18 PROVISIONAL OUTTURN

1. SYNOPSIS

- 1.1 This report presents the provisional financial outturn position for 2017-18. Overall, there is a gross General Fund overspend of £3.9m and a net break-even position after using £3.9m of contingency funding (£2.0m ongoing contingency budget and £1.9m of one-off contingency reserve).
- 1.2 The Housing Revenue Account (HRA) is forecast to break-even over the year.
- 1.3 The capital programme delivered £89.8m of capital investment in 2017-18.

2. RECOMMENDATIONS

- 2.1. To note the provisional revenue outturn for the General Fund (**Table 1**) of a gross overspend of £3.9m and a net break-even position after using £3.9m of contingency funding (£2.0m ongoing contingency budget and £1.9m of one-off contingency reserve).
- 2.2. To note the breakdown of the forecast General Fund outturn by individual variance at **Appendix 1** and by service area at **Appendix 2**.
- 2.3. To agree the 2017-18 revenue outturn carry forwards and transfers to reserves detailed at **Appendix 3**.
- 2.4. To note that the HRA forecast is a break-even position. (**Section 5, Table 1**)
- 2.5. To note that the Council delivered £89.8m of capital investment in 2017-18, to note how this was financed and related earmarked reserves transfers and to agree slippage of unspent capital budgets to future years. (**Section 6, Table 2, and Appendix 4**)

- 2.6. To delegate to the Corporate Director of Resources the authority to agree any final required adjustments for the final position reflected in the 2017-18 Statement of Accounts.

3. REVENUE POSITION: SUMMARY

- 3.1. A summary position of the General Fund and HRA is shown in **Table 1**, a breakdown by individual General Fund variance in **Appendix 1** and a breakdown by General Fund and HRA service area in **Appendix 2**. This position is after the revenue outturn carry forwards and transfers to reserves for use in future financial years (detailed at **Appendix 3** for agreement) are taken into account.
- 3.2. It is recommended that the gross General Fund overspend of £3.932m is balanced in full by contingency funding (£2.0m ongoing contingency budget and £1.932m of one-off contingency reserve funding). After the £3.3m transfer into the contingency reserve as part of the 2018-19 budget, this will leave a one-off contingency reserve balance of £6.1m and ongoing contingency budget of £2.0m (£8.1m in total) to use against any General Fund overspend in 2018-19 or over the medium term.

Table 1: 2017-18 General Fund and HRA Provisional Outturn

	Over/(Under) Spend (£000)
<u>GENERAL FUND</u>	
Resources	(1,675)
Chief Executive's Department	(486)
Core Children's Services (Excluding Schools)	3,744
Environment and Regeneration	849
Housing and Adult Social Services	(10)
Public Health	0
DIRECTORATE TOTAL	2,422
Corporate Items	1,510
GROSS OVER/(UNDER) SPEND	3,932
Contingency Funding	(3,932)
NET OVER/(UNDER) SPEND	0
<u>HOUSING REVENUE ACCOUNT</u>	
NET (SURPLUS)/DEFICIT	0

4. GENERAL FUND

Resources Department (-£1.675m)

- 4.1. The Resources Department is forecasting, after management actions, an underspend of (-£1.675m) over the financial year with the key variances detailed in **Appendix 1**.

Chief Executive's Department (-£0.486m)

- 4.2. The Chief Executive's Department is forecasting an underspend of (-£0.486m) over the financial year with the key variances detailed in **Appendix 1**.

Children's Services - General Fund (+£3.744m, +4.4%), Schools (-£1.515m, -0.9%)

- 4.3. The Children's Services Department is forecasting a (+£3.744m, +4.4%) General Fund overspend, the largest of any council service but not inconsistent with other similar councils and a reduction of £1.366m from month 11 (+£5.6m overspend in 2016-17). The key variances behind the General Fund net overspend are set out in **Appendix 1**.
- 4.4. The following management actions have been taken to control and reduce the net overspend:
- 4.4.1. Vacancy management across the service;
 - 4.4.2. Review of high cost packages, resource allocation scoring framework and budget allocations for young people with personal budgets in the disabled children's service;
 - 4.4.3. Review of housing benefit collection arrangements with providers of accommodation for care leavers to maximise income;
 - 4.4.4. Review of dispersal arrangements for unaccompanied asylum seeking children;
 - 4.4.5. Review of high cost packages for children looked after, underlying cost drivers and trends in complex residential placements including CSE and secure accommodation and value for money arrangements for 16/17s in supported accommodation;
 - 4.4.6. Review of trading and business income options across pupil and school support services;
 - 4.4.7. Review of semi-independent provision for over-16s.
- 4.5. The schools' dedicated schools grant position is a forecast net underspend of (-£1.515m or -0.9%). This position includes £0.5m of prior year early years balances being managed on behalf of the Schools Forum.

Environment and Regeneration (+£0.849m)

- 4.6. The Environment and Regeneration Department is forecasting a (+£0.849m) net overspend after management action to control pressures. The key variances behind this net overspend are set out in **Appendix 1**.
- 4.7. The following management actions have been taken to control pressures in 2017-18:
- 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 (-£0.010m)

4.8. Adult Social Services is forecasting a (-£0.010m) underspend. The key variances within this are set out in **Appendix 1**.

4.9. The following management actions have helped to eliminate the net overspend forecast earlier in the financial year:

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.

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 after the carry forward of ring-fenced public health grant to 2018-19.

Corporate Items (+£1.510m)

4.12. The forecast for corporate items, before any call on corporate contingency budgets, is a net overspend of (+£1.510m), as set out in **Appendix 1**. Within this corporate position, the most significant variances are a (+£3.0m) transfer to the Insurance Fund based on the year-end actuarial review and a (-£4.2m) underspend on net borrowing costs as a result of the successful Treasury Management Strategy of shorter-term borrowing at low interest rates.

5. HOUSING REVENUE ACCOUNT

5.1. The Housing Revenue Account is forecast to break-even after a £3.7m transfer to HRA reserves, as set out in **Appendix 2**.

6. CAPITAL PROGRAMME

- 6.1. The capital programme delivered £89.8m of capital investment in 2017-18. This is set out by directorate in **Table 2** below and detailed in **Appendix 4**.

Table 2: 2017-18 Provisional Capital Outturn

Directorate	2017-18 Capital Budget	2017-18 Capital Expenditure	Slippage to Future Years
	(£m)	(£m)	(£m)
Children's Services	6.5	4.7	(1.8)
Environment and Regeneration	24.3	21.2	(3.1)
Housing and Adult Social Services	90.6	63.7	(26.9)
Resources	0.2	0.2	-
Total	121.6	89.8	(31.8)

- 6.2. Under the Council's financial regulations, the re-profiling of capital budgets between financial years over £1m on an individual capital scheme is a function of the Executive.
- 6.3. The most significant capital slippage relates to the housing capital programme where £26.2m of the £89.9m 2017-18 capital budget was unspent at the end of the financial year. This slippage comprises:
- 6.3.1. Housing major works and improvements programme (£5.6m), caused by delays in contract starts on site arising primarily as a result of recruitment pressures, staff resources being diverted to fire safety related assessments/works post Grenfell and protracted contract price negotiations.
- 6.3.2. New homes programme (£20.6m) due to planning and construction delays across several complex schemes.
- 6.4. The financing of the 2017-18 capital programme is shown in **Table 3** below.

Table 3: Provisional Financing of 2017-18 Capital Programme

Funding Source	(£m)
Capital Receipts	16.5
Major Repairs Reserve	41.2
Government Grants and Other External Contributions	23.8
Revenue Contributions	1.7
General Fund Borrowing	6.6
Total	89.8

Earmarked Reserves Transfers

- 6.5. The following earmarked revenue reserves transfers over £500k were actioned under delegated authority during the closing of accounts period:
- 6.5.1. Transfer to Section 106 reserve (£899,175.89) and transfer from Section 106 reserve to capital reserve towards financing the 2017-18 capital programme (£721,429.30).

- 6.5.2. Drawdown from capital reserve for Private Sector Housing capital budget transferred to revenue (£773,000.00).
- 6.5.3. Drawdown from capital reserve for commercial property 'Invest to Save' projects (£1,216,771.75) and subsequent transfer of commercial strategy savings in 2017-18 to capital reserve to fund further one-off costs in future years (£577,004.00).
- 6.5.4. Allocation of Community Infrastructure Levy (CIL) funding totalling £10,517,992.98 (comprising £3,993,271.87 Strategic CIL and £6,524,721.11 Strategic-Local CIL) and related earmarked reserves transfers towards financing the following 2017-18 infrastructure spend:
 - 6.5.4.□.1. Archway Park Improvements (£316,835.53)
 - 6.5.4.□.2. Bunhill Heat and Power Network Phases 2 and 3 (£1,545,036.72)
 - 6.5.4.□.3. Community Facilities Improvements (£748,017.56)
 - 6.5.4.□.4. Infrastructure Improvements within Housing Estates (£387,948.35)
 - 6.5.4.□.5. Market Road Leisure Improvements / Highbury Pool Improvements (£477,935.00)
 - 6.5.4.□.6. Sobell Leisure Centre Improvements (£1,667,976.91)
 - 6.5.4.□.7. Transport and Public Realm Improvements (£4,222,441.41)
 - 6.5.4.□.8. Other Leisure Centre Improvements (£1,151,801.50)
- 6.5.5. Transfer of Section 31 business rates grant compensation received in 2017-18 to NNDR smoothing reserve to fund associated pressures of Government policy in future years (£4,249,738.00).
- 6.5.6. Transfer from services specific reserve (£3,424,855.50) and from Invest to Save reserve (£511,000.00) to new 'Islington 2020' reserve earmarked for future IT and premises modernisation projects (£3,935,855.50).
- 6.5.7. Transfer of pensions early payment savings in 2017-18 (£1,139,818.00) to services specific reserve towards funding the increase in the pensions future service rate in 2018-19.
- 6.5.8. Transfer to services specific reserve in respect of 2016-17 public health carry forward to be spent in future financial years (£589,380.00).
- 6.5.9. Transfer to Building Schools for the Future PFI smoothing reserve (£962,793.63)

Treasury Management

- 6.6. The Council had £148m of temporary investments as at 31st March 2018. These investments were for periods from overnight to 13 months at an average interest rate of 0.61%. £52m of temporary debt was outstanding at 31st March 2018 for periods of 3 months to 12 months at an average interest rate of 0.54%.
- 6.7. The Council's total long-term debt is £258.3m as at 31st March 2018 (£212.6m Public Works Loan Board, £43.5m from other local authorities and a £2.2m commercial loan) compared to £267.8m as at 31st March 2017. The average rate of interest on debt has decreased slightly from 4.48% to 4.38% over the course of the year.

- 6.8. The overall borrowing position of the Council as at 31st March 2018 was gross borrowing of £310.3m and net borrowing (gross borrowing net of investments) of £162.3m.
- 6.9. During the financial year, the Council complied within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and Annual Treasury Strategy Statement.

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. 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.
- 7.5. 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 – 2017-18 General Fund Revenue Outturn by Individual Variance
Appendix 2 – 2017-18 Revenue Outturn by Service Area
Appendix 3 – 2017-18 Revenue Outturn Carry Forwards
Appendix 4 – 2017-18 Capital Outturn

Background papers: None

Signed by



23 May 2018

Executive Member for Finance,
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Date

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