



Report of: Executive Member for Finance and Performance

Meeting of:	Date	Ward(s)
Executive	14 th January 2016	All

FINANCIAL POSITION AT 30TH NOVEMBER 2015

1. SYNOPSIS

- 1.1 This report presents the forecast outturn position for 2015-16 as at 30th November 2015. Overall, the forecast is a £3.5m General Fund overspend including corporate items. The Housing Revenue Account (HRA) is forecast to break-even over the year. It is forecast that £93.7m of capital expenditure will be delivered in 2015-16.

2. RECOMMENDATIONS

- 2.1. To note the overall forecast revenue outturn for the General Fund of a £3.5m overspend, and that in the event of an overall overspend at the end of the financial year this would be funded from the one-off corporate contingency reserve of £3.5m in the first instance. **(Paragraphs 3.1 and 4.11, Table 1 and Appendix 1)**
- 2.2. To note that the HRA is forecast to break-even over the financial year. **(Paragraph 3.1, Table 1 and Appendix 1)**
- 2.3. To note the latest capital position with forecast capital expenditure of £93.7m in 2015-16 and agree slippage where over £1m on an individual scheme. **(Section 6, Table 2 and Appendix 2)**

3. **CURRENT REVENUE POSITION: SUMMARY**

- 3.1. A summary position of the General Fund and Housing Revenue Account is shown in **Table 1** with further detail contained in **Appendix 1**.

Table 1: General Fund and HRA Forecast Outturn

	VARIANCE Month 8 (£000)
<u>GENERAL FUND</u>	
Finance and Resources	0
Chief Executive's	(277)
Core Children's Services (Excluding Schools)	865
Environment and Regeneration	2,510
Housing and Adult Social Services	1,254
Public Health	885
Net Departments	5,237
Corporate Items	(1,760)
TOTAL PROJECTED (UNDER)/OVERSPEND	3,477
<u>HOUSING REVENUE ACCOUNT</u>	
NET (SURPLUS) / DEFICIT	0

4. **GENERAL FUND**

Finance and Resources Department (zero variance)

- 4.1. The Finance and Resources Department is currently forecasting a break-even position.

Chief Executive's Department (-£0.3m)

- 4.2. The Chief Executive's Department is currently forecasting a (-£0.3m) underspend. This is due to staff vacancies within the Governance and Human Resources division that are not to be recruited to this year (-£0.2m) and additional legal fee income (-£0.1m).

Children's Services (General Fund: +£0.9m, Schools: -£2.4m)

- 4.3. A (+£0.9m) overspend is forecast for the General Fund (non-schools) Children's Services budget. This includes a number of pressures against demand led specialist services that materialised in 2014-15 and are continuing into 2015-16, especially in relation to unaccompanied asylum seeking children (£0.35m) and special guardianship orders (+£0.2m). Further overspends are forecast against the new remand framework (+£0.35m), Children Looked After placements (+£0.35m), leaving care costs (+£0.3m), secure accommodation costs (+£0.2m) and in the Disabled Children's Team (+£0.2m). There is a further pressure of (+£0.1m) in relation to the in-year reduction in Youth Justice Grant and an overspend relating to an increase in support for 16/17 years olds living in supported accommodation (+0.3m). These overspends, totalling (+£2.25m), have been partly offset by forecast underspends totalling (-£1.45m) across the Learning and Schools and Partnerships and Support Services divisions.

Schools (-£2.4m)

- 4.4. A Dedicated Schools Grant (DSG) underspend of (-£2.4m, 1.5% of DSG) is forecast. (-£2.0m) of this is due to the carry forward of Early Years DSG funding from 2014-15 that will be used to smooth in expected Department for Education (DfE) funding reductions for the statutory entitlement for free childcare for deprived 2-year olds from 2015, now that funding is allocated to local authorities based on take-up. The remaining DSG underspend relates to the Special Educational Needs (SEN) placements contingency budget (-£0.2m) and Pupil Premium eligibility lower than estimated by the DfE (-£0.2m).

Environment and Regeneration (+£2.5m)

- 4.5. The Environment and Regeneration Department is currently forecasting a (+£2.5m) overspend. This is after corporate savings of (+£0.5m) being applied to the structural overspend, arising due to the Government shelving plans to introduce locally set licensing fees (this is a net-nil impact overall as the Environment and Regeneration Department overspend is reduced, in respect of this applied funding, by the same amount). The main variances are as follows:
- 4.5.1. (+£0.8m) due to delayed service changes in Street Environment Services leading to non-delivery of 2015-16 savings.
 - 4.5.2. (+£0.35m) delays in re-providing the new refuse fleet pending various pilots and the introduction of a new operating model.
 - 4.5.3. (+£0.2m) loss of grant income from North London Waste Authority (NLWA) following price reductions for recyclable materials.
 - 4.5.4. (+£0.1m) due to unbudgeted costs associated with the pilots that will deliver future savings causing spend on new bins and other items.
 - 4.5.5. Structural budget issues within the Public Protection division: (+£0.2m) relating to staff budgets and non-staffing budgets around IT/licensing costs; (+£0.1m) unachievable Houses in Multiple Occupation (HMO) licensing income; (+£0.1m) staff costs that were part funded by 'Smoke-free' grant that is no longer received; (+£0.1m) relating to deteriorating income streams on DVD/music rentals and hall lettings; and (+£0.1m) across various other income streams.
 - 4.5.6. Underachievement of building control and planning income due to a decline in activity (+£0.25m).
 - 4.5.7. Additional agency staff and legal cost pressures within Development Control (+£0.2m).

Housing and Adult Social Services (+£1.2m)

• Adult Social Care (+£0.2m)

- 4.6. Adult Social Care is currently forecasting a small net overspend (+£0.2m) relating to the older people spot placement budget.

• Housing General Fund (+£1.0m)

- 4.7. The Housing General Fund continues to be impacted by increased demand for temporary accommodation (TA) and the increased cost of supplying it, exacerbated by ongoing changes to the housing benefit regulations and the changes to the welfare support system. This has resulted in a net financial pressure of (+£1.3m) in 2015-16 of which the majority is due to not being able to secure nightly booked accommodation at rates that are below or equal to the Local Housing Allowance. This is offset partly by staffing underspends across the department (-£0.3m).

Public Health (+£0.9m)

- 4.8. Public Health is funded via a ring-fenced grant of £25.4m for 2015-16. The Government have recently announced an in-year cut of (+£1.7m) to the Council's public health grant. This has been mitigated by (-£0.8m) underspends within the department, resulting in a forecast net overspend of (+£0.9m). This is a very significant Government cut made late in the financial year and means that there will be no public health reserves to mitigate against future budget pressures.

Corporate Items (-£1.8m)

- 4.9. The Council continues to follow a successful Treasury Management Strategy of shorter-term borrowing at low interest rates. The current forecast is that this will save the General Fund (-£2.9m) in interest charges over the 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.
- 4.10. As part of the transfer of public health responsibilities to local authorities in 2012-13, a corporate provision was set aside for legacy payments that the Council may incur. It is now considered unlikely that the Council will be billed for these payments, meaning that on balance the (-£0.9m) provision can be release in full. In the event that the Council is billed for these payments, this would be a cost pressure for Public Health.
- 4.11. These savings are offset by:
- 4.11.1. Pump-priming one-off investment to accommodate the move of the Area Housing Office at Old Street to Finsbury Library (+£0.5m).
 - 4.11.2. Corporate savings of (+£0.5m) being applied to the structural overspend in Environment and Regeneration arising due to the Government shelving plans to introduce locally set licensing fees. This is a net-nil impact overall as the Environment and Regeneration Department overspend is reduced, in respect of this applied funding, by the same amount.
 - 4.11.3. (+£0.2m) relating to a settled claim against 3 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 repairs of £350k. The Council have fought this and negotiated down from an initial claim of £350k to a settled claim of £190k.
 - 4.11.4. (+£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).

Contingency Reserve

- 4.12. There is a one-off corporate contingency reserve of £3.5m to provide some resilience against any short-term budget pressures arising from savings risks or changes in Government policy. This will be used to offset any overall General Fund overspend at the end of the financial year.

5. HOUSING REVENUE ACCOUNT

- 5.1. The HRA is forecast to be balanced in 2015-16. The variances are as follows:

- 5.1.1. Non-recurring impact of repairs re-integration (+£1.6m), partially offset by lower expenditure relating to voids (-£0.3m).
- 5.1.2. Other HRA non-recurring pressures including improvements to open spaces and CCTV and heating refunds in respect of 2014-15 (+£1.5m).
- 5.1.3. Impact of welfare reforms (+£0.4m).
- 5.1.4. *The above pressures of (+£3.2m) are offset by:*
- 5.1.5. Additional commercial property income and reduced management costs (-£1.0m).
- 5.1.6. Lower than budgeted PFI contractual inflation (-£0.7m).
- 5.1.7. Higher than budgeted Right to Buy administration grant income due to higher than anticipated Right to Buy sales (-£0.3m).
- 5.1.8. Increase parking income arising from the increase in charges for non-residents and the diesel levy (-£0.3m).
- 5.1.9. More rental income (-£0.3m).
- 5.1.10. General management (-£0.3m)
- 5.1.11. Higher than budgeted commission from Thames Water (-£0.2m).
- 5.1.12. Reduced energy costs (-£0.1m).

6. **CAPITAL PROGRAMME**

- 6.1. It is forecast that £93.7m of capital expenditure will be delivered by the end of the year. This is set out by department in **Table 2** below and detailed at **Appendix 2**.

Table 2: 2015-16 Capital Programme by Department at Month 8

Department	2015-16 Capital Budget	2015-16 Forecast Expenditure	Forecast Slippage to Future Years
	(£m)	(£m)	(£m)
Children's Services	19.3	9.7	9.6
Environment and Regeneration	23.9	19.0	4.9
Housing and Adult Social Services	68.7	60.4	8.3
Finance and Resources	4.6	4.6	0
Total	116.5	93.7	22.8

Forecast Slippage

- 6.2. Under the Council's financial regulations, approval of capital slippage over £1m on an individual scheme is a function of the Executive. The following capital slippage over £1m on an individual scheme is reported for approval:

Children's Services

- 6.3. Moreland Primary School (£4.0m) – this is due to an updated cash flow forecast on the scheme.
- 6.4. Dowery Street Pupil Referral Unit (£2.8m) – this is due to a delay in securing grant funding required for the scheme to proceed.

Environment and Regeneration

- 6.5. Fleet Replacement Programme (£3.7m) – this reflects the latest planned fleet replacement programme.

Housing and Adult Social Services

- 6.6. Housing Improvements (£5.3m) – This relates to a number of committed schemes that it is now considered will not progress on site as quickly as originally anticipated. In 2015-16 concerns around the quality and performance of one of our Term Partnering contractors prompted a series of discussions to try to reach a mutually beneficial solution. It is acknowledged there are a number of sites where works are outstanding and it is essential that the contractor is encouraged to complete these in a timely manner. Negotiations are ongoing and delays have ensued. In a partnering arrangement there is an expectation that parties are allowed sufficient time to address issues and problems raised.
- 6.7. New Homes Programme (£3.0m) – the second quarterly review in 2015-16 indicates deliverable new homes capital expenditure of £25.7m in 2015-16, resulting in slippage of £3.0m into future years; the Council remains on target to deliver 500 social rented new builds by 2019.

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 2015-16 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

Responsible Officer:

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Signed by



23 December 2015

Executive Member for Finance and
Performance

Date