ISLINGTON

Finance and Resources Department

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

Meeting of:	Date	Ward(s)
Executive	18 May 2017	All

PROVISIONAL 2016-17 OUTTURN

1. SYNOPSIS

1.1 This report presents the provisional outturn position for 2016-17 as at 31st March 2017. Overall, there is a gross General Fund overspend of £1.5m and a net break-even position after a proposed clawback of £1.5m from departmental carry-forwards. This means that the Council does not need to use any of the £3m contingency reserve balance for 2016-17, leaving this for use towards any 2017-18 General Fund overspend. The Housing Revenue Account (HRA) is forecast to break-even over the year. The capital programme delivered £110.4m of capital investment, which represents 111% of the 2016-17 capital budget and means bringing forward £11.1m of capital resources from 2017-18. This is primarily due to the new homes programme progressing quicker than estimated before the start of the financial year.

2. RECOMMENDATIONS

2.1. To approve the overall provisional 2016-17 revenue outturn for the General Fund (**Table 1** and **Appendix 1**) of a gross overspend of £1.5m and a net break-even position after a proposed clawback of £1.5m from departmental carry-forwards. This means that the Council does not need to use any of the £3m contingency reserve balance for 2016-17, leaving this for use towards any 2017-18 General Fund overspend. (**Section 3**)

2.2. To agree the departmental carry-forwards and transfers to reserves, net of the proposed clawback of £1.5m, detailed in **Appendix 2**. (**Section 4, Paragraphs 4.23** to **4.24**)

2.3. To note that the HRA is forecast to break-even in 2016-17. (**Section 5, Table 1** and **Appendix 1**)

2.4. To note that the Council delivered £110.4m of capital investment in 2016-17 and to agree the provisional funding of the programme, re-profiling to/from approved future year budgets and related reserves movements. The capital investment of £110.4m represents 111% of the 2016-17 capital budget and means bringing forward £11.1m of capital resources from 2017-18. This is primarily due to the new homes programme progressing quicker than estimated before the start of the financial year. (**Section 6, Tables 2-3** and **Appendix 3**)

2.5. To note the provisional outturn position for the Council's sundry income management (**Section 7**) and the council tax and business rates collection (**Section 8** and **Table 4**).

2.6. To note the progress on the closing of the 2016-17 accounts and to delegate to the Corporate Director of Finance and Resources the authority to agree any final changes to the accounts (including capital financing and re-profiling of resources to/from future financial years) prior to their submission to the auditor by 30th June 2017. (**Section 9**)

3. 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**. This position is after the departmental carry-forwards and transfers to reserves for use in future financial years (detailed in **Appendix 2** for agreement) are taken into account.

3.2. It is proposed that the gross General Fund overspend of £1.5m is funded by a clawback of £1.5m from departmental carry-forwards (**see paragraphs 4.23 to 4.24**).

Table 1: 2016-17 General Fund and HRA Provisional Outturn

	Provisional Outturn (£000)
GENERAL FUND	
Finance and Resources	329
Chief Executive's	1,051
Core Children's Services (Excluding Schools)	5,605
Environment and Regeneration	1,997
Housing and Adult Social Services	(114)
Public Health	0
Net Departments	**8,868**
Corporate Items	(7,402)
TOTAL GROSS (UNDER)/OVERSPEND	**1,466**
Clawback from Carry-Forwards	**(1,466)**
NET (UNDER)/OVERSPEND	**0**
HOUSING REVENUE ACCOUNT	0
NET (SURPLUS) / DEFICIT	**0**

4. GENERAL FUND

Finance and Resources Department (+£0.3m)

4.1. The Finance and Resources Department is forecasting a provisional outturn overspend of (+£0.3m). This is due to the following variances:

4.1.1. (+£1.0m) 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. (-£0.4m) underspend covering various items including staffing budgets, banking fees, audit fees, pensions and additional legal income.

4.1.4. (-£0.8m) managed underspend in Accommodation and Facilities using the building repair fund.

Chief Executive's Department (-£1.05m)

4.2. The Chief Executive's Department is forecasting a (+£1.05m) provisional outturn 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.

Children's Services (General Fund: +£5.6m, Schools: -£1.3m)

General Fund (+£5.6m)

4.3. A (+£5.605m) 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 have occurred against secure accommodation costs and from the late notice of a further cut in grant funding from the Youth Justice Board. An overspend also occurred 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. (+£0.3m)

4.3.2. Increase in care proceedings. (+£0.06m)

4.3.3. 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). (+£1.545m)

4.3.4. 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. (+£0.3m)

4.3.5. Children Looked After (CLA) staffing including Independent Futures and the associated increase on client (non-placement) costs (e.g. travel, interpreters, and rents). (+£0.2m)

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. (+£1.3m)

4.3.7. Increase in support for 16-17 years olds living in supported accommodation. (+£1.1m)

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. (+£0.34m)

4.3.10. Increased number of family group conferences. (+£0.12m)

4.3.11. Children in Need – temporary accommodation costs. (+£0.05m)

4.3.12. 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)

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

4.3.14. Special Educational Needs (SEN) Transport - Increasing numbers of pupils and complexity of need. (+£0.69m)

4.3.15. Children's Centres - net overspend from bringing Westbourne Children's Centre back in house (General Fund share). (+£0.02m)

4.3.16. Short Breaks - increased use of targeted short breaks services by families assessed as requiring a personal budget. (+£0.055m)

4.3.17. Cardfields - overspend against premises costs as business rates have not previously been levied against this facility. (+£0.115m)

4.3.18. Grant Aid - underspend due to a different profile in take up of subsidised childcare than budgeted for. (-£0.195m)

4.3.19. Community safety – delays in project implementation. (-£0.09m)

4.3.20. Children in Need – places in Early Years met through 2-year-old funding and staffing underspend in Early Years. (-£0.07)

4.3.21. Staffing underspends across the division. (-£0.1m)

4.3.22. Central staffing underspend in health commissioning. (-£0.24m).

4.3.23. Universal Youth - forecast short-term underspend as previously decommissioned services are re-commissioned. (-£0.495m)

Schools (-£1.265m)

4.4. A Dedicated Schools Grant (DSG) provisional outturn underspend of (-£1.265m) 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 (+£1.997m)

4.5. The Environment and Regeneration Department is forecasting a (+£1.997m) provisional outturn overspend.

4.6. 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 (+£2.164m)

4.7. The Public Realm division is forecast to be £2.445m 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 (+£3.747m)

4.7.1. 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 (+£0.76m). Further to this, extra staffing costs have been incurred to ensure vital frontline services are maintained as a result of vehicle breakdowns (+£0.867m) and additional door-to–door recycling containers are required for the new schedule launch in February 2017 (+£0.04m). Revised forecast income for the Co-Mingled Income Payment Scheme (CIPS) as a result of move to menu pricing (+£0.15m).

Shortfall in Trade Waste Income (+£0.507m)

4.7.2. The proposal was to progressively increase trade waste income by £1m over three years. Income is now growing at around £0.25m per annum and following a re-profiling exercise, income targets are expected to be reached in 2017-18.

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

4.7.3. A survey of the whole borough had identified 60 premium advertising sites which could have generated income of around £9k/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 negotiated.

Utilisation of Street Lighting Columns for Wi-Fi (+£0.164m)

4.7.4. There is a shortfall of (+£0.164m) against the original income target of £0.2m.

Parking Account (-£2.052m)

4.7.5. All income streams within the Parking Account performed above the levels expected in the financial model and has resulted 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.

4.7.6. 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 above target and permit sales have increased.

Other (-£0.702m)

4.7.7. Income from the North London Waste Authority for depot space. (-£0.234m)

4.7.8. Additional HRA income for Parks equipment. (-£0.172m)

4.7.9. Additional sports income. (-£0.15m)

4.7.10. Reduction in street lighting PFI service charges. (-£0.097m)

4.7.11. Small underspends throughout the rest of the division of (-£0.049m).

<u>Public Protection Division (+£0.245m)</u>

4.8. 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 are detailed below:

4.8.1. (+£0.18m) pressure within business support mainly around cost pressures relating to staff budgets and non-staffing budgets around IT / licensing costs.

4.8.2. (+£0.14m) pressure in Houses in Multiple Occupation (HMO licensing) income with licenses lasting 5 years and income budgets remaining unachievable.

4.8.3. (+£0.14m) pressure relating to staff costs that were part funded by 'Smoke-free' grant that is no longer received.

4.8.4. (+£0.09m) pressure within the library service mainly around deteriorating income streams on DVD / music rentals and hall lettings.

4.8.5. (+£0.05m) pressure relating to a saving relating to loss of Public Health grant.

4.9. 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), labelled as management action. The division has held a number of vacancies across all service areas to mitigate against this. This, combined with improved income streams, has reduced the overall overspend position to (+£0.245m).

Planning and Development Division (-£0.03m)

4.10. 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, community infrastructure levy income and strong pre-application/application income performance. (-£0.056m)

4.11. The Building Control service has a provisional outturn overspend of (+£0.155m) as a result of underachievement of income, offset by holding vacant posts.

4.12. The Spatial Planning and Transport (SPAT) service has a provisional outturn underspend of (-£0.068m) due to additional s106 income.

4.13. The remaining service areas within the division are showing an underspend of (-£0.061m) as a result of additional Design Review Panel income.

Waste Recycling Centre Adjudication Income (-£0.382m)

4.14. The Council was awarded (-£0.382m) adjudication income following an ongoing dispute with third parties in relation to defects at the Waste Recycling Centre. This covers additional costs that the Council had incurred as a direct result of the site not being compliant with the Thames Water Authority Discharge Consent obligations.

Housing and Adult Social Services (-£0.1m)

- **Adult Social Care (Break-even Position)**

4.15. Adult Social Care is forecasting a break-even provisional outturn position over the financial year.

- **Housing General Fund (-£0.1m)**

4.16. The Housing General Fund is forecast to underspend by (-£0.1m) over the financial year. There is a (-£0.1m) underspend across Housing Administration, Housing Strategy and Development.

Public Health (Break-even Position)

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

Corporate Items (-£7.4m)

4.18. By integrating Strategic Community Infrastructure Levy (CIL) funding with the capital medium term financial strategy (MTFS), previously unbudgeted Strategic CIL funding available for funding infrastructure in the 2016-17 capital programme has delivered a saving of (-£3.5m) of the previously budgeted corporate revenue contribution to the capital programme in 2016-17.

4.19. The Council has continued to follow a successful Treasury Management Strategy of shorter-term borrowing at low interest rates. This has saved the General Fund (-£3.7m) in interest charges in 2016-17. 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.

4.20. There is an underspend of (-£0.3m) on the corporate levies budget compared to the estimate before the start of the financial year.

4.21. 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.

4.22. These savings are partially offset by:

4.22.1. 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).

4.22.2. (+£0.7m) 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).

Carry-Forwards (-£1.5m)

4.23. Requested carry-forwards from departments are included at **Appendix 2** and total £15.7m. **Appendix 2** proposes a clawback of £1.5m, which would fully fund the gross overspend of £1.5m without needing to use any of the £3m contingency reserve balance for 2016-17, leaving this for use towards any 2017-18 General Fund overspend.

4.24. The methodology assumes a 0% clawback for anything that is funded by ring-fenced grant, schools related, shared funding with other bodies or linked to committed expenditure priorities in the 2017-18 budget (e.g. voluntary sector and youth violence), a 14% clawback for the transfer to the Housing Benefit reserve and a 10% clawback for everything else with the two following exceptions where a 100% clawback is proposed:

4.24.1. Finance and Resources carry-forward for business rates appeals on our own properties (£423k). The Council budgets for business rates on our own properties corporately as part of the budget process so this additional one-off provision can be covered within the overall corporate provision.

4.24.2. Environment and Regeneration carry-forward for additional street lighting columns on new developments (£338k). This balance has been carried forward every year since 2010-11 and has increased year-on-year. It has been set aside for potential future increases in the street lighting PFI charge as a result of additional street lighting columns. Given the number of years it has been carried forward and not spent, it would be good practice to clawback in full and incorporate any future budget pressure in relation to street lighting within the relevant future budget setting process.

5. HOUSING REVENUE ACCOUNT

5.1. The forecast provisional outturn position for the HRA is a gross surplus of (-£2.9m) to be transferred into the HRA risk equalisation reserve, leaving a break-even position overall.

5.2. The key reasons for the forecast gross (-£2.9m) surplus are:

5.2.1. An increase in rental income of (-£3.0m) due to the post budget setting Government 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 income in both 2015-16 actuals and 2016-17 estimates of (-£2.0m) overall.

5.2.3. Increased income from parking, tenant service charges and commercials (-£1.0m).

5.2.4. Offsetting this is a charge in respect of new digital services projects/improvements to IT infrastructure of (+£1.6m) and an increase in depreciation of (+£1.5m).

6. CAPITAL PROGRAMME

6.1. The capital programme delivered £110.4m of capital investment in 2016-17, which represents 111% of the 2016-17 capital budget and means bringing forward £11.1m of capital resources from 2017-18. This is primarily due to the new homes programme progressing quicker than estimated before the start of the financial year. The capital investment is summarised by department in **Table 2** below and detailed at **Appendix 3**.

Table 2: 2016-17 Capital Programme Provisional Outturn

Department	2016-17 Capital Budget (£m)	2016-17 Capital Expenditure (£m)	Re-profiling (to)/from Approved Future Year Budgets (£m)
Children's Services	18.4	16.5	(1.9)
Environment and Regeneration	19.6	16.7	(2.9)
Housing and Adult Social Services	61.2	77.2	16.0
Finance and Resources	0.1	0.0	(0.1)
Total	**99.3**	**110.4**	**11.1**

6.2. The provisional funding of the 2016-17 capital programme is shown in **Table 3** below.

Table 3: Provisional Funding of 2016-17 Capital Programme

Funding Source	(£m)
Capital Receipts	30.3
Major Repairs Reserve	42.3
Government Grants and Other External Contributions	23.7
Earmarked Reserves	14.1
Total	**110.4**

6.3. As part of the funding of the capital programme, the following earmarked revenue reserves movements over £500k require Executive approval under the Council's financial regulations:

6.3.1. Drawdown from capital reserve towards funding the 2016-17 capital programme (£8,990,697.62).

6.3.2. Drawdown from capital reserve in respect of the previously budgeted corporate revenue contribution to the 2016-17 capital programme that is no longer required (£3,500,000.00).

6.3.3. Transfer from capital reserve to Invest to Save reserve towards funding budgeted Invest to Save commitments in 2017-18 (£3,246,000.00).

6.3.4. Transfer from Section 106 reserve to capital reserve towards funding the 2016-17 capital programme (£866,353.40).

6.3.5. Transfer of Community Infrastructure Levy (CIL) income received in 2016-17 (strategic share) to CIL strategic reserve (£3,404,035.10) and subsequent drawdown from CIL strategic reserve (£4,924,719.57) towards funding the following infrastructure in the 2016-17 capital programme:

6.3.5..1. Expansion of Bunhill Heat and Power Network (£2,000,667.12).

6.3.5..2. Improvements across the Council's leisure estate (2,924,052.45).

6.3.6. Transfer of Community Infrastructure Levy (CIL) income received in 2016-17 (local share) to CIL local reserve (£3,404,035.10).

6.3.7. Drawdown from services specific reserve for release of previously carried forward NHS funding (£2,600,000.00).

Treasury Management

6.4. The Council has £100.7m of temporary investments as at 31st March 2017. These investments were for periods from overnight to 20 months at an average rate of 0.55%. £14m of temporary debt is also outstanding at 31st March 2017 for periods of one month to six months at an average rate of 0.44%.

6.5. The Council's total long term debt is £267.8m as at 31st March 2017 (£217.7m Public Works Loan Board, £46.5m from other local authorities and a £3.6m commercial loan) compared to £268.8m as at 31st March 2016. The average rate of interest on debt has increased slightly from 4.46% to 4.48% over the course of the year, which is mainly due to the capital repayment in the year.

6.6. 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. SUNDRY INCOME MANAGEMENT

7.1. In 2016-17 £61.56m sundry income was collected for various council services and debts owed to the Council (e.g. licences, building control, planning fees), which represents 90.7% of the net collectable debit. The total outstanding at year-end was £6.297m.

7.2. The net sum of £35k was written off, under delegated authority, during the financial year 2016-17 and has been funded from provisions already made.

8. COUNCIL TAX AND NNDR COLLECTION RATES

8.1. Council tax in-year collection of 96.8% is just above the target (96.6%) set for 2016-17 and matches the Council's collection rate just prior to the introduction of the council tax support scheme in 2013-14.

8.2. National non-domestic rates (NNDR) in-year collection of 99.2% is just above the target (99%) set for 2016-17 and is the highest level achieved to date.

8.3. Collection rates for 2016-17 and the previous two financial years are shown in **Table 4** below.

Table 4: Collection Rates 2016-17

	2014-15	**2015-16**	**2016-17 (Provisional)**
Council Tax	96.1%	96.5%	96.8%
NNDR	99.0%	99.1%	99.2%

9. CLOSING OF ACCOUNTS PROGRESS 2016-17

9.1. The Council has a comprehensive timetable for the closing of its accounts. Progress against this timetable is currently on track, with departmental work mainly completed and the accounts now being consolidated corporately and supporting documentation being prepared.

9.2. In view of the fact that there is still work to be completed before the accounts are finalised, the Executive is asked to delegate to the Corporate Director of Finance and Resources the authority to agree any final changes to the accounts (including capital financing and re-profiling of resources to/from future financial years) prior to their submission to the auditor by 30th June 2017.

10. IMPLICATIONS

Financial Implications

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

Legal Implications

10.2. 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

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

Resident Impact Assessment

10.4. 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.

Appendices:

Appendix 1: Revenue Provisional Outturn 2016-17
Appendix 2: Carry Forward Provisional Outturn 2016-17
Appendix 3: Capital Provisional Outturn 2016-17

Background papers: None

Responsible Officer:
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Signed by

10 May 2017

Executive Member for Finance, Performance and Community Safety

Date