ISLINGTON

Finance and Resources Department

Report of: Executive Member for Finance and Performance

Meeting of:	Date	Ward(s)
Executive	18th September 2014	All

FINANCIAL POSITION AT 31st JULY 2014

1. SYNOPSIS

1.1 This report presents the forecast outturn position for 2014-15 as at 31st July 2014. Overall, the forecast is a £1.6m General Fund overspend including corporate items. Within this, the departmental position is a forecast £2.8m overspend. The Housing Revenue Account (HRA) is forecast to break-even over the year. It is forecast that £93.9m of capital expenditure will be delivered by the end of the financial year.

2. RECOMMENDATIONS

2.1. To note the overall forecast revenue outturn for the General Fund of a £1.6m overspend. **(Paragraph 3.1, Table 1 and Appendix 1)**

2.2. In line with the medium term financial strategy (MTFS), to agree the allocation of demographic contingency to Adult Social Services for the full-year effect of 2013-14 placements of (+£0.5m) and the part-year effect of 2014-15 placements (+£1.0m), and the allocation of general contingency (+£1.4m) to Adult Social Services to enable the contractors of the Provision of Comprehensive Domiciliary Care Services in Islington to pay the London Living Wage. **(Paragraph 4.10)**

2.3. To note that the HRA is forecast to break-even over the financial year. **(Paragraph 3.1, Table 1 and Appendix 1)**

2.4. To note the latest capital position and to agree capital slippage. **(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** below with further detail contained in **Appendix 1**.

Table 1: General Fund and HRA Estimated Outturn at 31st July 2014

	VARIANCE Month 4 (£000)
GENERAL FUND	
Finance and Resources	(96)
Chief Executive's	(84)
Core Children's Services (Excluding Schools)	0
Environment and Regeneration	966
Housing and Adult Social Services	1,993
Public Health	0
Net Departments	**2,779**
Corporate Items	(1,163)
Total excluding contingencies	**1,616**
Unallocated contingency budgets	0
TOTAL PROJECTED (UNDER)/OVERSPEND	**1,616**
HOUSING REVENUE ACCOUNT	
NET (SURPLUS) / DEFICIT	**0**

4. GENERAL FUND

Finance and Resources Department (-£0.1m)

4.1. The Finance and Resources Department is currently forecasting an underspend of (-£0.1m) made up of staffing underspends.

Chief Executive's Department (-£0.1m)

4.2. An underspend of (-£0.1m) due to staffing underspends is also forecast in the Chief Executive's department.

Children's Services (General Fund: zero variance, Schools: -£2.6m)

4.3. Children's Services is continuing to meet the challenge of meeting its four main strategic priorities in the face of continuing budget cuts through transformational change, these priorities being:

4.3.1. Improving key outcomes by age 19 and narrowing the gap through outstanding health services, schools and children's centres.

4.3.2. Ensuring play, youth and leisure opportunities for children and young people.

4.3.3. Transforming early intervention and prevention support for vulnerable children and families.

4.3.4. Ensuring children are safe at home, at school and in the community.

4.4. A break-even position is forecast for the General Fund (non schools) Children's Services budget.

Schools (-£2.6m)

4.5. A Dedicated Schools Grant (DSG) underspend of £2.6m (1.6% of DSG) is forecast. This is in the main due to the carry forward of Early Years DSG funding from 2013-14 that will be used to smooth in expected DfE funding reductions for the statutory entitlement for free childcare for deprived 2-year olds from 2015, when funding will be allocated to local authorities based on take-up.

4.6. DSG variances are managed through the Schools Forum.

Environment and Regeneration (+£1.0m)

4.7. The Environment and Regeneration Department is currently forecasting an overspend of (+£1.0m) made up of:

4.7.1. Underachievement of Building Control income (+£0.5m).

4.7.2. Within Development Control, (+0.1m) pressure relating to staffing costs and a (+£0.1m) pressure on legal costs relating to planning appeals offset by an overachievement on pre-application advice income (-£0.1m).

4.7.3. Overspend on the Local Development Framework within Spatial Planning & Transport as a result of additional workload relating to supplementary planning documents (+£0.1m).

4.7.4. Underachievement of libraries income targets due to a fall in library footfall and declining resource rentals (+£0.3m).

4.7.5. Underachievement of income (+£0.1m) and staff budget pressures (+£0.1m) in the Business & Corporate Geographic Information Systems (GIS) service areas.

4.7.6. Shortfall on Houses in Multiple Occupation (HMO) licence income due to a fall in applications (+£0.1m).

4.7.7. Staff costs within Commercial Environmental Health (+£0.1m).

4.7.8. (+£0.1m) in Street Environmental Services relating to the provision of winter service vehicle annual hire charges.

4.7.9. Additional parking permits, suspension and Pay and Display income (-£0.3m).

4.7.10. Additional income within Highways and Energy Services (-£0.1m), underspends in reactive maintenance and policy & strategy (-£0.1m), offset by unbudgeted legal costs (+£0.1m).

4.7.11. Additional income forecast within Energy Advice and overachievement of fee income within the Design Review Panel from review meetings (-£0.1m).

Housing and Adult Social Services (+£2.0m)

- **Adult Social Care (zero variance)**

4.8. Adult Social Services continues to be impacted by demographic pressures, increasing demand for services, and rising resident expectations in levels of service provided.

4.9. To contain budgetary pressures, achieve budget savings targets and improve services, the department is undergoing a ‘Moving Forward’ programme of transformation. This includes work-streams promoting Independence, Choice and Support; achieving commissioning efficiencies by Transforming the Market, increasing integration between Adult Social Care, Housing and Health partners, and implementing New Ways of Working.

4.10. There is a forecast break-even position for Adult Social Services. In line with the MTFS, this forecast includes the allocation of demographic contingency for the full-year effect of 2013-14 placements of (+£0.5m) and the part-year effect of 2014-15 placements (+£1.0m), and the allocation of general contingency (+£1.4m) to enable the contractors of the Provision of Comprehensive Domiciliary Care Services in Islington to pay the London Living Wage.

- **Housing General Fund (+2.0m)**

4.11. The Housing General Fund continues to be impacted by increased demand for temporary accommodation (TA) and the increased cost of supplying it, both of which have been made worse by ongoing changes to the housing benefit regulations (implementation of Local Housing Allowance caps) and the changes to the welfare support system. This has resulted in a gross financial pressure of £2m in 2014-15.

4.12. There has been some mitigation of the impact of the £500 per week benefit cap in that TA households affected are currently in receipt of transitional Discretionary Housing Payment protection.

4.13. The main actions being taken to control the pressure are:

4.13.1. Options and service delivery strategies have been considered and are currently in the process of being implemented that aim to reduce: the numbers of admissions and consequently the number of families being placed in TA, the length of stay and the cost of procuring TA.

4.13.2. The extent to which the different approaches/strategies are successful is under constant review and the financial impact will be closely monitored as the financial year progresses.

4.13.3. There will be a recommendation at year-end to offset the pressure corporately on a one-off basis pending ongoing management actions to bring the pressure down, compensating underspends elsewhere in the Council and the availability of suitable corporate resources to apply.

Public Health (zero variance)

4.14. Public Health is funded via a ring-fenced grant of £25.4m for 2014-15. The public health grant is committed against existing public health services and programmes, continuing from the previous year and transferred to the Council via a transfer scheme in April 2013, and public health services and programmes included in larger NHS contracts. The grant is forecast to be spent in line with the overall allocation.

Corporate Items (-£1.2m)

4.15. 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 (-£1.5m) 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.

4.16. In addition, (-£0.5m) upfront income from leasing street furniture to network operators and (-£0.2m) compensatory grant income has been received due to the impact of Government polices on our retained business rates income.

4.17. Offsetting this is a pressure of (+£1.0m) created by uncontrollable expenditure 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).

Contingencies (zero variance)

4.18. Following the allocation of demographic contingency to Adult Social Services relating to the full-year effect of 2013-14 placements (+£0.5m) and the part-year effect of 2014-15 placements (+£1.0m), and the allocation of general contingency (+£1.4m) to Adult Social Services to enable the contractors of the Provision of Comprehensive Domiciliary Care Services in Islington to pay the London Living Wage (**paragraph 4.10 of this report)**, the 2014-15 contingency budget has been fully allocated.

5. HOUSING REVENUE ACCOUNT

5.1. The HRA is forecast to be balanced in 2014-15, after the application of contingency and a drawdown from working balances. The detailed variances within this break-even position are as follows:

5.1.1. A projected overspend on repairs and maintenance as a result of the refurbishment of Brewery Road (+1.2m); purchase of vehicles (+£2.4m), other repairs costs including IT, tooling, protective clothing and workshop costs (+£1.2m); and the part-year effect of bringing the housing repairs service in-house (+£4.2m).

5.1.2. One-off pressures due to the impact of the Welfare Reforms (+£0.6m); improvements to Open Spaces (+£0.5m); additional CCTV project costs (+£1.2m).

5.1.3. A pressure of (+0.2m) following the increase in the employer superannuation rate.

5.1.4. The above pressures of (+11.5m) are offset by:

5.1.5. A (-£3.1m) saving for the HRA in relation to reduced interest on borrowing.

5.1.6. Additional income of (-£0.6m) from rents and tenant service charges as a result of implementing the formula (target) rent policy in respect of re-let properties.

5.1.7. Additional rent (-£0.1m) from commercial properties.

5.1.8. Reduced energy costs of (-£0.5m).

5.1.9. In-year drawdowns from HRA annual contingency budget of (-£3.5m) and HRA working balances of (-£3.7m). This will reduce HRA working balances from £14.1m at the end of 2013-14 to £10.4m at the end of 2014-15.

6. CAPITAL PROGRAMME

6.1. As the end of period 4, £15.3m of capital expenditure has been delivered. The forecast is that £93.9m of capital expenditure will be delivered by the end of the financial year with slippage of £21.1m into future financial years. This is set out by department in **Table 2** below with the latest 2014-15 capital programme detailed at **Appendix 2**.

Table 2: 2014-15 Capital Programme by Department

Department	2014-15 Budget (£m)	Expenditure to Period 4 (£m)	2014-15 Forecast Expenditure (£m)	Slippage (£m)
Adult Social Services	3.9	0.4	3.9	0.0
Housing	64.8	11.2	56.0	(8.8)
Children's Services	13.9	1.2	9.7	(4.2)
Environment and Regeneration	28.7	1.5	20.6	(8.1)
Finance and Resources	3.2	0.8	3.2	0.0
Corporate Projects	0.5	0.2	0.5	0.0
Total	**115.0**	**15.3**	**93.9**	**(21.1)**

Housing and Adult Social Services (£8.8m slippage)

6.2. New Homes Programme (£8.8m) – Based on latest scheme projections, forecast expenditure in 2014-15 is now £18m against the current 2014-15 budget of £26.8m. The Council is actively involving residents and stakeholders in the new homes decision making process. Consultations have led to schemes being re-designed and consequently have had an impact on the timing of scheme starts and the associated timing of expenditure.

Children's Services (£4.2m slippage)

6.3. The Bridge Free School (£1.5m) – Re-profiling of expenditure as works are not due to commence until 2015-16.

6.4. Dowrey Street Pupil Referral Unit (£1.0m) – Re-profiling of expenditure as works are not due to commence until later in the year.

6.5. Moreland School (£0.7m) – Works are currently being tendered and re-profiling of expenditure to reflect the latest scheme profile.

6.6. Early Years 2 Year Old Places (£0.8m) – Re-profiling of expenditure to reflect the latest scheme projections.

6.7. Bulge Class at Pakeman (£0.2m) – Re-profiling of expenditure as works are not due to commence until 2015-16.

Environment & Regeneration (£8.1m slippage)

6.8. Leisure Capital Programme (£4.3m) – At the time of setting the 2014-15 budget the new leisure contract was still being tendered; now that the new contract has been awarded and the profile of capital schemes worked up further, this slippage is based on the expenditure that is now estimated to be incurred from 2014-15.

6.9. External Wall Insulation (EWI) scheme (£2.0m) – Due to planning delays, work will not commence until later in the year, resulting in expenditure being re-profiled to 2015-16.

6.10. Corporate Fleet Programme (£1.0m) – New Technically, Environmentally and Economically Practicable (TEEP) regulations have an impact on the way in which we will collect refuse and recyclate. While the implications of this are being reviewed, the refuse service cannot specify the vehicles that they require and the expenditure has been re-profiled to 2015-16.

6.11. Greenspace projects at Whittington Park/Hocking Hall (£0.4m) and Archway Park (£0.4m) – Hocking Hall works have been delayed due to the need to monitor subsidence and Archway Park scheme implementation delayed following consultation with stakeholders.

7. IMPLICATIONS

Financial Implications

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

Legal Implications

7.2. In practical terms the law requires that the Council must always plan to balance its spending plans against resources so as to avoid a deficit occurring in any year. Accordingly, Members need to be reasonably satisfied that expenditure is being contained within budget and that the net savings targets for the current financial year will be achieved so as to ensure that income and expenditure balance.

Environmental Implications

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

Resident Impact Assessment (RIA)

7.4. A RIA was carried out for the 2014-15 Budget Report approved by Full Council. This report notes the financial performance of the Council for the year to date but does not have any direct policy implications; therefore, it is not considered necessary to carry out a separate RIA for this report.

Background papers: None

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Signed by

Executive Member for Finance and Performance

8 September 2014

Date