



Report of: Executive Member for Finance and Performance

Meeting of	Date	Ward(s)
Executive	19 March 2020	All

Delete as appropriate	Exempt	Non-exempt
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BUDGET MONITORING 2019/20 MONTH 10

1. SYNOPSIS

- 1.1 This report presents the forecast outturn position for 2019/20 as at 31 January 2020. Overall, there is a forecast General Fund underspend of (-£3.318m) compared to a forecast underspend of (-£1.973m) in the previous reported position. As agreed in the 2020/21 budget report, any underspend on the 2019/20 General Fund budget at the end of the financial year will be transferred to General Fund reserves and balances in order to improve the financial resilience of the Council.
- 1.2 The ring-fenced Housing Revenue Account (HRA) is forecast to break-even overall.
- 1.3 It is forecast that £132.394m of capital expenditure will be delivered in 2019/20 against the revised 2019/20 capital budget of £155.628m.
- 1.4 Based on the latest savings tracker, £6.576m of savings have now been secured and can now be 'Closed'. This leaves 'Open' savings of £30.660m to be tracked going into future months.
- 1.5 The latest risk ('RAG') status of the 2019/20 savings programme of £13.475m shows that £10.444m (78%) are 'Green' rated, £0.621m are 'Amber' rated and £2.410m are 'Red' rated. Whilst the Amber and Red rated savings are being covered from one-off resources and underspends in the current financial year, there are significant risks around the ongoing delivery of some of these savings in future years.

2. RECOMMENDATIONS

- 2.1. To note the forecast revenue outturn for the General Fund (**Table 1**) of an overall underspend of (-£3.318m) compared to a forecast underspend of (-£1.973m) in the previous reported position. (**Section 3**)
- 2.2. To note that management action is required over the course of the financial year to bring forecast overspends back to within agreed cash limited budgets where possible. (**Paragraph 3.2**)
- 2.3. To note, as agreed in the 2020/21 budget report, that any underspend on the 2019/20 General Fund budget at the end of the financial year will be transferred to General Fund reserves and balances in order to improve the financial resilience of the Council. (**Paragraph 3.4**)
- 2.4. To note the breakdown of the forecast General Fund outturn by individual variance at **Appendix 1** and by service area at **Appendix 2**.
- 2.5. To note the schedule of additional budget risks that are not included in the current forecasts. (**Paragraph 3.3** and **Appendix 3**)
- 2.6. To agree the back pay of out of hour premiums to colleagues in the Cleaning Service that have not been applied since the service moved back to Islington in October 2010 and note that this is included in the forecast outturn position. (**Paragraph 4.12**)
- 2.7. To note the latest position on the delivery of the agreed 2019/20 to 2022/23 savings programme and on the earmarked corporate transformation reserve. (**Section 5, Table 2** and **Appendix 4**)
- 2.8. To agree that the now secured savings classified as 'Closed' can be removed from the savings tracker. (**Paragraph 5.2** and **Appendix 4**)
- 2.9. To note that the HRA forecast is a net break-even position. (**Table 1** and **Appendix 2**)
- 2.10. To agree that charges for HRA reception centres owned by the council for the purpose of providing temporary accommodation to homeless households be amended for the financial year 2020/21 to include a 5% uplift on the target rent and the introduction of a service charge which better reflects the cost of the services provided to residents. (**Paragraphs 6.2-6.5**)
- 2.11. To note the latest capital position and key capital variances with forecast capital expenditure of £132.394m in 2019/20 against the existing 2019/20 capital budget of £155.628m. (**Section 7, Table 3, and Appendix 5**)

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**.

Table 1: 2019/20 General Fund and HRA Forecast Over/(Under)Spend

	Month 10	Month 9	Change
	£m	£m	£m
<u>GENERAL FUND</u>			
Chief Executive's Directorate	(0.026)	0.004	(0.030)
Environment and Regeneration	(0.035)	(0.022)	(0.013)
Housing	0.000	0.000	0.000
People	(2.027)	(1.177)	(0.850)
Public Health	0.000	0.000	0.000
Resources Directorate	0.000	0.500	(0.500)
DIRECTORATE TOTAL	(2.088)	(0.695)	(1.393)
Corporate Items	(1.230)	(1.278)	0.048
GROSS OVER/(UNDER) SPEND	(3.318)	(1.973)	(1.345)
<u>HOUSING REVENUE ACCOUNT</u>			
NET (SURPLUS)/DEFICIT	0	0	0

- 3.2. All services have agreed cash limited budget allocations and therefore take responsibility for delivering a balanced budget unless a detailed business case is developed and approved for an allocation from the corporate contingency budget. Management action is therefore required over the course of the financial year to bring forecast overspends back to within agreed cash limited budgets where possible.
- 3.3. A schedule of additional budget risks that are not included in the current forecasts is included at **Appendix 3**.
- 3.4. It was agreed in the 2020/21 budget report that any underspend on the 2019/20 General Fund budget at the end of the current financial year will be transferred to reserves in order to provide additional resilience for significant budget risks over the medium term (e.g. uncertain government funding levels).

4. GENERAL FUND

Chief Executive's Directorate (-£0.026m)

- 4.1. The Chief Executive's directorate is forecasting a (-£0.026m) underspend, compared to a previous reported (-0.004m) overspend. This is detailed in **Appendix 1**.

Environment and Regeneration (-£0.035m)

- 4.2. After the application of previously agreed contingency funding, the Environment and Regeneration directorate is forecasting a (-£0.035m) underspend compared to a previous reported (-0.022m) underspend. The key variances and changes behind this position are set out in **Appendix 1**.

Housing (Break-Even, unchanged since previous reported position)

- 4.3. The Housing General Fund is forecast to break-even, after the use of (-£0.289m) one-off grant funding carried forward from prior years in earmarked reserves. This position is summarised in **Appendix 1**.

People (-£2.027m)

- 4.4. The People directorate (comprising Children's, Employment and Skills and Adult Social Services) is forecasting a (-£2.027m) underspend, an increase of (-£0.850m) since the previous reported position. The key variances and changes are set out in **Appendix 1**.

Children's, Employment and Skills - General Fund (-£0.627m), Schools (-£2.839m)

- 4.5. Children's, Employment and Skills is forecasting a (-£0.627m) underspend, an increase of (-£0.200m) since the previous reported position.
- 4.6. The Dedicated Schools Grant (DSG) is forecasting an underspend of (-£2.839m or -1.6%), a decrease of (+£0.346m) since the previous reported position. The majority of this relates to prior year balances being managed on behalf of Schools Forum to either manage cost pressures in relation to high needs and provision for 2 year olds, or because of volatility in the implementation of a national funding formula for 3 and 4 year olds. In addition, there is the (-£0.321m) balance of a one-off cash payment from the DfE that will not be spent by schools until 2020/21. This is offset by forecast DSG cost pressures relating to early years Special Educational Needs and Disabilities (SEND) following an increase in applications in the autumn and summer terms. Underspends and overspends against the DSG are managed through Schools Forum.

Adult Social Services (-£1.400m)

- 4.7. Adult Social Services is forecasting a (-£1.400m) underspend, an increase of (-£0.650m) since the previous reported position.
- 4.8. This position includes the use of one-off resources totalling (-£3.966m), including Social Care Grant, Improved Better Care Fund (Stabilising the Social Care System), Winter Pressures Funding, Direct Payments Surplus and (-£0.777m) funding carried forward from 2018/19 in earmarked reserves.

Public Health (Break-Even, unchanged since previous reported position)

- 4.9. Public Health is funded via a ring-fenced grant and any underspend at the end of the financial year will be carried forward in reserves to spend on public health in future years. The main forecast variances on the public health grant in 2019/20 are summarised in **Appendix 1**.

Resources Directorate (Break-Even)

- 4.10. The Resources directorate is forecast to break-even compared to an overspend of (+£0.500m) in the previous reported position, with key variances and changes set out in **Appendix 1**.
- 4.11. This position includes the use of one-off funding carried from 2018/19 in earmarked reserves (-£0.599m).
- 4.12. The Resources forecast also includes provision for the back pay of out of hour premiums to colleagues in the Cleaning Service that have not been applied since the service moved back to Islington in October 2010. Pay arrangements were reviewed following discussions with union colleagues. The payment of this back pay is subject to approval by the Executive in this report.

Corporate Items (-£1.230m)

- 4.13. The forecast for corporate items is a (-£1.230m) underspend, a decrease of (+£0.048m) since the previous reported position, with key variances and changes set out in **Appendix 1**.
- 4.14. This position is before taking into account the corporate contingency budget. The previously agreed allocation of £2.707m to resolve structural budget issues in the Environment and Regeneration directorate has reduced the 2019/20 corporate contingency budget from £5.080m to £2.373m. Any remaining balance of the 2019/20 contingency budget at the end of the financial year will be carried forward to future years, providing much needed financial resilience over the medium term.

5. SAVINGS DELIVERY

- 5.1. All savings projects are owned by nominated service leads and monitored monthly by Departmental Management Teams. All projects are also reviewed monthly by the Corporate Programme Management Office to ensure they are on track, that any savings associated are deliverable and that emerging risks and issues are identified. Services are then supported corporately with any remedial action necessary to get projects back on track, or establish where savings may no longer be deliverable and replacements are needed.
- 5.2. **Appendix 4** summarises the latest position on the delivery of the total agreed 2019/20 to 2022/23 savings programme of £37.067m. This shows that £6.576m are now classified as 'Closed', which means that the underlying savings have been secured and therefore can be removed from the savings tracker. This leaves £30.491m 'Open' savings to be tracked going into future months.
- 5.3. In terms of the latest risk ('RAG') status of the 2019/20 savings programme of £13.475m, £10.444m (78%) are 'Green' rated, £0.621m are 'Amber' rated and £2.410m are 'Red' rated. It should be noted that some of the 'Green' savings are part of a larger programme of change in future years that is not yet secure enough to close them on the savings tracker.
- 5.4. Whilst the Amber and Red rated savings are being covered from one-off resources and underspends in the current financial year, there are significant risks around the ongoing delivery of some of these savings in future years.
- 5.5. To enable the delivery of agreed savings, there is a corporate transformation reserve to provide required investment funding over the medium term. **Table 2** below summarises the latest position on this reserve.

Table 2: Corporate Transformation Reserve

	£m
Balance as at 31 March 2019	10.448
Budgeted 2019/20 transfer to reserve	5.000
2019/20 allocations	(3.119)
Balance as at Month 10	12.329

6. HOUSING REVENUE ACCOUNT

- 6.1. The forecast variance on the Housing Revenue Account, before transfers to HRA balances, is a net underspend of (-£0.585m) as summarised in **Appendix 2**. This relates to additional rents and other income that is partially offset by making additional provision for depreciation (via the Major Repairs Reserve) and bad debts. As this is a ring-fenced account, any underspends go into HRA balances to be used in future years, resulting in a net break-even position.
- 6.2. The new rent standard, for council and other social housing landlords, limits rent increases and sets out a framework for rent setting including target rent formulas for properties. Receptions Centres, owned by the council to house homeless households, are covered by this standard and therefore charges need to be brought into line with other forms of social housing. Previously charges for reception centres covered the full cost of service delivery and therefore separate service charges in addition to rent charges did not need to be set. When rooms are relet from April 2020, their rent must be calculated in line with the target rent set out in the Rent Standard. Should only the target rent be applied, the cost of providing services would need to be supplemented from other HRA income.
- 6.3. The Rent Standard allows that, where there is a clear reason for doing so, rents can be increase above the target rent level by 5%. Reception Centre rooms are used as temporary accommodation and are let furnished, have some access to communal facilities and are more regularly serviced for new lettings. It is therefore recommended that rents are set at target rent plus 5% at an average level of £93.93 per week (down from £187.99 per week).
- 6.4. The cost of providing services to these rooms, such as cleaning, communal maintenance, communal electricity etc., have been calculated and equate to £38.30 per week per room and therefore it is recommended that a service charge for this sum be levied. These service charges can be covered by Housing Benefit for those in receipt of benefits. In addition, residents are not currently charged for the electricity they consume within their rooms. This cost is paid by other households directly to their energy supplier. Therefore, it is recommended that a charge of £3.74 per week be applied for these rooms.
- 6.5. Application of these proposals will reduce the net loss (full year effect) from reception centre rents from £0.461m per annum to £0.228m per annum.

7. CAPITAL PROGRAMME

- 7.1. It is forecast that £132.394m of capital expenditure will be delivered in 2019/20 against the revised 2019/20 capital budget of £155.628m. This is set out by directorate in **Table 3** below and detailed in **Appendix 5**, which also includes the revised 2020/21 to 2022/23 capital programme agreed by full Council.

Table 3: 2019/20 Capital Programme Month 10 Forecast

Directorate	2019/20 Budget £m	2019/20 Spend To Date £m	2019/20 Forecast Outturn £m	Forecast Variance £m
Environment and Regeneration	23.807	12.640	23.807	0.000
Housing	113.262	70.309	90.028	(23.234)
People	13.875	9.096	13.875	0.000
Resources	4.684	1.647	4.684	0.000
Total	155.628	93.692	132.394	(23.234)

- 7.2. As at the end of month 10, an estimated £93.692m of capital expenditure had been spent against the existing 2019/20 capital budget of £155.628m.
- 7.3. The forecast Housing capital variance (-23.234m), unchanged since the previous reported position and already reflected in the revised 2020/21 to 2022/23 capital programme agreed by Council, comprises:
- (-£25.439m) net re-profiling on the new build programme to future financial years, unchanged since the previous month's forecast. Many of the delayed schemes have now been re-designed & independently reassessed as value for money, which means that they are now progressing through key decisions/contract award towards start on site;
 - (-£6.065m) underspend on the original General Fund temporary accommodation acquisitions budget, reflecting that these properties are now being purchased under the Housing Revenue Account capital budget; and
 - (+£8.270m) increased expenditure on the major works and improvements programme compared due to a combination of planned cyclical expenditure in 2020/21 now forecast to be incurred sooner and the cost of additional fire safety works not anticipated at 2019/20 budget setting.

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 (Section 28 Local Government Act 2003; the Council's Financial Regulations 3.7 to 3.10 (Revenue Monitoring and Control)).

Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

- 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 2019/20 Budget Report agreed 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 – Additional General Fund Budget Risks
- Appendix 4 – Savings Tracker 2019/20 to 2022/23
- Appendix 5 – Capital Programme 2019/20 to 2022/23

Background papers: None

Final report clearance:

Signed by:		11 March 2020
	Councillor Satnam Gill Executive Member for Finance and Performance	Date

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