ISLINGTON

Finance and Resources Department

Report of: Executive Member for Finance and Performance

Meeting of:	Date	Ward(s)
Executive	27th November 2014	All

FINANCIAL POSITION AT 30th SEPTEMBER 2014

1. SYNOPSIS

1.1 This report presents the forecast outturn position for 2014-15 as at 30th September 2014. Overall, the forecast is a £1.2m General Fund overspend including corporate items. The Housing Revenue Account (HRA) is forecast to break-even over the year. It is forecast that £95.1m of capital expenditure will be delivered in 2014-15.

2. RECOMMENDATIONS

2.1. To note the overall forecast revenue outturn for the General Fund of a £1.2m overspend. **(Paragraph 3.1, Table 1 and Appendix 1)**

2.2. To agree that £0.4m of in-year corporate funding is applied to the structural overspend within the Housing General Fund temporary accommodation budget. This is a net nil impact overall as the corporate underspend is reduced, in respect of this applied funding, by the same amount. **(Paragraph 4.11)**

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. **(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 30th September 2014

	VARIANCE Month 6 (£000)
GENERAL FUND	
Finance and Resources	(81)
Chief Executive's	(54)
Core Children's Services (Excluding Schools)	(640)
Environment and Regeneration	10
Housing and Adult Social Services	2,075
Public Health	0
Net Departments	**1,310**
Corporate Items	(91)
Total excluding contingencies	**1,219**
Unallocated contingency budgets	0
TOTAL PROJECTED (UNDER)/OVERSPEND	**1,219**
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 a staffing underspend of (-£0.1m).

Chief Executive's Department (-£0.1m)

4.2. A staffing underspend of (-£0.1m) is forecast in the Chief Executive's Department.

Children's Services (General Fund: -£0.6m, Schools: -£3.3m)

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. An underspend of (-£0.6m) is forecast for the General Fund (non-schools) Children's Services budget. This is due to an underspend against the Council's Universal Free School Meals budget following the introduction of statutory free school meals for all pupil in Reception to Year 2 (-£0.3m), a staffing underspend due to vacancies in the Play and Youth Service and Youth Careers (-£0.2m) and the early delivery of 2015-16 administrative savings within the Partnerships and Support Services division (-£0.1m).

Schools (-£3.3m)

4.5. A Dedicated Schools Grant (DSG) underspend of (-£3.3m, 2.1% of DSG) is forecast. This is 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 (zero variance)

4.7. The Environment and Regeneration Department is currently forecasting a break-even position. This is after the £0.9m in-year corporate savings previously applied to structural overspends in the department. There is a remaining pressure in relation to the Houses in Multiple Occupation (HMO) Licence income shortfall (+£0.2m). However, this and other volatile income streams are being managed allowing the departmental to forecast a balanced position.

Housing and Adult Social Services (+£2.1m)

- **Adult Social Care (-£0.2m)**

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 underspend of (-£0.2m) for Adult Social Services. This forecast includes the agreed 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 agreed 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 (+£2.3m)**

4.11. 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 (implementation of Local Housing Allowance caps) and the changes to the welfare support system. This has resulted in a net financial pressure of £2.3m in 2014-15 (which has widened from a net £2m pressure in month 5 due to the increasing cost of meeting demand for TA) after the application of £0.4m in-year corporate savings to structural overspends within the temporary accommodation procurement and rental income budgets.

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 remaining 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 (-£0.1m)

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 (-£1.9m) 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.

4.16. In addition, there is an upfront income saving of (-£0.5m) from leasing street furniture to network operators.

4.17. These savings are offset by:

4.17.1. Corporate savings of (+£1.3m) being applied to the structural overspends in Environment and Regeneration (**Paragraph 4.7**) and Housing General Funding (**Paragraph 4.11**). This is a net-nil impact overall as the Environment and Regeneration Department and Housing General Fund overspends are reduced, in respect of this applied funding, by the same amount.

4.17.2. There 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, 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 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); the impact of Kier undertaking the completion of incomplete jobs at the same time as LBI undertaking new jobs (+£0.7m); part-year effect of bringing the housing repairs service in-house (+£2.5m); part-year effect of bringing other corporate and clienting repairs functions in-house (+£0.7m); and the part-year effect of the ongoing pressure of bringing the Gas Service in-house (+£1.0m).

5.1.2. One-off pressures due to the impact of the Welfare Reforms (+£0.7m); improvements to Open Spaces (+£0.5m); additional CCTV project costs (+£1.0m).

5.1.3. A pressure of (+0.3m) following the increase in the employer superannuation rate.

5.1.4. Loss of rental and service charge income arising from the increase in right-to-buys over 2013-15, a reduction in voids leading to less re-lets and therefore fewer properties moving straight to target rent and less new builds ready for let than anticipated (+£0.9m).

5.1.5. The above pressures of (+13.1m) are offset by:

5.1.6. A (-£3.2m) saving from reduced interest on borrowing and capital charges.

5.1.7. Additional rent from commercial properties (-£0.5m).

5.1.8. Reduced energy costs of (-£0.7m).

5.1.9. Reduced demand for aids and adaptations work in HRA properties (-£0.8m).

5.1.10. Number of void repairs less than budgeted (-£0.7m).

5.1.11. 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. The forecast is that £95.1m of capital expenditure will be delivered by the end of the financial year with forecast slippage of £0.7m into 2015-16. 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 at 30th September 2014

Department	2014-15 Capital Budget (£m)	2014-15 Forecast Expenditure (£m)	Forecast Slippage to 2015-16 (£m)
Adult Social Services	3.4	3.4	0.0
Housing	56.0	56.0	0.0
Children's Services	9.7	9.1	(0.6)
Environment and Regeneration	23.0	22.9	(0.1)
Finance and Resources	3.2	3.2	0.0
Corporate Projects	0.5	0.5	0.0
Total	**95.8**	**95.1**	**(0.7)**

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

7.4. A resident impact assessment (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

17 November 2014

Executive Member for Finance and Performance

Date