



**Report of: Executive Member for Finance and Performance**

Meeting of:	Date	Agenda Item	Ward(s)
Executive Policy and Performance	12 <sup>th</sup> February 2015 02 March 2015		

## **FINANCIAL POSITION AT 31<sup>st</sup> DECEMBER 2014**

### **1. SYNOPSIS**

- 1.1 This report presents the forecast outturn position for 2014-15 as at 31<sup>st</sup> December 2014. Overall, the forecast is a £0.5m General Fund underspend including corporate items. The Housing Revenue Account (HRA) is forecast to break-even over the year. It is forecast that £93.8m 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 £0.5m underspend. **(Paragraph 3.1, 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 and agree the planned drawdown of £1m from the Invest to Save reserve towards the Working Without Walls technology enabling programme. **(Section 6, Paragraph 6.2, 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 Estimated Outturn at 31<sup>st</sup> December 2014**

	<b>VARIANCE Month 9 (£000)</b>
<b><u>GENERAL FUND</u></b>	
Finance and Resources	0
Chief Executive's	(87)
Core Children's Services (Excluding Schools)	(610)
Environment and Regeneration	(15)
Housing and Adult Social Services	1,925
Public Health	0
Net Departments	<b>1,213</b>
Corporate Items	(1,690)
<b>Total excluding contingencies</b>	
Unallocated contingency budgets	0
<b>TOTAL PROJECTED (UNDER)/OVERSPEND</b>	<b>(477)</b>
<b><u>HOUSING REVENUE ACCOUNT</u></b>	
<b>NET (SURPLUS) / DEFICIT</b>	<b>0</b>

#### **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 (-£0.1m)**

- 4.2. An underspend of (-£0.1m) is forecast in the Chief Executive's Department, due to staffing variances and some additional income.

##### **Children's Services (General Fund: -£0.6m, Schools: -£4.1m)**

- 4.3. 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 pupils in Reception to Year 2 (-£0.35m); a staffing underspend due to vacancies in the Play and Youth Service and Youth Careers (-£0.25m); the early delivery of 2015-16 administrative savings within the Partnerships and Support Services division (-£0.15m); an underspend due to staffing vacancies in Children's Centres and lower than expected spend against the Grant Aid budget in Early Years (-£0.1m); a staffing underspend due to vacancies in School Improvement (-£0.1m); an underspend relating to ICT and Data staffing vacancies (-£0.1m); and an overspend of (+£0.45m) due to underlying demographic pressures on Special Educational Needs transport.

##### **Schools (-£4.1m)**

- 4.4. A Dedicated Schools Grant (DSG) underspend of (-£4.1m, 2.7% 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 (-£3.6m); Schools Forum have agreed to hold off allocating £0.4m from the 2013-14 DSG carried-forward underspend pending confirmation of sufficient headroom from the growth in DSG in 2015-16 and 2016-17 to enable re-

designed pupil, school and early years services to be funded (-£0.4m); and a forecast underspend in Early Years in relation to the provision of nursery places for 3 and 4 year old places reflecting demand following the October Census (-£0.1m). DSG variances are managed through the Schools Forum.

#### **Environment and Regeneration (zero variance)**

- 4.5. 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 department to forecast a balanced position.

#### **Housing and Adult Social Services (+£1.9m)**

- **Adult Social Care (-£0.2m)**

- 4.6. There is a small, net forecast underspend of (-£0.2m) for Adult Social Services, spread across a number of budget areas. 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 (+£2.1m)**

- 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 (implementation of Local Housing Allowance caps) and the changes to the welfare support system. This has resulted in a net financial pressure of £2.1m in 2014-15 (after the previous application of £0.4m in-year corporate savings to structural overspends within the temporary accommodation procurement and rental income budgets).
- 4.8. 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.
- 4.9. The main actions being taken to control the pressure are:
- 4.9.1. 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.
  - 4.9.2. 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.

#### **Public Health (zero variance)**

- 4.10. 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, with any underspend at year-end ringfenced and carried forward to the following year earmarked for Public Health.

### **Corporate Items (-£1.7m)**

- 4.11. 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.
- 4.12. Joint work between Council departments has resulted in the streamlining and consolidation of funding for a wide range of service contracts which has resulted in savings of (-£1.0m) across the Council.
- 4.13. In addition, there is an upfront income saving of (-£0.5m) from leasing street furniture to network operators and a (-£0.6m) saving in respect of the 2.2% pay award with effect from 1<sup>st</sup> January 2015 (3 months) compared to the full year 1% provided in the 2014-15 budget.
- 4.14. These savings are offset by:
  - 4.14.1. Corporate savings of (+£1.3m) being applied to the structural overspends in Environment and Regeneration and Housing General Funding. 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.
  - 4.14.2. 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)**

- 4.15. 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 variances are as follows:
  - 5.1.1. Non-recurring impact of repairs re-integration (+£4.6m).
  - 5.1.2. Recurring impact of repairs re-integration (+£3.9m).
  - 5.1.3. Other HRA non-recurring pressures including welfare reforms, improvements to open spaces and CCTV (+£2.1m).
  - 5.1.4. Other HRA recurring pressures including changes to pension contributions and reduction in rent, service charges and other income (+£0.8m).
  - 5.1.5. *The above pressures of (+£11.4m) are offset by:*
  - 5.1.6. A (-£2.9m) saving from reduced interest on borrowing and capital charges.
  - 5.1.7. Additional income 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. Annual leaseholder service charges saving (-£0.2m).
- 5.1.11. Number of void repairs less than budgeted (-£1m).
- 5.1.12. In-year drawdowns from HRA annual contingency budget of (-£3.5m) and HRA working balances of (-£1.8m).

## **6. CAPITAL PROGRAMME**

- 6.1. It is forecast that £93.8m of capital expenditure will be delivered by the end of the financial year. 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 31<sup>st</sup> December 2014**

<b>Department</b>	<b>2014-15 Capital Budget</b>	<b>2014-15 Forecast Expenditure</b>	<b>Forecast Slippage to 2015-16</b>
	<b>(£m)</b>	<b>(£m)</b>	<b>(£m)</b>
Adult Social Services	3.1	3.1	0.0
Housing	56.0	56.0	0.0
Children's Services	8.9	8.9	0.0
Environment and Regeneration	21.3	21.1	0.2
Finance and Resources	4.2	4.2	0.0
Corporate Projects	0.5	0.5	0.0
<b>Total</b>	<b>94.0</b>	<b>93.8</b>	<b>0.2</b>

- 6.2. The Finance and Resources capital budget includes a recommended drawdown of £1m Invest to Save reserve funding towards the Working Without Walls technology enabling programme to transform the way Islington works with and for local residents.

## **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

**Responsible Officer:**

Mike Curtis  
Corporate Director of Finance & Resources

**Report Author:**

Tony Watts  
Head of Financial Planning

**Signed by**



Executive Member for Finance and  
Performance

Date

**Received by** .....

Head of Democratic Services

Date