



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

Meeting of:	Date	Ward(s)
Executive	21 <sup>st</sup> May 2015	

## PROVISIONAL 2014-15 OUTTURN

### **1. SYNOPSIS**

- 1.1 This report presents the provisional outturn position for 2014-15 as at 31<sup>st</sup> March 2015. Overall, there is a gross General Fund underspend of £3.1m, but after proposed transfers to corporate reserves, there is a forecast net break-even position for 2014-15. The Housing Revenue Account (HRA) is forecast to break-even over the year. The capital programme delivered 93% of the annual programme.

### **2. RECOMMENDATIONS**

- 2.1. To approve the overall provisional 2014-15 gross revenue outturn for the General Fund (**Table 1** and **Appendix 1**) of a gross £3.1m underspend, before transfers, and a net break even position after the following proposed transfers for approval (**Section 3**):
- 2.1.1. £1.5 m to the redundancy reserve.
- 2.1.2. £1.6m to the contingency reserve.
- 2.2. To agree the departmental carry forwards detailed in **Appendix 2. (Section 3)**
- 2.3. To note that the HRA is forecast to break-even. (**Section 5, Table 1** and **Appendix 1**)
- 2.4. To note that the Council delivered £83.7m of capital investment in 2014-15, representing 93% of the deliverable programme, and to agree the provisional funding of the programme and related reserves movements. (**Section 6, Tables 2-3** and **Appendix 3**)
- 2.5. To note the provisional outturn position in respect of the Council's sundry income management (**Section 7**) and the council tax and national non domestic rates collection (**Section 8**).
- 2.6. To note the progress on the closing of the 2014-15 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 slippage) prior to the accounts submission to the Auditors by 30<sup>th</sup> June 2015. (**Section 9**)

### **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**. This position is after the departmental carry forwards are taken into account. The departmental carry forwards, which are proposed to be transferred for (the same) use in the financial year 2015-16, are detailed in **Appendix 2** for agreement.
- 3.2. It is recommended that the gross £3.1m General Fund underspend is applied as follows, resulting in a net break-even outturn position:
- 3.2.1. £1.5m to the redundancy reserve, taking this to £6.1m in 2015-16.
- 3.2.2. £1.6m to the contingency reserve, taking this to £3.5m in 2015-16, to provide some resilience against any short-term budget pressures arising from savings risks or changes in Government policy.

**Table 1: General Fund and HRA Estimated Outturn**

	<b>VARIANCE Month 12 (£000)</b>
<b><u>GENERAL FUND</u></b>	
Finance and Resources	(196)
Chief Executive's	(575)
Core Children's Services (Excluding Schools)	(600)
Environment and Regeneration	76
Housing and Adult Social Services	1,792
Public Health	0
Net Departments	<b>497</b>
Corporate Items	(3,554)
<b>Total excluding contingencies</b>	<b>(3,057)</b>
Unallocated contingency budgets	0
Proposed Transfers at Year-End	<b>3,057</b>
<b>TOTAL GENERAL FUND (UNDER)/OVERSPEND</b>	<b>0</b>
<b><u>HOUSING REVENUE ACCOUNT</u></b>	
<b>NET (SURPLUS) / DEFICIT</b>	<b>0</b>

### **4. GENERAL FUND**

#### **Finance and Resources Department (-0.2m)**

- 4.1. The Finance and Resources Department is forecasting an outturn underspend of (-£0.2m) as a result of net staffing savings across the department.

#### **Chief Executive's Department (-£0.6m)**

- 4.2. The Chief Executive's Department is forecasting an outturn underspend of (-£0.6m) due to additional Legal income (-£0.14m); court compensation payments (-£0.12m); additional income from selling human resources school services to non-Islington schools (£0.12m); and additional contributions from external organisations (-£0.2m).

### **Children's Services (General Fund: -£0.6m, Schools: -£6.9m)**

- 4.3. An outturn 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 (-£0.2m); a staffing underspend due to vacancies in the Play and Youth Service and Youth Careers (-£0.1m); staffing underspends due to vacancies in Children's Centres (-£0.2m); an underspend against the Grant Aid budget in Early Years (-£0.2m); staffing underspends and increased trading income across Pupil and School Support Services (-£0.4m); administrative and ICT savings within the Partnerships and Support Services division (-£0.4m); savings as a result of the cost of Children in Need places for eligible 2 year olds being met from Dedicated Schools Grant (DSG) funding (-£0.2m); unused schools redundancy budget (-£0.1m); miscellaneous underspends across the department including additional income (-£0.1m); an overspend of (+£0.5m) due to underlying demographic pressures on Special Educational Needs (SEN) transport; and the number of unaccompanied asylum seeking children has increased by 25 over the duration of this financial year (+£0.3m); an overspend on the Targeted and Specialist Children and Families service relating to Special Guardianship Orders, the New Remand Framework and Staying Put (+£0.5m).

#### **Schools (-£6.9m)**

- 4.4. A Dedicated Schools Grant (DSG) underspend of (-£6.9m, 4.4% of DSG) is forecast. This is due to the carry forward of up-front Early Years DSG funding from previous years for 2 year olds that will be used to smooth in expected DfE funding reductions for the statutory entitlement from 2015, when funding will be allocated to local authorities based on take-up (-£3.5m); Schools Forum 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); a number of underspends across Early Years including take-up of nursery places for 3 and 4 year olds being lower than budgeted (-£0.3m); delay in redevelopment of the outdoor space at the Pupil Referral Unit (-£0.1m); unused SEN placements contingency budget despite increased numbers and complexity of need as placement costs have been contained within existing budgets (-£1.7m); underspends across a number of other areas including pupil services and data systems development, alternative provision, school exclusions and contingency budgets (-£0.9m). DSG variances are managed through the Schools Forum.

#### **Environment and Regeneration (+£0.1m)**

- 4.5. The Environment and Regeneration Department is forecasting a break-even outturn position. This is after the £0.9m in-year corporate savings previously applied to structural overspends in the department.

#### **Housing and Adult Social Services (+£1.8m)**

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

- 4.6. The Adult Social Services Department is forecasting a break-even outturn position. 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 (+£1.8m)**

- 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). This is offset partly by underspends in management, staffing and running costs (-£0.3m).

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

- 4.8. 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 (-£3.6m)**

- 4.9. The Council continues to follow a successful Treasury Management Strategy of shorter-term borrowing at low interest rates. This has saved the General Fund (-£2.4m) 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.
- 4.10. Unbudgeted grant income (-£2m) has been received to compensate for the impact of Government policy on our retained business rates income in 2014-15 (e.g. the capping of the business rates multiplier and the retail relief scheme).
- 4.11. 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 (-£1m) across the Council.
- 4.12. There is an 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.
- 4.13. These savings are offset by:
- 4.13.1. 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.
- 4.13.2. A pressure of (+£0.8m) 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).
- 4.13.3. The corporate levies that the Council is required to pay being (+£0.3m) higher than assumed in the original 2014-15 budget.

#### **Contingencies (zero variance)**

- 4.14. 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 costs to date of repairs re-integration (+£4.9m).
  - 5.1.2. Recurring impact (part year effect) of repairs re-integration (+£3m).
  - 5.1.3. Other HRA non-recurring pressures including welfare reforms, improvements to open spaces and CCTV (+£3.3m).
  - 5.1.4. Other HRA recurring pressures including changes to pension contributions and reduction in rent, service charges and other income (+£0.5m).
  - 5.1.5. *The above pressures of (+£11.7m) are offset by:*
  - 5.1.6. A (-£2m) saving from reduced interest on borrowing and capital charges.
  - 5.1.7. Additional income from commercial properties (-£0.3m).
  - 5.1.8. Reduced energy costs of (-£1m).
  - 5.1.9. Reduced demand for aids and adaptations work in HRA properties (-£0.8m).
  - 5.1.10. Annual leaseholder service charges saving (-£0.3m).
  - 5.1.11. Number of void repairs less than budgeted (-£1m).
  - 5.1.12. Savings (staffing and administration) in the Resident Engagement/PFI Clienting and New Build Teams, PFI Payments and ICT running costs (-£0.5m).
  - 5.1.13. Increase in leaseholders' major works income from rechargeable capital works (-£1.1m).
  - 5.1.14. Additional income from Thames Water commission (-£0.4m).
  - 5.1.15. Additional income including an increase in the right to buy administration grant (-£0.6m).
  - 5.1.16. In-year drawdowns from HRA annual contingency budget of (-£3.2m) and HRA working balances of (-£0.5m).

## 6. CAPITAL PROGRAMME

- 6.1. The Council delivered £83.7m of capital investment in 2014-15, representing 93% of the deliverable programme. This is set out by department in **Table 2** below and detailed at **Appendix 3**, including slippage to 2015-16.

**Table 2: 2014-15 Capital Programme by Department**

Department	2014-15 Capital Budget	2014-15 Capital Expenditure	Slippage to 2015-16
	(£m)	(£m)	(£m)
Housing and Adult Social Services	59.4	57.5	1.9
Children's Services	10.9	9.5	1.4
Environment and Regeneration	17.6	15.1	2.5
Finance and Resources	1.4	1.3	0.1
Corporate Projects	0.5	0.3	0.2
<b>Total</b>	<b>89.8</b>	<b>83.7</b>	<b>6.1</b>

- 6.2. The provisional funding of the 2014-15 capital programme is shown in **Table 3** below.

**Table 3: Provisional Funding of 2014-15 Capital Programme**

<b>Funding Source</b>	<b>(£m)</b>
Capital Receipts	11.9
Borrowing	3.9
Government Grants and Other External Contributions	16.3
Major Repairs Reserve	35.9
Capital Reserve and Revenue Contributions	15.7
<b>Total</b>	<b>83.7</b>

- 6.3. As part of the funding of the capital programme, the following reserves movements over £500k require Executive approval under the Council's financial regulations:
- 6.3.1. Drawdown from the Capital Reserve (£14.274m).
  - 6.3.2. Transfer to the Building Schools for the Future Smoothing Reserve (£0.709m).
  - 6.3.3. Transfer from the Invest to Save Reserve to the Capital Reserve (£2.537m).

#### **Treasury Management**

- 6.4. The Council's average rate of interest on its debt fell from 5.30% in 2013-14 to 4.32% in 2014-15. As at 31<sup>st</sup> March 2015, the Council had £20m of temporary borrowing, total long term debt of £285.4m (£225.3m Public Works Loan Board loans, £56.5m loans from other local authorities and a £3.6m commercial loan) and held £77m of temporary investments (mainly with other local authorities).
- 6.5. 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 2014-15 £47.1m sundry income was collected which represents 74% of the net collectable debit. Arrears at year-end were £16.9m, of which £14.8m was less than 30 days.
- 7.2. The net sum of just £41k was written off, under delegated authority, during the financial year 2014-15 and has been funded from provisions already made. Our level of sundry debt write-offs are amongst the lowest of any local authority and the amount written-off in 2014-15 was our lowest on record.

## **8. COUNCIL TAX AND NNDR COLLECTION RATES**

- 8.1. Council tax in-year collection of 96.1% is just above the target (96%) set for 2014-15 and the Council's highest level since collection was made more difficult by the commencement of council tax support in 2013-14. The actual amount collected has increased by £3.1m from the previous year. For 2014-15 £2.3m of council tax arrears were written-off.
- 8.2. National non-domestic rates (NNDR) in-year collection of 99% is well above the target (98.2%) set for 2014-15 and is the highest level achieved to date. The actual amount collected has increased by £6.6m from the previous year. For 2014-15 £3.4m of NNDR arrears were written-off.
- 8.3. The collection rates for recent years are shown in **Table 4** below.

**Table 4: Collection Rates 2014-15**

	<b>2012-13 (Pre- Council Tax Support Scheme)</b>	<b>2013-14</b>	<b>2014-15</b>
Council Tax Collection Rate	96.8%	95.9%	96.1%
NNDR Collection Rate	98.5%	98.2%	99.0%

## **9. CLOSING OF ACCOUNTS PROGRESS 2014-15**

- 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 prior to their submission to the auditors by 30<sup>th</sup> June 2015.

## **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 2014-15 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.

**Background papers:** None

### **Responsible Officer:**

Mike Curtis  
Corporate Director of Finance and Resources

### **Report Author:**

Tony Watts  
Head of Financial Planning

**Signed by**



7 May 2015

Executive Member for Finance and  
Performance

Date