



Report of: Executive Member for Finance and Performance

Meeting of:	Date	Ward(s)
Executive	24 th September 2015	

FINANCIAL POSITION AT 31st JULY 2015

1. SYNOPSIS

- 1.1 This report presents the forecast outturn position for 2015-16 as at 31st July 2015. Overall, the forecast is a £3.3m General Fund overspend including corporate items. The Housing Revenue Account (HRA) is forecast to break-even over the year. It is forecast that £114.6m of capital expenditure will be delivered in 2015-16.

2. RECOMMENDATIONS

- 2.1. To note the overall forecast revenue outturn for the General Fund of a £3.3m overspend, and that in the event of an overall overspend at the end of the financial year this would be funded from the one-off corporate contingency reserve in the first instance. **(Paragraphs 3.1 and 4.12, Table 1 and Appendix 1)**
- 2.2. To agree that £0.45m of in-year corporate funding is applied to the Environment and Regeneration structural overspend arising due to the Government shelving plans to introduce locally set licensing fees. This is a net nil impact overall as the corporate underspend is reduced, in respect of this applied funding, by the same amount. **(Paragraph 4.5)**
- 2.3. To agree the increase in development management pre-application fees required to cover the additional costs associated with providing this most valued planning service within the agreed timescales. **(Paragraph 4.6 and Appendix 3)**
- 2.4. To note that the HRA is forecast to break-even over the financial year. **(Paragraph 3.1, Table 1 and Appendix 1)**
- 2.5. To note the latest capital position with forecast capital expenditure of £114.6m in 2015-16, to agree the drawdown to the Finance and Resources capital budget from the Invest to Save reserve and to agree capital slippage into future years. **(Paragraphs 6.1 to 6.3, 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 Forecast Outturn

	VARIANCE Month 4 (£000)
<u>GENERAL FUND</u>	
Finance and Resources	0
Chief Executive's	0
Core Children's Services (Excluding Schools)	0
Environment and Regeneration	1,576
Housing and Adult Social Services	1,378
Public Health	0
Net Departments	2,954
Corporate Items	356
TOTAL PROJECTED (UNDER)/OVERSPEND	3,310
<u>HOUSING REVENUE ACCOUNT</u>	
NET (SURPLUS) / DEFICIT	0

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 (zero variance)

- 4.2. The Chief Executive's Department is currently forecasting a break-even position.

Children's Services (General Fund: zero variance, Schools: -£2.0m)

- 4.3. A break-even position is forecast for the General Fund (non-schools) Children's Services budget. However, within this position a number of pressures against demand led specialist services that materialised in 2014-15 are continuing into 2015-16, especially in relation to unaccompanied asylum seeking children (£0.35m) and special guardianship orders (+£0.2m). Further overspends are materialising against the new remand framework (+£0.35m), leaving care costs (+£0.2m) and secure accommodation costs (+£0.2m). These overspends, totalling (+£1.3m), have been offset fully by forecast underspends across the Learning and Schools and Partnerships and Support Services divisions.

Schools (-£2.0m)

- 4.4. A Dedicated Schools Grant (DSG) underspend of (-£2.0m, 1.2% of DSG) is forecast. This is in the main due to the carry forward of Early Years DSG funding from 2014-15 that will be used to smooth in expected Department for Education (DfE) funding reductions for the statutory entitlement for free childcare for deprived 2-year olds from 2015, now that funding is allocated to local authorities based on take-up.

Environment and Regeneration (+£1.6m)

- 4.5. The Environment and Regeneration Department is currently forecasting a (+£1.6m) overspend. This is after corporate savings of (+£0.5m) being applied to the structural overspend arising due to the Government shelving plans to introduce locally set licensing fees. This is a net-nil impact overall as the Environment and Regeneration Department overspend is reduced, in respect of this applied funding by the same amount. The main variances are as follows:
- 4.5.1. (+£0.3m) due to not implementing in full the withdrawal of the door to door recycling in estates in previous years.
 - 4.5.2. (+£0.35m) delays in re-providing the new refuse fleet pending various pilots and the introduction of a new operating model.
 - 4.5.3. (+£0.25m) loss of grant income from North London Waste Authority (NLWA) following price reductions for recyclable materials.
 - 4.5.4. (+£0.1m) required to keep public conveniences open following a decision to keep facilities open – future funding to be met from advertising concession contract income.
 - 4.5.5. (+£0.6m) structural budget issues within the Public Protection division: (+£0.2m) relating to staff budgets and non-staffing budgets around IT / licensing costs; (+£0.1m) unachievable Houses in Multiple Occupation (HMO) licensing income; (+£0.1m) staff costs that were part funded by 'Smoke-free' grant that is no longer received; (+£0.1m) relating to deteriorating income streams on DVD / music rentals and hall lettings; and (+£0.1m) across various other income streams.

Development Management Pre-Application Fees

- 4.6. Following increased competition from local planning authorities and planning consultants, it has become necessary to increase the hourly rate of temporary officers working in Development Management (Major Applications) Team. Pre-application fees must increase by 15% to cover the additional costs associated with providing this most valued planning service within the agreed timescales.

Housing and Adult Social Services (+£1.4m)

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

- 4.7. Adult Social Care is currently forecasting a break-even position. Within this position, there is a (+£0.6m) pressure relating to a delay in the achievement of the saving to reduce grants to voluntary and non-statutory services, offset by a (-£0.6m) non-recurring underspend due to delay in implementation of Care Act projects.

- **Housing General Fund (+£1.4m)**

- 4.8. 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 and the changes to the welfare support system. This has resulted in a net financial pressure of (+£1.5m) in 2015-16 of which the majority is due to not being able to secure nightly booked accommodation at rates that are below or equal to the Local Housing Allowance. This is offset partly by staffing underspends across the department (-£0.1m).

Public Health (zero variance)

- 4.9. Public Health is funded via a ring-fenced grant of £25.4m for 2015-16. The grant is currently forecast to be spent in line with the overall allocation, with any underspend at

year-end ring-fenced and carried forward to the following year earmarked for Public Health. However, there is a risk that this position will change upon confirmation of the in-year Government cuts to the public health grant currently being consulted upon.

Corporate Items (+£0.35m)

- 4.10. 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 (-£1.8m) 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.
- 4.11. These savings are offset by:
 - 4.11.1. Pump-priming one-off investment to accommodate the move of the Area Housing Office at Old Street to Finsbury Library (+£0.5m) and to identify new opportunities for maximising the Council's income (+£0.2m), including the collection of business rates.
 - 4.11.2. Corporate savings of (+£0.45m) being applied to the structural overspend in Environment and Regeneration arising due to the Government shelving plans to introduce locally set licensing fees. This is a net-nil impact overall as the Environment and Regeneration Department overspend is reduced, in respect of this applied funding, by the same amount.
 - 4.11.3. (+£0.2m) relating to a settled claim against 3 privately owned mature London Plane trees that had been proven to cause subsidence. Due to strong public support, the Council argued for retaining the trees and won the appeal for the trees to be retained. The claimants then proceeded with repairs of £350k. The Council have fought this and negotiated down from an initial claim of £350k to a settled claim of £190k.
 - 4.11.4. (+£0.8m) uncontrollable pressure 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).

Contingency Reserve

- 4.12. There is a one-off corporate contingency reserve of £3.5m to provide some resilience against any short-term budget pressures arising from savings risks or changes in Government policy. In the event of an overall General Fund overspend at the end of the financial year this would be funded from the corporate contingency reserve in the first instance.

5. HOUSING REVENUE ACCOUNT

- 5.1. The HRA is forecast to be balanced in 2015-16. The variances are as follows:
 - 5.1.1. Non-recurring impact of repairs re-integration (+£1.4m), partially offset by lower than anticipated expenditure on In-House Repairs Team sub-contractors (-£0.5m) and lower expenditure relating to voids (-£0.5m).
 - 5.1.2. Other HRA non-recurring pressures including improvements to open spaces and CCTV and heating refunds in respect of 2014-15 (+£0.9m).
 - 5.1.3. Other HRA recurring pressures including lower than budgeted rent, service charges and other income (+£0.6m) and the impact of welfare reforms (+£0.7m).

- 5.1.4. *The above pressures of (+£2.6m) are offset by:*
- 5.1.5. Additional commercial property income and reduced management costs (-£1.0m).
- 5.1.6. Lower than budgeted PFI contractual inflation (-£0.7m).
- 5.1.7. Higher than budgeted Right to Buy administration grant income due to higher than anticipated Right to Buy sales (-£0.3m).
- 5.1.8. Increase parking income arising from the increase in charges for non-residents and the diesel levy (-£0.3m).
- 5.1.9. Higher than budgeted commission from Thames Water (-£0.2m).
- 5.1.10. Reduced energy costs (-£0.1m).

6. CAPITAL PROGRAMME

- 6.1. It is forecast that £114.6m of capital expenditure will be delivered by the end of the year. This is set out by department in **Table 2** below and detailed at **Appendix 2**.

Table 2: 2015-16 Capital Programme by Department at Month 4

Department	2015-16 Capital Budget	2015-16 Forecast Expenditure	Forecast Slippage (to)/from Future Years
	(£m)	(£m)	(£m)
Housing and Adult Social Services	83.9	68.7	(15.2)
Children's Services	24.3	18.1	(6.2)
Environment and Regeneration	32.1	23.3	(8.8)
Finance and Resources	4.5	4.5	-
Total	144.8	114.6	(30.2)

- 6.2. The Finance and Resources capital budget includes a recommended drawdown of £3.0m from the funding previously set aside in the Invest to Save reserve towards the Digital Transformation projects taking place to transform the way Islington works with and for local residents.

Forecast Slippage

- 6.3. Under the Council's financial regulations, approval of slippage over £1m on an individual capital scheme is a function of the Executive.

Housing and Adult Social Services (£15.2m)

- 6.3.1. New Homes Programme (£12.4m) – The first quarterly review in 2015-16 indicates deliverable new homes capital expenditure of £28.7m in 2015-16, resulting in forecast slippage of £12.4m into future years. The Council remains on target to deliver 500 social rented new builds by 2019.
- 6.3.2. Major Works and Improvements Programme (£2.8m) – This relates to a number of committed schemes that it is now considered will not progress on site as quickly as originally anticipated.

Children's Services (£6.2m)

- 6.3.3. Dowry Street scheme (3.0m) – Re-profiling of scheme across 2016-17 and 2017-18 due to a delay in the Education Funding Agency (EFA) signing the funding agreement.
- 6.3.4. Other Schools (£3.2m) – This relates to external funding that is in the process of being allocated to school capital schemes.

Environment and Regeneration (£8.8m)

- 6.3.5. Fleet Replacement (£3m) – Due to extended lead times on all vehicle purchases some orders will not be completed until 2015-16.
- 6.3.6. External Wall Insulation (£2.1m) – Due to aborted schemes and funds to be re-allocated to new schemes.
- 6.3.7. Combined Heat and Power Phase 2 (£2.0m) – Due to delays in the planning process.
- 6.3.8. Leisure (£0.9m) – Due to changes in the forecast cash flow of leisure schemes.
- 6.3.9. Greenspace (£0.8m) – Due to delays in the expected commencement of greenspace schemes.

7. IMPLICATIONS

Financial Implications

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

Legal Implications

- 7.2. 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

- 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 2015-16 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:

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Signed by



Executive Member for Finance and
Performance

11 September 2015

Date