



Report of: Executive Member for Finance and Performance

Meeting of:	Date	Ward(s)
Executive	26 th November 2015	All

FINANCIAL POSITION AT 30TH SEPTEMBER 2015

1. SYNOPSIS

- 1.1 This report presents the forecast outturn position for 2015-16 as at 30th September 2015. Overall, the forecast is a £3.5m General Fund overspend including corporate items. The Housing Revenue Account (HRA) is forecast to break-even over the year. It is forecast that £106.5m 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 £3.5m 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 of £3.5m in the first instance. **(Paragraphs 3.1 and 4.11, 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 with forecast capital expenditure of £106.5m in 2015-16. **(Paragraph 6.1, 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 6 (£000)
<u>GENERAL FUND</u>	
Finance and Resources	0
Chief Executive's	(285)
Core Children's Services (Excluding Schools)	795
Environment and Regeneration	2,498
Housing and Adult Social Services	1,255
Public Health	0
Net Departments	4,263
Corporate Items	(744)
TOTAL PROJECTED (UNDER)/OVERSPEND	3,519
<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 (-£0.3m)

- 4.2. The Chief Executive's Department is currently forecasting a (-£0.3m) underspend. This is due to staff vacancies within the Governance and Human Resources division that are not to be recruited to this year (-£0.2m) and additional legal fee income (-£0.1m).

Children's Services (General Fund: +£0.79m, Schools: -£2.1m)

- 4.3. A (+£0.79m) overspend is forecast for the General Fund (non-schools) Children's Services budget. This includes a number of pressures against demand led specialist services that materialised in 2014-15 and are continuing into 2015-16, especially in relation to unaccompanied asylum seeking children (£0.35m) and special guardianship orders (+£0.2m). Further overspends are forecast against the new remand framework (+£0.35m), Children Looked After placements (+£0.35m), leaving care costs (+£0.3m), secure accommodation costs (+£0.2m) and in the Disabled Children's Team (+£0.1m). There is a further pressure of (+£0.1m) in relation to the in-year reduction in Youth Justice Grant and an overspend relating to an increase in support for 16/17 years olds living in supported accommodation (+0.3m). These overspends, totalling (+£2.25m), have been partly offset fully by forecast underspends totalling (-£1.45m) across the Learning and Schools and Partnerships and Support Services divisions.

Schools (-£2.1m)

- 4.4. A Dedicated Schools Grant (DSG) underspend of (-£2.1m, 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 (+£2.5m)

- 4.5. The Environment and Regeneration Department is currently forecasting a (+£2.5m) 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. (+£0.8m) due to delayed service changes in Street Environment Services leading to non-delivery of 2015-16 savings.
 - 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) due to unbudgeted costs associated with the pilots that will deliver future savings causing spend on new bins and other items.
 - 4.5.5. 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.
 - 4.5.6. Underachievement of building control and planning income due to a decline in activity (+£0.3m).
 - 4.5.7. Additional agency staffing pressures within Development Control (+£0.1m).

Housing and Adult Social Services (+£1.3m)

- **Adult Social Care (+£0.1m)**

- 4.6. Adult Social Care is currently forecasting a small overspend (+£0.1m). This relates to a net overspend on the older people spot placement budget of (+0.1m).

- **Housing General Fund (+£1.2m)**

- 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 and the changes to the welfare support system. This has resulted in a net financial pressure of (+£1.4m) 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 (-£0.2m).

Public Health (zero variance)

- 4.8. 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.

Corporate Items (-£0.7m)

- 4.9. 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 (-£2.9m) 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.
- 4.10. These savings are offset by:
- 4.10.1. 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.
 - 4.10.2. Corporate savings of (+£0.5m) 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.
 - 4.10.3. (+£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.
 - 4.10.4. (+£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

- 4.11. 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. This will be used to offset any overall General Fund overspend at the end of the financial year.

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 (+£1.5m), partially offset by lower than anticipated expenditure on In-House Repairs Team sub-contractors (-£0.4m) 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 service charges and other income (+£0.7m) and the impact of welfare reforms (+£0.7m).
- 5.1.4. *The above pressures of (+£2.9m) 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).
- 5.1.11. More rental income (-£0.3m).

6. CAPITAL PROGRAMME

- 6.1. It is forecast that £106.5m 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 6

Department	2015-16 Capital Budget	2015-16 Forecast Expenditure	Forecast Slippage (to)/from Future Years
	(£m)	(£m)	(£m)
Housing and Adult Social Services	68.6	65.1	(3.5)
Children's Services	19.3	13.8	(5.5)
Environment and Regeneration	23.1	22.9	(0.2)
Finance and Resources	4.8	4.7	(0.1)
Total	115.8	106.5	(9.3)

Forecast Slippage

- 6.2. Under the Council's financial regulations, approval of slippage over £1m on an individual capital scheme is a function of the Executive. Slippage is reported to Executive for approval at months 4, 8 and 12. As at 30th September 2015, forecast slippage over £1m on an individual scheme is as follows:

Housing and Adult Social Services

- 6.3. New Homes Programme (£2.0m) – the second quarterly review in 2015-16 indicates deliverable new homes capital expenditure of £26.7m in 2015-16, resulting in potential slippage of £2.0m into future years; the Council remains on target to deliver 500 social rented new builds by 2019.
- 6.4. Housing Improvements (£1.5m) – 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

- 6.5. Moreland Primary School (£4.0m) – this is due to an updated cash flow forecast on the scheme.
- 6.6. Early Years Two Year Old Places (£1.0m) – The Secretary of State for Education has agreed that one-off Dedicated Schools Grant funding can be used for creating new two year old places. This has been transferred into the capital programme but will not be required until 2016-17.

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

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Signed by



16 November 2015

Executive Member for Finance and
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Date