



Report of: Executive Member for Finance and Performance

Meeting of:	Date	Agenda Item	Ward(s)
Executive	19 th May 2016		

PROVISIONAL 2015-16 OUTTURN

1. SYNOPSIS

- 1.1 This report presents the provisional outturn position for 2015-16 as at 31st March 2016. Overall, there is a gross General Fund overspend of £2.9m, and a net break-even position after a £2.9m drawdown from the contingency reserve. The Housing Revenue Account (HRA) is forecast to break-even over the year. The capital programme delivered £89.4m of capital investment.

2. RECOMMENDATIONS

- 2.1. To approve the overall provisional 2015-16 gross revenue outturn for the General Fund (**Table 1** and **Appendix 1**) of a gross £2.9m overspend, and a net break-even position after a £2.9m drawdown from the contingency reserve. (**Section 3**)
- 2.2. To agree the departmental carry forwards and transfers to reserves detailed in **Appendix 2**, including the creation of a new earmarked revenue reserve for Community Infrastructure Levy funding. (**Section 3**)
- 2.3. To note that the HRA is forecast to break-even, and to agree the creation of a new earmarked HRA reserve to mitigate against the financial risks/pressures arising from legislative changes. (**Section 5, Table 1** and **Appendix 1**)
- 2.4. To note that the Council delivered £89.4m of capital investment in 2015-16 and to agree the provisional funding of the programme and related reserves movements, including the creation of a new earmarked revenue reserve for Section 106 funding. (**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 business rates collection (**Section 8**).
- 2.6. To note the progress on the closing of the 2015-16 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 re-profiling of resources to/from future financial years) prior to their submission to the auditor by 30th June 2016. (**Section 9**)

3. 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 and transfers to reserves for use in future financial years (detailed in **Appendix 2** for agreement) are taken into account.
- 3.2. It is recommended that the gross £2.9m General Fund overspend is funded by a £2.9m drawdown from the contingency reserve. After the £2.0m transfer into the contingency reserve as part of the 2016-17 budget, this will leave £2.6m in the contingency reserve for use in 2016-17.

Table 1: General Fund and HRA Provisional 2015-16 Outturn

	Provisional Outturn (£000)
<u>GENERAL FUND</u>	
Finance and Resources	(2)
Chief Executive's	(409)
Core Children's Services (Excluding Schools)	3,100
Environment and Regeneration	2,688
Housing and Adult Social Services	1,192
Public Health	980
Net Departments	7,549
Corporate Items	(4,695)
TOTAL GROSS (UNDER)/OVERSPEND	2,854
Drawdown from Contingency Reserve	(2,854)
NET (UNDER)/OVERSPEND	0
<u>HOUSING REVENUE ACCOUNT</u>	
NET (SURPLUS) / DEFICIT	0

4. GENERAL FUND

Summary – Key General Fund Variances

- 4.1. Within the gross General Fund overspend of £2.9m there are a number of significant variances, both over and under, at provisional outturn. These include the following (with more detailed General Fund variances shown within each departmental section):
- Finance and Resources - Financial management overspend of net (+£0.7m) due to the commercial property income target for 2015-16 not being achieved.
 - Children's Services - Children Looked After placements (+£0.9m);
 - Children's Services - Increased support for 16-17 year olds in supported accommodation (+£0.7m);
 - Children's Services - Increased leaving care costs for 18+ year-olds (+£0.5m);
 - Environment and Regeneration - Delay in implementing complex changes in refuse collection, recycling and commercial waste (+£0.5m);
 - Housing and Adult Social Services - Overspend on the temporary accommodation budget due to nightly booked rates being above the local housing allowance (+£1.1m);
 - Public Health - In-year cut of (+£1.7m) to the Council's public health grant;
 - Corporate - Uncontrollable pressure due to the Council's statutory duty to provide assistance to all destitute clients who are Non-EU nationals and can demonstrate need known as No Recourse to Public Funds (+£0.9m);
 - Corporate - Continuing to pursue a policy of shorter term borrowing at lower interest rates (-£6.4m).

Finance and Resources Department (zero variance)

- 4.2. The Finance and Resources Department is forecasting a break-even provisional outturn position.

Chief Executive's Department (-£0.4m)

- 4.3. The Chief Executive's Department is forecasting a (-£0.4m) provisional outturn underspend. This is due in the main to staffing vacancies within the Governance and Human Resources division that are not to be recruited to this year, and also other savings such as additional legal income.

Children's Services (General Fund: +£3.1m, Schools: -£3.3m)

- 4.4. A (+£3.1m) provisional outturn 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 continued into 2015-16, especially in relation to unaccompanied asylum seeking children (+£0.5m) and special guardianship orders (+£0.2m). Further overspends are forecast at provisional outturn against Children Looked After placements (+£0.9m), leaving care costs (+£0.55m), an increase in support for 16/17 years olds living in supported accommodation (+0.7m), the new remand

framework (+£0.35m), secure accommodation costs (+£0.2m), increase in care proceedings including family assessment (+£0.25m), the in-year reduction in Youth Justice Grant income (+£0.1m), lower than budgeted take-up of the traded offer in School and Pupil Services (+£0.1m), an increase in demand for short breaks (+£0.1m), an overspend against Children Looked After staffing and client related costs reflecting an increase in children looked after and care leavers during the year (+£0.35m) and an increase in special educational needs transport costs (+£0.1m). These overspends have been partly offset by forecast underspends totalling (-£1.3m) across the Learning and Schools and Partnerships and Support Services divisions.

Schools (-£3.3m)

- 4.5. A Dedicated Schools Grant (DSG) provisional outturn underspend of (-£3.3m, 1.9% of DSG) is forecast at provisional outturn. (-£1.8m) of this is 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. The remaining DSG underspend relates to the Special Educational Needs (SEN) placements contingency budget (-£1.0m) and other schools contingency and net underspends carried forward from previous years (-£0.5m).

Environment and Regeneration (+£2.7m)

- 4.6. The Environment and Regeneration Department is forecasting a (+£2.7m) provisional outturn 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:
- 4.6.1. (+£0.5m) due to delayed service changes in Street Environment Services leading to non-delivery of 2015-16 savings.
 - 4.6.2. (+£0.1m) due to unbudgeted costs associated with the pilots that will deliver future savings causing spend on new bins and other items.
 - 4.6.3. (+£0.35m) delays in re-providing the new refuse fleet pending various pilots and the introduction of a new operating model.
 - 4.6.4. (+£0.4m) shortfall in commercial waste income.
 - 4.6.5. (+£0.3m) loss of grant income from North London Waste Authority (NLWA) following price reductions for recyclable materials, and (+£0.2m) additional fleet/depot costs.
 - 4.6.6. (+£0.25m) non-delivery of the advertising concession contract saving as a result of existing contracts delaying implementation until after October 2015 and identification of suitable sites.
 - 4.6.7. (-£0.3m) improvements in the income streams within the parking account, with higher levels of pay and display and Penalty Charge Notice (PCN) income.

- 4.6.8. (-£0.2m) Additional income from the Rogue Landlord grant, fines and recovery of costs and administration fees in Private Sector Housing.
- 4.6.9. Structural budget issues within the Public Protection division: (+£0.2m) relating to staff budgets and non-staffing budgets around IT/licensing costs; (+£0.15m) unachievable Houses in Multiple Occupation (HMO) licensing income; (+£0.15m) 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.
- 4.6.10. (+£0.2m) additional agency staff and legal cost pressures within Development Control, and (+£0.2m) underachievement of building control and planning income due to a decline in activity.

Housing and Adult Social Services (+£1.2m)

- **Adult Social Care (+£0.4m)**

- 4.7. Adult Social Care is forecasting a net provisional outturn overspend (+£0.4m) relating to the older people spot placement budget.

- **Housing General Fund (+£0.8m)**

- 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 (+£1.1m) 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 underspends across the department (-£0.3m).

Public Health (+£0.98m)

- 4.9. Public Health is funded via a ring-fenced grant of £25.4m for 2015-16. The Government announced an in-year cut of (+£1.7m) to the Council's public health grant. This has been mitigated by (-£0.72m) underspends within the department, resulting in a forecast net overspend of (+£0.98m). This was a very significant Government cut made during the financial year and means no public health reserves to mitigate against future budget pressures.

Corporate Items (-£4.7m)

- 4.10. The Council has continued to follow a successful Treasury Management Strategy of shorter-term borrowing at low interest rates. This has saved the General Fund (-£6.4m) in interest charges this 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 within an effective risk management framework and in line with the approved strategy.
- 4.11. This is partially offset by:
- 4.11.1. (+£0.9m) 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).

4.11.2. Corporate savings of (+£0.5m) 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. (+£0.1m) overspend on corporate levies compared to the budget estimated at the start of the financial year.

4.11.4. (+£0.2m) contribution to the bad debt provision for sundry debts.

5. HOUSING REVENUE ACCOUNT

5.1. The HRA is forecast at provisional outturn to be balanced in 2015-16. The variances are as follows:

5.1.1. Rollit House fire - expenses not covered by insurance (+£0.3m).

5.1.2. Implementation of welfare reform – staffing support (+£0.3m).

5.1.3. Finsbury library area housing office moving costs (+£0.1m).

5.1.4. Legal disrepair claims (+£0.55m).

5.1.5. ICT costs regarding repairs/parking online project (+£0.85m).

5.1.6. Major works and new build programme costs that cannot be capitalised (+£0.4m).

5.1.7. Other net general management, special management and one-off expenditure (+£0.2m).

5.1.8. Transfer to HRA reserves (+£1.3m)

5.1.9. *The above net pressures (+£4.0m) are offset by the following:*

5.1.10. Additional shared ownership rental income (-£0.9m).

5.1.11. Additional commercial property income regarding telephone masts (-£1.1m).

5.1.12. Additional leaseholder service charges (-£1.6m).

5.1.13. Heating charge refunds – prior-year (+£0.4m).

5.1.14. Higher than budgeted commission from Thames Water (-£0.3m).

5.1.15. Higher than budgeted Right to Buy administration grant income due to higher than anticipated Right to Buy sales (-£0.2m).

5.1.16. Increase parking income arising from the increase in charges for non-residents and the diesel levy (-£0.3m).

6. CAPITAL PROGRAMME

- 6.1. The capital programme delivered £89.4m of capital investment in 2015-16. This is set out by department in **Table 2** below and detailed at **Appendix 2**.

Table 2: Capital Programme Provisional 2015-16 Outturn

Department	2015-16 Capital Budget	2015-16 Capital Expenditure	Forecast Re-profiling (to)/from Future Years
	(£m)	(£m)	(£m)
Children's Services	9.4	8.9	(0.5)
Environment and Regeneration	16.4	15.5	(0.9)
Housing and Adult Social Services	60.1	65.0	4.9
Finance and Resources	0.1	0.0	(0.1)
Total	86.0	89.4	3.4

- 6.2. The provisional funding of the 2015-16 capital programme is shown in **Table 3** below.

Table 3: Provisional Funding of 2015-16 Capital Programme

Funding Source	(£m)
Capital Receipts	22.9
Government Grants and Other External Contributions	23.1
Major Repairs Reserve	37.6
Capital Reserve and Revenue Contributions	5.8
Total	89.4

- 6.3. As part of the funding of the capital programme, the following earmarked revenue reserves movements over £500k require Executive approval under the Council's financial regulations:

6.3.1. Net drawdown from the Capital Reserve (£14.450m).

6.3.2. Transfer to a new Section 106 reserve (£6.444m)

6.3.3. Draw down from the Invest to Save Reserve (£3.663m).

6.3.4. Transfer to the Building Schools for the Future Smoothing Reserve (£2.206m).

Treasury Management

- 6.4. As at 31 March 2016, the Council has £80.8m of temporary investments. These investments are for periods from overnight to one year at an average rate of 0.55%.
- 6.5. As at 31st March 2016 the Council's total long term debt is £268.8m (£218.7m Public Works Loan Board, £46.5m from other local authorities and a £3.6m commercial loan) compared to £285.4m as at 31st March 2015. The average rate of interest on debt has increased from 4.32% to 4.46%, which is mainly due to replacement debt being of longer periods at slightly higher rates.

- 6.6. 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 2015-16 £66.56m sundry income was collected which represents 88.1% of the net collectable debit. The total outstanding at year-end was £8.972m.
- 7.2. The net sum of £154k was written off, under delegated authority, during the financial year 2015-16 and has been funded from provisions already made.

8. COUNCIL TAX AND NNDR COLLECTION RATES

- 8.1. Council tax in-year collection of 96.5% is just below the target (96.6%) set for 2015-16 but nevertheless represents the highest level since collection was made more difficult by the commencement of the localised council tax support scheme in 2013-14. The actual amount collected has increased by £3.8m from the previous year. In 2015-16, £718k of council tax arrears were written-off. This is lower than previous years because we have kept more of the 'harder to recover' debt on our books to give the 'Attack Arrears' project an opportunity to recover more of it.
- 8.2. National non-domestic rates (NNDR) in-year collection of 99.1% is just above the target (99%) set for 2015-16 and is the highest level achieved to date. The actual amount collected has increased by £5m from the previous year. In 2015-16, £2.1m of NNDR arrears were written-off.
- 8.3. Collection rates for 2015-16 and the previous three financial years are shown in **Table 4** below.

Table 4: Collection Rates 2015-16

	2012-13 (Pre-Localised Council Tax Support Scheme)	2013-14	2014-15	2015-16
Council Tax Collection Rate	96.8%	95.9%	96.1%	96.5%
NNDR Collection Rate	98.5%	98.2%	99.0%	99.1%

9. CLOSING OF ACCOUNTS PROGRESS 2015-16

- 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 (including capital

financing and re-profiling of resources to/from future financial years) prior to their submission to the auditor by 30th June 2016.

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 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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