



Report of: Executive Member for Finance, Performance and Community Safety

Meeting of:	Date	Ward(s)
Policy and Performance	31 October 2016	

FINANCIAL MONITORING 2016-17 MONTH 5

1. SYNOPSIS

- 1.1 This report presents the forecast outturn position for 2016-17 as at 31st August 2016. Overall, there is a gross General Fund overspend of £3.9m, and a net overspend of £0.9m after a £3.0m drawdown from the contingency reserve. The report proposes actions to reduce the forecast net General Fund overspend.
- 1.2 The Housing Revenue Account (HRA) is forecast to break-even over the year.
- 1.3 It is forecast that £116.5m of capital expenditure will be delivered in 2016-17.

2. RECOMMENDATIONS

- 2.1. To note the overall forecast revenue outturn for the General Fund (**Table 1** and **Appendix 1**) of a gross overspend of £3.9m, including corporate items, and a net overspend of £0.9m after a £3.0m drawdown from the contingency reserve. (**Section 3**)
- 2.2. To note the actions needed to reduce the underlying forecast net General Fund overspend. (**Paragraph 3.2**)
- 2.3. To note that the HRA is forecast to break-even. (**Section 5, Table 1** and **Appendix 1**)
- 2.4. To note the latest capital position with forecast capital expenditure of £116.5m in 2016-17. (**Section 6, Table 2** and **Appendix 2**)

3. REVENUE POSITION: SUMMARY

- 3.1. A summary position of the General Fund and Housing Revenue Account is shown in **Table 1** with a more detailed breakdown contained in **Appendix 1** (by service area).

Table 1: 2016-17 General Fund and HRA Month 5 Forecast

	Forecast Over/(Under) Spend (£000)
<u>GENERAL FUND</u>	
Finance and Resources	684
Chief Executive's Department	1,000
Core Children's Services (Excluding Schools)	3,170
Environment and Regeneration	4,202
Housing and Adult Social Services	(17)
Public Health	7
DEPARTMENTAL TOTAL	9,046
Corporate Items	(5,168)
GROSS OVER/(UNDER) SPEND	3,878
Less: Drawdown from Contingency Reserve	(3,010)
NET OVER/(UNDER) SPEND	868
<u>HOUSING REVENUE ACCOUNT</u>	
NET (SURPLUS)/DEFICIT	0

- 3.2. There are many risks that could materialise into further overspends over the course of the financial year. To reduce the underlying, forecast net General Fund overspend, the following actions are being undertaken to bring the 2016-17 budget into balance:

- 3.2.1. Corporate Directors have identified further management actions to bring down their departmental overspends;
- 3.2.2. There will be clawback, at a level to be agreed, on new carry-forwards at the end of this financial year; and
- 3.2.3. A freeze or delay on new, non-essential spending, including filling vacant posts.

4. GENERAL FUND

Finance and Resources Department (+£0.7m)

- 4.1. The Finance and Resources Department is forecasting an overspend of (+£0.7m). This is due to the following variances:

- 4.1.1. (+£1.1m) shortfall against the commercial property income target due to savings materialising over a longer time frame.
- 4.1.2. (+£0.1m) short-term delay to the Wi-Fi income saving compared to the original estimate.
- 4.1.3. Re-phasing of the ICT shared service saving (+£0.5m) to allow the new service to get up and running.
- 4.1.4. Compensating in-year management actions of (-£0.65m) through the more efficient use of staff for processing Housing Benefit claims, (-£0.3m) property savings on the Old Street facilities management budget and the building repairs fund and (-£0.05m) of staffing efficiencies.

Chief Executive's Department (+£1.0m)

- 4.2. The Chief Executive's Department is forecasting a (+£1.4m) provisional outturn overspend. Significant New Homes Bonus (NHB) grant funding was received over the 2015-17 period and it was planned that this would replace council funding and other reducing funding streams within the Strategy and Community Partnerships division. However, this funding has already been committed against other expenditure in the division, meaning that the budgeted savings are no longer deliverable. The overall shortfall is around £1.4m; however, management actions are being put in place to reduce this pressure.

Children's Services

General Fund (+£3.2m)

- 4.3. A (+£3.2m) provisional outturn overspend is forecast for the General Fund (non-schools) Children's Services budget as a number of pressures against demand led specialist services have continued from 2015-16 into 2016-17; especially in relation to increasing numbers of personal budget packages, care proceedings, care leavers, unaccompanied asylum seeking children and looked after children. Further overspends are occurring against secure accommodation costs and from the late notice of a further cut in grant funding from the Youth Justice Board. An overspend is also forecast against the universal free school meals budget as pupil numbers continue to increase and eligibility for statutory free school meals reduces. The key variances are as follows:
 - 4.3.1. Increased demand for high level personal budgets to deliver community based packages. (+£0.2m)
 - 4.3.2. Increase in care proceedings including family assessment. Reflects a national trend where there has been an increase of 17% in care proceedings across the country. (+£0.10m)
 - 4.3.3. Leaving Care costs for 18+ year olds - significant increase in the number of care leavers that we are obliged to offer a service to. Includes rising 18's (Southwark judgement). (+£0.50m)
 - 4.3.4. Unaccompanied Asylum Seeker Children (UASC) - the numbers of UASC have increased by 36 over the duration of the last financial year. The authority is allocated grant to cover the costs of an individual; however, this is not sufficient to

meet the sums expended. The first 25 cases are not funded by the Home Office. (+£0.15m)

- 4.3.5. Children Looked After (CLA) staffing including Independent Futures and the associated increase on client (non-placement) costs (e.g. travel, interpreters, and rents). (+£0.1m)
 - 4.3.6. Increase in support packages for young people placed for Adoption because of severe disability and the need for 1 to 1 support to carers. (+£0.1m)
 - 4.3.7. CLA Placements – increase in the number and complexity of cases for the under-18 cohort of CLA. These are mainly regulated residential placements. (+£0.50m)
 - 4.3.8. Increase in support for 16-17 years olds living in supported accommodation. (+£0.55m)
 - 4.3.9. Youth Justice – late notification of £40k reduction of Youth Justice Board grant for 2016-17. (+£0.04m)
 - 4.3.10. Universal Free School Meals - increased pupil numbers and reduced eligibility for statutory free school meals. The forecast will be updated after the October 2016 schools' census. (+£0.5m)
 - 4.3.11. Early Years Childcare Subsidy - expanded childcare provision at Moreland Children's Centre following redevelopment of the school and children's centre site has increased the number of subsidised places on offer. (+£0.08m)
 - 4.3.12. Early Years transformation programme – estimated revenue cost of developing and implementing the new model. (+£0.2m)
 - 4.3.13. Special Educational Needs (SEN) Transport (+£0.15m) - Increasing numbers of pupils and complexity of need.
- 4.4. Management action to reduce the overspend is currently underway which includes holding vacancies and reviewing high-cost social care packages, but demand in some areas is outstripping supply.

Schools (-£1.1m)

- 4.5. A Dedicated Schools Grant (DSG) underspend of (-£1.1m), or 0.7% of DSG, is forecast. All of the provisional DSG underspend consists of balances from previous years' underspends that are being managed to support specific areas of activity as previously agreed by Schools Forum.

Environment and Regeneration (+£4.2m)

- 4.6. The Environment and Regeneration Department is forecasting a (+£4.2m) overspend. The main reasons for the overspend are a combination of longstanding structural issues previously contained by managerial action across the department, loss of income due to market conditions or decisions made by third parties impacting on earlier assumptions and delays in implementing earlier savings decisions. The main variances are detailed below.
- 4.7. The Public Realm division is forecast to be (+£3.1m) overspent. This is as a result of:

- 4.7.1. Delays in implementing complex service changes to deliver in year savings in the Refuse, Recycling and Commercial Waste Operations service, (+£2.0m).
 - 4.7.2. The delay referred to above has also had an impact on the procurement of new refuse collection vehicles as decisions around vehicle numbers and design specification cannot be made until the target operating model is finalised. Continued reliance on an ageing fleet has increased the cost of fleet hire significantly with much higher levels of vehicle downtime. This has led to ongoing lease costs that were not budgeted for of (+£0.6m).
 - 4.7.3. Additional staffing costs (+£0.5m) within the Refuse and Recycling service due to cover arrangements and additional overtime as a result of higher levels of vehicle downtime, additional staffing costs due to Health and Safety requirement for extra loaders for the first six months of the year and additional costs due to the garden waste pilot.
 - 4.7.4. Delays in realising the growth in the trade waste services have resulted in a (+0.4m) shortfall in trade waste income within this financial year.
 - 4.7.5. Advertising Concession contract saving - a (+£0.5m) pressure as a result of existing contracts delaying implementation, and difficulty in identification of suitable sites that would generate sufficient revenues.
 - 4.7.6. Delays in realising savings from income generating opportunities through the Islington Council trading company, iCo, of (+£0.1m) with a risk that income will not be achieved over and above existing service income targets.
 - 4.7.7. Data circuits saving - a pressure of (+£1.0m) due to a lack of suitable General Fund sites.
 - 4.7.8. This is offset by improvements in the income streams within the parking account of (-£2.0m). All income streams within the parking account are currently performing above the levels expected in the financial model. If this trend continues, this will result in a significant underspend against budget which can be utilised against highways and transport related spend that would otherwise need to be funded from council revenue and/or capital resources. Improvements to the accuracy of Penalty Charge Notice (PCN) issues and debt recovery have increased the average value of a PCN, and parking bay suspension income remains high as a consequence of the high levels of economic activity in the borough. Pay and display levels are on target and permit sales have increased. Improvements to the monitoring of moving traffic offences are planned to be operational within the financial year, which will also improve compliance levels in this area.
- 4.8. The Public Protection division is forecast to be (+£0.6m) overspent. There are a number of longstanding, structural budget issues within the Public Protection Division that have materialised over recent years. This was subject to extensive reporting during the 2015-16 monitoring cycle. The pressures are a mixture of unfunded staff costs through loss of grant income, unachievable income targets that relied on outdated business models (e.g. DVD / CD rentals in libraries), and other income pressures.

- 4.9. The Planning and Development division is forecast to be (+£0.5m) overspent. Within this, Development Control is forecast to be (£0.4m) overspend, comprising a (+£0.2m) base budget pressure due to unbudgeted legal costs of appeals and (+£0.2m) other net cost pressures including agency costs relating to back-filling vacant posts. This is already partly offset by strong pre-application income performance which could further reduce this net overspend if it continues over the financial year. In addition, there are net cost pressures of (+£0.1m) in Spatial Planning and Transport and Building Control due to a projected shortfall in income (+£0.2m), which is partially offset by savings due to vacancies (-£0.1m).

Housing and Adult Social Services (Break-even Position)

- **Adult Social Care (Break-even Position)**

- 4.10. Adult Social Care is forecasting a break-even position over the financial year.

- **Housing General Fund (Break-even Position)**

- 4.11. The Housing General Fund is forecast to break-even over the financial year.

Public Health (Break-even Position)

- 4.12. Public Health is funded via a ring-fenced grant of £27.3m for 2016-17. There is a forecast break-even position for the financial year.

Corporate Items (-£5.2m)

- 4.13. By integrating Strategic Community Infrastructure Levy (CIL) funding with the capital medium term financial strategy (MTFS), it is forecast that there will be £3.5m of previously unbudgeted Strategic CIL funding available for funding infrastructure in the 2016-17 capital programme. This will deliver a saving of (-£3.5m) of the annual corporate revenue contribution to the capital programme in 2016-17 and over the medium term.
- 4.14. The Council has continued to follow a successful Treasury Management Strategy of shorter-term borrowing at low interest rates. This is forecast to save the General Fund (-£2.0m) 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.
- 4.15. Additional net unbudgeted grant income (-£0.6m) has been received to compensate for the impact of Government policy on our retained business rates income in 2016-17 (e.g. the continued doubling of small business rates relief).
- 4.16. These savings are partially offset by:
- 4.16.1. (+£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).
 - 4.16.2. (+£0.1m) further legal costs relating to a settled claim against three 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 a claim against the Council for repair costs.

5. HOUSING REVENUE ACCOUNT

- 5.1. The HRA is forecast to break-even over the financial year with no drawdown from HRA balances anticipated at this stage.

6. CAPITAL PROGRAMME

- 6.1. It is forecast that £116.5m of capital investment will be delivered in 2016-17. This is set out by department in **Table 2** below and detailed at **Appendix 2**.

Table 2: 2016-17 Capital Programme Month 5 Forecast

Department	2016-17 Capital Budget	2016-17 Capital Forecast	Forecast Re-profiling (to)/from Future Years (£m)
	(£m)	(£m)	(£m)
Children's Services	18.9	18.8	(0.1)
Environment and Regeneration	26.4	26.3	(0.1)
Housing and Adult Social Services	61.2	71.4	10.2
Total	106.5	116.5	(10.0)

Forecast Re-profiling

- 6.2. Under the Council's financial regulations, the re-profiling of capital budgets between financial years over £1m on an individual capital scheme is a function of the Executive.

Housing and Adult Social Services

- 6.3. New Homes Programme – the new homes programme is fully funded over the medium term. The first quarterly review in 2016-17 indicates deliverable new homes capital expenditure of £39.6m in 2016-17, which is £10.2m more than the £29.4m estimated when setting the 2016-17 original budget. This will be reviewed at the second quarterly review before determining the amount of resources required to bring forward from future years to 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 2016-17 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



Executive Member for Finance,
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11 October 2016

Date