



REPORT OF THE DEPUTY MAYOR		
2007/08 OVERALL FINANCIAL POSITION REPORT <u>(February 2008)</u> [Forward Plan No FR 04.02.06] Cabinet - 28 th April 2008	Classification Public	Enclosures Appendix 1 - 5
	Ward(s) affected All	AGENDA ITEM NO. 7

OVERALL FINANCIAL POSITION STATEMENT

1. INTRODUCTION BY THE DEPUTY MAYOR

I present to Cabinet the Overall Financial Position report for the 2007/2008 financial year as at the end of February 2008. The report identifies that total outturn spending is forecast to be £28k under budget. This is a decrease of £256k compared to the previous month's forecast and is equivalent to only 0.01% of the total budget.

2. SUMMARY

2.1 Overview

This report presents an overview monitoring statement of the Council's Revenue Budget and Capital Programme for 2007/08. It also includes a position statement on debt collection performance. As at the end of February 2008, the Council is forecast to have a £28k underspend on the General Fund (equivalent to 0.01% of the total net budget), which compares to a reported overspend of £228k in January. The Housing Revenue Account is projected to have an underspend of £2,000k which compares to a forecast underspend of £1,399k in the previous reporting period.

There is £3,300k of unspent contingencies, which are assumed spent in the forecast to mitigate against further risks that may occur in the remainder of the year.

The latest position in relation to **GENERAL FUND REVENUE EXPENDITURE** is summarised in table 1 below.

TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT FEBRUARY 2008

Directorate	Current Budget	Forecast Outturn	Forecast under (-) / overspend	Change from the January Forecast (-) = improvement; (+) = worsening
	£000	£000	£000	£000
Children's and Young People Services	49,072	49,306	234	21
Community Services	94,344	94,683	339	-221
Neighbourhoods and Regeneration	55,988	56,275	287	-1
Customer and Corporate Services	8,430	8,583	153	21
Finance and Resources	38,395	37,354	-1,041	-76
General Finance Account	30,357	30,357	0	0
TOTAL	276,586	276,558	-28	-256

2.2 Commentary

2.2.1 Introduction

There is a decrease of £256k in the total projected overspend compared to the January forecast. Overview commentaries on each directorate's financial position are given below and more detailed explanations are included at [Appendix 1](#). An outline of the actions to be undertaken to reduce the directorate overspends is also given in the commentary below with more detailed explanations included in Appendix 1.

2.2.2 Childrens' and Young Peoples Services (CYPS)

The overspend for the month of February has increased by £21k to £234k. This is primarily as a result of demand led pressures around the Looked after Children Service (as explained below). This is achieved after a draw down of £450k out of the CYP commissioning balance sheet reserve of £1,000k, and the application of £613k one-off government grants awarded for 2007/08. The underlying overspend is therefore £1,300k. This is materially redressed through the financial strategy for 2008/09, however there remain risks (as explained in detailed commentary in Appendix 1) around contact, leaving care and residential placements, which remain over-budget. Management will need to exercise continued diligence to maintain the downward pressure in these three key spend areas.

There are two significant variations at the cost centre level from the January forecast. Firstly, the Looked After Children's overspend has increased by £273k, which is primarily due to £228k commissioning pressures driven by new clients (over £111k new spend identified on contact services and £70k on previously unrecorded family residential assessments). This has been partially offset though, by the release of the £175k accrual, which had been made in the January OFP for external legal costs over and above budget, following advice from Legal Services; and by small reductions in the forecast net expenditures in other service areas.

The explanations for the variances from budget are unchanged from those given in previous OFP's and the management action which is currently taking place to mitigate the overspend is described in Appendix 1.

2.2.3 Community Services

The financial position for Community Services for February shows an overall forecast full year overspend of £339k – a reduction of £221k from the previous month's forecast. The overspend primarily results from demand led pressures on the Adult and Older People Service budget. The forecast includes the use of £220k from the corporate reserve of £954k, which was set aside to support demand pressure in Adult Social Care.

The reduction in the overspend results from a downward trend in client numbers in the Assessment and Care Management (ACM) service - there are now ten clients less than budgeted for. In addition, ACM has benefited from a one off windfall of CRAG (Charging for Residential Accommodation Guidelines) residential income of £95k, and a reduction in the number of Occupational Therapy Assessments of £40k and the continuing reduction in homecare costs.

The explanations for the variances from budget are unchanged from those given in previous OFP's (aside from the CRAG windfall described above) and the management action which is currently taking place to mitigate the overspend is described in Appendix 1.

2.2.4 Neighbourhood and Regeneration (N&R)

The forecast for N&R is an overspend of £287k, which is a decrease of £1k compared to the January projection. There are two relatively significant movements at the cost centre level – the forecast overspend for Other Environmental Services has increased by £122k, reflecting an downward reassessment of external income in the Hygiene service and an increased charge from LB Camden for Coroners Court work; while the projected net expenditure for Regeneration has reduced by £169k, which largely reflects the decision to fund some of the consultancy costs in Economic Development and Regeneration Management from the reserve set up to manage the reduction in NRF.

The reasons for the overspend relative to budget are the same as those reported in previous months (excepting the additional charge from LB Camden as noted above) and are set out in detail in Appendix 1.

The management action which is taking place to mitigate these overspends has been noted in previous OFP reports and details can also be found in Appendix 1.

2.2.5 Finance and Resources (F&R)

F&R is forecast to be underspent by £1,041k at year-end, an increase of £76k in the projected underspend reported in January. The increase in the underspend results primarily from further improvements in benefits processing performance, which in turn has resulted in greater projected savings in the net cost of benefits. The explanations for variance from budget are unchanged from those reported in previous months.

2.2.6 CCS

The forecast overspend for the directorate as at the end of February 2008 is £153k, an increase of £21k from the January reporting period. The significant overspends relative to budget relate to Property Services (£58k) and Borough Solicitors (£125k). These are partially offset by small underspends throughout the rest of the service. The overspend on Property reflects the additional buildings security costs incurred earlier in the year, while the Borough Solicitors overspend results from interim management arrangements and additional costs of recruitment to these posts.

The management action which is taking place to mitigate the overspends has been discussed in previous OFP reports and details can be found in Appendix 1.

TABLE 2: GENERAL FUND FORECAST – FURTHER RISKS

Directorate	Description of Risk	Estimated Risk £000
Children's and Young People Services	The primary risk is a potential loss of UASC Grant and Management Income of £153k.	153
Community Services	There are additional risks of £125k - £95k relates to the disputed cost on the expired Occupational Therapy equipment contract and £30k to the maintenance costs of Morning Lane.	125
Neighbourhoods and Regeneration	A risk provision of £300k is included for a potential additional charge from NLWA in respect of waste disposals for commercial establishments located outside the borough. Also, a further £100k has been included to reflect a possible shortfall in income from Hackney Homes re asbestos removal.	400
Customer and Corporate Services	There is a potential overspend of £50k on civic buildings maintenance costs (which is currently being investigated) and a possible reduction in income of £50k due from Management Company that operates the Technology Learning Centre units.	100
Finance and Resources	None	0
TOTAL		778

2.2.7 Housing Revenue Account

The **HOUSING REVENUE ACCOUNT** is currently forecasting to be underspent by £2,000k at year-end – a reduction of £601k in projected net expenditure.

The variation from budget primarily reflects: - a projected underspend of £1,046k in the Energy Management Unit; savings in new Partner Management Contracts of £890k; additional service charge income of £803k; £1,250k from the release of contingencies and reduced bad debt provisions; increased income of £265k from major works; and £303k additional savings due to increases in water quality & reactive maintenance income

The underspends above are partially offset: - by a reactive and building maintenance projected gross overspend of £1,650k (which is mitigated by the increased service charge income referred to above producing a “real” or net overspend of £582k); a reduction in the rent debit of £330k; and additional costs of £608k for staff Tupe'd to Hackney Homes. The overspend on maintenance reflects additional bonus payments, additional reactive maintenance works undertaken for communal areas following ‘walk abouts’ by tenants and officers which identified eyesores on estates and additional fencing repairs.

The primary reasons for the increase in the underspend from January are: - a revised downward assessment of the Energy Management Unit's costs, which in turn reflects lower energy contract prices; and as noted above, a forecast increase in building maintenance income from water quality charges and reactive maintenance due to application of composite rates.

More detail is given on all of the above-mentioned variances from budget and from the previous month's forecast in Appendix 1.

2.2.8 Capital Programme

This is the ninth OFP CAPITAL PROGRAMME monitoring report for the financial year 2007/2008. Table 1 below shows that the approved capital programme for 2007/2008 including 2006/07 slippage is £168,892k comprising Housing schemes totalling £82,208 (£70,044k Hackney Homes schemes) and Non-Housing schemes totalling £86,684k.

The actual year to date capital expenditure for the 11 months April to February is £88,768 and the full year projected outturn is currently £145,378k a net sum of £23,514k below the approved programme. A number of previously identified reprofiling adjustments amounting to £17,256k have been included in the March Capital Update Report, thus reducing the forecast variance to just £6,258k. Broad explanations for the major variances are contained within the Directorate comments below and a full list of schemes, including variances and comments on progress, can be found in Appendix 5, tables A to J.

Table 1: Summary of Capital Projected Outturn

	Updated Budget as at February 08	Actual Spend YTD 07/08 15/02/2008	Projected Outturn	VARIANCE (Under/Over)
	£000	£000	£000	£000
Customer & Corporate Service	6,687	3,431	5,058	(1,629)
Service First Accommodation	14,274	6,671	13,346	(928)
Community Services	11,865	9,705	10,840	(1,025)
Children's Service	25,435	7,869	15,602	(9,833)
Neighbourhoods & Regeneration	20,449	9,835	17,620	(2,829)
Finance & Resources	7,974	4,291	6,609	(1,365)
Total Non-Housing	86,684	41,802	69,075	(17,609)
Housing ALMO	70,044	42,831	68,340	(1,704)
Non ALMO HRA (See Table H)	470	405	405	(65)
Housing Regeneration	9,706	3,127	5,870	(3,836)
Housing GF	1,988	603	1,688	(300)
Total Housing	82,208	46,966	76,303	(5,905)
Total Capital Expenditure	168,892	88,768	145,378	(23,514)

Customer & Corporate Services

The current forecast expenditure is £5,058k; £1,629k under the budget of £6,687k. Of the 13 schemes, 9 have been coded with a traffic light of green and 4 are amber. There are no red schemes. The primary reasons for the shortfall of forecast expenditure relative to budget are the slippage of Maintenance schemes, including Backlog Funds and Reactive Repairs.

Full details of this are shown in Appendix 5, Table A together with comments at scheme level.

Service First Accommodation

The current forecast outturn is £13,346k, which is £928k below the current approved programme of £14,274k. Of 9 schemes, 8 have been coded with a traffic light of green and 1 is amber. There are no red schemes. The primary reason for the variance of forecast expenditure relative to budget relates to the anticipated certificated works to be completed by the end of March 2008 on the building of the Service First Centre. However, the overall project is on target and within budget.

Full details of the approved programme are shown in Appendix 5, Table B together with comments at scheme level.

Community Services

The current forecast outturn is £10,840k, £1,025k below the approved budget as at 29th February. Of the 51 schemes, 37 have been coded with a traffic light of green, 13 have been coded amber and there is one red scheme. The primary reason for the variance of forecast expenditure relative to budget is the re-profiling of schemes to 2008/09 as indicated in the appendices.

Full details of the approved programme are shown in Appendix 5, Table C together with comments at scheme level.

The Red Scheme:

Replacement Library Home Visit Van

Delivery of the home visit van is now scheduled for next financial year due to changes arising from the procurement process.

Children's Services

The current forecast is £15,602k, £9,833k below the approved budget of £25,435k. Of the 110 schemes listed, 96 have been coded with a traffic light of green, 13 are amber and there is 1 red scheme. The primary reason for the shortfall of forecast expenditure relative to budget is the Building Schools for the Future and Sure Start Programmes, which have been re-profiled to 2008/09.

The Red Scheme:

Sebright School

Sebright School is currently being considered by English Heritage for potential listing. Until this matter is clarified, any proposal, which involves potential demolition, will have limited opportunity to progress. Clarification by the Planning Service, that any development on the adjacent open space would be resisted without adequate replacement, has also required a reconsideration of development options.

Full details of the approved programme are shown in Appendix 5, Table D together with comments at scheme level.

Neighbourhoods & Regeneration (Non Housing) Directorate

The forecast outturn is £17,620k, which is £2,829k below the approved budget of £20,449k. Of the 68 schemes, 63 have been coded with a traffic light of green and 5 with a code of amber. The shortfall of forecast expenditure relative to budget is due primarily to slippage of schemes to 2008/09.

Full details of the approved programme are shown in Appendix 1, Table E together with comments at scheme level.

Finance & Resources Directorate

The current forecast is £6,609k, £1,365k below the approved budget of £7,974k. Of the 20 schemes, 16 have been coded with a traffic light of green and 4 amber. There are no red schemes. The main reason for the shortfall of forecast relative to budget is the slippage of schemes to 2008/09, in particular Infrastructure Upgrades.

Full details of the approved programme are shown in Appendix 1, Table F together with comments at scheme level.

Housing – Hackney Homes

The current forecast is £68,340k, £17,409k below the approved programme at 29th February. Of the 53 schemes, 51 have been coded with a traffic light of green and 2 are amber. There are no red schemes. The primary reason for the shortfall of forecast expenditure relative to budget arises from the reduction in SRB Grant available for Woodberry Down and an outstanding agreed reduction in budget for Cranston CHP Phase 1.

Full details of the approved programme are shown in Appendix 1, Table G together with comments at scheme level.

Housing – Non-Hackney Homes HRA

The current forecast is £405k, £65k below the agreed budget of £470k. Of the 2 schemes, 1 is coded with a traffic light of green and the other amber. Full details of the approved programme are shown in Appendix 1, Table H together with comments at scheme level.

Housing – Housing Regeneration

The current forecast of £5,870k is £3,836k below the approved programme of £9,706k. Of the 7 schemes, all have been coded with a traffic light of green.

The main reasons for the shortfall of forecast expenditure relative to budget are the change in policies relating to Affordable Low Cost Home Ownership & Elsdale Street. Due to the review of delivery schedules and expenditure profiles, this budgetary provision will now slip to 2008-9. In addition a request has been submitted to re-profile part of the Estates Renewal Programme to 2008/09. This is due to protracted negotiations for selected bidders (which ended in January 08) and new negotiations with reserve bidders beginning.

Full details of the approved programme are shown in Appendix 1, Table I together with comments at scheme level.

Housing Directorate – General Fund

The current forecast is £1,688k, £300k below the approved budget of £1,988k as at 29th February 2008. Of the 3 schemes, all have been coded with a traffic light of green. The main reason for the shortfall of forecast expenditure relative to budget is the request submitted to re-profile an element of Grants to Assist Vulnerable Private Owner Occupiers budget to 2008/09.

Full details of the approved programme are shown in Appendix 1, Table J together with comments at scheme level.

2.2.9 Debt Collection

An assessment of DEBT COLLECTION performance as at the end of February is shown in table 4 below.

TABLE 4: DEBT COLLECTION - PERFORMANCE IN COLLECTING MAJOR DEBTS

Debt Type	Amount o/s £000	Target Collection £000	Actual Collection £000	Collection Rate (%)	Target Rate (%)
Current Year Cedar Debts (1)	42,381	39,536	39,521	95.0%	95.0%
Current Year Council Tax	96,731	86,690	87,801	90.8%	89.6%
Current Year NNDR	57,162	54,304	55,967	97.9%	95.0%
Current Year Car Parking	9,081	5,358	4,703	54.2%	59.0%
Current Year Street Markets (1)	604	555	591	97.9%	96.0%
Care Charges (2) (4)	877	604	615	86.5%	85.0%
Current Tenant Housing Rents (2)	97,594	91,835	92,146	97.8%	97.5%
Current Leaseholder Service Charges (2)	10,453	9,399	8,365	97.1%	103.0%
Current Tenant Temporary Accommodation Rents (2)	9,978	8,175	8,309	92.0%	90.5%
Benefit Overpayments (3)	23,390	See (3)	5,838	25%	See (3)
Commercial Property Rents	3,709	1,484	2,049	55.0%	40.0%

(1) The collection rates are adjusted to take account of the fact that there is only a limited prospect of collecting any invoices raised in the second-half of February 2008 during February 2008 because the Council's payment terms are between 14 and 28 days

(2) Includes: Prior Years Debts carried forward

(3) Target is the collection of £2,400k cash in the year. As at the end of February £2,027k had been collected relative to a target of £2,200k.

(4) Collection rate = Amount collected in 2007/08 as a % of amount raised in 2007/08

An overview commentary is presented below, and an analysis of prior year debts, together with a more detailed review of current year debt collection rates by directorate is presented at **Appendix 3**.

The collection rate for current cedar debts of 95% is in line with the HMT target – a considerable achievement by all staff involved with sundry debt management.

Most collection rates for the key local debts are either above or broadly on target, except for Car Parking. For this debt, the value of a ticket increases over time as it progresses through the relatively long enforcement and recovery process, as determined by statute; which distorts snapshot comparisons between the amount collected and the target.

With regards to Commercial Property debts (CPD), extensive work is being undertaken to ensure that the data on the Council's property portfolio is cleansed and correctly recorded as part of the exercise to bring CPD onto Cedar and to review all the on going procedures in relation to collection and recovery. Actual levels of recovery are higher than previously but work is being undertaken to ensure that the position is fully recognised, in addition a significant portion of this debt will be recovered as part of negotiation around the sale of specific properties. Once the central debt team have concluded their work and the data cleanse is complete, the target recovery rates and actual recovery rates will reflect more fully the improvements in this area.

2.2.10 Write-Offs

There are no write-offs in excess of £20,000 proposed for February. However, 57 old commercial property rent, commercial waste collection and payroll debts were written-off with a total value of £37k and an average value of £665.

2.2.11 Activity Data

The 2007/08 directorate budgets were based on a series of **ACTIVITIES** or cost drivers. These activities are measured by a series of indicators, and movements in these provide context for the budget variances reported above. In **Appendix 4**, a table of relevant indicators for each directorate is shown. Specifically, it shows: - the value of the indicator at the start of the year, the budgeted cost and unit cost associated with the service to which the indicator relates, and the forecast outturn values of these.

3. **RECOMMENDATIONS**

- 3.1 **To note the overall financial position for February 2008, covering General Fund and HRA Revenue and Capital.**
- 3.2 **To note the position on Debt Management and Write-Offs**
- 3.3 **To approve the virements listed in Appendix 2**

4. **RELATED DECISIONS**

None

5. **FINANCIAL CONSIDERATIONS**

The OFP reports deal with the Council's overall financial position for 2007/08 for both the HRA and the General Fund. The Interim Corporate Director of Finance and Resources' financial considerations are included throughout the report. The Corporate Director notes the continued reduction in the directorate overspends and looks forward to further improvements during the final month of the year.

6. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL AND DEMOCRATIC SERVICES

The Interim Corporate Director of Legal and Democratic Services has been consulted in the drafting of this report and has no comments to make.

7. BACKGROUND

This report describes the Council’s financial position as at the end of February 2008. Full Council agreed the 2007/08 budget on 28th February 2007, and as with 2006/07, the level of expenditure in the revenue budget was not underpinned by special Government support nor was there a need to capitalise Revenue Expenditure financed from capital receipts.

Cllr. Jamie Carswell
Deputy Mayor and Lead Cabinet Member for
Finance and Resources

Tim Hannam
Interim Corporate Director of Finance
Finance and Resources

Report Originating Officer: Russell Harvey ☎020-8356-2739
Financial Considerations: Ian Williams ☎020-8356-3700
Director of Legal & Democratic Services Comments: Amanda Kelly ☎020-8356-3345

Background papers:

Description of document	Location	Date
February 2008 Monitoring file	Financial Control Office, Keltan House	Various