

MUNICIPAL YEAR 2012/2013 REPORT NO. 99

MEETING TITLE AND DATE:

Cabinet -14th November 2012

REPORT OF:

Director of Finance, Resources
and Customer Services

Contact:

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AGENDA PART 1

ITEM 6

Subject:

**September 2012 Revenue Monitoring &
Medium Term Financial Plan Update
Report.**

1. EXECUTIVE SUMMARY

- 1.1 This report sets out the Council's revenue budget monitoring position based on information to the end of September 2012, updates Cabinet on progress on balancing the Medium Term Financial Plan and plans for budget consultation.
- 1.2 The report forecasts an outturn position of £191k underspend for 2012/13.

2. RECOMMENDATIONS

It is recommended that Cabinet:

- 2.1 Notes the £191k underspend revenue outturn projection.
- 2.2 Agrees that departments reporting pressures should formulate and implement action plans to ensure that they remain within budget in 2012/13.
- 2.3 Notes the progress made to date in the preparation of the 2013/14 revenue budget and review of the Medium Term Financial Plan 2013-17 including £12.4m of efficiency savings over the period of the MTFP listed in **Appendix 2**.
- 2.4 Delegates responsibility for determining and leading the 2013-14 Budget Consultation process to the lead Member for Finance and Property in consultation with the Director of Finance, Resources and Customer Services.

3. BACKGROUND

- 3.1 The Council's revenue expenditure against budget is monitored by regular reports to the Corporate Management Board and Cabinet. These reports provide a snapshot of the revenue position for each Department and for the Council as a whole, and provide details of any projected additional budget pressures and risks, or any significant underspends. Areas with on-going implications are incorporated into the Medium Term Financial Plan along with other financial factors affecting the council in the medium term such as pay awards, inflation and Government requirements of local government.

REVENUE MONITORING

3.2 The Revenue Monitoring Report is a result of the monthly monitoring process carried out by Departments, which is based on the following principles to ensure accuracy, transparency and consistency:

- Risk assessments, to enable greater emphasis to be placed on high-risk budgets throughout the year.
- Comparisons between expenditure to date, current budgets and budget profiles.
- Expenditure is predicted to the year-end, taking account of seasonal fluctuations and other determinants of demand.
- The 'Key Drivers' that affect, particularly, the high-risk budgets are monitored and reported to Department Management Teams.
- Action plans to deal with any areas that are predicting or experiencing problems staying within agreed budgets are produced.

3.3 This report provides information on the main budget variances as well as their causes that are affecting the Council. Although a full budget monitor is carried out each month within departments, the variations in this report are deliberately limited to +/- variances of £50,000 or over in order to provide a greater strategic focus.

3.4 The report also provides an update on progress of the development of the 2013/14 budget and Medium Term Financial Plan along with consultation proposals.

4. September 2012 Monitoring – General Fund

4.1 A summary overview of financial performance is outlined below in Table 1. The intention of this is to provide the key highlight messages in a “dashboard” style summary. It is designed to capture the key messages across the Council’s main financial areas, namely:

1. Income and expenditure;
2. Balance sheet (liquidity, debtor/creditor management, investments and use of balances); and
3. Cash flow forecasting and management.

4.2 Summary balance sheet messages on liquidity and debtor/creditor management will continue to be included in Revenue Monitor reports.

4.3 The information provided will become more comprehensive and informed as the year progresses. The inclusion of a colour-coded risk rating will help focus attention on emerging issues that need addressing, where:

- Red = corrective action needs to be taken.
- Amber = close monitoring required.
- Green = on target, no emerging issue identified.

Table 1: Financial Performance Overview

Area of review	Key highlights	Risk Rating		
		July	Aug	Sept
Income and expenditure position	<ul style="list-style-type: none"> Year end forecast variances of £191k underspend has been identified as at September 2012. These budget variances need to be managed closely to ensure timely appropriate action can be taken in order that overspending departments fall within budget at the end of the financial year. 	Green	Green	Green
	<ul style="list-style-type: none"> A greater focus on budget profiling across all departmental budgets will continue to be applied in order to better reflect predicted net spending patterns throughout the year. 	Amber	Amber	Amber
	<ul style="list-style-type: none"> The HRA is projecting an underspend of £693k for 2012/13 	Green	Green	Green
Balance Sheet	<ul style="list-style-type: none"> The current profile of cash investments continues to be in accordance with the Council's approved strategy for prioritising security of funds over rate of return. 	Green	Green	Green
	<ul style="list-style-type: none"> The year end projections for General Fund balances are in line with the Council's Medium Term Financial Strategy target levels. 	Green	Green	Green
Cash flow	<ul style="list-style-type: none"> The Council's cash balances and cashflow forecast for the year (including borrowing) will ensure sufficient funds are available to cover planned capital and revenue commitments when they fall due. 	Green	Green	Green
	<ul style="list-style-type: none"> Interest receipts forecast for the year are on target with budget. 	Green	Green	Green

4.4 A summary of the departmental and corporate projected outturns and variances against budget is set out in Table 2 as follows:

Table 2: Forecast Outturn Table- Net Controllable Budget / Spend

September 2012	Net Controllable Budget				
	Original Budget	Approved Changes	Approved Budget	Projected Outturn	Projected Variation
Department	£000s	£000s	£000s	£000s	£000s
Chief Executive	3,944	319	4,263	4,263	0
Environment	27,820	2,571	30,391	30,932	541
Finance, Resources & Customer Services	41,841	1,665	43,506	43,512	6
Health, Housing and Adult Social Care	94,619	9,046	103,665	103,129	(536)
Regeneration, Leisure & Culture	9,723	72	9,795	9,795	0
Schools & Children's Services	57,818	2,271	60,089	59,887	(202)
Total Department Budgets	235,765	15,944	251,709	251,518	(191)
Contribution to / from balances	0	(17,285)	(17,285)	(17,285)	0
Corporate Items	8,627	1,341	9,968	9,968	0
Government Funding	(122,892)	0	(122,892)	(122,892)	0
Council Tax Requirement	121,500	0	121,500	121,309	(191)

5. DEPARTMENTAL MONITORING INFORMATION – BUDGET PRESSURES & PROJECTED SAVINGS

5.1 Chief Executive's Department

The department is currently projecting a level spend for 2012/13.

5.2 Environment

The department is currently projecting a variation of £541k overspend, explanations for variances over £50k (totalling £623k) are detailed below:

- +£250k Loss of income on Building Control fees due to the continuing low level of building construction activities in the current economic climate. The Service forecasts an increase of £50k in income shortfall on the basis that there is no optimism that the construction industry will recover during 2012/13. A 6 month review on the income confirmed that the shortfall would likely be more than previously reported.
- -£91k Underspend on Fleet management, £247K saving in leasing charges which is due to the planned delay in the replacement of some refuse vehicles following an assessment of their condition earlier this year and the revision of leasing repayment rates for vehicles purchased last year has reduced the planned contribution to the Internal Leasing Fund. This is partially offset by the loss of MOT test income following a decision to cease MOT tests service from September 2012.
- +£666k Reduction in parking receipts. A number of factors impact on this income, such as the slow economic recovery, footfall, drivers' behaviours and weather conditions need to be taken into consideration when projecting parking income. This income is volatile and is closely monitored throughout the year. A recent assessment of the income trend confirmed that there was a significant reduction in income in the first 6 months in this financial year as compared to the same period last year. The performance for August was even worse than the same period last year when parking activities were badly affected by the riot.
- +£60K Overspend in stray dog service due to a higher demand for the stray dog service in the borough.
- -£87K Underspend on Community Safety Unit due to vacant posts and the reduced PCSO activity.
- -£175K Underspend on the dry co-mingled waste disposal contract and equipment purchase. A price sharing mechanism operates in this disposal contract whereby the cost per tonne can vary depending on market prices of recycling materials. Based on the trend on prices this year, the Service forecasts an underspend on contractor costs. It should, however, be noted that material prices can fluctuate significantly and the unit costs will require close monitoring throughout the year.

5.3 Finance, Resources & Customer Services

The department is currently projecting an overspend of £6k. Explanations for variances over £50k are detailed below:

- £187k overspend in Property Services due mainly to a shortfall in rent income totalling £367k across the commercial portfolio as a result of market and economic conditions. The cost of the disposals programme is expected to overspend by £64k. These pressures have been offset in part by savings from building running costs, and underspends on salaries of £244k.
- £78k overspend in Legal & Registrar's Services due to the cost of hiring additional staff to cover long term sickness and maternity leave. The service also has a £144k shortfall in income in the Registrar's service due to a lower than anticipated take up of the Citizenship service. The service is currently looking at ways to increase the take up of this service in order to manage the overspend. If necessary there is a one off contingency sum available to mitigate loss of income as a result of the downturn in the economy.
- £104k managed underspend in accountancy salaries, has increased from £69k, as reported in August. The posts relating to two members of staff leaving recently will not be filled in 2012/13 in order to manage variances in other areas of the department.
- There is a £199k overspend in Customer Services as a result of temporary staff being utilised to ensure performance levels are maintained.
- There is an estimated £354k underspend in ICT due to cancelled and re-negotiated third party annual support payments.

5.4 Health, Housing & Adult Social Care

The department is currently projecting an underspend of £536k under spend, explanations for variances over £50k are detailed below:

- -£390k Strategy & Resources are projecting an under spend. This is primarily as a result of a forecast underspend of £320k against service development arising from a mid-year review of forecasted spend on all planned projects. The balance of the underspend is a result of small forecast underspends across the department.
- -£256k Projections in Mental Health Services continue to suggest an under spend as a result of variations in net client care package costs. The movement represents progress towards agreed MTFP savings targets.
- +£472k Learning Disabilities are projecting an over spend. There is an agreed savings plan that we anticipate could reduce the over spend during the remainder of the year. The outturn projection also includes new client commitments which are based on named and known clients. The reduction in the overspend of £180k from last month reflect progress under this plan.
- +£158k The Customer Pathway is projecting an overspend position. This represents an improvement of £112k from August's reported position , arising from a mid-year review of client activity and trends.
- -£132k The under spend in Provider services is a result of variations in client income. Income projections will be monitored closely as variations in client activity will impact on the position reported. The position reported is consistent with last month.

- -£388k The care purchasing contingency has been created to manage fluctuations in care purchasing need during the year. It is normal for the budget to be redirected into service areas during the year to offset pressures as they arise.

The departmental forecast excludes a number of HHASC grants

- NHS funding for social care has been approximately £3.4m for the last 2 years. This non-recurrent grant funds projects agreed with the NHS, spanning current and future financial years. The estimated carried forward based on the indicative spending plan at September is £5.9M. The exact amounts carried forward each year are dependent on in year commitments made.
- Housing related Supporting People funding forecasts a carry forward of approximately £793k, this represents an increase of £319k from last month's position, arising from mid-year review of projections.

Community Housing

The Community Housing Division is currently projecting an underspend of £103k for 2012/13. Any overspend or underspend on this service will be managed within the Initiatives Reserve Fund which currently stands at £4,212k (31st March 2012).

The projected variances over / under £50k are set out below:

Temporary Accommodation:

- +£540k overspend on rents. The current projections show that the number of Private Sector Leases are declining and as a result the Council is having to increase the usage of the more expensive nightly paid annexes, to house homeless tenants.
- -£96k underspend on costs of repairs due to reduction in property numbers.
- -£60k underspend on furniture costs due to reduction in property numbers.
- -£227k underspend on bad debt provision contributions due to improvement in collection rates.

Housing Option and Advice:

- -£120k Income due from Home Office for housing casework supporting former Asylum seekers.
- -£61k underspend on refunds received from previous deposits scheme.

5.5 Regeneration, Leisure & Culture

The department is currently projecting a nil variation from approved budget and there are no current variances over £50k to report.

5.6 Schools & Children's Services

Departmental (General Fund Budget)

The department is currently projecting an underspend of £202k. Within this there are individual budget areas with projected variances over £50k. Explanations for these (totalling 216k underspend) are detailed below:

- Transport. £295k overspend. This projection is primarily based on current pupil numbers and route information. However a contributory factor is an overspend of £40k resulting from the withdrawal of external grant funding.
- Asset Management. There is a projected overspend of £40k relating to PFI consultancy fees plus £7k as a result of charging more eligible salaries to grants.
- Schools Building Project. This budget includes the provision for the manager of the Primary Expansion project whose costs will be charged to a number of capital projects resulting in a revenue saving estimated at £132k.
- Catering Service £200k underspend. This is based on last year's spend compared to this years budget after allowing for salary increases following the implementation of the London Living Allowance and provisions inflation.
- Prevention of Care Section 17 & No Recourse to Public Funds £179k overspend. This overspend is mainly due to Multi Systemic Therapy costs for last year and this year being included in 2012/13. The projection for rents spend is in line with last year however this has increased this month as a result of 3 new families and placement extensions in September. However, housing (rent and deposits) expenditure may well increase as the changes to the benefits system are enacted.
- Adolescent Outreach Team £100k underspend. This is a new service and we are currently recruiting establishment.
- Adoption Allowances £184k overspend. The projected overspend is due to 651 more client weeks than budgeted for as a result of higher adoption completions in the last quarter of 11/12. The projection is based only on current and planned adoption and Special Guardianship Order allowances. Fewer Inter Agency fees are expected, resulting in a reduction in recharges to other authorities.
- In-house Fostering £288k underspend. The projected underspend has reduced this month following a net increase of 5 placements during September.
- External Looked After Children Care Purchasing £132k underspend. The LAC care purchasing budgets are currently reporting an under spend because the detailed projection only includes costs for current or planned clients. However, a provision of £158k has been included for

as yet unknown placements which will be required later in 2012/13. The underspend has reduced this month mainly because of a new secure placement with a high cost.

- Looked After Children Staffing Teams £64k overspend. The LAC team is currently fully staffed in order to meet increased levels of LAC casework.
- Youth Support – Careers Service £133k underspend. This follows the creation of a traded service with schools following a change in the statutory duty for careers guidance which came into effect from September. Following a restructuring of the Careers service a majority of Enfield's secondary schools have bought into the new service which has now resulted in an income to the service.

The key risks associated with these projections are:

- The LAC external care purchasing budget projections will show increased spending if new placements are made or existing placements are extended beyond their current projected end dates. A provision for some future possible new placements has been included in the September projection but there is a risk that this will not be sufficient if existing numbers of LAC remain constant throughout 2012/13.
- Youth Justice Secure Remand Pressures - with effect from November the first impact of the new Youth Sentencing proposals will start to impact upon the Council as those young people remanded into secure custody will immediately start to obtain LAC status with leaving care cost implications after 13 weeks. This will increase LAC caseloads resulting in additional staffing to deal with it.
- Welfare Benefit Changes - although these will not be introduced until next April there is a risk that an impact will be felt before then particularly in relation to those services who support homeless families.

Schools Budgets - These variations do not form part of the General Fund position

The Schools Budget is currently projecting a £105k overspend as compared to last months projected overspend of £111k. The overspend is due mainly to an increase in the number of children eligible within the Nursery Education Grant being more than was originally anticipated resulting in a projected overspend of £178k. This overspend is reduced by a number of small budget underspends the most significant of which are a £43k underspend as a result of fewer college placements and savings resulting from the relocation of Bowes to Swan Annexe plus a £47k saving projected by the Child Learning Disability service due to staff vacancies.

6. OTHER GENERAL FUND ITEMS

6.1 Treasury Management

As outlined in previous monitoring reports part of the Treasury Management Strategy in 2012/13 has been to repay borrowing during the year and to re-

finance it later in the year, as cash balances reduce. To this end, we have seen some good opportunities to borrow during September and have taken £8 million at the end of the month for one year at an average rate of 0.37%. Given this positive change in short term borrowing interest rates we will continue to seek out other sources of favourable borrowing rates during October to replace the matured existing debt.

The Council will continue to look at longer term borrowing options to finance the Capital Programme but much will depend on the movement in longer term interest rates.

As at 30th September the Council held investments of £50.2m in total this reflects a increase of £9.2m since August. These are outlined in the table below:

Enfield Investments at 30th September 2012

	Principal	Start Date	Effective Maturity	Rate	Days to Maturity*	Lowest Credit Rating
HSBC Bank Plc	£210,000	30/09/2012	01/10/2012	0.40%	1	AA-
Royal Bank Of Scotland Plc	£6,200,000	30/09/2012	01/10/2012	0.80%	1	A-
Santander UK Plc	£2,900,000	30/09/2012	01/10/2012	0.60%	1	A
Barclays Bank Plc	£7,500,000	10/07/2012	10/10/2012	0.80%	10	A
Lloyds Tsb Bank Plc	£7,500,000	06/08/2012	06/11/2012	1.35%	37	A
Nationwide Building Society	£7,500,000	05/07/2012	05/10/2012	0.60%	5	A
DEUTSCHE MANAGED STERLING LIQUIDITY FUND	£4,800,000	30/09/2012	01/10/2012	0.53%	1	AAA
HSBC STERLING LIQUIDITY FUND	£4,000,000	30/09/2012	01/10/2012	0.39%	1	AAA
Ignis Asset Management	£4,800,000	30/09/2012	01/10/2012	0.65%	1	AAA
Prime Rate Capital Management	£4,800,000	30/09/2012	01/10/2012	0.56%	1	AAA
Total - Internal Investments	£50,210,000		Average	0.74%		
Number of Investments	10					
Average Investment Size	£5,021,000					

*Where the maturity shows one day this means that cash can be called back on demand.

6.2 Corporate Items (Including Contingency & Contingent Items) General Fund

The Council maintains a general contingency of £1.0m. There are also a number of contingent items set aside for various purposes. These are monitored and allocated to departments throughout the year.

6.3 General Fund Balance and Reserves

On 18th July Cabinet noted in the 2012/13 outturn report that as at 31 March 2012 the general fund balance stands at £13.038m (excluding schools) and that earmarked reserves had prudently increased to £75m. This includes a

new Risk Reserve of £2.6m¹ to meet potential pressures in 2012/13 including regeneration scheme delivery costs, redundancy payouts and other demographic pressures.

The Council's audited Statement of Accounts 2011/12 was agreed by Audit Committee on 27th September. It was reported that the accounts had been adjusted to recognise an understatement of income in relation to Adult Social Care of £0.958m. This resulted in an increase in the General Fund balance to nearly £14m. In setting the 2012/13 Budget and Council Tax, Council accepted the Director of Finance, Resources and Customer Services advice that the General Fund should be maintained at a minimum of £13m. The update to the Medium Term Financial Plan later in this report highlights the increasing pressure on Council finances which will be taken into account when the balance is reviewed again as part of the 2013/14 Budget and Council Tax report to Cabinet and Council in February 2013.

6.4 Enfield Residents Priority Fund (ERPF)

The key aim of the ERPF is to address local need within wards, through the funding of specific projects, under the Council's wellbeing power (now general power of competence). The Fund was split into one third revenue funding and two thirds capital funding and the financing of the Fund was included as part of the budget build up for 2012/13. Each project bid is evaluated to determine if it constitutes Revenue expenditure or Capital and only expenditure which creates or enhancing an asset is determined as Capital. We are now half way through the fund cycle and the trend has been an increased number of revenue projects being requested from residents. In order for fund to continue to meet the priorities of the residents the original split of the fund is likely to be adjusted from that shown in the table below.

ERPF Status Update 30th September 2012:	Capital £000's	Revenue £000's	Total £000's
Initial allocation	1,400	700	2,100
Schemes approved to date	(242)	(390)	(632)
Balance currently available	1,158	310	1,468
Bids submitted for approval at last Sub Committee	(169)	(199)	(368)
Balance remaining if all projects approved	989	111	1,100

The use of this fund will continue to be monitored and reported during the year and the effect on both the revenue and capital budgets considered accordingly.

7. Housing Revenue Account (HRA) – Projected £693k Underspend

The Housing Revenue Account is currently projecting a £693k underspend on the approved budget. Within this there are individual budget areas with

¹ £1.835m from general revenue underspends (paragraph 4.5) plus £0.8m transferred from ICT underspend (paragraph 15.2).

projected variances over £50k. Explanations for these (totalling (£409k underspend) are detailed below:

- (£296k) Over-recovery of income in Dwellings Rent has been identified due to a reduction in the void rate, the estimated void rate was 1.6% but the current rate is 1.41%.
- (£281k) Refund on the 11/12 Final Subsidy settlement for the HRA due to a change in the consolidated rate of interest (CRI) from 3.55% used by LBE to 3.53% used by CLG. When the outturn for 11/12 was done, CLG advised us to use a rate of 3.55%.
- When calculating the 12-13 estimates a bad debt provision of £200k for welfare reform was made. As this has been delayed and will not be implemented until the new year this provision will now not be required.
- £170k Overspend on Council Tax for Void properties due to the high number of voids (from estate renewal projects) which were previously entitled to discounts. As these have been void for a significant amount of time they are not entitled to the discount and a full year charge will be applied in 12-13.
- The HRA includes the £15.63m management fee paid to Enfield Homes. Enfield Homes delegated budgets are currently reporting an overspend of £198k. This is due to additional agency staff costs in the Property and Technical services department. This budget will be monitored closely throughout the year to reduce this variance.

8. ACHIEVEMENT OF SAVINGS

- 8.1 The 2012/13 Budget Report included savings and the achievement of increased income totalling £16.7m to be made in 2012/13.
- 8.2 Information on the progress in achieving these savings for all items designated with a red or amber traffic light (indicating an issue relating to their implementation) is set out in Appendix 1.

9. MEDIUM TERM FINANCIAL PLAN UPDATE

- 9.1 Cabinet, on 18th July 2012 as part of the Revenue Outturn Report 2011/12 were updated on the preparations for the setting of the 2013/14 Revenue Budget and Review of the Medium Term Financial Plan.
- 9.2 The update set out the work taking place on the identification of savings proposals to bridge the resource gap for 2013-14 and future years. It explained that the budget process will be slightly different for this Medium Term Financial Plan with a rolling savings programme being implemented through the year rather than a large volume of savings all being presented to Cabinet in February.
- 9.3 Directors have identified savings and started the process of agreeing these with Portfolio Members ensuring that they comply with all governance requirements. It should be noted that where savings are of a level that Cabinet

approval is required, they will be agreed with the Portfolio Member and then be reported to Cabinet for approval.

- 9.4 This process will enable savings to be agreed and if possible implemented during 2012/13 thereby realising savings as early as possible.

The budget is constantly evolving with all areas under review and in particular:

- Future price inflation.
- Increasing demographic pressures across all services.
- Additional borrowing costs relating to new capital investment.
- The achievement of the 2012/13 budget savings and realisation of planned savings over the next four years.
- New risks and pressures emerging since the Council set the Medium Term Financial Plan in March 2012..
- New Central Government legislation.
- The framework for the development of the budget **must be robust** and in line with service delivery requirements.
- Risk management is a key part of the process and council reserves, contingencies and balances must be set to ensure continued financial stability.

- 9.5 Since the Cabinet meeting, work has progressed so that the latest draft 2013/14 Budget and Medium Term Financial Plan has been updated to take account of the changing position where net costs are increasing due to Government actions as well as growing demand for local services.

9.6 The Current Position

Government Announcements

The July report set out Government proposals to reform local government finance. Since then the Government has announced changes to its plans but firm details will not be available until the provisional local government finance 2013/14 announcement. The Chancellor's Autumn Statement is scheduled for the 5th December with the provisional settlement to follow although no date has been given yet. This delay is of concern as there are several developments where the budget cannot be finalised pending greater detail including:

- How funding baselines for councils will be calculated including the level of government grants to be rolled into the new local business rate retention scheme. The funding baselines will determine the level of the Council's government support in 2013/14. Unofficial indications are that the Government may re-open the 2013/14 and 2014/15 local government spending totals and make more reductions on top of those already announced. No further information is available apart from areas indicated below.
- Top-slicing national council resources for potential redistribution to councils facing financial difficulties because of reductions in local business rates and to pay for increases in the New Homes Bonus grant. This results in an initial funding cut for all councils with potentially permanent cuts depending on how much of the top-slice is needed.

Unused top-slice would be returned to councils in line with their funding baseline. At this stage, some **£2.1m** of Enfield's funding is estimated to be a risk with finalisation unlikely until towards the end of the 2013/14 financial year.

- Government figures indicating significant reductions to Early Intervention Grant although exact details have not yet been released. The 2013/14 budget has been revised on the assumption that the Council will lose around **£2.5m** of EIG in 2013/14 and this has been built into the latest MTFP assumptions.
- Government's provisional Council Tax Support Grant for Enfield of £24.75m plus £1.1m increase in grant on the assumption that allocations will be updated for more recent 2011/12 council tax benefit expenditure data. The Council is currently considering the results of consultation on its proposals for the new scheme. However, after closing consultation the Government announced a further one-off grant if councils limited benefit reductions to 8.5% along with and other changes. The Council needs to consider the implications of this offer both financially and for local residents before finalising its scheme for approval by Council on 30th January 2013. At this stage the MTFP makes no financial assumption about the Government's new offer.
- The announcement at the Conservative Party Conference that the council tax referendum threshold 2013/14 will be set at 2% with a further council tax freeze grant offer covering a 1% tax increase. The impact is a further budget pressure of **£1.8m** due to a reduction in council tax income compared to the budgeted increase of 3% in 2013/14. The MTFP has been amended to reflect a 0% tax increase at this stage.

The lack of clarity and certainty means that the Council's Medium Term Financial Plan contains assumptions which will not be resolved until the provisional settlement is issued and so at this stage, some of these items will remain a risk rather than an adjustment to the MTFP. The position will continue to be monitored although no further major announcements are anticipated in advance of the Autumn Statement and provisional settlement in December.

9.7 The Budget And Medium Term Financial Plan (MTFP)

The following section sets out the changes to the MTFP since the July report including savings identified to bridge the gap reported in July and latest assumptions on the Council's future funding in the light of the issues raised in the previous section. It also provides the latest summary position of the Medium Term Financial Plan.

9.8 Identification of Revenue Savings

Departments have been asked to develop savings to close the budget gap. Proposals have been discussed with senior officers, Cabinet members and the Labour Group. The result of this process is initial list of £12.434m of savings which are a result of improved working practices and are listed in Appendix 2. These include improved procurement and the resultant contractual savings, efficiency measures as a result of service reviews and other associated 'housekeeping' savings. Cabinet is asked to note that these savings will be implemented as soon as possible subject to governance requirements and consultation as necessary.

Departments still need to achieve further savings of £34.775m in order to balance the Medium Term Financial Plan over 4 years before taking account of the recent Government announcements discussed above. This requirement is reflected in the MTFP table below.

9.9 Budget Position Following the Savings Review

The 2013/14 budget gap is £3.395m; largely due to funding reductions resulting from the Government's reform of local government finance and austerity measures. Work will continue to identify measures to bridge the gap in the updated Medium Term Financial Plan. The aim is to balance the MTFP. However, the Government's lack of detailed plans makes this extremely difficult, especially with the Treasury targeting greater reductions in spending on local authorities following the Government's austerity plans failing to boost the economy, generate the public finances to reduce the deficit and enable public services to be maintained.

The budget position following the initial savings review is shown in the table below.

Medium Term Financial Plan Pressures	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/17 £000's	Total £000's
North London Waste Authority	1,212	530	1,272	2,500	5,514
New Demographic pressures	0	0	3,410	1,580	4,990
Price Inflation & pay awards	5,270	8,370	6,100	6,100	25,840
Capital financing & interest charges	1,030	2,406	173	0	3,609
Loss of Specific Government grant	6,211	300	3,928	0	10,439
Welfare reform - temporary accommodation	1,800	0	0	0	1,800
Legal Aid- Sentencing & Punishment of Offenders	690	0	0	0	690
Environmental Services	430	(70)	(70)	0	290
Other Items	850	470	210	0	1,530
Total Pressures	17,493	12,006	15,023	10,180	54,702
Full year effect of previous budgets	(8,410)	(3,415)	(1,777)	0	(13,602)
Reductions in Government Funding	2,763	5,880	7,300	6,900	22,843
Council Tax (0% increase except 3% 2015/16) ²	0	(521)	(3,004)	0	(3,525)
Efficiency savings identified to be implemented (Appendix 2)	(6,048)	(5,843)	(1,128)	585	(12,434)
Latest MTFP Resource Gap	5,798	8,107	16,414	17,665	47,984
Departmental savings targets previously set and currently being developed within departments	(2,403)	(5,279)	(11,008)	(16,085)	(34,775)
Further savings required predominantly as a result of recent Government announcements on future local government financing	(3,395)	(2,828)	(5,406)	(1,580)	(13,209)
Balanced Medium Term Financial Plan Position:	0	0	0	0	0

² £521k is the estimated taxbase increase in 2014-15

9.10 BUDGET CONSULTATION

Enfield Spending Review

Enfield's commitment to consulting local residents is crucial to its budget plans and the 2013/14 Budget Consultation Paper is currently being prepared that presents the pressures on spending, sets out areas of growth to meet the key manifesto commitments and also areas where the Cabinet is looking to find savings. The paper will seek the views on all the key decisions to be taken as part of the budget process. This will be the main consultation document to engage with all key partners and stakeholders.

Consultation at Key Public Meetings

There will be presentations by finance staff at the December /January Scrutiny Panels and Area Fora, explaining to the public the budget pressures facing the Authority in the coming years and what action is currently being taken mitigate these pressures and set a balanced budget for the coming year.

There will also be engagement with all our key stakeholders, ratepayers, partners and interest groups in order to ensure the options on the budget are considered by as wide an audience as possible. This is absolutely key to the process as the future funding limitations will require joint working with our partners to deliver priorities in a cohesive way that meets the expectation of our clients.

9.11 Outcomes

The feedback from all these consultation processes will be put together along with the Consultation Paper and presented to the Budget Scrutiny Commission in January 2013. This feedback will then directly inform decision making on where funds will be prioritised and which savings measures will be adopted in the budget report to Council in February 2013.

Cabinet is asked to delegate responsibility for determining the manner of informing and consulting with Scrutiny Panels on the 2013/14 Budget to the Lead Member for Finance and Property in consultation with the Director of Finance, Resources and Customer Services.

10. ALTERNATIVE OPTIONS CONSIDERED

Not applicable to this report.

11. REASONS FOR RECOMMENDATIONS

To ensure that Members are:

- 11.6 Aware of the projected budgetary position for the Authority, including all major budget pressures and underspends which have contributed to the present monthly position and that are likely to affect the final outturn.
- 11.7 Progress on developing and balancing the 2013/14 Revenue Budget and Medium Term Financial Plan.
- 11.8 Plans for consultation on the 2013/14 budget and council tax.

12. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

12.1 Financial Implications

As the Section 151 Officer, the Director of Finance, Resources & Customer Services is required to keep under review the financial position of the Authority both in the short and medium term. This report is part of the review and planning process and confirms that there is no deterioration in the financial position of the Authority whilst plans are in place to balance the Medium Term Financial Plan. If required, measures will be put in place to address risks identified through the monitoring and planning process and to contain expenditure within current and future approved budgets.

12.2 Legal Implications

The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.

12.3 Property Implications

Not applicable in this report.

13. KEY RISKS

There are a number of general risks to the Council being able to match expenditure with resources this financial year and over the Medium Term Financial Plan:-

- Ability of Departments to adhere to savings targets.
- State of the UK economy - which impacts on the Council's ability to raise income from fees and charges and on the provision for bad debt.
- Uncontrollable demand-led Service Pressures e.g. Adult Social Care, Child Protection etc.
- Potential adjustments which may arise from the Audit of various Grant Claims.
- Movement in interest rates.

Risks associated with specific Services are mentioned elsewhere in this report.

14. IMPACT ON COUNCIL PRIORITIES

14.1 Fairness for All – The recommendations in the report fully accord with this Council priority.

14.2 Growth and Sustainability – The recommendations in the report fully accord with this Council priority.

14.3 Strong Communities – The recommendations in the report fully accord with this Council priority.

15. EQUALITIES IMPACT IMPLICATIONS

The Council is committed to Fairness for All to apply throughout all work and decisions made. The Council serves the whole borough fairly, tackling inequality

through the provision of excellent services for all, targeted to meet the needs of each area. The Council will listen to and understand the needs of all its communities.

The Council does not discriminate on grounds of age, colour, disability, ethnic origin, gender, HIV status, immigration status, marital status, social or economic status, nationality or national origins, race, faith, religious beliefs, responsibility for dependants, sexual orientation, gender identity, pregnancy and maternity, trade union membership or unrelated criminal conviction. The Council will promote equality of access and opportunity for those in our community who suffer from unfair treatment on any of these grounds including those disadvantaged through multiple forms of discrimination.

Financial monitoring and planning is important in ensuring resources are used to deliver equitable services to all members of the community.

16. PERFORMANCE MANAGEMENT IMPLICATIONS

The report provides clear evidence of sound financial management, planning and efficient use of resources.

17. PUBLIC HEALTH IMPLICATIONS

There are no public health implications directly related to this Revenue Monitoring and Medium Term Financial Plan update Report.

**2012/13 Savings- Schedule of Red & Amber Savings
September 2012 (£'000s)**

APPENDIX 1

Dept	Ref No.	Proposal Summary (from template)	Risk	Total 2012/13	Progress in Achieving the savings
Housing, Health & Adult Social Care					
HHASC	HHASCM6	Additional staff savings to be identified- 5 posts per year	Amber	(30)	Saving has been partly achieved with further work required to fully realise saving in year. This total saving has been divided across the department so £50k has been delivered through the ICES restructure, and the remaining £30k is still to be allocated against a specific post.
HHASC	HHASCE1	Enablement, price & demand management and acceleration of individual budgets	Amber	(440)	The original saving (£740k) is made up of the following: (a) Price re-negotiation with service providers saving of 300k (SS0998), which has been achieved. (b) Review of pressures funding (P02) of 300k to be released which is allocated against PD Homecare budgets (SS0242). and (c) Review of pressures funding (P20) for transition cases from children services of 140k to be released which is allocated to PD Nursing budgets (SS0213). Both (b) & (c) remain as amber for the current monitor as care purchasing budgets are demand led and are reviewed within monthly financial monitoring to ensure volatility is managed throughout the year. The savings target has been split to ensure transparency on the achievement of savings throughout the year.
HHASC	HHASCE2	Self-directed support for their own home meals services.	Amber	(154)	This saving will be made as people leave the services. £65k (£154k-£89k) achieved so far.
HHASC	HHASCE5	Learning Disability care purchasing demand & price management	Amber	(554)	LD Efficiency board in place and meeting regularly with planned approach to achieving savings target in year. Care purchasing budgets are demand led and are reviewed within monthly financial monitoring to ensure volatility is managed throughout the year.
				(1,178)	

**2012/13 Savings- Schedule of Red & Amber Savings
September 2012 (£'000s)**

APPENDIX 1

Dept	Ref No.	Proposal Summary (from template)	Risk	Total 2012/13	Progress in Achieving the savings
Corporate					
Corporate		Procurement savings	Amber	(1,500)	Significant progress has been made in achieving this saving through contract / inflation management. It is anticipated that once the procurement savings have been built in, this saving will be marked green.
Corporate	CORPA1	Reduction in sickness absence	Amber	(250)	Sickness levels to be monitored throughout the year to see if this saving can be achieved.
				(1,750)	
Total Amber / Red Savings September 2012				(2,928)	

Efficiency Savings Identified

APPENDIX 2

Saving Proposals	Medium Term Financial Plan				
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	Full Year £'000
<u>Regeneration, Libraries & Culture</u>					
Capitalisation of staff costs	(255)	(503)			(758)
Income generation- general and also trimming expenditure on fun runs and walks	(15)				(15)
Deletion of a support officer SO2 post - Business & Economic Development Service	(36)				(36)
Neighbourhood Regeneration Service - consultancy / supplies & services	(15)				(15)
Millfield Arts Centre & Dugdale income generation	(50)	(50)	(50)	(50)	(200)
Leisure Olympics budget- release of funding	(15)				(15)
Reduction in Community Sports Facilities Development budget	(18)				(18)
Library Services staffing budget	(60)	(30)	(30)		(120)
Total Regeneration, Libraries & Culture	(464)	(583)	(80)	(50)	(1,177)
<u>Chief Executive</u>					
Human Resources Staffing reductions	(115)				(115)
Reduction in employees costs.	(38)				(38)
Corporate Improvement Management Review	(120)	(31)			(151)
Corporate Marketing Campaigns Budget	(15)	0	0		(15)
Chief Executive	(288)	(31)	0	0	(319)
<u>Environment</u>					
Income from late night enforcement activities (Late night levy)	(20)				(20)
Procurement of the Maintenance & Minor works contracts	(80)				(80)
Additional Temporary Traffic Order Income	(25)				(25)
Improved absence management in Waste Services	(50)				(50)
Commercial Waste review	(65)				(65)
Management review of staffing	0	(119)			(119)
Deletion of the Strategic Policy post within the Transportation Team	0	(50)			(50)
Increased income arising from setting local licence fees	0		(80)		(80)
Ponders End Advertisement	0		(5)		(5)
Highways income	0		(75)	(75)	(150)
Reduce costs of occupational health contract	(14)				(14)
Restructuring in Regulatory Services	(107)		(25)		(132)
Fleet review savings	0	(45)	(30)		(75)
Increase in Parks leases income	0	(20)			(20)
Scaffolding income	0	(10)			(10)

Efficiency Savings Identified

APPENDIX 2

Saving Proposals	Medium Term Financial Plan				
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	Full Year £'000
Parks efficiencies	0	(50)			(50)
Efficiencies in GIS back office systems	(25)				(25)
Reduction of 1 senior business support officer	(32)				(32)
Deletion of a vacant post in GIS	(18)				(18)
Delete a 0.5FTE vacant post in Corporate Health & Safety team	(14)				(14)
Revised funding arrangements for School Crossing Patrols as well as a reduction in management costs	(70)				(70)
London Lorry Control	(11)				(11)
Blue badge fraud - moving to existing in-house resource	(34)				(34)
Increase in New Roads & Streetworks income	(65)				(65)
Reduction in Highway & Parks tree root liability insurance	(20)				(20)
Further savings from extending the lease for refuse and SEN vehicles	0	(31)	(156)	595	408
Fleet review savings	(95)				(95)
SEN review savings	(155)				(155)
Automatic Public Convenience closures	(74)				(74)
Increase in allotments income	(20)				(20)
Co-mingled waste disposal contract	0		150	150	300
Parks Operations restructure	(50)	(50)			(100)
Smarter Travel Post	0	(28)			(28)
Restructuring of the senior management within Parking Services	0	(43)			(43)
Revised funding scheme for Lead Local Flood Authorities Responsibility	0	(30)			(30)
Streamline Business Processes	0	(20)			(20)
Increase in Waste Streetscene & Parking income	0	(50)			(50)
Reduction in Community Safety projects	0	(50)			(50)
Deletion of a vacant Business Continuity Post	0	(42)			(42)
Environment	(1,044)	(638)	(221)	670	(1,233)
Schools & Children's Services					
Children's Centre Commissioning budget	(94)				(94)
Cheviots Transport saving	(25)				(25)
Careers Service - Transfer of duty to schools, academies and colleges	(250)				(250)
Catering Services	(200)				(200)
Two Year Old Offer	(92)				(92)
Early Years Sufficiency and Access	(100)				(100)
Review of Business Systems Support	0	(30)			(30)

Efficiency Savings Identified
APPENDIX 2

Saving Proposals	Medium Term Financial Plan				
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	Full Year £'000
Review of Children's Area Partnership Team	0	(40)			(40)
Review of commissioning posts and traded services recharges	0	(100)			(100)
CACEY- Informed Families & Review of Information and Outreach	0	(80)			(80)
Review of Safeguarding Performance & Admin Families	0	(30)			(30)
Impact of Single Point Of Entry within Children in Need Service	0	(50)			(50)
Looked After Children - Review of Support Costs	0	(50)			(50)
Review of Leaving Care Service	0	(70)	(100)		(170)
Review of CACEY Management	0	(67)			(67)
Closure of Professional Development Centre	(70)	(80)			(150)
Procurement / Contract savings	(200)				(200)
Schools & Children's Services	(1,031)	(597)	(100)	0	(1,728)
Finance Resources & Customer Services					
Restructure in Property Services	(84)				(84)
Additional income - Clavering / Marsh House	(10)				(10)
Revenues and Benefits - reduce the subsidy provision to 0.1% in 2013-14.	(198)	198			0
Savings to be specified within the Revenues & Benefits Division	0	(200)			(200)
Procurement- deletion of post	(29)				(29)
Deletion of vacant Assurance Officer post @SO1.	(35)				(35)
Transformation of service- reduction in 3rd party maintenance costs	(100)				(100)
Reduction in Leaner operational budgets	(33)				(33)
Review of major contracts	0		(500)		(500)
Review of accountancy structure	(80)				(80)
Further service review following embedding of improved monitoring and estimate processes	0	(100)	(50)		(150)
Premiums contribution- debt restructure	(231)				(231)
Reduction in cost of banking contract	(50)				(50)
Staff Review in Facilities Management	(69)				(69)
Additional income at Wheatsheaf Hall	(30)				(30)
Reduction in running costs of St Andrews Building	(70)				(70)
Reduction in running costs at EPS Service	(15)				(15)
Additional income - other developments	(25)				(25)
Review of income collection and associated bad debt provisions	0	(150)			(150)
Deletion of IFRS implementation budget	0	(200)			(200)
Savings within the Community Alarm Service	0	(100)			(100)

Efficiency Savings Identified
APPENDIX 2

Saving Proposals	Medium Term Financial Plan				
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	Full Year £'000
Review the use of external legal advice and replace with internal legal resources	(50)				(50)
Finance , Resources & Customer Services	(1,109)	(552)	(550)	0	(2,211)
<u>Housing Health & Adult Social Care</u>					
Housing related support- Supporting People review	0	(103)			(103)
Electronic Monitoring System	(100)				(100)
Contract Renegotiations	(324)	(300)			(624)
Physical Disabilities Service Review of Residential Placements	(39)				(39)
Yorkshire Gardens respite provision	0	(91)			(91)
New Residential packages - price improvement target	(46)	(200)	(100)		(346)
Extra care- Skinners Court retender	0	(45)			(45)
Housing Related Support - Floating Support	0	(180)			(180)
Housing Related Support - Domestic Violence Womens Refuge Service	0	(17)			(17)
Housing Related Support - Ex Offenders Service	0	(50)			(50)
Housing Related Support - Older Persons Scheme	0	0		(35)	(35)
Housing Related Support- Mendip House	0	(25)			(25)
Housing Related Support - Handy Person Scheme	0		(20)		(20)
Finance & Office Services Manager (MM1)	(42)				(42)
Commissioning Manager MM2 (1.0FTE, 0.5 joint funded with Health)	(31)				(31)
Head of Safeguarding Strategy, Partnerships & Complaints (HoS)	0	(37)			(37)
Programme Management	(45)	(114)			(159)
Deletion of 3 posts within the Business Intelligence Team	(44)	(61)			(105)
Provider Services Management	(102)	(45)	(57)		(204)
Customer Pathway Management- post reductions	(133)	(41)			(174)
Community Housing Services- reduce middle management posts	(98)	(116)			(214)
Reduction in Transformation Service Development budget	(230)	(240)			(470)
Procurement of specialist equipment	(60)				(60)
Increased Training income	(100)	(100)			(200)
Special Projects Business Manager funded from NHS Social Care Funding	(45)				(45)
NHS social care grant contribution	0	(1,250)			(1,250)
Housing, Health & Adult Social Care	(1,439)	(3,015)	(177)	(35)	(4,666)
<u>Corporate Items</u>					
HRA Refinancing- further saving to the General Fund	(400)				(400)
Expiry of Enfield Residents Priority Fund in 2014/15	(273)	(427)			(700)

Efficiency Savings Identified

APPENDIX 2

Saving Proposals	Medium Term Financial Plan				
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	Full Year £'000
Corporate Expenses	(673)	(427)	0	0	(1,100)
EFFICIENCY SAVINGS IDENTIFIED IN MEDIUM TERM FINANCIAL PLAN	(6,048)	(5,843)	(1,128)	585	(12,434)