

MUNICIPAL YEAR 2012/2013 REPORT NO. 137

MEETING TITLE AND DATE:

Cabinet
23rd January 2013

REPORT OF:

Director of Finance, Resources
and Customer Services

Contact:

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AGENDA PART 1

ITEM : 6

**Subject: November 2012 Revenue
Monitoring Report.**

**Cabinet Member consulted:
Cllr Andrew Stafford**

1. EXECUTIVE SUMMARY

- 1.1 This report sets out the Council's revenue budget monitoring position based on information to the end of November 2012.
- 1.2 The report forecasts an outturn position of £412k underspend for 2012/13.

2. RECOMMENDATIONS

It is recommended that Corporate Management Board:

- 2.1 Notes the £412k underspend revenue outturn projection after noting the shortfall in income (paragraph 5.2).
- 2.2 Agrees that departments reporting pressures should continue to manage budgets in order to eliminate any overspend.in 2012/13.

3. BACKGROUND

- 3.1 The Council's revenue expenditure against budget is monitored by budget managers, supplemented 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.

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.

4. November 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 The inclusion of a colour-coded risk rating helps to 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		
		Sept	Oct	Nov
Income and expenditure position	<ul style="list-style-type: none"> Year end forecast variances of £412k underspend has been identified as at November 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. Reduced income levels are also being closely monitored as part of this exercise. 	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 £526k for 2012/13. The forecast takes account of the fact that in the current year there has been a significant increase in repair and maintenance costs. Similar increased costs are being experienced in neighbouring boroughs and are as a result of continued wet weather conditions in 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

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

Table 2: Net Controllable Budget

Department	Net Controllable Budget				
	Original Budget	Approved Changes	Approved Budget	Projected Outturn	Projected Variation
	£000s	£000s	£000s	£000s	£000s
Chief Executive	3,944	515	4,459	4,459	0
Environment	27,820	2,531	30,351	31,023	672
Finance, Resources & Customer Services	41,841	3,265	45,106	45,087	(19)
Health, Housing and Adult Social Care	94,619	9,067	103,686	103,086	(600)
Regeneration, Leisure & Culture	9,723	242	9,965	9,965	0
Schools & Children's Services	57,818	2,163	59,981	59,516	(465)
Total Department Budgets	235,765	17,783	253,548	253,136	(412)
Contribution to / from balances	0	(17,175)	(17,175)	(17,175)	0
Corporate Items	8,627	(608)	8,019	8,019	0
Government Funding	(122,892)	0	(122,892)	(122,892)	0
Council Tax Requirement	121,500	0	121,500	121,088	(412)

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 £672k overspend, explanations for variances over £50k (totalling £801k) 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 the income shortfall on the basis that there is no optimism that the construction industry will recover during 2012/13.
- (£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.
- +£524k Reduction in parking receipts. A number of factors impact on this income, such as the slow economic recovery, footfall, drivers' behaviour 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 7 months in this financial year as compared to the same period last year. The Service forecasts a favourable movement of £38k in the variance compared to the October monitor following higher than anticipated parking receipts received in November. Enfield and neighbouring boroughs are all experiencing a downward trend on the number of PCNs issued over last five years which has resulted in a reduced parking receipt. Enfield continues to concentrate its effort in ensuring that PCN's are issued appropriately and has one of the highest rates for defending appeals in London. Where no payment occurs bailiffs collection rates have increased from 12% to 18% over the last two years, which again puts Enfield as a top performer in London.
- +£50k Overspend in stray dog service due to a higher demand for the stray dog service in the borough.
- (£242k) Underspend on the dry commingled 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 are being closely monitored throughout the year.

- +£140k Overspend on Waste Operations. Following a recent review of additional staff costs arising from the introduction of Agency Workers Regulation by Waste Services, it is evident that the cost pressure is higher than originally estimated by HR. A forecast based on actual spend to date suggests that the annual costs are in the region of £360K, of which £220K has been provided corporately.
- +£170k Loss of fees income in Architectural Services due to a significant reduction in workload in relation to design schemes as part of the primary schools expansion programme.

5.3 Finance, Resources & Customer Services

The department is currently projecting an underspend of £19k. Explanations for variances over £50k (totalling £74k) are detailed below:

- £101k overspend in Legal & Registrar's Services. This is due to the cost of hiring additional staff to cover long term sickness and maternity leave and the service also has a shortfall in income due to a lower than anticipated Government Grant. The service is currently looking at ways to increase the take up of this service in order to manage the overspend.
- £105k underspend in accountancy salaries due to vacant posts.
- The £55k underspend in Customer Services Division has increased to £70k due to one off savings in concessionary travel and exchequer services.

5.4 Health, Housing & Adult Social Care

The department is currently projecting an under spend of £600k, explanations for variances over £50k are detailed below:

- -£390k Strategy & Resources continue to project an under spend outturn position. This is primarily as a result of a forecast under spend against the Transformation grant arising from a review of forecasted spend on all planned projects. This managed under spend will be maintained to mitigate risks presented by growing demand for adult social care.
- -£256k Projections in Mental Health Services continue to suggest an under spend as a result of variations in net client care packages cost.
- +£480k 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 variation in month of £22k is due to increased pressure from clients activities.
- +£195k The Customer Pathway continues to project an overspend outturn position. The variation in month is due to an increased number of clients with physical disabilities (18 clients).

- -£168k The under spend in Provider services is a result of variations in client income.
- -£472k 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 increase in month of £84k is due to unused creditor reserves.

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 November is £5.4M. (This carry forward is assumed within the MTFP to ensure the cost of growing social care demand can be effectively managed in future years). The exact amounts carried forward each year are dependent on in year commitments made.
- In December the Department of Health allocated £25m to London Authorities for the social care element of an additional winter pressures funding allocation. Enfield's portion of this £25m is £882k and needs to be agreed as part of a joint agreement (Section 256) with the Clinical Commissioning Group / NHS Commissioning Board.
- Housing related Supporting People funding forecasts a carry forward of approximately £676k, this represents an decrease of £126k from last month's position, arising from utilisation of the under spend against 3 year contractual payment for the Supporting People database system (£101k) and funding additional staff in 2012/13 (£25k). This managed under spend supports the achievement of significant MTFP savings over the next 3 years.

Community Housing

The Community Housing Division is currently projecting an underspend of £79k for 2012/13. Any overspend or underspend on this service will be managed within the Initiatives Reserve Fund which stood at £4,212k (31st March 2012).

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

Temporary Accommodation:

- +£568k 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.
- -£88k underspend on costs of repairs due to reduction in property numbers.

- -£80k underspend on furniture costs due to reduction in property numbers.
- -£227k underspend on bad debt provision contributions due to improvement in collection rates.
- -£123k Additional income due from Home Office for housing casework supporting former Asylum seekers

Housing Option and Advice:

- -£75k 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

The SCS department is currently projecting an underspend of £465k. Within this there are individual budget areas with projected variances over £50k. Explanations for these (totalling £372k underspend) are detailed below:

- Children Centre's £130k underspend. The underspend is due to costs associated with the additional advice sessions, regarding the new Welfare Reforms, being contained within the Commissioning budget.
- Surestart Children's Centre £51k overspend. There is a shortfall in income of £146k due to under occupancy of this Children's Centre. This is partially offset by savings in employee costs of £52k and other misc savings of £23k. Options to increase occupancy levels are being investigated in order to reduce the shortfall. £17k from the Children's centre budget has been offset against the overspend.
- Transport. £110k overspend. As a result of the re-routing exercise the projected overspend has reduced. There still remains an overspend of around £110k for SEN transport based on current pupil numbers and route information and the previously reported overspend of £40k resulting from the withdrawal of external grant funding.
- Schools Building Project. £132k underspend. 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.
- Children Centres Development Team. £70k underspend. Children Centres have had, this quarter, restricted capacity to deliver additional services, now resulting in a projected saving.

- Catering Service £200k underspend. This is based on current levels of income & expenditure after allowing for salary increases following the implementation of the London Living Allowance and provisions inflation.
- An underspend of £121k results from recruitment delays for the graduate trainee posts.
- The Children in Need Team is reporting a £129k overspend due to these teams needing to be fully staffed to provide a safe service. The projection has increased this month due to additional agency staffing required to cover long term sickness and vacant posts.
- No Recourse to Public Funds £122k overspend. The projection is based on current Requests for Funding and does not include a projection for any unknown new cases that may arise before the year end. There have been 6 new families in November which have increased the overspend this month.
- The Adolescent Support Team £126k underspend. This is a new service and there have been delays in the recruitment of staff.
- The LAC care purchasing budgets are now reporting an overspend of £63k. Care purchasing projections for known clients actually increased this month by £109k due to 3 new placements, one of which was a secure placement and extensions to existing placements. A provision of £148k for possible placements was previously included but this has been reduced to £50k. This for as yet unknown agency fostering placements which may be required later in 2012/13.
- The LAC team is projecting an overspend of £61k as it is fully staffed in order to meet caseload pressures.

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 November projection but there is a risk that this will not be sufficient if the numbers of LAC continue to increase 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 obtain LAC status. 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.

CAMHS (Child & Adolescent Mental Health Service) – Discussions are taking place with BEHMHT (Barnet, Enfield & Haringey Mental Health Trust) with regard to a charge for £125k previously paid by the trust that the Trust are now saying cannot be

contained within their accounts. A further meeting has been arranged to resolve this issue.

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

The Schools Budget is currently projecting a £28k underspend as compared to last months projected overspend of £184k. The underspend is due mainly to the following variances over £50k:

- 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 £200k.
- The 3-4 Year Old Increased Participation project will not now be developed in 2012/13 resulting in an underspend of £100k.
- The Admissions service is projecting an underspend of £58k resulting from the relocation of Bowes at Swan Annexe and a reduction in the number of students both continuing and being placed at College.
- The Child Learning Disability team is projecting an underspend of £67k due to 4 members of staff resigning at the end of the summer term. The recruitment process has started and appointments were planned for the end of October, however this has had to be revised owing to the inability to recruit suitable employees.

6. OTHER GENERAL FUND ITEMS

6.1 Treasury Management

As outlined in previous monitoring reports the treasury management strategy has been to repay borrowing during the year and to re-finance it later in the year, as cash balances reduce.

The Council will continue to look at longer term borrowing options to finance this year's Capital Programme but much will depend on movement in the longer term interest rate movements.

As at 30th November the Council's treasury position was as follows:

Borrowing & Investments	Position 30th November £m	Position 31st October £m
Long term borrowing	244.1	244.1
Short-term borrowing	20.0	25.0
Total borrowing	264.1	269.1
Total investments	(47.1)	(55.5)
Net debt	217.0	213.6

An analysis of the investments held as at 30th November is shown below:

London Borough of Enfield Investments at 30th November 2012

	Principal	Start Date	Effective Maturity	Rate	Days to Maturity	Lowest Credit Rating
HSBC Bank Plc	£1,500,000	30/11/2012	01/12/2012	0.40%	1	AA-
Royal Bank Of Scotland Plc	£7,000,000	30/11/2012	01/12/2012	0.80%	1	A-
Santander UK Plc	£7,000,000	30/11/2012	01/12/2012	0.60%	1	A
Barclays Bk Plc-Adr C	£7,500,000	10/10/2012	10/01/2013	0.48%	41	A
Lloyds Tsb Bank Plc	£7,500,000	06/11/2012	06/02/2013	1.30%	68	A
Nationwide Building Society	£7,500,000	05/10/2012	04/01/2013	0.46%	35	A
DB Advisors (Deutsche)	£1,800,000	30/11/2012	01/12/2012	0.44%	1	AAA
Goldman Sachs	£1,800,000	30/11/2012	01/12/2012	0.43%	1	AAA
HSBC	£1,800,000	30/11/2012	01/12/2012	0.35%	1	AAA
Ignis Asset Management	£1,900,000	30/11/2012	01/12/2012	0.52%	1	AAA
Prime Rate Capital Management	£1,800,000	30/11/2012	01/12/2012	0.47%	1	AAA
Total - Internal Investments	£ 47,100,000		Average	0.66%		
Number of Investments	11					
Average Investment Size	£ 4,281,818					

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

6.2 Corporate Items (Including Contingency & Contingent Items)

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 Enfield Residents Priority Fund (ERPF)

The Residents Priority 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 the fund to continue to meet the priorities of the residents the original split of the fund has been adjusted by £400k as shown in the table below.

ERPF Status Update 30 th November 2012:	Capital £000's	Revenue £000's	Total £000's
Initial allocation	1,400	700	2,100
Adjustment between funds	(400)	400	0
Schemes approved to date	(411)	(568)	(979)
Balance currently available	589	532	1,121
Bids submitted for approval at last Sub Committee	(61)	(295)	(356)
Balance remaining if all projects approved	528	237	765

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 £526k underspend

The Housing Revenue Account is currently projecting a £526k underspend on the approved budget. Within this there are individual budget areas with projected variances over £50k. Explanations for these (totalling (£392k underspend) are detailed below:

- (£250k) 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 1.29%.
- (£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%.
- Bad Debt Provision -£200k underspend. 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.
- Capital Financing- £552k underspend. A detailed review of the interest on balances and item 8 calculation has been completed this month. The HRA loans have been split between Capital Financing Requirement and Self Financing, we have then applied actual interest rates on the debt. The estimated CRI was 4.67% and the actual average CRI is 3.28%, this reduction in interest rates has resulted in a saving of £552k.
- £70k 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.
- Repairs & Maintenance-£821k overspend. The savings target for Repairs and Maintenance was £972k for 2012-13, 80% of this target has been successfully achieved. However, there has been a 12% increase in the number of repairs to the end of October and if this trend continues then the budget is projected to overspend by £821k.
- Management Fee- £160k overspend. The HRA includes the £15.63m management fee paid to Enfield Homes. Enfield Homes delegated budgets are currently reporting an overspend of £160k. This is due to additional agency staff costs in the Property and Technical services department. This budget will be monitored closely to manage this variance, and corrective action will be taken. Therefore, this figure is excluded from the projected underspend of £526k highlighted above.

8. ACHIEVEMENT OF SAVINGS

- 8.1 The 2012/13 Budget Report included savings and the achievement of increased income totalling £12m to be made in 2012/13. All departmental savings proposals are either achieved or on track which is reflected in the overall underspend. Further work is still required to achieve a proportion of the procurement savings.

9. ALTERNATIVE OPTIONS CONSIDERED

Not applicable to this report.

10. REASONS FOR RECOMMENDATIONS

To ensure that Members are:

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

11.1 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.

11.2 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.

11.3 Property Implications

Not applicable in this report.

12. 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.

13. IMPACT ON COUNCIL PRIORITIES

- 13.1 **Fairness for All** – The recommendations in the report fully accord with this Council priority.
- 13.2 **Growth and Sustainability** – The recommendations in the report fully accord with this Council priority.
- 13.3 **Strong Communities** – The recommendations in the report fully accord with this Council priority.

14. 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.

15. PERFORMANCE MANAGEMENT IMPLICATIONS

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

16. PUBLIC HEALTH IMPLICATIONS

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

Background Papers

None.