

MUNICIPAL YEAR 2013/14 REPORT NO: 112

MEETING TITLE AND DATE:

Cabinet: 13th November 2013

Report Of:

Director of Finance, Resources and Customer Services

Contact:

Richard Tyler: 0208 379 4732

AGENDA PART 1

ITEM: 6

**Subject: Revenue Monitoring Report
2013/14: September 2013 &
Financial Update**

Wards: All

Cabinet Member consulted:

Cllr Stafford

1. EXECUTIVE SUMMARY

- 1.1 This report sets out the Council's revenue budget monitoring position based on information to the end of September 2013. The report forecasts an outturn position of £0.769m overspend for 2013/14.
- 1.2 It also updates Cabinet on the progress made to date in balancing the Medium Term Financial Plan as well as the plans for budget consultation.

2. RECOMMENDATIONS

It is recommended that Cabinet:

- 2.1 Notes the £0.769m overspend revenue outturn projection.
- 2.2 Directs departments reporting pressures to formulate and implement action plans to ensure that they remain within budget in 2013/14.
- 2.3 Notes the progress made to date in the preparation of the 2014/15 budget.
- 2.4 Delegates responsibility for determining the manner of informing and consulting with Scrutiny Panels on the 2014/15 Budget to the Cabinet Member for Finance and Property in consultation with the Director of Finance, Resources and Customer Services.
- 2.5 Agrees the new savings proposals for 2014-15 set out in Appendix 2.

3. BACKGROUND

- 3.1 The Council's revenue expenditure against budget is monitored through 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 give details of any projected additional budget pressures and risks, or any significant underspends. Where departments are

reporting projected overspends management action will be undertaken to ensure expenditure is reduced to budget.

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 and their causes that are affecting the Council across all departments. Although a full budget monitor is carried out each month, 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 A summary overview of financial performance is outlined below in Table 1. 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.

Table 1: Summary performance overview

Area of review	Key highlights	Risk Rating		
		July	August	September
Income and expenditure position	<ul style="list-style-type: none"> • Year end forecast variances of £0.769m overspend have been identified to date in relation to General Fund net controllable expenditure. Budget variances identified to date will need to be managed closely to ensure timely appropriate action can be taken. 	Amber	Amber	Amber
	<ul style="list-style-type: none"> • Improved 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. This has been possible through the development of the “Budget Buddy” financial monitoring system where budget holders are now able to profile individual budgets based on anticipated spend across the year. This will change to green when we are satisfied that the profiles for 13-14 are correct with managers working with accountancy teams to fine tune this work. 	Amber	Amber	Amber
	<ul style="list-style-type: none"> • The HRA is projecting a £1.5m underspend for year-end outturn against budget as a result of a significant reduction in the level of bad debt provision required relating to the recent welfare reforms (section 7). 	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. September 2013 Monitoring – General Fund

4.1 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 / Projected Outturn

September 2013	Net Controllable Budget				
	Original Budget	Approved Changes	Approved Budget	Projected Outturn	Projected Variation
	£000s	£000s	£000s	£000s	£000s
Department					
Chief Executive	3,525	168	3,693	3,702	9
Environment	27,628	2,099	29,727	29,870	143
Finance, Resources & Customer Services	41,449	1,936	43,385	43,385	0
Health, Housing and Adult Social Care	95,697	2,979	98,676	98,927	251
Regeneration, Leisure & Culture	8,974	491	9,465	9,465	0
Schools & Children's Services	54,096	1,776	55,872	56,238	366
Total Department Budgets	231,369	9,449	240,818	241,587	769
Contribution to / from reserves	0	(3,040)	(3,040)	(3,040)	0
Collection Fund	(1,086)	0	(1,086)	(1,086)	0
Corporate Items	29,282	(6,409)	22,873	22,873	0
Govt Funding / Business Rates	(163,223)	0	(163,223)	(163,223)	0
Council Tax Requirement	96,342	0	96,342	97,111	769

5. DEPARTMENTAL MONITORING INFORMATION – BUDGET PRESSURES & PROJECTED SAVINGS

5.1 Chief Executive's Department

The department is currently projecting a small variation of £9k net overspend against approved budget. There are no current budget variances over £50k to report.

5.2 Environment

The department is currently projecting a £143k overspend, explanations for variances over £50k (totalling +£302k) are detailed below:

- +£200k - Loss of income from Building control fees due to the continuing low level of building construction activities in the current economic climate.
- +£176k - Under achievement of Planning fee income as a result of recent changes in planning regulations.
- +£280k - Shortfall in income as Parking receipts continue to be weakened. New parking tariffs are being introduced to encourage shoppers into our town centres.
- -£237k - Underspend in Leasing budget as a result of the decision to introduce a nine year replacement cycle for the majority of waste vehicles following a review of the vehicle replacement programme undertaken recently. The changes have led to the re-profiling of the outstanding internal leasing payments for these vehicles over their remaining life, resulting in a short term reduction in annual charges until the vehicles are disposed of.
- -£167k - Over achievement of cemeteries income due to the increased supply and demand for traditional burial plots at Edmonton Cemetery.
- +£50k - Overspend in Regulatory Services due to counsel fees for crown court prosecutions. Also pest control income is lower than expected and is being investigated, action is being taken to reduce this budget pressure.

5.3 Finance, Resources & Customer Services

The department is currently projecting a level spend. Explanations for variances over £50k are detailed below:

- There is a projected £300k pressure from the cost of external legal costs for additional safeguarding demands. These costs will be funded from the specific provision within the Council's contingency. A re-organisation of the registrars has not yet met its savings target, management is addressing this issue and is currently considering ways to maximise income from this service.
- There are two underspends in the department the first relates to reduced Audit Fees of £124k, and there has also been a reduction in insurance premiums of £150k.
- There is currently a £278k budget risk relating to Community Alarm expenditure increased costs. HHASC have agreed to fund costs up to £200k on this service.

- Property Services have continued to be affected by the general downturn in the economy with lower occupancy rates of commercial/ industrial sites and the resultant loss of rentals. There is a specific provision within the Council's contingent items to recognise this but the department will continue to work hard to maximise the use of all commercial properties. (+£500k).
- Property Services have also has incurred additional expenditure from the increased provision of security including boarding-up and CCTV costs to protect Council sites (+£250k).

5.4 Health, Housing & Adult Social Care

The department is currently projecting an overspend of £251k, explanations for variances/ movements over £50k are detailed below:

- -£247k Strategy & Resources continue to forecast a year end underspend. This relates to the early achievement of housing related supporting people savings.
- +£206k The Mental Health service are projecting an overspend at this point in the year, which relates to care purchasing projections. It is anticipated that savings identified against the service will be met and as a result the overspend will reduce during the year.
- +£450k the forecast overspend represents a reduction of £50k from last month, arising from the realisation of agreed savings. The Learning disabilities service operates a monthly efficiency programme that reviews progress against savings and manages demand for services during the year. It is anticipated that the service expenditure will be within budget by the year end.
- +£200k The Customer pathway is currently projecting care purchasing overspends of £200k against a net budget of £30m, which will actively be reviewed and managed throughout the remainder of the financial year.
- -£159k The Provider service is projecting an underspend of £159k, due to an over achievement of income from client receipts, this has reduced by £60k from last month.
- -£199k the care purchasing contingency is held centrally to manage demand across the department. It will be allocated during the year to individual services as required, once all management actions to absorb the pressure within the service have been exhausted.

The departmental forecast excludes a number of HHASC grants and current project carry forwards:

- NHS Social care grant - The NHS social care grant is £4.6m. The 2013/14 forecast spend on jointly agreed projects is circa £2m, with an additional one off contribution of £2.1m in the MTFP to cover

demographic pressures (rising to a cumulative contribution in the council MTFP of £11m by 2016/17).

- Public Health grant - The Public Health grant of £12.9m allocated to the authority in 2013/14 is projected to underspend by £669k. This is due to delays in recruiting to the new staffing structure and progress on specific Public health funded projects. It should be noted that the Public Health grant is ring fenced and as per the Department of Health guidance and underspends will be carried forward into the next financial year to meet the grant conditions.

Community Housing

There is currently an overspend projection of £205k in the Community Housing Division for 2013/14. This overspend will be managed within the Initiatives Reserve Fund, leaving an overall balanced position.

There is a net overspend of £0.706m on the rental portfolio (Gross overspend £3.355m less funding of £2.649m) and this is due to the increased cost of temporary accommodation procurement. As a result of further increase in the more expensive nightly paid rates.

The overspend on rents is offset by underspends of £147k on the provision for bad debts; £132k on furniture and repairs and £222k on other miscellaneous budgets.

This budget pressure is after the use of Discretionary Housing payments (DHP) made to tenants of approximately £821k to offset the bad debt pressure in 2013/14 but this leaves the service with a further risk to rental income of £400k identified, as a result of the implementation of welfare reforms and the reduction in housing benefit for tenants in temporary accommodation. DHP is not available in 2014/15.

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 SCS department is currently projecting an overspend of £366k. Within this there are individual budget areas with projected variances over £50k. Explanations for these (totalling £409k overspend) are detailed below:

- Catering Service - an underspend of approximately £300k is anticipated as a result of the continuation of the higher uptake of school meals.
- Schools Early Retirement Enhancement Pensions - A review of the expenditure chargeable to this provision has identified a saving of £70k.
- Asset Management are reporting an overspend of £80k which is mainly due to projected staff costs exceeding the budget in light of the need to

maintain support for a considerable number of building proposals over the next twelve months.

- The Lettings Agency team are reporting an overspend of £84k as a result of cover for maternity leave plus a general reduction in income from lettings.
- Schools Building Project- An overspend of £85k relates to expenditure that is not considered eligible for capitalisation. The increase this month is due to the retirement costs associated with the previous project manager.
- CAMHS/EPS- The previously reported employee overspend has reduced this month to £50k primarily as a result of the re-organisation in the service, however this overspend may increase if BEHMHT do not agree to pay the disputed administration costs included in the Service Level Agreement.
- Child & Family Commissioning- A £73k overspend is reported primarily due to interim cover for vacant posts. There is an increase this month as the period of cover has been extended to 31st March.
- Children's Centre Development Team - A saving of £215k is projected against the commissioning budget as a result of a planned reduction in spend in order to contain the department's projected overspend.
- Childrens Services Trust- An underspend of £107k is projected due to savings to be made from the pending re-organisation plus the winding up of the trust.
- External Residential Child Care Placements - The projected overspend of £222k is based only on known and planned placements and is £20k higher than in August. This is a result of a number of placements movements, extensions and reductions in client needs.
- Children in Need - Assessment Social Work & Family Support Teams. These teams are projecting an overspend of £80k because they are operating at high staffing levels in order to maintain a safe service. This requires additional costs in respect of agency staff who are filling key team management and senior practitioner vacant posts that cannot be left uncovered. SCS management are currently implementing a recruitment and retention package for these specific posts with the aim of minimising these additional staffing costs. This process should be completed by December.
- No Recourse to Public Funds - a projected overspend of £392k is based on the 82 families which we are currently supporting. This is an increase of 5 families since last month. As it is becoming more difficult to resolve the immigration status of these clients the costs are increasing as families are now being supported longer with resultant additional costs.
- Section 20 – Additional LAC Placement Expenses. The projection is now based on last year's actual expenditure and a projected underspend of £80k is forecast.
- Unaccompanied Asylum Seekers - The unexpected growth in client numbers during the later stages of 12/13 has resulted in a projected overspend of £182k. The budget is now supporting an additional 376 Unaccompanied Asylum Seeking Children (UASC) client weeks and the

average costs of supporting them has also increased by £287 per week. This increase is due to a shortage of suitable accommodation for the recent arrivals but it is expected that a new service provider will soon be able to provide more cost effective accommodation.

- Former UASC now 18+ - This service is projecting an overspend of £120k. The accommodation costs for this client group have increased this year due to additional UASC turning 18. The overall client numbers are still below the 25fte threshold at which point this expenditure becomes eligible for government grant funding.
- Graduate Social Worker Training Programme - A freeze has now been placed on new recruits to this programme as the recruitment and retention of social workers has improved. This will result in an underspend of £187k.

Departmental Risks

- The Looked After Children, Leaving Care and UASC external care purchasing budget projections may show increased spending as new placements are made or existing placements are extended beyond their current projected end dates.
- Youth Justice Secure Remand Pressures - with effect from November 2012 the new Youth Sentencing proposals started to impact upon the Council as those young people remanded into secure custody obtained LAC status. At present the increases in LAC and SQAS caseloads are being contained within existing staff resources or funded from the additional LASPO funding.
- Welfare Benefit Changes - these were introduced in April and there is a risk that an impact will be felt particularly in relation to those services which support homeless families.
- Youth Service - The My Place Project building works are completed however there is a potential dispute with the contractor which could result in additional costs to the council, which cannot be funded from the capital budget. Project officers are currently assessing the contractors claim and they will be aiming to minimise any compensation payment as it would need to be funded from the Youth Service revenue budget.
- Further delays in the implementation of the Management Review restructurings may result in additional overspends within the staffing budgets.
- SEN Transport – The annual re-routing exercise for this service is currently being undertaken. Early indications are that this budget may overspend. The exact details are still to be finalised and will be reported in next month's monitor.

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

The Schools Budget is currently projecting an overspend of **£114k**. The only substantial item being a projected overspend of £50k for Carbon Reduction Credits based on last year's actual charge.

Schools Risks

Whilst the unplaced pupils service is showing a balanced position there may be a need to finance emergency provision for primary children who cannot gain quick access to a school placement.

6. OTHER GENERAL FUND ITEMS

6.1 Treasury Management and cash flow analysis

Treasury Management activities have been affected by the Government's lending for borrowing policy which has meant that interest paid on deposits has fallen.

This has however, been counterbalanced to some extent by the new Treasury Management Strategy that has increased our maximum lending period from three months to one year.

The council cash flow position has also been affected by the change in timing in which local government now receives Revenue Support Grant. This in effect will mean we have higher cash balances over the first half of the financial year.

The Treasury Management position as at 30th September is set out below:

	Position 30 th June £m	Position 31 st July £m	Position 31 st August £m	Position 30 th Sept £m
Long term borrowing	263.6	263.6	266.4	265.2
Short-term borrowing	31.4	31.4	28.0	22.0
Total borrowing	295.0	295.0	294.4	287.2
Total investments	(111.8)	(103.2)	(96.8)	(72.0)
Net debt	183.2	191.8	197.6	215.2

London Borough of Enfield Investments at 30th September 2013:

Financial Institution	Principal	Start Date	Effective Maturity	Rate	Days to Maturity	Lowest Credit Rating
Call Accounts						
Santander UK PLC	£12,000,000		On demand	0.6%	1	A
HSBC Bank PLC	£11,280,000		On demand	0.4%	1	AA-
Royal Bank of Scotland PLC	£12,000,000		On demand	0.5%	1	A
Money Market Funds						
Ignis	£8,000,000		On demand	0.42%	1	AAAm
Federated Prime Rate	£1,250,000		On demand	0.38%	1	AAAm
Termed Deposits						
Barclays Bank PLC	£7,500,000	10 th April 13	9 th March 14	0.82%	160	A
Nationwide Building Society	£7,500,000	12 th April 13	11 th April 14	0.72%	193	A+

Financial Institution	Principal	Start Date	Effective Maturity	Rate	Days to Maturity	Lowest Credit Rating
Lloyds Bank PLC	£7,500,000	7 th May 13	7 th Nov 13	0.71%	38	A
Lloyds Bank PLC	£5,000,000	15 th April 13	15 th Oct 13	0.71%	15	A
Total - Investments	£72,030,000		Average	0.58%		
Number of Investments	9					

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 budgets are monitored and allocated throughout the year and any variance is reported to Cabinet.

6.3 Collection Fund

The Collection Fund now includes Council Tax and Local Business Rates retained by the Council under the new local government finance regime (currently 30% retained by the local authority and 50% still going to the Government with 20% paid direct to the Greater London Authority). Any variance in collection will result in a deficit or surplus on the Collection Fund at the year end, an estimate of which must be built into the following year's Council Tax calculation.

Council tax receipts are currently in line with budgeted collection rates. However, the demolition of business premises may result in a reduction in business rates collectable and a deficit on the Collection Fund. Enfield's share of any shortfall is 30% and a £240k provision for this has been built into the 2014/15 budget calculations (other Items in the Medium Term Financial Plan table later in this report under Section 10.7). Any on-going changes to business rates will be picked up as part of the Business Rates tax base calculation for 2014/15.

7. Housing Revenue Account (HRA) – Projected £1.5m underspend

The bad debt calculation has been reviewed this month and a saving of £1.5m has been identified. Additional budget was added to the bad debt provision to account for the changes to welfare reform, this budget is now not needed as the tenants are receiving discretionary housing payments directly through benefits to cover any shortfall. The remaining £500k budget set aside for bad debt is being monitored closely and it is expected that a contribution will be made.

An updated position on our outstanding loan premium payments has been provided by Treasury, our loans have now been almost fully paid and the outstanding payment is significantly lower than expected resulting in a saving of £70k.

The estimated number of RTB's was 40 for the year, at the end of September there have been 37 RTB's to date. Therefore we estimate the number to be around 70 for 13-14, this will result in additional income of £85k.

Additional income of £48k from shops has been identified this month. This may change if the proposal to sell off some Hertford Road shops is agreed.

An under-recovery of income in Dwellings Rent of £143k has been identified due to an increase in the void rate, the estimated void rate was 1.6% but the current rate is 1.88%

An under-recovery of income in Garages Rent of £60k has been identified due to an increase in the void rate, the current void rate is 58.2% compared to an estimated rate of 55%.

8. Achievement of savings

8.1 The 2013/14 Budget Report included savings and the achievement of increased income totalling £13.147m to be made in 2013/14.

8.2 To date £12.502m of savings (95%) are classified as Blue or Green (on course for full achievement). £550k are currently Amber with £95k currently classed as Red. Appendix 1 provides supporting information for the Amber / Red savings. The overall savings position in terms of traffic light classifications is set out below:

2013/14 Savings- Traffic Light Classification: September 2013

Department	Red		Amber		Green		Blue		Total
	£000's	%	£000's	%	£000's	%	£000's	%	£000's
Chief Executive	0	0%	(50)	13%	(343)	87%	0	0%	(393)
Environment	0	0%	(250)	18%	(567)	41%	(567)	41%	(1,384)
Finance & Corporate Resources	(10)	1%	0	0%	(1,432)	99%	0	0%	(1,442)
Housing, Health & Adult Social Care	(85)	2%	(133)	3%	(4,748)	96%	0	0%	(4,966)
Regeneration, Leisure & Culture	0	0%	0	0%	(381)	70%	(162)	30%	(543)
Schools & Children's Services	0	0%	(117)	5%	(1,043)	43%	(1,255)	52%	(2,415)
Corporate	0	0%	0	0%	(2,004)	100%	0	0%	(2,004)
Total Savings for 2013/14	(95)	1%	(550)	4%	(10,518)	80%	(1,984)	15%	(13,147)

9. 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 reduced to £1.4m for 2013-14 and the split of one third revenue funding and two thirds capital funding retained. The financing of the Fund was included as part of the budget build up for 2013-14. Each project bid is evaluated to determine if it constitutes revenue or capital expenditure and only expenditure which creates or enhances an asset is determined as Capital. The Fund has been increased by the carry forward from

2012/13 of funding not awarded of £229k. The revenue budget for the year has been fully allocated and a transfer of £300k of resources has been undertaken from capital to revenue to support the increased number of revenue projects being put forward by residents. 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.

	Capital £000's	Revenue £000's	Total £000's
Allocation 2013/14	933	467	1,400
Allocation c/fwd from 2012/13		229	229
Schemes approved to date:	(233)	(937)	(1,170)
Transfer of budget between Revenue/Capital	(300)	300	0
Balance currently available:	400	59	459

10. 2014-15 FINANCIAL UPDATE

10.1 Cabinet, on 10th July 2013 as part of the Revenue Outturn Report 2012/13 were updated on the preparations for the setting of the 2014-15 Revenue Budget and Review of the Medium Term Financial Plan.

The update set out the work taking place on the identification of savings proposals to bridge the resource gap for 2014-15.

10.2 Directors have now identified savings and started the process of agreeing them with Portfolio Members ensuring that they comply with all governance requirements. As last year, 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.

Where possible, savings will be implemented in 2013/14 subject to the appropriate governance arrangements.

10.3 The budget covers the next 4 years from 2014-15 to 2017-18 and is constantly evolving with future pressures and budget assumptions being updated as the financial picture continues to develop. Areas under review include:

- The Chancellor's 2013 Budget and Spending Round and future funding reductions.
- Future price inflation.
- Demographic pressures across all services.
- Borrowing costs relating to new capital investment.
- The achievement of the 2013/14 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 February 2013.
- 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.

Since the Cabinet meeting in July, work has progressed so that the latest draft 2014/15 Budget and Medium Term Financial Plan has been updated to take account of the changing position where net costs are increasing due to Government's funding changes and there is a growing demand for local services.

10.4 The Current Position

Government Funding

The 2014/15 Budget and Financial Outlook reported to Cabinet on 10th July commented upon the latest understanding on the Chancellors 2013 Budget and Spending Round. Since then the Under-Secretary of State for the Department for Communities and Local Government has announced several consultations including one setting out proposals for a number of technical changes that will apply to the Local Government Finance Settlements for 2014/15 and 2015/16.

The consultations also cover proposals to:

- Achieve the 2015/16 savings in the Spending Round by scaling back elements within Revenue Support Grant and;
- Holdbacks in 2014/15 and 2015/16 required for safety net protection within the Business Rates scheme;
- Top-slicing and then pooling £400m of 2015/16 New Homes Bonus (NHB) within Local Enterprise Partnerships (LEPs) or the Greater London Authority in London.

The consultations also clarify how the Government propose to make the reductions to local government spending. The position regarding 2014/15 is as expected whereby there is an overall reduction in Enfield's Settlement Funding Assessment (SFA)¹ of nearly £15.9m. This has been fully incorporated into the Medium Term Financial Plan and saving targets for 2014/15.

The July report to Cabinet indicated a cut in 2015/16 local government funding of approximately 10% in real terms (8% cash cut) although there was insufficient data to make an accurate assessment of the financial implications for Enfield. The consultations reveal a deteriorating position as elements of the Spending Round for new burdens will not be met by additional grant (as previously expected) but funded instead by top-slicing £800m from existing SFA. The loss of £400m NHB to LEPs will result in cuts to SFA of around 15% in real terms (13% cash reduction) before any return of the top-sliced £800m through new grant allocations. The details of NHS funding are still being worked out.

Enfield's 2015/16 SFA is now projected to fall by £19m which is £11.7m more than the estimated reduction of £7.3m included in the July position².

10.5 The Budget And Medium Term Financial Plan (MTFP)

The following section sets out the changes to the MTFP since the July report

¹ SFA replaced Formula Grant in 2013/14

² Note that £11.547m reduction in July included £7.3m SFA, £3.028m and £1.219m council tax freeze grant 2011/12 and 2013/14 falling out. Revised 2015/16 is now £23.247m.

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.

10.6 Identification of Revenue Savings

Proposals for new savings of £10.968m have been identified. Some of these proposals will require more detailed work before they can be agreed. £3.35m of savings are at a stage where they can be recommended now and are set out in Appendix 2. These savings will be implemented as soon as possible subject to governance requirements and consultation as necessary.

The 2013/14 Budget Report to Council presented the Medium Term Financial Plan including the estimated 2014/15 full year effect of savings proposed in previous years totalling £17.829m³.

10.7 Budget Position Following the Savings Review

The budget position following the initial savings review is shown in the table below. 2014/15 is currently showing a small budget gap of £339k but this may change if new pressures or opportunities are identified including any changes to the provisional Local Government Finance Settlement 2014/15 provided so far by the Government.

The details of 2015/16 Spending Round included higher than anticipated reductions in local government funding. The Government's top-slicing of grants and NHS funding without detailed plans for allocations make financial planning difficult. The Council is developing options for 2015/16 and later years which will be subject to public scrutiny and consultation in the New Year.

Cabinet should also note that it has agreed to progress a number of new capital projects including the Primary Expansion Plan Phase 2, the refurbishment of Palmers Green Library, Future Provision of Secondary Tuition Services and Meridian Water Development Opportunity⁴. Depending on future capital resources, these may have revenue financial implications (including short term pressures from invest to save projects) in later years which will add to the pressures already included in the Medium Term Financial Plan.

³ Council Budget Report 2013/14, Section 10 Table 11: Column 2014/15. Full year effect of prior year savings £4.086m plus new 2013/14 savings £13.743m. Total £17.829m

⁴ Items reported to Cabinet 18th September (PEP - Capital programme item) and 16th October 2013 (individual reports).

Medium Term Financial Plan Pressures	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	Total £'000
North London Waste Authority Increasing cost in relation to the disposal of waste.	520	1,272	0	0	1,792
New Demographic pressures This pressure continues year on year in order to meet increased demand for Council services. This includes services to older people and those with disabilities.	2,207	1,410	1,580	2,000	7,197
Price Inflation & pay awards The rate of inflation is currently 2.7% (August CPI) and is expected to remain at roughly this level for the foreseeable future. 2014/15 includes an allowance for a small increase in employer's pension fund contributions as a result of the triennial review. Provision is also made for extending the payment of the London Living Allowance.	2,957	6,100	6,100	6,000	21,157
Capital financing & interest charges (Approved Programme) Investment in schools and highways improvements is met by new borrowing which is repaid over the life of the asset. In addition low interest rates have reduced the level of interest earned by the Council on cash balances. Revenue costs of recently approved projects will be included following the updating of the capital programme for approval by Council.	1,833	103	0	0	1,936
Reduction in Government funding Loss of income from the Government from budget reductions and the fall out of Council Tax Freeze Grants	15,886	23,247	6,900	7,000	53,033
Welfare reform - temporary accommodation The budget pressure Temporary Accommodation rent arrears anticipated due to the effects of the benefit cap in April 2013. The arrears represent rent arrears for tenants in PSL, PLA and NPA accommodation.	3,329	tbc	tbc	tbc	3,329
Corporate R & M Corporate repairs and maintenance pressure relating to council buildings	500	500	0	0	1,000
Other Items Provision for reduction in government funding made in 2013/14 offset by one-off collection fund surplus. Miscellaneous items later years.	(4,124)	652	710	11	(2,751)
Total Pressures	23,108	33,284	15,290	15,011	86,693
Council Tax and savings:					
Full year savings identified in previous year's budgets	(11,801)	(1,838)	(1,267)	0	(14,906)
Council Tax (2% increase 2015/16 to 2017/18)	0	(1,935)	(1,978)	(2,017)	(5,930)
Proposed savings set out in Appendix 2	(3,350)				(3,350)
Further savings identified subject to further scrutiny	(7,618)				(7,618)
Latest MTFP Resource Gap	339	29,511	12,045	12,994	54,889

10.8 Budget Consultation

Enfield Spending Review

As in previous years the Council is committed to consulting local residents on its budget plans and the 2014/15 Budget Consultation Paper is currently being prepared that presents the pressures on spending and sets out the 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 2014/15 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 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 address these pressures and set a balanced budget for the coming year.

There will also be engagement with all our key stakeholders via the Budget Consultation on the Council's web site for 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.

Outcomes

The feedback from all these consultation processes will be put together and presented to the Budget Scrutiny Commission in January 2014. 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 2014.

Cabinet is asked to delegate responsibility for determining the manner of informing and consulting with Scrutiny Panels on the 2014/15 Budget to the Cabinet Member for Finance and Property in consultation with the Director of Finance, Resources and Customer Services.

11 ALTERNATIVE OPTIONS CONSIDERED

Not applicable to this report.

12 REASONS FOR RECOMMENDATIONS

To ensure that Members are aware of the projected budgetary position for the Authority for the current and future years including all major budget pressures and underspends which have contributed to the present monthly position and that are likely to affect the Council's finances over the period of the Medium Term Financial Plan. The recommendations if approved will allow the Authority to move forward with the development of the 2014-15 budget and Medium Term Financial Plan.

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

13.1 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, including the development of the 2014-15 budget and Medium Term Financial Plan. The monthly revenue monitoring is part of this review process and this latest monitoring report confirms that there is no deterioration in the financial position of the Authority whilst plans are in place to develop the 2014-15 budget and Medium Term Financial Plan.

13.2 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.

13.3 Property Implications

Not applicable in this report.

14. 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:-

- Achievement of challenging 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.

Risks associated with other services are mentioned elsewhere in this report.

15. IMPACT ON COUNCIL PRIORITIES

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

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

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

16. 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 is important in ensuring resources are used to deliver equitable services to all members of the community.

17. PERFORMANCE MANAGEMENT IMPLICATIONS

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

APPENDIX 1

Red & Amber Savings September 2013

Ref No.	Proposal Summary (from template)	Risk	Total 2013/14	Remarks
Red Savings			£000's	
Housing Health & Adult Social Care				
HHASC S2	PD Service Review of Residential Placements	Red	(39)	Original negotiations with provider undelivered, proposal is to commission OLM to support in delivery of required saving target.
HHASC S3	New Residential packages - price improvement target	Red	(46)	OLM have sent breakdown of cost for each placement. Phase two renegotiations of 10 placements, and audits of providers who did not comply with providing the cost breakdowns. So is amber but underway.
Finance Resources & Customer Services				
FRCS 13-6	Paperless Councillor meeting papers	Red	(10)	This saving is still under discussion. An alternative saving is being considered.
Total Red Savings			(95)	
Amber Savings				
Environment				
ENV13 S19	Fleet review savings	Amber	(95)	New contracts for provision of tyres and some vehicle parts to be introduced. Move to new depot to provide more efficient working arrangements. Partnership with Redbridge for maintenance of specialist parks fleet vehicles in place
ENV13 S20	SEN review savings	Amber	(155)	Review of driver working hours has been completed and new working arrangements will commence in September 2013. New contracts for taxi hire are being procured to provide compliance and distinct contract standards. Review of overtime and vehicle use also to be completed. Slippage in contract award from October until December 2013 - although contracts are being awarded in December 2013 – we won't see any cashable benefit until January 2014 once contracts are set up and working. Routing software will not be procured in this financial year. The forecast saving is £36k short and options to address this are being reviewed.
Housing, Health & Adult Social Care				
HHASC S27	Customer Pathway Management- post reductions	Amber	(133)	Restructure options currently in draft, proposal to implement from Oct 13

Red & Amber Savings September 2013

Ref No.	Proposal Summary (from template)	Risk	Total 2013/14	Remarks
Schools & Children's Services				
SCS S14	Prevention Strategy Impact	Amber	(100)	Dependant on numbers presenting in year
SCS S10	Management Review	Amber	(17)	Restructures in progress
Chief Executive				
CE6	Increased design and print income	Amber	(50)	Income levels are being closely monitored for this service. Until the income is "banked" the saving traffic light remains amber.
Total Amber Savings			(550)	
Total Red / Amber Savings			(645)	

APPENDIX 2

Ref	Savings Proposals 2014-15	2014/15 £000's
Chief Executive		
CEX01	Communities, Communications, Policy & Performance Management Review	(92)
CEX02	Human Resources staffing review	(78)
CEX04	Reduction to VCS Grant	(10)
	CEX Savings	(180)
Environment		
ENV01	Restructure of Public Realm & Sustainability division	(110)
ENV03	Restructure of Public Realm and Sustainability (PRS) Division - Flexible retirement	(30)
ENV05	Footway Gritting Programme – review of funding source	(53)
ENV06	Restructure of Architectural services	(50)
ENV07	Architectural services non-salary budget review	(20)
ENV09	Aligning pollarding/pruning cycle of forest-type highway trees to the Corporate Tree Strategy	(40)
ENV10	Undertake Routine Maintenance & Management Surveys (RMMS) on non-classified roads using existing in-house staff	(25)
ENV11	Deletion of street works officer post	(35)
ENV13	Restructure of Technical & Business Services	(19)
ENV14	Review recharge allocations to Local Implementation Plan	(32)
ENV20	Reduction in mortuary operational budget	(45)
ENV21	Out of Hours revised staffing arrangements	(6)
ENV24	Review of Performance Team	(49)
ENV27	SEN Routing optimisation	(100)
	Environment Savings	(614)
Finance, Resources & Customer Services		
FRCS1	Savings from staff restructure in Accountancy Services	(102)
FRCS2	Senior post restructure	(30)
FRCS3	Schools income review- audit recharges	(30)
FRCS6	External Audit fee reduction through streamlined working procedures	(154)
FRCS8	Review ICT change request roles	(37)
FRCS14	Rationalisation of PMO for Leaner & ICT	(70)
FRCS16	Staff review in Facilities Management	(21)
FRCS17	Reduction in postage costs	(49)
FRCS18	Reduction in building running costs	(6)
FRCS19	Increased income from Clavering estate	(70)
FRCS20	Restructure in Strategic Property Services	(49)
FRCS24	R&B - Social fund administration (funding confirmed for 2014/15 only)	(97)
FRCS26	R&B – Reduce contribution to subsidy reserve	(198)
FRCS27	R&B – Reduction of Subsidy Reserve- 2014-15 only	(234)
	Finance, Resources & Customer Services Savings	(1,147)
Housing, Health & Adult Social Care		
HHASC02	Direct Payment Contingency budget reduction	(100)
HHASC03	Complex Occupational Therapy rehabilitation Project	(100)
HHASC08	Recovery of unspent Direct Payment funds	(400)
HHASC10	Procurement of ICES equipment	(50)
HHASC11	Reduction in contribution to ICES pooled budget	(100)
HHASC12	Increase income through Benefits Maximisation service	(50)
HHASC13	Reduction in running costs budget across department	(40)
HHASC14	DAAT cost containment (care purchasing & retender)	(300)
	Housing, Health & Adult Social Care Savings	(1,140)
Schools & Children's Services		
SCS S1	Children in Need -Savings from relocation of Moorfield's Family Centre	(15)
SCS S2	Joint Service for Disabled Children - Early Intervention Support	(9)
SCS S5	Youth & Family Support Service - Review of running costs	(40)
SCS S9	Health Funding for youth and family support	(205)
	Schools & Children's Services Savings	(269)
	Total	(3,350)