	Financial Performance and Contracts Committee **2 July 2018**
Title	**Financial Monitoring Report Outturn 2017/18**
Report of	Director of Finance
Wards	All
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A: Revenue outturn Appendix B: Capital outturn Appendix C: Prudential indicators Appendix D: Investments outstanding
Officer Contact Details	Gillian Clelland – Assistant Director of Finance (CSG) gillian.clelland@barnet.gov.uk

Summary

The report provides an overview of the council's financial performance for the year to 31 March 2018.

Capital and revenue outturn

The General Fund **revenue outturn** (after reserve movements) is £285.080m, which is an adverse variance of £7.885m (2.8%) compared with the revised budget of £277.195m. This position is reported after net drawdown from specific and general earmarked reserves totalling £5.594m have been made. The overall variance is largely driven by overspends in CSG and council managed budgets, Family Services and Re. The outturn on the council's **capital programme** is £163.456m, £114.077m of which relates to the General Fund programme and £49.379m to the HRA capital programme. This is a variance of £65.057m against the 2017/18 revised budget of £228.513m. Further information can be found in Appendices A and B.

Treasury outturn

In compliance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice, this report provides Members with a summary report of the treasury management activity during the period to 31 March 2018. The Prudential Indicators have not been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

As at 31 March 2018, investments totalled £95.500 million, achieving an average annual rate of return of 0.425% against a benchmark average (London Interbank Bid Rate - LIBID) of 0.206%.

Recommendations

1. **The Committee is asked to note the 2017/18 General Fund revenue outturn, as detailed in paragraph 1.2 and in Appendix A.**
2. **The Committee is asked to note the savings delivered in 2017/18, as detailed in paragraph 1.2.16.**
3. **The Committee is asked to note the level of reserves and balances as detailed in paragraph 1.3.**
4. **The Committee is asked to note the additions and deletions (which include virements) and accelerations and slippages in the capital programme, as detailed in paragraph 1.4 and in Appendix B.**
5. **The Committee is asked to note the treasury position outlined in paragraph 1.5.**

1.1 WHY THIS REPORT IS NEEDED

1.1.1 The report provides an overview of the council's financial outturn for the 2017/18 financial year.

1.2 REVENUE OUTTURN

General Fund

1.2.1 The General Fund revenue outturn for 2017/18 is £290.674m, which is an overspend of £13.479m (4.9%) compared with the revised budget of £277.195m (see table 1 below). This outturn is stated before the net drawdown from specific and general earmarked reserves totalling £5.594m. Including net drawdowns from reserves, the outturn is £285.080m, which is an adverse variance of £7.885m (2.8%).

1.2.2 All proposed reserve drawdowns and contributions were approved by the Director of Finance as part of the year-end closure processes. It is important to note that these reserve movements are over and above the planned use of £7.669m of reserves approved by the Council in March 2017 to achieve a balanced budget. The net draw on reserves and balances for 2017/18 was therefore £21.148m.

1.2.3 The original budget approved by Council in March of each year is revised during the year to reflect virements between budgets and the allocation of contingency held within central expenses. All virements from contingency above £0.250m are approved by the Policy and Resources Committee. Significant allocations from contingency during 2017/18 included:

- £5.430m allocated to Family Services to fund the increased cost of packages due to complexity of cases, increases in numbers of children in care, investment associated with Tranches 1 and 2 of the 0-25 service and investment associated with improvement in practice; and
- An ongoing allocation of £1.300m to Housing Needs and Resources in recognition of the sustained increase in the cost of temporary accommodation.

Table 1: General Fund Revenue Outturn

Service	Original Budget £000	Revised Budget £000	Outturn £000	Variance from Revised Budget Adv/(fav) £000	Reserve Move-ments £000	Variance after Reserve Movements Adv/(fav) £000	Variance after Reserve Movements Adv/(fav) %
Adults and Communities	87,145	87,177	90,101	2,924	(1,717)	1,207	1.4
Assurance	5,859	6,089	6,803	714	(76)	638	10.5
Central Expenses	52,723	41,421	37,264	(4,157)	1,189	(2,968)	(7.2)
Commissioning Group	33,834	34,479	32,665	(1,814)	675	(1,139)	(3.3)
CSG and Council Managed Budgets	21,161	21,833	27,285	5,452	(2,635)	2,817	12.9
Education and Skills	6,525	6,718	6,584	(134)	84	(50)	(0.7)
Family Services	52,445	58,504	60,985	2,481	(43)	2,438	4.2
Housing Needs and Resources (Barnet Homes)	5,560	6,859	7,763	904	(16)	888	12.9
Re	(824)	321	7,021	6,700	(2,746)	3,954	1,231.7
Street Scene	12,881	13,794	14,203	409	(309)	100	0.7
Total	**277,309**	**277,195**	**290,674**	**13,479**	**(5,594)**	**7,885**	**2.8**

1.2.4 The main reasons for the overspend are set out below.

1.2.5 The revenue budget for **Adults and Communities** overspent by £2.924m, which has been reduced to £1.207m following the drawdown from reserves. The overspend is predominantly driven by an overspend of £3m in the care placements budgets.

1.2.6 Adult Social Care (ASC) has experienced increasing complexity and demand for services since 2014/15. The learning disability budgets have been experiencing pressure as a result of the transforming care (Winterbourne) agenda. The outturn includes c£0.275m spend on three supported living placements where responsibility for individuals has been transferred from the NHS to local authorities but funding to cover all of the cost has not. The average weekly cost for LD Supported Living increased by 18% from 2016/17.

1.2.7 The overspend also includes expenditure relating to backdated claims for Ordinary Residence that have been lost. This results in a one-off impact on the 2017/18 outturn of £0.479m and an ongoing budget pressure of £0.116m.

1.2.8 In terms of ongoing commitments, there is also significant pressure resulting from homecare, equipment and nursing care placements. The council has been working hard to support local NHS partners to cope with the pressures on the health system and reduce delayed discharges of care. The growing demand from health led to an increase of 7% in commissioned homecare hours (£0.933m) compared with 2016/17. The increase in homecare activity was also compounded by an 8% average increase in contractual rates (£1.066m) as a result of inflation and changes in market conditions. This increase followed a period of suppressed inflationary increases and contributes to stabilising the care market. The weekly cost of nursing care in Older Adults increased by 6% in 2017/18, with new clients costing £144 per week above the council's minimum sustainable price given market pressures and additional complexity of need.

1.2.9 Non-placements budgets underspent by £1.3m, which offsets some of the pressures on the placements budgets. The underspends in this area are from in-year vacancies, one-off savings and additional income identified.

1.2.10 Community equipment costs have increased by £1m predominantly on items funded by the CCG. Equipment costs capitalised via the Disabled Facilities Grant (DFG) budget (£0.483m) resulted in a £0.3m underspend. The Deprivation of Liberty Safeguards (DOLS) service continues to be a significant cost pressure (£0.145m) in 2017/18 as a result of Supreme Court judgements in 2014/15 and a loss of grant funding since 2015/16.

1.2.11 **Assurance** was overspent in 2017/18 by £0.638m (10.5%). This relates to instructions to HB Law activity and disbursements being greater than the budgeted level.

1.2.12 The underspend for **Central Expenses** in 2017/18 was £2.968m, which represents 7.2% of the budget. The underspend is mainly due to the cost of financing the borrowing related to the Capital Programme (£3.700m). This is due to slippage on the anticipated profiling of capital expenditure and, as such, is not expected to be a recurrent underspend. This is offset by a one off overspend on Insurance of £0.702m which has been caused by a requirement to increase the value of the insurance provision following the annual external review..

1.2.13 The underspend for the **Commissioning Group** was £1.139m after contributing a net £0.675m to reserves. There were three significant variances in this area. Firstly, the Public Health budget delivered an underspend of £1.754m which, in line with the ringfenced grant arrangements, has been transferred to the Public Health reserve. The second major variance relates to the Resources section. Housing Benefit overpayment recovery over achieved by £1.7m. This variance can be very volatile and relies on a number of external factors therefore has been transferred to the Housing Benefit Reserve to offset likely future deficits. The other major variance within the Commissioning Group is an underspend on the North London Waste Authority (NLWA) levy of £0.876m. There are a series of variances below £0.250m relating to staff costs in a number of areas, including one-off redundancy costs, and the income budget for the registrar service not being achieved.

1.2.14 The overspend for **CSG and Council Managed Budgets** before drawdowns from reserves was £5.452m which represents 25.0% of the total Delivery Unit budget (£21.833m). After reserve drawdowns, this variance was £2.817m which represents 12.9% of the total Delivery Unit budget.

1.2.14.1 The Estates Managed Budgets have had significant challenges to manage during the year which has resulted in an overall overspend of £2.550m. Additional costs of £0.379m have been incurred as a result of additional security requirements and management of operational, void and/or vulnerable sites. The relocation of Street Scene and Greenspaces services that were historically accommodated at the Mill Hill Depot has also created an adverse budget variance of £0.757m which now needs to be included within the MTFS. The outturn includes an overspend of £0.680m due to the unbudgeted costs of leasing Building 4 at NLBP following an inability to relocate the services contained within when the original lease expired. The Estates service's responsibilities include the management of building compliance of the entire council maintained asset portfolio and the cost of managing and maintaining void buildings. The budget level has remained unchanged whilst the portfolio of buildings managed by the service has increased from 5 to approximately 95. Operationally, this provides much more assurance that statutory building compliance is being managed appropriately, however has resulted in an overspend of £0.390m. Other miscellaneous variances total an underspend of £0.053m.

1.2.14.2 There was an overspend in 2017/18 on the CSG management fee of £0.037m, mainly due to approved change requests. Procurement and Collection Fund gainshare payments totalled £2.428m. Procurement savings generate benefit across the Council, however the gainshare payments are paid for centrally. This was offset by a rebate from Comensura and administration charges to other services, totalling £2.178m. The net overspend was £0.250m.

1.2.14.3 Income levels were below the budget due to a shortfall in schools traded income of £0.704m and in print / photocopying recharges of £0.432m. The corporate programmes budget is based on historical levels of recharge and does not reflect the current service delivery arrangement leading to an overspend of £0.467m. These income targets have been identified as structurally unachievable and will be reviewed as part of the MTFS programme during 2018/19.

1.2.15 The final revenue outturn for **Education and Skills** was broadly in line with budget.

1.2.16 The overspend of £2.438m for **Family Services** represents 4.2% of the total Delivery Unit budget (£58.504m). This represents an increase of £2.161m from Quarter 3 relating to expenditure on placements and employee costs. There was a

£2.300m overspend relating to external high cost specialist placements and associated services and the additional directed requirement for two assistant heads of service, three duty assessment team managers and eight duty assessment team social workers resulted in a £0.400m pressure. The ongoing improvement programme will continue to place pressure on existing resources. These pressures were offset by additional one-off grant funding (£0.416m) and realignment of the additional budget allocated by Policy and Resources Committee in June 2017 to high cost placements (£1.200m).

1.2.17 The overspend of £0.888m for **Housing Needs and Resources** represents 12.9% of the total Delivery Unit budget (£6.859m). The overspend reflects the ongoing cost pressures associated with the rising cost of temporary accommodation in the borough set against restrictions on rents that can be charged and remain eligible for housing benefit. Actions have been taken to mitigate this pressure, including purchasing homes on the open market as a cheaper alternative to existing temporary accommodation options, an increase in homelessness preventions and a focus on reducing the use of temporary accommodation. This overspend is after a permanent allocation from contingency of £1.300m.

1.2.18 The overspend of £3.954m for **Re** represents 1,231.8% of the total delivery Unit budget (£0.321m). This figure is after reserve drawdowns of £2.746m. The overspend primarily relates to two one off items that were resolved late in the financial year. The first key variance related to £4.5m included within the calculation of guaranteed income in the General Fund which, following legal advice, is instead accounted for within the HRA. The second one off item is contractual amount of £2.647m liable to Re upon the award of Planning Permission for Tranche 1 Phase 1 of the development pipeline or the 30th April 2018, whichever is the sooner. As the liability relates to periods prior to 2017/18, although this has been recognised in 2017/18 it has been funded from earmarked reserves. An agreement with Re to defer an element of both the management fee and guaranteed income provided an in year £1m favourable variance reducing the overspend.

1.2.19 The overspend of £0.100m for the **Street Scene** service represents 0.7% of the total Delivery Unit budget (£13.794m). The service has a number of variances both favourable and adverse which broadly equal out to leave a residual £0.100m overspend.

1.2.20 The outturn (after reserve movements) has increased by £5.951m since the forecast reported at quarter 3. The main movements are in shown in Table 2 below.

Table 2: Movement from Quarter 3 Forecast

Service	Outturn variance £000	Quarter 3 forecast variance £000	Increase / (Decrease) £000	Explanation for significant movements
Adults and Communities	1,207	1,515	(308)	Unmatched accruals of £0.533m were confirmed not to be required and therefore generated a favourable variance. This was partially offset by a savings target of £0.350m relating to 0-25 transitions being applied to Adults. This transaction nets off the 0-25 line at the bottom of the table.
Assurance	638	289	349	Increase in core hours and disbursements for HB Public Law.
Central Expenses	(2,968)	-	(2,968)	It was assumed at Q3 that the underspend on Central Expenses would be transferred to earmarked reserves but this transfer was not made
Commissioning Group	(1,139)	456	(1,595)	Movement relates mainly to Environment – underspend on NLWA levy and reduced energy costs in street lighting.
CSG and Council Managed Budgets	2,817	1,240	1,577	A higher level of reserve drawdowns was assumed at Q3 to cover the overspend on the management fee and gainshare costs. These were not enacted at year end.
Family Services	2,438	277	2,161	Movements in employee costs (£1.7m), S17 and devolved budgets (£0.4m) and no recourse to public funds (£0.2m), offset by additional grant income (£0.416). Placements costs increased by approximately £0.530m.
Housing Needs and Resources	888	253	635	Increase in bad debt provision due to the level of former tenant arrears and increased private sector leasing rents identified through data cleansing
Re	3,954	44	3,910	The accounting treatment of income from developers was resolved during the final quarter of the final year. The impact saw the income being accounted for in the HRA which meant an assumed debtor in the General Fund was no longer going to be satisfied
0-25 transitions	-	350	(350)	Non-achievement of saving now included in Adults and Communities
Other services	50	158	(108)	
Total	**7,885**	**4,582**	**3,303**	

Ongoing Financial Pressures

1.2.21 As a result of the ‘run-rate’ of activity at the year-end, a number of full year pressures have emerged in 2018/19. Action plans are in place and the monitoring reports will be presented to this Committee throughout 2018/19 updating on progress in addressing these. The initial gross pressures carried forward are estimated to be £11m during 2018/19 principally relating to CSG, Estates, Adults and Family Services.

1.2.22 The council will seek to further reduce this pressure by ensuring that all possible external funding sources are maximised. It is anticipated that an additional £1.5m income can be achieved by reviewing its recharges and the identification of additional income within the Environment group of services.

1.2.23 Assuming these actions are put in place the net pressure remaining is therefore estimated at £9.5m. Chief Officers are working to mitigate this pressure. Actions being put in place to manage the position include a vacancy freeze, control and review of all agency placements within the organisation, a review of all budget areas for non-essential expenditure and the introduction of recovery plans across all overspending services.

1.2.24 Whilst the in-year position being mitigated displays an overspend of £9.5m, this is after the planned use of £4.04m of reserves meaning an in year detriment to general fund reserves and balances of £13.54m (2017/18 £21.148m).

Housing Revenue Account (HRA)

1.2.25 The Housing Revenue Account (HRA) had a budgeted contribution to balances of £2.185m in 2017/18. The outturn for the year is a surplus of £2.514m, thus there is a balance of £15.003m as at 31 March 2018.

Table 3: Housing Revenue Account Outturn

	Revised Budget £000	Outturn £000	Variance from Budget Adv/(Fav) £000
Dwelling rents	(52,806)	(51,373)	1,433
Service and other charges	(8,852)	(9,146)	(294)
Housing management	20,298	20,566	268
Repairs and maintenance	7,486	7,550	64
Provision for bad debts	1,100	(442)	(1,542)
Regeneration	1,351	(343)	(1,694)
Capital charges	29,385	30,801	1,416
Interest on balances	(147)	(127)	20
Total	**(2,185)**	**(2,514)**	**(329)**

1.2.26 The main reasons for the variance from budget are set out below.

Income - Dwelling rents and service charge income reflect lower than expected income recovery mainly due to higher than expected rental loss.

Expenditure - The housing management overspend mainly reflects higher than expected demand-led costs and internal recharges.

The overspend on repairs and maintenance reflects slightly higher agreed spend with Barnet Homes to reflect increasing demand on the repairs and maintenance service.

The housing regeneration schemes report a higher than expected recovery of costs from developer partners.

The provision for bad debt reflects the net release to revenue of provisions held for leaseholders as leaseholder debt is considered to be fully recoverable over time and as such no provision is held for bad debt.

The overspend on capital charges reflects higher than expected costs mainly due to higher depreciation charges. These charges are subsequently applied to fund capital improvements to the housing stock.

Dedicated Schools Grant (DSG)

1.2.27 The DSG budget included the use of DSG reserves totalling £1.831m in order to achieve a balanced position. As a result of a reduction in Individual Schools Budget (ISB) related funding (£0.308m), revised early years expenditure (£0.510m) and revised High Needs Place funding (£1.252m), a transfer from reserves of £3.724 is required to achieve a balanced position. This results in DSG reserves as at 31 March 2018 of £0.501m. Table 4 below summarises the DSG position:

Table 4: Dedicated Schools Grant

	Revised Budget £000	Outturn £000	Variance from Budget Adv/(Fav) £000
Schools			
- Individual Schools Budget	139,649	139,625	(24)
- Growth Fund	1,300	1,208	(92)
- Central schools expenditure	1,252	1,191	(61)
- ESG retained funding	798	798	-
Sub-total	**142,999**	**142,822**	**(177)**
Early Years Block	24,602	24,910	308
High Needs Block	44,061	45,313	1,252
Sub-total	**211,662**	**213,045**	**1,383**
DSG Income	(209,831)	(209,321)	510
DSG c/f	(1,831)	(3,724)	(1,893)
DSG Total	**-**	**-**	**-**

Savings

1.2.28 In 2017/18 the council budgeted to deliver £19.825m of savings. Table 5 below summarises by Theme Committee the value of savings that have been achieved against the savings programme. In total, £17.531m of savings was delivered, which represents 88.4% of the target.

Table 5: Savings 2017/18

Service	2017/18 MTFS Savings Target £000	Savings Achieved £000	Savings Unachiev-able £000	Savings Achieved %
Adults and Safeguarding	4,867	3,733	1,134	76.7
Assets, Regeneration and Growth	4,976	4,610	366	92.6
Children, Education and Safeguarding	2,155	2,011	144	93.3
Community Leadership	1,501	1,501	-	100.0
Environment	3,965	3,315	650	83.6
Policy and Resources	2,361	2,361	-	100.0
	19,825	**17,531**	**2,294**	**88.4**

1.3 RESERVES AND BALANCES.

General Fund Balance

1.3.1 The recommended level of the council's General Fund balance is £12.000m. A number of earmarked reserves totalling £13.355m have been identified as no longer being required and have been taken to General Fund Balances in 2017/18. Together with the overspend for the year, these transfers result in total General Fund Balances as at 31 March 2018 of £15.084 m which is above the recommended level.

Table 6: General Fund Balance

	£000
General Fund Balance brought forward 1 April 2017	**(9,614)**
Outturn variance	7,885
Transfer from earmarked reserves	(13,355)
General Fund Balance 31 March 2018	**(15,084)**

Earmarked Reserves

1.3.2 The council has set aside specific amounts as reserves for future policy purposes or to cover contingencies. As at 31 March 2018 the council held reserves of £75.755m compared with £96.799m at 31 March 2017, a reduction of £21.044m.

Table 7: Reserves

Service Area	Reserves b/fwd 1 April 2016 £000	Drawdown £000	Contrib-utions/ new reserves raised/ transfers £000	Reserves c/fwd 31 March 2017 £000
Central - Capital Financing	1,576	(2,514)	938	-
Central - Community Infrastructure Levy	16,178	(9,839)	16,221	22,560
Central - Infrastructure	20,393	(10,717)	9,653	19,329
Central - MTFS	15,425	(5,419)	1,039	11,045
Central - Service Development	6,307	(4,251)	3,038	5,094
Central - Transformation	6,754	(3,322)	-	3,432
Service - Central expenses	7,268	(6,197)	150	1,221
Service - Commissioning	2,190	(1,422)	690	1,458
Service - Other	5,498	(3,219)	186	2,465
Sub-total General Fund Earmarked Reserves	**81,589**	**(46,900)**	**31,915**	**66,604**
Service - DSG	4,225	(3,724)	-	501
Service - Housing Benefits	1,900	(600)	2,242	3,542
Service - NLSR	604	(37)	-	567
Service - PFI	4,286	(4,300)	14	-
Service - Public Health	2,358	(1,721)	1,754	2,391
Special Parking Account (SPA)	1,837	(864)	1,177	2,150
Sub-total Ring-fenced Reserves	**15,210**	**(11,246)**	**5,187**	**9,151**
Total Earmarked Reserves	**96,799**	**(58,146)**	**37,102**	**75,755**

Housing Revenue Account Balance

1.3.3 The Housing Revenue Account (HRA) has a budgeted contribution to balances of £2.185m in 2017/18. The outturn for the year is a surplus of £2.514m, thus there is a balance of £15.003m as at 31 March 2018.

Table 8: HRA Balance

	£000
HRA Balance brought forward 1 April 2017	**(12,489)**
Budgeted surplus	(2,185)
Additional in-year surplus	(329)
HRA Balance 31 March 2018	**(15,003)**

Dedicated Schools Grant Balance

1.3.4 There was a drawdown from DSG reserves in 2017/18 of £3.724m, which resulted in a balance as at 31 March 2018 of £0.501m.

Table 9: DSG Balance

	£000
DSG Balance brought forward 1 April 2017	**(4,225)**
Drawdown	3,724
DSG Balance 31 March 2018	**(501)**

Provisions

1.3.5 Provisions are made where an event has taken place that gives the council a legal or constructive obligation that requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For example, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. As at 31 March 2018 the council held provisions of £18.175m compared with £14.670m as at 31 March 2017.

Table 10: Provisions as at 31 March 2018

Service	Provision b/fwd 1 April 2017 £000	2017/18 in-year expenditure £000	New provisions raised / (written back) £000	Provision b/fwd 31 March 2018
Insurance	8,850	-	1,406	10,256
Service related provisions, Regeneration and Growth	2,481	(385)	1,462	3,558
Business rates appeals	3,057	-	888	3,945
Other	282	(10)	144	416
	14,670	**(395)**	**3,900**	**18,175**

Debt write-offs

1.3.6 As part of its financial monitoring process, the council reports on all scheduled write-offs in excess of £5,000.

The following debts were written off in 2017/18:

- Sundry debts totalling £0.174m
- Council tax arrears totalling £0.133m
- Non-Domestic Rates arrears totalling £2.088m

Sundry Debt

1.3.7 Action is taken to recover sundry debt in accordance with the council's Debt Management Policy, which includes the issue of reminders, final notices, referral to debt collectors or issuing proceedings in the County Court. Each case is treated individually and the circumstances of each debt is assessed prior to a decision being made, in conjunction with the delivery unit, on the recovery of the debt.

It all efforts to recover a debt are unsuccessful, the debt many be considered for write off. The approval of write offs is in accordance with the council's Constitution. Debts under £5,000 are approved by the Chief Finance Officer and debts over £5,000 are approved by Policy and Resources Committee

Table 11 below summarises the sundry debt write-offs that took place during 2017/18 where the individual debt level was in excess of £5,000; the aggregate of these write-offs is £0.174m. There were no individual sundry debts under £5,000 written off in 2017/18.

Table 11: Sundry debt write offs over £5,000

Account Reference	Amount £	Invoice Date	Comments
1	37,101.80	2/12/13	Insufficient funds in estate
2	28,463.39	31/10/14	Insufficient funds in estate
3	18,994.63	17/9/15	Insufficient funds in estate
4	11,031.52	6/12/10	Recovery action exhausted
5	10,854.76	20/11/15	Insufficient funds in estate
6	8,702.00	2/4/13	Insufficient funds in estate
7	8,777.35	1/8/05	Recovery action exhausted
8	7,573.21	6/3/13	Recovery action exhausted
9	7,141.09	15/2/16	Insufficient funds in estate
10	6,965.76	21/8/14	Recovery action exhausted
11	6,450.15	28/9/16	Insufficient funds in estate
12	6,388.40	11/11/13	Insufficient funds in estate
13	7,663.34	26/7/12	Insufficient funds in estate
14	8,089.99	24/6/16	Recovery action exhausted
Total	**174,197.39**		

1.4 CAPITAL PROGRAMME

1.4.1 The outturn on the council's 2017/18 capital programme is £163.456m, £114.077m of which relates to the General Fund programme and £49.379m to the HRA capital programme. This is £65.057m less than the revised 2017/18 budget of £228.513m. Table 12 below summarises the actual expenditure, budget and variance by service.

Table 12: Capital Outturn

Service	2017/18 Revised Budget £000	Additions/ (Deletions) £000	(Slippage)/ Accelerated Spend £000	2017/18 Outturn £000	Variance from Approved Budget £000	Variance from Approved Budget %
Adults and Communities	2,032	272	(71)	2,233	201	9.9
Commissioning Group	36,651	-	(3,079)	33,572	(3,079)	(8.4)
Education and Skills	27,933	-	(13,285)	14,648	(13,285)	(47.6)
Family Services	10,551	(648)	(2,332)	7,571	(2,980)	(28.2)
Housing Needs and Resources (Barnet Homes)	20,758	-	(5,605)	15,153	(5,605)	(27.0)
Parking and Infrastructure	2,247	(11)	(314)	1,922	(325)	(14.5)
Re	74,634	(582)	(35,973)	38,079	(36,555)	(49.0)
Street Scene	3,293	(5)	(2,389)	899	(2,394)	(72.7)
General Fund Programme	**178,099**	**(974)**	**(63,048)**	**114,077**	**(64,022)**	**(35.9)**
HRA (Barnet Homes)	50,414	196	(1,231)	49,379	(1,035)	(2.1)
Total Capital Programme	**228,513**	**(778)**	**(64,279)**	**163,456**	**(65,057)**	**(28.5)**

1.4.2 The 2017/18 capital outturn is £65.057m (28.5%) lower than the latest approved budget, primarily due to slippage. The principal variances from budget and the reasons for these are as follows:

- Within the **Commissioning Group** capital programme, there is slippage of £3.079m, £2.693m of which relates to the office build which has slipped further into 2018/19. £0.210m slippage on the ICT strategy is also linked to the office build delay. Tarling Road and the Depot relocation have £0.557m of accelerated spend due to the amount of construction that has been completed. There is also slippage of £0.625m on the Sports and Physical Activities project due to delays in construction works commencing.
- Within the schools capital programme, there is slippage of £1.976m on schools modernisation and £1.418m on the Blessed Dominic / St James project, due to planning delays. There is also slippage of £0.553m on alternative provision due to delays in procurement. Special Educational Needs (SEN) schemes are being developed, resulting in slippage of £1.264m. There is also slippage of £2.422m

on primary and secondary places earmarked funding, £4.580m on school managed schemes and £1.103m on other projects.

- The 2017/18 capital outturn for Family Services shows slippage of £2.332m.

    - Libraries building compliance costs have been transferred to the Family Services Estates budget. Slippage of £0.373m will be used for final works and retention payments in 2018/19.
    - There have been delays to the Youth Scheme project with planning taking longer than expected, resulting in slippage of £0.300m.
    - A delay in the planning application for a children's home scheme has resulted in slippage of £0.140m.
    - The early education and childcare place sufficiency project slippage of £0.195m will be used for three projects to be completed in 2018/19.
    - In Family Services Estates, the majority of spend relating to building compliance, repairs and maintenance, health and safety and disabled access works will occur in 2018/19, resulting in slippage of £1.150m.

- The capital outturn for **Housing Needs and Resources** shows slippage of £5.605m. The Open Door Homes funding requirements have been reprofiled and the drawdown of £4.882m of the total £10.000m loan will now take place in 2018/19. Within the project to bring empty properties back into use, two properties are in the pipeline but did not complete in 2017/18; this has resulted in £0.843m slipping to 2018/19.

- The **Re** capital programme has decreased by £36.555m. £33.320m of this relates to Brent Cross land acquisitions as the CPO process and subsequent legal challenge have resulted in acquisitions being delayed to 2018/19, and £2.114m relates to investments in roads and pavements where works have been delayed until 2018/19.

- The capital outturn for **Street Scene** shows a variance from budget of £2.394m due to purchases of vehicles and equipment slipping into 2018/19 due to the need to comply with new emissions legislation.

- The **HRA** outturn shows an underspend of £1.035m. This is due to delays in the purchase of four flats as part of the Development Pipeline Stag House project (£1.066m) and the re-cladding of Granville Road not completing until 2018/19 (£1.500m), offset by earlier than expected completion of foundation remedial works at Moreton Close accelerating spend that had previously been slipped (£2.319m).

Funding of Capital Programme

1.4.3 Table 13 below shows the how the 2017/18 capital programme has been funded.

Table 13: Funding of 2017/18 Capital Programme

Service Area	Grants £000	S106/ Other Contrib-utions £000	Capital Receipts £000	Revenue/ MRA £000	Borrow-ing £000	Capital Reserves £000	Total £000
Adults and Communities	-	-	2,233	-	-	-	2,233
Commissioning Group	5,708	-	8,307	-	7,032	12,525	33,572
Education and Skills (including schemes managed by Schools)	6,498	8,148	-	-	-	-	14,647
Family Services	2,087	707	3,623	-	1,156	-	7,573
Housing Needs Resources	-	836	4,311	-	-	10,006	15,153
Parking and Infrastructure	251	-	1,670	-	-	-	1,921
Regional Enterprise (Re)	24,812	568	1,029	-	160	11,511	38,080
Street Scene	791	95	12	-	-	-	898
General Fund Programme	**40,147**	**10,354**	**21,186**	**-**	**8,348**	**34,042**	**114,077**
HRA	948	4,550	11,520	32,361	-	-	49,379
Total Capital Programme	**41,095**	**14,903**	**32,706**	**32,361**	**8,348***	**34,042**	**163,456**

* *This expenditure was classed as borrowing however it was ‘borrowed’ internally. Minimum Revenue Provision requirements therefore exist however the Council’s external borrowing level remains unchanged. There is no interest charge resulting from this accounting treatment.*

1.5 TREASURY MANAGEMENT

Prudential Indicators

1.5.1 The Prudential Indicators have not been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield. The Local Government Act 2003 requires the council to set an Affordable Borrowing Limit (the Authorised limit), irrespective of its indebted status. This is a limit which should not be breached. During the year to 31 March 2018, there were no breaches of the Authorised Limit and the Operational Boundary.

The council’s timeframes and credit criteria for placing cash deposits and the parameters for undertaking any further borrowing are set out in the Treasury Management Strategy (TMS). The TMS Strategy for 2017/18 was approved by Council on 7 March 2017. The Treasury Management Strategy requires regular compliance reporting to this Committee to include an analysis of deposits made during the review period. This also reflects good practice and will serve to reassure this Committee that all current deposits for investment are in line with agreed principles as contained within the corporate Treasury Management Strategy.

This report therefore asks the Committee to note the continued cautious approach to the current investment strategy.

Investment Performance

1.5.2 Investment deposits are managed internally. As at 31 March 2018, deposits outstanding were £95.500m, achieving an average annual rate of return of 0.425% against a benchmark average (London Interbank Bid Rate - LIBID) of 0.206%. The list of deposits outstanding as at 31 March 2018 is attached as Appendix D and summarised in table 14 below.

Table 14: Summary of Investments as at 31 March 2017

	£000
Local Authorities	23,000
Money Market Funds	47,100
UK Banks & Building Societies	25,400
TOTAL	**95,500**

The benchmark, the average 7-day LIBID rate, is provided by the authority's treasury advisors Link Asset Services. The LIBID rate is the rate that a Euromarket bank is willing to pay to attract a deposit from another Euromarket bank in London.

Debt Management

1.5.3 The total value of long term loans as at 31 March 2018 was £304.08m. There was no new external borrowing in the 2017/18 financial year. The average rate for total borrowing for the year ending 31 March 2018 was 3.89 per cent.

2 REASONS FOR RECOMMENDATIONS

2.1 These recommendations are to provide this Committee with the necessary information to oversee the council's financial performance for the 2017/18 financial year.

3 ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 None.

4 POST DECISION IMPLEMENTATION

4.1 None.

5 IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The report provides an overview of financial performance for the 2017/18 financial year, including the full year outturn revenue and capital expenditure.

5.1.2 Robust budget monitoring is essential to ensure that there are adequate and appropriately directed resources to support delivery and achievement of council priorities and targets as set out in the Corporate Plan and Commissioning Plans. In addition, adherence to the Prudential Framework ensures capital expenditure plans remain affordable in the longer term and that capital resources are maximised.

5.1.3 Relevant council strategies and policies include the following:

- Medium Term Financial Strategy
- Treasury Management Strategy
- Debt Management Strategy
- Insurance Strategy
- Capital, Assets and Property Strategy.

5.2 **Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.3 **Legal and Constitutional References**

5.3.1 Section 151 of the Local Government Act 1972 states that: "without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 111 of the Local Government Act 1972, relates to the subsidiary powers of local authorities.

5.3.2 Section 28 of the Local Government Act 2003 (the Act) imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the authority must take such action as it considers necessary to deal with the situation. Definition as to whether there is deterioration in an authority's financial position is set out in sub-section 28(4) of the Act.

5.3.3 The council's Constitution (Article 7) sets out the terms of reference for Committees. The Financial Performance and Contracts Committee is responsible for the oversight and scrutiny of the overall financial performance of the Council.

5.3.4 The council's Constitution, Part 17, Financial Regulations section 2 state that the Chief Finance Officer (section 151 officer) will report in detail to Performance and Contract Management Committee (now replaced with Financial Performance and Contracts Committee) at the end of each quarter as a minimum, on the revenue and capital budgets and wider financial standing and will make recommendations for varying the approved budget (revenue and capital) where necessary.

5.3.5 The Financial Regulations also state that amendments to the revenue budget can only be made with approval as per the scheme of virements table below:

Virements for allocation from contingency for amounts up to and including £250,000 must be approved by the Chief Finance Officer
Virements for allocation from contingency for amounts over £250,000 must be approved by Policy and Resources Committee
Virements within a service that do not alter the approved bottom line are

approved by the Service Director
Virements between services (excluding contingency allocations) up to and including a value of £50,000 must be approved by the relevant Chief Officers
Virements between services (excluding contingency allocations) over £50,000 and up to and including £250,000 must be approved by the relevant Chief Officer and Chief Finance Officer in consultation with the Chairman of the Policy and Resources Committee and reported to the next meeting of the Policy and Resources Committee
Virements between services (excluding contingency allocations) over £250,000 must be approved by Policy and Resources Committee.

5.4 **Risk Management**

5.4.1 Various projects within the council's revenue budget and capital programme are supported by time-limited grants. Where there are delays to the implementation of these projects, there is the risk that the associated grants will be lost. If this occurs either the projects will be aborted or a decision to divert resources from other council priorities will be required.

5.4.2 The level of balances needs to be considered in light of the risk identified in 5.4.1 above.

5.5 **Equalities and Diversity**

5.5.1 None in the context of this report.

5.6 **Consultation and Engagement**

N/A