

<p>f</p> 	<p align="center">Financial Performance and Contracts Committee</p> <p align="center">29th January 2020</p>
<p>Title</p>	<p>Chief Financial Officer Report Month 8 (November 2019)</p>
<p>Report of</p>	<p>Director of Finance (Section 151 Officer)</p>
<p>Wards</p>	<p>All</p>
<p>Status</p>	<p>Public</p>
<p>Urgent</p>	<p>No</p>
<p>Key</p>	<p>No</p>
<p>Enclosures</p>	<p>Appendix A: Revenue forecast Appendix B: Capital forecast Appendix C: Reserves and Balances</p>
<p>Officer Contact Details</p>	<p>Shahida Nasim, Assistant Director of Finance shahida.nasim@barnet.gov.uk</p>
<p align="center">Summary</p>	
<p>This report contains a summary of the Council's revenue and capital financial performance for the financial year 2019/20 as forecasted at Month 8 ending 30 November 2019. It also contains information on the level of debt and debtors for the period to 30 November 2019.</p>	

<p align="center">Officer Recommendations</p>
<p>1. The Committee is asked to note the 2019/20 revenue forecast outturn, as detailed in Table 1 and in Appendix A;</p>
<p>2. The Committee is asked to note the savings anticipated to be delivered in 2019/20, as detailed in Table 6;</p>
<p>3. The Committee is asked to note the 2019/20 capital forecast outturn, as detailed in Table 9 and in Appendix B;</p>

Officer Recommendations

4. The Committee is asked to note the level of reserves and balances as detailed in Appendix C;

5. The Committee is asked to note the treasury position outlined in section 9; and

6. The Committee is asked to note the debtors position outlined in section 10.

1.0 Executive Summary

- 1.1 This report provides an overview of the council's financial outturn for the 2019/20 financial year as forecast at Month 8 (30 November 2019)
- 1.2 The General Fund revenue forecast for 2019/20 as at Month 8 is a net overspend of £3.325m (£2.657m at month 7). The gross movement in the financial position is adverse by £1.316m comprising a £0.667m variation to budget compared to month 7 and £0.649m of reserves being applied. This forecast is stated after the contributions to and from specific and general earmarked reserves reported for Month 8 totalling £4.066m (net drawdown), as shown in Table 1. Excluding these reserve movements, the net forecast overspend would be £7.391m.
- 1.3 This financial forecast at Month 8 gives an adverse movement of £0.667m from Month 7 and are further detailed in Table 2, with the most significant variance movements being set out as follows:
- **Adults and Health £0.009m adverse movement:** The projected current forecast overspend for 2019/20 is £2.968m compared to £2.959m in Month 7. The overspend is mostly due to the cost of placements forecast and the remedial programme of works at Finchley Lido Leisure Centre. This forecast is stated after the contributions to and from specific and general earmarked reserves and provisions reported at Month 8 totalling £2.455m.
 - **Growth and Corporate Services £0.163m favourable movement:** The projected current forecast overspend for 2019/20 is £2.599m compared to £2.762m in Month 7. The favourable movement is mainly the result of movements within the CSG managed fee where a service credit of £0.350m has been received from CSG due to a user satisfaction survey not being undertaken. This is offset by a charge of £0.161m relating to charges for the financial system, Integra.

- **Children’s Family Services £0.905m adverse movement:** The projected current forecast overspend for 2019/20 is £2.101m compared to £1.195m in Month 7. The adverse movement of £0.905m is mainly due to 3 additional residential placements totalling £0.444m (one new residential - £0.068m and two new transferring from lower cost independent fostering carers £0.376m). In addition, there were two new residential family assessments £0.074m and increased pressure in Section 17 – children in need of £0.068m. Price changes as a result of reviews and additional allowances for 20 placements also lead to adverse projection of £0.459m. The overall adverse movement is offset by 10 placements that ended resulting in a £0.146m cost reduction across a variety of service areas. Increases in Children’s Social Care 0-25 accounts for the majority of the remaining monthly increase in the forecast.
- **Environment £0.101m favourable movement:** The projected current forecast overspend for 2019/20 is £1.838m compared to £1.939m in Month 7. The £0.101m favourable movement in Month 8 is mainly the result of a budget virement of £0.150m and additional savings of £0.051m delivered within Waste services. This favourable movement of offset by £0.020m additional salary costs, £0.056m additional Local Implementation Plan (LIP) fees and £0.020m unfunded business rates
- **Finance £0.037m adverse movement:** The projected current forecast underspend for 2019/20 is £6.194m compared to £6.231m in Month 7. The movement is due to increased agency costs.

- 1.4 The overall overspend position at Month 8 requires mitigation in line with financial regulations and recovery plans detailing management actions have been developed as shown in Table 7.
- 1.5 The General Fund balance as at 1 April 2019 was £15.083m (excluding schools’ balances). The net overspend of £3.325m would ordinarily reduce the General Fund balance as at 1 April 2020, however the balance is planned to be maintained by means of a transfer from the earmarked MTFS reserve.
- 1.6 The council has set aside specific amounts as reserves for future policy purposes or to cover contingencies. As at 1 April 2019, the council held reserves of £63.626m. Net drawdowns from earmarked reserves of £8.601m are forecast as at Month 8 (£7.284m at month 7) which would result in total earmarked reserves as at 31 March 2020 of £46.968m (£48.285m at month 7). This includes a drawdown for the forecast 2019/20 overspend of £3.325m (£2.657m at month7). Appendix C provides a summary of the reserves and balances position at Month 8.
- 1.7 The forecast as at 30 November 2019 on the council’s 2019/20 capital programme is £343.066m; £292.066m relates to the General Fund programme and £51.000m relates to the HRA capital programme. This is £137.602m less than the currently approved 2019/20 budget of £480.668m. The variance is the net slippage after additions, accelerations and deletions. This forecast is currently under review.
- 1.8 As at 30 November 2019 the overall sundry debt has reduced by £4.935m (£3m increase in month 7). The overdue debt less than 30 days has reduced by £5.7m with the over 90 days also reducing in month 8 by £1.200m. Further detail and a

summary table regarding the debt owed to the council is set out in Tables 15 and 16 of this report.

2.0 Financial Considerations

2.1 Revenue Forecast

General Fund

2.2 The General Fund revenue forecast for 2019/20 as at Month 8 is a net overspend of £3.325m (£2.657m at month 7). The gross movement in the financial position is adverse by £1.316m comprising a £0.667m variation to budget compared to month 7 and £0.649m of reserves being applied.. This forecast is stated after the contributions to and from specific and general earmarked reserves reported at Month 8 totalling £4.066m, as shown in Table 1. Excluding these reserve movements, the net forecasted overspend would be £7.391m.

Table 1: General Fund Revenue Forecast

Service Areas	Revised Budget	Month 8 forecast before reserves applied	Variation to revised budget	Reserves applied	Month 8 forecast after reserve movements	Variation to revised budget
	£'000	£'000	£'000	£'000	£'000	£'000
Adults and Health	114,888	118,146	3,258	(290)	117,856	2,968
Assurance	5,690	6,482	791	(779)	5,703	12
Children's Family Services	67,479	69,580	2,101	0	69,580	2,101
Growth and Corporate services	40,094	43,974	3,881	(1,281)	42,693	2,599
Environment	11,148	14,702	3,554	(1,716)	12,986	1,838
Finance	61,800	55,606	(6,194)		55,606	(6,194)
Service Total at month 8	301,098	308,489	7,391	(4,066)	304,423	3,325
Service Total at month 7	301,098	307,173	6,074	(3,417)	303,755	2,657
in month change	-	1,316	1,317	649		668

2.3 On 3 October 2019, Policy and Resources Committee gave approval to allocate additional funds from the council's contingency budget. These movements are reflected in the forecast and budget adjustment in Month 8 forecast in Table 1.

2.4 The main movements in forecast between Month 7 and Month 8 are shown in Table 2 below:

Table 2: Movement from Month 7 forecast to Month 8

Variance Movements	Month 7 Variance	Month 8 Variance	Movement Increase / (Decrease)	Explanation of significant movements
	£'000	£'000	£'000	
Adults and Health	2,959	2,968	9	The adverse movement relates to placements and the remedial programme of works at Finchley Lido Leisure Centre.
Assurance	33	12	-20	The improvement is the result of an insurance recharge of £0.010m for agency spend and a £0.010m revised file storage projection.
Children's Family Services	1,195	2,101	905	The adverse movement is due mainly to placements forecast which includes increase in placement movement of: £0.861m, of which £0.800m is external placements and £0.061m is internal placements. In addition, there were increases in Children and Social Care (CSC) 0-25 transition placements.
Growth and Corporate Services	2,762	2,599	-163	A service credit of £0.350m was received against the CSG contract, offset by an adjustment charge to LBB related to the contract with Cambridge Education £0.161m for the financial system, Integra.
Environment	1,939	1,838	-101	The projected current forecast overspend for 2019/20 is £1.838m compared to £1.939m in Month 7. The £0.101m favourable movement in Month 8 is mainly the result of a budget virement of £0.150m and additional savings of £0.051m delivered within Waste services. This favourable movement is offset by £0.020m additional salary costs, £0.056m additional Local Implementation Plan (LIP) fees and £0.020m unfunded business rates.
Finance	-6,231	-6,194	37	The monthly movement is due to increased agency staffing costs.
Total	2,658	3,325	667	

2.5 The main reasons for the forecast overspend of £3.325m as at Month 8 are set out below by exception and highlights only.

2.6 **Adults and Health: Placements budget** is reporting an overspend of £1.649m, no movement from the Month 7 forecast position. The placement overspend is because of unfunded client care package costs mostly in Older Adults (£4.011m) followed by Mental Health (£0.466m) and Physical Disabilities (£0.032m); offset by underspend in Learning Disability (£2.860m). In Month 6, 43 cases were identified that were not previously included in the forecast. There has been a release of £2.455m of the ordinary residence provision, no longer needed, to mitigate the impact of this for this year only. There is a budget pressure of £0.745m (£0.008m increase from Month 7) in Sports and Leisure related to loss of income due to closure of wet area of Finchley Lido leisure centre.

2.7 **The non-placements** budget is forecasting to overspend by £0.575m because of challenges in the Workforce and Prevention Services Budget.

Workforce is reporting an overspend of £0.554m because of double counted savings and agency overspend of £0.484m. The remainder is due to net impact of Mosaic revenue costs and other items (£0.070m). The monthly forecast reduction of £0.068m is due to several posts becoming vacant for part year whilst recruitment activity takes place and some staff opting out of the pensions scheme.

Prevention Services budget is reporting an overspend because of Deprivation of Liberties (DOLs) and Voluntary Organisations service offset by an underspend in Telecare, resulting in a net overspend of £0.021m. The £0.009m adverse movement from Month 7 is mostly due to the revised income losses because of the closure of the wet area of Finchley Lido Leisure Centre.

- 2.8 Non-achievement of any savings and mitigating actions will lead to an increased pressure. Risks are being monitored monthly. The key risks being monitored in this area are demand risk and a potential winter spike in activity.
- 2.9 Children and Families:** The overall forecast to year end 2019/20 is an overspend of £2.101m. Key pressures making up the £2.101m overspend are identified in staffing £0.700m; legal £0.300m; Families with children who have no recourse to public funds £0.233 and placements. Children's budgets have been subject to detailed review led by the Director and Budget Managers and have now been re-aligned against priorities for better forecasting and management purposes. The ongoing pressures after the realignment exercise are reflected in the current forecast overspend.
- 2.10 Staffing budgets are £0.744m overspent. Detailed staffing monitoring continues to be undertaken, including all agency staff on a week by week basis. Forecasts reflect the service's recruitment plans and vacancies.
- 2.11 There are ongoing pressures on the legal budget of £0.300m due to more children in proceedings. As at November 2019, the current case-loads for 2019/20, the full year figure are 430 Children Services and 86 Education proceedings which compares with that of October 2019, which were 362 Children Services and 110 Education Proceedings.
- 2.12 Families with children who have no recourse to public funds is forecast to overspend by £0.223m by the end of the year as this is a demand led statutory area of spend.
- 2.13 The placements forecast, though currently within the realigned budget, includes placement movement of: £0.861m against the previous month, of which £0.800m is external placements and £0.061m for internal placements. There are considerable pressures with significant shifts in demand patterns and risks across all areas to be managed. These tend to mitigate towards year end if only due to part year effects of new placements coming in, however these new placements can significantly impact on costs for the following years.
- 2.14 The libraries service business rates increases were in excess of the budgeted amounts and have therefore resulted in an overspend of £0.090m.
- 2.15 Growth and Corporate** The overall forecast to year end is an overspend of £2.599m. Movement from Month 7 was a decrease of (£0.163m), driven primarily by the

(£0.147m) improvement reported in CSG Managed Fee as reported in Table 2. Other budgets have reported some movement in month which net to reported position.

- 2.16 The key pressures on the overall budget remains within the CSG Managed Budget, which is reporting a £2.444m overspend. This overspend is the result of £0.580m relating to business rates, rents and running costs associated with delays in moving out of Barnet House and NLBP, £0.147m for additional security costs that have been incurred across the estate as the moves were delayed and as Brent Cross sites are vacated. Additional business rates of £0.248m for the Colindale building have been paid. These rates are subject to appeal. A further pressure of £0.104m remains as a lessee for the ground floor café lease in the Colindale office is still being sought and lower than anticipated income from the vending machines. A total of £0.206m is in relation to unbudgeted depot costs, £0.110m for a compensation payment for a legal settlement and £0.180m for fly-tipping. There is a shortfall of £0.370m in income associated with Brent Cross leases as sites are vacated to make way for development. Officers are seeking to minimise costs wherever possible.
- 2.17 Environment:** The overall forecast to year end 2019/20 is an overspend of £1.838m. There was a £0.101m favourable movement in Month 8. This includes projected overspend of £1.377m within the Street Scene Service. This pressure has primarily resulted from a projected overspend of £1.400m in staffing (including Agency) and £0.310m for maintenance costs for the ageing vehicle fleet for Waste Front line service. The vehicle related costs have increased in the last two financial years due to the age profile of the current vehicles and need for additional vehicles to cover the operations. Projected vehicle related cost is expected to marginally reduce in Month 9 due to the move of the fleet to the Oakleigh depot where they will be maintained by the Council workshop.
- 2.18 Tree Planting Scheme - the projection for Month 8 includes an agreed drawdown of £0.346m from reserves. This was agreed at P&R Committee two years ago.
- 2.19 Greenspaces has a gross overspend of £0.450m and is due to the service unable to meet the 2019/20 MTFS Savings. The net overspend is £0.249m, of which £0.217m is mitigated by s106 monies and Local Authority Parks Improvements Funding.
- 2.20 Environment Management are showing a pressure of £0.213m, £0.120m of which have mitigating actions which are under review.
- 2.21 Finance:** The projected current forecast underspend for 2019/20 is £6.194m compared to £6.231m in Month 7. The adverse movement of £0.037m is due to increased agency staffing costs.
- 2.22 Public Health** are forecasting to balance the overspend against the budget with a drawdown from reserves of £0.290m. Table 3 is provided below summarising the position including the contribution to reserves.

Table 3: Public Health Grant Forecast as at Month 8

Public Health 2019-20	Month 8	2019-20 Budget	Actuals to date	Current Forecast	Overspend / (Underspend)	Movement from last month

	£'000	£'000	£'000	£'000	£'000
Adults Funding					
Contributions to Adults	340	0	340	0	0
Wider Determinants	1,300	0	1,300	0	0
Adults Funding Total	1,640	0	1,640	0	0
Children's Funding					
Early Years	925	0	925	0	0
HV CommOfficer	75	0	75	0	0
MASH Officer	50	0	50	0	0
Contributions to Children's	340	0	340	0	0
Health Visiting Services	4,281	2,544	4,362	81	1
School Nursing Service	955	573	982	27	0
Oral Health	59	34	59	0	0
Children's Funding Total	6,684	3,151	6,793	109	1
PH Own Budget					
Drugs & Alcohol	2,906	1,398	2,906	(1)	0
Health Checks	257	40	257	0	0
Legal	0	4	10	10	0
Sexual Health	3,110	1,366	3,157	47	0
Staffing and Support	1,586	1,037	1,486	(100)	11
Tobacco Control	150	8	150	0	0
Young People's Public Health	256	69	493	236	(10)
Health In All Policies	38	0	35	(3)	35
Health Care PH	75	(20)	67	(8)	0
PH Own Budget Total	8,379	3,902	8,561	182	37
Total Before Reserves	16,703	7,053	16,993	290	38
Reserve Drawdown	0	0	(290)	(290)	(38)
Total After Reserves	16,703	7,053	16,703	0	0

3.0 Housing Revenue Account (HRA)

3.1 The HRA Revenue is forecasting a deficit of £2.711m against a budgeted deficit of £10.712m resulting in a net favourable variance of £8.002m as per Table 4. The HRA revenue balances are now showing an improved forecast at an estimated £9.500m at 31 March 2020 (£12.300m at 31 March 2019). This will be significantly above the required minimum level of £3m and will be kept under review as part of the updating of the HRA business plan.

Table 4: Housing Revenue Account Forecast as at Month 8

	Original Budget £'000	Actuals to 30/11/2019 £'000	Forecast £'000	Variance £'000
Dwelling Rent	(48,633)	(17,303)	(49,252)	(619)
Service & Other Charges	(8,897)	(5,953)	(8,633)	264
Housing Management	20,473	8,576	21,929	1,456
Repairs & Maintenance	7,570	3,796	7,580	10
Provision for Bad Debt	250	0	250	0
Regeneration	837	(52)	798	(39)
Capital Charges	30,134	0	30,134	0
RCCO	9,074	0	0	(9,074)
Interest on Balances	(95)	(2)	(95)	0
HRA Surplus/(Deficit)	10,713	(10,938)	2,711	(8,002)
Transfer to/from reserves	(10,713)		(2,711)	8,002
HRA Surplus/(Deficit)	0	(10,938)	0	0

- 3.2 The main reasons for the variance from budget are;(i) a shortfall in rental income (garages and commercial property),(ii) additional costs within housing management for increases in insurance premiums, cost of a head lease and agreed change notices with Barnet Homes. These are offset by the partial benefit of additional rental income due to the additional rent week in 2019/20.
- 3.3 A review of the HRA commitments was undertaken and budget revisions have been put forward to restore the level of balances. The main change has been to remove Revenue Contributions to Capital Outlay (RCCO) funding and replace with borrowing as the HRA borrowing cap has been removed.

4.0 Dedicated Schools Grant (DSG)

- 4.1 The DSG budget for 2019/20 has been revised to take into account the brought forward reserve of £1.543m and additional funding from Central Government of £0.964m announced in December 2018. After these additions to the budget the DSG is forecasting an underspend of £1.270m. The overall DSG funding 2019/20 of £219.687m reflects November 2019 DfE notification of recoupment adjustments. This is reflected in Table 5.
- 4.2 The High Needs block is forecasting an overspend of £0.605m due to top-up funding for high needs pupils. However, forecasts are being reviewed and expected to reduce. The high needs funding system supports provision for children and young people with Special Educational Needs and Disabilities (SEND) from their early years to age 25, enabling both local authorities and providers to meet their statutory duties under the Children and Families Act 2014. High needs funding is also intended to support good quality Alternative Provision for pre-16 pupils who cannot receive education in schools.
- 4.3 DSG High Needs funding has not kept up with inflation or the rate of demographic growth in recent years, whereas demand, driven by a mixture of demographic change, the growing complexity of needs and the new framework created by the SEN reforms, has grown significantly. Local authorities across England are facing similar problems and many are known to have faced significant overspending on their High Needs budgets.
- 4.4 The High Needs pressure is partly offset by underspends in the Schools Block. The Growth Fund for expanding schools is forecasted to underspend by £1.675m. In addition, there is underspend in school improvement de-delegation of £0.200m, as agreed with School's forum.
- 4.5 There have been no previous transfers between funding blocks under the new ring-fenced arrangements for funding blocks. In previous years there has been underspending in the overall Schools Budget, which helped to create reserves that could be used to address new pressures, such as the need to allocate 'growth funding' for new and expanding schools. However, the reserves have gradually been used up, largely to pay for growth funding and because of the growing pressures on the High Needs budget.

Table 5: Dedicated Schools Grant

	Revised Budget	Period 8 forecast after reserve movements	Variation to Revised Budget
	£'000	£'000	£'000
Schools			
- Individual Schools Budget	141,289	141,089	200
- Growth Fund	2,118	443	1,675
- Central schools expenditure	1,281	1,281	0
- ESG retained funding	902	902	0
Sub-total	145,590	143,715	1,875
Early Years Block	28,928	28,928	0
High Needs Block	46,712	47,317	-605
Sub-total	221,230	219,960	1,270
DSG Income	-219,687	-219,687	0
DSG c/f	-1,543	-273	-1,270
Total DSG	0	0	0

5.0 Savings

5.1 In 2019/20 the council budgeted to deliver £19.965m of savings. Table 6 below summarises the value of savings that are expected to be achieved against the savings programme. In total, £16.744m of savings is expected to be delivered by year end, representing 84% of the target. Savings delivered as at 30 November 2019 were £13.549m, an increase of 16% from Month 7. The variances from Month 7 are detailed under each service area below. Delivery of these expected savings is included in the forecasts reported in Table 1.

Table 6: Savings 2019/20

Service Area	Savings target 2019/20	Savings Delivered as at 30/11/2019	Total Savings Expected to be Delivered by 31/03/20	(Gap)/Over to plan	Service area gap %
	£'000	£'000	£'000	£'000	%
Adults & Safeguarding	-7,518	-5,743	-6,636	-882	11.70%
Children and Family Services	-3,912	-2,993	-3,912	0	0.00%
Environment	-4,567	-2,805	-3,917	-650	14.20%
Growth and Corporate Services	-3,925	-1,981	-2,252	-1,673	42.60%
Assurance	-43	-27	-27	-16	37.60%
Total	-19,965	-13,549	-16,744	-3,221	
Percentages	100%	68%	84%	16.1%	

5.2 Adults and Health savings of £7.518m are broadly to be achieved in 2019/20. The £0.882m gap (£7.518m less £6.636m) relates to staffing efficiencies (£0.305m) and a combination of care package reviews and other (£0.577m). A further review of savings is ongoing which may result in an increase in achievable savings forecast.

5.3 Growth and Corporate Services forecasted gap is £1.673m (£3.925m less £2.252m) and is partly due delay in moving to the new offices in Colindale where savings were anticipated. Savings in relation to moving to the new Customer Service Model have similarly been delayed. A total of £1.186m which was planned to be achieved by the transfer of properties and debt management to Open Door Homes will now commence in 2020/21. Savings will be delivered when the properties transfer or are acquired, contracts and agreements are being prepared. Other services are reviewing the position to ensure maximum savings delivery.

5.4 Environment service have delivered savings of £2.805m as at Month 8. The total forecasted gap is £0.650m made up of £0.450m in Greenspaces and £0.200m in Street Scene.

6.0 Recovery Plans

6.1 The total gross forecast overspend in Table 7 is £11.384m. In addition to the savings plans all service areas have developed recovery plans to mitigate against overspends. Mitigating actions total £3.337m have been developed and are offsetting the pressures experienced within service areas.

Table 7: Recovery plans

Service area	Month 8 overspend prior to mitigation actions	Mitigations	Reported 8 Over (under)- After Mitigation Actions
	£'000	£'000	£'000
Adults and Health	3,501	1,277	2,224
Leisure	745	0	745
Children's Family Services	2,709	1,548	1,161
Growth and Corporate services:		-	
Corporate Services	2,528	17	2,511
Housing Strategy	68	68	0
Environment	1,832	427	1,832
Total	11,384	3,337	8,474

6.2 The overall net forecast overspend of £3.325m is being robustly managed through additional mitigation measures. Environment have mitigations of £0.427m which have been excluded from the forecast as there is a risk of not delivering all the mitigating actions. Focus is required by all service areas to deliver the plans they have submitted and collectively to achieve them.

6.3 For Children and Families Services - The Month 8 projection is £2.101m overspend forecast. £0.300m earmarked transformations funding has not been factored into current forecast which may further reduce the overspend forecast for the service. The service is taking further action to ensure that lower cost options are explored to reduce overall spend on this service provision. As part of the mitigation actions for the 0-25 Service, process audits are currently underway to improve the data quality of information for forecasting with the aim of reducing cost pressures. In addition, the service is exploring further use of Internal Fostering, in order to fully utilise carers to reduce the pressure on placement budget and overall costs.

7.0 Capital Programme

7.1 Capital

The forecast as at 30 November 2019 on the council's 2019/20 capital programme is £343.066m (£344.189m at month 7), of which £292.066m (£293.304m at month 7) relates to the General Fund programme and £51m (£50.885m at month 7) relates to the HRA capital programme. This is £137.602m (£136.479m at month 7) less than the currently approved 2019/20 budget of £480.668m. Total expenditure to 30 November 2019 is £155.590m (£130.386m at month 7). The Table 8 provides a summary of the position as reported at Month 8.

Table 8: Capital Forecast

Service Area	2019/20 Budget £'000	Additions/ (Deletions) £'000	(Slippage)/ Accelerated Spend £'000	2019/20 Forecast £'000	Variance from Approved Budget £'000	Expenditure to date £'000
Adults and Health	14,184			14,184		10,130
Children's Family Services	24,957	4,360	(3,190)	21,767	(3,190)	16,623
Growth and Corporate services	91,907	(84)	(16,804)	75,502	(16,405)	49,977
Environment	29,051	14,800	(5,068)	26,430	(2,621)	7,501
Brent Cross	263,936	7,155	(122,838)	141,098	(122,838)	44,042
Regional Enterprise (Re)	15,885		(2,800)	13,085	(2,800)	9,684
General Fund Programme Total	439,920	26,231	(150,700)	292,066	(147,854)	137,957
HRA	40,748	3,100	10,137	51,000	10,252	17,633
Grand Total	480,668	29,331	(140,563)	343,066	(137,602)	155,590

7.2 Highlights of the key issues arising in regard to variances in the table above are provided below by service area.

7.3 **Adults and Health** – The spend to date has been £10.125m (approximately 71% of the forecast outturn). No slippages are forecast on the revised budget.

7.4 **Children and family services** - The spend to date is £16.623m (approximately 76% of the forecast outturn). A slippage of £3.190m from the approved budget is forecast due to reprofiling of the capital budget to reflect the current project plans, school requirements and externally agreed direct funding from the Department for Education (DfE).

7.5 **Growth and Corporate services** – The spend to date is £49.9m which represents 66% of the forecast £75.502m outturn. The projected year end spend of £75.502m represents a net variance of £16.405m (82%) from the original budget of £92m. Capital projects are classed as Corporate Services or Housing General Fund.

There are three significant **Corporate Services** schemes. The £22m Saracens Loan to construct their new West Stand. The forecast drawdown for 2019/20 is now £13.294m with slippage of £9.446m being moved to 2020/21, drawing down as required. The Colindale Office Build had a budget of £10.882m and is forecast to spend to budget with retention monies slipping into next year as a result of later than anticipated completion. The Asset Management Project which is to capitalise appropriate enhancements has £1.649m budget approved in 2019/20 with £0.522m spent to date and is on target to spend to budget.

7.6 The Housing General Fund capital programme has three main schemes:

- Housing acquisitions (Phase 4) with £8.300m of expenditure slipped into 2020/21 whilst administrative arrangements are put in place.

- New build homes (Tranche 3) through Opendoor Homes, from the £30m budget, £5m has been reprofiled and moved into next year due to some delays with development.
- Direct Acquisitions (HRA Phase 2) is the other significant item with a £9.700m budget which is forecast to spend to budget.

7.7 **Environment** has a budget of £29.051m and is expecting to spend some £26.430m with a net predicted slippage of £5.068m. The LED programme of installations only started at the beginning of November, which has resulted in a £2m slippage as they only have five months to the end of the financial year of installation works taking place. There is also a £2m slippage due to the delay in the purchasing of new vehicles and the reprofiling of Hendon Cemetery & Crematorium works.

7.8 **Brent Cross** – the overall development comprises four programmes, Land Acquisitions, Thameslink Station, Critical Infrastructure and Strategic Infrastructure Charge, each with a number of work packages within them.

- Land Acquisitions forecast has remained the same as per Month 7. Areas to be addressed include potential incurred revenue expenditure within the LBB Estates Team, a detailed review to be undertaken to quantify items of capital nature.
- Thameslink Station has remained the same as per Month 7. An Internal Cost Review has been commissioned by the Brent Cross Governance Board to verify current and future forecasts. The outcome of the review is expected to feed into Month 9 reporting.
- Critical Infrastructure has increased by £1.500m since Month 7 for 2019/20.
- Strategic Infrastructure Charge is currently being forecasted on budget at present. The Homes England Agreement will allow the Council to receive a loan payment of £23m and will substitute the borrowing funding stream currently in the programme. This agreement is due to be finalised shortly and the impact would be beneficial to the Council.

7.9 The HRA capital programme has expenditure to date of £17.600m against a projected outturn of £50.885m. The forecast outturn of £50.885m shows acceleration against the reprofiled budget for the year of £40.748m. The accelerated spend of £10.137m is in respect of HRA acquisitions. The expenditure profile is currently being reviewed by officers to establish reasons for variations.

Funding of Capital Programme

7.10 The composition of capital funding is detailed in Table 9. The level of funding from Capital receipts, Revenue/ Major Repairs Allowance(MRA) and Community Infrastructure Levy (CIL) funding remain broadly the same as the previous period. The level of anticipated borrowing has reduced by £3.307m due to slippage in funding for the Colindale Station Works.

Table 9: Funding of 2019/20 Capital Programme at Month 8

Service Area	Grants/ Other contributions £'000	S106 £'000	Capital Receipts £'000	Revenue/MRA £'000	CIL £'000	Borrowing £'000	Total £'000
Adults and Health	2,000				10,124	2,060	14,184
Children's Family Services	18,164	1,554	96		363	1,590	21,767
Growth and Corporate services	2,542	3,626	14,423	595	1,159	53,157	75,502
Environment	4,580	483	2,036	435	4,325	14,571	26,430
Brent Cross	111,720					29,378	141,098
Regional Enterprise (Re)	334	12,751					13,085
General Fund Programme	139,340	18,414	16,555	1,030	15,971	100,756	292,066
HRA	5,000		3,101	19,727		23,172	51,000
Total Capital Programme	144,340	18,414	19,656	20,757	15,971	123,928	343,066

8.0 Reserves and Balances

8.1 The council has set aside specific amounts as reserves for future policy purposes or to cover contingencies. As at 1 April 2019 the council held reserves of £63.626m . Service drawdowns from earmarked reserves at Month 8 are £8.601m (£7.284m at month 7) as detailed in table 10. This would result in total earmarked reserves of £46.968m (£48.285m at month 7) as at 31 March 2019, reflected in Appendix C.

Table 10: Estimated drawdown details

Reserve drawdown per Project and Service Area	Service Area	Month 8 Budget Overspend £'000	Month 8 Forecasted 'Reserve Drawdown £'000
Net Forecasted Overspend for all Service Areas prior to reserve drawdown		7,391	
Transformation Reserve	Growth and Corporate	(221)	(221)
Drawdown to support Re contract adjustment between years	Growth and Corporate Services	(1,000)	(1,000)
Strategic Contract Realignment - ongoing review	Growth and Corporate Services	(60)	(60)
Community Budgets and Troubled Families	Family Services	0	0
Public Health expenditure	Adults and Health	(290)	(290)
Payment of recovery of the proceeds of crime act	Assurance	(779)	(779)
Drawdown from Parking Reserve towards eligible expenditure	Environment	(1,716)	(1,716)
M8 Reserve drawdown per Table 1		(4,066)	(4,066)

M8 Net Overspend after Reserve drawdown		3,325	(3,325)
Revenue Implications of capital	Revenue Contributions to Capital		(600)
Transformation reserve	Adults and Health		(360)
Strategic Contract Realignment - Strategic HR & Finance	Finance		(250)
Total Reserve Drawdown for Month:8		3,325	(8,601)

- 8.2 The council's total reserves are forecast at Month 8 to be £46.968m (£48.285m at month 7) at the end of 2019/20. This is worse by £1.317m compared to Month 7. The total reserves will be £16.658m lower than at the start of the year. This reduction includes planned use of reserves of £8.057m which was budgeted for within the MTFS to achieve a balanced position for 2019/20.
- 8.3 There are several one-off items which are expected to reduce reserves in the current financial year. These include transformation expenditure (£0.581m), use of the Special Parking Account (£1.231m) and a drawdown from contingency to support the adjustment to of Re contract payments (£1m). For this item, the Council previously received the benefit of a management fee payment reduction of £1m and now receives a one-off reduction in the level of guaranteed income.
- 8.4 Reserves and balances are detailed in Appendix C.
- 8.5 In additions to the above Earmarked Reserve balances, the Council also maintains the General Fund balance to manage the impact of uneven flows and unexpected events or emergencies. As at 1 April 2019 the General Fund balance was £15.083m (excluding schools' balances). The net overspend of £3.325m at Month 8 (£2.657m at month 7) would ordinarily reduce the General Fund balance as at 31 March 2020, however, the balance will be maintained by means of a transfer from the MTFS reserve.

9.0 Treasury Management

Investment Performance

- 9.1 Investment deposits are managed internally. As at 30 November 2019, deposits outstanding were £148.9 million, achieving an average annual rate of return of 0.78% against a benchmark average (7-day London Interbank Bid Rate - LIBID) of 0.57%. The benchmark is the rates that banks pay to attract deposits from other banks. The list of deposits outstanding is detailed in the table below.

Table 11: Investments Outstanding as at 30 November 2019

	Principal (£'000)	Interest Rate (%)	Start Date	Maturity Date	Lowest long term rating	Historic risk of Default (%)
Money Market Fund						
MMF Federated Investors	25,000	0.73			AAA	0.000
MMF Invesco	14,350	0.72			AAA	0.000
MMF Aviva	25,000	0.72			AAA	0.000
MMF Goldman Sachs	550	0.67				0.000
Total Money Market	64,900					
Banks						
Australia & New Zealand	5,800	0.78	31-Oct-19	31-Jan-20	AA-	0.003
Australia & New Zealand	4,600	0.79	11-Nov-19	28-Feb-20	AA-	0.004
Australia & New Zealand	7,500	0.84	29-Nov-19	29-May-20	AA-	0.020
Sumitomo Mitsui	10,000	0.76	15-Aug-19	31-Jan-20	A	0.013
Sumitomo Mitsui	10,000	0.83	20-Nov-19	20-Feb-20	A	0.018
Landesbank Baden Wuerttemberg	10,000	0.80	05-Nov-19	05-Feb-20	A-	0.035
LLOYDS BANK	6,600	0.82	13-Aug-19	23-Dec-19	A+	0.008
LLOYDS BANK	10,000	0.85	15-Aug-19	28-Feb-20	A+	0.012
LLOYDS BANK	1,900	1.10	23-Oct-19	92 day call	A+	0.000
Santander	10,000	0.79	27-Aug-19	28-Feb-20	A	0.012
Sandander	7,600	0.85	22-Nov-19	22-May-20	A	0.035
Total Banks	84,000					
Total Investments	148,900	0.78				0.007

NB: All the above counterparties have a limit of £25 million. No limits are exceeded.

Borrowing

9.2 The council has operated within the Prudential Indicators with an emphasis on high quality relatively liquid investments to ensure that cash is available to meet expenditure requirements. The Local Government Act 2003 requires the council to set maximum limits on its total outstanding debt. During the period to 30 November 2019, there were no breaches of the Authorised Limit (maximum permitted debt) and the Operational Boundary (the value of debt considered affordable).

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 for 2019/20 was approved by Council on 5 March 2019. The TMS requires regular compliance reporting to include an analysis of deposits made during the period. This also reflects good practice and will serve to reassure that all current deposits for investment are in line with agreed principles as contained within the TMS.

- 9.3 The total value of long-term loans as at 30 November 2019 was £384.08m. In the eight months to 30 November £80 million of new 50-year borrowing was acquired from the PWLB. The average rate of interest on the new borrowing is 1.935% (range 1.67% to 2.15%) compared with an average interest rate for the existing long-term borrowing of 3.86%. Plans for additional borrowing to support the three-year capital programme were placed on hold following the Government's decision to increase the PWLB margin over gilts to 1.8%. Cash balances remain healthy with no immediate need for additional borrowing

Short-term Borrowing

- 9.4 The total loans outstanding has increased in the eight months by £55 million to £404.08 million (31 March 2019: £349.08 million). The projected debt requirement as at 31 March 2020 is £431.5 million based on the latest capital programme projections (last month we reported £442.5 million). The authorised debt limits (absolute maximum permitted) is £739.4 million and the Operational Boundary (maximum consistent with long term affordability) is £639.4 million.

Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- 9.6 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- 9.7 The upper limit for variable rate exposure (40%) allows for the use of variable rate debt to offset changes in short-term investment returns. Currently the only variable debt is LOBO loans (because of the interest options) with short-term local authority loans also treated as variable. These represent 20% of current borrowing.

Table 12: Upper limits for Interest rate exposure

	Limits for 2019/20 %
Upper Limit for Fixed Rate Exposure	100
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	40
Compliance with Limits:	Yes

Maturity Structure of Fixed Rate Borrowing

- 9.8 This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. Barnet debt is mostly long-term with relatively little refinancing risk associated with short-term debt.

Table 13: Maturity Structure of Fixed Rate Borrowing

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/11/19 £'000	% Fixed Rate Borrowing as 30/11/19	Compliance with Set Limits?
Under 12 months	0	50	20,000	4.95%	Yes
12 months and within 24 months	0	50	0	0.00%	Yes
24 months and within 5 years	0	75	0	0.00%	Yes
5 years and within 10 years	0	75	22,516	5.57%	Yes
10 years and above	0	100	361,564	89.48%	Yes
Total			404,080	100.00%	

Table 14: Capital Financing Requirement and External Debt

	Forecast for March 2020 £'000
Prudential Indicator – Capital Financing Requirement (CFR)	
CFR – Non-housing	433,069
CFR – Housing	223,510
Total CFR	656,579
Prudential Indicator – The Operational Boundary for External Debt	
Borrowing	639,385
Other long-term liabilities	15,601
Total debt	654,986

9.9 CFR is the cost of capital assets less disposals and provision for MRP. As debt should only be for capital purposes, normally borrowing should be less than the CFR indicating that all borrowing is for capital purposes. The operational boundary for external debt is the expected debt level if capital expenditure plans are fully implemented. The forecast year end CFR has reduced by £98.3 million in line with deferment of part of the capital programme. As mentioned above, expected year-end debt is £431.5 million.

10.0 Debtors

10.1 An analysis of debtors as at the 30 November 2019 is provided below at Tables 15 and 16. It should be noted that this information is a snapshot as at that date and the position will change daily.

10.2 Between October and November 2019 overall debt decreased by £4.900m. This decrease is a result of a substantial reduction in outstanding balances within the up to 30 days invoices and a £1.200m reduction in over 90 days.

10.3 Overdue debt (up to 30 days and older) as at 30 November 2019 was £20.968m a decrease of £5.557m for the same period in 2018 where the outstanding balance was £26.525m.

Table 15: Aged Debt Analysis as at 30 November 2019

Debtor	Not Overdue	Up to 30 days	30 - 60 days	60 - 90 days	Over 90 days	Total Debt
	£'000	£'000	£'000	£'000	£'000	£'000
Month 8	1,812	1,919	4,970	1,521	12,557	22,779
Month 7	1,027	7,628	3,860	1,349	13,850	27,714
Movement	785	-5,709	1,110	172	-1,293	-4,935

10.4 Table 16 gives detail of the top ten individual debts by debtor, totalling £12.580m.

Table 16: Top 10 debtors as at 30 November 2019

Debtor	Not Overdue	Up to 30 days	30 - 60 days	60 - 90 days	Over 90 days	Total Debt
	£'000	£'000	£'000	£'000	£'000	£'000
NHS BARNET CCG	0	614	3,728	1,073	3,316	8,731
THE FREMANTLE TRUST	0	0	488	0	812	1,300
COMER HOMES	0	0	0	0	993	993
Deeya Limited	0	0	0	0	319	319
Mott MacDonald Ltd	0	99	9	0	186	294
Affinity Water	15	208	4	0	0	227
London Borough of Ealing	0	0	0	0	194	194
Debtor 1*	0	1	0	0	180	181
Debtor 2*	0	4	4	4	160	172
Debtor 3*	0	0	0	0	169	169
Total	15	926	4,233	1,077	6,329	12,580

* Note: Debtor 1, 2 and 3 are individuals where the debt has been secured by deferred payment arrangement.

10.5 There has been further positive progress with NHS Barnet CCG who have agreed to pay an invoice totalling £1.800m from the 30-60 days category and another for £0.800m from the 60-90 days category.

10.6 The two areas where legal discussions are ongoing are with The Freemantle Trust and Comer Homes. Adults are leading on the discussion with The Freemantle Trust. It is unclear at this stage when the matter is likely to be resolved.

10.7 Legal discussions continue with Comer Homes, who have asked for a without prejudice meeting with the Assistant Director of Estates.

10.8 Approval was received from the Policy and Resources Committee held in January 2020, to write off the balance owed by Deeya Ltd.

11 Reasons for Recommendations

11.1 The report provides an overview of the council's financial performance to Month 8 of the 2019/20 financial year as forecast at 30 November 2019. The report also provides a commentary on the strategic financial issues facing the council during the period.

12 Alternative options considered and not recommended

12.1 None.

13 Post decision implementation

13.1 As per Committee's instructions.

14 Implications of decision

14.1 Corporate Priorities and Performance

14.1.1 This supports the council's corporate priorities as expressed through the Corporate Plan for 2019-24 which sets out our vision and strategy for the next five years. This includes the **outcomes** we want to achieve for the borough, the **priorities** we will focus limited resources on, and our **approach** for how we will deliver this.

14.1.2 Our three outcomes for the borough focus on place, people and communities:

- a pleasant, well maintained borough that we protect and invest in
- our residents live happy, healthy, independent lives with the most vulnerable protected
- safe and strong communities where people get along well

14.1.3 The approach for delivering on this is underpinned by four strands; ensuring residents get a fair deal, maximising on opportunities, sharing responsibilities with the community and partners, and working effectively and efficiently

14.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

14.2.1 This report considers the financial position of the Council.

14.3 Social Value

14.3.1 None applicable to this report, however the council must take into account the requirements of the Public Services (Social Value) Act 2012 to try to maximise the social and local economic value it derives from its procurement spend. The Barnet living wage is an example of where the council has considered its social value powers.

14.4 Legal and Constitutional References

14.4.1 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.

14.4.2 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.

14.4.3 The council’s Constitution, Article 7 Committees, Forums, Working Groups and Partnerships, sets out the functions of the Financial Performance and Contracts Committee as being Responsible for the oversight and scrutiny of:

- The overall financial performance of the council
- The performance of services other than those which are the responsibility of the: Adults & Safeguarding Committee; Assets, Regeneration & Growth Committee; Children, Education & Safeguarding Committee; Community Leadership & Libraries Committee; Environment Committee; or Housing Committee
- The council’s major strategic contracts including (but not limited to):
 - Analysis of performance
 - Contract variations
 - Undertaking deep dives to review specific issues
 - Monitoring the trading position and financial stability of external providers
 - Making recommendations to the Policy & Resources Committee and/or theme committees on issues arising from the scrutiny of external providers
- At the request of the Policy & Resources Committee and/or theme committees consider matters relating to contract or supplier performance and other issues and making recommendations to the referring committee
- To consider any decisions of the West London Economic Prosperity Board which have been called in, in accordance with this Article.

14.4.4 The council’s Financial Regulations can be found at:

<https://barnet.moderngov.co.uk/documents/s49777/17FinancialRegulations.doc.pdf>

14.4.5 Section 2.4.3 of the Financial regulation states 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.

14.5 Risk Management

14.5.1 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.

14.5.2 The revised forecast level of balances needs to be considered in light of the financial performance reported.

14.6 Equalities and Diversity

14.6.1 The Equality Act 2010 requires organisations exercising public functions to demonstrate that due regard has been paid to equalities in:

- Elimination of unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advancement of equality of opportunity between people from different groups.
- Fostering of good relations between people from different groups.

14.6.2 The Equality Act 2010 identifies the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership, pregnancy and maternity; race; religion or belief; sex and sexual orientation.

14.6.3 In order to assist in meeting the duty the council will:

- Try to understand the diversity of our customers to improve our services.
- Consider the impact of our decisions on different groups to ensure they are fair.
- Mainstream equalities into business and financial planning and integrating equalities into everything we do.
- Learn more about Barnet's diverse communities by engaging with them.

This is also what we expect of our partners.

14.6.4 This is set out in the council's Equalities Policy together with our strategic Equalities Objective - as set out in the Corporate Plan - that citizens will be treated equally with understanding and respect; have equal opportunities and receive quality services provided to best value principles.

14.6.5 Progress against the performance measures we use is published on our website at: <https://barnet.moderngov.co.uk/documents/s52957/Appendix%204%20-%20Equalities%20Diversity%20and%20Inclusion%20Action%20Plan%20201920.pdf>

14.7 Corporate Parenting

14.7.1 In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. There are no implications for Corporate Parenting in relation to this report.

14.8 Consultation and Engagement

14.8.1 None in the context of this report

15 Insight

15.1 None in the context of this report

16 Background Papers

Meeting	Description	Link
Financial Performance and Contracts Committee Thursday 28 October 2019 7pm	7. Chief Finance Officer Report	https://barnet.moderngov.co.uk/ielistDocuments.aspx?CId=693&MId=9867
Financial Performance and Contracts Committee Thursday 3 October 2019 7pm	15. Oakleigh Depot Remedial Works and 19. Exempt part	https://barnet.moderngov.co.uk/ielistDocuments.aspx?CId=692&MId=9851&Ver=4
Financial Performance and Contracts Committee 19 June 2019 7pm	7 Chief Finance Officer report – Year End	https://barnet.moderngov.co.uk/ielistDocuments.aspx?CId=693&MId=9866&Ver=4
Policy and Resources Committee Thursday 3 October 2019 7.00 pm	8 Business Planning 2020-25 and Budget management 2019/20	https://barnet.moderngov.co.uk/ielistDocuments.aspx?CId=692&MId=9851&Ver=4
Council 5 th March 2019	11 Corporate Plan, Medium Term Financial Strategy 2019/24 and Budget for 2019/20	https://barnet.moderngov.co.uk/ielistDocuments.aspx?CId=162&MId=9456&Ver=4
Policy and Resources Committee Thursday 3 October 2019 7.00 pm Brexit paper to P&R 3 Oct	7 Brexit Preparedness	https://barnet.moderngov.co.uk/ielistDocuments.aspx?CId=692&MId=9851