

London Borough of Camden – 2017/18 Financial Outturn Report

July 2018

Summary of the Report:

This report provides an overview of the 2017/18 revenue and capital outturn positions, and details the recommended allocations of year-end balances to reserves. The report also presents the overall implications on the Council's reserve balances.

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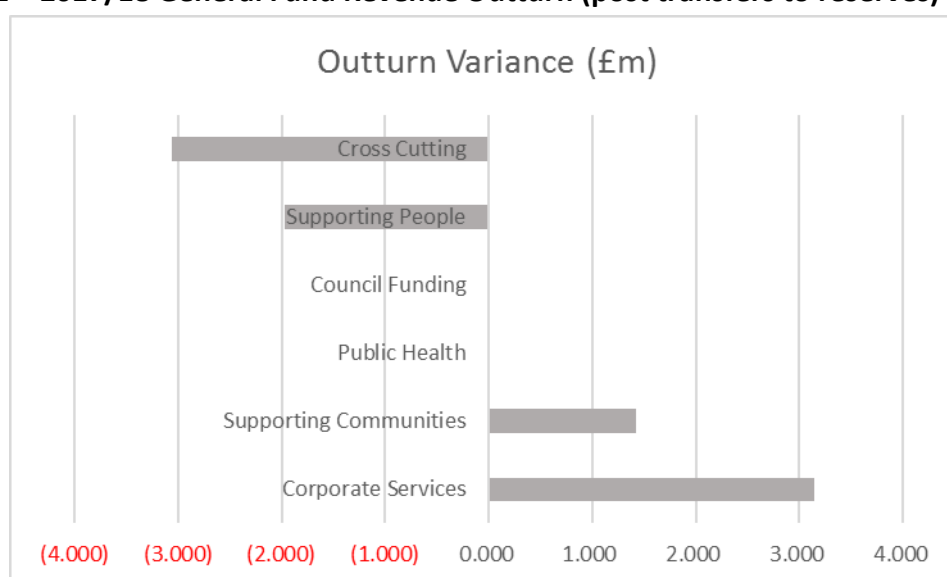
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1.0 INTRODUCTION

- 1.1. The following briefing gives the corporate outturn position for 2017/18 and provides details of proposed movements to Earmarked Reserves and the implications of these recommendations on the Council's reserves position.
- 1.2. Cabinet will be asked to note the allocations discussed in [Table 1](#) and [Section 3](#). These will form part of the MTFS report that will be submitted to Cabinet for approval in July.

2.0 REVENUE OUTTURN

Chart 1 – 2017/18 General Fund Revenue Outturn (post transfers to reserves) - £(0.484)m



- 2.1 The final General Fund outturn position is an underspend, before transfers to reserves, of £(9.307)m against the final budget. After taking into account agreed transfers to reserves the underspend is £(0.484)m. This sum will be transferred to the cost of change reserve. The outturn before and after transfers to reserves is shown in [Table 1](#) below.

Table 1 – 2017/18 Final General Fund Outturn including proposed transfers to reserves

	Full Year Budget	Outturn Pre-Reserves	Variance to Budget Pre-Reserves	Agreed Year End Transfers to Reserves	Variance to Budget Post-Reserves
	£000	£000	£000	£000	£000
Directorates:					
Supporting People	191,258	185,808	(5,450)	3,488	(1,962)
Supporting Communities	45,105	45,451	346	1,082	1,428
Corporate Services	(9,966)	(6,821)	3,145	0	3,145
Public Health	22,614	22,061	(553)	553	0

	Full Year Budget	Outturn Pre-Reserves	Variance to Budget Pre-Reserves	Agreed Year End Transfers to Reserves	Variance to Budget Post-Reserves
	£000	£000	£000	£000	£000
Cross-Cutting Budgets:					
Financing and Interest	3,402	4,243	841	0	841
Government Grants	(54,007)	(55,897)	(1,890)	1,900	10
Pensions	15,749	15,403	(346)	0	(346)
HRA Share of Corporate Support Services	1,888	0	(1,888)	0	(1,888)
Other Items	19,813	16,301	(3,512)	1,800	(1,712)
	235,856	226,549	(9,307)	8,823*	(484)

*excluding the transfer of £4.473 from Council Funding to the Business Rates Safety Net reserve

- 2.2 Whilst the final outturn position of £(0.484)m is favourable, there remain some on-going pressures in Supporting Communities which are structural in nature. These will need to be addressed during 2018/19 to ensure a more sustainable position in future years. These will be considered as part of the development of the Council next medium Term Financial Strategy.
- 2.3 Further detail on individual directorate variances, and on the outturn for the Housing Revenue Account (HRA) and ring-fenced schools funding budgets is provided in the commentary at [Appendix A](#).

3.0 PROPOSED ALLOCATIONS TO RESERVES

- 3.1 A number of reserve requests totalling £13.296m have been provisionally agreed by the Executive Director for Corporate Services. These will be submitted to July Cabinet for final approval. [Table 2](#) presents the proposed reserve allocations by Directorate and type.

Table 2 – Proposed Allocations to Reserves

	Funds held on behalf of other organisations	Grants unspent / Received in Advance	On-going Projects	Total Allocations
	£000	£000	£000	£000
Supporting People	862	972	1,654	3,488
Supporting Communities	38		1,044	1,082
Corporate Services				0
Public Health			553	553
Cross- Cutting Budgets		6,373	1,800	8,173
	900	7,345	5,051	13,296

- 3.2 Following allocation of the recommended contributions to reserves, there remains a general fund underspend of £(0.484)m. It is recommended that this year-end balance be allocated to the Cost of Change Reserve. With the volume of change in the Council, and the development of a new medium

term financial strategy, resources are needed to ensure this is done effectively in a planned way to support our objectives.

- 3.3 Comprehensive detail on individual directorate variances, and the outturn in the HRA and ring-fenced schools funding budgets, are available in [Appendix A](#).

4.0 CAPITAL OUTTURN

- 4.1 The outturn position for 2017/18 was expenditure of £189.8mm, which was £(12.9)m under the 2017/18 budget, as set out in [Table 3](#), below. For the most part this represents slippage of expenditure to future years rather than underspends in expected project outturn costs.

Table 3 – 2017/18 Final Capital Outturn

Service	2017/18 Budget £m	2017/18 Outturn £m	Outturn v Budget Variance £m	Outturn v Budget Variance %
Corporate Services - ICT	4.795	1.992	(2.803)	
Property Management	68.861	61.802	(7.059)	
Community Services	0.613	22.000	(0.591)	
Development	107.383	108.627	1.244	
Place Management	11.854	11.738	(0.116)	
Regeneration and Planning	9.191	5.629	(3.563)	
Total	202.697	189.810	(12.887)	(6%)

- 4.2 The principal drivers behind the variation from planned spend were:

- Estate Regeneration in Development division - £1.245m. The main contributors were:
 - Abbey phase 1 - £11.3m programme acceleration.
 - Parliament School – accelerated spend of £2.6m
 - Bacton low rise – £1.3m accelerated spend
 - Regents Park/HS2 - £(5.9)m due to scheme delay
 - Edith Neville school £(5.1m) scheme delay
 - Maiden Lane – £2.3m overspend
- Property Management - £(7.1)m represents slippage of £(14.1)m on the Better Homes programme and £10.4m spend on Chalcots which reflects the impact of diverting resources from the planned main programme to respond to fire safety works at Chalcots.
- Corporate Services (ICT) - £(2.8)m relating to delays in implementing the HR/Finance system, part of the Transformation Investment Portfolio.

- Community Services - £(0.6)m represents slippage in various libraries and sports centre works .
- Regeneration & Planning - £(3.0)m relates to a planned delay in the West End project to effect a change in procurement strategy.

4.3 A more detailed departmental analysis of the outturn is set out in [Appendix C](#).

4.4 To finance the agreed capital programme, the Council's receipts target for 2017/18 was set at £(185.4)m, with achieved receipts of £(114.3)m. In a number of cases slippage in CIP receipts followed the slippage in project expenditure. There was also slippage relating to a disposal as part of the Accommodation Strategy, which is also now expected in 2018/19. Further details on the receipts outturn is set out in [Appendix D](#).

5.0 STRATEGIC IMPLICATIONS OF REVENUE OUTTURN AND BALANCES

5.1 The final underspend represents 0.1% of the council's net General Fund budget. The underspend is significantly lower than it was in previous years, highlighting the cumulative impact of our budget reduction programmes since 2011/12 and arguably, increasing service pressures within areas of the council.

5.2 In that context, it is worth noting that the Council is developing a new medium term financial strategy for the years 2019/20 to 2021/22 which will need to deliver a minimum of a £40m.

5.3 Following the transfers made and proposed in 2017/18 earmarked reserves will see a net increase from £75.769m to £85.929m from 31st March 2017 to 31st March 2018.

Appendix A: 2017/18 Outturn Commentary

Sections A1 to A5 give details of the General Fund outturn position. Section A6 and A7 give detail of the DSG and HRA outturn positions respectively.

A1. Supporting People

The total variance for the Directorate, after any agreed movements to reserves, is an underspend of **£1.962m**. The main variances, by service, are detailed below:

- **Children's Safeguarding and Social Work Service:** had an underspend of (£0.1m).
 - o **The Children in Need Service** overspent by £0.199m, £0.138m of which was due to rent and temporary accommodation costs for No Recourse to Public Funds families. Client numbers have remained stable but rent costs have increased significantly. The remaining overspend was due to recruitment challenges resulting in the use of higher cost agency social workers to cover vacancies and maternity leave.
 - o **Children's Care Provision** is an under spend of £(0.565)m, primarily caused by additional grant income (£0.134m) and vacancies; which offset the £0.799m overspend on LAC placements primarily education/complex needs placements due to an increase in numbers and costs of this type of placement.
 - o **Great Ormond Street** had a small underspend of £(0.041)m
 - o **Children & Young People Disability Service** overspent by £0.317m caused by £0.174m over spend on salaries following recruitment and retention issues and £0.143m additional spend on short breaks.
- **Education (Achievement & Aspiration):** overspend of £0.665m. The main reason for the overspend was higher than budgeted for redundancy payments made to staff employed in schools.
- **Early Intervention & Prevention:** overspent by £0.145m. This was primarily due to work with complex families and a decision not to draw down reserves to cover these costs.
- **Adult Social Care:** Under spend of £(0.5)m. This reflects the impact of the adult social care transformation programme as a mechanism for managing the overall care system and containing demand pressures within the additional funds made available via the Adult Social Care precept.
- **Strategic & Joint Commissioning:** under spend of £(0.768)m. The primary causes of this underspend were efficient and effective use of the Carer's Development Fund £(0.200)m and a prior year adjustment of £(0.310)m in regard to mental health commissioning.
- **Housing Support Services:** underspend of £(1.547)m. The main contributor to this underspend is in Temporary Accommodation which underspent by

£(0.911)m due to finalising backdated lease payment negotiations and lower than anticipated repairs costs in hostels. The remainder of the underspend related to contracted savings delivered within the housing pathway

A2. Supporting Communities

The net variance at year end, after transfers to reserves, was an overspend of £1.428m. The main variances were:

- **Directorate Management:** Overspend of £0.320m due to the non-delivery of a saving on services for those not in employment, education or training.
- **Place Management:** Overspend of £0.627m. This primarily relates to Regulatory Services spending on additional food safety officer posts to fulfil statutory obligations. Building Control also overspent is due to an underachievement of statutory fee income which correlates with reduced planning application and land search fees.
- **Regeneration & Planning:** Overspend of £0.784m. The main contributors to the overspend are in the Development Management £0.609m and Transport Planning services £0.104m. Development Management have an on-going pressure against their statutory planning income and staff budgets as a result of unachievable MTFs savings. Transport Planning also have a number of income pressures as a result of a reduction in major projects and LIP funding from TFL over the past few years. A number of mitigations were identified through the division's finance project plan for 17/18 to reduce the overall pressure; this includes an ongoing contribution from the Section 106 Affordable Housing Fund of £0.150m and a 5% project management top-slice of S106 fees added to LIP schemes and other S106 funded schemes within Transport Planning.
- **Property Management:** Underspend of £(0.324)m. The CSF Property and Contracts Service is underspent by £(0.536)m post transfer to reserves, largely due to underspends related to the PFI schools as result of the low interest rate paid on capital repayments to the special purpose vehicle that operates the buildings. Corporate Property is underspent £(0.130)m due to receiving income of £(0.147)m for The Jubilee Waterside centre that wasn't planned for. These underspends were offset by Property Services staffing overspend of £0.270m and additional property security costs of £0.339m.

A3. Corporate Services

The net variance at year end, after transfers to reserves, is an over spend of £3.145m. The main variances by service were:

- **Customer Services:** Over spend of £2.639m. This reflects an underachievement of parking income of £2.445m, underachievement of registrars income of £0.179m together with an overspend in Contact Camden

due to delays to licensing project and the costs of the Customer Improvement Plan £0.431m as well as a Council Tax backlog of £0.253m. These have been partially mitigated by the underspend in Housing Benefit £(0.801)m caused by a reduced need to contribute to the bad debt provision.

- **Communications:** Overspend of £0.173m. This is mainly due to the underachievement of income within Creative Services.
- **Finance:** Overspend of £0.986m due to the costs of the fusion project.
- **Other Divisions within Corporate Services:** The other divisions within Corporate Services all have minor variances.

A4. Public Health

The final outturn, after transferring £0.553m to reserve is £0m. The main variances which enabled the reserves transfer were:

- **Sexual Health:** Underspend of £(0.170m) reflecting the impact of over estimation of prior year activity of Genito-Urinary Medicine (GUM) services. This is demand led activity and there are delays in the receipt of accurate information from the providers.
- **Substance Misuse:** Underspend of £(0.322)m. This is due to lower than anticipated pharmacy activity.
- **Smoking & Tobacco:** Underspend of £(0.113)m. The main causes of the underspend were GP activity and pharmacy costs being lower than expected.
- **Obesity & Physical Activity:** Underspend of £(0.126)m reflecting an overstated budget.
- **Children 5-19 Public Health Programmes:** Overspend of £0.172m. This is due to increase in the maternity nurse contract.

A5. Cross-cutting Budgets (General Fund)

The final outturn position for the cross-cutting corporate budgets, after any transfers to reserves, is an under spend of £(3.095)m. The main variances, by area, are:

- **Pensions:** underspend of £(0.346)m. The main contributor to the underspend was that the final calculation of the HRA:GF ratio regarding back funding resulted in an increased HRA contribution.
- **Minimum Revenue Provision (MRP):** underspend of £(0.663)m. This is because slippage in capital expenditure meant that the final balance of expenditure to be funded from borrowing in 2016/17 was lower than expected in 2017/18 budget setting.

- **London Living Wage:** underspend of £(0.402)m. In 2014, the council allocated funds to a central pot in respect of aiding existing council contracts transition to the London Living Wage. All agreed allocations from this project have been processed, leaving the fund with an outstanding balance to be offered up as an underspend.
- **HRA Recharge:** underspend of £(1.888)m. The final calculation of the HRA recharge resulted in a more favourable outcome than previously anticipated.
- **Interest Receivable and Payable:** overspend of £0.152m. The underachievement of income from investments relates to interest rates not increasing as much as initially anticipated following the Bank of England announcement in November 2017.
- **Government Grants:** overspend of £0.010m. Additional grants relating to business rates were received at year end. It was proposed and agreed that this business rates grant of £1.8m be transferred to reserves at year end in order to top up the business rates safety net reserve, which will be severely depleted in 2018/19 due to the business rates collection fund deficit.
- **Other Budgets:** overspend of £0.162m. Overspends in other budgets include the unachieved savings target for 2017/18 for the HR/Finance System project, due to the delayed launch of the system. The unachieved income maximization target is also a contributing factor. Additional transfers to reserve were also identified, including £1m in respect of organizational transformation, £0.5m in order to mitigate against the impact of the transition to universal credit and £0.3m towards libraries digital costs. This has been partially offset by underspends caused by overachievement of CIP income and an improved position in relation to the insurance recharge.

A6. Non-General Fund Budgets: Dedicated Schools Grant

Spending across the three DSG blocks, including spending by individual schools, was a net £3.02m above the government funding for the year. This required a draw-down from reserves which was £1.54m less than the planned at budget-setting.

DSG schools block - £0.178m use of reserves was within the £0.5m amount planned to maintain the level of funding to individual schools following funding reductions by the government.

DSG high needs block - £ 1.46 m use of reserves as a result of the forecast take up within the new responsibility for the 19 to 25 age group and a late £0.48m ESFA adjustments to High Needs DSG allocation relating to High Needs pupils paid centrally by ESFA at CHENEL (College of Haringey Enfield & North East London) for 2017/18. Forecasting spending continues to be challenging due to the uncertainty around this area.

DSG early years block - £ 1.378m use of reserves. In total, the Early Years' Service spent £1.378m more DSG than was allocated in the budget. This resulted in a net draw down from reserves of £1.378m. The over spend was in the main related to the additional costs incurred by the Early Years service as a result of the transition costs to the new government funding system from April 2017. These costs were however, lower than the anticipated £2.5m.

A7. Non-General Fund Budgets: Housing Revenue Account

The overall position for the HRA is a call on reserves of £7.3m. The main reason for the call on reserves was the extraordinary event of the evacuation of the Chalcots estate and all associated costs that amounted to **£20.7million**. This overspend was offset in part by a number of underspends across the HRA. The main variances in the HRA are detailed below.

HRA - Income

Income – Dwelling Rents

Income from Dwelling Rents is a minor overachievement of **£(0.063)m**.

Income – Other Rents

Income from other rents has underachieved by **£0.136m**, which is due mainly to a £0.300m under achievement of garage rents. This is due to delays with garage repairs meaning a number of garages are not in use resulting in reduced rent income. This is offset by minor overachievement in income.

Income – Charges for Services

Income from charges for services has overachieved by **£(0.741)m**. This additional income has arisen from overachievement of leaseholder income for major works and is partially offset by small under-achievements in income for various leaseholder service charges.

- **Major works income** overachieved by **£(3.743)m**. This is due in part to the actualisation of prior year bills. The income raised from major works depends on the pattern of better homes work across the stock and how much of the work can be recharged to leaseholders. The income raised from major works is used to fund the capital programme and therefore a debit equal to the major works income is made from non-departmental capital contribution budgets and so does not have an effect on the bottom line of the HRA.
- **Income from leaseholder revenue service charges** has underachieved by **£2.193m**. This relates to charges for insurance, management and repairs

being lower than had been budgeted for. Leaseholders are charged based on actual expenditure; lower than budget expenditure on repairs and insurance has led to a reduction in the amounts billed to leaseholders.

HRA - Expenditure

- **Resident Safety:** The Chalcots incident resulted in extraordinary expenditure of £20.7m. This was largely expenditure on accommodation for residents, security and waking watch at the blocks, and remedial repairs. This was unbudgeted expenditure and was funded from HRA reserves and underspends.
- **Property Services:** Underspend of (£2.35)m. This is made up of:

Repairs Management £(1.879)m

- The Sustainability Team underspent by £(0.408)m mainly due to capitalisation of costs on the aids and adaptations, heating, mechanical, ventilation and maintenance services thus resulting in underutilised budgets during the year.
- The repairs central communal cost area outturn has an underspend of £(1.518)m mainly due to underspends on dilapidation of £(0.926)m - there was an accrual of £0.546m processed in the previous financial year in relation to a claim being made against the council for Handel Mansions which was not required as the claim was recognised as a contingent liability. Other underspends occurred on insurance £(0.624)m - less claims were made against the council resulting in under-utilised budget.
- Repairs, shops and commercial is underspent by £(0.163)m mainly as a result of low demand for the repairs service during the year.
- Part of the underspends within the Repairs Management area are offset by an overspend of £0.227m within the Quality Assurance service. This is due to the team overspending on agency staff during the year because the service needed additional Fire Risk Assessment staff.

Repairs allocation £(0.468)m

- Repairs contingency is underspent by £(0.303)m because there were less claims made against the council in 17/18.

- Asbestos Removal underspent by **£(0.166)m**: asbestos removal is a reactive service and there was less activity during this financial year. This is not likely to have an impact on next year's outturn because the budget is reactive and the works taken place in this year does not have a direct implication on the amount of asbestos found next financial year.

Property Services **£(0.756)m**

- This is mainly due to Shops and Commercial rents overachieving on income mainly due to telecom leases which were not budgeted for. The service have increased their income target for the next financial year.

Better Homes Delivery **£1.471m**

- The variance is due to overspends within the Repairs Allocation service particularly responsive repairs which has overspent due to the service being demand led.

HRA - Cross cutting budgets

- **Interest payable:** **£(6.6)m** below budget due to lower borrowing levels than budgeted for and approximately £100m of the housing capital finance requirement being met from 'internal borrowing', in effect borrowing from the general fund, that attracts a lower interest rate payment.
- **PFI Contract Payments:** The expenditure relating to the evacuation of Chalcots was offset in part by an underspend of (£5.1m) on the PFIC contract for managing and maintaining the Chalcots Estate. This money was withheld a part of the contract mechanism for underperformance of the contract. During 2017/18 the Council continued to receive a grant payment of £6.8m.

Appendix B: 2017/18 Earmarked Reserves Movement

Earmarked Reserves	Actual Reserve 31/03/17	Total Planned Usage	Forecast Reserves 31/03/18	Proposed Movement to Reserve	Proposed Reserve Balance 31/03/18
	£m	£m	£m	£m	£m
Reserves to support key revenue budget outcomes					
Dedicated Schools Grant	7.339	(3.020)	4.319	-	4.319
Multi Year Budget Reserve	8.760	1.614	10.374	6.740	17.114
Education Commission	0.948	-	0.948	-	0.948
Supporting People Specific Reserves	2.570	-	2.570	-	2.570
	19.617	(1.406)	18.211	6.740	24.951
Reserves to support the councils service remodelling programme					
Workforce Remodelling/Cost of Change	5.729	(0.405)	5.324	0.484	5.808
Camden Plan	2.006	2.095	4.101	-	4.101
	7.735	1.690	9.425	0.484	9.909
Reserves to support on-going capital activity and asset management					
Future Capital Schemes	24.499	(3.670)	20.829	-	20.829
Commercial and other property	0.776	-	0.776	-	0.776
Haverstock PFI Funding Reserve	1.759	(0.130)	1.629	-	1.629
Schools PFI Equalisation Reserve	1.500	0.167	1.667	0.184	1.851
Building Schools for the Future	0.464	-	0.464	-	0.464
Accommodation Strategy	3.550	(0.272)	3.278	-	3.278
	32.548	(3.905)	28.643	0.184	28.827
Reserves to mitigate future corporate risk					
Self-Insurance Reserve	5.477	-	5.477	-	5.477
Contingency Reserve	1.512	-	1.512	-	1.512
Business Rates Safety Net	8.880	-	8.880	6.373	15.253
	15.869	-	15.869	6.373	22.242
Total Earmarked Reserves	75.769	(3.621)	72.148	13.781	85.929

Appendix C: Detail on 2017/18 Capital Variances

Directorate / Service	2017/18 Budget £m	2017/18 Outturn £m	Outturn v Budget Variance £m	Outturn v Budget Variance %
Development				
Accommodation Strategy	3,612	1,452	(2,160)	(60%)
Community Investment Programme	35,706	33,736	(1,970)	(6%)
Estate Regeneration	67,100	72,743	5,643	8%
HRA Hostels	965	697	(268)	(28%)
Division Total	107,383	108,628	1,245	1%
Community Services				
Sports Centres	527	22	(505)	(96%)
Libraries & Arts	86	0	(86)	(100%)
Division Total	613	22	(591)	(96%)
Property Management				
Better Homes (exc Chalcots)	57,186	42,258	(14,928)	(26%)
Development - Schools Funded	3,626	2,656	(970)	(27%)
Homes for Older People	3	6	3	100%
Planned Improvements - Non-Housing	3,669	4,261	592	16%
Other Schemes	4,377	2,180	(2,197)	(50%)
Chalcots Estate – Fire Safety	0	10,440	10,440	100%
Division Total	68,861	61,802	(7,059)	(10%)
Place Management				
Environment Services incl Depots	311	17	(294)	(95%)
Planned Improvements - Highways	7,978	7,635	(343)	(4%)
Green Spaces	1,817	2,194	377	21%
Schemes funded from Dev Cont.	1,738	1,892	154	9%
Division Total	11,854	11,738	(116)	(1%)
Regeneration and Planning				
Other Schemes	4,018	2,947	(1,071)	(27%)
Sustainability	1,173	531	(642)	(55%)
West End Project	4,000	2,151	(1,849)	(46%)
Division Total	9,191	5,629	(32,561)	(39%)
Corporate Services - ICT				
ICT Programme	4,795	1,992	(2,803)	(58%)
Division Total	4,795	1,992	(2,803)	(58%)
Programme Total	202,697	189,810	(12,887)	(6%)

Appendix D: Detail on 2017/18 Capital Receipts

	Target 2017/18 £m	Final position 2017/18 £m	Variance From Target £m	Variance From Target %
GF Disposals Programme	3,430	3,456	26	1%
Homes for Older People	9,760	0	(9,760)	(100%)
Accommodation Strategy	22,500	22,517	17	0%
General Fund sub-total	35,690	25,973	(9,717)	(27%)
HRA Small Sites	4,768	454	(4,314)	(90%)
Right to Buy (Camden's share)	3,566	3,430	(136)	(4%)
Right to Buy (retained receipts)	8,008	6,988	(1,020)	(13%)
Estate Regen. - Holly Lodge	10,170	7,011	(3,159)	(31%)
Estate Regen. - Chester/ Balmore	680	476	(205)	(30%)
Estate Receipts – Maiden lane	62,409	63,138	729	1%
Estate Regen. - Bacton Low Rise	10,000	3,517	(6,483)	(65%)
Estate Regen. – Bourne	3,000	1,717	(1,283)	(43%)
Estate Regen – Gospel Oak infill	1,000	0	(1,000)	(100%)
HS2 - Regents Park	45,120	59	(45,061)	(100%)
Camden/Plender St. - GF/HRA	1,027	1,548	520	51%
Housing Revenue Account sub-total	149,748	88,334	(61,410)	(41%)
Total	185,438	114,312	(71,126)	(38%)