

London Borough of Camden – 2018/19 Financial Outturn Report

June 2019

Summary of the Report:

This report provides an overview of the 2018/19 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.

Contact Officer:

Helen Gardiner

Head of Finance (Supporting People)

Telephone: 020 7974 1894

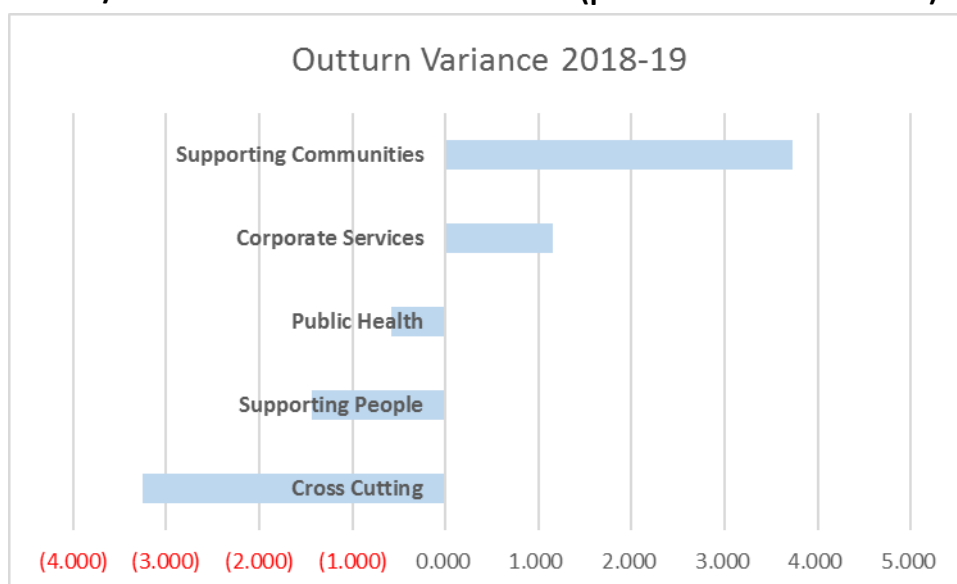
Email: Helen.Gardiner@Camden.gov.uk

1.0 INTRODUCTION

- 1.1. The following briefing gives the corporate outturn position for 2018/19 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 – 2018/19 General Fund Revenue Outturn (post transfers to reserves) - £(0.362)m



- 2.1 The final General Fund outturn position is an underspend, before transfers to reserves, of £(18.082)m against the final budget. After taking into account agreed transfers to reserves the underspend is £(0.362)m. This sum will be transferred to general balances. The outturn before and after transfers to reserves is shown in [Table 1](#) below.

Table 1 – 2018/19 Final General Fund Outturn including proposed transfers to reserves

Directorate	Full Year Budget £m	Outturn Pre-Reserves £m	Variance to Budget Pre-Reserves £m	Agreed Year End Transfers to Reserves £m	Variance to Budget Post-Reserves £m
Supporting People	203.454	197.076	(6.378)	4.948	(1.430)
Supporting Communities	70.047	72.817	2.770	0.961	3.731
Corporate Services	(9.043)	(7.885)	1.158		1.158
Public Health *	23.168	22.592	(0.576)		(0.576)
Ring Fenced funds **	0.000	(3.158)	(3.158)	3.158	0.000
Cross-Cutting Budgets	(61.186)	(73.084)	(11.898)	8.653	(3.245)
Total	226.440	208.358	(18.082)	17.720	(0.362)

* £ of public health spend included within other directorates

** ring fenced such as the dedicated schools grant

- 2.2 Whilst the final outturn position of £(0.362)m is favourable, there remain some on-going pressures in Supporting Communities which are structural in nature. These have been addressed as part of the 2019/22 medium term financial strategy. However the directorate will need to ensure cost control and delivery of the agreed reductions for 2019/20 to ensure a balanced outturn in future years.
- 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 £17.720m 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

	Council Priorities	Ring fenced funds	Capital Activity	Total Allocations
	£m	£m	£m	£m
Supporting People	1.448	3.115	3.500	8.063
Supporting Communities	0.544	0.021	0.417	0.982
Corporate Services		0.022		0.022
Cross- Cutting Budgets	8.653			8.653
	10.645	3.158	3.917	17.720

- 3.2 Following allocation of the recommended contributions to reserves, there remains a general fund underspend of £(0.362)m. It is recommended that this year-end balance be allocated to general balances. With the uncertainty of the delayed comprehensive spending review and fair funding review the Council faces an increasing risk from future funding reductions.
- 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 2018/19 was expenditure of £168.05m, which was £(80.066)m under the 2018/19 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 – 2018/19 Final Capital Outturn

Service	2018/19 Budget £m	2018/19 Outturn £m	Outturn v Budget Variance £m	Outturn v Budget Variance %
Community Services	0.725	0.078	(0.647)	
Development	98.304	87.327	(10.977)	
ICT Corporate Services	2.924	2.256	(0.668)	
Place Management	13.440	10.404	(3.036)	
Property Management	110.887	55.164	(55.723)	
Regeneration & Planning	22.430	12.820	(9.610)	
Total	248.710	168.050	(80.660)	(32%)

4.2 The principal drivers behind the major variations from planned spend were:

- Development division - £(10.977)m. The main contributors were:
 - Holmes Road – changes in phasing and project delays £(3.0)m
 - Charlie Ratchford delays £(2.0)m
 - Accommodation strategy £(1.2)m
 - Bacton phase 2 – £(1.0)m
 - Agar Grove buybacks delay - £(1.1)m
 - Regents Park HS2 LADS - £(2.5)m
- Place Management – slippage primarily caused by delays in delivering the Cemeteries Asset Plan and delays to s106 green spaces works
- Property Management -
 - Construction delays in the Better Homes programme. £(37.61)m. There have been significant delays to the planned M&E programme primarily to high value district heating replacements where a need for inclusive resident engagement has introduced delays through agreeing technical solutions and meeting leaseholder challenges. Many of these are now resolved and much more progress is expected in 2019/20.
 - The Chalcots scheme underspend at £(12.86)m mainly due to slower phasing of Phase 3 professional fees, which will materialise in 2019/20.
- Regeneration & Planning –
 - Slippage on the Cycle Grid schemes of £(1.5)m
 - Slippage of Neighbourhood and Corridor schemes of £(1.7)m
 - The West End project slipped £(4.70)m

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 General Funds receipts target for 2018/19 was set at £(50.4)m but protracted negotiations over three sales resulted in achieved receipts of £(0.209)m. Disposals are expected to complete in 2019/20. The HRA receipts target was set at £(96.040)m, with achieved receipts of

£(86.379)m. In a number of cases slippage in CIP receipts followed the slippage in project expenditure. 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 will be delivering 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 2018/19 earmarked reserves will see a net decrease of £(2.340)m to £84.072m from 31st March 2018 to 31st March 2019.

Appendix A: 2018/19 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 **£(1.430)m**. The main variances, by service, are detailed below:

- **Children's Safeguarding and Social Work Service:** had an underspend of £(0.309)m.
 - o **The Children in Need Service** overspent by £0.434m, primarily 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 underspend of £(0.869)m, due to vacancies beheld prior to the creation of the regional adoption agency and underspends in the care pathway caused by the variability in Looked After Children numbers.
- **Education (Achievement & Aspiration):** overspend of £0.546m. The main reason for the overspend was higher than budgeted for redundancy payments made to staff employed in schools.
- **Early Intervention & Prevention:** overspent by £0.081m. This was primarily due to work with complex families and a decision not to draw down reserves to cover these costs.
- **Adult Social Care:** Underspend of £(0.6)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:** underspend of £(0.668)m. The primary causes of this underspend were staffing vacancies, a review of contracts and the decommissioning services as early delivery of the 2019/20 MTFS plan.
- **Housing Support Services:** underspend of £(0.333)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 £3.730. The main variances were:

- **Directorate Management:** Overspend of £0.257m due to the non-delivery of a saving on services for those not in employment, education or training. This has been resolved in the 2019/20 budget.
- **Place Management:** Overspend of £0.793m. 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.
- **Community Services:** Overspend of £0.356m This is primarily due unachieved income in Library services and unachieved MTFS savings in Events services offset by staffing underspends in the Community partnership Team,
- **Regeneration & Planning:** Overspend of £1.377m. The main contributors to the overspend are in the Development Management £1.138m and Transport Planning services £0.479m. 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.
- **Property Management:** Overspend of £0.804m. This is primarily due to a shortfall in commercial income of £0.522m together with an increased bad debt charge of £0.170m.

A3. Corporate Services

The net variance at year end, after transfers to reserves, is an overspend of £1.158m. The main variances by service were:

- **Customer Services:** Underspend of £(0.680)m. This reflects an improvement in PCN income.
- **ICT:** Overspend of £1.589m. Due to the impact of the cessation of the shared service arrangement.
- **Finance:** Overspend of £0.812m 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, in the Public Health Directorate is an underspend of £(0.576)m due to a combination of staffing underspends and a reduction in the cost of smoking and tobacco cessation services. However this underspend has been offset by additional public health expenditure in the Communities and Supporting People Directorates, such that the full public health grant has been expended in year.

A5. Cross-cutting Budgets (General Fund)

The final outturn position for the cross-cutting corporate budgets, after any transfers to reserves, is an underspend of £(3.210)m. The main variances, by area, are:

- **Pensions:** underspend of £(0.276)m. The main contributor to this underspend was that the final calculation of the HRA: GF ratio regarding back funding resulted in an increased HRA allocation.
- **Minimum Revenue Provision (MRP):** underspend of £(1.245)m. This is because of slippage in capital expenditure programme which caused the Capital Financing Requirement to be lower than expected.
- **HRA Recharge:** underspend of £(0.496)m reflecting a shift in the anticipated balance of expenditure between the HRA and general fund.
- **Interest Receivable and Payable:** underspend of £(0.913)m. This is due to a combination of lower than expected advisory costs and a new interest charge to Camden Living.
- **Government Grants:** underspend of £(0.119)m. Additional allocation from the schools block due to a reduction in the ESG grant funding to assist with costs. This will be swept up in the council wide over/underspend.
- **Levies:** underspend of £(0.116)m. Budgets are usually set on estimates if figures not confirmed by budget set deadline. This has led to the variance for 18/19.
- **Other Budgets:** underspend of £(0.043)m. No major variance.

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 overspend 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 contribution to reserves of £2.261m. The main variances in the HRA are detailed below.

HRA - Income

Income – Dwelling Rents

Income from Dwelling Rents is a minor underachievement £0.503m

Income – Other Rents

Income from other rents has underachieved by £0.355m, which is due to an underachievement of garage rental income.

Income – Charges for Services

Income from charges for services has underachieved by £5.124m. This relates to an underachievement of leaseholder income for major works reflecting the level of planned works (for which leaseholders had been billed) which have not started.

HRA - Expenditure

Property Services: Overspend of £3.570m. This main areas of overspend were:

- This reflects the impact of higher specification for Better Homes works £1.666m.
- High agency and consultancy costs in property management £0.803m
- Fire safety works of £0.970m

Resident Safety: Overspend of £11.832m. This main areas of overspend were:

- Fire safety work at the Chalcot estate, internal works and onsite security - £10.168m.
- Fire risk assessment - £1.462m additional staff on housing estates and fire safety consultancy

HRA - Cross cutting budgets - £(23.794)m

- PFI Contract Payments (Chalcots) - £10.5m
- Underspend on the interest budget due to lower than anticipated requirement for external borrowing to fund capital.

Appendix B: 2018/19 Earmarked Reserves Movement

Earmarked Reserves	Actual Reserve 01.04.18	Total Planned Usage	Forecast Reserves 31.03.19	Proposed Movement to Reserve	Proposed Reserve Balance 31.03.19
	£m	£m	£m	£m	£m
Reserves to support Council Priorities					
Multiyear & people specific reserves	16.723	0.006	16.729	8.309	25.038
Cost of Change/Camden Plan	10.393	0.986	11.379	2.336	13.715
	27.116	0.992	28.108	10.645	38.753
Reserves with conditions					
Dedicated Schools Grant	4.320	(1.739)	2.581	1.999	4.580
Multiyear budget reserve	3.907	(2.114)	1.793	1.159	2.952
	8.227	(3.853)	4.374	3.158	7.532
Reserves to support on-going capital activity and asset management					
Future Capital Schemes	20.830	(4.584)	16.246	3.500	19.746
Commercial and other property	0.776		0.776		0.776
Haverstock PFI Funding Reserve	1.629	(0.130)	1.499		1.499
Schools PFI Equalisation Reserve	1.851	0.167	2.018		2.018
Building Schools for the Future	0.464		0.464		0.464
Accommodation Strategy	3.278	(0.150)	3.128	0.417	3.545
	28.827	(4.697)	24.130	3.917	28.047
Reserves to manage future risk					
Self-Insurance Reserve	5.477	(0.977)	4.500		4.500
Contingency Reserve	1.512	(1.512)	0.000		0.000
Business Rates Safety Net	15.253	(10.012)	5.241		5.241
	22.242	(12.501)	9.741	0.000	9.741
Total Earmarked Reserves	86.412	(20.059)	66.353	17.720	84.073

Appendix C: Detail on 2017/18 Capital Variances

SERVICE AREA	2018/19 Budget	2018/19 Outturn	2018/19 Variance
	£m	£m	£m
Sports Centres	0.339	0.052	(0.287)
Libraries	0.386	0.026	(0.360)
Subtotal - Community Services	0.725	0.078	(0.647)
ICT	2.924	2.256	(0.668)
Subtotal - ICT	2.924	2.256	(0.668)
Accommodation Strategy	6.649	5.483	(1.166)
Community Investment Programme	90.837	81.629	(9.208)
HRA Hostels	0.818	0.215	(0.603)
Subtotal - Development	98.304	87.327	(10.977)
Planned Improvements - Highways	7.743	7.980	0.237
Green Spaces	3.484	1.318	(2.166)
Environment Services including Depots	0.385	0.006	(0.379)
Schemes funded from Developers contributions	1.828	1.100	(0.728)
Subtotal - Place Management	13.440	10.404	(3.036)
Better Homes	74.700	37.093	(37.607)
Development - Schools Funded	3.173	2.175	(0.998)
Planned Improvements - Non-Housing	7.804	4.257	(3.547)
Property Management Other Schemes	8.210	7.503	(0.707)
Chalcot Estate - Fire Safety	17.000	4.136	(12.864)
Subtotal - Property Management	110.887	55.165	(55.723)
Corridors & Neighbourhoods	4.553	2.800	(1.753)
West End Project	11.876	7.173	(4.703)
Sustainability	2.504	1.670	(0.834)
Time Charged	3.497	1.176	(2.321)
Subtotal - Regeneration & Planning	22.430	12.820	(9.610)
Capital Programme	248.71	168.05	(80.661)

Appendix D: Detail on 2018/19 Capital Receipts

	Target 2018/19 £m	Final position 2018/19 £m	Variance From Target £m	Variance From Target %
GF Disposals Programme	(3.650)	(0.209)	3.441	
Homes for Older People	(17.600)	0.000	17.600	
Accommodation Strategy	(29.150)	0.000	29.150	
General Fund sub-total	(50.400)	(0.209)	50.191	100%
HRA Small Sites	(1.355)	(1.244)	0.111	
Right to Buy (Camden's Share)	(1.941)	(2.617)	(0.676)	
Right to Buy (Retained Receipts)	(4.504)	(2.058)	2.446	
Estate Regen. - Holly Lodge	(3.101)	(0.190)	2.911	
Estate Regen. - Maiden Lane	(17.789)	(9.286)	8.503	
Estate Regen. - Bacton Low Rise	(4.483)	(5.926)	(1.443)	
Estate Regen. - Abbey	0	0.000	0	
Estate Regen. - Bourne	(12.455)	(14.475)	(2.020)	
Estate Regen. - Agar	0	0.000	0	
Estate Regen. - Gospel Oak Infill	(2.218)	(2.193)	0.025	
HS2 - Regents Park	(48.194)	(48.391)	(0.197)	
Housing Revenue Account sub-total	(96.040)	(86.380)	9.660	10%
Total	(146.440)	(114,312)	59.851	41%