2016/17

London Borough of Camden

Financial Outturn Forecast

Month 9 – December 2016

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London Borough of Camden

Corporate Report

Month 9 – December 2016

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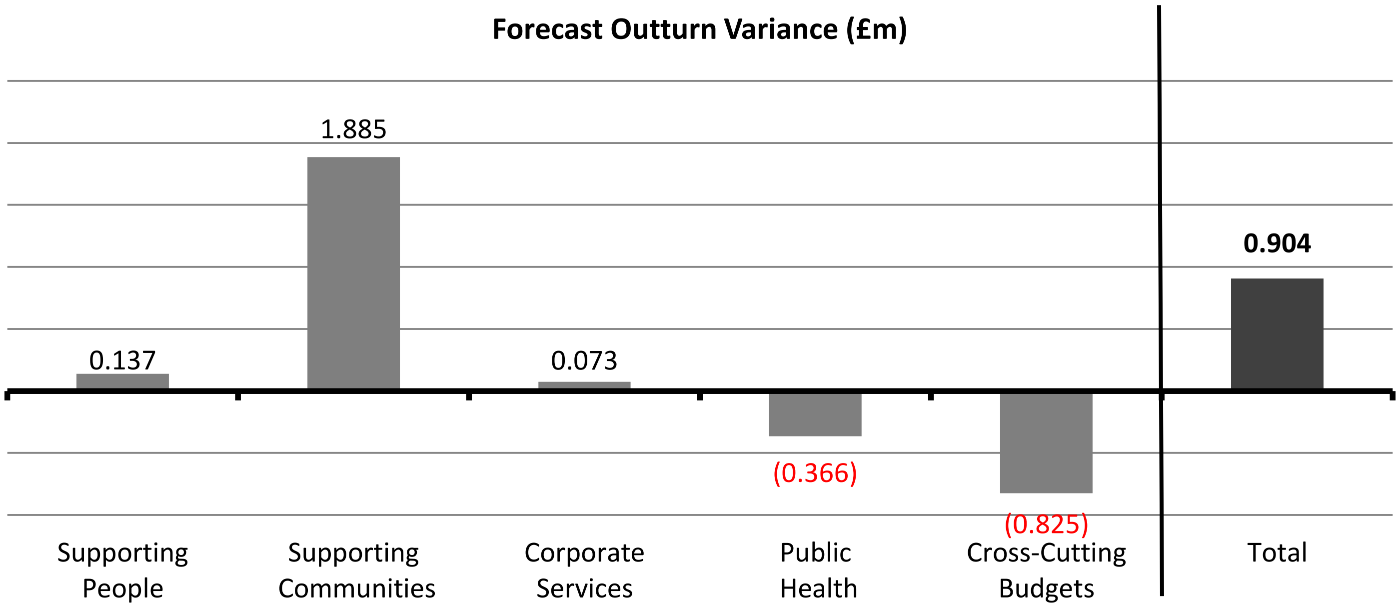
1. General Fund Headlines



	Supporting People	Supporting Communities	Corporate Services	Public Health	Cross-Cutting Budgets	Total
Budget (£m)	161.602	68.685	23.490	25.350	(55.123)	**224.004**
Forecast Outturn (£m)	161.739	70.570	23.563	24.984	(55.948)	**224.908**
Forecast Outturn Variance (£m)	**0.137**	**1.885**	**0.073**	**(0.366)**	**(0.825)**	**0.904**
Forecast Outturn Variance (%)	0.1%	2.7%	0.3%	(1.4)%	(1.5)%	**0.4%**

Summary – General Fund

The authority is forecasting a net overspend on the **General Fund (GF)** at **Month 9** of **£0.9m**. The main variations are:

Supporting Communities - Net overspend of **£1.9m.** £1.7m of this pressure relates to MTFS savings of which £1.0m is due to delays in implementation although £0.8m expected to be resolved in 2017/18. The main areas forecasting pressures are Development Management (£0.8m), Property Services (£0.1m) and Community Safety (£0.5m). The remaining £0.5m is due to one off legal costs in both Property Services and Engineering Services. Property services are reviewing future income options for 5PS and the Town Hall project will consider the ongoing costs within the Business Case for Town Hall refurbishment under the Accommodation Strategy. Work continues in Development Management to understand the root causes of the income pressure and identify possible solutions.

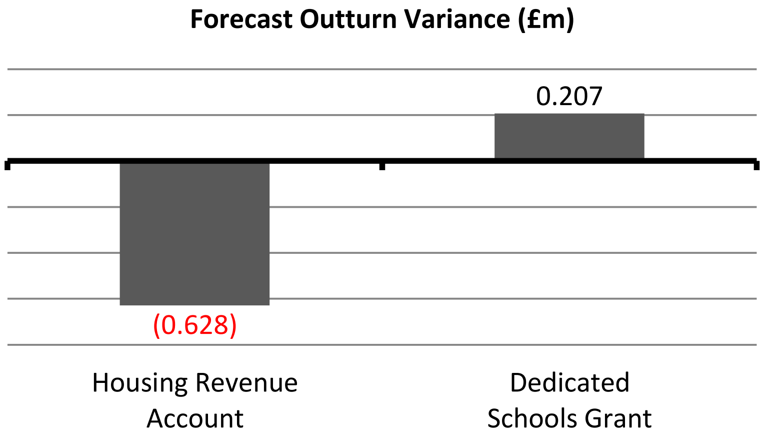
Supporting People - Net overspend of **£0.1m.** The main contributors to the overspend are: Adult Social Care and Education, Achievement & Aspiration. These over-spends are partly offset by under-spends in Strategic and Joint Commissioning and Housing Support Services. The reasons for the overspend in Adult Social Care are the under achievement of MTFS savings, particularly with regard to bad debt, and a combination of high cost packages and lower numbers leaving care than anticipated. The overspend in Education Achievement & Aspiration is due to the continued pressure of redundancy costs in schools. The forecast underspend in Strategic & Joint Commissioning is a result of the early delivery of MTFS savings and a downward trend in client numbers. The forecast underspend for Housing Support Services is a result of increased HMO (Houses of Multiple Occupation) licence income. It should be noted that the department continues to face a range of pressures on its budget and a range of mitigating actions has been required to achieve the current forecast position, including the use of external grant income and eligible one-off reserves.

Corporate Services - Net overspend of **less than £0.1m**. The largest overspend within the directorate relates to the ICT Shared Service, which is mainly the result of costs relating to buildings which were due to be disposed of as part of the accommodation strategy, but have remained open. There are also overspends in Law & Governance and Communications. These overspends are largely net off against an overachievement of income from Parking.

Public Health - Net underspend of **£(0.4)m** which reflects the early delivery of Substance Misuse and MTFS savings due to savings on contracts and low activity from residential providers.

Cross-Cutting Budgets - Net Underspend of **£(0.8)m**. This is primarily caused by a revised calculation of the HRA contribution to the back funding pension fund, resulting in an increased contribution and therefore a variance of £(0.5)m. Interest receivable rates have been hit by the reduction in the Bank of England base rate following the EU referendum, causing an adverse variance of £0.5m. This is partly offset by interest payable forecast improving by £(0.2)m for the same reason.

2. Non-General Fund Headlines



	Housing Revenue Account	Dedicated Schools Grant
Budget (£m)	194.876	162.801
Forecast Outturn (£m)	194.248	163.008
Forecast Outturn Variance (£m)	**(0.628)**	**0.207**
Forecast Outturn Variance (%)	(0.3)%	0.1%

Summary – Non-General Fund

The authority is forecasting a net underspend on Housing Revenue Account balances and an overspend on the Dedicated Schools Grant.

Housing Revenue Account (HRA) - The forecast position on the HRA is a return to reserves of **£(0.6)m.** This is due to a number of offsetting variances with overspends expected in repairs management of £1.8m being offset by lower than budgeted costs in relation to interest payments and surplus dwelling rent. This is a result of lower levels of borrowing and higher achievement on rental income due to re-letting at target rent, lower levels of right to buy sales and a lower level of voids weeks.

Dedicated Schools Grant (DSG) - Forecasting a **£0.2m** overspend. This will be covered by a drawdown from reserves at year end.

3. General Fund Significant Variances (Over £0.5m)

Directorate	Service	Issue	Month 9 Variance £m	Budget £m	Cause	Action
Supporting Communities	Regeneration & Planning - Development Management	Under achievement of Planning Application Income Overspend on staffing resources related to delayed savings and use of additional staff.	0.840	(1.248)	These pressures are mainly in relation to the statutory planning function where it is widely acknowledged nationally that current planning fees (which are set by central government) are insufficient to cover costs. There are further pressures for 2016/17 in relation to changes to adjoining notice letters as a result of the decision being called in resulting in implementation being delayed until October.	Service and Finance will be reviewing performance and income forecast models for Pre Applications and Planning Fees. Service is working towards reducing the use of additional staff without impacting negatively on the service's ability to meet KPIs associated with various planning applications.
Supporting Communities	Property Management - Property Services	Numerous Overspends	0.840	15.671	Property Services has incurred significant overspends in relation to responsive repairs, security, business rates and one-off legal costs.	Work is ongoing to revise impact of anticipated Business Rates uplift and to consider the long term treatment of this for the Corporate property portfolio as part of the Accommodation Strategy. It has been provisionally agreed that one-off legal fees of £0.080m and a business rates pressure of £0.260m will be funded from the accommodation strategy reserve which will bring the overspend down to £0.500m. The service is actively monitoring the expenditure on the variable repairs.

Directorate	Service	Issue	Month 9 Variance £m	Budget £m	Cause	Action
Supporting People	Adult Social Care - Bad Debt Provision	The recovery plan assumed debt management allowed for a reduction in the bad debt provision of £0.500m. However, current debt figures suggest that an additional contribution of £0.683m to the bad debt provision will be required by the end of the year.	1.183	(0.500)	The levels of reported debt indicate that debt management processes and procedures are not having the expected impact.	Work will continue to try to improve the position however, any residual overspend at the end of the year will have to be covered by a drawdown by Adult Social Care specific and general reserves.
Supporting People	Adult Social Care - Safeguarding & Care Management Care Purchasing	High cost care packages, low leaver rates and potential base pressures.	1.548	28.472	Leaver rates are lower than previously anticipated. It also appears there are a significant number of high cost packages and limited intermediate care solutions which if implemented could potentially reduce the long term commitments.	Work will continue to try and improve the position, however, any residual overspend at the end of the year will have to be covered by a drawdown from Adult Social Care specific and general reserves.
Supporting People	Education (Achievement & Aspiration)	Pressure on the Schools Redundancies and Pension costs.	0.868	0.377	Increased redundancies in schools	This pressure is being partly offset by the use of reserve resources (£0.400m) set aside to manage potential difficulty within schools.
Cross-Cutting Budgets	Pensions Backfunding	Recalculation of HRA contribution to the pension fund backfunding	(0.529)	16.329	In reviewing the HRA:GF ratio for pensions, there has been a requirement to increase the HRA contribution to the general fund, resulting in £(0.529)m increase to the back funding pension fund.	Monitor any changes to pensions back funding contributions and reflect latest ratio in 2017/18 budget setting.

Directorate	Service	Issue	Month 9 Variance £m	Budget £m	Cause	Action
Cross-Cutting Budgets	Interest Receivable	Changes to base rate negatively impacting forecast	0.545	(1.754)	Changes to interest base rates have significantly changed the interest receivable forecast this year, and are expected to impact in future years. The charge for internal borrowing due from the HRA has also been re-evaluated. This variance is partially offset by the interest payable forecast variance of £(0.194)m.	Continue monitoring interest forecasts

4. Non-General Fund Significant Variances

Directorate	Service	Issue	Month 9 Variance £m	Budget £m	Cause	Action
Housing Revenue Account (HRA)	Leaseholder Services	Dwelling rent	(0.729)	(131.271)	The forecast number of right to buys sales is 85 which is much lower than the 175 assumed when the budget was set. The number of void rent weeks is lower than the assumed void rate of 3% the budget was based on.	The service is working with Finance to better use activity information such as RTB sales and voids weeks to understand the drivers behind rent income and inform forecasts.
Housing Revenue Account (HRA)	Better Homes Delivery	Overspend	1.830	37.604	The service are forecasting an overspend within Responsive Repairs. The overspends are due to Occupational Therapy Housing adaptions £0.281m, Responsive repairs £0.327m, Major repairs £1.590m and Housing Responsive repairs £0.096m. The above services are demand led and subject to reported instances of need.	The service are forecasting an overspend of £1.830m if demand continues to rise in line with the recent trend, and there is no change in service response. Potential mitigations could include a delay in spending through a more planned approach to repairs, including introduction of a waiting list.

5. General Fund Risks

Directorate	Service	Risk	Likelihood/Mitigations	Financial Risk £m
Supporting People	Adult Social Care - Safeguarding & Care Management	Investigations have shown that Care Home costs may not be recorded correctly in all cases. This has a potentially adverse effect on the accuracy of the forecast.	Investigations are on-going in order to establish that both the placement and financial data currently recorded on the Adult Social Care system are accurate. So far, these investigations have centred on placement data. The next stage will be to review the financial data. This will be continued as part of the business process review. There is a possibility that the forecast could be up to a million pounds over or under-stated (based on 10% of the Homecare budget).	Not Quantifiable
Supporting People	Adult Social Care - Safeguarding & Care Management	There is a risk that the full value of Free Nursing Care Income has not been fully included in the forecast.	Work is currently being undertaken to reconcile the data sets. This work should be completed by the next reporting period which will result in both a more robust forecast, and assurance that all relevant income has been invoiced for.	(0.300)

6. Non-General Fund Risks

Directorate	Service	Risk	Likelihood/Mitigations	Financial Risk £m
Housing Revenue Account (HRA)	HRA Repairs	The Service continues to face rising and ongoing demand for repairs and other property related expenditure.	The Council mobilised new contracts for its mechanical and electrical services in 2016/17 and tender prices saw some reductions in certain areas of operation such as electrical works. This allowed some other budget headings to be increased slightly to help address areas of pressure. That said the repairs allocation budgets will require very close monitoring in the following areas – Occupational Therapy adaptations (corporate work underway to consider approach and funding sources), major repair commitments and void works. The indications are at present that outturn in 2016/17 will be lower than in 2015/16, this subject to demand that occurs from month 6 onwards. Discrete factors include an accrual made in 2015/16 for potential contractor claims (£0.470m) and individual heating replacement costs that were not capitalised in 2015/16 due to a technical issue (£0.500m).	3.000 - 5.000

7. Capital Forecast Outturn

The forecast outturn for the year as at month 9 is £188.4m, which is £(35.0)m (16%) below the budget of £223.5m. The majority of this relates to delays in schemes within Development, and Property Management.

2016/17 Forecast Capital Outturn	2016/17 Budget £m	2016/17 Forecast Outturn £m	2016/17 Variance from Budget £m	2016/17 Variance from Budget %
Public Health	-	-	-	-
Corporate Services - ICT	**4.988**	**4.823**	**(0.165)**	**(3.3)%**
Supporting Communities - Property Management	73.966	66.513	(7.453)	(10.1)%
Supporting Communities - Community Services	3.827	2.222	(1.605)	(41.9)%
Supporting Communities - Development	109.150	88.277	(20.873)	(19.1)%
Supporting Communities - Place Management	20.983	20.172	(0.811)	(3.9)%
Supporting Communities - Regeneration & Planning	10.577	6.438	(4.139)	(39.1)%
Supporting Communities Total	**218.503**	**183.622**	**(34.881)**	**(16.0)%**
Total	**223.491**	**188.445**	**(35.046)**	**(15.7)%**

ICT - are currently forecasting relatively in-line with the £5.0m budget, but spend to date figures of £1.7m are 50% behind the profiled budget as at month 9. A number of schemes are now forecasting slightly lower expenditure in 2016/17.

Property Management - are currently forecasting 10% behind budget, with spend to date figures of £40.5m. Close monitoring of the Better Homes Programme schemes will be necessary as this makes up the majority of the budget.

Community Services - are currently forecasting 42% behind budget, as a result of slippage into future years for the Euston Road combined heating and power schemes, and the Cemeteries schemes.

Development - are currently forecasting an underspend of £(20.9)m, which is 19% behind budget. The majority of the underspend relates to a number of Estate Regeneration schemes, where delays have meant that expenditure will slip into future years (Abbey Road, Bourne Estate, Maiden Lane, Gospel Oak Infill, and Regents Park HS2).

Place Management - are currently forecasting relatively in-line with the £21m budget. Spend to date figures of £4.6m are 40% behind the profiled budget as at month 9. However Environment Services are forecasting that the new waste contract budget of £9.6m, which was recently added to the Environment Services 2016/17 budget, will be mostly spent in 2016/17 as new vehicles will be purchased for the new contract which begins on the 1 April 2017.

Regeneration & Planning - are currently forecasting 39% behind budget. This is as a result of slippage in the West End scheme, and the TfL funded Principal Road renewal schemes into future years, due to a number of the time charged schemes being put on hold or delayed as a result of consultations.

8. Capital Receipts

To finance the agreed capital programme, the Council has a substantial receipts target in the current and future years. In 2016/17, the Council has a target of £92.3m to be received from the disposal of assets. The current forecast is £57.9m, which is £(34.4)m (35%) below target. The delays in the completion of the sale of 156 West End Lane account for £(23.0)m of this with the rest of the slippage being attributable to the delays in the Holly Lodge, Chester Balmore and Bacton Low Rise receipts. It is now anticipated that all of these receipts will be achieved in 2017/18.

The key risk concerns the amount and timing of Estate Regeneration scheme receipts which make up the bulk of the capital receipts target for future years. Whilst fears of a huge economic crash after the Brexit vote have not yet been realised, uncertainty still exists due to anxiety about the Brexit process and stamp duty changes so the market is expected to slow in 2017 with some fall in prices predicted by property market experts. Slippage in the delivery of the residential developments so as to realise the target sales receipts is a key concern and there continue to be delays on site reported in a number of projects. The Council Tax setting report explains how the Council seeks to manage these risks through a combination of prudent budgeting, regular business case review, multi-phase contracts, and the ability to increase the proportion of private sale units should economic conditions make this necessary.

Capital Receipts	Target £m	Forecast Income £m	Variance to Target £m
General Fund			
GF Disposals Programme	4.230	0.800	(3.430)
Homes for Older People (HOPS)	10.500	10.800	0.300
Accommodation Strategy	23.000	-	(23.000)
General Fund Total	**37.730**	**11.600**	**(26.130)**
Housing Revenue Account			
HRA Small Sites	0.679	0.260	(0.419)
Right to Buy (Camden's share)	1.922	1.922	-
Right to Buy (retained receipts)	10.677	14.500	3.823
Estate Regen. - Holly Lodge	7.109	2.109	(5.000)
Estate Regen. - Chester Balmore	0.680	-	(0.680)
Estate Regen. - Bacton Low Rise	5.000	-	(5.000)
HS2 - Regents Park	0.485	0.485	-
Camden/Plender St. (GF and HRA)	16.770	15.742	(1.028)
Wells Court	11.275	11.275	-
HRA Total	**54.597**	**46.293**	**(8.304)**
Total	**92.327**	**57.893**	**(34.434)**