London Borough of Camden

2016/17 Financial Outturn Forecast

Month 7 – October 2016

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London Borough of Camden

Corporate Report

Month 7 – October 2016

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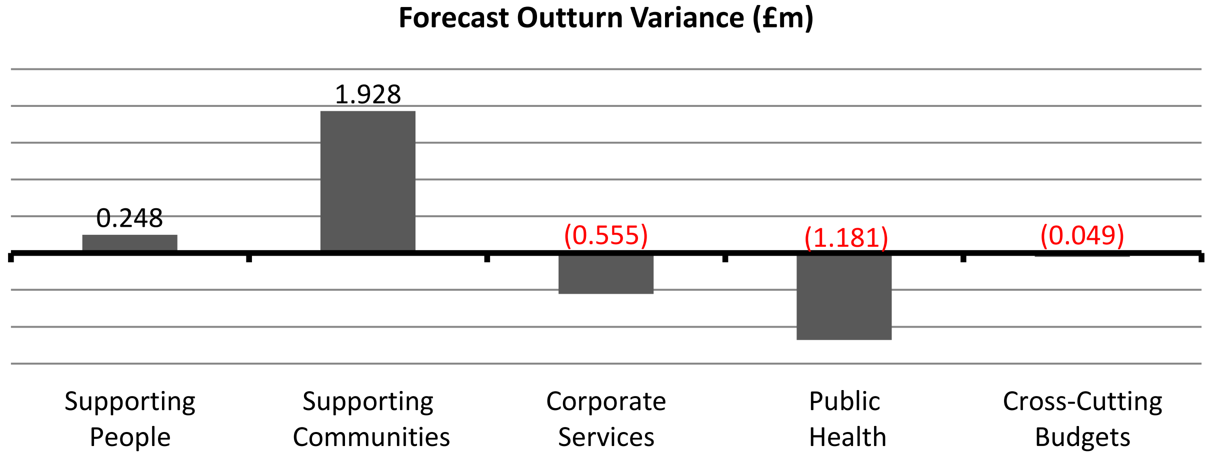


	Supporting People	Supporting Communities	Corporate Services	Public Health	Cross-Cutting Budgets	Total
Budget (£m)	161.333	67.976	22.310	25.020	(52.635)	**224.004**
Forecast Outturn (£m)	161.581	69.904	21.755	23.839	(52.684)	**224.395**
Forecast Outturn Variance (£m)	**0.248**	**1.928**	**(0.555)**	**(1.181)**	**(0.049)**	**0.391**
Forecast Outturn Variance (%)	0.2%	2.8%	(2.5)%	(4.7)%	(0.1)%	**0.2%**

Summary – General Fund

The authority is forecasting a net overspend on the General Fund (GF) at Month 7 of £0.4m. The main variations are:

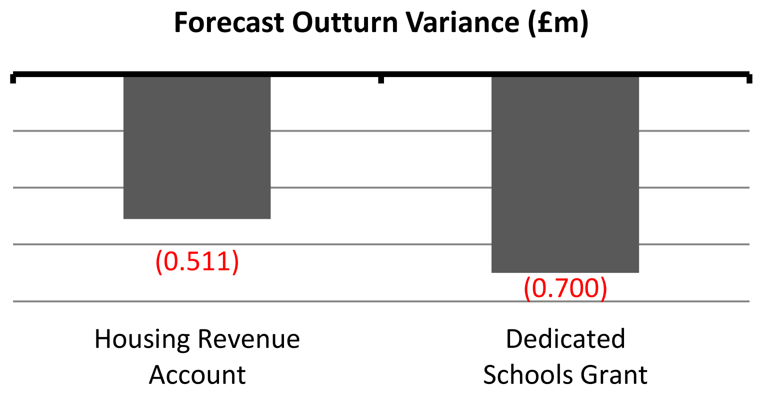
Supporting Communities - Net overspend of £1.9m. £1.0m of this pressure is due to delays in implementation of savings programmes including crime reduction projects which are now through consultation, a call in for the stopping of sending adjoining notice letters in relation to planning applications and a restructure in Regulatory Services now due to be implemented in April 2017. The delayed savings mainly represent a pressure for 2016/17. Of the remaining pressure, £0.6m is a result of numerous smaller pressures in services such as Development Management and Library Services.

Supporting People - Net overspend of £0.2m. The main contributors are: overspends in Adult Social Care and Education Achievement & Aspiration of £0.6m and £0.5m respectively. The overspend in Adult Social Care is the result of increased staffing costs and an under achievement of MTFS savings. The overspend in Education is due to higher than expected redundancy costs in schools. These overspends are partially offset by forecast underspends in Early Intervention & Prevention and Children's Safeguarding & Social Work of £(0.6)m and £(0.3)m respectively. The underspend in Early Intervention is the result of early delivery of savings associated with the re-modelling of the Children's' Centres and the underspend in Children's Safeguarding is related to staff vacancies and over-achievement of income.

Public Health - Net underspend of £(1.2)m. The main contributors to the underspend is in respect of early delivery of Substance Misuse and MTFS savings from contracts and low activity from residential providers for complex substance misuse problems, for which activity and costs are difficult to predict. The service will continue to monitor spend to ensure any other service pressures are offset. As Public Health is funded from a ring-fenced grant, should the grant exceed eligible expenditure across the Council for the year, there is the potential that there could be an end of year transfer to reserves.

Corporate Services - Net underspend of £(0.6)m. This relates predominantly to staffing vacancies, of which a large proportion of this is one-off in nature. The main drivers of this underspend are £(0.2)m, from early delivery of the staffing restructure within the Procurement service, £(0.2)m income generated within HR above budget, and £(0.2)m of salary budgets within the Strategy & Change service no longer required under the new corporate structure.

2. Non-General Fund Headlines



	Housing Revenue Account	Dedicated Schools Grant	Total
Budget (£m)	194.876	162.801	**357.677**
Forecast Outturn (£m)	194.365	162.101	**356.466**
Forecast Outturn Variance (£m)	**(0.511)**	**(0.700)**	**(1.211)**
Forecast Outturn Variance (%)	(0.3)%	(0.4)%	**(0.3)%**

Summary – Non-General Fund

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

Housing Revenue Account - The forecast position on the housing revenue account (HRA) is a return to reserves of £(0.5)m. The is due to a number of offsetting variances with overspends expected in repairs management being offset by (1) lower than budgeted costs in relation to interest payments caused by lower levels of borrowing and (2) higher achievement on rental income due to re-letting at target rent and lower levels of right to buy sales.

Dedicated Schools Grant (DSG) - Forecasting a £(0.7)m underspend mainly due to the budgetary provision available for the 2 year old childcare offer being greater than currently projected to be required. It is therefore proposed that £(0.7)m is returned to reserves.

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

Directorate	Service	Issue	Month 7 Variance £m	Budget £m	Cause	Action	Month 2 Variance £m
Supporting People	Adult Social Care - Assessment & Care Management	Staff Costs	0.672	5.903	A number of additional staffing resources have been employed across Adult Social Care to assist with redesign work and service pressures. In addition there were a number of Interim and Agency covers in post during the first half of this year.	Service to continue to drive through changes to recruit permanently, with a follow up on the review of unfunded posts.	0.778
Supporting People	Adult Social Care - Care Purchasing	Delay in delivery of MTFS savings	2.325	39.507	Although the service makes efforts to manage the cost of care purchasing the MTFS savings are yet to be achieved.	Continued proactive management of care costs through panel as well as enacting changes proposed from the MTFS Board. There has been a drawdown from AS Reserves to cover the pressure in 2016/17.	3.426
Supporting People	Children's Care Provision	Salaries and additional Income	(0.512)	18.835	Underspend in social care salaries due to vacancies and expected additional income/contributions. This is partly offset by expected overspend on Looked After Children placement costs, largely due to an increase in complex needs/education placements.	Service to also review placement costs particularly in relation to the Leaving Care (16yrs+) Service. Likelihood of income level continuing needs to be considered in budget setting.	(0.096)

Directorate	Service	Issue	Month 7 Variance £m	Budget £m	Cause	Action	Month 2 Variance £m
Supporting Communities	Development Management	Underachievement of Planning Application Income Overspend on staffing resources related to delayed savings and use of additional staff.	0.731	(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.	0.564
Public Health	Substance Misuse	Underspending on drugs and alcohol projects	(0.925)	7.701	Early delivery of 2017/18 MTFS savings, additional savings on contracts and low activity from residential treatment providers.	The service and Finance will continue to monitor spend on this service to establish whether underspends here will be required to cover overspends in other areas including Sexual Health.	0.000

4. Non-General Fund Significant Variances

Directorate	Service	Issue	Month 7 Variance £m	Budget £m	Cause	Action	Month 2 Variance £m
Housing Revenue Account (HRA)	Non-Departmental	Underspend on interest charges and contingency	(0.874)	82.914	Interest payment forecast has been reduced to reflect overall reduction in debt.	Finance will work to understand the impact of service forecasts on non-departmental budgets.	0.000
Dedicated Schools Grant (DSG)	Early Intervention & Prevention - Early Years	DSG 2 year old offer	(0.684)	0.148	The DSG 2yr Old Childcare Offer demand is expected to be lower than budget.	Council reviewing at what point to authorise a return to DSG reserves.	0.000

5. General Fund Risks

Directorate	Service	Risk	Likelihood/Mitigations	Financial Risk £m
Supporting People	Adult Social Care Debt	A debt provision has not been forecasted for the recovery of client contributions to care packages, due to the work ongoing to reduce debt. However, the current figures suggest a net contribution will be required this financial year. Any potential write backs are also not currently reflected.	At this stage a contribution to the provision is highly likely this financial year as the debt continues to increase. The debt work ongoing could reduce this figure but it is unlikely to reach a position that no contribution is required.	0.500
Supporting People	Free Nursing Care (FNC)	Current forecast shows the increase in Free Nursery Care rates from the Department of Health. Advice is this is meant to be passed on to suppliers, however a rate increase has not been built in. Income is also now fully collected by suppliers so there is concern that payments have not been appropriately amended to reflect this change.	It is recommended that the service reviews all the Free Nursing Care placements to ensure that all the adjustments regarding the new processes are implemented.	0.300

6. Non-General Fund Risks

Directorate	Service	Risk	Likelihood/Mitigations	Financial Risk £m
Housing Revenue Account (HRA)	Higher Void Levy	There is a potential Camden Council may have to pay the higher value void levy due to the Housing and Planning Act 2016.	It has recently been announced that the levy will not be charged until 2018/19 at the earliest.	125.000
Housing Revenue Account (HRA)	Housing Repairs	HRA Property Management is broadly forecasting to budget. There is a financial risk that HRA Property Management is going to overspend as they have done in previous financial years.	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; however this subject to demand that occurs from month six onwards.	3.000

7. Capital Forecast Outturn

The forecast outturn for the year as at month 6 is £202.4m, which is £(11.6)m (5.4%) below the budget of £214.0m. Current spend to date is £89.7m, which is 15% behind profile. The majority of this relates to delays on schemes within CIP and Major Projects.

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	4.981	(0.007)	(0.1)%
Supporting Communities				
Property Management	74.125	75.657	1.532	2.1%
Community Services	5.866	5.972	0.106	1.8%
CIP and Major Projects	109.149	96.522	(12.627)	(11.6)%
Place Management	9.302	9.037	(0.265)	(2.8)%
Regeneration and Planning	10.527	10.187	(0.340)	(3.2)%
Sub-Total	208.969	196.603	(11.594)	(5.5)%
Total	**213.957**	**202.356**	**(11.601)**	**(5.4)%**

ICT are currently forecasting to budget, but spend to date figures are behind the profiled budget as at month 6. Some significant expenditure is expected towards the end of the year so this will be monitored accordingly.

Property Management are forecasting slightly ahead of profiled budget, and spend to date figures are slightly ahead of budget. Close monitoring of the Better Homes Programme schemes will be necessary as this makes up the majority of the budget.

Community Services are forecasting slightly ahead of budget. The Euston Rd combined heating and power scheme, and Cemeteries schemes forecasts are likely to be reduced over the coming months as expenditure is now more likely to be incurred in future years.

CIP & Major Projects are forecasting an underspend of £(12.6)m. The majority of this underspend reflects the latest position of the scheme at Tybalds, which is now likely to be much smaller in scale than originally planned and will be accompanied by a corresponding decrease in receipts. There is also some smaller scale slippage across a number of other schemes.

Place Management are forecasting a slight underspend in 2016/17. This relates to small delays in the developer funded schemes, which will now slip in to future years. Public Realm and Street Lighting are expecting to spend their budgets this year.

Regeneration and Planning are forecasting a slight underspend in 2016/17. This reflects a small reduction in the forecast for parking schemes, and an increase in budget to Farringdon Area based scheme, which is not reflected in the forecasts yet.

8. Capital Receipts

In 2016/17, the Council has a target of £92.327m to be received from Capital receipts. The current forecast is £92.958m, which is £(0.369)m below target. Most disposals are on target to complete as forecast this year. There is a risk around the amount and timing of Estate Regeneration scheme receipts, caused by the market uncertainty following from the EU Referendum result, as well as potential disruption to the construction industry.

Capital Receipts	Target £m	Forecast Income £m	Variance to Target £m
General Fund			
GF Disposals Programme	4.230	4.230	-
Homes for Older People (HOPS)	10.500	10.500	-
Kings Cross Accommodation Strategy	23.000	23.000	-
General Fund sub-total	**37.730**	**37.730**	**-**
Housing Revenue Account			
HRA Small Sites	0.679	0.679	-
Right to Buy (Camden's share)	1.922	1.922	-
Right to Buy (retained receipts)	10.677	10.677	-
Estate Regen. - Holly Lodge	7.109	5.240	(1.869)
Estate Regen. - Chester/ Balmore	0.680	0.680	-
Estate Regen. – Bacton Low Rise	5.000	2.500	(2.500)
Estate Regen. – Bourne	-	3.000	3.000
Estate Regen. – Gospel Oak	-	1.000	1.000
HS2 - Regents Park	0.485	0.485	-
Camden / Plender St.	16.770	16.770	-
Wells Court	11.275	11.275	-
HRA sub-total	**54.597**	**54.228**	**(0.369)**
Total	**92.327**	**92.958**	**(0.369)**