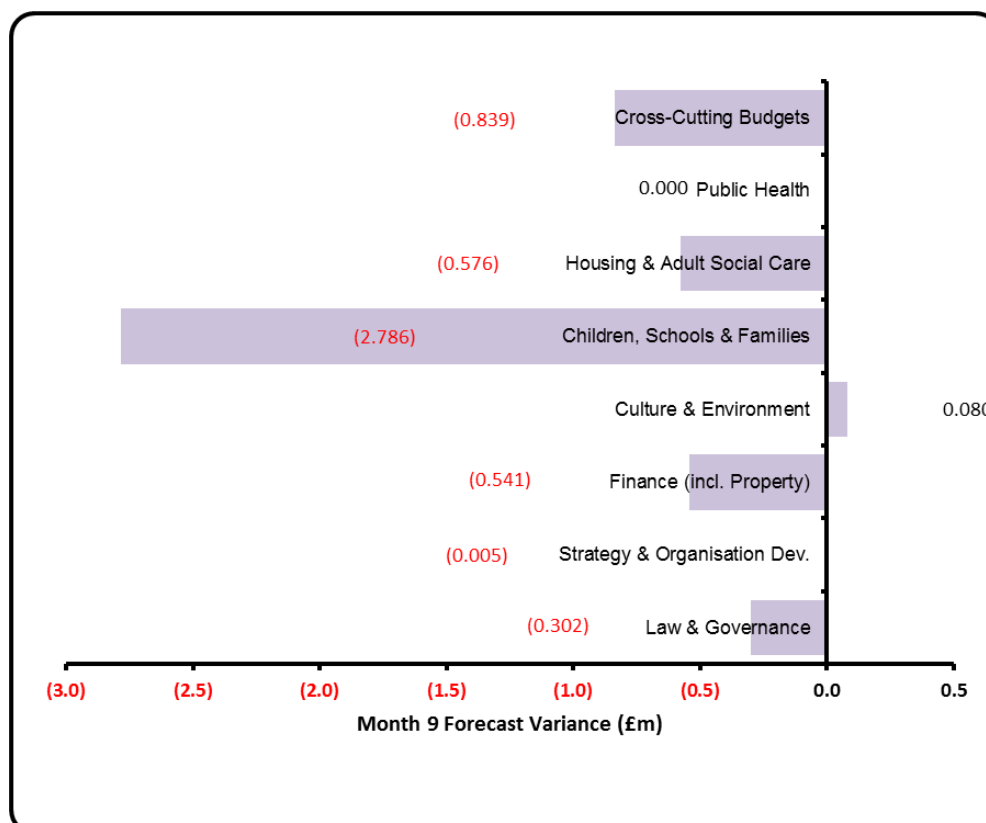


<b>LONDON BOROUGH OF CAMDEN</b>		<b>WARDS: ALL</b>
<b>REPORT TITLE:</b> 2014/15 Financial Outturn Forecast Update (Month 9 – December)		
<b>REPORT OF:</b> Director of Finance		
<b>FOR SUBMISSION TO:</b> Residents and Members via Camden website		<b>DATE:</b> 15 <sup>th</sup> February 2015
<b>SUMMARY OF REPORT:</b>  This report provides an update on the revenue and capital financial forecasts for 2014/15 as at Month 9, and notes any significant risks that have been identified as having the potential to affect the outturn as currently projected.		
<b>LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION:</b>  <b>Contact Officer:</b> Euan Hendrie Finance Support Team  Telephone: 020 7974 4242 Email: <a href="mailto:euandhendrie@camden.gov.uk">euandhendrie@camden.gov.uk</a>		

**Chart 1: Directorate Outturn Analysis: Month 9, 2014/15**



## 1.0 INTRODUCTION

1.1 The following table presents the projected spend of each directorate in 2014/15 against its annual budget, as reported up to the end of Month 9 (December).

**Table 1: 2014/15 Directorate Revenue Budgets and Variances and use of Reserves**

General Fund Month 9	Gross Budget	Budget Net of Income	Budget Holder Forecast	Variance Forecast
	£m	£m	£m	£m
Law & Governance	5.590	4.850	4.547	(0.302)
Strategy & Organisation Dev.	11.105	9.156	9.151	(0.005)
Finance (incl. Property)	266.414	59.261	58.721	(0.541)
Culture & Environment	106.739	33.595	33.675	0.080
Children, Schools & Families	299.712	70.640	67.854	(2.786)
Housing & Adult Social Care	160.137	108.520	107.944	(0.576)
Public Health	25.990	25.618	25.618	-
Cross-Cutting Budgets	69.168	(46.873)	(47.712)	(0.839)
<b>Sub-Total</b>	<b>944.855</b>	<b>264.767</b>	<b>259.798</b>	<b>(4.969)</b>
Allocated to High Speed 2 Reserve				0.800
Allocated to capital investment in places for 2 year olds				2.800
<b>Total</b>	<b>944.855</b>	<b>264.767</b>	<b>259.798</b>	<b>(1.369)</b>

Non-General Fund Month 9	Full Year Budget	Budget Holder Forecast	Variance to Budget
	£m	£m	£m
Housing Revenue Account	188.222	186.266	(1.956)
Dedicated Schools Grant	180.658	178.626	(2.032)

1.2 The overall general fund forecast variance as at the end of December is an underspend of £(1.369)m (0.5% of the net budget). This includes the allocation of £3.600m to reserves which is explained in section 5. The variances to budget are explained in more detail below but it should be noted that in general many of the underspends shown reflect the actions which have begun to allow achievement of the c£30.4m savings target in place for 2015/16.

## **2.0 Revenue Variances by Directorate**

2.1 The most significant directorate underspend is within the Children's, Schools and Families directorate, where a continuing trend of decreases in the number of placements required for looked-after children and associated staffing savings have significantly reduced spend when compared with previous years' outturn.

2.2 There is also a significant underspend within Cross-Cutting budgets relating in the main to interest payable, which is linked to lower than budgeted levels of borrowing being required.

2.3 In the Culture & Environment Directorate, pressures on Commercial Waste income and Contact Camden staffing as a result of the Customer Access Strategy are balanced by income in excess of budget in other areas such as planning applications.

2.4 Adult Social Care continues to forecast an underspend; this comprises several variances, the largest of which can be seen in more detail at Appendix A below, and is also influenced by the recent successful award of costs back to Camden for a continuing care case spanning several years.

2.5 Within the Finance directorate, the forecast underspend is being driven by early achievement of 15/16 savings targets within the Corporate Finance and Revenues services.

2.6 The underspend within the Law & Governance directorate is also due to early achievement of 15/16 savings targets.

2.7 There are no major variances within Strategy & Organisation Development or Public Health at this stage of the financial year.

2.8 The Housing Revenue Account (HRA) is forecasting a £(1.956)m return to reserves. This is due to a number of variances, the largest of which can be found in Appendix A below.

2.9 Further details of all material departmental variances including those relating to DSG funded areas are presented in **Appendix A**.

### **3.0 Risks to Month 9 projections**

- 3.1 There are, as with any forecast, risks that may affect the outturn as currently projected. Identification of these risks enables services to take action and mitigate the impact of them. Details of significant risks to the Month 9 forecast are presented in **Appendix B**.

## 4.0 Capital

- 4.1 The projected outturn is £232.189m which represents slippage of £34.517m compared to the budget for the year of £266.706m. Housing & Adult Social Care is projecting spending 21% less than budget and Property Services 6%. The reasons for these variances are given in the paragraphs below.

**Table 2: Capital Expenditure Projected Outturn 2014/15**

Department	2014/15 Budget	Spending to Month 9	Projected Outturn for Year	Variance	
	£m	£m	£m	£m	%
Finance – Property Services	45.471	26.149	42.765	(2.706)	(6%)
Finance - Information Technology	5.406	2.267	5.406	0.000	0%
Children, Schools & Families	38.196	22.515	38.569	0.373	1%
Culture & Environment	30.035	9.619	29.408	(0.627)	(2%)
Housing & Adult Social Care	147.598	65.820	116.041	(31.557)	(21%)
<b>Total</b>	<b>266.706</b>	<b>126.370</b>	<b>232.189</b>	<b>(34.517)</b>	<b>(13%)</b>

- 4.2 The projected HASC underspend for 2014/15 is due to c£(17.0)m slippage on the Decent Homes programme where there have been delays with heating replacement schemes, lift replacements and external repairs. There are also variances on estate regeneration schemes. Expenditure on Maiden Lane is projected to be c£(4.0)m below budget this year which is due to incorrect profiling of the budget between years rather than slippage on site. Expenditure on Bourne is projected to be c£(2.8)m below budget in 2014/15 as the project is running 10 weeks behind schedule due to a delay in achieving vacant possession of Mawson House and the diversion of the National Grid service main. Bacton Low Rise is running 8 weeks behind schedule and projected to be c£(2.4)m below budget in 2014/15 due to revised projections by the contractor and delays with leaseholder buybacks.
- 4.3 The projected Property Services underspend for 2014/15 is mainly due to slippage on two schemes. There is a projected underspend on the Greenwood redevelopment of c£(1.0)m as the “start- on-site” stage has been delayed to December 2016 due to comprehensive re-scoping of services. The Wren Street project has a projected underspend of c£(0.7)m due to the project being delayed for a whole year which has created a lag time in the compensation payments to commercial tenants.

## 5.0 One-off 2014/15 Savings

- 5.1 In December, Cabinet agreed to allocate one-off 2014/15 budget savings of £3.6m towards the High Speed 2 Programme (£0.8m) and capital investment related to childcare places for disadvantaged two-year-olds (£2.8m).

- 5.2 The £0.8m allocated to the HS2 programme budget pays for staffing, legal costs, communications work and additional evidence to support the Council's case for compensation and mitigation. The increased funding reflects the expanded scope and timetable for the programme, including preparations to give evidence at select committee, an information campaign on compensation and mitigation for residents and the business community, and community engagement work to keep local people informed of how the HS2 scheme affects them.
- 5.3 Currently, some disadvantaged two year-olds are eligible for free early education and childcare. From September 2014, the government has extended the scope of this free offer and more two year-olds have become eligible. In order to comply with the requirement to secure sufficient additional places, the Council will work with schools to enable them to offer the places. This will require capital investment estimated at £4m to make available the facilities and space that would be required. One-off revenue savings of £2.8m will contribute towards the funding required.

**REPORT ENDS**

## Appendix A – Major Projection Variances from Revenue Budgets – Month 9 2014/15

The following tables represent variances of full year forecast from budget as reported in month seven. It lists all services with overspend variances above £0.500m and underspend variances below £(0.500)m in value, providing reasons for the variances as well as the action taken in response.

### General Fund

Directorate	Service	Issue	Variance £m	Current Budget £m	Cause	Interval	Action
C&E	Environment Services	Under Achievement of Commercial Waste Income	<b>0.896</b>	<b>24.410</b>	Overspend within Commercial Waste arising from under achievement of Commercial Waste Income of £1.532M	Ongoing	Service is planning to increase income through increased enforcement and increased sales.
		Street Trading increased expenditure			£0.153M overspend in Street Trading due to additional staffing costs to cover staff on long term leave and repair and maintenance expenditure for electric work required for Inverness Street and Queens Crescent markets.		Service plans to mitigate the overspend through savings identified in the service.
Housing & Adult Social Care	Mental Health Services	Overspend	<b>0.541</b>	<b>10.949</b>	The service is overspending as a result of additional care purchasing costs.	Ongoing	The Trust are working to reduce spend, and actively reduce high cost placements.
Housing & Adult Social Care	Temporary Housing Group Repairs	Overspend	<b>0.534</b>	<b>0.360</b>	Recently discovered asbestos in a loft cavity that requires removal, coupled with an increase in void repairs costs in temporary accommodation.	Ongoing	Void repair costs are subject to further investigation
C&E	Development Management	Over achievement of Income	<b>(0.504)</b>	<b>0.070</b>	Over achievement of Income arising from: - Pre Application fees - Application Fees - land charges.	Ongoing	The service is planning to make contributions to the MTFs Savings for 15/16 through an increase in the income budgets for Pre App and Planning Fees.
Children Schools & Families	Special Educational Needs (Dedicated Schools Grant)	Underspend in the Service	<b>(0.519)</b>	-	Variance has been substantially reduced due to changes in numbers/provision and the increased delegation to schools. The remaining underspend relates to contingency budgets	One-Off	Continuing monitoring to ensure that underspend is accurate. Action is being discussed with the service to reduce the variance in the outturn in the coming year.

Directorate	Service	Issue	Variance £m	Current Budget £m	Cause	Interval	Action
Public Health	Obesity	Underspend in both Children's and Adult's contracts & NHS liability	<b>(0.795)</b>	<b>1.460</b>	Low number of referrals for tier 2 and 3 weight Management service and NHS liability will not be paid this year	Ongoing	Service improvement plan (SIP) is put in place to highlight actions that need to be addressed with provider
Non-Departmentals	Net Interest Payable	Interest Payable	<b>(0.852)</b>	<b>3.095</b>	A £10m loan taken out to finance the accommodation strategy (General Fund) was transferred to the HRA and so the interest is now payable by HRA. The budget was set at the level that would allow the Council to borrow at current low levels of interest rates, but there are presently no specific plans to borrow.	Ongoing	Detailed modelling and forecasting will continue.
Housing & Adult Social Care	Learning Disabilities	Underspend in the service	<b>(0.880)</b>	-	Independent Review Panel ruled on three year dispute in Camden's favour meaning care costs can be reclaimed.	One-Off	None
Children Schools & Families	Resources	Underspend in the service	<b>(1.978)</b>	<b>21.179</b>	The number of placements for looked after children have significantly reduced due to changes in practice which focus on solutions outside of care. The numbers are expected to remain low.	Ongoing	The service will continue to review the number of placements and identify any expected changes. This forms early delivery of 2015/16 savings.
Children Schools & Families	Integrated Early Years (Dedicated Schools Grant)	Underspend in the Service	<b>(1.981)</b>	<b>6.860</b>	The number of places on the basis of which funding for nursery places for disadvantaged 2 year-olds has been set is not currently being achieved. Underspend split is £(1.514)m DSG, £(0.467)m GF.	Ongoing	The service is looking in to how to encourage providers to take part in the scheme.



## HRA Variances Month 9

It lists all services with overspend variances above £0.500m and underspend variances below £(0.500)m in value, providing reasons for the variances as well as the action taken in response

Directorate	Service	Issue	Variance £m	Current Budget £m	Cause	Interval	Action
HASC – HRA	Repairs - Voids	Large amount of voids work to be completed	<b>2.469</b>	<b>3.602</b>	Higher than budgeted for void cost per property	Mar-15	To monitor activity levels and spend, checking that charges are correct and within the terms of contract. Explore possibility to seek efficiencies with Aerial replacements
HASC – HRA	Repairs - Major Repairs	Forecast now includes the increase due to a number of Boundary Wall repairs to be completed due to health and safety issues.	<b>2.189</b>	<b>1.811</b>	Cyclical health and safety inspections highlighted a large amount of boundary wall work that needs to be completed	Mar-15	To be funded from HRA contingency
HASC – HRA	Repairs - External Decorations	Forecast now includes 2013/14 carry forward works	<b>1.400</b>	<b>2.000</b>	Late start in 2013/14 to Spring Clean works	Mar-15	To be funded from HRA contingency
HASC – HRA	Repairs Sheltered	Ongoing pressure on Voids and Responsive repairs in-line with 2013/14	<b>0.583</b>	<b>0.506</b>	High void costs recharged from Repairs	Mar-15	To monitor activity levels and spend. Revisit specifications on voids works and potential to revert back to day-rate charge from Repairs team.
HASC - HRA	HM Customer Service	Garages & Estate Mapping	<b>0.524</b>	<b>1.311</b>	Additional Expenditure £0.2m is required to refurbish garages to bring back into use. Also £0.195m is required to accurately map all the estate horizontal assets.	Quarterly	Monitor expenditure as costs could be higher
HASC - HRA	Rents	Other Rent	<b>0.500</b>	<b>(1.169)</b>	It is unlikely that any income will be achieved from commercial letting of car parks in this financial year.	Quarterly	Consider if an ongoing pressure and monitor project findings with regard to likelihood of success.
HASC - HRA	Finance	Provision for bad debt	<b>(0.500)</b>	<b>0.793</b>	Forecast revised down due to revised date of direct payments implementation being delayed so no related pressure this year	-	None
HASC - HRA	Repairs - Contingency	Forecast reduced to zero as unlikely there will be any spare contingency in 2014/15	<b>(0.560)</b>	<b>0.560</b>	Overspends across the programme causing demand on Contingency budget	Mar-15	Monitor spend levels across the service for the remainder of the year

Directorate	Service	Issue	Variance £m	Current Budget £m	Cause	Interval	Action
HASC - HRA	Leaseholder Services	Leaseholder Service Charges	<b>(0.729)</b>	<b>(12.771)</b>	Updated Leaseholder Services income based upon the targeted income for 14-15, currently on target.	Quarterly	Further monitor progress against target as potentially will achieve above target
HASC - HRA	Finance	Contingency	<b>(3.396)</b>	<b>3.396</b>	Contingency has been forecasted to zero as required to fund approved spending in repairs	-	None
HASC - HRA	Financing	Depreciation / Interest	<b>(3.832)</b>	<b>75.595</b>	Depreciation and financing costs have been recalculated and net off to an underspend of £0.832m which has been further reduced with lower Financing costs confirmed by the Treasury Team of £3m.	-	Depreciation overspends needs to be addressed in Budget Build.

## Appendix B – Significant Risks to Revenue Forecasts – Month 9 2014/15

The following table lists all of the identified significant risks to the Month 9 revenue forecasts.

Directorate	Service Area	Description of Risk	Estimated Value £m	Service Action	Date for Review
Housing & Adult Social Care	Mental Health	The delegated budget is overspending, and the service do not appear able to mitigate this spend.	<b>0.500</b>	The service is currently working to reduce this spend through a number of internal measures. This position poses a significant risk on the delivery of 2015/16 savings that are predicated on a reduction in clients.	Monthly
Finance	ICT	Month 6 saw the implementation of £0.480m Software/Hardware savings across the service £0.092m staff cost savings and £0.015m miscellaneous savings.	<b>0.587</b>	These budgets will be closely monitored as the expectation is these will be strained budgets in 2014/15 and there is potential not all savings will be met to the level expected in the first year.	Monthly
C&E	Development Management	Litigation brought by a consortium of Property Search Companies who claim that the Environmental Information Regulations Act 2005 meant that Land Charge information should be available free of charge.	<b>0.200 - 0.500</b>	The Council is providing information to the LGA appointed lawyers, Bevan Brittain.	Ongoing
CSF	Property & Contracts	Current FM Provider has made significant requests for additional payments recently. These are being disputed, however it is unknown how many of these requests will have to be paid. There is also a significant risk that further requests may be made for works by the new contractor.	<b>Significant</b>	Requests for payment are being challenged where able.	Ongoing
Non Departmental	Insurance	The movement on the Insurance provision is liable to change following the next Actuarial review in April. The current figure of £1.3m to be returned may also vary depending on the number and level of forecast claims.	<b>Unknown</b>	Position of insurance fund is being monitored on a regular basis. Final return will be credited at year end and split back amongst the departments originally recharged.	Year End
Treasury	Interest	Due to the nature of Treasury activity, there is a continual risk that actuals will vary significantly from budgets in both Interest Payable and Receivable.	<b>Unknown</b>	Detailed modelling and forecasting of risk factors to continue.	Ongoing
C&E	Environment Services	There is the risk that customers being taken off contracts and moved to the Pay As You Go service could be lost to our competitors.	<b>Unknown</b>	The service is currently conducting a review to analyse the financial impact of any lost customers. At present there is insufficient data to analyse the customers who are using the Pay As You Go Service.	Ongoing
Public Health	Sexual Health-Genito-Urinary Medicine	Delay in receiving activity data from some hospitals which is creating difficulty in forecasting, this could cause a pressure on the budget. The budget was also overspent in 2013/14.	<b>Unknown</b>	Assistant Director is reviewing monthly the outcome for the growth and is undertaking a comprehensive review of this year's projection. In addition PH team are chasing for up to date activity data	Ongoing

Directorate	Service Area	Description of Risk	Estimated Value £m	Service Action	Date for Review
Law & Governance	Legal Services	Levels of property disposal fee income can be volatile as disposal dates frequently change. Based on the planned value of disposals in 2014/15, the level of fee income received is expected to be significant.	Unknown	Regular monitoring of the disposal dates is to be undertaken together with a detailed analysis of how this income is being used to fund costs with excess funds to be protected and put into the reserves to fund the multi-year programme. Any delays that cause a shortfall in income can then be reported on a timely basis.	Monthly
Finance	Housing Benefits	The risk relates to the impact of the Welfare Reform proposals and the introduction of Universal Credit and the volatility this will cause within the budgets.	Unknown	Finance and the service will work together to review the impact of the reform as and when information becomes available, and will include this in future reporting.	Monthly
Children Schools & Families	Building Schools for the Future	The cost of the claim relating to the late opening of Swiss Cottage School.	Unknown	Discussions still ongoing with the third party supplier (against whom we have made a counter-claim). Some of these claims have now been settled but will be met through corporate reserves.	Ongoing

### HRA Risks Month 9

The following table lists all of the identified significant risks to the Month 9 revenue forecasts for HRA.

Directorate	Service Area	Description of Risk	Estimated Value £m	Service Action	Date for Review
HASC - HRA	Leaseholder Service Charges	Income for last year was £1.3m greater than budgeted. Budget has remained the same so forecast has been updated to be in line with targets for this year (an additional £0.728m). However this has the potential to be even greater so needs careful monitoring.	(0.500)	Service to monitor progression against target throughout the coming months	Ongoing