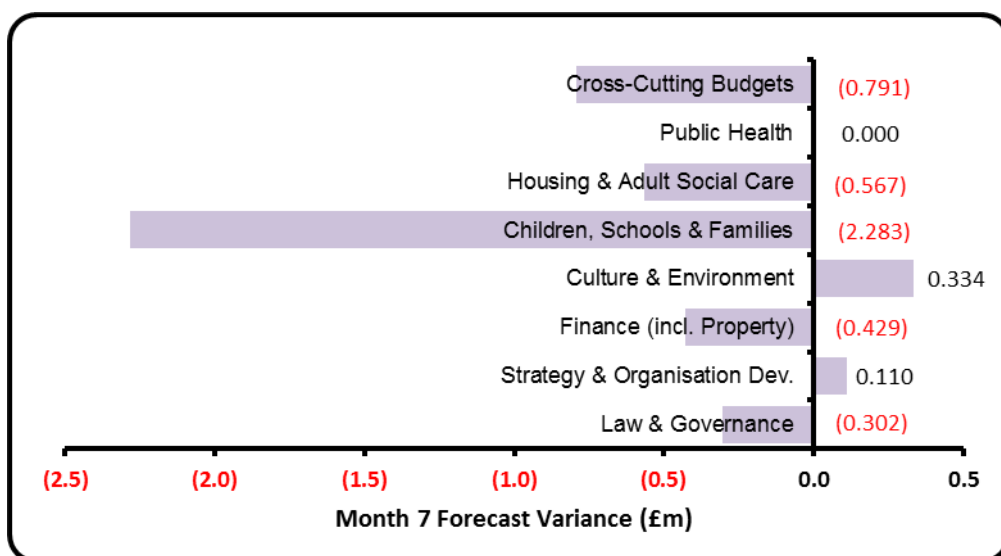


LONDON BOROUGH OF CAMDEN		WARDS: ALL
REPORT TITLE: 2014/15 Financial Outturn Forecast Update (Month 7 – October)		
REPORT OF: Director of Finance		
FOR SUBMISSION TO: Residents and Members via Camden website		DATE: 8 th December 2014
SUMMARY OF REPORT: This report provides an update on the revenue and capital financial forecasts for 2014/15 as at Month 7, and notes any significant risks that have been identified as having the potential to affect the outturn as currently projected.		
LOCAL GOVERNMENT ACT 1972 – ACCESS TO INFORMATION: Contact Officer: Euan Hendrie Finance Support Team Telephone: 020 7974 4242 Email: euan.hendrie@camden.gov.uk		

Chart 1: Directorate Outturn Analysis: Month 7, 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 7 (October).

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

	Gross Budget £m	Budget Net of Income £m	Budget Holder Forecast £m	Variance Forecast £m
Law & Governance	5.456	4.715	4.413	(0.302)
Strategy & Organisation Dev.	12.087	10.138	10.249	0.110
Finance (incl. Property)	265.424	58.302	57.873	(0.429)
Culture & Environment	106.146	33.002	33.336	0.334
Children, Schools & Families	299.401	70.329	68.046	(2.283)
Housing & Adult Social Care	158.395	106.778	106.211	(0.567)
Public Health	25.990	25.618	25.618	-
Cross-Cutting Budgets	70.133	(44.605)	(45.396)	(0.791)
Sub-Total	943.032	264.277	260.349	(3.928)
Allocated to HS2 and Capital Investment *			3.600	3.600
Total	943.032	264.277	263.949	(0.328)

*see section 5

Non-General Fund Month 7	Gross Budget £m	Budget Holder Forecast £m	Variance Forecast £m
Housing Revenue Account(HRA)	188.222	187.538	(0.684)
Dedicated Schools Grant(DSG)	180.658	178.464	(2.194)

1.2 The overall general fund forecast variance as at the end of October is an underspend of £(0.328)m (0.1% 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£26m 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 to interest payable, which is linked to lower than budgeted levels of borrowing being required.
- 2.3 In the Culture & Environment Directorate, the main contributor to the overspend is the under-achievement of income targets within the Commercial Waste service, which the services continues to work to mitigate against.
- 2.4 Adult Social Care is also expected to underspend; this comprises several variances which can be seen in more detail at Appendix A below, and is also influenced by funding made available from Public Health for Mental Health Commissioning contracts.
- 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 Procurement 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 £(0.7)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 7 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 7 forecast are presented in **Appendix B**.

4.0 Capital

- 4.1 The projected outturn is £238.224m which represents slippage of £27.488m compared to the budget for the year of £265.712m. Housing & Adult Social Care is projecting spending 18% less than budget and Property Services 7% whilst Children's, Schools and Families are projecting expenditure 7% in excess of budget. 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 7	Projected Outturn for Year	Projected Variance	
	£m	£m	£m	£m	%
Finance – Property Services	45.321	17.331	42.138	(3.183)	(7%)
Finance - Information Technology	5.406	1.765	5.406	0.000	0%
Children, Schools & Families	38.196	17.564	40.861	2.665	7%
Culture & Environment	29.828	5.288	28.610	(1.218)	(4%)
Housing & Adult Social Care	146.962	47.590	121.210	(25.751)	(18%)
Total	265.712	89.538	238.224	(27.488)	(10%)

- 4.2 The projected HASC underspend for 2014/15 is mainly due to £14m 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 three estate regeneration schemes. Expenditure on Maiden Lane is projected to be £4m 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 £2.8m 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 £2.4m 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 three schemes. There is a projected underspend on the Greenwood redevelopment of £1m 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 £0.7m due to the project being delayed for a whole year which has created a lag time in the compensation payments to commercial tenants. There is slippage of £0.5m on the St. Pancras Mortuary refurbishment project which has been slightly delayed due to considerable concrete removal works and because the area of the refurbishment has been extended.
- 4.4 The projected CSF overspend is mainly due to expenditure budgeted for 2015/16 being incurred earlier than expected on the Kingsgate School expansion scheme at Liddell Road (+£1.5m) and Acland Burghley School improvements (+£1.1m).

5.0 One-off 2014/15 Savings

- 5.1 A review of General Fund revenue budgets has taken place with a view to identifying one-off savings that may be reallocated which totals £3.600m, this amount is less than the forecast underspend of £3.928m due to some of the factors which were considered in identifying the savings which included:

- 2013/14 outturn position
 - The current 2014/15 forecast outturn
 - Any current budget pressures
 - Any savings already identified
- 5.2 It is proposed to reallocate £0.8m of the one-off savings towards the HS2 Programme with the remaining £2.8m contributing towards capital investment required to ensure the facilities and space are available for early education and childcare places for disadvantaged two-year olds.
- 5.3 The HS2 programme budget pays for staffing, legal costs, communications work and additional evidence to support the Council's case for compensation and mitigation. £2.3m has been allocated to the HS2 programme since 2012 as follows: £0.6m (July 2012), £1.3m (December 2012) and £0.4m (July 2014). The indicative budget requirements for 2015/16 is £1.1m, this will be partially funded by the anticipated £(0.3)m underspend on the 2014/15 budget which will be carried forward, leaving a funding requirement of £0.8m. The funding requirement reflects the expanded scope and timetable for the programme, including preparations to give evidence at select committee which has been put back from Spring 2015 to September 2015 at the earliest, responding to an addendum to the Bill by way of Petition and consultation response on the supplemental environmental statement, 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 as well as progress of the bill.
- 5.4 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. One of the ways the Council will comply with the requirement to secure sufficient additional places will be to work with schools to enable them offer the places. This will require capital investment estimated at £4m to make available the facilities and space that would be required. It is proposed that the remaining one-off revenue savings balance of £2.8m be allocated as a contribution towards the funding required, the remainder would be met from General Fund earmarked reserve/unallocated capital receipts.

REPORT ENDS

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

The following table represents 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.

Directorate	Service	Issue	Variance £m	Current Budget £m	Cause	Interval	Action	2013/14 Outturn Variance £m
Housing Revenue Account	Repairs -Voids	Large amount of voids work to be completed	2.469	3.602	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	1.512
Housing Revenue Account	Repairs - Major Repairs	Number of Boundary Wall repairs to be completed due to health and safety issues.	2.189	1.811	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	2.294
Housing Revenue Account	Repairs - External Decorations	Forecast now includes 2013/14 carry forward works	1.400	2.000	Programme slippage in Spring Clean works resulting in underspending.	Mar-15	To be funded from HRA contingency	(1.418)
Culture & Environment	Environment Services	Under Achievement of Commercial Waste Income Street Trading increased expenditure	0.887	24.386	Overspend within Commercial Waste arising from under achievement of Commercial Waste Income of £1.518m The service is making savings of £0.584m in Recycling, Cleansing and Operations to mitigate the overspends identified in Commercial Waste, in addition to other savings to bring the net overspend down to £0.887m. £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	On-going	Service is planning to increase income through increased enforcement and increased sales. Service plans to mitigate the overspend through savings identified in the service.	0.710
Housing Revenue Account	Rents	Dwelling Rent	0.721	(129.883)	Based on income so far this year. Right to Buy sales higher than anticipated in budget setting	Quarterly	Consider potential for ongoing pressure.	0.571
Housing Revenue Account	Repairs - Responsive Repairs	Ongoing pressure on Voids and	0.638	1.200	General budget pressure on Repairs Council-wide due to high programme of works	Mar-15	Continue to monitor level of spend	0.367

Directorate	Service	Issue	Variance £m	Current Budget £m	Cause	Interval	Action	2013/14 Outturn Variance £m
		Responsive repairs in-line with 2013/14						
Housing & Adult Social Care	Mental Health Services	Overspend	0.565	10.949	The service is overspending as a result of additional care purchasing costs.	On-going	The Trust are working to reduce spend, and actively reduce high cost placements.	0.449
Housing & Adult Social Care	Temporary Housing Group Repairs	Overspend	0.534	0.360	Recently discovered asbestos in a loft cavity that requires removal, coupled with an increase in void repairs costs in temporary accommodation.	On-going	Void repair costs are subject to further investigation	0.051
Housing Revenue Account	Rents	Other Rent	0.500	(1.169)	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.	0.500
Housing Revenue Account	Finance	Provision for bad debt	(0.500)	0.793	Forecast revised down due to revised date of direct payments implementation being delayed so no related pressure this year	Mar-15	None	(0.662)
Culture & Environment	Development Management	Over achievement of Income	(0.554)	0.044	Over achievement of Income arising from: - Pre Application fees - Application Fees - land charges.	On-going	The service is budgeted to make contributions to the MTFs Savings for 2015/16 through an increase in the income budgets for Pre App and Planning Fees.	(0.775)
Housing Revenue Account	Leaseholder Services	Leaseholder Service Charges	(0.729)	(12.771)	Updated Leaseholder Services income based upon forecast income for 14-15.	Quarterly	Further monitor progress against budget.	(1.322)
Public Health	Obesity	Underspend in both Children's and Adult's contracts	(0.810)	1.460	Majority of underspend is as a result of low number of referrals for tier 2 and 3 weight management service	On-going	Service improvement plan (SIP) is put in place to highlight actions that need to be addressed with provider	(0.490)
Cross-Cutting Budgets	Treasury	Interest Payable	(0.852)	3.095	This budget was set at a level that would allow the council to borrow at current low levels of interest rates, but there are presently no specific plans to borrow.	On-going	Detailed modelling and forecasting will continue.	(0.271)
Children Schools & Families	Resources	Underspend in the service	(1.745)	21.138	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.	On-going	The service will continue to review the number of placements and identify any expected changes. This forms early delivery of 2015/16 savings.	(0.075)
Children Schools & Families	Integrated Early Years	Underspend in the Service	(2.152)	6.860	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. This area is predominantly DSG funded.	On-going	The service is looking in to how to encourage providers to take part in the scheme.	(0.661)

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

The following table lists all of the identified significant risks to the month seven 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.	0.500	The service is currently working to reduce this expenditure 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
Culture & Environment	Development Management	Litigation on charging for Land Charge information.	0.200 - 0.500	The Council is working with the Local Government Association on this issue, which affects councils more widely.	On-going
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
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.	Unknown	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	Nov-14
Strategy & Organisational Development	Creative Service and Reographics	There remains an income gap in Creative Services & Reographics. Currently an underachievement of £0.197m is forecast for the service. This has been an issue for a number of years as a result of a declining business base and the move to suit the digital strategy.	Unknown	A review in the service is currently underway. Last year there was a £0.291m shortfall for the service.	On-going
Children Schools & Families	Building Schools for the Future	The cost of a claim relating to the late opening of a 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.	On-going
Cross-Cutting Budgets	Insurance	The movement on the Insurance provision is liable to change following the next Actuarial review in April. The current amount due to be returned may also vary depending on the number and level of forecast claims.	Unknown	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
Cross-Cutting Budgets	Treasury	Due to the nature of Treasury activity, there is a continual risk that interest payments and receipts will vary significantly from budget.	Unknown	Detailed modelling and forecasting of risk factors to continue.	On-going
Culture & Environment	Environment Services	There is the risk that trade waste customers being taken off contracts and moved to the Pay As You Go service could be lost to our competitors.	Unknown	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.	On-going

Directorate	Service Area	Description of Risk	Estimated Value £m	Service Action	Date for Review
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
Finance	All Services	A corporate review of agency staff expenditure was undertaken during budget setting and a saving was allocated to all services to encourage the reduction in agency expenditure. This was mostly significant in ICT, but also affected Property & Corporate Finance.	Unknown	Whilst some areas are actively reducing the level of agency staff, the achievement of the full saving may be difficult in some areas particularly in ICT where high levels of agency staff have been needed in the past to implement projects as well as covering vacancies. A comprehensive review of all of the staffing and agency expenditure across the directorate will be undertaken during budget monitoring from Month 8 onwards	Monthly
Finance	Property	A significant amount of the variable costs for 2013/14 Facilities Management contract had to be accrued for pending authentication of these costs. Any difference to these estimates will result in a variance for the service.	Unknown	The submission from the contractor is currently being reviewed and the impact will be forecast as soon as it is known.	Ongoing