

London Borough of Camden – 2019/20 Financial Outturn Report

June 2020

Summary of the Report:

This report provides an overview of the 2019/20 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.

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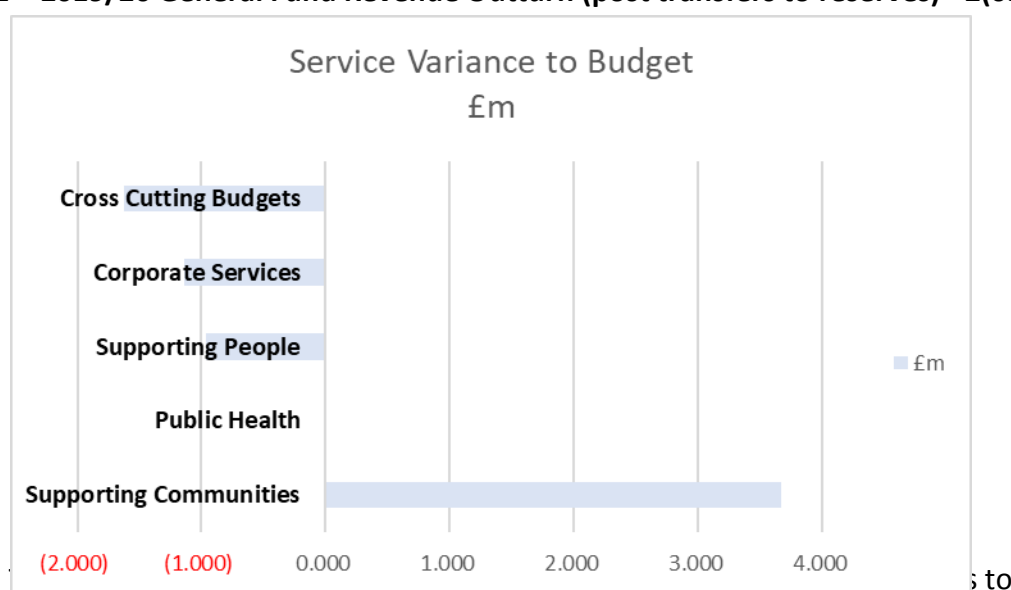
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1.0 INTRODUCTION

- 1.1. The following briefing gives the corporate outturn position for 2019/20 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 – 2019/20 General Fund Revenue Outturn (post transfers to reserves) - £(0.027)m



- 2.1 reserves, of £(17.495)m against the final budget. After implementing agreed transfers to reserves the underspend is £(0.027)m. This sum will be transferred to the Cost of Change reserve. The outturn before and after transfers to reserves is shown in [Table 1](#) below.

Table 1 – 2019/20 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	222.014	218.338	(3.676)	2.710	(0.966)
Supporting Communities	57.879	60.244	2.365	1.328	3.693
Corporate Services	(6.088)	(7.218)	(1.130)	0	(1.130)
Public Health *	22.525	22.525	0	0	0
Cross-Cutting Budgets	(63.753)	(78.807)	(15.054)	13.430	(1.624)
Total	232.577	215.082	(17.495)	17.468	(0.027)

* £3.681m of public health spend included within other directorates

- 2.2 Whilst the final outturn position of £(0.027)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 2020/21 medium term financial strategy.

However, the directorate will need to ensure robust cost control to avoid another overspend in 2020/21.

- 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 Several reserve requests totalling £17.467m 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	2.710			2.710
Supporting Communities	0.050	0.009	1.269	1.328
Cross- Cutting Budgets	13.430			13.430
	16.190	0.009	1.269	17.468

- 3.2 Following allocation of the recommended contributions to reserves, there remains a general fund underspend of £(0.027)m. It is recommended that this year-end balance be allocated to the Cost of Change reserve.
- 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 2019/20 was expenditure of £179.6m, which was £(69.6)m under the 2019/20 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 – 2019/20 Final Capital Outturn

Service	2019/20 Budget £m	2019/20 Outturn £m	2019/20 Outturn v Budget Variance £m	All Years Programme Variance
Community Services	3.1	1.0	(2.0)	1.0
Development	86.2	64.6	(21.6)	55.5
Place Management	14.4	11.6	(2.8)	12.4
Property Management	115.8	82.1	(33.7)	65.3
Regeneration & Planning	28.3	18.5	(9.7)	19.4
ICT Corporate Services	1.5	1.7	0.2	2.8
Total	249.2	179.6	(69.6)	156.4

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

- Development division - £(21.6)m. The main contributors were:
 - Town Hall redevelopment – slippage on contract approval due to extended discussions on the details of the project £(4.1)m
 - Agar Grove delays in main works and lower than anticipated buybacks £(4.1)
 - Regents Park HS2 reduced contract value offset by reduced receipts £(3.4)m
- Place Management – slippage primarily caused by delays in the HS2 green spaces works
- Property Management -
 - Consultation and procurement delays in the Better Homes programme. £(4.5)m.
 - The Chalcots scheme underspend at £(10.5)m mainly due to the final contract for the replacement of the Cladding not being awarded. Unfortunately, following a detailed analysis, it is considered that the Wates “Best and Final Offer” for the project is not acceptable to the Council as it does not fully reflect the Council’s design requirements and as such it does not represent value for money.
 - Schools programme delays to fit in with school timescales or Network Rail permissions £(4.3)m
 - Reprofiling of corporate schemes £(5.0)m
 - Temporary Accommodation purchase programme £(8.5)m due to longer than anticipated timescales for completing purchases and limited supply of suitable properties
- Regeneration & Planning –
 - Slippage on the Corridors & Neighbourhood schemes £(2.2)m caused by delays in TfL approvals
 - Delays caused by project scope changes £(2.5)m
 - The West End project slipped £(4.4)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 2019/20 was set at £(39.8)m. Receipts of £(23.820)m were achieved. The HRA receipts target was set at £(33.253)m, with achieved receipts of £(36.628)m. 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 0.01% 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's medium term financial strategy for the years 2019/20 to 2021/22 will need to deliver a minimum of a £40m. Although the 2019/20 MTFS programme was broadly delivered, it is anticipated that the Council will need to develop a new financial strategy to ameliorate the impact of Covid19 on the Council's finances.
- 5.3 Following the transfers made and proposed in 2019/20 earmarked reserves will see a net increase of £11.637m to £95.710m from 31st March 2019 to 31st March 2020. The increase is primarily due to carrying forward grant funding for Covid19 and a benefit from the London Business Rates pooling arrangement.

Appendix A: 2019/20 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 **£(0.966)m**. The main variances, by service, are detailed below:

- **Children's Safeguarding and Social Work Service:** had an underspend of £(0.465)m which was primarily as a result of underspends in the care pathway caused by the variability in Looked After Children numbers and a higher proportion of places being funded by Unaccompanied Asylum Seekers grant.
- **Education (Achievement & Aspiration):** overspend of £0.146m. The main reasons for the overspend were unbudgeted payments to supplementary schools and an overspend on music tutor costs.
- **Early Intervention & Prevention:** overspent by £0.085m. 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 £(0.210)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 £(0.700)m. The primary causes of this underspend were staffing vacancies, a review of contracts and the decommissioning services as early delivery of the 2020/21 MTFS plan and released contingency funds.
- **Housing Support Services:** overspend of £0.242m. The main cause was the transfer to reserves of funding for housing Syrian refugees

A2. Supporting Communities

The net variance at year end, after transfers to reserves, was an overspend of £3.693. The main variances were:

- **Directorate Management:** Overspend of £0.543m due to an increase in the bad debt provision of £0.640m to cover debts relating to Street works (NRSWA inspections), planning, Camden Centre and Community Safety.

- **Place Management:** Overspend of £0.994m driven by Public Protection (£0.598m overspend) was the result of extra food safety officers to clear the previous backlog of cases (agency staff have now left) and above inflation salary increases for coroners (to which we contribute). Environmental Services (£440k overspend) was due to higher than budgeted for inflation costs on the annual contract price review with Veolia. This has been rectified in the 2020/21 budget.
- **Community Services:** Overspend of £0.360m due to: under-achievement of income targets for Events (£0.353m overspend); Sports unexpected pressure due to receiving lower annual management payment income than anticipated (£0.162m); and unfunded security costs in libraries (£0.113m). This was partially offset by Community Partnership underspend against programmes and Community Safety vacancies.
- **Development:** development services overspent by £0.834m which was primarily due to an increased contribution to the bad debt provision for commercial properties.
- **Regeneration & Planning:** Overspend of £0.241m. The main contributors to the overspend were underachievement of statutory planning fee income and unbudgeted legal costs for appeals court cases.
- **Property Management:** Overspend of £0.721m caused by £0.600m of unbudgeted agency, consultancy and staff costs across corporate buildings, reception and security.

A3. Corporate Services

The net variance at year end, after transfers to reserves, is an underspend of £(1.130)m. The main variances by service were:

- **Customer Services:** Underspend of £(0.908)m. This reflects an improvement in PCN income.

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 was an overspend of £0.121m due to an increased spend on sexual health services. This overspend was funded by transferring funds from the ring fenced public health reserve

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 £(1.624)m. The main variances, by area, are:

- **Housing Benefit:** overspend of £3.736m is primarily due an increase in bad debt provision
- **Pensions:** underspend of £(0.227)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.
- **HRA Recharge:** underspend of £(1.289)m reflecting a shift in the anticipated balance of expenditure between the HRA and general fund.
- **Interest Receivable and Payable:** underspend of £(1.909)m. This is due to a combination of lower than expected advisory costs and a new interest charge to Camden Living.
- **Insurance:** underspend of £(1.322)m reflecting the impact of the revaluation of the insurance reserve.

A6. Non-General Fund Budgets: Dedicated Schools Grant

Spending across the early years and schools DSG blocks, including spending by individual schools, resulted in a £1.819m contribution to reserves, primarily due to the closure of St Aloysius and reduced numbers of children in schools.

DSG high needs block - £1.084m draw from reserves because of the increased expenditure on the 19 to 25 age group.

Schools withdrew a collective £2.446m from their balances

A7. Non-General Fund Budgets: Housing Revenue Account

The overall position for the HRA is an overspend of £5.9m (to be taken out of reserves). This is due to:

Property Management: overspend £10.5m

- Repairs overspent by £7.5m as pre-existing budget pressures have yet to be fully mitigated by reducing average costs through shifting to the in-house team or reducing demand through right first time and pre planning for inclusion in capital programmes. The other pressure is a £3.3m overspend on Chalcots due to unbudgeted legal fees and fire-stopping works.

Housing Management: underspend £(5.8)m

- Income – £(7.8)m underspend mainly due to the service working through the backlog of charges from prior years and increasing the amounts billed to leaseholders for capital.
- Expenditure – £2.1m overspend in Landlord Services (increased staff numbers), Sheltered Services (repairs and voids costs) and Estate Services (mainly responsive security team).

HRA - Cross cutting budgets – overspend £1.2m

- There has been an increase in bad debt. This is estimated at £2.4m more than budget, to factor in expected bad debts due to the COVID-19 pandemic on top of already high rental arrears and in-year write-offs.
- This has been offset by lower than expected costs in a range of other areas, including depreciation (which fluctuates depending on asset revaluation and other adjustments at the financial year end).

Appendix B: 2019/20 Earmarked Reserves Movement

Earmarked Reserves	Actual Reserve 01.04.19	Total Planned Usage	Forecast Reserves 31.03.20	Proposed Movement to Reserve	Proposed Reserve Balance 31.03.20
	£m	£m	£m	£m	£m
Reserves to support Council Priorities					
Multiyear & people specific reserves	23.063	(0.160)	22.903	16.190	39.093
Cost of Change/Camden Plan	13.715	(6.736)	6.979	0	6.979
	36.778	(6.896)	29.882	16.190	46.072
Reserves with conditions					
Dedicated Schools Grant	4.579	0.753	5.314	0	5.314
Multiyear budget reserve	4.929	0.132	5.061	0.009	5.070
	9.508	0.867	10.375	0.009	10.384
Reserves to support on-going capital activity and asset management					
Future Capital Schemes	19.745	3.365	23.110	0	23.110
Commercial and other property	0.776	0	0.776	0	0.776
Haverstock PFI Funding Reserve	1.498	(0.130)	1.368	0	1.368
Schools PFI Equalisation Reserve	2.018	0.167	2.185	0.333	2.518
Building Schools for the Future	0.464	0	0.464	0	0.464
Accommodation Strategy	3.545	(0.233)	3.312	0.936	4.249
	28.047	3.169	31.216	1,270	32.486
Reserves to manage future risk					
Self-Insurance Reserve	4.500	(1.000)	3.500	0	3.500
Business Rates Safety Net	5.241	(1.971)	3.270	0	3.270
	9.741	(2.971)	6.770	0	6.770
Total Earmarked Reserves					
	84.073	(5.831)	78.242	17.468	95.710
General Balances	13.992	0	13.992	0	13.992
Housing Revenue Account	33.365	(6.152)	27.213	0	27.213
Schools' Balances	15.964	(2.446)	13.518	0	13.518
Total General Reserves	63.321	(8.599)	54.722	0	54.722
Total Reserves	147.394	(14.429)	132.965	17.468	150.433

Appendix C: Detail on 2019/20 Capital Variances

SERVICE AREA	2019/20 Budget	2019/20 Outturn	2019/20 Variance
	£m	£m	£m
Sports Centres	0.660	0.627	(0.034)
Libraries	2.394	0.416	(1.978)
Subtotal - Community Services	3.054	1.042	(2.011)
ICT	1.468	1.683	0.215
Subtotal - ICT	1.468	1.683	0.215
Accommodation Strategy	9.545	5.371	(4.174)
Community Investment Programme	33.298	28.634	(4.664)
Estate Regeneration	41.889	29.441	(12.448)
HRA Hostels	1.509	1.179	(0.331)
Subtotal - Development	86.242	64.625	(21.616)
Green Spaces	3.635	1.674	(1.961)
Planned Improvements Highway	8.368	7.881	(0.487)
Environment Services including Depots	0.489	0.293	(0.196)
Schemes funded from Developers contributions	1.927	1.775	(0.152)
Subtotal - Place Management	14.419	11.623	(2.796)
Better Homes schemes	63.494	49.938	(13.556)
Chalcot Estate - Fire Safety	17.858	7.397	(10.461)
Temp Accom & Energy Efficiency	2.860	1.026	(1.834)
Schools Capital	16.322	12.106	(4.216)
Social Care Capital	4.113	2.704	(1.409)
Mechanical & Engineering	9.699	8.680	(1.019)
Other Capital Schemes	1.461	0.274	(1.187)
Subtotal - Property Management	115.806	82.126	(33.680)
Corridors and Neighbourhoods	5.180	2.929	(2.251)
Major Highways Projects	17.703	12.990	(4.713)
Time Charged	4.642	2.120	(2.522)
Sustainability Projects	0.732	0.497	(0.235)
Subtotal - Regeneration & Planning	28.258	18.536	(9.722)
Capital Programme	249.246	179.637	(69.610)

Appendix D: Detail on 2019/20 Capital Receipts

	Target 2019/20 £m	Final position 2019/20 £m	Variance From Target £m	Variance From Target %
GF Disposals Programme	(3.441)	(4.600)	(1.159)	
Homes for Older People	(0)	(2.500)	(2.500)	
Accommodation Strategy	(36.400)	(16.700)	19.700	
General Fund sub-total	(39.841)	(23.820)	16.021	40%
HRA Small Sites	(3.305)	(4.009)	(0.704)	
Right to Buy (Camden's Share)	(2.043)	(2.217)	(0.174)	
Right to Buy (Retained Receipts)	(1.029)	(2.519)	(1.490)	
Estate Regen. - Maiden Lane	(3.426)	(0.584)	2.842	
Estate Regen. - Bacton Low Rise	(1.844)	(1.269)	0.575	
Estate Regen. - Abbey	(4.482)	(12.063)	(7.581)	
Estate Regen. - Bourne	(6.873)	(12.131)	(5.257)	
Estate Regen. - Gospel Oak Infill	(1.488)	0.000	1.488	
HS2 - Regents Park	(8.763)	(1.837)	6.926	
Housing Revenue Account sub-total	(33.253)	(36.628)	(3.375)	(10) %
Total	(73.094)	(60.448)	12.646	17%