


<p style="text-align: center;">London Borough of Hammersmith & Fulham</p> <p style="text-align: center;">CABINET</p> <p style="text-align: center;">1 JULY 2019</p>	
<p>2018/19 CORPORATE REVENUE OUTTURN REPORT</p>	
<p>Cabinet Member for Finance and Commercial Services – Councillor Max Schmid</p>	
<p>Open Report</p>	
<p>Classification - For Information Key Decision: No</p>	
<p>Wards Affected: All</p>	
<p>Accountable Director: Hitesh Jolapara – Strategic Director of Finance & Governance</p>	
<p>Report Author: Emily Hill – Assistant Director, Corporate Finance Andrew Lord – Head of Strategic Planning and Monitoring</p>	<p>Contact Details: Email: Andrew.Lord@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. The H&F vision includes being ruthlessly financially efficient. We need to always confirm that spend fits our council's priorities; challenge how much needs to be spent; and achieve results within agreed budgets. Finance is everyone's business and every penny counts.
- 1.2. Section 151 of the 1972 Local Government Act requires the Chief Financial Officer (as the responsible officer) to ensure proper administration of the Council's financial affairs. This report is the concluding part of the Council's 2018/19 budgetary control cycle. Budgetary control, which includes the regular monitoring of and reporting on budgets, is an essential requirement placed on Cabinet Members, the Chief Executive, and Directors in discharging the statutory responsibility.
- 1.3. The Councils' accounts for 2018/19 are closed and subject to an audit. The statutory deadline for closure is 31 May with external audit complete by 31 July. The outcome of the audit will be reported to the July Audit Committee.

- 1.4. The provisional General Fund outturn variance is a net overspend of £1.6 million. This will be a charge against the Council's earmarked reserves. The overspend represents 0.3 percent of the gross General Fund budget.
- 1.5. Dedicated Schools Grant (DSG) High Needs Block funding has come under increased pressure in recent years across the country, and the Council had a cumulative overspend of £7m at the start of the year due to insufficient government funding. A 2018/19 DSG overspend of £6.6m has increased the cumulative deficit to £13.6 million. An earmarked reserve has been set aside to offset the deficit. Officers are working to reduce this overspend and modelling forecasts a decrease in the in-year overspend to £4.5m in 2019/20. At the same time, representations are being made to Government to demonstrate how they are underfunding the High Needs Block.
- 1.6. £32.7m of General Fund earmarked reserves were utilised in 2018/19 by approved projects, to stand at £62.3m by the year end. The figures are subject to the audit of the statement of accounts. These include £10.3m in movement due to technical NNDR adjustments, with £5.1m of that being due to timing of NNDR payments that will be repaid in the future. In addition to the reserves the Council holds £3.5m of capital receipts which could be applied to fund Invest to Save schemes in 2019/20 under the provisions for the flexible use of capital receipts.

Table 1 – Movement in 2018/19 reserves and balances

	2018/19 opening balance	In-year movement	2018/19 closing balance
	£m	£m	£m
Earmarked reserves	94.9	-32.7	62.3
General balances	19.0	0.0	19.0
	113.9	-32.7	81.3

- 1.7. Separate reports on this agenda provide the Housing Revenue Account outturn and the capital outturn.

2. RECOMMENDATIONS

- 2.1. To note that the 2018/19 budget required the delivery of £15.2m of savings.
- 2.2. To note, subject to audit, the General Fund overspend of £1.6m net of unused budgeted contingency. The overspend has been charged against corporate earmarked reserves.

3. REASONS FOR DECISION

- 3.1. To confirm the financial position as at 31 March 2019. This report outlines the provisional revenue outturn position, income and expenditure for 2018/19.

4. GENERAL FUND OUTTURN

Table 2 – Draft General Fund outturn 2018/19¹

Department ²	Revised Budget	Actual	Gross Variance
	£m	£m	£m
Children's Services	53.370	56.679	3.309
Corporate Services	1.260	1.235	(0.025)
Finance & Governance	14.886	13.751	(1.135)
Growth & Place	14.298	13.154	(1.144)
Public Service Reform – commercial income	(6.326)	(1.620)	4.706
Public Service Reform – other	9.229	6.893	2.336
Residents' Services	67.615	69.142	1.527
Controlled Parking Account	(23.037)	(25.437)	(2.400)
Social Care	53.764	53.765	0.001
Centrally Managed Budgets	33.114	31.235	(1.879)
Total	218.173	218.797	5.296
Adjustment for limiting use of the unallocated contingency to 50% and not distributing the contingency held for the 2018/19 pay award			(3.743)
TOTAL			1.553

- 4.1. Within this overall position, significant overspends were recorded in:

- Delays in delivering income in areas of commercial activity (£2.8m) with a further shortfall in commercial income due to commercial disputes (£1.9m).
- Family Support Services (£1.2m) predominately due to the delay in novating contracts to the Local Authority Trading Company (LATC) and working capital payments made to the LATC failing to achieve expected savings. Other Public Service Reform variances included a shortfall in the expected Public Health Outcomes Fund (PHOF)

¹ Figures in brackets are underspends.

² The Council has restructured its departments to deliver future savings. The outturn report for 2018/19 is based on the structures applicable to 2018/19 rather than the new structures in place for 2019/20.

contribution to prevention, overspends in staffing and other expenditure.

- Children’s Services (£3.3m)
- Residents’ Services (£1.6m).

A detailed explanation of the variances is provided in Appendix 1.

- 4.2. The provisional outturn includes the use of £5m of section 106 contributions (£1.7m towards enhanced policing and £3.3m for other purposes where new developments have resulted in additional pressures and costs to the Council of operating services that it would otherwise not have needed to operate) in accordance with the originally approved 2018/19 budget.

5. DEDICATED SCHOOLS GRANT

- 5.1. Dedicated schools grant (DSG) is paid in support of local authority schools budgets, being the main source of income for the schools’ budget. This is split between central expenditure and the individual schools budget (ISB) in conjunction with the local schools’ forum.
- 5.2. The High Needs Block funding has come under increased pressure in recent years and the Council had a cumulative overspend on the Dedicated Schools Grant of £7m at 31 March 2018. A 2018/19 DSG overspend of £6.6m has increased the cumulative deficit to £13.6m.
- 5.3. The Council will set aside an earmarked reserve equivalent in value to the DSG deficit. Initial modelling indicates that the deficit will increase by a further £4.5m in 2019/20.

6. RESERVES OUTURN

- 6.1. Reserves and balances of £32.7m were utilised in 2018/19.
- 6.2. This includes use of reserves of £5.1m which will be reimbursed in future years due to statutory timing and accounting requirements in respect of business rates within the collection fund.

Table 3 – 2018/19 Movement in reserves and balances

	2018/19 opening balance	In-year movement	2018/19 closing balance
	£m	£m	£m
Earmarked reserves	94.9	-32.7	62.3
General balances	19.0	0.0	19.0
	113.9	-32.7	81.3

- 6.3. The Council has set aside an earmarked reserve equivalent in value to the DSG deficit which is included in the movement above. Initial modelling indicates that

the deficit will increase by a further £4.5m in 2019/20. Earmarked reserves of £32.7m were utilised in 2018/19. This is after £2.0m of Invest to Save costs were funded from capital resources in line with the Government dispensation on the flexible use of capital receipts.

Table 4 – Key movements in 2018/19 earmarked reserves

	£'m
Set aside for DSG reserve	(13.6)
Managed services and Hampshire IBC implementation	(5.2)
Use of NNDR deficit reserve (technical / timing adjustment)	(5.2)
Temporary NNDR accounting adjustment for 2018/19 to be reimbursed in future years (technical / timing adjustment)	(5.1)
Council development costs	(2.0)
Funding of the 2018/19 General Fund overspend	(1.6)
Net reduction in 2018/19 earmarked reserves	(32.7)

7. CONSULTATION

7.1. With Departmental teams and Strategic Leadership Team.

8. EQUALITY IMPLICATIONS

8.1. Cabinet is asked to note the Corporate Revenue outturn for 2018/19. It is not asked to make any decisions nor take any action, hence there are no equality implications arising from this report.

8.2. Implications completed by: Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

9. LEGAL IMPLICATIONS

9.1. There are no legal implications within this report.

9.2. Implications verified/completed by: Adesuwa Omoregie, Principal Solicitor, 020 8753 2297.

10. FINANCIAL IMPLICATIONS

10.1. This report is of a financial nature and the financial implications are contained within, which is subject to audit review.

10.2. Implications completed by: Gary Ironmonger, Finance Manager 0208 753 2109.

10.3. Implications verified by: Emily Hill, Assistant Director, Corporate Finance, 020 8753 3145.

11. IMPLICATIONS FOR BUSINESS

11.1. There are no direct implications for local businesses.

11.2. Implications verified/completed by: Albena Karameros, Economic Development Team, tel. 020 7938 8583

12. COMMERCIAL IMPLICATIONS

12.1. There are no immediate commercial implications in this report.

12.2. Implications verified/completed by: Joanna Angelides on behalf of Simon Davis. Tel: 020 7361 2586

13. IT IMPLICATIONS

13.1. There are no IT implications contained within this report.

13.2. Completed by: Veronica Barella, Chief Information Officer, Tel 200 8753 2927.

14. RISK MANAGEMENT

14.1. The Council operates in an increasing risk environment of reduced council funding and austerity measures imposed by national government, increasing financial pressures due to cost inflation and demographic pressures. The Council has monitored this corporate risk through the year and has adopted as one of its key priorities to be ruthlessly financially efficient so as to continue to achieve the best service for our residents from council staff and contractors in line with our corporate risk to meet our communities ongoing needs and expectations. There is a risk that pressures will continue to provide a challenge in 2019/20.

14.2. Implications verified by: Michael Sloniowski, Risk Manager 0208 753 2587.

15. BACKGROUND PAPERS USED IN PREPARING THIS REPORT

None.

LIST OF APPENDICES

Appendix 1 Departmental Analysis – General Fund 2018/19 Revenue Outturn

DEPARTMENTAL ANALYSIS – GENERAL FUND 2018/19 REVENUE OUTTURN

CHILDREN'S SERVICES DEPARTMENT
Variance analysis by departmental division

Departmental division	Revised budget 2018/19 £000	Year end Variance £000	Explanation of major variances (over £100,000)
Family Services	35,962	2,636	<p>£2.522m relates to a continued increase in demand for social care placements along with higher unit costs and more complex cases. As with other London Boroughs, we have seen a rise in demand from adolescents at risk due to knife crime, child sexual exploitation and children being used for drug trafficking (County lines).</p> <p>The other significant variance is in Family Support and Child Protection and relates to legal and assessment costs to accommodate additional spot purchases. Numbers of children subject to a child protection plan have increased causing this additional pressure and could not be covered through the existing contract.</p>
Special Educational Needs and Disabilities	8,354	958	Placement overspends on care packages and direct payments accounts for £763,000 of the variance. In addition to inflationary increases, the transport service saw a significant growth in new starters, including higher single occupancy transport, which resulted in an £386,000 unfavourable variance. Over achievement on traded services income as well as other minor over and underspends make up the balance.
Education	3,547	(209)	The favourable variance is mainly due to fully funded posts filled in-year and lower than expected consultancy costs covering those posts.
Assets, Operations & Planning	5,507	(76)	
School Funding	0	0	

APPENDIX 1

Departmental division	Revised budget 2018/19	Year end Variance	Explanation of major variances (over £100,000)
	£000	£000	
Total	53,370	3,309	

CORPORATE SERVICES
Variance analysis by departmental division

Departmental division	Revised budget 2018/19	Year end variance	Explanation of major variances (over £100,000)
	£000	£000	
Human Resources	306	263	£200,000 agency savings were not achieved plus overspends on additional agency resource required to support services.
Executive Services	513	(138)	Underspends on staffing, activities and events budgets.
Communications	23	157	Underachievement of traded income target for the print service although activity in line with 2017/18.
Project Management Office	530	(299)	Underspends on staffing costs.
Total	1,372	(25)	

FINANCE & GOVERNANCE
Variance analysis by departmental division

Departmental division	Revised budget 2018/19	Year end variance	Explanation of major variances (over £100,000)
	£000	£000	
Facilities Management and Building Control	1,096	14	
Legal and Democratic Services	413	98	
IT Services	1,163	(1,100)	As part of the implementation of the desktop strategy across the Council, the renegotiation of key contracts on VDI (Virtual Desktop Infrastructure) and IaaS (Infrastructure as a Service) services has contributed towards an underspend of £340,000. A re-negotiated mobile data contract resulted in a further saving of £300,000. In addition, there were further underspends arising from a one-off adjustment of £250,000 on application services; and other efficiencies of £150,000 across the service.
Finance	7,993	(6)	
Audit, Fraud, and Insurance	(6)	(141)	One off underspend on staffing and internal audit contract.
Total	10,659	(1,135)	

GROWTH & PLACE - GENERAL FUND
Variance Analysis by departmental division

Departmental division	Revised budget 2018/19	Year end variance	Explanation of major variances (over £100,000)
	£000	£000	
Housing Solutions	8,490	(1,230)	<p>There has been a (£336,000) underspend on the bad debt provision on Private Sector Leased (PSL) temporary accommodation schemes due to an improvement in the collection rate (from a budget of 8.50% to an outturn of 5.19%). There is also a (£197,000) underspend on PSL rent payments to landlords due to a reduction in the average rent paid compared to budget.</p> <p>A reduction in client numbers from a budget of 190 to an outturn of 116 has produced a (£424,000) underspend on Bed and Breakfast (B&B) net rental payment to hoteliers.</p> <p>Additionally, the division has underspent by (£810,000) on its Flexible Homelessness Support Grant (FHSG) provided by central Government to cushion the impact of the removal of the management fee for Temporary Accommodation.</p> <p>These underspends are offset by an overspend on cost avoidance payments of £239,000 made to procure Direct Letting units for homelessness prevention, an overspend on legal costs for complex cases of £178,000 and on repairs and furnishing costs on PSL properties of £120,000.</p>
Housing Strategy & Growth	2,822	(4)	
Economic Development, Skills Service	2,011	0	

APPENDIX 1

Departmental division	Revised budget 2018/19	Year end variance	Explanation of major variances (over £100,000)
	£000	£000	
Planning	1,256	0	
Operations	86	48	
Property Services	60	(3)	
Development & Regeneration	149	48	
Building and Property Management	(576)	(3)	
Total	14,298	(1,144)	

PUBLIC SERVICES REFORM (INCLUDING COMMERCIAL INCOME)
Variance Analysis by departmental division

Departmental division	Revised budget 2018/19	Year end variance	Explanation of major variances (over £100,000)
	£000	£000	
Public Service Reform Commercial Revenue	(6,326)	4,706	<p>Business Intelligence – £2,104,000. Delays in business sales in 2018/19 as the team focused limited resources on delivering improved services for residents.</p> <p>Advertising Hoardings – £1,901,000. Variance is due to a prudent provision due to commercial disputes, shortfalls in income from profit sharing sites, new sites that did not proceed as planned and legal fees incurred throughout the year.</p> <p>Ethical Debt & Other Commercial activity – £701,000. Delays in commencement of ethical debt sales through a joint venture. Several contracts have now been signed by other councils but these will only result in income in future years after collections are made.</p>
Public Service Reform - other	9,229	2,336	<p>Family Support – £1,181,000. £1m of this overspend relates to unachieved savings. The variance is due to the delay in novating contracts to the Family Support Local Authority Trading Company (LATC) and working capital payments made to the LATC. A due diligence review is being undertaken during April and May under open book arrangements with the LATC in preparation for commencement of contract negotiations from 1 July 2019.</p> <p>Third Sector Commissioning - £313,000. The variance resulted from an overstatement of the expected Public Health Outcomes Fund (PHOF) contribution to Adults prevention spend in the year.</p>

APPENDIX 1

Departmental division	Revised budget 2018/19	Year end variance	Explanation of major variances (over £100,000)
			<p>Staffing - £442,000. The overspend is due to a combination of factors such as shortfalls in funding, a higher than expected number of staff transferring at the top of their pay scale and the cost of recruiting interim staff to cover workload during the transition. Whilst the cost pressure was partially mitigated through vacancies and one-off recharges of staff costs, there remains a significant underlying cost pressure to be addressed.</p> <p>In addition to the above variances, there were several one-off unfunded costs throughout the year in relation to legal, third party and minor contract payments £400,000.</p>
Total	2,903	7,042	

RESIDENTS' SERVICES
Variance Analysis by departmental division

Departmental division	Revised budget 2018/19	Year end variance	Explanation of major variances (over £100,000)
	£000	£000	
Cleaner, Greener & Cultural Services	9,050	(87)	
Transport and Highways	14,195	11	
Leisure & Parks	4,792	3	
Environmental Health, Community Safety & Emergency Planning	7,568	28	
Other LBHF Commercial Services	(96)	32	
Executive and Support	685	(73)	
Building Control and Technical Support Services	1,282	279	Building Control income shortfall (£354,000), was partially offset by supplies and services underspend in Technical Support (£75,000).
Street Cleansing and Street Enforcement	12,117	192	New commercial saving not delivered (£159,000).
Customer Services	15,267	859	Savings not delivered (£631,000). Unfunded staffing costs (£120,000) and Moving On costs more than budget transferred (£94,000).
Libraries	2,704	284	Commercial savings delayed (£346,000) and delayed implementation of Smart Opening due to the need to reshape the programme over the medium term (£100,000). These were partially offset by other cost reductions (-£116,000).
Prevent	53	(1)	
Total	67,615	1,527	

CONTROLLED PARKING ACCOUNT
Variance Analysis by departmental division

Departmental division	Revised budget 2018/19	Year end variance	Explanation of major variances (over £100,000)
	£000	£000	
Pay & Display (P&D) Income	(14,543)	(2,073)	The Council has seen increased receipts from the roll-out of cashless phone parking across the Borough. The number of people using phone parking has continued to increase significantly since the roll out commenced October 2016 and completed in February 2018. The take up of phone parking is now more than 84% . Of the remaining income from the new pay and display machines, 90% is by card. This has led to a reduction of cash receipts and the risk of theft on-street.
Permits Income	(4,496)	(147)	Whilst housing estate permits are excluded from these figures, as more estates have introduced controls enforceable by Civil Enforcement Officers, some residents have chosen to purchase an on-street permit as opposed to an estate permit. Having not been increased in price for some years, the real cost of permits has reduced.
Penalty Charge Notices (PCNs) Income	(14,594)	(274)	2018/19 saw the full year effect of a major recruitment exercise during 2017, when 11 Civil Enforcement Officers were recruited to return the service to a full establishment (58 FTEs). There was also an increase in income recovery in relation to PCNs during this financial year in consequence of the clearance of a backlog of challenges/letters and improved response times together with increased Enforcement Agent collection rates.
Parking Bay Suspensions Income	(3,260)	851	The number of Parking Suspension requests has significantly dropped over the last 2 years. This is dictated by outside factors such as property development levels, house moves, utility works etc. Our policy is to try to minimise the scale and duration of parking suspensions as much as possible due to the negative impact on residents due to the loss of parking spaces.

APPENDIX 1

Departmental division	Revised budget 2018/19	Year end variance	Explanation of major variances (over £100,000)
Towaways and Removals Income	(251)	(6)	
Other Parking Related income	0	(44)	
Total CPA income	(37,144)	(1,692)	
CPA Expenditure	14,107	(707)	There has been significant reduction in costs of approximately £560,000 arising from the roll out of phone parking and the introduction of new mainly card-only pay and display machines. These include cash collection costs, contract costs, maintenance, and credit/debit card processing costs. There was also a £77,000 underspend on staff costs and £28,000 underspend on Transport Costs.
TOTAL	(23,037)	(2,400)	

SOCIAL CARE
Variance Analysis by Departmental Division

Departmental division	Revised budget 2018/19	Year end variance	Explanation of major variances (over £100,000)
	£000	£000	
Care and Assessment	22,210	(970)	The underspend is due to the tight departmental controls and monthly monitoring of the budget and mitigation plans. Also, social care was able to re-charge Bi-Borough for its usage of beds in two nursing home contracts that H&F host, (£1,329,000). However, this is partly offset by the continued demand on this social care budget resulting from discharging people from hospital much earlier and with a high degree of complexity. This resulted in a net overspend of £359,000.
Learning Disability	12,617	681	Overspend due to additional activity in residential care placements and transitional service users for Children's services. As both adults and children's services continue to improve the transition for younger people with disabilities into adult service, such overspends should cease. As, for example, planning a young person's care at an earlier stage means that they are more likely to stay in - borough in supported accommodation, rather than an out of borough residential placement.
Mental Health	6,985	298	Overspend is due to an increase of 3 net new placements from April 2018 and 7 additional Supported Living placements. There is a continued tight operational and strategic plan in place to address the overspend over the next year. Joint working with the Clinical Commissioning Group is also in progress.
In-House Services	2,753	(25)	

APPENDIX 1

Departmental division	Revised budget 2018/19	Year end variance	Explanation of major variances (over £100,000)
	£000	£000	
Community Independence & Hospital Service	1,793	(76)	
Resources	5,893	0	
Directorate & Support Service	819	(1)	
Commissioning	411	94	
Total	53,481	1	The department outturned with a broadly breakeven position which is a significant improvement to the month 9 projection of £502,000 overspend. The mitigating actions to manage the overspend and the 2018/19 savings of £2,446,000 were both achieved. The department managed this position with the use of the new funding from the Improved Better Care Fund of £7,050,769 (the second year of a three year funding programme) and ASC Winter pressures grant of £918,381 to manage these pressures.

CENTRALLY MANAGED BUDGETS
Variance analysis by departmental division

Departmental division	Revised budget 2018/19	Year end variance	Explanation of Major Variances (over £100,000)
	£000	£000	
Corporate & Democratic Core	3,708	(408)	Underspend on bank charges due to action to recover a previous overcharge on credit card fees.
Housing Benefits	(639)	(49)	
Levies	1,570	(48)	
Net Cost of Borrowing	282	(91)	
Other Corp Items	16,992	(1,022)	Adverse variance of £341,000 on land charges income due to reduced activity. Underspend on civic accommodation Business Rates of £468,000. Underspend on dual running of SAP/Agresso resulted in a favourable variance of £573,000. Underspend on corporate legal budgets of £190,000. Reduced charges from HRA for General Fund use of Area Offices of £112,000.
Pensions & redundancy	11,201	(261)	Underspend on the unfunded pension costs arising from historical redundancy decisions.
Sub -Total	33,114	(1,879)	
		(3,743)	Unused unallocated contingency (£2,767,000) and centrally held pay award inflation (£975,000) not distributed to departments.
Total	33,114	(5,622)	