Finance Report - 2018/19 Month 8

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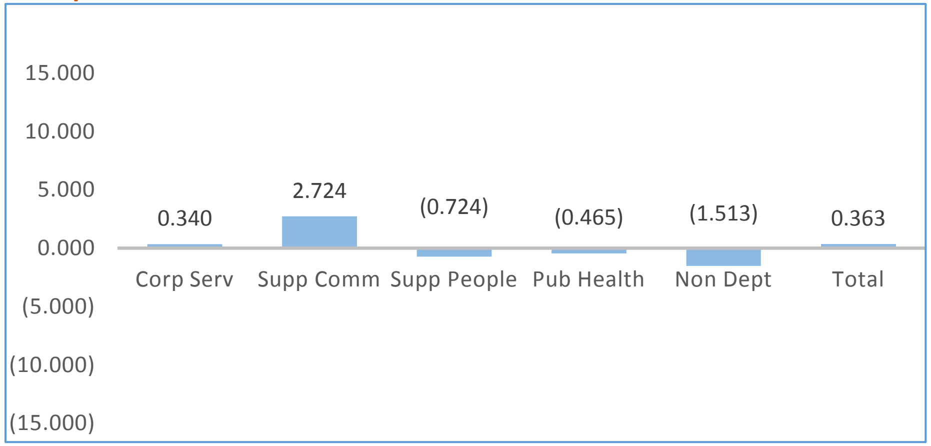
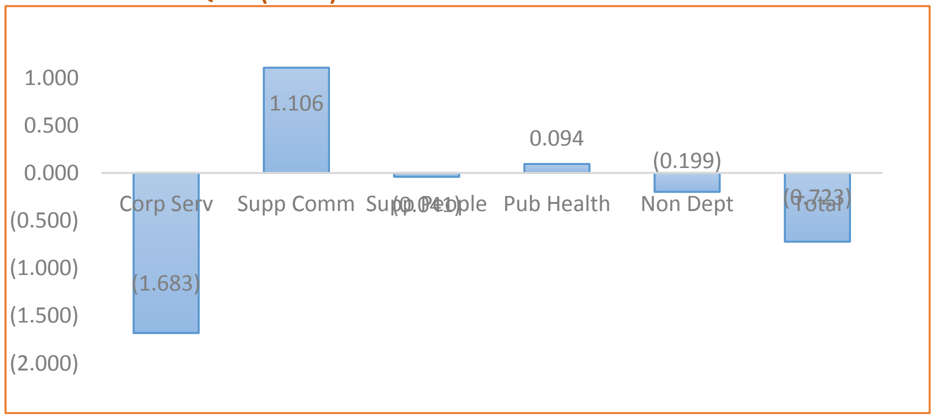
1. Organisation Revenue Headlines

General Fund – Net Budget of £222.001m Forecasting £0.363 (0.2%) overspend

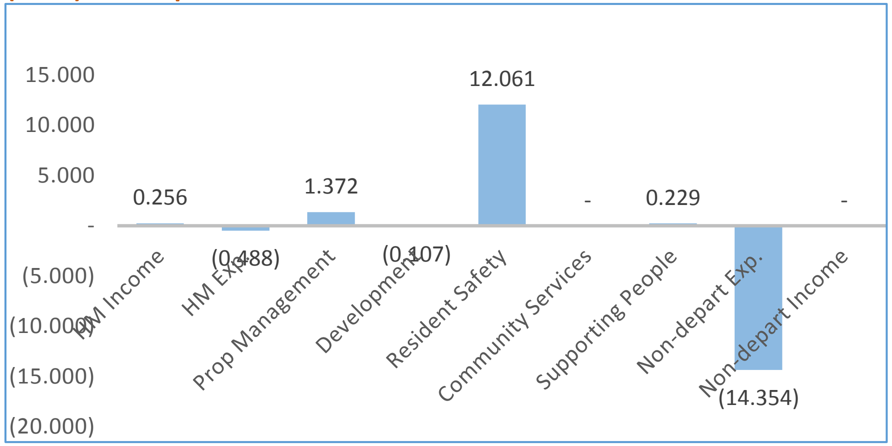


Main causes: Overspend in ICT shared service due to on-going budget pressures and significant contract inflation costs. There is an underachievement of income in Regeneration and Planning, Community Services and Registrars. The overspends are partially offset by underspends across Supporting People and reduced MRP requirement due to slippage in the capital programme in 2017/18.

Movement from Q2 - £(0.723)m

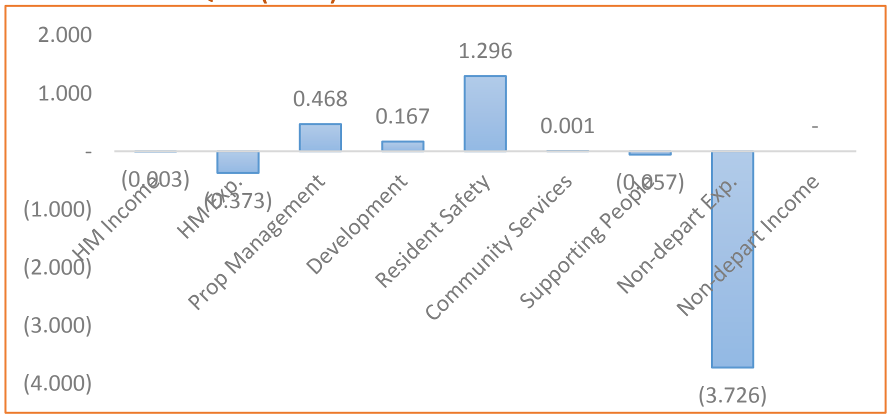


HRA – Gross Expenditure Budget of £213.423m Forecasting £(1.032)m (0.4%) underspend



Main causes: Significant expenditure on resident safety to cover the cost of additional 'waking watch' across the housing stock to manage fire safety risk. This overspend is offset by a reduction in the PFI contract costs and a change in delivery for repairs and maintenance services for one of the estates.

Movement from Q2 - £(2.228)m



2. Executive summary

General Fund Revenue

The authority is forecasting a net overspend on the General Fund (GF) at Month 8 of £0.363m (0.2%) on a net budget of £222.001m. This is an improvement of (£0.723)m from last quarter caused by increases in income, holding vacancies and identification of funding for the web project within Corporate Services. These are being offset by a number of increases in Supporting Communities, mainly in Place Management and Property Management; the former caused by legal costs in pursuing a public safety liability case, and the latter caused by combination of relatively minor movements relating to security costs and the facilities management contract.

The net overspend position is largely being created as a result of a series of structural pressures within the authorities budgets within both Corporate Services and Supporting Communities, which are noted in the table below;

Pressure	£m
HR/Finance System	0.55
Unachievable NEETs saving from last MTFS	0.34
Unachievable Public Conveniences saving from last MTFS	0.28
Unachievable planning income targets from last MTFS	0.25
Income Maximisation	0.19

These structural pressures have been reviewed and looked to be addressed as part of budget setting for 2019/20.

There are a number of factors that should be considered that would look to bring the authority into a balanced position by year-end, these include;

- A level of prudent forecasting is seen during the year that, as year-end come closer, the organisation is able to forecast their expenditure and income more accurately. The expectation is that this will reduce the overspend overall
- A number of areas will also be reviewed closer to year-end and could act as levers, including Housing Benefit Bad Debt provision and other transfers to and from reserves reviewed as part of the assessment of all requests for transfers to reserves.

Although the authority is forecasting a net overspend position for revenue at month 8 of £0.363m, it should be noted that there is confidence that the authority will come in at a balanced position by year-end. Looking over movements in previous quarters the organisation is putting in place actions that are reducing overspends, generating additional income (where possible), holding vacancies, starting early delivery of savings and reviewing assumed transfers to reserves. The overspend position at this time of the year is also in line with reported positions in previous years where the authority has come in on a balanced position by year end.

The authority is forecasting slippage on Capital expenditure of (£48.292m), equivalent to 19% on a budget of £247.780m. The main causes for this forecasted variance is due to significant slippage in Better Homes of (£30.392m) mainly as a result of a transfer of operational resources to fire safety works and delays delays caused by leaseholder queries relating to enhanced fire risk assessment specifications to works. There is also an additional (£11m) slippage of Chalcots expenditure that reflects the start on site in 2019/20.

A summary of the revenue forecast by directorate is provided below:

Corporate Services

- Although the directorate is forecasting an overspend position of £0.340 this is an improvement of (£1.683m) from Qtr 2. Corporate Services will continue to identify ways to reduce this overspend, however it should be noted that the pressure is being caused by non-delivery of previous MTFS savings which are a structural problem. These are being addressed in the 2019/20 budget and will not continue to cause pressures next year.
- ICT Shared Services of £1.511m as a result of supernumerary staff costs and contract pressures, a reduction of £(0.304)m since Q2 as a result of the planned mitigation presented at DMT in Qtr 2.
- HR/Finance system undelivered savings of £0.550m
- Overspend positions have been partially offset by forecast underspends of £(0.939)m in Law & Governance due primarily to a number of vacancies across the division being left unfilled as conversations are being had around the next MTFS
- The forecast has moved by £(1.683)m since Q2 This is mainly due to increased income projections, funding identified for the website project and increased number of vacancies across the directorate and improved staffing forecasts across the directorate.

Supporting Communities

- The forecast outturn is an overspend of £2.725m, which represents an adverse movement of £1.106m since quarter 2.
- The main movements are in Place Management and Property Management; the former caused by legal costs associated with the unexpected verdict in the prosection of a public safety case, and the latter caused by combination of relatively minor movements relating to security costs and facilities management.
- The directorate has a number of unachievable savings from the last MTFS round which are being resolved in the 2019/20 budget (NEETs, public conveniences and planning income) c£0.900m. This, along with the one-off nature of most of the overspends in Environemntal Health and Business Consumer Services, which include other unavoidable legal costs as well as those referenced above, and significant investment in staffing to clear the

backlog of food safety audits, will mean the directorate is in a stronger position to balance its budget in 2019/20 subject to the delivery of new MTFS savings.

- Elsewhere in the directorate, the performance of the wider economy continues to prove challenging for Planning income, and this is the main factor in the Regeneration and Planning £0.395m projected overspend. In Customer Services, there remains pressures on the libraries and events services' income targets, which are being somewhat mitigated by underspends in other services in the division.

Supporting People

- Adult social care is reporting an underspend of £0.977m after creating a transformation reserve of £1.1m to invest in early intervention and prevention to mitigate the demographic pressures that will arise in the near future.
- Children's Safeguarding and Social Work is reporting an overspend of £0.174m. The outturn is subject to variation due to fluctuation in demand. It is assumed all additional funding streams (Partners in practice, UASC Capacity building) will be fully consumed by new costs.
- Early intervention and prevention is forecasting a £0.138m. There is currently a £0.916m reserve available to support the Complex (Troubled) families programme and this reserve is expected to be extinguished by 2020/21. The service is considering options for when funding ceases. Despite the anticipated receipt of additional Government funding of £0.533m for special educational needs, here is an anticipated draw on the DSG SEN reserve (£1.731m). The service continues to seek mitigating actions.
- Despite the implementation of case by case reviews, schools redundancies are continuing to cause a significant overspend of £0.971m. This is a structural budget issue which has been ameliorated in the 2019/20 draft budget.
- Housing support services (GF) is reporting a net underspend of £(0.598)m which reflects the finalisation of the leasing contracts for hostels and an accumulation of small underspends in accessible transport and early delivery of a 2019/20 saving of £0.600m in housing commissioning. However the temporary accommodation service in the HRA is showing a net overspend of £0.229m reflecting the delay in opening Holmes Road
- Strategic and Joint Commissioning are reporting an underspend of (£0.374m) after early delivery 2019/20 contract savings.

Public Health

- Sexual Health services are experiencing lower than anticipated demand as are alcohol residential rehabilitation services. these services are demand led and any significant change in demand will impact on the final outturn.

Cross-cutting

- Non-departmental budgets are forecast to be £(1.513)m underspent mainly due to a lower requirement on the minimum revenue provision (MRP) for funding of capital projects due to slippage in capital expenditure in 2017/18.

HRA

- The HRA is projecting a net contribution to reserves of £(1.032)m; a favourable movement of £(2.228)m.
- The expected outturn variance on resident safety is now £12.061m, £1.296m higher than the Q2 forecast. This predominantly relates to Chaclots costs, currently forecast at £10.648m, with a further £1.313m overspend on works and ensuring safety on other blocks on elsewhere in the borough.
- However, this impact has been more than offset by a £(14.354m) underspend in non-departmental expenditure, mainly relating to the non-payment of PFI grant following the decision to 'step in' to the contract and take direct control of estate services. We are, however, assuming the full benefit of the PFI credit grant will continue to be received, and if the contract formally ends before the end of the year, there is a risk that we won't receive the full amount. The low interest rates charged on internal borrowing are also contributing to the non-departmental underspend.
- The largest other variance is of £1.4m in Property Management, which relates primarily to increases in demand on repairs and also to staffing overspends.

Capital

- The capital programme budget this year is £247.780m with the bulk of this in Property (£110.426m) and Development (£98.009m).
- Overall the programme is projecting an overspend of £20.141m,. This is mainly due to an expectation that the remediation costs of the cladding at Chaclots will be £22.200m more than budgeted.
- The slippage in Property Services is split primarily between Chalcots works of £(11.254)m and Better Homes works of £(30.392)m. Progress on Better Homes is being impacted by delays relating to leaseholder queries, the addition of fire risk assessment works to planned fabric repairs adding complexity, and the extended time requirements needed get a number of high value Mechanical & Electrical district housing heating replacements ready for implementation. The Chalcots' cladding contract is expected to be signed soon, but delays in the tendering stage have caused the slippage this year.
- Regeneration and Planning has a small overall variance but a £(2.8)m slippage this year. The cause is split almost equally between TfL agreeing we can incur cycle scheme costs next year, and delays on the West End Project relating to the delivery of materials.
- The council has budgeted for £(50.400)m of GF and £(96.040)m of HRA capital receipts this year.
- There are only small movements in receipts forecasts for this period, with slippage of £17.608m expected this year, and £19.505m over the life of the programme.
- The GF programme is anticipating an underachievement of £6.193m this year and £7.214m overall. This mainly relates to the decision to retain the employment space at Liddell Road. The total reduction in capital receipts is forecast at £(7.2m) due to Liddell Road and general reduction in propert prices .
- In the HRA programme there is expected to be £11.415m underachievement this year, rising to £12.291m over the life of the projects. The downturn in Right-to-buy receipts is a major contributor to the variance . Slowdown in sales rates are causing slippage in the year , while stagnated market and falling property prices have negative impact on the overall receipts target.

Developments / Issues / Next Steps

- Finance will be working with services over the final months to identify mitigating actions to reduce the overall overspend position, with a further update to be provided to CMT at the end of this year.
- Actions taken in 2019/20 budget setting should mean the Supporting Communities directorate is in a stonger position to balance in 2019/20 subject to the delivery of next year's savings: the allocation of unavoidable pressures budget will remove the unachieved public conveniences (£0.26m) and NEETS targets (£0.34m), and lower planning income by £0.25m. In addition the budgets to areas where there are currently pressures but savings projects are proposed in 2020/21 and beyond will provide planning and libraries with a further £0.25m and £0.15m respectively.
- The generation of the capital receipts required to fund the programme continues to be a concern. Despite lowering receipts on a number of schemes in the capital review completion rates continue to be relatively slow and the market uncertain pending Brexit.

3. General Fund – M8 finance position

3.1 Budget variance by division

Table 1

	Last year outturn £m	Budget (Current) £m	Spend to date £m	Forecast outturn £m	Forecast Variance £m	Forecast variance %	Movement in variance from last quarter £m
Corporate Services	29.529	23.713	43.425	24.053	0.340	1.4%	(1.333)
Supporting Communities	49.517	65.573	46.438	68.297	2.724	4.2%	1.106
Supporting People	160.364	173.178	88.648	172.455	(0.723)	-0.4%	(0.041)
Public Health	22.614	22.411	10.924	21.946	(0.465)	-2.1%	0.094
Non-Departmentals	(15.767)	(62.874)	(47.636)	(64.387)	(1.513)	2.4%	(0.549)
Organisation Total	**246.257**	**222.001**	**141.799**	**222.364**	**0.363**	**0.2%**	**(0.723)**

3.2 Variances and movements

3.2.1 Corporate Services

Service	Budget £m	Forecast £m	Variance £m	Movement since last Qtr £m	Cause of variance and movements
Exec Dir. of Corporate Services	0.262	0.328	0.067	0.069	Forecast correction to reflect the expected outturn, the movement reflects the adjustment made in Q3 .
Chief Executive Office	0.250	0.262	0.011	0.000	No significant variance
Communications	1.314	1.366	0.053	(0.002)	Overspend of £0.053m due to underachievement of income in Creative Services. This gap has closed compared to prior years due to focus on securing design and print jobs from external clients.
Customer Services	(18.574)	(19.061)	(0.487)	(1.099)	Underspend of £0.487m due to offsetting over and underspends. Overspend include previous savings target of (£0.187m) in relation to the cross cutting income maximisation project, (£0.503m) in Benefits as a result of reduced income from overpayments due to real time information alerts from HMRC reducing time for overpayments to accrue and Registrar Services (£0.230m) as a result of underachievement of income in relation to Ceremonies. These overspends are being offset by an underspend in Parking Services (£(0.897)m) due to implementation of tariff increases and diesel surcharges on paid for parking from July 2018.
Finance and Procurement	5.467	5.921	0.454	(0.049)	Overspend due to savings target of £0.550m in relation to the Oracle Fusion system not yet being realised due to delays in implementation, £0.118m in Treasury & Financial Transaction as a result of Fusion related costs being absorb and unable to recharged to the project. Overspend being partly offset by delay in filling vacancies following the Corporate Finance restructure.
HR and OD	5.786	5.567	(0.219)	(0.146)	Underspend due to held vacancy of senior business advisor post and part year vacancies in advice & services.
ICT Shared Service	12.596	14.107	1.511	(0.304)	Overspend position of £1.511m as a result of supernumerary staff costs and contract pressures. These are known on-going budget issues that have previously been supported by the ICT Capital programme.
Law and Governance	13.276	12.337	(0.939)	(0.136)	Underspend due to vacancies held as part of achieving MTFS savings targets
Strategy and Change	3.337	3.226	(0.111)	(0.014)	Underspend due to no backfill of maternity leave in relation to director's post and held vacancies to meet savings targets
Total for directorate	**23.713**	**24.053**	**0.340**	**(1.683)**	

3.2.2 Supporting Communities

Service	Budget £m	Forecast £m	Variance £m	Movement since last Qtr £m	Cause of variance and movements
Supporting Communities Directorate	(0.077)	0.318	0.395	0.043	Overspend due to unachievable NEETs saving
Development	2.219	2.374	0.155	(0.017)	Overspend £0.155m, largely due to the costs of consultancy relating to disposals, including unexpected additional costs relating to Branch Hill. If the sale proceeds this year it may be possible to charge some of the costs to the capital receipts. The movement is the result of the restructure.
Community Services	12.727	12.978	0.251	0.049	Libraries, arts and tourism continues to overspend by £0.425m, a result of a combination of staffing overspends and underachieved income. However, the Community Partnership Unit is now underspending by £(0.132)m following a review of projected spend across strategic partners.
Programme Director HS2	0.000	0.000	0.000	0.000	No significant variance
Place Management	30.507	31.755	1.248	0.656	A £(0.337)m underspend in Environment Services relating mainly to one-off North London Waste Authority underspends is being offset by large overspends across Environmental Health & Business Consumer Services which relate primarily to the food safety audit backlog, but also includes significant other costs from legal cases £0.671m and underachieved licensing income £0.124m.
Property Management	18.945	19.224	0.279	0.420	The overspend £0.279m, largely due to schools# Property overspending by £0.432m mainly as a result of metered water charges; additional refurbishment works and security costs. Partially fffset by the latest schools PFI projections that suggest a further revenue contribution will not be required this year.
Regeneration and Planning	1.254	1.648	0.395	(0.045)	The majority of the improvement since last Q2 is due to the expectation that the contractor will cover business rates relating to bus shelters and from expected income from selling surplus carbon reduction credits. The divisional overspend of £0.395m is mainly due to unachievable statutory planning fees income leading to an overspend of £0.580m in Development Management.
Total for directorate	**65.573**	**68.297**	**2.724**	**1.105**	

3.2.3 Supporting People

Service	Budget £m	Forecast £m	Variance £m	Movement since last Qtr £m	Cause of variance and movements
Children's Safeguarding and Social Care	30.550	30.723	0.173	0.495	Overspend of £0.173m after returning £0.4m to reserves as early delivery of a 2019/20 saving. The outturn is subject to variation due to fluctuation in demand. It is assumed all additional funding streams (Partners in practice, UASC Capacity building) will be fully consumed by new costs.
Early Intervention and Prevention	17.714	17.852	0.138	0.301	Overspend of £0.138m after returning £0.500m to reserves reflecting early release of transitional funding for the Camden enhanced offer. There is currently a £0.916m reserve available to support the Complex (Troubled) families programme and this reserve is expected to be extinguished by 2020/21. The service is considering options for when funding ceases. The draw on the DSG HNB reserve is anticipated (£1.7m), this is net of additional HNB funding of £0.533m announced in December. The service is reviewing the position and seeking mitigating actions.
Education (Achievement & Aspiration)	7.519	8.430	0.911	0.105	Schools redundancies are continuing to cause a significant overspend of £0.911m despite the implementation of case by case reviews
Adult Social Care	75.692	74.715	(0.977)	(0.783)	Underspend of £(0.977)m These numbers aassume that the Winter Pressures grant will be fully expended in 20181/19 and also assume the creation of a "transformation Reserve" for social care.
Housing Support Services	33.433	32.835	(0.598)	(0.143)	Underspend of £(0.598)m which reflects the finalisation of the leasing contracts for hostels and an accumulation of small underspends in accessible transport and early delivery of a 2019/20 saving of £0.300m in housing commissioning.
Strategic and Joint Commissioning	7.790	7.417	(0.373)	(0.017)	Underspend of £(0.373)m after early delivery of 2019/20 contract savings
Executive Director	0.480	0.482	0.002	0.000	No significant variance
Total for division	**173.178**	**172.454**	**(0.724)**	**(0.042)**	

3.2.4 Public Health

Service	Budget £m	Forecast £m	Variance £m	Movement since last Qtr £m	Cause of variance and movements
Public Health Leadership	2.603	2.318	0.163	0.527	increase of staff overheads partially offset by staff vacancies.

Sexual Health	5.275	4.945	(0.330)	(0.288)	Underspend due to lower than expected activity on London HIV Prevention Programme & E Service for governance and management fees.
Substance Misuse	6.813	6.676	(0.137)	(0.123)	Lower than expected activities
Smoking & Tobacco	0.752	0.747	(0.005)	(0.008)	No significant variance
Obesity & Physical Activity	0.889	0.838	(0.051)	(0.020)	Underspend due to reduced exercise on referral activities and an unfilled maternity post at the Royal Free Hospital
Children5-19 Public Hlth Prog	5.472	5.488	0.016	0.025	No significant variance
NHS Health Checker Programmes	0.388	0.326	(0.062)	(0.029)	Underspend on comms and promotions due to reduced contracts value.
Other Public Health Services	0.669	0.610	(0.059)	(0.046)	Additional Income
Total for division	**22.859**	**21.946**	**(0.465)**	**0.094**	

3.2.5 Cross Cutting

Service	Budget £m	Forecast £m	Variance £m	Movement since last Qtr £m	Cause of variance and movements
HRA recharge	(10.941)	(10.941)	0.000	0.000	No significant variance
Minimum Revenue Provision (MRP)	4.542	3.297	(1.245)	0.000	Underspend due to a slippage in capital expenditure in 2017/18 which caused the capital financing requirement (CFR) to be lower than expected
Pensions	15.975	15.975	0.000	0.000	No significant variance
Interest Payable	1.101	1.141	0.040	0.000	Reduced overspend on interest payable due to the internal borrowing rate for the HRA increasing
Interest Receivable	(1.462)	(1.477)	(0.015)	0.000	No significant variance
Levies	1.883	1.767	(0.116)	0.000	Underspend mainly due to London Pension Fund Authority which was less than estimated at the time of budget setting
Government Grants	(52.696)	(52.696)	0.000	0.000	No significant variance
Other Budgets	(21.276)	(21.453)	(0.177)	(0.199)	CIP 2% income from Branch Hill House slightly higher than expected, £100k reduction in CRC forecast
Total division	**(62.874)**	**(64.387)**	**(1.513)**	**(0.199)**	

3.3. Risks to forecast position

Directorate	Service	Issue/ Risk	Potential Pressure	Actions/ Mitigations
Supporting People	Children's Safeguarding and Social Care	Service continue to report necessity to procure spot purchases as the contracted Short Breaks providers are unable to provide the personal care required (therefore duplicating on costs). Service have plans to cover additional expenditure by reducing salary costs and recruiting permanently to posts. They also have a number of long term plans including reviewing all spot purchased support packages and transferring to personal budgets.	£0.155m	Joint working between Commissioning and service to manage contract.
Supporting People	Education	On going redundancy costs	£0.9m	Robust advice from HR and adherence to process to minimise financial impact
Supporting People	Adults & Joint Commissioning	CCG financial pressures continues to pose a risk re-funding NHS services delivered on CCG's behalf and cash flow impacts of the delays to paying for the BCF.	unknown	
Supporting People	Housing Needs – Allocations Service	There is a small risk that Camden may incur legal costs if a claimant challenges the Council under the Homeless Reduction Act and wins their case. At the moment there is no provision for in the Housing Needs Budget for any potential wins against the Council. The cost of a won case could be as high as £100,000 as the Council would be liable for all the costs of the case.	Unknown	Cases on monitored carefully and fought by the Council. Any charges incurred would be shared across the units.
Supporting People	CATS - Travel	To avoid a risk that some costs incurred may not be fully recovered by the Cost Centre ie Self Hire Drive, a review of the related processes and controls is underway to ensure spend is fully recovered. Annual SLA charges and related overheads need to be agreed with the Business areas as soon as possible, including a high level view on expected costs for next year as lease costs will increase due to the 'Greener Fleet' initiative.	unknown	Complete review. Discuss current year SLA and agree with business users and ensure recovery of costs. Agree recharging of costs outside of annual SLA. Calculate estimated 2019/20 SLA costs and discuss with budget holders
Supporting People	Temp Accommodation – Annex & B&B costs	There has been a general increase in number of units and related spend on Annexes and B&B since July. The team have reviewed the accounts in detail (July and August) to ensure	Unknown	Continue regular monthly review of headcount and spend and update forecasts.

Directorate	Service	Issue/ Risk	Potential Pressure	Actions/ Mitigations
		accuracy and completeness. The forecast spend in these two areas is expected to stay at these elevated levels, especially as the weather becomes colder and more people are becoming aware of the Homelessness Reduction act and may apply accordingly.		
Supporting People	Adult Social Care	Utilising winter pressures funding (£1.286m) likely to reduce call on precept / base budget	(£0.742m)	Potential creation of transformation further reserve
Supporting Communities	EHBCS	The forecast includes £0.671 for counsel costs, expert witnesses, and other prosecution costs relating to two legal cases, but actual costs haven't been finalised or invoices received. The forecast is based on Legal Services' best estimate of outstanding costs and going proceedings.	£0.400	Further analysis of estimated costs and prior years expenditure to ensure the robustness of the forecast.
Supporting Communities	Building Control	Brexit - Impact on construction related income streams. There is the risk that Brexit will have a negative impact on the construction industry in London	Unknown	Impact of referendum on the construction industry in Camden is unknown. May impact on income within Building control and Engineering services.
Supporting Communities	Community Services	GLL sports contract variation	£2m	Final sign-off of the contract variation with GLL should happen imminently with the balancing payment to follow. Relevant documentation is now with GLL for final checks and sign off.
Supporting Communities	Development Management	Applications still down. Further slowdown of the property market and uncertainty around Brexit could result in a further drop in the number of planning application and corresponding income.	Unknown	The service continues to carefully monitor applications and income and are holding vacancies.
Supporting Communities	Transport Strategy	The contract for the bus shelter digital advertising panels is still subject to final negotiation and sign-off with contractor. This is dependent on the Procurement outcome of the CIP Panels element	£0.220m	Service to explore and agree options with Legal and Procurement and confirm the approach to be taken with CIP Panels.
Supporting Communities	Corporate Property	The service is not currently forecasting accurately for commercial aspects within corporate buildings. It appears that forecasts for commercial income in corporate may be understated.	Unknown	Service to work with finance to improve forecasts and ensure billing is accurate and up to date

3.4. Performance against savings

- The Fusion/Oracle project has expected savings of £0.550m across HR, Finance and ICT shared service. However, this has not been realised yet due to delays in implementation. This pressure has been dealt with as part of budget setting 2019/20.
- Strategy currently have a £0.500m savings pressure from the previous MTFS project, this budget gap has been temporarily funded via the cost of change reserve in 2017/18 and 2018/19. The decision to fund the gap from 2019/20 has not been agreed to date but part of this does form an MTFS proposal.
- Income maximisation savings yet to be delivered of £0.187m which is a previous cross cutting saving. This pressure has been dealt with as part of budget setting 2019/20.
- Sub Regional Working (Neets Employment & Investing In Growth) project for which the undeliverable element of £0.330m is currently being held on the directorate code. This will be resolved as part of the Supporting Communities pressures allocation for 2019/20.
- Public conveniences project is causing overspends of £0.281m in Environment Services. This is wil be resolved as part of the Supporting Communities pressures allocation for 2019/20 allocation for 2019/20.
- Libraries, Arts and Tourism had a budget reduction of £0.650m in the Arts and Events service to be achieved through increased income which remains challenging causing a pressure in the service of £0.425m.
- There was a budget reduction of £1.326m in Regeneration & Planning to be achieved through a combination of staffing reductions and increased income is contributing the divisional overspend currently forecast to be £0.395m, after drawing down reserves. £0.250m of this will be resolved as part of the Supporting Communities pressures allocation for 2019/20.
- Adult Social Care is the only division in Supporting People with a major MTFS savings programme and this is managed through the ASC Transformation Board.
- Integrated Youth Services have a saving of £0.166m for Development of Youth Hubs which has not been delivered and which could be offset against other underspends in the Directorate subject to DMT agreement. Early Intervention and Prevention also have a savings target of £0.353m which has not been delivered.

4. Housing Revenue Account (HRA) – M8 finance position

4.1 Budget variance

Division	Last year outturn £m	Budget (Rent Setting Report) £m	Budget (Current) £m	Spend to date £m	Forecast outturn £m	Forecast Variance £m	Forecast variance %	Movement from last quarter
HM Income	(174.559)	(173.544)	(173.544)	(105.748)	(173.289)	0.256	(0)%	(0.003)
HM Exp.	49.213	53.281	53.281	23.499	52.793	(0.488)	(1)%	(0.373)
Prop Management	37.288	38.095	38.095	24.211	39.467	1.372	4%	0.468
Development	2.970	2.504	2.504	3.001	2.396	(0.107)	(4)%	0.167
Resident Safety	20.708	0.350	0.350	10.472	12.411	12.061	3,446%	1.296
Community Services	0.317	0.319	0.319	0.038	0.319	-	0%	0.001
Supporting People	1.972	2.349	2.349	1.242	2.578	0.229	10%	(0.057)
Non-depart Exp.	27.261	84.070	84.070	4.710	69.716	(14.354)	(17)%	(3.726)
Non-depart Income	(7.191)	(7.424)	(7.424)	-	(7.424)	-	0%	-
HRA Total	**(42.022)**	**-**	**-**	**(38.575)**	**(1.032)**	**(1.032)**	**0%**	**(2.228)**

4.2 Major variances and movements

Service	Budget £m	Forecast £m	Variance £m	Movement since last Qtr £m	Cause of variance and movements
Housing Management Income	(173.544)	(173.289)	0.256	(0.003)	Income from charges for caretaking services and right to buy insurance is forecast to underachieve against the set budget. This is mainly due to underspends against the Veolia cleaning contract and lower annual right to buy insurance premium costs which are recharged to tenants and leaseholders. These are being partly offset by additional income in dwelling rents as a result of lower than expected right to buy sales.
Housing Management Expenditure	53.281	52.793	(0.488)	(0.373)	Underspends primarily on insurance premiums in leaseholder services and savings from the Veolia estate cleaning contract – offset largely by increase in staffing costs in Estate Services and Tenant Services due to sickness and maternity cover and backfill of staff working on the Landlord Review respectively. There are also pressures in Sheltered Services in relation to void and responsive repairs costs which is consistent with overspends in the past 5 years.
Property Management	38.095	39.467	1.372	0.468	Overspend due to larger volume of work as well as a number of detailed inspections and associated repairs costs in Better Homes delivery and staffing overspends in the lead up to the restructure.
Development	2.504	2.396	(0.107)	0.167	Underspends caused by vacant posts.
Resident Safety	0.350	12.411	12.061	1.296	Variance mainly as result of revenue repairs works on Chalcots and other buildings, fire stopping works, void costs and the costs of fire marshalls.
Community Services	0.319	0.319	0.000	0.001	No major variance projected.
Housing Support Service	2.349	2.578	0.229	(0.057)	Pressures in Temporary Accommodation caused by delayed opening of Holmes Road hostel.
Non-depart Expenditure	84.070	69.716	(14.354)	(3.726)	The variance is due to the non-payment of the PFI contract for the Chalcots estate. The Council ceased paying the contract in October 2017 after serious defects were found in the buildings on the Chalcots Estate. The underspend is being offset by additional expenditure on the Chalcots estate for repairs and the ‘waking watch’.
Non-depart Income	(7.424)	(7.424)	0.000	0.000	No significant variance projected.

Total for HRA	0.000	(1.032)	(1.032)	(2.228)

4.3. Risks to HRA forecast position

4.3.1 The major resident safety overspend is due to significant unbudgeted expenditure on fire safety relate activities especially revenue repairs and Chaclots but also 'waking watch' on that and a number of other buildings while fire safety work is completed. It is possible that additional fire safety costs will become necessary as further survey work is carried out across the housing stock.

The current forecast includes the expectation that MTFS savings of £5.3m will be delivered during 2018/19. The savings are currently on target to be achieved on time. There is a risk that some of the savings may not be achieved if additional repair and housing management pressures materialise during the last quarter of the year.

A challenging sales market means that there is a risk that CIP properties that are scheduled to be sold will take longer to sell. This may result in additional revenue costs such as marketing, sales and administration costs being incurred while properties remain with Camden.

Within the non-departmental budgets the Council is forecasting to continue to receive the PFI subsidy relating to the Chalcots estate until the end of the year. The Council has ceased making contract payments to the PFI contractor due to serious defects in the buildings. The Council made the decision to formally end the PFI contract but it is expected that this will not be finalised until March 2019 at which point the Government have indicated that the Council will cease to be entitled to the subsidy payment form government. There is a risk that ending the contract may lead to additional one-off legal and contract costs that will fall on the HRA during 2018/19 which are not currently projected.

4.4. Performance against savings

4.4.1 The HRA is currently on target to achieve all MTFS savings for 2018/19. The HRA must deliver a further £5.3m savings in 2019/20. There is some risk that the 2019/20 savings will be challenging as a number of the savings are in areas on the Service where additional investment is required to deliver compliance with new building regulations. Officers are working to ensure the level of savings required will be achieved.

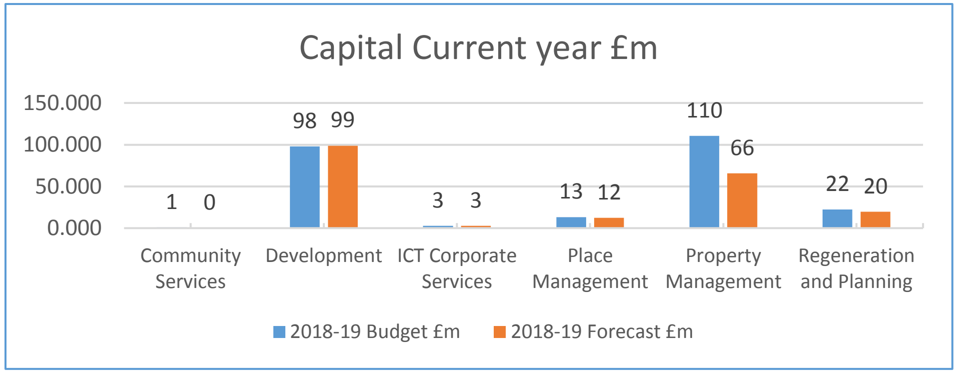
4.5. Actions

Action 1 –The progress of the HRA MTFS savings will continue to be reported and monitored via the HRA Savings Board with any significant issues report back to the Housing Board

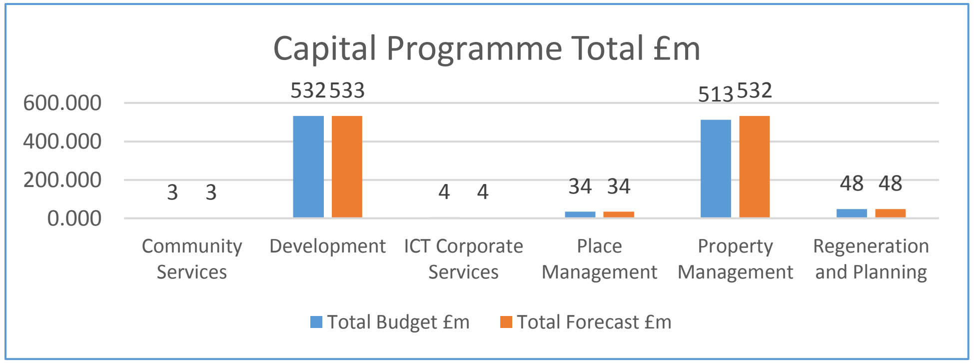
Action 2 – Officers continue to monitor the financial impact of fire safety work and update forecasts and longer-term financial pressures as a result of new ways of working to ensure an enhanced level of resident safety. The ongoing cost of security/waking watch at buildings needs to be determined to ensure budgets are fully funded in future years.

5. Organisation Capital Headlines

Capital Expenditure 2018-19 position – Budget of £247.780m Forecasting a £(48.292)m (19%) underspend/slippage

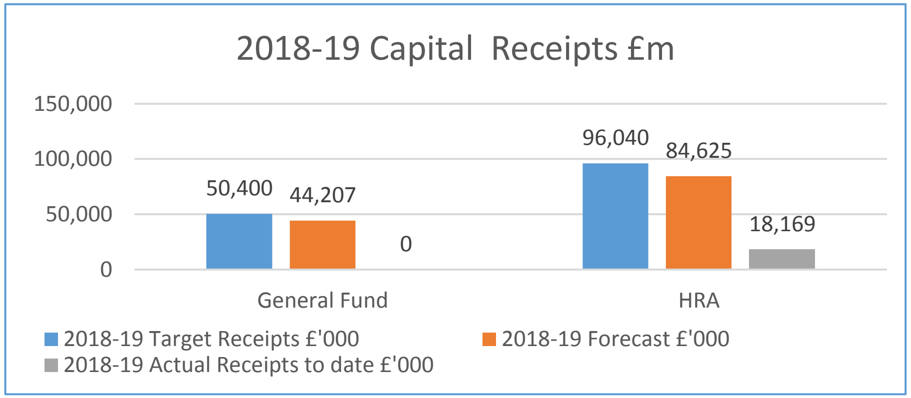


Expenditure Programme Total – Net Budget £1,134.567m Forecasting a £20.141m (2%) overspend

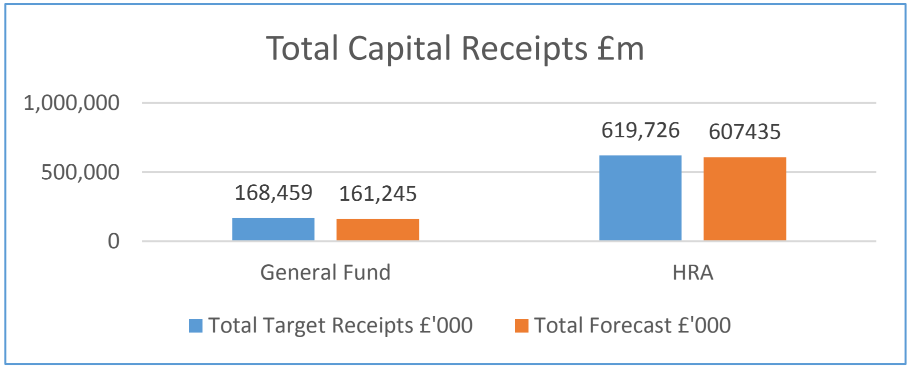


Latest Forecasts are £48.292m less than budget for 2018/19 due to £(11)m slippage of Chalcots expenditure to reflect start on site in 2019/20, significant slippage £(30.392)m in Better Homes, partly offset by £0.8m net accelerated spend in Development. Overall the programme is overspending due to increased costs of Chalcots.

Capital Receipts – 2018-19 Target of £146.440m Forecasting £(17.608)m (12%) slippage



Receipts Programme Total – Net Budget £788.185m Forecasting £(19.505)m (2.5%) unachievable



In-year slippage - £17.608m is made up of £6.2m reduced receipt from Liddell Road, £3.8m reduced Right-to-buy forecast, £7.8m slippage on estate regeneration and £0.194m accelerated income on HRA small sites. Overall the receipts are forecasting £19.505m unachievable income of which £11.389m is lower Right to Buy forecast and £7.2m is from General Fund CIP in respect of Liddell Road receipt forgone .

6. Capital position

6.1 Current Year and Total position and Capital Forecasts

	Current Year Budget £m	Current Year Actual Spend £m	Current Year Forecast £m	Current Year Variance £m	Total Budget £m	Total Forecast £m	Total Variance	Current year Variance Movement from Q2	Total Programme Variance Movement from Q2
Community Services	0.725	0.024	0.260	(0.465)	3.276	3.276	0.000	(0.037)	0.000
Development	98.009	60.341	98.805	0.796	532.132	532.983	0.851	(1.598)	0.524
ICT Corporate Services	2.924	0.890	2.778	(0.146)	3.724	3.675	(0.049)	(0.146)	(0.050)
Place Management	13.261	4.636	12.383	(0.878)	34.450	34.484	0.034	(0.448)	0.034
Property Management	110.426	17.175	65.654	(44.772)	512.965	532.339	19.374	(12.943)	(0.745)
Regeneration and Planning	22.435	5.280	19.609	(2.827)	48.020	47.952	(0.069)	(0.327)	(0.328)
Directorate Total	**247.780**	**88.347**	**199.488**	**(48.292)**	**1,134.57**	**1,154.71**	**20.141**	**(15.500)**	**(0.564)**

6.2 Capital Divisional variances and movements

- The capital programme budget this year is £248m with the bulk of this in Property (£110m) and Development (£98m) and the major variances are in these divisions.

The majority of variances within Property and Development;

- The Property Management programme is forecasting a significant underspend of £(44.772)m in 2018-19 with the Better Homes schemes contributing £(30.392)m mainly as a result of construction delays. The Better Homes external works have been severely delayed due to tendering and leaseholder queries – leaseholder queries are now taking an average of 12 weeks instead of six.
- Fire Risk Assessment (FRA) works have been added to pre-existing fabric repairs schemes to improve the FRA position; this has introduced additional complexities in delivery and in some cases, a need for re-consultation. There is also the added issue of delays caused by change in scope of works when contractors go on site.
- The planned Mechanical and Electrical programme works are still encountering significant delays primarily due to high value district heating replacements where a need for inclusive resident engagement has introduced delays in agreeing technical solutions and meeting leaseholder challenge. These are mostly now being resolved and several schemes are going through consultation and mobilisation, although not likely to reach advanced stages in 2018-19.
- The Development forecast for 2018/19 is £98.8m, against budget of £98.0m. This is £6.7m of accelerated expenditure, mainly at Parliament Hill School, offset by £4.3m of expenditure, which has been rephrased into later years. This is primarily because of project delays at Charlie Ratchford (£2.0m), Bacton phase 2 (£1.0m) and Oseney Crescent/Greenwood Annexe (£0.6m).

6.3 Capital Receipts

6.3.1 Capital Receipts

Service	2018-19 Target Receipts £m	2018-19 Forecast Receipts £m	2018-19 Actual Receipts £m	Current Year Variance £m	Total Target Receipts £m	Total Forecast Receipts £m	Total Variance £m
General Fund Disposals Programme Total	**50.4**	**44.207**	**0**	**(6.193)**	**168.459**	**161.245**	**(7.214)**
HRA Small Sites	1.355	1.549	0.819	0.194	8.765	8.765	0
Right to Buy (Camden's Share)	6.445	2.648	1.077	(3.797)	17.701	6.312	(11.389)
Estate Regen. - Holly Lodge	88.24	80.428	16.273	(7.812)	593.26	592.358	(0.902)
Total HRA	**96.04**	**84.625**	**18.169**	**(11.415)**	**619.726**	**607.435**	**(12.291)**
Grand Total Capital Receipts	**146.44**	**128.832**	**18.169**	**(17.608)**	**788.185**	**768.68**	**(19.505)**

General Fund Variance:

The total variance for the year of £(6.2)m is due to the decision to forego capital receipt in favour of annual revenue income at Liddell Road development and a change in tenure of a number of units from private sale to Camden Living following design update at Highgate New Town. The total reduction in capital receipts is forecast at £(7.2)m due to Liddell road and general reduction in property prices.

HRA Variance:

£(3.8)m reduction in Right-to-buy receipts due to markedly reduces number of RTB applications, £(7.8)m slippage in estate regeneration receipts due to some remedial works and slower sales rate than expected, partially offset by £0.194m increased income on HRA small sites. Total capital receipts for the HRA programme show a reduction of £(12.291)m because of much reduced right to buy demand and falling valuations of estate regeneration private sale units.

In-year slippage: £4.2m reduced Right-to-buy receipts, £2.4m slippage on Holly Lodge due to remedial works on Phase 2B, £5.4m slippage on Maiden Lane due to slower sales rate and £0.194m accelerated income on HRA small sites. Overall: £12.3m lower right to buy receipt forecasts, £1.4m lower estimated receipt from Abbey Phase 1 due to falling sales valuations, offset by £0.5m higher Camden Living receipt at Maiden Lane and £0.1m lower Holly Lodge receipt due to issues on Phase 2B site with defects.