Finance Report - 2018/19

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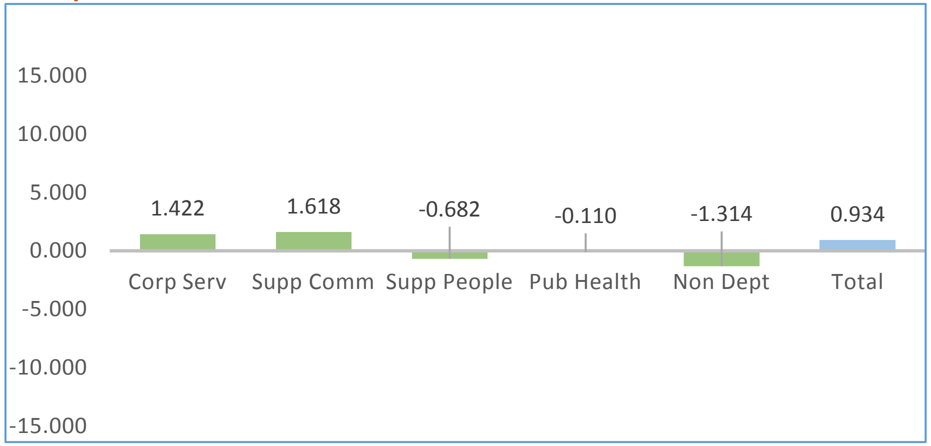
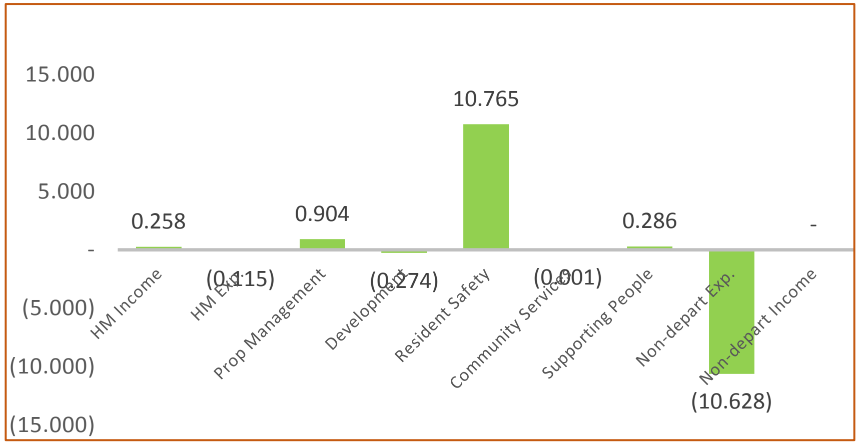
General Fund – Net Budget of £224.555m Forecasting £0.934m (0.4%) overspend



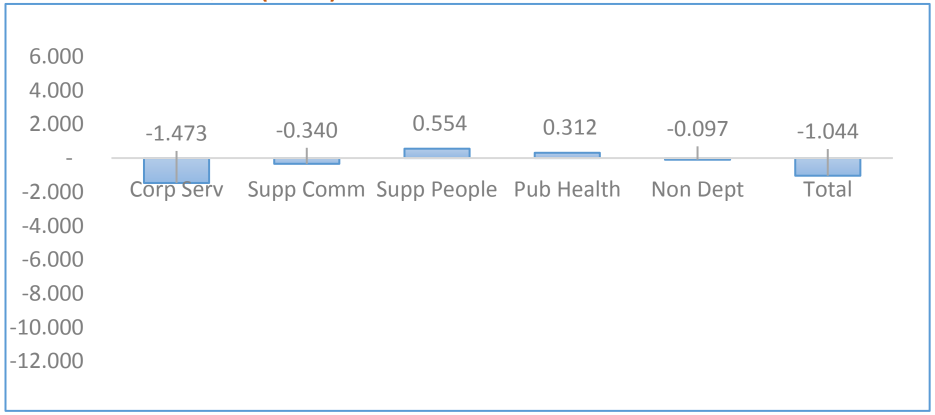
Main causes: Overspend in ICT shared service due to on-going budget pressures, underachievement of income in Development Management and Registrars, partially offset by underspends across Supporting People and reduced MRP requirement due to slippage in the capital programme in 2017/18.

HRA – Net Expenditure Budget of £193.901m Forecasting £1.196m (1%) overspend

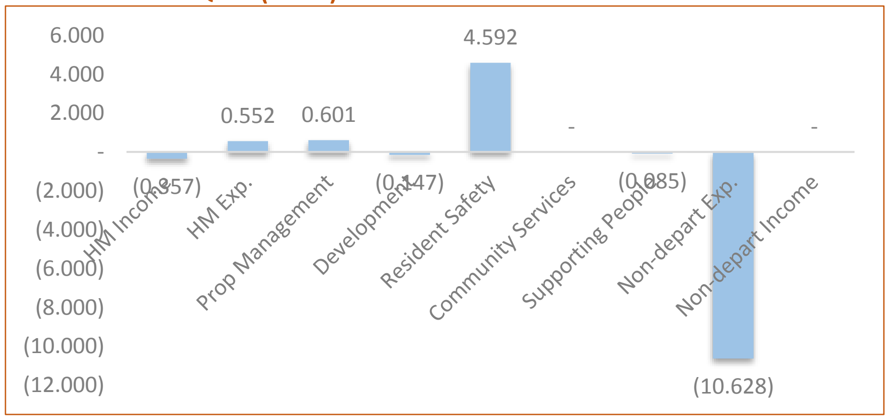


Main causes: Significant expenditure on Chaclots estate relating to repairs associated with cladding replacement, offset by cost reductions from other contract spend.

Movement from Q1 - £(1.044)m



Movement from Q1 - £(5.472)m



2. Executive summary

General Fund Revenue

The authority is forecasting a net overspend on the General Fund (GF) at Month 6 of £0.934m (0.4%) on a net budget of £224.555m. This is a positive movement of £(1.044)m from last quarter. Since quarter 1, there have been a number of reductions in the projected overspends in Supporting Communities and Corporate Services through a combination of additional income generated and action taken to mitigate pressures. This position has been arrived at following a number of transfers to reserves (from the Supporting People and Public Health of £4.306m). The position stated also excludes the recently announced winter pressures funding of £1.3m for Adult Social Care. In many service areas, officers are holding vacancies pending proposed restructures included in the MTFS; both measures have led to an increase in the proposed transfer to reserves. As part of the Medium Term Financial Strategy, the council is planning significant investment in a number of key services that are important to residents. Therefore the monitoring position begins to align the resources to the ambitions of our Camden Plan.

A summary of the forecast by directorate is provided below:

Corporate Services

- On-going budet pressures in ICT Shared Services of £1.815m as a result of £1.2m in supernumerary staff costs, and £0.6m in contract pressures
- Pressures arising from delays to the implementation of the HR/Finance system of £0.550m
- Overspend positions have been partially offset by forecast underspends of £(0.803)m in Law & Governance due primarily holding vacancies in advance of the MTFS

There are a number of risks that could materialise in year that will impact on the above position, these include possible further strike action by parking contractor NSL Civil Enforcement Officers as the pay dispute is still unresolved and Shared Digital contribution payments.

Supporting Communities

- The forecast outturn is an overspend of £1.618m, which represents an improvement of £(0.340)m since quarter 1.
- The main overspends / movements are:
    - Regeneration and Planning: divisional overspend of £0.4m, mainly due to unachievable statutory fees income leading to an overspend of £0.7m in Development Management.
    - Place Management is projecting an overspend of £0.6m. The main cause is overspends across Environnmental Heal and Business and Consumer Services of £0.9m which relates primarily to clearing a backlog in food safety audits, underachieved licensing fees and legal costs.
    - The directorate budget continues to overspend due to an unachievable saving from the current MTFS (£0.35m).
- There are currently significant costs relating to business rates resulting from the unwinding of transitional relief associated with the 2017 revaluation that are not projected as there is some corporate budget set aside for these costs. However this may not be sufficient and alternative funding such as reserves may be required to balance these costs this year. It is likely this will cause a corporate pressure for 2019/20.

Supporting People

- Adult social care is reporting an underspend of £0.194m . This forecast does not include the potential impact of the recent government announcements of £1.286m for winter pressures as the timing and detailed conditions for this funding are not yet known. Although discussions are underway with health partners as to how best to use these new resources to support the whole social care and health system
- Children's Safeguarding and Social Work is reporting an underspend of £0.322m 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 is forecasting an £(0.163)m underspend 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. There has been a significant increase in the anticipated draw on the DSG SEN reserve (£2.4m) and the service is reviewing the position and seeking mitigating actions.
- Despite the implementation of case by case reviews, schools redundancies are continuing to cause a significant overspend of £0.758m.
- Housing support services (GF) is reporting a net underspend of £(0.455)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. However the temporary accommodation service in the HRA is showing a net overspend of £0.287m reflecting the delay in opening Holmes Road
- Strategic and Joint Commissioning are reporting an underspend of £0.356m (after early delivery 2019/20 contract savings of £0.415m which has been transferred to reserves)

Public Health

- Public Health is reporting a net underspend of £(0.110)m within which an overspend on Young People's Sexual Health services and addititional investment on rehabilitation for adult drug misuse services has been offset by staffing underspends and some activity based contracts.

Cross-cutting

- Non-departmental budgets are forecast to be £(1.314)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 drawdown from reserves of £1.2m; a favourable movement of £(5.5)m since the first quarter.
- The expected outturn on resident safety is now £10.8m, £4.6m higher than previously expected. This predominantly relates to revenue costs of repairs at the Chalcots estate, currently forecast at £9.5m.
- However, this impact has been more than offset by a £(10.6m) movement in non-departmental expenditure as we are now projecting for the non-payment of the PFI grant following the decision to 'step in' to the contract and take direct control. We are, however, assuming the full benefit of the PFI credits will continue to be received. Should no further PFI grant be received from the government, the HRA position would worsen by around £3.6m this year.
- Elsewhere there are smaller variances across the other services, the largest of which is £0.9m in Property Management and relates to a combination of increases in demand on repairs and staffing overspends.

Capital

- The capital programme budget this year is £248m with the bulk of this in Property (£110m) and Development (£98m).
- There is now expected to be significant slippage in the 2018/19 capital programme of £(32.8)m – a movement of £28m since M3 caused primarily by increased slippage of £(27.4)m in Property Management (now underspending by (£31.8m)), with further slippage of £(2.5)m in Regeneration and Planning offset by £2.5m of faster expenditure in Development.
- Overall the programme is projecting an overspend of £20.8m, £9.6m higher than M3. This movement has been caused by increases of £3.3m in Property Management, which is now expecting a £20.1m overspend overall, and an extra £5.6m expected in Place Management, which was erroneously projecting project underspends on its depots budget in M3.
- The large underspends in the 2018/19 Property programme are split between fire safety - £(11.3)m – and Better Homes - £(18.1)m. The fire safety slippage is due to slower than expected delivery on the Chalcots cladding programme due to extensive public engagement and complexities regarding the procurement. However, the project overall is the cause of the £20m overall projected overspend in the division. The Better Homes slippage is the

result Fire Risk Assessment works being added to pre-existing fabric repairs schemes; this has introduced additional complexities in delivery and in some cases, a need for re-consultation. There have been significant delays to the planned M&E programme primarily to high value district heating replacements where a need for inclusive resident engagement has introduced delays.

- The council has budgeted for £(50.4)m of GF and £(96)m of HRA capital receipts this year.
- No receipts variances were expected in M3, but this quarter there is an expected £6.4m permanent underachievement in the GF receipts expected this year following the proposal to retain the employment space at Liddell Road to generate revenue income in the future. This underachievement increases to £7.4m over the lifetime of the programme due to the expected underachievement on receipts at Highgate Newtown due to the decision to covert 7 units to Camden Living affordable housing.
- In the HRA receipts programme there is now expected to be an £11.1m underachievement this year, rising to £12.3m over the life of the projects. A significant downturn in Right-to-buy receipts contributes £3.8m; there is £2.3m slippage on Holly Lodge due to remedial works on Phase 2B; a £5.4m slippage on Maiden Lane due to slower sales rates; and £0.519m slippage on HRA small sites. The main contributing factors to the overall expected underachievement of £12.3m is an forecast under-deliver of £11.7m in right to buy receipts, along with a £1.4m lower estimated receipt from Abbey Phase 1 due to falling sales valuations.

Developments / Issues / Next Steps

- Finance will be working with services over the coming months and as part of budget setting to identify mitigating actions to reduce the overall overspend position, with a further update to be provided 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 set out in the body of the December MTFS will remove the unachieved public conveniences (£0.26m) and NEETS targets (£0.34m), and lower planning income by £0.25m. In addition the budget allocations to areas where there are currently pressures but savings projects will deliver budget reductions beyond next year will provide planning and libraries with a further £0.25m and £0.15m respectively.
- The government has announced it will remove the debt cap on capital borrowing imminently. This will give the council greater flexibility in bringing forward CIP schemes, but these must remain individually viable.
- The council has received notification that its application for grant to cover the costs of cladding replacement has been successful. It appears we will receive 80% of our allocation when we start on site in 2019 and the rest on completion. Total capital costs are now anticipated to be £97m and while the grant won't cover the total expected capital costs or the revenue expenditure, it will nevertheless represent a significant mitigation.

- It has also been announced recently that the council has been awarded just over £30m of social housing grant from the GLA as part of their *Building Council Homes for Londoners* programme to help support CIP projects. This funding will largely replace the use of Right to Buy receipts, which have dropped significantly as set out above.

3. General Fund – M6 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	32.755	25.136	1.422	6%	(1.473)
Supporting Communities	49.517	64.810	25.304	66.428	1.618	2%	(0.340)
Supporting People	160.364	176.886	57.433	176.204	(0.682)	0%	0.554
Public Health	22.614	22.859	4.805	22.749	(0.110)	0%	0.312
Cross Cutting	(15.767)	(63.713)	(33.323)	(65.027)	(1.314)	2%	(0.096)
Organisation Total	**246.257**	**224.555**	**86.973**	**225.490**	**0.934**	**0%**	**(1.043)**

3.2 Major 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	0.260	(0.002)	(0.002)	No significant variance
Chief Executive Office	0.250	0.262	0.011	(0.015)	No significant variance
Communications	1.314	1.369	0.055	(0.144)	Overspend of £0.055m 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. Movement of £(0.144)m due to forecast print room costs being removed, and transitional charges to date transferring to the Reimagining Print and Post project.
Customer Services	(18.574)	(17.362)	0.013	(1.543)	Overspend of £0.013m due to offsetting over and underspends. Overspend include the cross cutting income maximisation project, (£0.205m) 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 (£0.256m) as a result of underachievement of income in relation to Ceremonies. These overspends are being offset by an underspend in Parking Services due to implementation of tariff increases and diesel surcharges on paid for parking from July 2018.
Finance and Procurement	5.467	5.970	0.503	(0.113)	Overspend due delays in implementation of the HR and Finance system. Overspend being partly offset by delay in filling vacancies following the Corporate Finance restructure.
HR and OD	5.786	5.713	(0.073)	0.041	Underspend due to held vacancy of senior business advisor post and part year vacancies in advice & services.

ICT Shared Service	12.596	14.411	1.815	0.473	Overspend position of £1.815m split £1.2m staff cost, and £0.6m in contract cost pressures.
Law and Goverance	13.276	12.473	(0.803)	(0.156)	Underspend due to vacancies held as discussions around MTFS savings develop
Strategy and Change	3.337	3.240	(0.097)	(0.013)	Underspend due to no backfill of maternity leave in relation to director's post
Total for directorate	**23.713**	**25.136**	**1.422**	**(1.473)**	

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)	0.275	0.352	0.001	Overspend due to unachievable NEETs saving allocated as part of current MTFS.
Development	2.219	2.391	0.172	0.099	Overspend largely relates 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.
Community Services	12.652	12.854	0.202	(0.143)	Libraries, arts and tourism continues to overspend by £0.5m, a result of a combination of staffing overspends and underachieved income. However, the Community Partnership Unit is now underspending by £(0.2)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	31.099	0.593	0.036	A £(0.4)m underspend in Environment Services relating to one-off North London Waste Authority underspends is being offset by overspends across Environmental Health and Business and Consumer Services which relate primarily to the food safety audit backlog, but also includes significant other costs from legal cases (£0.22m) and underachieved licensing income (£0.14m).
Property Management	18.256	18.116	(0.140)	0.098	Schools Property is underspending by £(0.2)m as the latest PFI projections suggest a further revenue contribution to the reserve which will fund the expected shortfall in the later years of the contract won't be required this year. There are significant overspends on business rates which appear to relate to the tapering of increases following the 2017 revaluation. These are not currently projected in the anticipation they will be covered by corporate budgets.
Regeneration and Planning	1.254	1.693	0.440	(0.430)	The majority of the improvement is due to the expectation that the contractor will cover business rates relating to the bus shelter advertising contract and from expected income from selling surplus carbon reduction credits. The divisional overspend of

					£0.440m, is mainly due to unachievable statutory fees income leading to an overspend of £0.7m in Development Management.
Total for directorate	**64.810**	**66.428**	**1.618**	**(0.340)**	

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	30.950	30.628	(0.322)	(0.341)	Underspend of £0.322m 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	18.214	18.050	(0.163)	(0.437)	Underspend 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. There has been a significant increase in the anticipated draw on the DSG SEN reserve (£2.4m) and the service is reviewing the position and seeking mitigating actions.
Education (Achievement & Aspiration)	7.403	8.209	0.806	(0.108)	Schools redundancies are continuing to cause a significant overspend of £0.758m despite the implementation of case by case reviews
Adult Social Care	77.965	77.771	(0.194)	1.814	Underspend of £(0.194)m after returning £2.2m to reserves reflecting funding (inflation and 1% council tax increase) received in 2018/19 but not required until future years. These numbers do not include any impact of the recent government announcements of £1.286m for winter pressures as the timing and detailed conditions for this funding are not yet known
Housing Support Services	33.433	32.978	(0.455)	(0.163)	Underspend of £(0.455)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	8.441	8.086	(0.356)	(0.197)	Underspend of £(0.356)m after early delivery of 2019/20 contract savings
Executive Director	0.480	0.482	0.002	(0.014)	No significant variance
Total for division	**176.886**	**176.204**	**(0.682)**	**0.554**	

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	2.687	0.084	0.374	Overspend due to Young People's Sexual Health and the increase investment on rehabilitation for adult drug misuse services.
Sexual Health	5.275	5.232	(0.042)	(0.041)	Underspend due to lower than expected activity on London HIV Prevention Programme & E Service for governance and management fees.
Substance Misuse	6.813	6.799	(0.014)	(0.021)	No significant variance
Smoking & Tobacco	0.752	0.739	(0.013)	(0.018)	No significant variance
Obesity & Physical Activity	0.889	0.819	(0.070)	(0.028)	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	5.463	(0.010)	0.052	No significant variance
NHS Health Checker Programmes	0.388	0.355	(0.033)	0.007	Underspend on comms and promotions
Other Public Health Services	0.669	0.656	(0.012)	(0.013)	No significant variance
Total for division	**22.859**	**22.749**	**(0.110)**	**0.312**	

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	(0.132)	Reduced overspend on interest payable due to the internal borrowing rate for the HRA increasing, resulting in a swing of £(0.132)m
Interest Receivable	(1.462)	(1.477)	(0.015)	(0.015)	No significant variance
Levies	1.883	1.767	(0.116)	0.001	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	(22.115)	(22.093)	0.022	0.050	No significant variance
Total division	**(63.713)**	**(65.027)**	**(1.314)**	**(0.096)**	

3.3. Risks to forecast position

Directorate	Service	Issue/ Risk	Potential Pressure	Actions/ Mitigations
Corporate Services	Parking Operations	Further strike action by NSL civil enforcement officers (CEOs). 5 day strike occurred at start of October, pay dispute remains unresolved and therefore potential for further strike action	0.450	Regular updates being received from contractor
Corporate Services	ICT Shared Service	Debtor (value £2.551m) relating to 2017/18 payments from Haringey and Islington currently in dispute.	0.500	Discussions at Director of Finance level across authorities
Corporate Services	ICT Shared Service	Funding model resulting from Strategy & Change MTFS saving, project staff to recharge £1.185m of staff time to chargeable projects	1.185	Review of core service offer and restructure
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.

Directorate	Service	Issue/ Risk	Potential Pressure	Actions/ Mitigations
Supporting People	Early Years	Possible requirement to drawdown from DSG Reserves following the Autumn headcount. There is a significant pressure on the DSG high needs block which may require a draw on the DSG reserve.	0.000 - 2.600m	Analysis following the Autumn headcount
Supporting People	Education	Early indications are that redundancy costs will increase in 2018/19	£0.8m	Robust advice for from HR and adherence to process to minimise financial impact
Supporting People	Adult Social Care – Supported Living	Legal judgement altering impact of sleep In employment risks. The specific reserve has been released to the corporate reserve.	£(1.600)m	Surrender reserve and remove expected call on precept for ongoing costs
Supporting People	Adults & Joint Commissioning	CCG financial pressures and behaviour 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. The s76 for 2017/18 HV was received at the end of October 2018 so we now expect to release the 2017/18 HV payment once the s76 has been checked	Unknown	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 business users for Budget setting. Review Forecasts for Q3 in light of above.
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 accuracy and completeness. The forecast spend in these two areas is expected to stay at these elevated levels, especially as the weather becomes	Unknown	Continue regular monthly review of headcount and spend and update forecasts.

Directorate	Service	Issue/ Risk	Potential Pressure	Actions/ Mitigations
		colder and more people are becoming aware of the Homelessness Reduction act and may apply accordingly		Look at potential to increase speed of review of long term Annexe tenants.
Supporting Communities	Building Control / Planning / Engineering	Brexit - Impact on construction related income streams. There is the risk that Brexit will have a negative impact on the construction industry in London. Planning application volumes have decreased.	Unknown	Services have looked to make efficiencies by holding vacancies where possible and each have projects that aim to cut costs and contribute to the MTFS.

3.4. Performance against savings

- The Fusion/Oracle project has expected savings of £0.550m across HR, Finance and ICT shared service, deliverable by 2019/20. However, this has not been realised yet due to delays in implementation.
- 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.
- Sub Regional Working (Neets Employment & Investing In Growth) project for which the undeliverable element of £0.330m is currently being held on the Communities 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 £0.445m.
- MTFS Projects IG2 and IG3, which saw a budget reduction of £1.326m in Regeneration & Planning to be achieved through a combination of staffing reductions and increased income are contributing the divisional overspend currently forecast to be £0.440m, 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. The summary position as at Q2 is shown below:

Rag ratings of savings forecasts (£m) by project	Forecast (at end of March) £m	Forecast M6 £m	Comment
Target (cumulative)	6.93	9.62	
Completed	0.28	5.10	
Green	4.23	1.83	
Amber	0.20	0.45	
Red	0.71	1.01	
Forecast total	5.43	8.39	
Shortfall	1.51	1.23	(reflected in the budget realignment)

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.

3.5. Actions

Action 1 – Directorates to review spending plans and any uncommitted expenditure to see what options are available to mitigate against current forecast position

4. Housing Revenue Account (HRA) – M6 finance position

4.1 Budget variance

Division	Budget (Rent Setting Report) £m	Budget (Current) £m	Spend to date £m	Forecast outturn £m	Forecast Variance £m	Forecast variance %	Variance Movement from last quarter
HM Income	(173.544)	(173.544)	(91.929)	(173.286)	0.258	(0)%	(0.357)
HM Exp.	53.281	53.281	17.782	53.166	(0.115)	(0)%	0.552
Prop Management	38.095	38.095	13.749	38.999	0.904	2%	0.601
Development	2.504	2.504	2.362	2.229	(0.274)	(11)%	(0.147)
Resident Safety	0.350	0.350	7.296	11.115	10.765	3,076%	4.592
Community Services	0.319	0.319	0.028	0.318	(0.001)	(0)%	-
Supporting People	2.349	2.349	0.909	2.635	0.286	12%	(0.085)
Non-departmental Exp.	84.070	84.070	0.892	73.442	(10.628)	(13)%	(10.628)
Non-departmental Income	(7.424)	(7.424)	-	(7.424)	-	0%	-
HRA Total	**-**	**-**	**(48.911)**	**1.196**	**1.196**	**0%**	**(5.472)**

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)	(173.286)	0.258	(0.357)	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	53.166	(0.115)	0.592	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	38.999	0.904	0.601	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	2.229	(0.274)	(0.147)	Underspends caused by vacant posts.
Resident Safety	0.350	11.115	10.765	4.592	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	0.318	(0.001)	0.000	No major variance projected.
Housing Support Service	2.349	2.635	0.286	(0.085)	Pressures in Temporary Accommodation caused by delayed opening of Holmes Road hostel.
Non-depart Expenditure	84.070	73.442	(10.628)	(10.628)	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.
Non-depart Income	(7.424)	(7.424)	0.000	0.000	No significant variance projected.
Total for HRA	**0.000**	**1.196**	**1.196**	**(5.432)**	

4.3. Risks to HRA forecast position

4.3.1 The major forecast overspend is due to significant expenditure on fire safety related activities especially Chaclots revenue repairs costs and 'waking watch' on a number of 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 second half of the year.

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. If the council elects to terminate the contract there is the possibility that no further credits will be received, the HRA position will worsen by £3.6m this year. 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.

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 £7.3m 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 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, there is a risk that new savings plans will need to be developed to deliver the MTFS savings target.

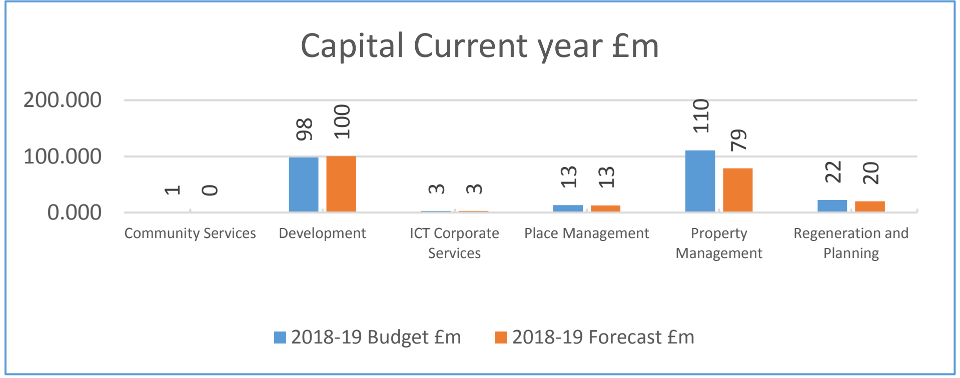
4.5. Actions

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.

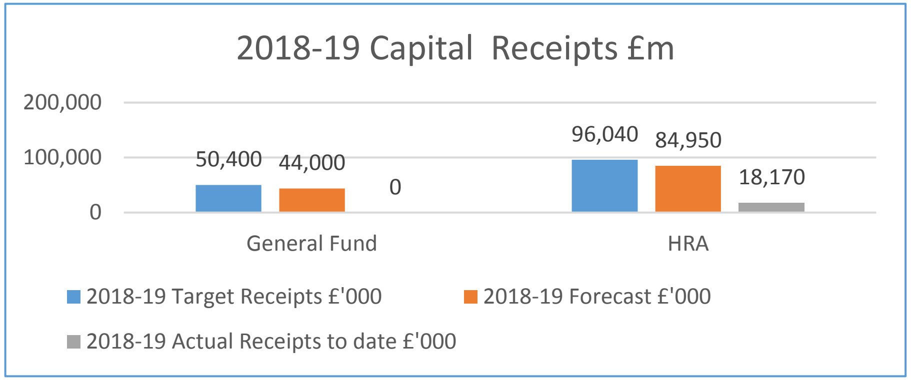
Action 2 – Officers continue to monitor the financial impact of fire safety work and update forecasts and longer-term financial pressures as a result of new ways of working to ensure an enhanced level of resident safety.

5. Organsation Capital Headlines

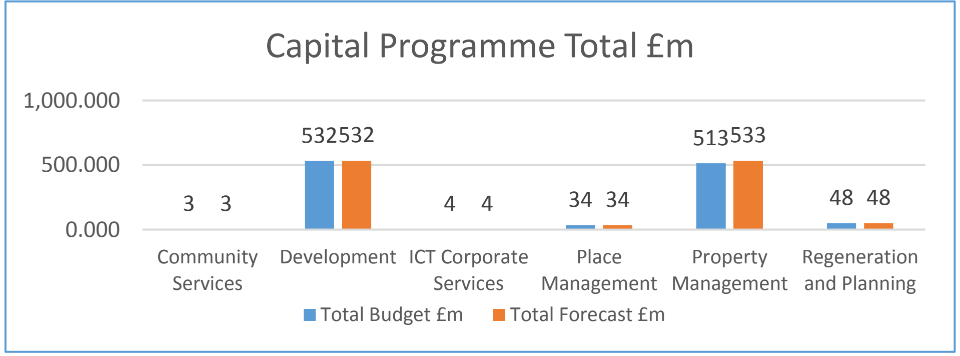
Capital Expenditure 2018-19 position – Budget of £247.715m Forecasting a £(32.792)m (13%) underspend/slippage



Capital Receipts – 2018-19 Target of £146.440m Forecasting £(17.490)m (12%) slippage

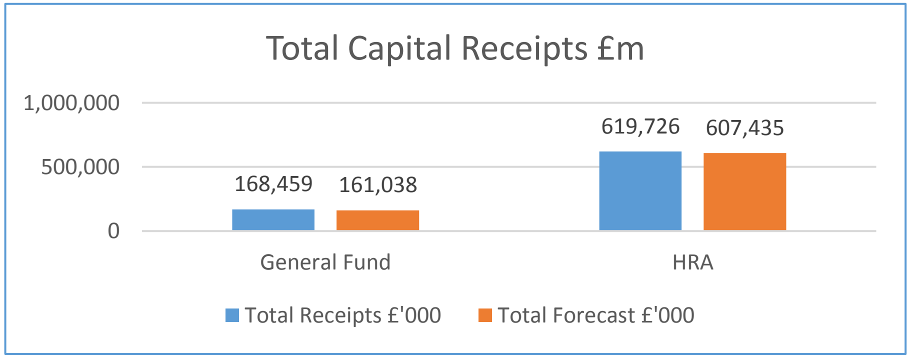


Expenditure Programme Total – Net Budget £1,155.207m Forecasting a £20.705m (2%) overspend



Forecasts are £32.792m less than budget for 2018/19 due to £11m slippage of Chalcots expenditure to reflect start on site in 2019/20, significant slippage in Better Homes, partly offset by £2.4m net accelerated spend in Development. Overall the programme is overspending due to increased costs of Chalcots.

Receipts Programme Total – Net Budget £788.185m Forecasting £(19.712)m (3%) unachieveable



In-year slippage - £17.5m is made up of £6.4m reduced receipt from Liddell Road, £4.2m reduced Right-to-buy forecast, £2.3m slippage on Holly Lodge, £5.4m slippage on Maiden Lane and £0.5m slippage on HRA small sites. Overall the receipts are forecasting £19.7m unachievable income of which £11.3m is lower forecast Right to Buy receipts and £8.4m is from CIP (being £6.4m Liddell Road due to decision to take part capital and part GF revenue receipt, £1m less receipt from

Highgate due to change in tenure of 7 units to Camden Living from private sale, £1.4m lower estimated receipt from Abbey Phase 1, offset by £0.4m smaller positive changes at Maiden Lane and Holly Lodge.)

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 Q1	Total Programme Variance Movement from Q1
Community Services	0.725	(0.000)	0.297	(0.428)	3.276	**3.276**	0.000	(0.292)	-0.136
Development	98.009	48.844	100.403	2.394	532.132	**532.458**	0.326	2.439	0.326
ICT Corporate Services	2.874	0.476	2.874	0.000	3.674	**3.675**	0.001	0.001	0.001
Place Management	13.196	2.556	12.766	(0.430)	34.385	**34.385**	0.000	(0.430)	5.598
Property Management	110.426	10.370	78.597	(31.829)	512.965	**533.084**	20.119	(27.351)	3.269
Regeneration and Planning	22.485	3.636	19.986	(2.499)	48.070	**48.329**	0.259	(2.499)	0.259
Directorate Total	**247.715**	**65.882**	**214.923**	**(32.792)**	**1,134.502**	**1,155.207**	**20.705**	**(28.133)**	**9.589**

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).

- There is now expected to be significant slippage in the 2018/19 capital programme of £(32.8)m – a movement of £28m since Q1 caused primarily by increased slippage of £(27.4)m in Property Management (now underspending by £(£31.8m)), with further slippage of £(2.5)m in Regeneration and Planning offset by £2.5m of faster expenditure in Development.
- Overall the programme is projecting an overspend of £20.8m, £9.6m higher than Q1. This movement has been caused by increases of £3.3m in Property Management, which is now expecting a £20.1m overspend overall, and an extra £5.6m expected in Place Management, which was erroneously projecting project underspends on its depots budget in Q1.
- The £2.5m overspend in Development this year is resulting from faster spend at Parliament Hill school, offset by slower spend at Holmes Road depot and Charlie Ratchford.
- Regeneration and Planning has minimal overall variance but a £(2.5)m slippage this year caused almost equally by TfL slipping funding for cycle schemes to future years and delays on the West End Project.
- Community Services is projecting slippage of £(0.4)m this year, mainly in libraries ICT, but is balanced overall.
- The large underspends in the 2018/19 Property programme are split between fire safety - £(11.3)m – and Better Homes - £(18.1)m. The fire safety slippage is due to slower than expected progress on the Chalcots cladding programme. However, the project overall is the cause of the £20m overall projected overspend in the division.
- The Better Homes slippage is the result of construction delays. Fire Risk Assessment works have been added to pre-existing fabric repairs schemes; this has introduced additional complexities in delivery and in some cases, a need for re-consultation. There have been significant delays to the planned M&E programme primarily to high value district heating replacements where a need for inclusive resident engagement has introduced delays.

6.3 Capital Receipts

6.3.1 Capital Receipts – General Fund

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
GF Disposals Programme	3.650	3,650	0.000	0.000	14.650	14.650	0.000
Homes for Older People	17.600	17.600	0.000	0.000	35.900	35.900	0.000
Accommodation Strategy	0.000	0.000	0.000	0.000	16.039	16.039	0.000
Greenwood redevelopment	2.350	2.350	0.000	0.000	15.782	15.782	0.000

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
Surma redevelopment	0.000	0.000	0.000	0.000	7.920	7.920	0.000
Edith Neville School/ Somers Town redevelopment	0.000	0.000	0.000	0.000	21.858	21.858	0.000
Kingsgate expansion (Liddell Rd.)	26.800	20.400	0.000	(6.400)	26.800	20.400	(6.400)
Highgate New Town	0.000	0.000	0.000	0.000	27.160	26.139	(1.021
Total	**50.400**	**44.000**	**0.000**	**(6.400)**	**168.459**	**161.038**	**(7.421)**

The council has budgeted for £(50.4)m of General Fund and £(96)m of HRA capital receipts this year. No variances were expected in Q1, but this quarter there is an expected £6.4m permanent underachievement in the General Fund receipts expected this year following the proposal to retain the employment space at Liddell Road for future revenue income, which increases to £7.4m over the lifetime of the programme due to the expected underachievement on receipts at Highgate Newtown due to the decision to convert 7 units to Camden Living affordable housing. There is a risk that the Liddell Road receipts will slip to next year, which would increase the general fund costs of borrowing (MRP) by around £0.8m next year.

6.3.2 Capital Receipts – HRA

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
HRA Small Sites	1.355	1.874	0.819	519	8.765	8.765	0.000
Right to Buy (Camden's Share)	1.941	1.747	1.077	(0.194)	7.764	4.425	(3.603)
Right to Buy (Retained Receipts)	4.504	0.901	0.000	(3.603)	9.937	1.887	(8.050)
Estate Regen. - Holly Lodge	3.101	0.703	0.000	(2.398)	3.101	2.993	(0.108)

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
Estate Regen. - Maiden Lane	17.789	12.375	4.591	(5.414)	32.679	33.265	0.586
Estate Regen. - Bacton Low Rise	4.483	4.483	1.910	0.000	120.721	120.721	0.000
Estate Regen. - Abbey	0.000	0.000	0.000	0.000	103.878	102.498	(1.380)
Estate Regen. - Bourne	12.455	12.455	6.800	0.000	26.455	26.455	0.000
Estate Regen. - Agar	0.000	0.000	0.000	0.000	194.398	194.398	0.000
Estate Regen. - Gospel Oak Infill	2.218	2.218	1.093	0.000	48.146	48.146	0.000
HS2 - Regents Park	48.194	48.194	1.879	0.000	61.682	61.682	0.000
Camden/Plender St. GF/HRA	0.000	0.000	0.000	0.000	2.200	2.200	0.000
Total	**96.040**	**84.950**	**18.170**	**(11.090)**	**619.726**	**607.435**	**(12.291)**

In the HRA programme there is now expected to be £11.1m underachievement this year, rising to £12.3m over the life of the projects. The downturn in Right-to-buy receipts contributes £3.8m this year; there is also £2.3m slippage on Holly Lodge due to remedial works on Phase 2B, a £5.4m slippage on Maiden Lane due to slower sales rates, and £0.5m slippage on HRA small sites. The main contributing factors to the overall expected underachievement of £12.3m over the course of the programe is a forecast under-delivery of £11.7m in right to buy receipts, along with a £1.4m lower estimated receipt from Abbey Phase 1 due to falling sales valuations.