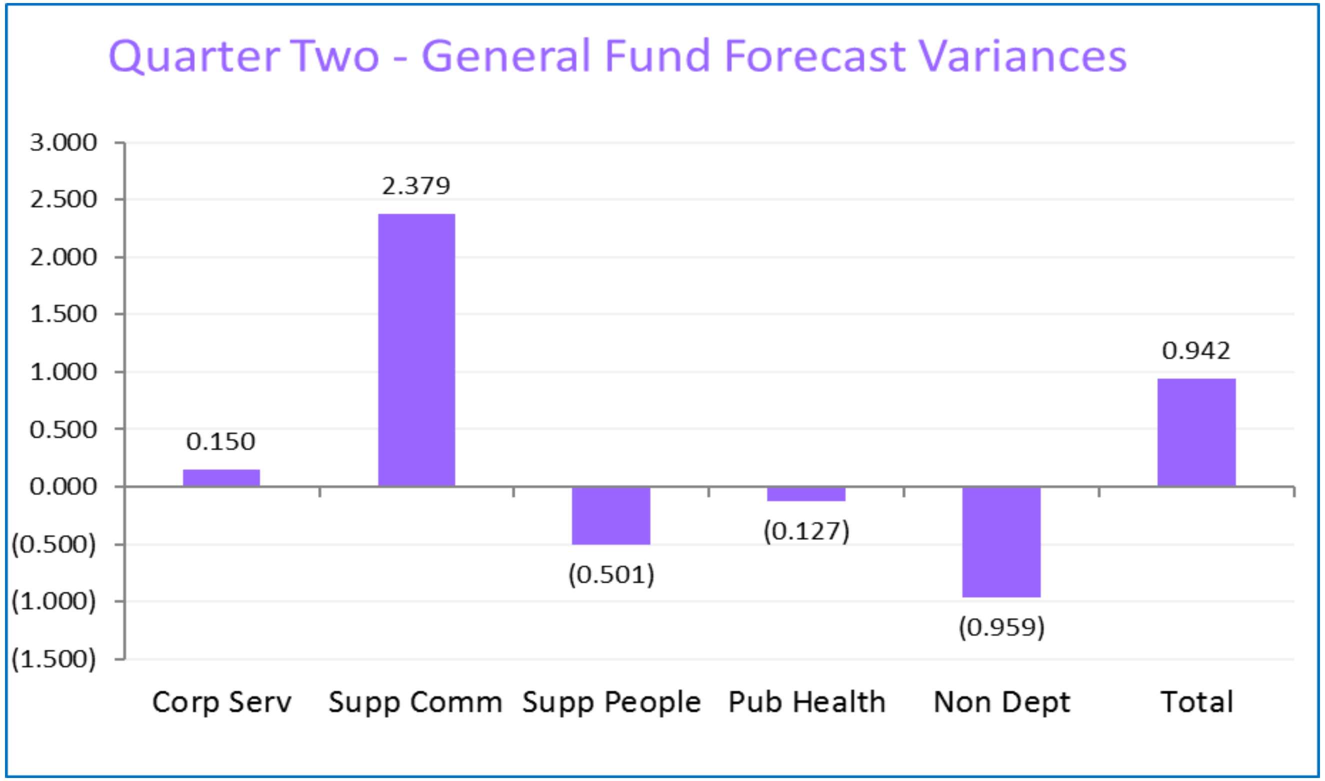
Quarter Two Budget Monitoring Summary

Quarter Two Financial Forecast

General Fund



- Quarter Two Forecast is an overspend of £0.94m
- The forecast at Quarter One was an overspend of £1.99m meaning the forecast has moved by £1.05m mainly as a result of increasing Parking enforcement income and the benefit of lower external debt.
- The forecast includes the delivery of agreed MTFS savings across the general fund. Where savings targets are expected to slip or not be achieved they are included in the budget forecast along with the effect of any mitigation taken to attempt to offset savings shortfalls.

Quarter Two Financial Forecast

General Fund – Major Variances

The forecast position is made up of a number of over and underspends across the organisation. Major services level variances where the forecast variance is more than 2.5% of the budget and more than £0.1m are summarised in the table below.

Service	Budget £m	Forecast £m	Variance £m	Cause of Variance and Movement
Customer Services	-21.914	-21.286	**0.628**	There is a forecast overspend of £0.628m across Customer services driven mainly by an increase in costs for Housing Benefits of £0.463m as a result of lower than expected subsidy payments from the government to cover expenditure on welfare benefits administered by the Council. Subsidy payments from the government are reduced as a result of the identification of overpayments made to welfare benefit claimants. As the total housing benefit payments administered by the Council are approximately £165m a very small changes in the percentage of subsidy received has a significant impact on the Council. The overpayments identified often relate to welfare payments made over a number of previous years and while the Council has the right to recover the overpayments this can be difficult and often takes a number of years.
Regeneration and Planning	1.232	2.201	**0.969**	There is an overspend of £0.534m due to unmet major project fee income & developer contribution fee as investment in major capital projects slows down. There is also an overspend of £0.284m driven by the need for additional agency staff to clear backlogs of work in Land Charges and planning appeals and enforcement work in respect of the Proceeds of Crime Act (POCA).
Early Intervention and Prevention	18.976	19.601	**0.625**	Forecast overspends driven by an increase in the expected cost of transport services for children with special educational needs and repairs costs in properties providing care and support.
Education (Achievement & Aspiration)	8.291	8.642	**0.351**	Additional forecast spend driven by redundancy costs relating to schools support staff where the Council is responsible for costs incurred but is not the decision maker.

Quarter Two Financial Forecast

General Fund – Major Variances

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Service	Budget £m	Forecast £m	Variance £m	Cause of Variance and Movement
Development	3.705	3.868	**0.163**	Overspend is driven by unbudgeted legal costs for overage cases in order to protect the Council's financial interests and by additional security costs for Highgate Newtown Community Centre (HNCC).
Sexual Health	4.997	4.673	**-0.324**	Forecast underspend based on the current trends of activity across the service. The service is provided via health clinics and GPs with expenditure driven by the take up of services. The underspend is also partly the result of the early delivery of MTFS savings of £50,000.
Participation Policy & Communication	5.456	5.230	**-0.226**	The variance and movement are caused mainly by part year vacancies within Policy teams including the vacant Director of Strategy and Policy post. There is also an overachievement of income from advertising related to the Camden magazine. income
Smoking & Tobacco	0.744	0.630	**-0.114**	Lower than forecast demand activities, services are locally enhanced service contracts with GPs and Pharmacists, demand led services and associated costs can be difficult to predict.

Quarter Two Financial Forecast

General Fund – Areas of Financial Risk

- There are a number of inherent risks and pressures across the Supporting People Directorate from demand led services. Pressures across NHS services are shifting costs to the Council especially around mental health services where there are significant overspends due to the pressure of demand on services. Officers are reviewing process and working closely with NHS services to manage this risk.
- There is significant pressures around income generation especially relating to regulatory services across Supporting Communities. Much of the income is demand led and is effected by changes in resident behaviour and the economic environment. A review of income budget levels is currently taking place, if the findings of the review are that the income budgets cannot be met it will represent a budgetary pressure on the General Fund.
- Parking income is inherently difficult to forecast over the medium term as the rate at which resident and car users behaviour changes as a result of parking policies is not easy to predict. This means there is always an inherent uncertainty in the level of income received from parking enforcement. Officers closely monitor car users behaviour and expected income levels from enforcement and
- In common with other education authorities, Camden is experiencing costs pressures on its Dedicated Schools Grant High Needs Block (DSG HNB). The HNB pays for educational services for children and young people with special educational needs (SEN). The HNB is experiencing cost pressures from a combination of demographic and cost inflation. However, the most significant pressure has been caused by the implementation of the Children and Families Act 2014, which extended local authority responsibilities for SEN services to support young people to age 25, but without adding resources into the system. The Council's careful management of its HNB had resulted in the creation of a HNB reserve within the DSG reserve. However current forecast indicate that the HNB reserve will be extinguished during 2019/20 and the HNB will fall into deficit. The SEN pressures are not unique to Camden and so we are working with London Councils as part of a national lobbying arrangement to put pressure on the DfE to increase funding for SEN.

Quarter Two Financial Forecast

What are we doing about the Pressures?

A budget summit consisting of a number of ‘deep dives’ are being planned over January/February 2020 to investigate areas where we invest significant proportion of our revenue and areas where there is financial pressure and risk. The services identified for the ‘Deep Dives are, Property Services, Regeneration and Planning, Digital and Data, Customer Services, Community Services and Early Intervention and Prevention/Childrens’ Safeguarding.

The objectives of the deep dives are:

- To understand the root cause of the service pressure
- To identify opportunities in those areas to either reduce costs or generate income
- To identify whether there are other opportunities elsewhere in the department or division to offset the pressure
- To agree an action plan with directors including target timelines to bring the budget back within budget
- To agree and document the future risks associated with the service
- To undertake sensitivity analysis where appropriate to quantify risk and forecast the effect of demand increases or loss of income.

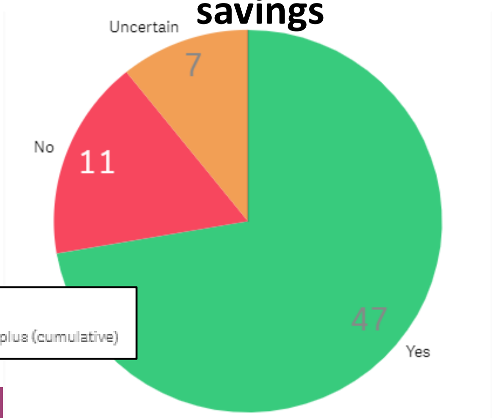
MTFS savings - context and approach

- In December 2018, Cabinet agreed a three year medium term financial strategy (MTFS) that set a financial course of strategic investment, in parallel with a savings programme that ensured that we can continue to operate on a sustainable and sound financial basis.
- The £31.6m MTFS savings programme was designed using an outcomes-based approach, with a focus on prevention and early intervention, working closely with our communities and partners, and keeping residents at the heart of everything we do.
- 2019/20 represents the first year of our MTFS. The following slides aim to share some highlights of how we are delivering on the programme, as well as how we monitor, oversee and ensure the best possible practice across the portfolio of projects.
- Within the Council portfolio oversight is done on an ongoing basis, with cyclical reporting to DMTs and CMT:
  - Members of the Programme and Change Support team meet regularly with project leads to understand and evaluate progress, risks and challenges
  - This information is shared and discussed across Corporate Service teams and relevant boards, to inform and schedule resource and support
  - Corroborated views (and any further information) are then discussed at a directorate and portfolio level; information and analysis is shared with Directors, DMTs, and then CMT on a quarterly basis (in line with Camden's financial reporting)

MTFS Status at Quarter Two

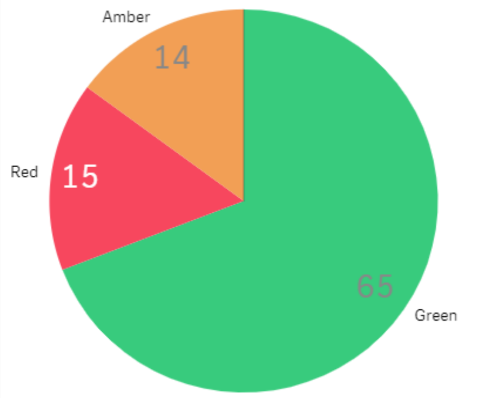
- Six months through the first year of the MTFS sees good progress regarding both delivery of outcomes and of the achievement of financial savings. 65 projects have Y1 savings targets, of which 47 are on track to achieve full savings (88% of £12.4m Y1 savings).
- The majority of projects delivering as planned with a visible uplift in active project management across the portfolio. This is facilitating better anticipation and proactive management of external issues and risks
- With regards to the three-year financial outlook, where activities have commenced, over 50% of projects are on track with delivery plans. A cautious approach has been taken to predicting the full achievement of savings however.
- *See appendix for a full project list with risk ratings*

On track for Y1 savings

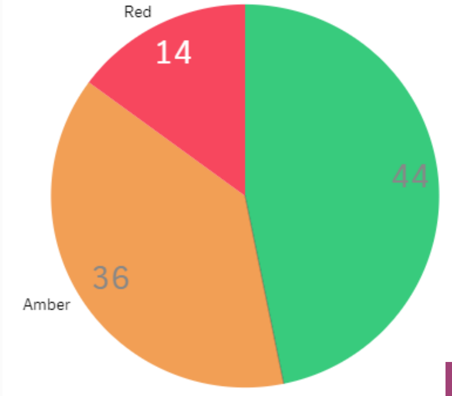


88.1% -1.47M Y1 Shortfall/Surplus (cumulative)

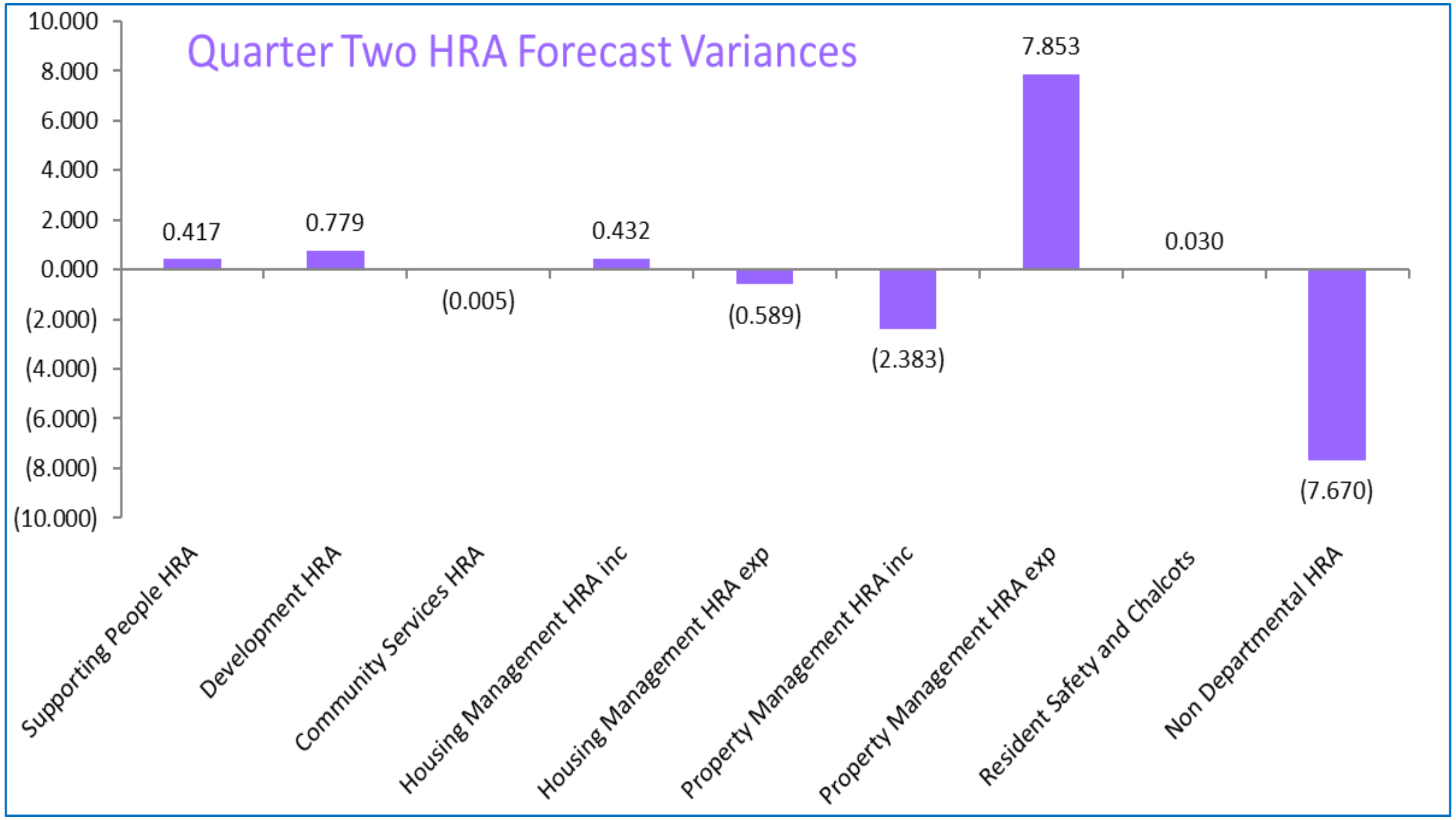
Current delivery status



Current financial status
(all projects / years)



Quarter Two Financial Forecast
Housing Revenue Account



The Housing Revenue Account is forecast to underspend by £1.13m.

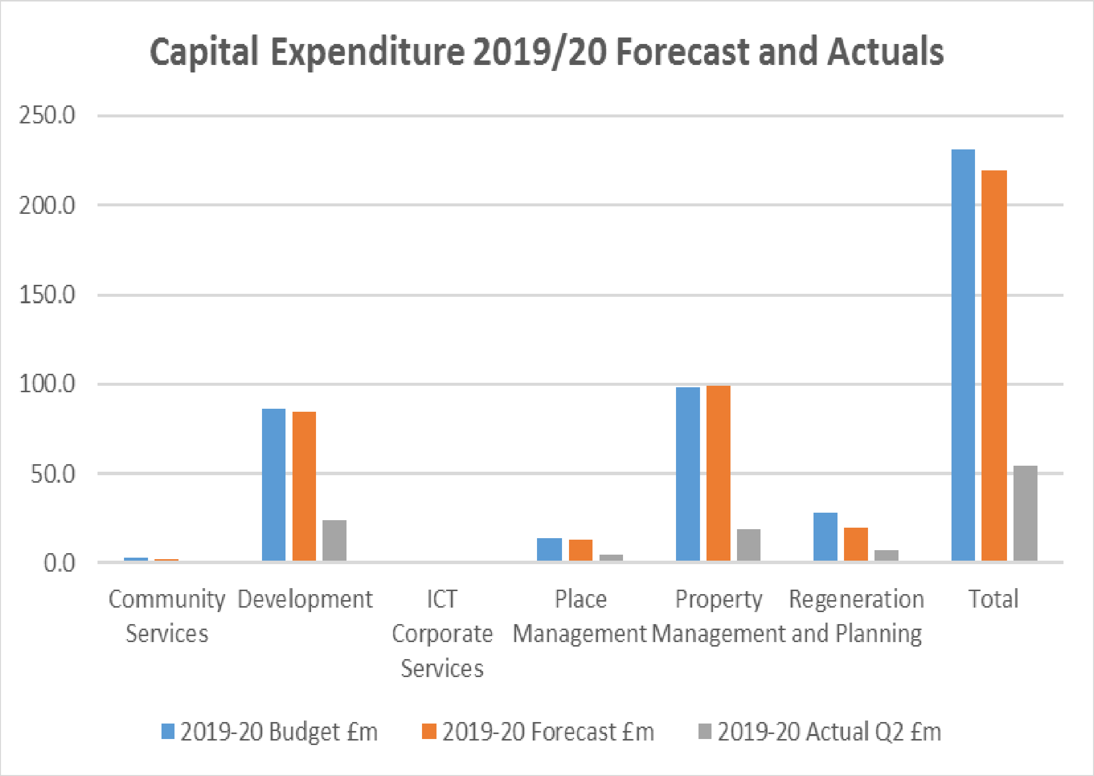
The HRA has benefited from additional income of £1.2m from grant income relating to the Chalcots PFI scheme. Although the PFI contract was terminated over a year ago the Council negotiated to continue to receive the grant until May 2019.

Significant pressure on Property Management Budgets as a result of an increase in spend on Fire safety works including fire doors with an additional £1.7m spent on the Chalcots fire response and overspends of £3.9m across major and void repair budgets.

A lower requirements for borrowing and a higher than forecast level of internal borrowing has resulted in lower than planned cost of borrowing costs.

Quarter Two Financial Forecast

Capital Budgets Forecast



Capital Risks and Issues

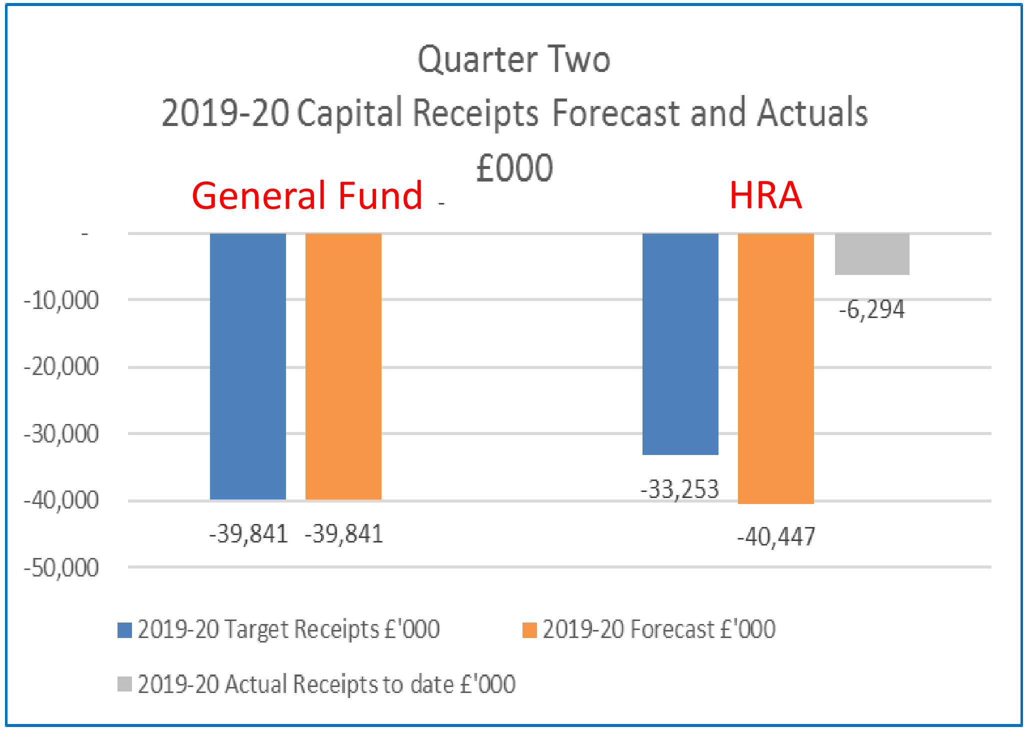
- The forecast expenditure for 2019/20 is £220m. Actual expenditure at Quarter 2 was only 25% of the forecast total meaning there is a high risk of further slippage in capital expenditure against the forecasted position.

- Forecast slippage on capital schemes related to delays in individual projects due to issues such as delays in obtaining approval from TFL for some works in Regeneration and Planning, and redesign work in development schemes relating to accessible units.

The Capital programme in 2019/20 is forecast to be £11.3m underspent at the year-end against a budget of £231m. Overall the Capital Programme is forecast to over spend by £0.9m to 2026/27 against an agreed budget of £1,097m.

Quarter Two Financial Forecast

Capital Receipts Forecast



Capital receipts targets are based on the best estimate of the value of properties for sale. There is an inherent risk that market conditions will mean actual sales values are different than assumed.

Capital Receipts Risks and Issues

- The forecast for General Fund capital receipts is £39.8m in 2019/20 but at Quarter Two no receipts have been realised. The receipts target is planned to be achieved via the sale of a small number of large value sites. This means that there is a high risk that delays in one or two of the sales will significantly reduce the value of receipts this year.
- HRA receipts are forecast to be £7.1m higher than budget due to improved sales rates at some CIP sites. However recent issues relating to changes in safety standards have meant that potential buyers are unable to access finance to purchase the properties meaning the sales rate and so value of capital receipts this year are likely to reduce. Officers are working to resolve the issue and exploring other short-term Uses for the properties until the issue is resolved.
- Forecast receipts for Greenwood phase 2 have been reduced by £5m in 2021/22 as AA Storage have rescinded the development/sale agreement. The forecast reflects an initial estimate of what may be obtainable via selling the Highgate Centre as an alternative.