Board of Directors 26th February 2018	Tower Hamlets Homes
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Title: Management accounts, delegated budgets and capital 2017/18 – period 9	

1. INTRODUCTION

1.1. This report sets out The Tower Hamlets Homes (THH) management accounts 2017/18 for quarter 3 and period 9. Please note that this report will be seen first by the Finance and Audit Committee and any changes they propose will be flagged up at the Board meeting.

2. RECOMMENDATIONS

2.1. That Board note the quarter 3 forecasts below:

Company Management Accounts

2.2. The business is forecast to over spend by £552,000 which has reduced by £104,000 since quarter 2. Within this the contingency of £621,000 is forecast to budget however a balance of £300,000 remains unallocated. There are also potential under spends across the business that could be released (section 4.27).

2.3. The financial position has improved in recent months. Budget managers appear to have responded well to management requests to control spend although budget holders should be reminded to review their forecasts closely over the final months and release unallocated budgets immediately where possible.

2.4. The business has recharged £329,000 to LBTH for fire safety costs incurred this year. Budget managers have worked well to identify these costs however a final review should be undertaken to ensure there are no residual costs that can still be reclaimed.

Delegated Budgets

2.5. The delegated budgets are forecast to under spend by £416,000 at period 9, driven by the forecast under spend on repairs and maintenance. Finance and Asset Management have been working on the methodology for forecasting; this has resulted in a breakeven or small overspend being forecasted for the current year based on projections at period 10 (see delegated section 1.3). This is, to some extent work, in progress and the position may well improve.

Capital Accounts

2.6. Capital forecasts currently indicate spend of £25.025m. The reduced spend will result in carry over works into next year however this will also increase leasehold service charge bills by £280,000 this year due to the absorption of overheads (see capital section 2.4).

3. COMPANY ACCOUNTS FORECAST OUTTURN

3.1. In summary, the management accounts at period 9 shows the business is projected to over spend to budget by £552,000 this year (appendix 1&2).

3.2. A further £354,000 will be incurred on work that will be recharged to LBTH and a further £1.6m will be will be incurred on work funded from reserves. A summary extract of the management accounts and other items is shown in the table below. Earlier this year LBTH agreed additional funding of £425,000 for health & safety and fire safety works and compliance although this has yet to be processed as a payment by LBTH. (The £354,000 will be charged against that £425,000)

DESCRIPTION	BUDGET	FORECAST	VARIANCE
	£000	£000	£000
Total Company Expenditure	32,159	32,687	528
Total Funded from Reserves	0	1,600	1,600
Total Subject to LBTH Funding	0	354	354
Total Expenditure	**32,159**	**34,641**	**2,482**
Management Fee	-31,946	-31,946	0
Additional Mgmt Fee	0	-354	-354
Rechargeable Salaries	-188	-163	25
Interest	-25	-26	-1
Transfer from Reserves	0	-1,600	-1,600
Total Income	**-32,159**	**-34,089**	**-1,930**
Net Cost of Service	**0**	**552**	**552**

4. FINANCIAL ANALYSIS & OVERVIEW

4.1. The forecast over spend at period 9 is £552,000. However there are various forecasts included that may not actually occur this year. These items are discussed further in section 4.27 and could materially change the position reported if the outcome favours THH.

4.2. In light of the ongoing transformation programme and the impact this is having on budgetary control, all redundancy and severance costs are being met by either the £150,000 provision previously set aside or from the business contingency. The total cost this year is forecast at £463,000 but does not take into account any liabilities that may need to be taken at year-end if further transformation works carry over into 2018/19.

4.3. The over spend by Directorate is largely as reported at quarter 2 and is driven by:

4.4. **Asset Management**

4.5. The Directorate has forecast an over spend of £184,000 which is summarised in the table below.

DESCRIPTION	BUDGET	FORECAST	VARIANCE
	£000	£000	£000
Capital Programme Manager	2,667	2,837	170
Director	218	218	0
Health & Safety	253	232	-21
Investment Planning	281	269	-12
Repairs Management	1,617	1,664	47
Total Asset Management	**5,036**	**5,220**	**184**

4.6. The Capital Programme Team pressures largely compromises employee costs (£90,000) through the use of agency staff and professional fees (£62,000) incurred in initiating future capital projects.

4.7. Repairs Management Team is forecast to over spend by £47,000 with pressure on employee costs (£30,000) driven by agency costs alongside unbudgeted costs (£30,000) mainly for KWest research on repairs courtesy calls; these are marginally offset by general small under spends.

4.8. **Business Transformation**

4.9. The Directorate has forecast an over spend of £169,000 which is summarised in the table below.

DESCRIPTION	BUDGET	FORECAST	VARIANCE
	£000	£000	£000
Business Development	522	447	-75
Communications	294	292	-2
Community Investment	0	110	110
Community Partnership	390	324	-66
Director of Business Transformation	183	232	49
Facilities Management	1,989	2,036	47
Human Resources	694	678	-16
ICT, Risk & Contract Gov	2,173	2,296	123
Strategic Engagement	349	348	-1
Total Business Transformation	**6,594**	**6,763**	**169**

4.10. Business Development is forecast to under spend by £75,000 due to reduced staff costs as some posts remain vacant while the Community Partnership team is has forecast an under spend of £66,000 mainly due to savings on professional fees. Human Resources has also reported a £16,000 under spend driven mainly by lower training costs.

4.11. The community investment team is forecasting spend of £110,000 against a zero budget this year. It should be noted that this project was originally approved by LBTH some years ago however it unclear whether any the funding was used or whether it was consolidated back into the HRA reserves.

4.12. Notwithstanding, LBTH has acknowledged this as a growth bid in 2018/19 as part of the managed delegated budgets. It would seem reasonable that this should also be a cost to the delegated budgets but with no budget or code to charge against, it has been assumed that THH will fund expenditure this year and continue discussions with LBTH to agree the transfer of these costs to the delegated accounts later. The cost is shown in these management accounts as there is the risk that LBTH will request THH to fund the project. This will be taken forward at the next Finance client meeting.

4.13. ICT, risk & governance continue to report an over spend driven by increased SLA costs. The initial pressure on SLA's was due to a late annual increase in the IT SLA which LBTH have agreed to fund. However, a further increase from the procurement SLA will be funded by THH. Increasing SLA's driven by LBTH services renegotiating the cost will be raised at the next Finance client meeting as generally this should be met by the HRA.

4.14. The Director continues to report an over spend due to the unbudgeted executive officer agency position. This issue has been addressed in the 2018/19 budget and will be subject to review later this year. Facilities Management is also forecasting an over spend of £47,000 following an increase in repairs & maintenance costs on buildings and offices used by THH.

4.15. **CEO's Office**

4.16. The CEO's Office is forecast to under spend by £8,000.

4.17. **Finance**

4.18. The Directorate has forecast an over spend of £19,000 which is summarised in the table below.

DESCRIPTION	BUDGET	FORECAST	VARIANCE
	£000	£000	£000
Apprenticeships & Graduate Trainees	125	67	-58
Central Finance Control	0	0	0
Central Rent Management	0	0	0
Dir. of Finance	374	338	-36
Finance Management	1,545	1,681	136
Leaseholder SC Team	237	234	-3
Rent Accounting Team	138	118	-20
Total Finance	**2,419**	**2,438**	**19**

4.19. The main pressures within the Directorate is driven from the delayed implementation of the Finance Team restructure which has resulted in increased use of agency staff costing £136,000 more than budget. The restructure has now been completed and recruitment to senior posts has started and recruitment to junior posts is imminent. Savings from other teams including professional fees, a vacant post and an under spend on apprenticeships totalling £117,000 offset the agency costs in Finance.

4.20. **Neighbourhoods**

4.21. The Directorate has forecast an over spend of £163,000 which is summarised in the table below.

DESCRIPTION	BUDGET	FORECAST	VARIANCE
	£000	£000	£000
Area Offices	1,460	1,645	185
ASB Housing Service	645	681	36
Central Rent Management	1,233	1,166	-67
Director of Neighbourhoods	278	325	47
Drainage Operations	381	382	1
Head of Caretaking	6,996	7,097	101
Head of NHOs	309	305	-4
Housing Advice Centre	2,474	2,545	71
Leaseholder Services	2,399	2,206	-193
THH Grounds Maintenance	727	733	6
Voids Team	211	191	-20
Total Neighbourhoods	**17,113**	**17,276**	**163**

4.22. The restructure of the area offices is scheduled to be completed early next year however this has contributed £185,000 to the over spend. Caretaking is also reporting a pressure of £101,000 due to the omission of an overtime budget and the HAC is forecasting an over spend of £71,000 driven mainly from health & safety supplies of £65,000, although to date no expenditure has been incurred. There are significant further pressures within the HAC on events & exhibitions, training and meetings however these are being contained through under spends on other budgets.

4.23. The Director's area is forecasting an over spend of £47,000 which relates to the agency costs incurred on the TMO project driven from the mayoral bid approval. These costs should be charged to LBTH however we have no mechanism in place to enforce this charge on LBTH unless they accept the charge. At this point Finance has been unable to resolve this and will again draw attention to this at the next Finance client meeting.

4.24. The ASB team has forecast an over spend of £36,000 through the use of agency staff. Recent appointments to the team mean that no further agency costs are expected this year.

4.25. Leasehold Services is forecast to under spend by £193,000 with significant savings on employee costs of £320,000 offsetting pressures on professional fees of £92,000 incurred on increased enforcement and debt collection. Pressures also on printing costs (£15,000) and compensation payments (£20,000) are also being contained.

4.26. The Central Rent Management Team is forecasting a £67,000 under spend due to savings on employee costs through maintaining vacant posts whilst the Voids Team is also forecasting an under spend of £20,000 from vacant posts.

4.27. **Contingency**

4.28. The business contingency of £621,000 was made available following a reduction in the employer pension contributions this year. In closing last year's accounts, a provision of £150,000 was taken for redundancy liabilities. The provision has been fully used and therefore the overflow is now being funded from this contingency.

4.29. While we continue to forecast the contingency to budget, spend to date totals £163,000 at the end of period 9 with an estimated £150,000 in additional costs later this year. This means that the contingency will likely under spend by around £300,000 this year. Prudently, this will be held back to protect the business from unforeseen costs that may arise this year.

4.30. **Potential Overstatements**

4.31. The management accounts include various forecast assumptions where spend is currently substantially below the amount forecast. The table below summarises the main items.

DESCRIPTION	BUDGET	SPEND @ 31/12/17	FORECAST	EST SPEND QTR 4
	£000	£000	£000	£000
Capital Programme - professional fees	557	247	**620**	373
Other Professional fees				
Asset Management	290	101	**226**	125
Business Transformation	149	170	**204**	34
CEO's Office	106	2	**106**	104
Finance	185	9	**147**	138
Neighbourhoods	381	364	**494**	130
Community Investment	0	0		0
HAC Health & Safety Supplies	0	-33		33
Contingency	621	163	**621**	458
Total	**2,289**	**1,023**	**2,418**	**1,395**

4.32. The key point to note is that forecasts totalling £2.418m show only £1.023m expenditure in quarters 1, 2 & 3. This means expenditure of £1.395m will need to be incurred in the 4th quarter to meet the reported forecast. It would seem unlikely that this level of expenditure will be incurred so further work is being undertaken to ensure such underspends are captured. In addition we will seek

to recover the community initiatives expenditure from the Council as set out in 4.11

5. MOVEMENT SINCE QUARTER 2

5.1. The table below summarises the movement between quarters 2 & 3 by directorate.

DESCRIPTION	QTR 2	QTR 3	CHANGE
Asset Management	5,262	5,219	-43
Business Transformation	6,627	6,762	135
CEO Office	369	369	0
Finance	2,499	2,437	-62
Neighbourhoods	17,411	17,277	-134
Contingency	621	621	0
Cost of Service Delivery	**32,789**	**32,685**	**-104**

5.2. The main changes to forecasts this quarter compared to quarter 2 include:

DESCRIPTION	MOVEMENT	FORECAST
	£000	
Quarter 2 Reported Position		656
Movement		
Investment Planning professional fees	-60	
CPM professional fees	35	
CPM employee costs	-17	
Community Investment	110	
Community Partnership grants	-50	
Procurement SLA	90	
HR agency & conference expenses	-44	
Apprenticeship & graduate trainees costs	-58	
Area offices	32	
HAC interview expenses, training & third party pymts	50	
Caretaking reduced employee costs	-117	
Leasehold services reduced employee costs	-133	
Leasehold services increased profesiional fees	72	
Miscellaneous other smaller changes	-14	
Total Movement		-104
Quarter 3 Reported Position		552

6. PROJECTS FUNDED FROM RESERVES

6.1. The Board approved funding for three projects from reserves this year. The current position on each is:

6.2. **Procurement**

6.3. The procurement team in Asset Management is forecasting spend at £280,000 in line with initial estimates with spend currently at 208,000.

6.4. **Digital Solutions**

6.5. The 3 year digital solutions estimate of £1.0m includes £296,000 forecast spend this year.

6.6. **Accommodation Move**

6.7. The Board originally earmarked £500,000 for the cost of the move and fit-out at Boatman's House. This position was revised to £800,000 in quarter 1 based on initial work surveys and costings. However since then further costs have arisen following procurement and increased costs due to more works required in a condensed timeframe. The forecast in the management accounts is £970,000 however, the committee should note that this is not a definitive figure and costs may be incurred as works progress.

6.8. There have been some delays with the landlord and Council colleagues in finalising the lease agreement; this is likely to cause some slippage to the programme. In addition the Superior Landlord has decided that a cash payment should be made to THH for the works we are undertaking rather than it being paid for by the additional rent free period (some £321,000). This is in addition to the 10 months' rent free which is worth some £358,000. We are still working through the implications for the current year; although costs and income may fall in different years the overall position on the cost of the scheme is likely to remain the same.

APPENDIX 1

COMPANY MANAGEMENT ACCOUNTS 2017/18	PERIOD 9

DESCRIPTION	BUDGET	BUDGET TO DATE	SPEND TO DATE	VARIANCE	FORECAST	VARIANCE
	£000	£000	£000	£000	£000	£000
Income						
Management Fee	-31,946	-23,960	-23,960	0	-31,946	0
Rechargeable Salaries	-188	-141	-102	39	-163	25
Interest	-25	-18	0	18	-26	-1
Transfer from Reserves	0	0	-461	-461	-1,601	-1,601
Additional Mgmt Fee	0	0	-251	-251	-354	-354
Total Income	**-32,159**	**-24,119**	**-24,774**	**-655**	**-34,090**	**-1,931**
Asset Mgmt	5,036	3,778	3,506	-272	5,220	184
Business Transformation	6,593	4,945	4,793	-152	6,762	169
CEO Office	377	283	186	-97	369	-8
Finance	2,419	1,814	1,584	-230	2,438	19
Neighbourhoods	17,113	12,834	12,491	-343	17,277	164
Contingency	621	465	163	-302	621	0
Cost of Service	**32,159**	**24,119**	**22,723**	**-1,396**	**32,687**	**528**
Funded from Reserves						
Accommodation	0	0	162	162	970	970
Digital Solutions	0	0	91	91	351	351
Procurement	0	0	208	208	280	280
Sub Total: Reserves Funding	**0**	**0**	**461**	**461**	**1,601**	**1,601**
Subject to LBTH Funding						
Emergency Work Funded - LBTH	0	0	251	251	251	251
Legal Costs	0	0	0	0	50	50
ICT SLA Costs	0	0	0	0	53	53
Sub Total: LBTH Funding	**0**	**0**	**251**	**251**	**354**	**354**
Net Cost of Service	**0**	**0**	**-1,339**	**-1,339**	**552**	**552**

APPENDIX 2

COMPANY MANAGEMENT ACCOUNTS 2017/18	PERIOD 9

DESCRIPTION	BUDGET	BUDGET	SPEND TO	VARIANCE	FORECAST	VARIANCE
	£000	£000	£000	£000	£000	£000
Income						
Management Fee	-31,946	-23,960	-23,960	0	-31,946	0
Rechargeable Salaries	-188	-141	-102	39	-163	25
Interest	-25	-18	-1	17	-26	-1
Transfer from Reserves	0	0	-461	-461	-1,601	-1,601
Additional Mgmt Fee	0	0	-251	-251	-354	-354
Total Income	**-32,159**	**-24,119**	**-24,775**	**-656**	**-34,090**	**-1,931**
Employee Costs	21,622	16,216	16,024	-192	21,749	127
SLA	6,040	4,530	4,530	0	6,181	141
Supplies & Services	2,742	2,057	1,370	-687	2,994	252
Third Party Payments	437	328	232	-96	409	-28
Property Costs	487	365	282	-83	557	70
Transport Costs	185	139	92	-47	151	-34
Depreciation	25	19	30	11	25	0
Contingency	621	465	163	-302	621	0
Cost of Service	**32,159**	**24,119**	**22,723**	**-1,396**	**32,687**	**528**
Funded from Reserves						
Accommodation	0	0	162	162	970	970
Digital Solutions	0	0	91	91	351	351
Procurement	0	0	208	208	280	280
Sub Total: Reserves Funding	**0**	**0**	**461**	**461**	**1,601**	**1,601**
Subject to LBTH Funding						
Emergency Work Funded - LBTH	0	0	251	251	251	251
Legal Costs	0	0	0	0	50	50
ICT SLA Costs	0	0	0	0	53	53
Sub Total: LBTH Funding	**0**	**0**	**251**	**251**	**354**	**354**
Net Cost of Service	**0**	**0**	**-1,340**	**-1,340**	**552**	**552**

1. DELEGATED BUDGET PROJECTED OUTTURN

1.1. Appendix 5 summarises the position at Period 9 (quarter 3). In summary, the delegated accounts are projected to under spend on expenditure by £1.103m and generate reduced income of £687,000 resulting in a net underspend to budget of £416,000. However, please see below for period 10 repair projections. The main budget variances are discussed below.

1.2. Expenditure

1.2.1. The main component of overall forecast under spend of £1.103m is repairs & maintenance which accounts for £760,000. Over the last few weeks detailed analysis of the repairs monitoring process has been undertaken by finance and asset management colleagues; this analysis suggests a break even or a small overspend position on the repairs budget is a more likely outcome based on period 10 figures.

1.3. Repairs & Maintenance

1.3.1. Repairs & maintenance is forecast to under spend by £760,000; the forecast contains a reported £374,000 over spend on voids. It is reasonable to assume that the voids over spend will be capitalised considering the capital programme has a further £1.4m capacity for capitalisation. An adjusted position after capitalisation shows an under spend of £1.134m with £573,000 reported on the main contract with Mears and £585,000 reported on the communal areas budget. The communal area budget of £825,000 is usually unallocated but this year has been earmarked to fund the curtilage project of which £240,000 is forecast. The period 9 position is summarised in the table below.

DESCRIPTION	BUDGET	FORECAST	VARIANCE
	£000	£000	£000
Contracts			
Mears	13,226	13,027	-199
Capitalisation of Voids Over spend	0	-374	-374
	13,226	**12,653**	**-573**
Openview	623	912	**289**
Precision	1,121	867	**-254**
Lifts & Paly Equip Maint	113	102	**-11**
	1,857	**1,881**	**24**
Communal Areas & Audit Fees	825	240	**-585**
Cost of Service Delivery	**15,908**	**14,774**	**-1,134**

1.3.2. The draft period ten figures, which are intended to be a worst case scenario, are summarised in the table below

	Description	Budget	Forecast	Variance	
		£'000	£'000	£'000	
	Contracts				
	Mears	13,226	14,220	994	
	Openview	623	859	236	
	Precision Lifts	1,121	928	-193	
	Lifts and Play equipment	113	83	-30	
		15,083	16,090	1,007	
	Communal areas and audit fees	825	115	-710	
	Overall Position	**15,908**	**16,205**	**297**	

1.4. Other Delegated Expenditure

1.4.1. The forecasts on other delegated expenditure areas are fairly consistent with prior months reporting. The main points to note include:

i. Communal energy continues to be reported to budget as is difficult to complete an accurate forecast when the posting of charges isn't completed until year-end by LBTH. This will be the subject of work in the next financial year to ensure the detail is received on a more timely basis.
ii. The Estate Projects over spend is managed by LBTH;
iii. ASB (Mayoral Bid) is forecast to under spend due to the mid-year start of this project. The under spend will need to be carried forward into years 2018/20.

1.5. Income

1.6. Charges to Tenants

1.6.1. The charges to tenants include rent, tenant service charges and water rates. These areas have routinely been forecasting a shortfall in income with RTB sales generally noted as the reason. In reality there is a lack of detailed monitoring in this area and the forecasts do not change for months. This reflects the uncertainty within the business in determining where

responsibilities in this area start and finish. The business does not have a consolidated post that manages the control accounts, modelling role or analytical work. Currently the reporting responsibility sits with Neighbourhoods and the management of the control accounts is located within ICT with Finance being responsible for reporting. With the many structural changes occurring across the business it would seem that a consolidated review of this area and how responsibilities are shared be undertaken to ensure aspects of control and reporting don't fall 'between stools'.

2. FINANCIAL ANALYSIS & OVERVIEW

2.1. The overall position of £416,000 under spend is particularly vulnerable with the ongoing concerns over the accuracy of communal energy and repairs & maintenance forecasts.

2.2. It is essential that the work on the methodology on the budget monitoring of repairs is concluded, along with the necessary supporting documentation, before closedown. Finance will continue discussing this area with the service manager to enable accurate monitoring to be produced but Finance and Audit Committee should note the wider risks of an over spend in this area compounded by the uncertainties on capitalisation and the accruals issue reported separately last year.

APPENDIX 5

DELEGATED REVENUE BUDGETS 2017/18

DESCRIPTION	BUDGET	BUDGET TO DATE	SPEND TO DATE	VARIANCE TO DATE	FORECAST	VARIANCE
	£000	£000	£000	£000	£000	£000
R&M	**15,908**	10,688	11,270	583	15,148	-760
Water Rates - Costs	**4,841**	4,385	4,385	0	4,630	-211
Communal Energy	**3,950**	633	633	0	3,950	0
Building Insurance	**1,350**	0	0	0	1,350	0
Estate Project	**1,346**	1,010	1,017	7	1,484	138
TMO Allowances	**901**	675	540	-136	872	-29
Mayoral Bid - ASB	**886**	591	3	-588	598	-288
Cleaning Materials	**600**	450	392	-58	581	-19
Estate Capacity	**600**	450	181	-269	600	0
Concierge	**430**	323	270	-53	390	-40
Estate Parking	**340**	255	233	-22	470	130
NNDR	**275**	0	0	0	232	-43
Service Charge Payments	**200**	150	292	142	269	69
Neighbourhood Action	**100**	67	-6	-73	50	-50
Rent Payments	**63**	47	23	-24	63	0
ASB	**50**	38	2	-35	50	0
Expenditure	**31,840**	**19,760**	**19,234**	**-526**	**30,736**	**-1,103**
Dwelling Rents	**-65,601**	-49,201	-45,700	3,500	-65,451	150
Leasehold Charges	**-14,395**	-14,200	-14,119	81	-14,083	312
Tenant Service Charge	**-7,345**	-5,509	-4,903	606	-7,084	261
Water Rates - Income	**-4,559**	-3,419	-3,118	302	-4,469	90
Garage Rents	**-1,300**	-975	-899	76	-1,300	0
Water Commission	**-920**	-690	-792	-102	-792	128
Major Works	**-300**	-225	-316	-91	-350	-50
Estate Parking	**-100**	-75	-89	-14	-110	-10
CDM Fees	**-70**	-47	-302	-255	-304	-234
Drainage Income	**-55**	-37	-15	21	-15	40
Mortgage Interest	**-1**	0	0	0	-1	0
Income	**-94,646**	**-74,377**	**-70,253**	**4,124**	**-93,959**	**687**
Grand Total	**-62,806**	**-54,617**	**-51,019**	**3,598**	**-63,222**	**-416**

1. INTRODUCTION: CAPITAL PROGRAMME

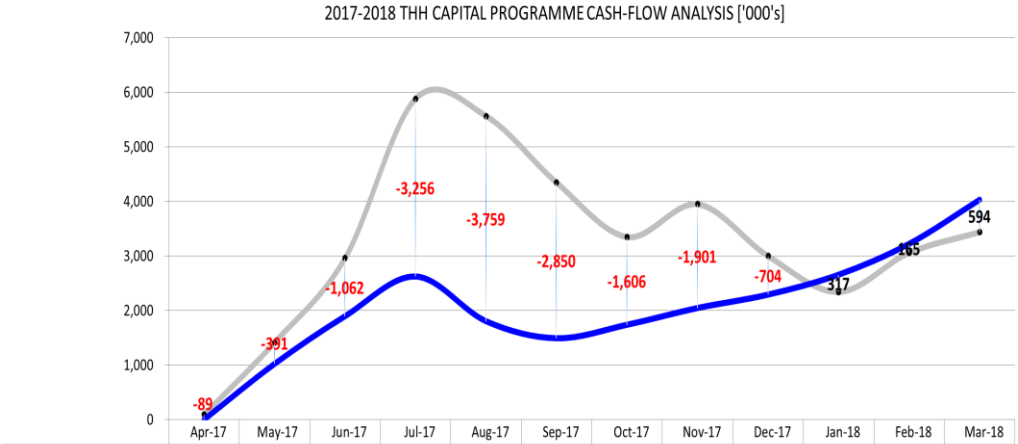
1.1. CAPITAL WORKS PROJECTED OUTTURN

1.2. The THH capital programme outturn position at period 9 is forecast to deliver £25.025m spend (£25.605m) against a revised budget of £41.764m resulting in a projected underspend of £16.739m (£16.159m) which represents a 40% (39%) variance against budget (appendix 5). The budget was revised down to £25.604m at cabinet so future monitoring will be against this position with £16.160m slippage being carried over in to 2018/19.

1.3. The forecast outturn from £25.605m reported in period 8 to £25.025m in period 9 is as a result of the service's ongoing review with consultants and contractors, as set out in para 2.2. The latest changes to the programme are as agreed at the Asset Governance Group meeting held on 11th January.

2. FINANCIAL ANALYSIS & OVERVIEW

2.1. The capital programme spend-to-date of £14.910m includes the Breyer settlement and prior year adjustment for CDM and THH fees. When excluding these items average spend per month calculates to £1.412m for the first 9 months of the year. To achieve the outturn position of £25.025m, the programme needs to spend a further £10.115m between now and the end of March. This will require an increased average monthly spend of £3.372m for the rest of the year. The current forecast spend for period 10 is cash-flowed to be £2.656m as outlined in the graph below which maps the change in the original cash-flow to the revised cash-flow resulting from the December budget review.



	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
QUARTER 1 PROFILE	89	1,413	2,958	5,879	5,562	4,341	3,345	3,947	2,995	2,339	3,057	3,435
PERIOD 9 BUDGET REVIEW	0	1,022	1,896	2,623	1,802	1,491	1,738	2,045	2,291	2,656	3,221	4,029
HI-Lo	45	1,218	2,427	4,251	3,682	2,916	2,542	2,996	2,643	2,497	3,139	3,732

2.2. Slippage within the programme, as quantified in the mid-year budget review is outlined as being due to:

- Decent Homes carry over from 16/17 was £12.000m (mainly for Axis) but only £10.000m was needed once work was checked and valued on site. This has resulted in savings of £2m;
- September removal of provisional sums, contingencies and associated fee reductions and some scope changes for 38 Better Neighbourhood blocks once walkabouts were completed and projects on site with scaffold erected for access to inspect. This has resulted in savings of £6.4m;
- Procurement of LCP - slippage into 18/19 due to having to halt procurement to resurvey and include Fire Safety works in all 80 blocks planned for work under LCP. The programme is well underway with significant resident consultation and S20 notices issued, however there is programme slippage of £5m;
- M&E project slippage into 18/19 £3.300m (deferred lift projects £1.2m, delay to establish recoverable DES options for leaseholders £1.3m, DES new install slippages due to difficulties with Planning £800.000).

Other items at play:

- Unrealistic cash flow forecast from Keepmoat – now revised down;
- Loss of spend on Globe road enfranchisement block £362.000. Council decision to remove from programme;
- Low spend anticipated on Overcrowding Initiatives part of Housing Initiatives budget- only one current 'knock through' project.

2.3. Capital voids is currently forecast to budget of £1.5m although only £113,000 has been processed. The repairs manager has indicated that this budget will not be fully utilised this year but has been unable to provide an updated figure on the basis that further work needs to be carried out to identify buy back voids and asbestos costs. This remains a risk to the capital programme.

2.4. The reduced capital delivery will impact on leaseholder services charge bills through increased overhead charges. This is due to a lower amount of overheads being allocated to capital meaning other service areas will have to shoulder higher overheads. The currently level of capital delivery will mean leasehold overheads will increase by 3.2% and will add a further £280,000 to the total charged to leaseholders this year.

APPENDIX 5

CAPITAL BUDGETS 2017/18

DESCRIPTION	ORIGINAL BUDGET	REVISED BUDGET	REVISED BUDGET YTD	SPEND YTD	VARIANCE	OUTTURN	VARIANCE
	£000	£000	£000	£000	£000	£000	£000
Housing Capital Programme							
Better Neighbourhoods	30,700	**28,769**	10,280	**10,548**	269	**16,667**	-12,102
Mechanical & Electrical inc	7,170	**7,275**	2,609	**3,447**	838	**4,026**	-3,249
Fire Risk Assessment	1,500	**1,500**	272	**345**	73	**1,740**	240
Housing Initiatives	3,650	**3,650**	1,747	**553**	-1,194	**2,590**	-1,060
Contingency Projects	500	**500**	0	**14**	14	**0**	-500
Communal Play Areas	30	**30**	0	**0**	0	**0**	-30
Sub Total	**43,550**	**41,724**	**14,908**	**14,909**	**1**	**25,023**	**-16,701**
Fuel Poverty Works							
EWI	43	**40**	1	**1**	0	**1**	-39
Sub Total	**43**	**40**	**1**	**1**	**0**	**1**	**-39**
Total	**43,593**	**41,764**	**14,909**	**14,910**	**1**	**25,025**	**-16,739**