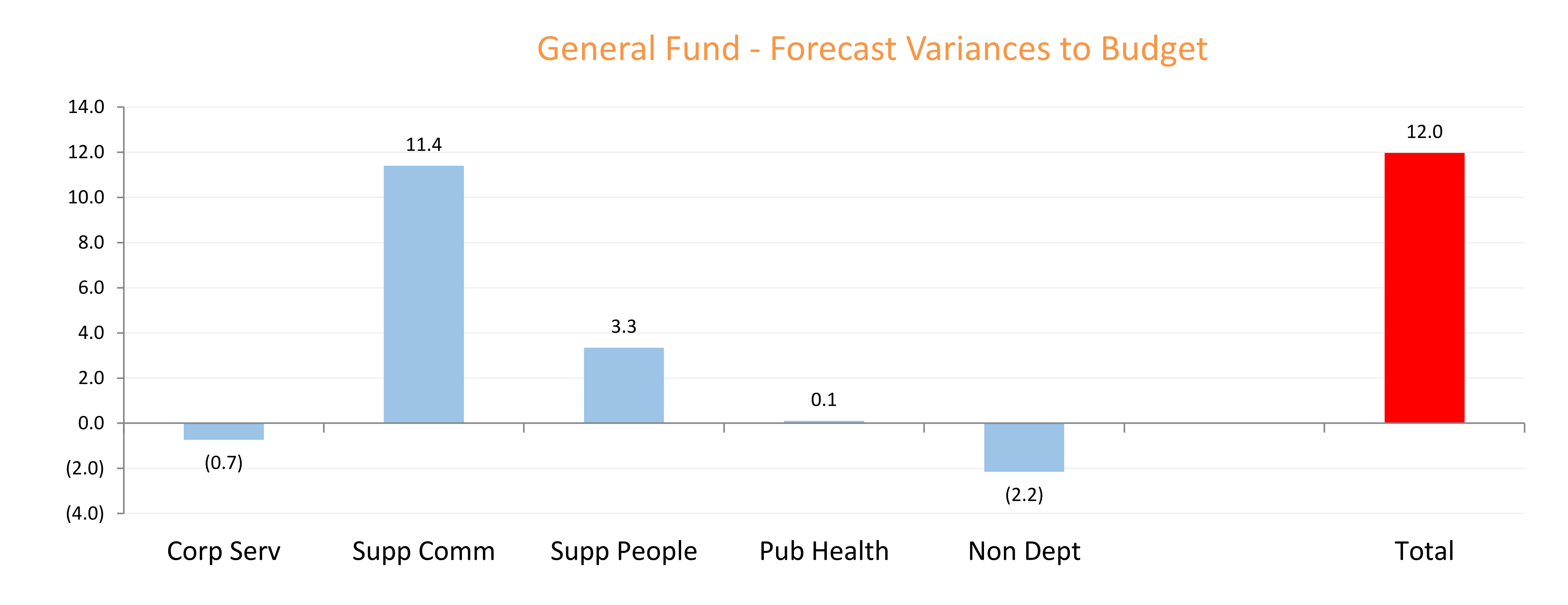
Financial Budget Monitoring

CMT Update 2021/22 Quarter Two

Executive Summary



At Quarter Two service budgets are forecasting a budget pressure of £12m in 2021/22. The main drivers for the budget pressures are the ongoing impact of the Covid emergency that is resulting in additional expenditure, reductions in some income from rents, fees and charges and a delay to a number of MTFS projects as services have focused on supporting the borough through the Covid emergency. There is also an increase in demand for Social Care Services this year.

The Council is currently working to set its budget for 2022/23 and to develop a new Medium Term Financial Strategy. The extent to which the existing budget pressures can be brought address this year will be a factor in the level of savings required to both balance the Council's budget next year and over the medium term.

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The Impact of Covid is still being felt across the Council with an estimated **£17.8m** budget service pressures being driven by the impact of Covid. It is currently unclear how long the impact of Covid will continue to impact service budgets, but it is expected that that there will continue to be an impact over the medium term. This impact is being closely monitored and is fed into the Council's medium term forecasts. The Council has set aside reserves that could meet the £17.8m pressure, however with Covid related pressures expected to remain over the medium term it is important to minimise the use of reserves as much as possible this year.

	Covid related Financial Pressures					
Covid Related Pressures	Covid Cost	Reductions in income	MTFS Delays	Covid Total	Non-Covid Forecast £m	Total Financial Pressures £m
Supporting Communities	1.8	3.4	2.5	7.7	3.7	11.4
Supporting People	6.0	0.0	1.3	7.4	-4.0	3.3
Public Health	0	0	0.4	0.4	-0.3	0.106
Corporate Service	0.3	0.6	0.8	1.7	-2.4	-0.7
Cross Cutting Budgets	0	0.63	0	0.63	-2.8	-2.2
Total	**8.1**	**4.6**	**5.0**	**17.8**	**-5.8**	**12.0**

While most of the restrictions that had been put in place to address Covid have currently ended the Council is still deploying considerable resources across a number of services to support the borough through the Covid emergency. This includes redeploying officers, building and other resources to support priorities such as testing sites, supporting the NHS vaccination programme and continuing to provide additional front line services for people affected by Covid. Much of this is funded from existing service budgets.

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Local Taxes - Collection Fund

In addition to service budgets the Council also collects Business Rates and Council tax and retains a proportion of the taxes collected to fund services. The Council carries the risk of non-collection of taxes due.
The impact of Covid has meant that collection rates have reduced as some local residents and businesses have struggled to pay taxes that are due. This is despite significant local and national schemes put in place to provide additional support to Council Tax payers and to award additional rate relief to some business in order to reduce business rates liabilities. In addition the Council's ability to take legal recover action has been significantly curtailed due to reduction in court time for summons as a result of the Covid emergency.

It is forecast that the Council will see a shortfall in its share of tax collected in 2021/22 of **£11m**. The Council collects significant amounts of business rates and council tax and a small change in collection rates can have a significant impact of the amount of tax collected and retained.

The Council will be required to pay **£11m** into the Collection Fund next year to make good this shortfall. In order to protect the Council's financial stability the **£11m** will be set aside this year and paid into the Collection Fund next year.

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It should be noted that the forecasts are prepared on the basis on officers best estimates about future scenarios relating to the Covid-19 crisis and the social and economic impacts of the crisis and of action taken by the government and the Council. There is a risk that events such as further measures to tackle the Covid pandemic or changes in government policy could result in a significantly different financial outlook than the one presented in this forecast.

During the initial emergency phase of Covid a number of officers were redeployed to the front line covid response. This was possible as the Council paused a number of 'business as usual' activities during 2020/21. As these Council services resume there will be less scope to redeploy staff and so continuing the additional support for the Council's response to Covid may require additional investment.

As the Council develops its strategy for the renewal of the borough after the impacts of Covid it is possible that there will be additional budget pressures to support the work.

The Council is also currently supporting a number of Afghan Refugees. The cost of this support is not included in the financial forecast as the Council has an agreement with the Government for grant funding to be paid to meet the cost of support. However the Council is carrying the risk of the additional expenditure until the grant funding is received.

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In addition to the budget pressures as a result of Covid the Council also has some one off ring-fenced grant funding that is being utilised to support additional work across the Council. The Funding is being drawn down as additional work is identified. This additional funding is summarised in the table below.

Covid Ring-fenced Funding	Reserves 31/03/2021 £'000	To be received in 21/22 £'000	Total £'000	**Notes**
Public Health Test and Trace	1,806		1,806	The Test and Trace Grant is from the Department of Health & Social Care, to provide support to local authorities towards the costs in relation to the mitigation against and management of local outbreaks of Covid-19. This is a ring-fence grant and it is a separate grant from the Public Health Grant. This grant is being overseen by the cross-council Covid19 Health Protection Group but is managed and coordinated by the Public Health division. The Test and Trace grant for Camden for 20/21 was £2.461m of which the total spend was £0.655m leaving an underspend of £1.806m which was transferred to a separate Public Health reserve. The revised plan is to spend £0.840m in 21/22.
Containing the Outbreak Management Fund	1,459	2,333	3,792	Department of Health and Social Care fund set up to support Local Authorities in activities to stop the spread of Covid. Eligible activities include, Public Health communication, Measures to support the continued functioning of commercial areas and their compliance with public health guidance, Additional resource for compliance with, and enforcement of, restrictions and guidance and Community-based support for those disproportionately impacted such as the BAME population and rough sleepers
Welcome Back Fund		240	240	The Fund is to help support councils to boost tourism, improve green spaces and provide more outdoor seating areas, markets and food stall pop-ups – giving people more, safer options to reunite with friends and relatives.
Total Ring Fenced Covid Reserves			**5,838**	

Directorate Summaries

Supporting Communities

The directorate is forecasting an overspend of £11.4m for the 2021-22 financial year:

	Budget (Current) £m	Forecast outturn £m	Forecast Variance	Movement since last Qtr	Estimated Covid Impact (included in overall forecast) £m
	£m	£m	£m	£m	£m
Community Services	13.0	16.5	3.5	0.1	3.5
Development	(4.5)	(1.0)	3.5	0.0	1.7
Economy, Regeneration & Investment	2.8	3.0	0.2	0.0	0.0
Environment and Sustainability	27.1	30.9	3.8	0.9	2.3
Housing Support Services	36.5	36.4	(0.1)	(0.1)	0.1
Property Management	23.6	24.2	0.6	(0.1)	0.1
Supporting Communities Management	1.1	0.9	(0.2)	(0.7)	0.0
Directorate Total	**99.6**	**111.0**	**11.4**	**0.1**	**7.7**

The Supporting Communities position is largely driven by reductions in income from a number of services across the division, particularly in Community Services, Development and Environmental and Sustainability Services. The income targets have been significantly impacted by Covid pressures and officers will need to continue to monitor the level of income and make a judgement on the extent to which they will recover in future years.

Outside of Covid related pressures there is an underlying service pressure of £3.8m spreads across a number of divisions within Supporting Communities.

Supporting People

	Budget (Current) £m	Forecast outturn £m	Spend to Date £m	Forecast Variance £m	Movement since last Qtr £m	Estimated Covid Impact (included in overall forecast) £m
Childrens Safeguarding and Soc	32.4	33.2	17.8	0.8	0.5	0.0
Early Intervention and Prevent	19.6	19.6	20.3	0.0	(0.6)	0.3
Education Commissioning	8.1	8.1	(29.1)	0.0	0.0	0.0
Adult Social Care	83.3	86.5	38.1	3.2	3.2	7.1
Strategic and joint Commissioning	11.2	10.9	(1.1)	(0.3)	(0.2)	0.0
Director	2.4	2.1	0.8	(0.4)	0.1	0.0
Directorate Total	**157.0**	**160.4**	**46.8**	**3.3**	**3.1**	**7.4**

The Supporting People overspend is largely driven by overspends in Adult Social Care due to an assumed increase in home care demand of circa £1.8m to year end and a significant deterioration in the debt position (resulting in an overspend on bad debt of £2.9m). This is likely partly driven by the impact of the Covid pandemic and the change in discharges from hospitals.

Public Health

	Budget (Current) £m	Forecast outturn £m	Variance to Budget £m	Movement since last Qtr £m	Estimated Covid Impact (included in overall forecast) £m
Public Health Leadership	2.2	2.3	0.1	0.2	
Sexual Health	5.8	5.8	(0.0)	(0.2)	
Substance Misuse	6.5	6.8	0.3	(0.2)	0.4
Smoking & Tobacco	0.6	0.6	(0.0)	0.0	
Obesity & Physical Activity	0.6	0.4	(0.2)	(0.0)	
Children Public Health	5.3	5.3	0.0	(0.0)	
NHS Health Checker Programme	0.3	0.3	(0.0)	(0.0)	
Other Public Health Services	1.1	1.1	0.0	(0.0)	
Division Total	**22.5**	**22.6**	**0.1**	**(0.3)**	**0.4**

The Service is currently projecting a £0.106m overspend in Q2 which is a (£0.297m) movement from Q1.

This forecast position consist of various overs and underspends but is mainly due to £0.500m MTFS which was delayed due to Covid. The plan is to offset this from Reserve if there are no underspends across the Service within the year.

The current Public Health reserves balance is £2,02m. The plan is to drawdown £0.829m in 21/22. Of this £500K has been committed to offset the 2021/22 MTFS for multiple complex needs which has been delayed due to Covid-19. £329K is the early receipt of the Rough Sleeping Grant to local authorities, all activity is planned to take place in 2021/22.

Corporate Services

	Budget (Current) £m	Forecast Outturn £m	Forecast Variance £m	Movement since last Qtr £m	Estimated Covid Impact (included in overall forecast)
Chief Executive Office	0.2	0.3	0	0	0
Participation Partnerships Communications	3.4	3.5	0.2	-0.2	0.2
Customer Services	-22.9	-25.2	-2.2	-1.6	1.4
Finance and Internal Audit	5.4	5.4	0	-0.2	0
People and Inclusion	5.6	5.7	0	-0.1	0
Digital Data Service	17.9	19.2	1.3	0.1	0.1
Law and Governance	13.1	13.1	0	-0.1	0
Corporate Strategy and Policy Design	1.4	1.3	-0.1	-0.1	0
Equalities and Disproportionalities	0.3	0.3	0	0	0
Directorate Total	24.3	23.6	-0.7	-2.2	1.7

Corporate Services forecast at Quarter Two is an underspend of £0.7m. This is largely driven by parking income within Customer Services from an increase in road permits and paid for parking which is forecast to result in an overachievement of income against budget of £3.8m. This is offset in customer services in part from delay in delivering some MTFS projects due to the impact of the Covid emergency.

The increased in income is offset in part by a forecast overspend in Digital and Data services driven by increased demand for digital support across the organisation.

Cross Cutting Budgets

Service	Budget £m	Forecast £m	Variance £m	Movement since last Qtr £m	Cause of variance and movements
Rent Allowances & Rebates	(0.719)	0.067	0.786	0.123	The second quarter of the financial year is still affected by the crises. Over payments and subsequent over payment recovery forecasts at Q2 has seen a further decline across rent allowances and rebates. This is as a direct result of claimants having fewer changes in circumstances during the pandemic. There also seems to be slight decline in the level of Housing Benefit payments because of claimants returning to work from July onwards so they are either ending their payments or receiving less as their earnings grow.
HRA recharge	(11.565)	(11.565)	0.000	0.000	no major variance
Minimum Revenue Provision (MRP)	4.869	4.554	(0.315)	0.000	The Minimum Revenue Provision level remains consistent as reported at Q1.The provision is lower than last year which in part is due to a reduction in the balance of historic GF borrowing.
Pensions	15.602	15.524	(0.078)	0.000	The variance is due to the Schools charges for Camden Pensions Backfunding as agreed at the October 2018 Schools Forum Camden. There was a need to move to full cost recovery of back funding for Camden Pensions.
Interest Payable	1.057	1.994	0.937	0.937	Interest payable is showing a pressure which is mainly due to a decrease in the HRA internal borrowing charge which is driven by the significant lower average rate of return on investment when compared to previous years.
Interest Receivable	(0.890)	(0.260)	0.630	0.630	Interest receivable is showing a pressure due to low interest rates. Matured investments had been invested into lower rates due to the market position at the time.
Levies	1.883	1.719	(0.164)	0.000	The variance is due to a timing difference between all levies information being available and the requirement to set a balanced budget.
Government Grants	(67.937)	(67.937)	0.000	0.000	A few Covid -19 related grants are still being received in 21/22 and based on conditions etc. officers will be making decisions around how best to utilise these to support organisational pressures.
Other Budgets	(11.564)	(15.510)	(3.947)	0.033	The underspend is due to some increase in grant income and additional contingency budgets that have not yet been drawdown in year.
Total division	**(69.263)**	**(66.914)**	**(2.151)**	**1.723**	

Housing Revenue Account

HRA Revenue forecast position: divisional view

	High level spending summary					
	2020-21	**2021-22**	**2021-22**	**2021-22**	**2021-22**	**2020-21**
	Outturn	**Budget (current)**	**Spend to Sep**	**Forecast Q2**	**Forecast Variance to budget**	**Variance Movement from Q1**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Community Services	0.3	0.3	0.1	0.4	0.0	0.0
Development	(6.2)	(6.3)	(4.0)	(5.8)	0.5	0.1
Housing Management	(121.0)	(123.1)	(74.4)	(122.3)	0.9	0.5
Housing Support Services	1.6	2.3	0.7	2.3	(0.0)	(0.1)
Property Management	59.8	56.9	24.7	57.0	0.1	(0.0)
Non Departmental	65.4	69.9	3.7	68.6	(1.3)	(1.4)
Total	**0.0**	**(0.0)**	**(49.3)**	**0.2**	**0.2**	**(0.9)**

The current forecast for the HRA is overspend of £0.2m for the FY2021-22. This is made up of divisional budgets (a total of £1.5m overspend) offset by a £1.3m underspend in non-departmental budgets. <u>This forecast assumes that all agreed savings will be made within this financial year</u>.

The main movements from Quarter One are a £0.5m increase in costs related to an increase in gas prices (Housing Management) offset by a reduction in non-departmental budget (reduced forecasts for interest payments on external debt and expected recharges from the General Fund)

Quarter Two

CAPITAL

Capital Expenditure (1/2) – FY2021/22 forecast

Capital Expenditure (FY2021/22)				
	2021-22 Budget £m	2021/22 Current year Actual Spend £m	2021/22 Forecast £m	2021-22 Variance
GF				
Community Services	6.8	0.6	5.5	-1.3
Development	59.5	19.0	58.8	-0.7
Environment and Sustainability	22.1	8.1	14.5	-7.6
Property Management	8.9	4.7	10.4	1.5
ICT Corporate Services	4.6	4.0	4.6	0.0
GF total	**101.9**	**36.4**	**93.8**	**-8.1**
HRA				
Development	63.2	15.8	46.8	-16.4
Property Management	75.0	13.5	60.4	-14.6
HRA total	**138.2**	**29.4**	**107.2**	**-31.0**
Total expenditure (HRA + GF)	**240.1**	**65.8**	**201.0**	**-39.1**

Capital Expenditure (FY2021/22)			
	2021-22 Target Receipts £m	2021-22 Actual Receipts £m	2021-22 Forecast Receipts £m
General Fund	(31.8)	(16.5)	(39.3)
HRA	(40.3)	(25.9)	(38.6)
Total	(72.0)	(42.4)	(77.9)

Capital receipts (from the CIP): Forecast receipts for 21/22 are broadly on track, helped by the sale of Liddell Road (£16.5m first payment) and continued strong residential sales across the HRA due to the stamp duty holiday that tapered down at the end of September. There is an increase in forecast receipts from Greenwood (£7.5m increase in GF) and Maiden Lane (£2.1m increase due to bulk purchase) offset by a reduced forecast of £3.8m this year from Abbey (CIP: HRA; sales delays). On the GF side, the remaining £15.3m is forecast from the sale of Belmont Street.

At Q2, capital expenditure forecasts show a £39.1m underspend for this financial year (broadly a delay of expenditure, rather than an underspend) across both the General Fund and the HRA. This is a significant delay since Q1 (where it was expected that services would broadly spend on budget). This is due to:

- **Development (£17.1m underspend)**: this is a decrease in forecast spending of £18.9m for this financial year since the Q1 forecast. The service is forecasting £105.7m for this financial year against a budget of £122.7m – this is a delay in spending, not an overall underspend against budget. This is expected to slip further – the service has only spent more than £100m in one previous year of CIP (2017-18). The main delays are at Maitland Park (£7m) and Camden Road/Chester Road hostels (£7.6m)
- **Property Management (£13.1m underspend):** A significant slippage from a Q1 forecast of £82.2mm spent in this financial year to a Q2 forecast of £70.8m to be spent in this financial year. This delay mainly relates to slower than expected procurement, including FRA schemes (£2.6m slippage), M&E (£6.8m slippage) and Better Homes (£3.1m slippage). The Chalcots budget is forecasted to spend provided works start on the four towers by end of financial year.
- **Environment (£7.6m underspend):** this is a £7.6m movement in forecast since Q1 and relates to: £5.6m Engineering underspend (service needs to review and amend forecast in light of additional budget allocation – expected to change at Q3) and a £1.6m underspend on Transport schemes (awaiting TfL confirmation for final year's capital allocation)

Note: the Development SMT report does not include receipts from homes for older people (GF) and Right to Buy receipts (HRA)

Capital Expenditure (2/2) – Future Years

Capital Expenditure (FY2021/22 onwards)			
	Total Budget £m	Total Forecast Outturn £m	Total Variance
GF			
Community Services	12.9	13.0	0.0
Development	78.5	78.5	0.0
Environment and Sustainability	32.7	32.8	0.1
Property Management	46.7	46.6	0.0
ICT Corporate Services	4.6	4.6	0.0
GF total	**175.5**	**175.6**	**0.1**
HRA			
Development	355.8	355.8	0.0
Property Management	405.5	405.9	0.3
HRA total	**761.4**	**761.7**	**0.3**
Total expenditure (HRA + GF)	**936.8**	**937.3**	**0.5**

The whole capital programme is forecast to broadly spend to budget across this financial year and all future years. The capital programme to 2027/28 is funded in a large part by from capital receipts. It is worth flagging the following risks:

- HRA: There continues to be strong financial pressures on the HRA's revenue budget, forecast over this year and the next three financial years. **The baseline position is that the revenue savings will need to be delivered to stabilise HRA and any additional activities (including new borrowing) would need to find compensatory savings in revenue budgets to offset the interest costs on new borrowing.**
- Inflation and materials costs: costs are expected to increase at a faster rate than income. Many materials contracts are tied to industry standard contracts that increase at a faster rate than CPI. For example, the BCIS Index estimates that materials costs will increase by 5% in 2021 and a further 3% in 2022.
- Ramp up of approved capital programme: there are a range of existing development schemes that are ramping up over the next couple of years and will require significant resources during a time of uncertainty.

Capital Expenditure (FY2021/22 onwards)		
	Total Target Receipts £'000	Total Forecast Receipts £'000
General Fund	(92.1)	(91.7)
HRA	(472.4)	(470.1)
Total	(564.5)	(561.7)

Capital receipts (from the CIP): Camden is seeking to sell £470m of assets (mainly homes for private sale) over the next ten years. **Therefore, sales risk is the key risk for financing the capital programme**. This is an ongoing risk that continues to be monitored. At the Capital Review in 2021, it was assumed (based on the Savills forecast) that London house prices would fall by 1.5% in 2021 with a recovery in 2022. The impact of the end of the stamp duty holiday (ends September 2021) is still uncertain.. Our agreed assumptions for Capital Review 2021 show a 1.5% fall in prices in 2021, with a recovery in 2022.

For Q2, there has been a slight forecast slippage in HRA receipts at Maiden Lane (£1.9m – the bulk offer for the remaining 14 units has been accepted. This increases forecast receipts for the current financial year (as they're earlier than expected) but results in an overall shortfall of £1.9m) and Small Sites (£0.5m forecast shortfall)