

Financial Budget Monitoring

CMT Update 2023/24 Quarter Two

Executive Summary

The Council continues to operate in a high inflation environment that is putting pressure on Council expenditure. At Quarter Two this has resulted in a projected overspend in the General Fund of **£5.9m** and in the Housing Revenue Account of **£4m** by the end of the financial year.

Inflationary pressures represent a significant risk to the Council's financial resilience over the medium term and it is important that Directors continue to work to mitigate budget pressures wherever possible.

As part of the Council's Medium Term Finance Strategy across both the General Fund and the Housing Revenue Account the Council provide for more than double the usual level of inflationary pressures. Despite this both the General Fund and Housing Revenue Account are still seeing significant overspends as a result of inflationary and demographic pressures. Longer term Inflationary pressures may result in the Council needing to revise its forecasted medium term budget gap and make further savings in order to protect the Council's financial resilience.

The pay award for 2023/24 has recently been settled. While the Cross-Cutting currently hold contingency to fund individual the cost of the pay award for individual service budgets. The final cost of the pay award is approximately £1.5m higher than the estimate made at budget setting. This pressure is included in the forecast position.

2023/24 is the first year of the Council's new Medium Term Financial Strategy, including a number of projects to deliver budget savings. It is vitally important that the Council successfully delivers the savings agreed as part of the MTFS in order to support the Council's financial stability and resilience.

Housing Revenue Account

CMT Update 2023/24 Quarter Two

Executive Summary

Housing Revenue Account Forecast Variance - £4m



Executive Summary

The Housing Revenue Account is forecast to overspend by £4m by the end of the financial year.

	2023/24	2023/24	2023/24
	Budget (current)	Q2 Forecast	Current forecast variance to budget
	£m	£m	£m
Development	-6.5	-6.6	-0.1
Public Safety	0.4	0.4	0.0
Housing Services	-133.3	-139.3	-6.0
Property Management	61.6	66.9	5.4
Cross Cutting Budgets	77.8	82.5	4.7
Total	0.0	4.0	4.0

Executive Summary

Housing Revenue Account

The Housing Revenue Account (HRA) is forecast to overspend by **£4m** by the end of this financial year.

The HRA is facing a number of immediate and longer-term pressures on its budget that present a significant challenge to the financial stability of the HRA.

Interest payable on HRA debt is forecast to be £3.6m over budget due to rising interest rates. Higher interest rates are putting significant strain on the HRA budget, and it is unclear how quickly interest rates will reduce.

There is also significant pressure on Property Service budgets to fund urgent work tackling damp and mould of £2.7m and a budget pressure of £1.1m due to an increase in disrepair work along with an estimated £1.1m additional spend on legal fees and compensation payments relating to disrepair.

The forecast increase in bad debt provision is £3.7m, £1m over budget, because current rent arrears higher than usual & higher levels of leaseholder debt expected due to high estimates and actualisation

The forecast overspends on expenditure are partially offset by an overachievement of income of £6m. The majority is due to higher than budgeted leaseholder service charge income that are linked to cost recovery of high energy costs.

Executive Summary

Housing Revenue Account

The HRA reserves received a major boost of £19m from the Chalcots settlement during 2022/23, which replenished the reserves which had been depleted in large part due to unbudgeted Chalcots expenditure during and after the emergency evacuation. However much of this was drawn down again to meet the 2022/23 overspend arising from energy costs and repair costs (including damp and mould).

The HRA balance at the beginning of this financial year was £23m. This is low based on the level of pressure that the HRA is facing over the medium term.

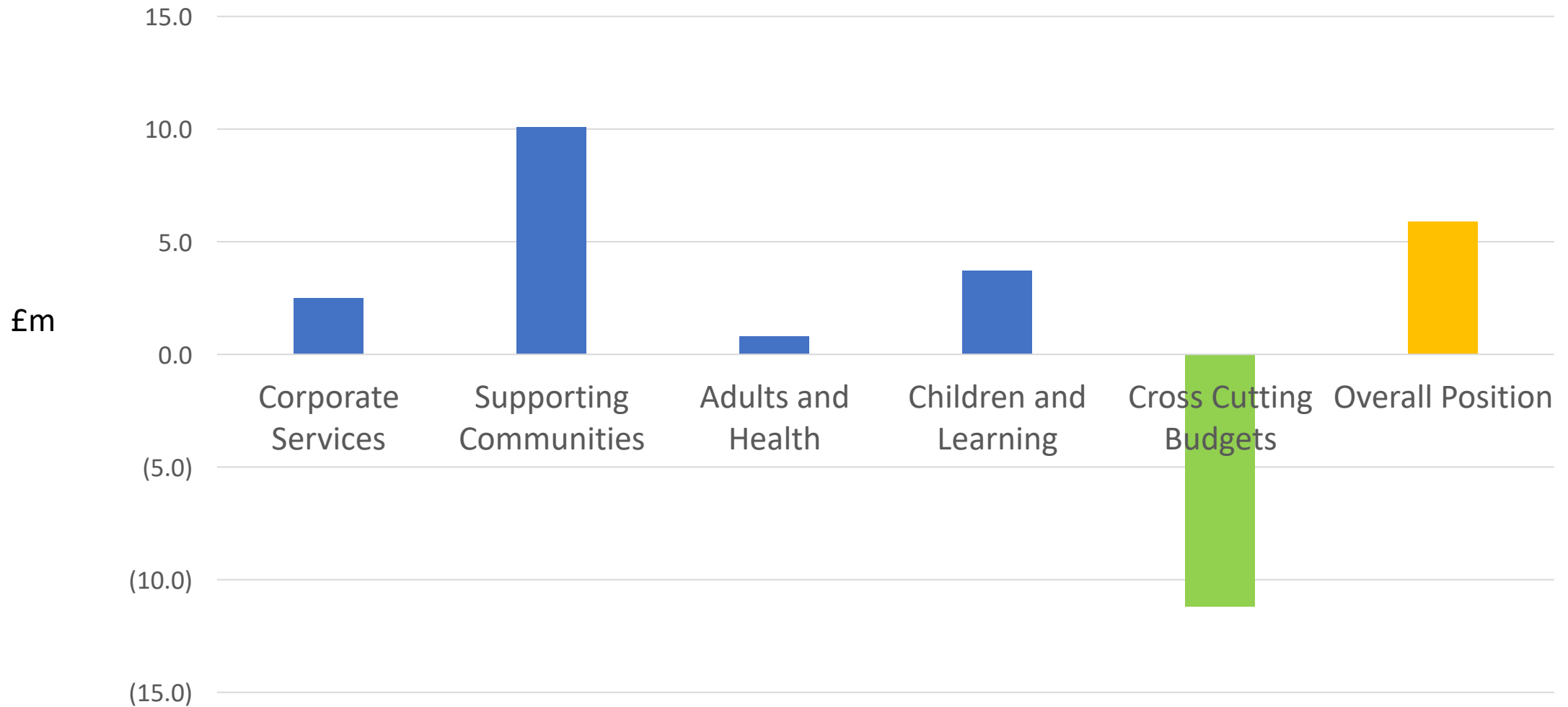
Officers are developing plans to address the long-term sustainability of the Housing Revenue Account as part of the Council's Medium Term Financial Strategy. A key element of this work will be looking to increase the level of reserves to help mitigate the financial risks across the HRA.

General Fund

CMT Update 2023/24 Quarter Two

Executive Summary

General Fund Forecast variance - **£5.9m Overspend**



Executive Summary

The General Fund forecast at Quarter Two is for an overspend of £5.9m by the end of the year

	Budget (Current)	Forecast	Forecast variance	variance
	£m	£m	£m	%
Corporate Services	73.1	75.6	2.5	3.4%
Supporting Communities	73.1	83.2	10.1	13.8%
Adults and Health	135.4	136.2	0.8	0.6%
Children and Learning	71.7	75.4	3.7	5.2%
Cross Cutting Budgets	(80.4)	(91.6)	(11.2)	13.9%
Overall Position	272.8	278.7	5.9	2.2%

Executive Summary

The General Fund is forecast to overspend by **£5.9m** by the end of the year.

Inflationary and demographic pressures continue to be major pressure on the General Fund budget. The Cost of Living crisis has resulted in the Council needing to provide additional support across the borough which is impacting on budgets.

Significant demand pressures across social care and on homeless services are driving overspends across those services. The Council may need to invest additional resources in these areas over the medium term in order to ensure that the services are properly funded and able to meet the needs of local residents. This will put additional pressure on the Council's Medium Term Financial position.

Both demand for, and the funding of, Social Care services is going through a prolonged period of change. It is difficult to forecast future demand for, and future costs of care services. The current forecasted outturn numbers represent officers central forecast for social care costs but it should be noted that there are a number of realistic scenarios for care activity and costs this year and over the medium term.

The pressure on Homeless Services is exacerbated by a lack of good quality temporary accommodation in central London along with a significant increase in homeless households. The Council is taking steps to procure more suitable and more cost effective temporary accommodation for homeless families in the short term and is also developing new hostels to create more good quality in-borough temporary accommodation.

Executive Summary

In Supporting Communities income from Parking Charges is forecast to be net c£1m below budget as a result of the impact of strike action across Parking Enforcement services which are forecast to reduce income by £3m, offset by additional income from suspension charges and reductions in contract payments.

It should be noted that pressures in the General Fund are being partly offset by an increase in interest receivable as a result of higher interest rates, which have resulted in a forecast overachievement of £10m in 2023/24. It is expected that, over the medium-term interest rates will reduce meaning the interest receivable levels forecast for this year are temporary and so the underlying pressure on the budget is closer to £15m.

It is important that Directors work to reduce overspends where possible through the year and to accurately forecast the Council's finance position.

Directorate Summaries

Supporting Communities

Supporting Communities Directorate is forecast to overspend by £10.1m by the end of the financial year.

	Budget (Current) £m	Forecast £m	Forecast variance £m	variance %
Housing Services	22.5	25.2	2.7	12%
Development	(6.5)	(4.2)	2.3	35%
Recreation	5.6	6.4	0.9	15%
Public Safety	4.1	4.5	0.3	8%
Environment and Sustainability	46.8	47.9	1.1	2%
Parking Operations	(32.5)	(31.3)	1.3	4%
Property Management	26.9	27.9	0.9	3%
Economy, Regeneration & Investment	5.1	5.9	0.8	16%
Supporting Communities Management	1.1	1.0	(0.1)	-10%
Directorate Total	73.1	83.2	10.1	14%

Supporting Communities

- **Housing Services GF - £2.7m forecast overspend after £0.75m additional funding**
 - **Allocations, Lettings and Private Sector Housing** – forecast overspend of £3.00m after draw down of £0.3m from reserves and £0.44m of Homelessness Prevention Top-up Grant. Due to ongoing increased demand for temporary accommodation and insufficient properties available. Worsening of £0.6m since Q1.
 - **Housing Solutions** – forecast underspend on homelessness staff in services and initiatives. Additional staff to be recruited will be funded by the Homelessness Prevention Top-up Grant.
- **Development GF - £2.3m forecast overspend/underachievement of income**
 - **Commercial Property** – forecast underachievement of income of £2.0m. With the arrival of the new Commercial Portfolio lead, a thorough in-depth review of all properties within the portfolio has started. £1.4m of the overspend is due to the unachievable historical MTFS target leaving an underlying variance of £0.6m, largely made up of vacant units at Deane House Studios and business rate charges on vacant properties.
- **Recreation - £0.9m forecast overspend**
 - **Green Spaces** – forecast overspend of £0.324m, and improvement of £0.175m on Q1. £0.229m security pressure on locking gates at Green Spaces and agreed contract uplift payment of £0.181m due to the inflation increase to the Grounds Maintenance contract. Improvement due to forecast receipt of new grants.
 - **Sports and Physical Activity** - £0.387m forecast overspend, worsening of £0.156m from Q1. £0.328m of the forecast due to the uncertainty of GLL contribution (main factors – energy costs and reduced income due to delayed opening of KX centre). Forecast includes contribution to the turnover rent reserve (which meets Council’s repairs & maintenance liability).
 - **Libraries** - £0.162m overspend mainly due to lack of income –
- **Public Safety - £0.3m forecast overspend**
 - **Pollution team** – forecast overspend of £0.234m and reduced income for ‘table sand chairs’ licensing.

Supporting Communities

- **Environment and Sustainability excluding Parking Operations - £1.1m forecast overspend**
 - **Camden Accessible Transport Solutions** - £0.841m forecast overspend. Due to pressures caused by out of Borough Taxi costs and SEN and ASC passenger number increases. This is in part offset by savings on fuel costs due to an increase in use of electric and charging vehicle fleet.
 - **Engineering Services** - £0.671m forecast overspend made up of increase in highways maintenance costs of £0.491m, and unachievable income targets of £0.330m. Offset in part by income generated from digital advertising £(0.304)m. Forecast pressure from electricity costs for LED lighting of £0.438m now met corporately.
- **Parking Operations - £1.3m forecast overspend/underachievement of income**
 - Forecast budget pressure of £1.264m. This is a £0.400m adverse movement from Q1 mainly due to the impact of the industrial action.
- **Property Management GF - £0.9m forecast overspend**
 - **Accommodation Strategy** - £0.406m overspend on Cressy Road due to an increase in operating costs.
 - **Property Management** - £0.303m overspend is mainly staffing overspend, partially offset by Town Hall income recharges and capitalisations. Budget for Town Hall now in place, change from Q1.
 - **Corporate Property** - £0.184m overspend mainly due to £0.78m higher than budgeted 5PS Service Charge and £0.113m Holmes Road income that will not be achieved.
- **Economy, Regeneration and Investment - £0.8m forecast overspend**
 - **Planning** – Development Management - £0.462m forecast overspend due to statutory planning application income shortfall of £0.539m & £0.277m staffing budget pressure due to use of temporary staff, partially offset by increase in Land charges of £(0.100)m. PPI - pressure of £0.153m mainly to a shortfall against s106 monitoring fee income.
 - **Culture** - £0.104m forecast overspend due to events income.

Adults and Health

	Budget (Current) £m	Forecast £m	Forecast variance £m	variance %
Adult Social Care	109.6	110.6	0.982	0.01
Health & Wellbeing	24.2	24.2	0.0	0.00
Strategic Support	1.6	1.4	-0.2	-0.11
Directorate Total	135.4	136.2	0.8	0.0

Both demand for, and the funding of, Social Care services is going through a prolonged period of change. It is difficult to forecast future demand for, and future costs of care services. The current forecasted outturn numbers represent officers central forecast for social care costs but it should be noted that there are a number of realistic scenarios for care activity and costs.

Adult Social Care services are facing significant costs pressures across the whole division. This is driven by inflationary pressures across a number of contract and demographic pressures resulting in an increase in demand for social care services. There has been additional in-year one-off grants received from the government that have helped to reduce budget pressure this year but the long-term budget position for social care remains challenging.

Children and Learning

	Budget (Current) £m	Forecast £m	Forecast variance £m	variance %
Prevention, Family Help and Safeguarding	53.8	58.2	4.4	8%
Children's Commissioning	4.8	4.8	0.0	-1%
Education	7.3	7.0	-0.2	-3%
Schools	4.5	4.5	0.0	0%
Executive Director	1.3	0.8	-0.5	-35%
Total	71.7	75.4	3.7	5.17%

Children and Learning

Prevention, Family Help and Safeguarding service are forecast to overspend by £4.4m. This is driven by increased cost, complexity and demand for Looked After Children services which are forecast to overspend by £5.4m by the end of the year. The service overspends are partly offset due to some staffing underspends in early intervention services.

Education service budgets are forecast to underspend by £(0.2)m largely driven by the under utilisation of the Schools redundancy budget which has underspend for the last few years and is dependent on number of school reorganisations.

Corporate Services

	Budget (Current) £m	Forecast £m	Forecast variance £m	Forecast variance %
Digital & Data Services	28.320	28.750	0.430	2%
People and Inclusion	6.081	6.281	0.200	3%
Law and Governance	10.943	11.215	0.272	2%
Corporate Strategy and Policy Design Division	2.220	2.230	0.010	0%
Equalities and Disproportionality	5.350	5.564	0.214	4%
Participation Partnerships and Communication	5.817	5.977	0.161	3%
<i>Customer Services</i>	<i>(0.023)</i>	<i>0.116</i>	<i>0.139</i>	
Finance and Internal Audit	14.399	15.480	1.081	8%
Corporate Services Total	73.1	75.6	2.5	3%

Corporate Services

Corporate services budgets are forecast to be overspent by £2.5m.

Across the corporate service division there are a number of small individual pressures relating to staff costs as a result of both pressures on the cost of permanent recruitment to posts and the need to employ agency staff to cover vacancies.

Corporate services are also facing pressure from additional demand for support services across the Council especially across the Legal and Governance services and People and Inclusion services.

Digital and Data services are seeing increased pressure both from demand from across the organisation and from increased costs for licenses for a number of systems used across the Council.

The transfer of services from the Council's own servers to managed cloud based services is also increases revenue costs for the Council for project work and ongoing licensing costs. Over the medium term this should result in lower capital costs from having fewer in-house servers and eventually needing fewer building to house the Council's own server infrastructure.

The Digital and Data forecast is based on a planned use of £1.5m from contingency/reserves to fund one off project work.

Cross Cutting Budgets

Service	Budget £m	Forecast £m	Variance £m	Movement £m	Cause of variance and movements
Rent Allowances & Rebates	(0.028)	(0.474)	(0.446)	(0.446)	Increase in overpayments raised
s106 legal fees	(0.704)	(0.704)	0.000	0.000	no major variance
HRA recharge	(11.630)	(11.630)	0.000	0.000	no major variance
Minimum Revenue Provision (MRP)	4.745	4.745	0.000	0.000	The Minimum Revenue Provision level for 23/24 is set at £4.745m and will be maintained at this level throughout the year.
Pensions	13.009	13.009	0.000	0.000	no major variance
Interest Payable	(12.221)	(10.008)	2.213	(1.393)	The internal borrowing charge (opportunity cost) to the HRA which is linked to the current rate of return on investment is lower than budgeted due to a decrease in the projected HRA capital financing requirement (CFR) for the year.
Interest Receivable	(6.876)	(22.397)	(15.522)	(4.040)	Higher projections on both cash balances and interest rates than budgeted
Levies	1.736	1.736	0.000	0.000	no major variance
Government Grants	(81.492)	(81.939)	(0.447)	(0.447)	As part of the provisional local government finance settlement the council tax support grant was to be rolled into the RSG, however, this did not happen and the grant has been received for 2023/24 which is causing the favourable variance
Other Budgets	13.038	16.039	3.000	3.000	Projecting an additional £1.5m on 2023/24 pay award than budgeted. Plus £1.5m use of contingency to meet utility pressures.
Total division	(80.423)	(91.623)	(11.201)	(3.325)	

Cross Cutting Budgets

The forecast for cross cutting budgets is **£11.2m better than budgeted** at Quarter Two.

This is mainly driven by additional interest on balances being forecast due to higher than budgeted for interest rates on balances of **£10m** above budget.

While interest on balances provide welcome additional income in 2023/24 it should be noted that this additional income is likely to be temporary as a result of a reduction in interest rates and the Council's cash balances over the medium term. This means that the structural pressures across the Council are higher than the one year budget forecast where the pressure is reduced by the short term benefit of the interest on balances.

Interest payable is the net position of interest paid on external borrowing and the 'internal interest' received from the Housing Revenue Account for the use of internal balances.

The salary award for 2023/24 has not yet been settled and a contingency against the final award is currently held in the cross cutting budgets, to be distributed to individual service budgets once the pay award is agreed. There is a risk that the final pay award will be more than assumed in the budget, creating an-in year pressure on the Council's budget.

2023/24

CAPITAL

Capital Forecast

	2023-24 Budget £m	2023/24 2 Current year Actual Spend £m	2023/24 Q2 Forecast £m	2023-24 Q2 Variance		Total Budget £m	Total Forecast Outturn £m	Total Variance
GF						GF		
Recreation	5.3	0.8	5.2	-0.1		14.1	14.2	0.1
Development	18.9	6.9	19.5	0.6		110.8	108.6	-2.2
Environment and Sustainability	22.6	5.8	23.8	1.2		32.3	33.1	0.8
Property Management	12.0	3.3	12.0	0.0		66.3	66.9	0.5
ICT Corporate Services	3.9	0.3	3.9	0.0		3.9	3.9	0.0
GF total	62.7	17.0	64.3	1.6		227.4	226.6	-0.8
HRA						HRA		
Development	48.9	15.8	43.4	-5.4		381.3	392.5	11.2
Property Management	140.8	50.6	140.1	-0.7		566.3	574.4	8.0
HRA total	189.7	66.4	183.6	-6.1		947.6	966.9	19.2
Total expenditure (HRA + GF)	252.4	83.4	247.8	-4.6		1,175.1	1,193.5	18.4

At Q2, forecast underspend/slippage of £(4.55)m across GF and HRA. Compares with a £(44.9)m underspend/slippage at this point in 22/23.

- **Environment and Sustainability** - £1.2m overspend - mainly due to spend of £2m forecasted on the West End Project against no allocated project budget. Offset by forecasted against Planned Improvement Highways budgets.
- **Development HRA** – £5.4m underspend/slippage - primarily driven by slippage on site at Abbey Phase 2.
- **Property Management HRA** - forecast is underbudget by a net £0.7m, the overspend in major repairs offset by underspends/slippage FRA projects, Better Homes and property buybacks. Actuals YTD are only 35% of forecast, so 65% of the forecast is still to be spent in the second half of the year.

Capital Forecast – Capital Receipts

Capital Receipts 2023/24				Capital Receipts All Years		
	2023/24 Target Receipts £m	2023/24 Actual Receipts Q2 £m	2023/24 Forecast Receipts Q2 £m		Total Target Receipts £m	Total Forecast Receipts £m
General Fund	0.0	(0.5)	(0.5)	General Fund	(100.7)	(101.2)
HRA	(27.2)	(22.7)	(37.5)	HRA	(445.8)	(441.0)
Total	(27.2)	(23.2)	(38.0)	Total	(546.4)	(542.2)

Capital receipts:

- Forecast receipts for 2023/24 total £38m against target of £27.2m.
- Actual capital receipts in Development to 30 September 2023 were £19.64m with £9.95m received in Q2. A total of 24 private units have completed in year with 8 units sold in Q2 – all at Maitland Park where sales have continued to be strong.

Across the whole capital programme capital receipts are expected to be £542.2m. This is nearly 50% of the funding for the whole capital programme and it is vital that capital receipts forecast is regularly and accurately updated to ensure the capital programme remains affordable.

Capital - Forecast

The Council's capital programme includes planned expenditure of £252m in 2023/24. Over the past three years the Council has seen substantial slippage in planned capital expenditure and it is important that realistic budgets and forecasts are made for capital expenditure to allow for planned use of capital resources.

At Quarter Two the forecast for capital expenditure in 2023/24 is a £4.5m underspend across GF and HRA. These are a result of slippage of expenditure into future years.

Capital investment is a key driver for delivering the outcomes of We Make Camden. Inflationary and supply chain pressures across capital projects are making it challenging for the Council to deliver capital investment in the borough at the speed required.

The whole capital programme is forecast to overspend by £18.41m against a £1,175m budget.

Development - An overspend of £8.96m has been reported across all years, with pressures on the hostels programme a key driver, though pressures are also reported for West Kentish Town, Abbey Phase 3 and Agar Phase 2.

Property Management – forecast to overspend by £9.8m on total budget of £391.6m. Major repairs main source of variance driven by additional inflationary costs across the supply chain.

2023/24

MTFS Savings Projects