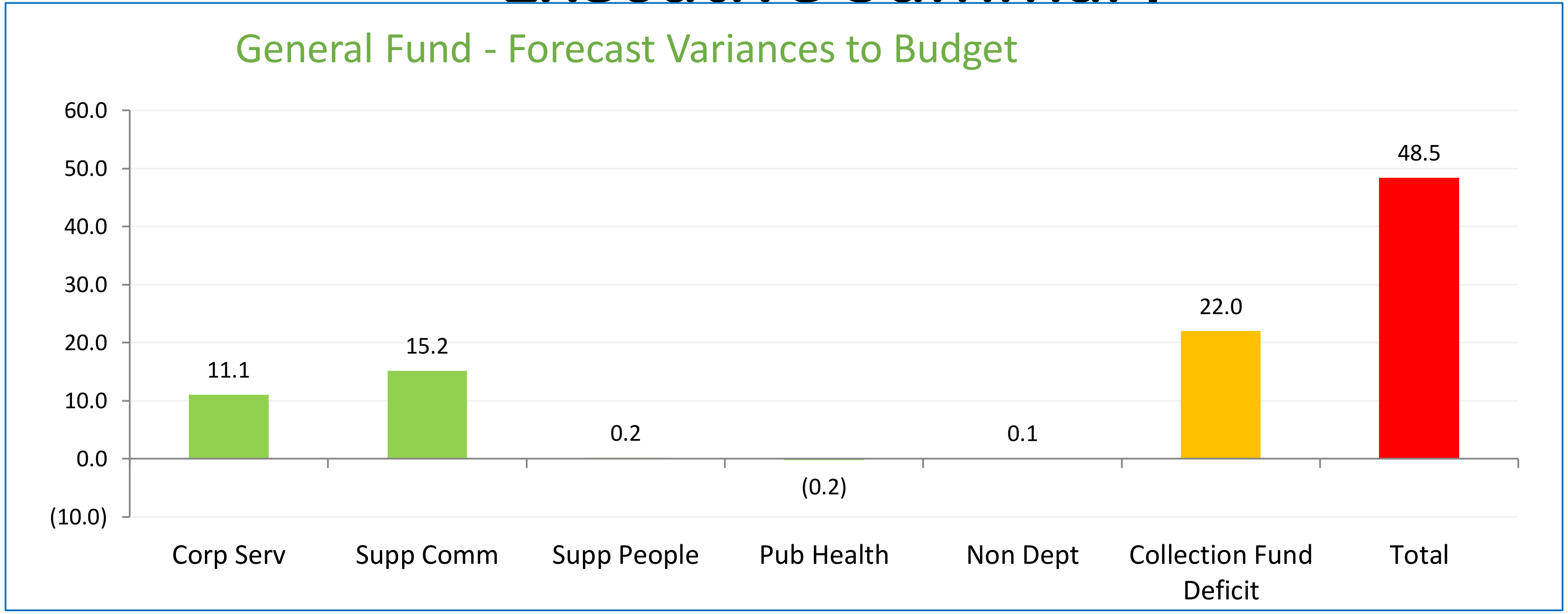
Financial Budget Monitoring

Update 2020/21 Quarter Two

Executive Summary



The economic and social consequences of the covid-19 crisis are having a significant impact on the Council's financial Position in 2020/21. The Council is facings an unprecedented period of financial uncertainty and it is now more vital than ever that directors and budget holders closely monitor their budgets to make sure the Council is able to accurate forecast the financial pressure it is facing.

At Quarter Two the Council is forecasting a significant overspend of **£48.5m** this year. This is a decrease in the overspend of £0.7m since Quarter One.
The Council has now received **£30.1m** total in general Covid grants that can be used to offset Covid related pressures on the Council's budgets . The current forecast net financial pressure facing the Council once the known government support grants are taken into account is **£18.4m.** In addition the Council has also made a claim for £13m from the Government's Income Compensation Scheme. **If this claim is successful the final unfunded budget pressure will be £5.4m.**

The expected unfunded budget pressure will fall on the Collection Fund, recent legislative changes will allow the Council to manage the Covid related pressure on the Collection Fund over the next three years. This means that meeting the pressure on the Collection fund will be part of the Council's Medium Term Financial Strategy.

Executive Summary

	£m
Collection Fund Deficit	22
Forecast Covid Pressures to Service Budgets	30.3
In year savings	-3.8
Forecast Overspend	**48.5**
Grants Received to Support the identified financial pressures	-30.1
Income Compensation Claim	-13.0
Budget Gap to be funded	**5.4**

At Quarter Two the Council is forecasting a service overspend of **£30.3m** against the 2020/21 budget with a further pressures of **£22m** as a result of a forecast deficit for the Council's share of the Collection Fund deficit this year (from reduced payments of Council Tax and Business Rates), the Council has reduced none essential expenditure by £3.8m to help offset the significant financial impact it is facing this year, giving an overall financial pressure as a result of Covid-19 of **£48.5m.**

This financial year has been greatly impacted by the Covid-19 pandemic which has resulted in additional expenditure, lost income and made delivering a number of agreed MTFS savings difficult to achieve. Since Quarter One officers have been working to reduce expenditure in year by holding some vacant posts and looking to reduce other non essential expenditure. In addition the Council has looked to reduce the additional budget pressure from Covid related work by redeploying resources from existing services to provide additional support to local resident and businesses during the pandemic.

The financial pressure is gross of any grants received from government. Since Quarter One Camden has received additional general grants to help cover the expected financial pressure. The Council has now received **£30.1m** total in general Covid grants that can be used to offset Covid related pressures on the Council's budgets . The current forecast net financial pressure facing the Council once the known government support grants are taken into account is **£18.4m. If the Council's claim for lost income from the Government is successful the unfunded budget gap will be £5.4m**

Executive Summary

The cost of supporting local residents and business during the pandemic has been reduced from early estimates of up to £80m by the Council's ability to redeploy under resources from services that have had to temporary closure due to the measures put in place to combat the pandemic of various services including £0.8m savings in the costs of providing transport (mainly for taxis, vehicle repairs and fuel) for children to school and adults to day centres. The ban on evictions from the private rented sector and the conditions of lockdown reduced demand for temporary accommodation from families. This enabled the council homelessness services to be redirected to focus resources, with partners, on efforts to house rough sleepers. There has also been underspends in Adult Social Care respite services due to lockdown measures. In addition 'virtual teams' have been established from existing staff to support the delivery of grants to local businesses and to provide food parcels and emergency payments to resident.

Where services have been paused such as in Social Care day services and libraries, officers have been redeployed to other areas to support the Councils response to the Covid-19 crisis through the redeployment pool. While this has not lead to underspends it has help to manage costs across the Council by making use of existing staff and resources to deliver front line services and so help to reduce the need for additional investment by the Council to deliver the emergency response to Covid-19 and support local residents and borough. There is a risk that there is pent up demand for a number of these services that will be realised as conditions begin to ease, putting additional financial pressure on the Council's budgets.

There is a risk that as services begin to return to normal there will be fewer staff available to be redeployed for any ongoing frontline or emergency response work potentially creating additional pressures on Council resources.

The Country has entered a second national lockdown during November 2020 and this may see increased costs falling on the Council to support residents and businesses that are not yet fully known. An additional payment of £0.2m has recently been made to support food vouchers for children during the half-term an unless government policy changes the Council my need to invest further in food vouchers during school holidays for the rest of the year. The Council has received some specific funding to support Track and Trace and to help fund Covid Marshalls, however through out the emergency the Council has taken an outcomes based approach to the measures put in place to support the borough and there is a risk that the specific funding received may not full cover the cost of the additional actions that the council is taking.

Executive Summary

In many cases the reductions in income forecast for this year is expected to be temporary and will recover once Covid-19 restrictions are removed or lessened, income streams such as those for Paid for Parking and Registrars services have returned to pre-Covid levels once the initial lockdown period ended and it is expected that they will continue to recover as Covid restrictions ease. There there is a risk that demand for some council services will be fundamentally altered resulting in structural budget pressures to budgets from reduced income. It is difficult to predict to what extent some income levels will recover post Covid restrictions but income budgets will need to be closely monitored and income trends taken into account when setting future budgets, reducing income may require services to reduce their expenditure to balance budgets in the future.

Part of the pressures caused by the impact of Covid-19 has been the delay in the delivery of Medium Term Finance Strategy (MTFS) savings, with **£4m** of planned savings forecast to be not delivered this year. In some cases savings have been delayed because the specific service has seen there work increase due to the pandemic, such as the Council Tax and Benefits service which has seen significant increases in work load to administer emergency payments and business grants. Some services have been fundamentally disrupted during the pandemic such as the Leisure services, making the delivery of any saving impossible to achieve until the service is able to return to normal. It is important that the Council delivers as much of the current MTFS as possible to support the Council's financial stability and to reduce the level of savings needed in future years.

The losses in the Collection Fund are due to a reduction in the number of people and businesses paying Council Tax and Business rates. Due to the changing impact of the pandemic over the year payment patterns for local taxes have been uneven, broadly collection rates are 88-90% for both Council Tax and Business Rates. In addition the Council Tax Support scheme is currently forecast to cost £2m more than budgeted. If the economic affects of Covid continue into the new financial year the reduced collection rates and additional cost of the Council Tax Support Scheme will continue into the new year and affect the expected budget gap over the medium term.

Executive Summary

There is still a good deal of uncertainty around the level of financial pressures facing the Council and it is vital that budget holders closely monitor their income and expenditure so that the Council can accurately understand the scale of the financial challenge it is facing. It may be necessary for the Council to take action this year to further reduce expenditure on non-essential work through initiatives such as a recruitment freeze or delays in procuring some supplies and services. Given the size of the financial challenge the Council is facing Directors will need to consider where they can pause some expenditure if needed to help support the Council's financial position in the short-term.

Once there is more certainty regarding the financial pressures facing the Council and the level of support to be provided by the Government the Council will need to identify further underspends from budgets or call on reserves to fund the remaining gap. This will require a fundamental review of the Councils reserves and priorities for future investment and require the Council to replenish the reserves in future years to ensure financial stability.

The Council is also facing a significantly challenging time over the medium term due to the impact of Covid-19 and it is vital that where ever possible 'business as usual' services are delivered within budget and agreed MTFS savings are delivered. The extent to which the expenditure is managed and current savings plans delivered will help to determine size of the budget gap that the Council will face both this year and in the medium term.

Due to the level of economic and social uncertainty it is not yet clear what level of budget gap the Council will be facing over the medium term, however it is almost certain that the Council will need to agree a new Medium Term Financial Strategy that will involve further savings.

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 a second wave of the virus or a local 'lockdown' in Camden could result in a significantly different financial outlook than the one presented in this forecast.

Supporting Communities

	Budget (Current) £m	Forecast outturn £m	Spend to Date	Forecast Variance	Movement since last Qtr	Estimated Covid Impact (included in overall forecast) £m
	£m	£m	£m	£m	£m	£m
Community Services	15.8	21.4	11.3	5.6	1.1	4.0
Development	(3.1)	(0.4)	(2.5)	2.7	(0.4)	2.0
Economy, Regeneration & Investment	2.6	4.3	0.9	1.7	(0.2)	0.5
Environment and Sustainability	27.8	31.9	16.9	4.0	0.4	2.7
Property Management	23.3	24.3	9.7	1.0	0.5	1.1
Supporting Communities Management	0.4	0.4	0.2	0.0	0.0	0.0
Directorate Total	**66.7**	**81.9**	**36.4**	**15.1**	**1.6**	**10.3**

The directorate is forecasting an overspend of £15.1m for the 2020-21 financial year.
The breakdown of this variance shows £1.5m of MTFS projects in doubt and an additional £10.4m in COVID-related overspends, mostly due to income losses.

The forecast lost income includes: £2.5m for commercial rent (£0.5m neighbourhoods / MTFS target unlikely to be achieved, with additional lost income due to COVID), no forecast leisure income from GLL for this financial year (as GLL are forecasting a deficit across Camden) resulting in a £1.5m deficit (of which £1m relates to MTFS target); Events and Libraries income of £1.1m; business waste income (£0.9m) and street trading (£0.7m), with other smaller income losses forecast elsewhere.

On commercial rental income the Council has taken policy decisions to offer delayed terms on payment of some rents, on an ad hoc basis, working with individual commercial tenants. This will mean that the Council is likely to be carrying a higher level of debt for commercial rents this year and into the next financial year until tenants are able to repay any deferred rental income. The Council also decided to write off 100% of rents to VCS tenants in Q1 and 50% of rents in Q2 (this impacts both GF and HRA). The increased level of bad debt provision needed to support this policy decision is reflected in the Q1 forecast.

There are also some additional COVID-related costs, including £1.3m of additional mortuary costs to support the pan-London response to Wave 1 and Wave 2 COVID planning; £0.7m of support school catering contractors and £0.7m of additional PPE and cleaning costs (across our offices and public facilities).

Summary - 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	32.3	32.6	12.5	0.3	0.4	1.5
Early Intervention and Prevent	19.3	20.2	17.7	0.8	(0.1)	0.1
Adult Social Care	79.6	79.9	38.4	0.2	(0.5)	1.5
Housing Support Services	35.7	35.4	18.3	(0.3)	(0.4)	0.9
Education (Achievement & Asp)	9.4	9.2	(22.7)	(0.1)	(0.1)	0.1
Strategic and Joint Commission	11.2	10.8	5.3	(0.3)	(0.2)	(0.0)
Supporting people	1.1	0.6	0.2	(0.5)	(0.1)	0.0
Division Total	**188.5**	**188.7**	**69.7**	**0.2**	**-0.9**	**4.0**

The Supporting People forecast is for an overspend of **£0.200m. While Covid-19 related pressures are expected to be £4.039m for the year these are offset by an underlying net underspend of £2.309m.** The above position assumes a drawdown form reserves of £1.73m.
The majority of Covid-19 related pressures are additional expenditure on supporting the social care market, additional costs support accelerated hospital discharges and the impact of care leavers remaining in the care pathway due to Covid 19 restrictions. The forecast includes the assumption that much of the cost of discharging Adult Social Care clients from hospital between April and August will be met by the Clinical Commissioning Group. The adult social care forecast assumes a £3.5m pressure for the cessation of NHS funding for discharges and an assumption of potential costs for a second wave. The ASC forecast assumes a draw from the Better Care Reserve of £1.4m

The cost pressures in Housing Services (£1.5m at Q1) for supporting rough sleepers, including additional staffing costs for Chester Rd which was previously decommissioned but has been recommissioned for rough sleepers housed in the wake of Covid-19. The costs of using Britannia and Travelodge hotels to house rough sleepers and displaced Adult Pathway residents, and to a lesser extent due to forecast increase in annex numbers and costs has been ameliorated by the receipt of additional rough sleeping grant.

The underlying overspend in Early Intervention & Prevention is entirely due to delays to the nursery MTFS saving.

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	2.6	2.7	0.1	0.3	0.1
Sexual Health	5.0	4.7	(0.4)	(0.2)	
Substance Misuse	7.1	7.1	0.0	(0.2)	
Smoking & Tobacco	0.7	0.7	0.0	0.0	
Obesity & Physical Activity	0.6	0.6	0.0	0.0	
Children Public Health	5.3	5.3	(0.1)	(0.2)	0.2
NHS Health checker Prog	0.3	0.3	(0.1)	0.0	
Other Public Health Services	0.6	0.8	0.2	0.3	
Division Total	**22.3**	**22.1**	**-0.2**	**0.1**	**0.3**

Public Health services have committed additional resources of £0.217m to support resident through the Covid-19 crisis including additional prescribing nurses £0.097m, Free Activity Packs For Vulnerable Families for £0.025m, and the investment in a Parenting post for £0.065m.

The forecast underspend of £(0.159m) is due to reduced activities in some key areas such as sexual health and NHS Health Checks, due to the Covid-19 outbreak requirements to change service delivery models to reflect social distancing requirements.

It is anticipated that activities will increase as measures are in place to delivery a fuller range of services in a secure way. Activity has increased in many settings in response to new and pent up demand, e.g. smoking cessation services. . Some underspends are partially offset through planned short term investments in substance misuse, youth violence and landlord services.

It is to be anticipated that as service delivery is moving to new normal across a number of areas the forecast for activity related budgets will continue to change as the year moves on.

In addition, Public Health is hosting and managing the Council's Test and Trace Grant received from Department of Health and Social Care (£2.460m), which is being overseen by the cross-council Covid-19 Health Protection Group. This T&T Grant is reported separately to the overall Public Health Ring-fenced grant.

Corporate Services

	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)
Chief Executive Office	0.2	0.3	0.2	0.0	0.0	
Participation Policy Communication	5.9	6.1	2.6	0.1	(0.3)	0.1
Customer Services	(22.1)	(12.3)	(10.0)	9.8	(1.2)	9.5
Finance and Procurement	6.9	6.8	3.7	(0.1)	(0.0)	
HR and OD	5.5	5.6	2.6	0.1	0.1	
Digital Data Service	14.8	15.8	7.3	1.0	(0.2)	0.9
Law and Governance	11.5	11.7	6.4	0.1	0.0	
Innovation Network	0.5	0.5	0.2	0.0	0.0	
Equalities and Disproportionalities	0.0	0.1	0.0	0.0	0.1	
Directorate Total	23.4	34.5	13.0	11.1	(1.5)	10.5

Corporate Services are forecast to overspend by £11.1m largely driven by the effects of the Covid-19 pandemic. The national measures put in place to tackle Covid resulted in a significant drop in income from parking services and other activities such as Registrars. In addition during the initial national lockdown the Council provided free paring for key workers across the borough. Since national lockdown measures eased income from Parking has significantly improved, however there is a risk that new national lockdown measures may adversely impact parking income. Officers will be closely monitoring income over the coming months.

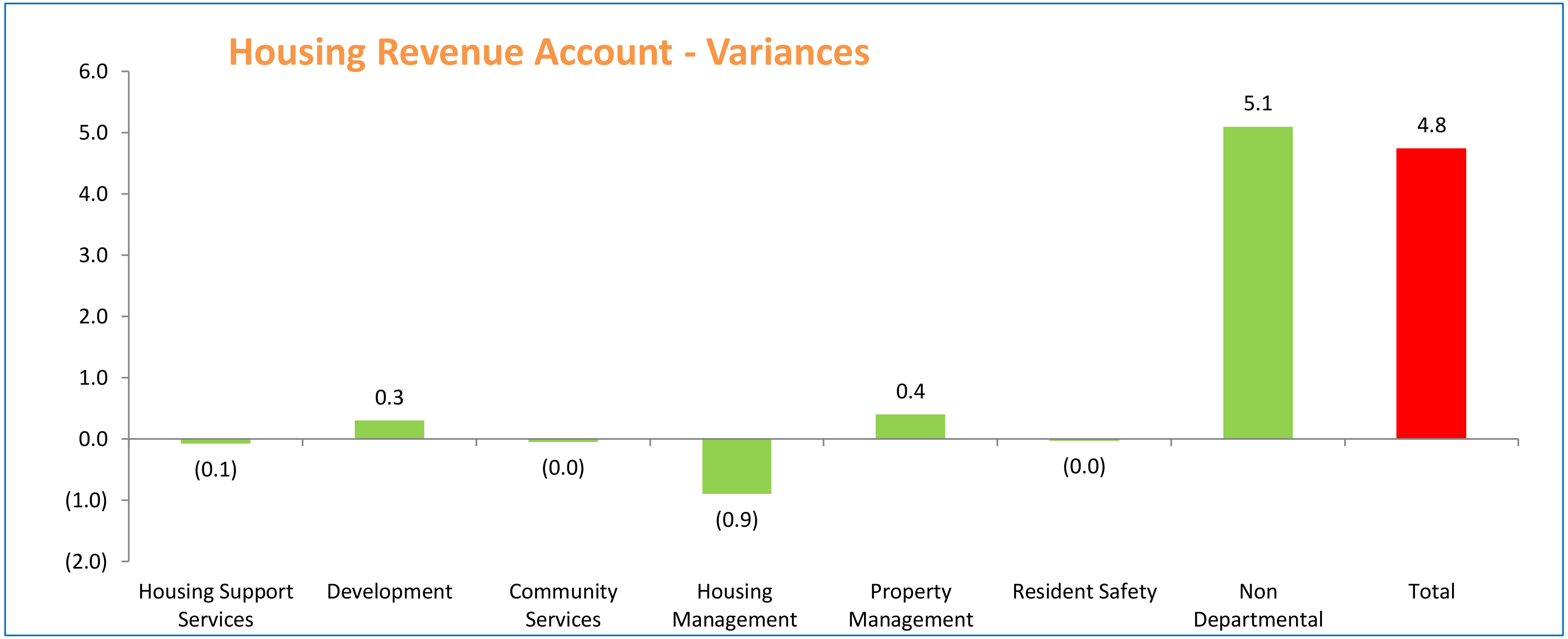
Customer service teams have also seen significant pressure from additional work to administer national grants to businesses and local residents, this has partly been met by reallocating resources to Customer Service teams from across the Council.

Digital and Data services have seen additional pressure as a result of Covid from the need to purchase additional licenses and bandwidth to support home working as well as bring forward the roll out of updates to a number of systems

Cross Cutting Budgets

Service	Budget £m	Forecast £m	Variance £m	Cause of variance and movements
Rent Allowances & Rebates	(0.719)	(0.326)	0.393	The variance reported at M6 is largely due to the fact that across Rent Rebates and Rent Allowance there has not been the return to work as expected by the service even with lockdown relaxation in place. Due to the low number of changes for Rent Allowance claimants there has also been a revision to the forecasted overpayments recovery income reported at M3.
HRA recharge	(11.418)	(11.418)	0.000	No significant variance.
Minimum Revenue Provision (MRP)	4.313	4.795	0.482	As a result of underachievement in generating General Fund Capital receipts against target in 19/20 pre-applied receipts had to be used to help fund the Council's capital programme. An overall slippage in General Fund receipts resulted in less surplus to reduce the Capital Financing Requirement with the outcome leading to an increase in the Minimum Revenue Provision level. For M6 the Minimum Revenue Provision (MRP) remains at the level forecasted at M3
Pensions	15.471	15.712	0.241	The movement in forecast (£0.211) from M3 is mainly due to an increase in Secondary Pensions Contribution as a result of a delay in being able to make any prepayment due to cashflow concerns in supporting the COVID-19 response. This is in part offset against increases in contributions to back-funding from Schools and the HRA.
Interest Payable	1.057	1.539	0.482	The interest payable overspend forecast of £0.482m is mainly due to a fall in interest rates on investments. A reduced return on which internal borrowing to the HRA are based means that the actual charge to the HRA is currently forecasted to be less than half compared to the forecasted month 3 position.
Interest Receivable	(0.890)	(0.789)	0.101	The underachievement of interest receivable is largely due to overall interest rates falling which is leading to a forecasted downturn of expected interest rates for the remainder of the year.
Levies	1.883	1.782	(0.101)	The underspend is due to a slight variance between the budget set for levy payment and the actuals.
Government Grants	(60.397)	(88.962)	(28.565)	The overachievement of Government Grant funding is due to the funding offered to support work around the Covid-19 crisis. This is in the form of the Covid-19 LA Support Grant and the Covid Hardship Fund in addition to a number of smaller grants.
Other Budgets	2.019	(1.969)	(3.987)	The variance is largely due to the in year Vacancy Factor programme which was established to mitigate the impact from the pandemic on Directorate service budgets.
Total division	**(48.681)**	**(79.637)**	**(30.955)**	

Housing Revenue Account



The current estimate for HRA overspend is £4.8m for FY2020-21. This is a reduction in forecast overspend of £4.4m (down from the Q1 estimate of £9.2m).

The overspend is mainly due to lost income from tenant rent, leaseholders service charges and commercial property income. Total forecast losses remain at £9.0m (£4.0m commercial income, £3.7m dwelling rents and £1.3m leaseholder charges). These losses are offset by forecast spending reductions. Service and finance officers have worked very closely to scrutinise forecasts and put in place plans to reduce expenditure this year and in future years.

These spending reductions have mostly come across Property Management. Budgets and spending have been carefully reviewed with a reduction in staff costs following the restructure (increased costs charged to the capital programme), cost of temporary communal boilers, communal decorations, Chalcots security costs and wider staff budget forecasts.

CAPITAL

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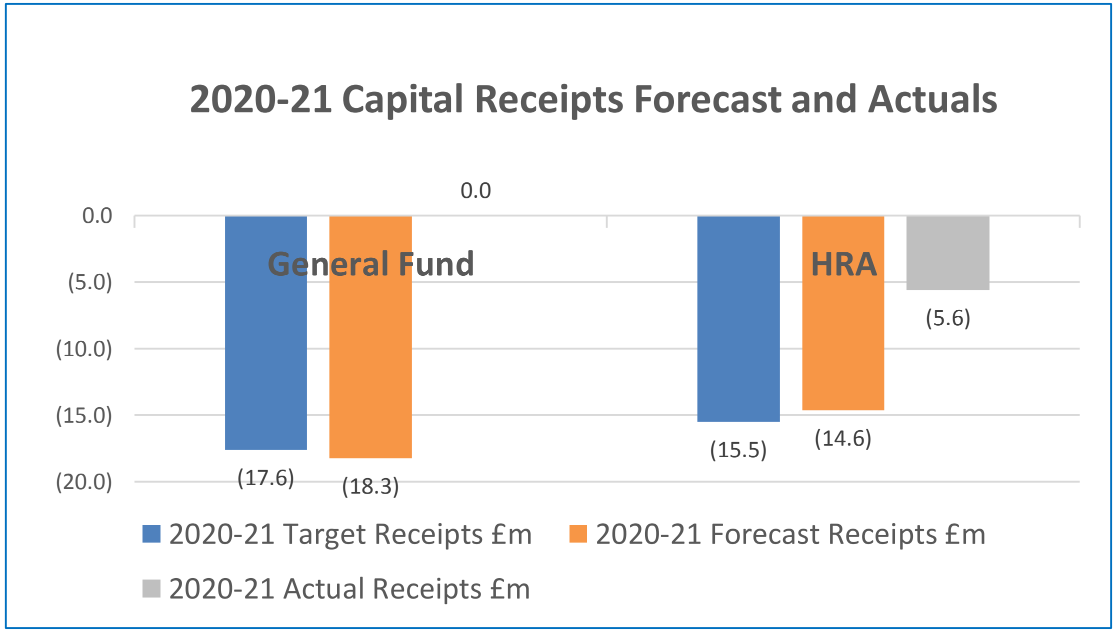
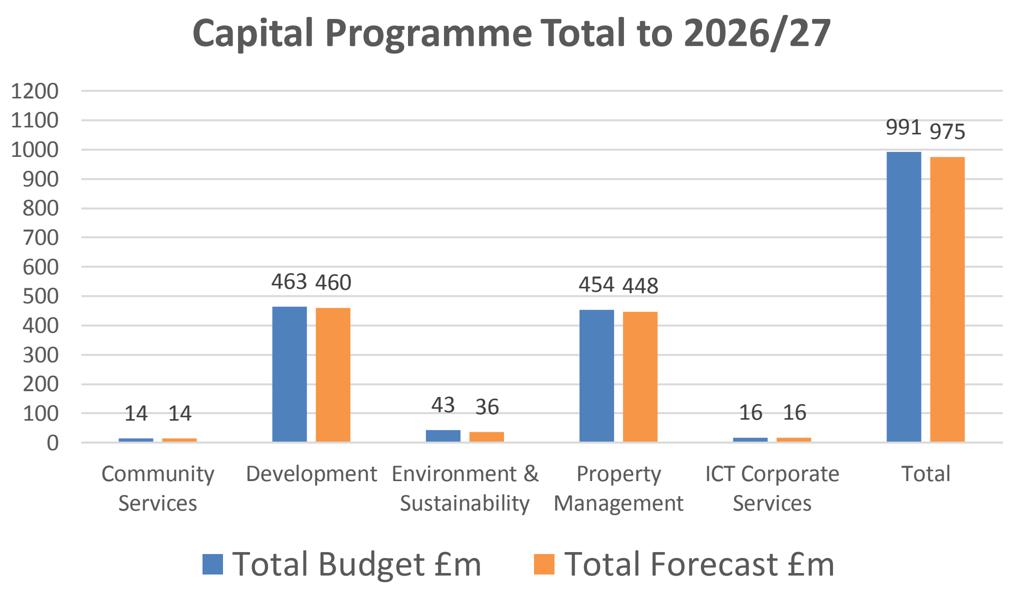


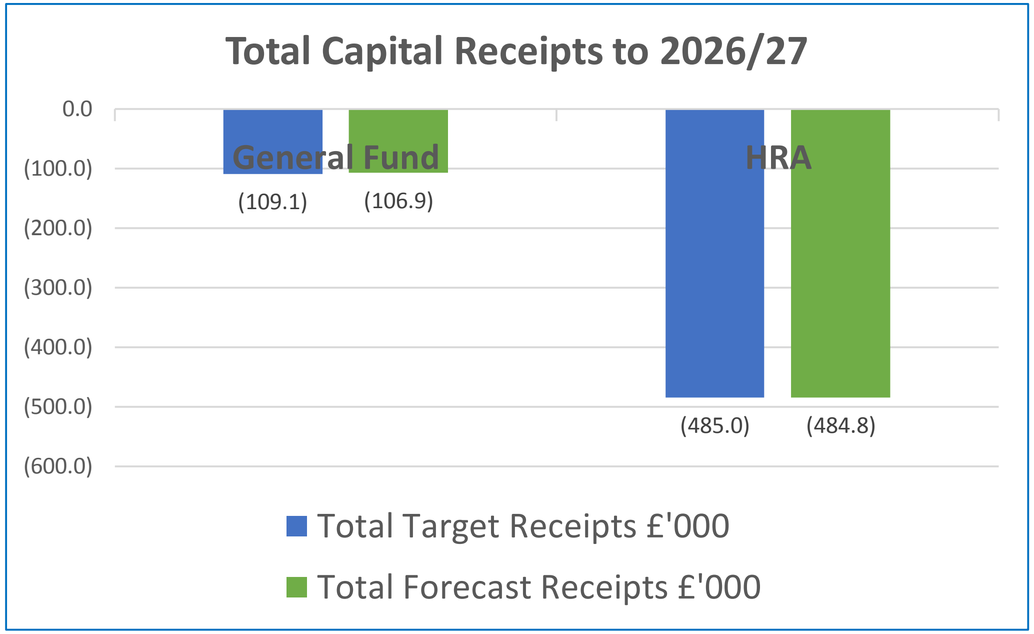
The position has moved from Q1 (£3.0m forecast underspend for the year) to Q2 (£14.0m forecast overspend for the year), as many capital projects have started on site more quickly than was expected when the Capital Review was carried out at the start of this financial year. The overall capital programme remains on track (see next page).

For this year, Property is forecast to overspend by £17.3m. This relates to a £10.5m increase in spending on the Temporary Accommodation Purchase Programme (TAPP) due to faster than expected take-up in this financial year and a bringing forward an additional £7.6m of spending across the Better Homes programme due to projects re-starting more quickly then expected after lockdown. This is also true for CIP, which is forecasting a £1.3m overspend. Community Services overspend relates to the new King's Cross sport centre being brought forward to January (decision under review). This is offset by a £5.6m overspend in Environment where Safer Street works are being prioritised and other projects are awaiting confirmation of TfL and LIP funding.

Capital receipts (from CIP): broadly on track for this year. A mixed picture as some projects are forecasting increased receipts (Shoot Up Hill) and others (Belmont Street) a deficit. Residential sales remain steady but land sales are becoming more difficult as developers struggle to raise finance.

Capital – Future Years





The whole capital programme is forecast to underspend by £16m against a £991m budget. The capital programme to 2026/27 is funded in a large part by from capital receipts. The expected capital receipts to be received to 2026/27 is £592m. 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, that may make it difficult to support new borrowing (i.e. by paying interest costs through our revenue budgets for new borrowing).
Sales Risk: Savills are currently forecasting a general fall in London house prices of 7% with recovery towards the end of 2021. With private sales of £103m targeted over the next two years the impact of such a decline is significant. Private sales have been relatively slow in Q2 (completions on two units and reservations on a further six). There is hope the reduction in stamp duty until March 2021 will stimulate the market for Q3 and Q4.
COVID impact: delays on site due to future lockdowns will increase overhead costs. This could include financing costs if borrowing needs to be repaid over a longer period

Financial Risks

Risk	Risk Mitigation	Potential Financial Impact
The second wave of Covid-19 and the new national lockdown along with any future local 'lockdown' will have a significant immediate effect on a number of income streams within Customer Services and place addition cost pressures across a number of services.	Continue to work to understand the impact of various scenarios and prepare options for the pausing of all non-essential spend to help mitigate any potential increase in financial pressure across the Council.	c£15m
Focus on the Council's emergency response to the Covid-19 emergency may mean that services are unable to deliver their agreed MTFS savings.	Remained focus on MTFS savings deliver and make early decisions about any delays to projects or undeliverable to help the Council plan for the level of resources it will need to meet any budget gaps.	£6m - £8m
A lack of clarity from the Government regarding the Income Support scheme for Council's means it is difficult to predict how much the Council will be able to claim from the scheme and so what the final unfunded budget gap will be this year. The lack of prescriptive guidance may also result in the Council claiming for income support which is later clawed back.	Officers will review all lost income and apply the final guidance. Checks on assumptions will be made with officers across London and a final claim discussed with senior finance officers.	£13m
There is continued uncertainty around the hospital discharge arrangements and the extent to which the Clinic Group will continue to provide funding for support after discharge from hospital. Currently the CCG picks up the majority of the costs as part of the national response to Covid but it is unclear how long these arrangements will continue.	Officers will work with the CCG and update any forecasts once a clear exit strategy from the current funding arrangements is agreed.	£3m-£5m
The Council has provided additional support to Care Providers during the emergency response to the Covd-19 crisis. There is a risk that the sector will require additional support through the year and potentially into future years.	Officers will continue to work closely with care providers and report any additional support that is needed to keep the Care sector functioning well	Unknown
The Longer term economic impact of Covid 19 may have a significant impact on both the General Fund and the HRA requiring additional expenditure and leading to reductions in income over the medium term.	Estimates of medium term impact will be periodically made and tested. Expected budget pressures will be included in the Council's Medium Term Financial Strategy and will help to inform the expected budget gap and the level of savings needed to protect the Council's financial stability.	c£10m