Cabinet

Title	Chief Finance Officer Report – 2023/24 Quarter 3 Financial Forecast and 2023/24 Budget Management
Date of meeting	6 February 2024
Report of	Councillor Barry Rawlings - Leader of the Council and Cabinet Member for Resources & Effective Council
Wards	All
Status	Public
Key	Key
Urgent	No
Appendices	None
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Summary

This report contains a summary of the council's revenue and capital forecast outturn for the financial year 2023/24 as at quarter 3 (31 December 2023).

The revenue budget projected outturn position reports an overspend of £19.763m this is a reduction in the overspend of £6.059m from quarter 2, net of reserve adjustments.

The council's capital programme expenditure forecast outturn for 2023/24 is £371.93m; this is a variance of £53.178m against the budget, due largely to the reprofiling of project expenditure in line with expected project delivery timelines (see section 4)

This report contains information on the level of debt and the top 10 debtors as at 31st December 2023 and any subsequent updates that Cabinet needs to be aware of that impact the debt position.

Recommendations

That Cabinet notes:

1. **The forecast outturn for 2023/24 against the Council's revenue budget;.**
2. **The current use of reserves,**
3. **The expenditure against capital budgets in the year;**
4. **The current debt position.**

1 Summary

1.1 This report sets out the council's forecast outturn position for the 2023-24 financial year as at quarter 3 (31 December 2023)

For the General Fund:

- Overall, **£19.763m projected overspend**, a reduction of £6.089m from quarter 2.
- This is after a projected overall net contribution to reserves of **£9.373m**. This figure is comprised of a £10.734m drawdown from earmarked reserves to support service areas and a £20.107m *contribution* to capital reserves for Community Infrastructure Levy (CIL) receipts. More detail on the forecast reserves position can be found in para 2.6.

1.2 Rising demand for services against a backdrop of rising inflationary costs in the sector continues to be a financial challenge to the authority. Several areas are presenting acute financial risks, during 2023/24 and over the current MTFS period including the following (further detail in section 2):

- RE returning services income challenges
- Social Care Placement costs (demographics, complexity, market shaping, Health funding challenges)
- Your Choice Barnet care home operational losses (during period of major refurbishment works)
- Increase in Temporary Accommodation demand
- Special Educational Needs Transport – increased costs of delivering service.
- Car Parking income and Controlled Parking Zone implementation (changes in behavioural patterns and delays)
- Unaccompanied Asylum Seeking Children costs
- High inflation and rising interest rates for households, businesses and the council, impact on services both universal and targeted.

1.3 Officers are focusing on the key financial risks highlight above, in addition to the 2023/24 budget, via the monthly monitoring process and the introduction of a Financial Sustainability Board which reports on recovery plan actions and service demand mitigation.

1.4 There are opportunities for additional income realisation and cost mitigation which are being explored, alongside possible efficiencies identified via the Transformation Strategy. Currently this forum has identified in excess of £6.8m of cost mitigation.

1.5 Officers continue to seek opportunities for cost reduction including working with the Local Government Association and regional partners and are also assessing the impact of new technology on service delivery. The council now has a robust approach to vacancy management.

1.6 The use of un-ringfenced grants has been scrutinised during quarter 3 monitoring preparation and has resulted in an application of grant being brought in to the accounts, which has helped mitigate the overspend being reported. This is one-off funding.

2 Forecast Outturn

Context

2.1 There are a number of national and local factors driving the reported overspend position:

- Inflation: When the 2023/24 budget was set, the Bank of England, Office for National Statistics and other forecasting organisations were estimating inflation to be around 5-6% in 2023. Based on this intelligence the council budgeted for non-pay inflation to be just under 8%. The average non-pay inflation across contracts (including fuel, electricity and social care contracts factoring London Living Wage) is just under 10%;

- Interest rates: while interest rates are slowly decreasing, the Bank of England base rate rose to 5.25% in August 2023, this means externalising internal borrowing at a time of decreasing cash reserves is expensive;

- Contingency hotels: Barnet has 5 hotels in the borough being used by the Home Office to house approx. 1,600 asylum seekers. The Home Office's change in procedure for discontinuation of asylum support for those who have received a decision – from 28 / 21 days to 7 days and pursuing hotel maximisation through room sharing, means that more people on receiving their right to remain could become eligible for housing within the borough. Good quality, housing at Local Housing Allowance (LHA) rate is in low supply and therefore increases costs for the council. Also the Housing Benefit Subsidy is only claimable for temporary accommodation at 90% and landlords are charging rates over LHA rates;

- Changes to tax benefits for landlords: The Government's changes to tax benefits to landlords and increasing mortgage rates has seen a number of them exit the market further reducing the supply of housing available;

- Adult Social Care: Growth in numbers of people needing care and support, due to population change and the impact of the pandemic on people's needs, Barnet has 300 more clients receiving care and support from the council now compared to a year ago. Barnet have seen significant growth in the numbers of people with learning disabilities that are supported. Also, an increase in older people with dementia and frailty.

- Adults Social Care: Since 2019, Barnet has had hospital discharges that are 30% higher than the London average, where statistics show that Barnet is now the 2nd highest in London (887/100k, London average: 687/100k). This has driven further increases in use of homecare and reablement; 80% of all reablement starts from hospital discharge and 60% of all people using home care have been through the discharge process. This has had an ongoing effect on the pressures Barnet face since 2019 as many of those people remain in the system. Whilst the council receives some additional funding from central govt in the form of the discharge fund, it is not enough to meet the costs incurred by the council.

- Independent Fostering Agencies (IFA): more IFA placements are needed for sibling groups and children with more complex behaviours. Delays within the court system have meant existing placements have had to be extended, compounding the issue;

- Increase in solo provision placements: while exceptional in nature, these placements - for the safety of the child and / or others – are very high. Placements for six young person this year have resulted in an overspend of about £1.7m;

- Special Parking Account: changes in parking and travel behaviours associated with cost of living crisis and increased prevalence of working from home has resulted in reduced parking income. This year the deficit is estimated to be £3m, this is on top of funded deficits in the previous two years of similar amounts.

- Returning Services : Services returned to the council previously under contract with Capita have led to some pressures, principally relating to under achievement of income where the shortfall was previously guaranteed by Capita. There have been some cost pressures, principally relating to enrolment of staff into the LGPS. Staff have worked hard to maximise income and mitigate cost pressures, leading to a reduction of 25% on the initial pressure upon transfer in.
- It is important to note that an extension to the previous Capita contract for DRS provision was estimated to cost the council c.£4.0m per annum, post removal of the GI element and before assessing any impact of the pandemic. The estimated financial impact of returning services to the council was reported at a slightly lower level. Overall there was a reported potential financial benefit, per annum, from returning the services in-house. (Committee Report (moderngov.co.uk).
- The equivalent financial pressure on the council's budgetary position at quarter 3 is reported at £5.3m, which predominately relates to continued income challenges.

2.2 Officers are working on the below actions to mitigate the 2023/24 forecast overspend and 2024/25 pressures:

Areas of focus	Expected mitigation 2023/24 £m	Expected mitigation 2024/25 £m
Placements reviews: Review of high cost packages in both Adults and Childrens Social Care;	(1.000)	(1.500)
Adults Social Care: More effective care purchasing	(0.300)	
Adults Social Care: Enablement	(0.325)	
Adults Social Care: Transitions/ supported living negotiation	(0.025)	
Adults Social Care: Fees and Charges	(0.280)	
Adults Social Care: Direct Payment recouping (18-25)	(0.150)	
Adults Social Care: Sheltered plus	(0.050)	
Adults Social Care: Assistive Technology ~ contract + preventative tech	(0.250)	
Your Choice Barnet (YCB): reviewing the YCB operational model to transform it to eliminate operational losses;	(0.500)	(2.000)
Parking: undertaking an operational cost review and considering a capital bid for Controlled Parking Zones implementation;	tbc	(1.427)
Family Services: SEN Transport: review increased use of Personal Travel budgets for children who require SEN support;	(0.200)	(0.800)
Family Services: Independent Foster Agency reduction in placement duration assumptions from 36 weeks to 33 weeks	(0.321)	0.000
Family Services: Increase and optimise In House Foster placements		(0.200)
Family Services: UASC under 18s- additional grant income due to NTS scheme,	(0.240)	0.000
Family Services : maximise tri-partite funding for Childrens to pay for in-house provision	(0.200)	
Family Services: vacancy management	(0.045)	
Family Services: reduction in remand placements	(0.140)	
Family Services: grant maximisation	(1.300)	
Review operating / income model: for Highways, Planning & Regulatory Services	(1.121)	(1.280)
Assurance - vacancy management. Income review in Pest control and Licencing	(0.400)	
Other mitigating actions underway include: • Housing Benefit overpayment recovery; • Maximise debt recovery; • Maximising the Housing Benefit subsidy claim; • Council Tax income maximisation (direct debits and collection); • Business Rates income maximisation; and	tbc	tbc

• Review of capital programme: to explore the impact on financing costs of re-assessing projects in the capital programme. • Finance vacancy management		
TOTAL	**(6.847)**	**(7.207)**

2.3 The following actions are also being undertaken:

- Working with the Local Government Association: including peer support in Adults Social Care;

- Representation on regional forums: these include London Councils, the Association of Directors of Childrens Services, the Association of Directors of Adult Social Services. Discussions to encourage joint working and try to influence market shaping;

- Spend Controls: introducing spend controls across the council including:
  - Actively managing recruitment to vacant posts vacancies and agency costs;
  - Reviewing contract spend. Particularly in relation to contract renewals; and
  - Tighter controls on discretionary spend.

Overview

2.4 The overall forecast outturn position at quarter 3 for revenue expenditure is a £19.763 overspend against an approved budget of £368.818m.

Table 1: Forecast Outturn 23-24

	2023-24 Budget	Quarter 3 (Forecast outturn before reserves)	Reserves applied	Quarter 3 Forecast outturn after reserves	Quarter 3 variance after reserves	*Quarter 2 variance*	*Movement*
	£m	£m	£m	£m	£m	£m	£m
Communities, Adults and Health	135.573	155.780	(1.899)	153.882	18.309	17.339	0.970
Children's Family Services	81.515	86.369	(0.860)	85.508	3.993	5.108	(1.115)
Customer and Place	62.947	53.185	16.150	69.336	6.389	7.373	(0.984)
Assurance	12.014	13.134	(1.092)	12.042	0.027	-	0.027
Strategy & Resources	57.130	53.421	0.709	54.130	(3.000)	(4.000)	1.000
Public Health	19.609	20.524	(0.870)	19.654	0.046	0.003	0.043
Transformation	0.029	2.795	(2.765)	0.029	-	-	-
Sub-total	***368.818***	***385.208***	***9.373***	***394.581***	***25.823***	***25.823***	***(0.059)***
Un-ring fenced grant application	-	*(6.000)*	-	*(6.000)*	*(6.000)*	-	(6.000)
Sub-total	**-**	***(6.000)***	**-**	***(6.000)***	***(6.000)***	**-**	**(6.000)**
Total at Month 9	**368.818**	**379.208**	**9.373**	**388.581**	**19.763**	**25.823**	**(6.059)**

**Includes £20.107m top-up to capital receipts reserve for Community Infrastructure Levy (CIL) receipts*

2.5 Table 2 provides details of the key movement in variances between quarter 2 (30th June 23) and quarter 3 (31st December 23).

Table 2: Q2 to Q3 Movement in Variance

Service Areas	Quarter 3 variance after reserves	Quarter 2 variance	movement	Commentary
	£m	£m	£m	
Communities, Adults and Health	18.309	17.339	0.970	Movement related to increased pressures in Adult Social Care. There are increases in placement numbers in Nursing, Residential, Supported Living and Homecare whilst costs are increasing across the board due to complexity and the market charging increased costs for new placements over and above inflation rates. Whilst the in-year recovery plan is showing positive results and increases have slowed since the start of Q3, with the trend on new activity and cost having improved in the last month, there remains risk in the operating environment and therefore the potential for the position to worsen. The changes in the forecast result from continued increased demand for care, especially for more complex needs, partially offset by additional funds received from the NHS. The forecast contains a 2% adjustment for estimated growth for remainder of the financial year. Given that demand could increase over the winter period, this allowance may not be sufficient. Mitigations being put in place to address this include: higher levels of authorisation for all post-discharge care packages and securing additional funds for winter from the ICB. Cems and Crems has an adverse movement of £0.250m from M6 due to a revised income forecast.
Children's Family Services	3.993	5.108	(1.115)	Favourable movement due to recovery plan mitigations including the reduction in SEN transport forecast costs £0.450m, the extension of the Virtual School Headteachers grant £0.100m, and the maximisation of migrant families grant £0.975m, which is partly offset by continued pressure in childrens social care.
Customer and Place	6.389	7.373	(0.984)	The variance from month 6 is primarily driven by a favourable movement within Street Scene. This is due to the receipt of a significant rebate on the non-household controllable charge for 2022-23 and a timing difference on the application of parking enforcement contract cost indexation against the full year budget provision. The favourable variance includes fuel contingency being reduced based on market prices being more favourable than anticipated, recruitment delays to vacant posts, The impact of fees and charges uplift and increased levels of on-street enforcement issuance.
Assurance	0.027	-	0.027	£0.050m overspend in Regulatory Services net of a £0.023m underspend across the service mainly due to staff vacancies.
Strategy and Resources	(3.000)	(4.000)	1.000	A £1m adverse movement reflects the following: > decrease in Contingency for items removed from planned drawdowns (£1.m) > Housing Benefit Subsidy is only claimable for temporary accommodation at 90% and landlords are charging rates over LHA rates, this has resulted in a £2.0m pressure net of any recovery plan action subject to legal advice.
Public Health	0.046	0.003	0.043	Pressure relates to SHaW team - fully staffed including shortfall in budget transferred from RE; and a lower-than-expected forecast income from schools
Un-ring fenced grants	(6.000)	-	(6.000)	Application of Migrant Families Grant - post commitment review
Transformation				
	19.763	**25.823**	**(6.059)**	

Reserves

2.6 The council holds reserves to deal with future pressures where the value or the timing of the pressure is uncertain, or where the funding can only be spent on specific objectives (e.g. grant funding). Reserves are divided into 'earmarked' reserves, where the spending objective is unforeseeable costs. The levels of reserves are set out under Section 25 of the Local Government Act and prudent levels are determined by the Chief Finance Officer (CFO). Earmarked reserves are usually held by specific services, while general reserves are held corporately.

2.7 The use of reserves is not intended to replace savings or income generation opportunities as part of the MTFS. Reserves can only be used once and then they are gone. Any use of reserves to replace savings or income generation opportunities is a delaying action, storing up pressures into future years. This could be part of investing in transformational service delivery and is the ultimate last resort during budget setting when a gap cannot be bridged despite best efforts.

2.8 The forecast outturn reserves position is shown in the table below:

Table 3 Forecast Reserves at 31 March 2024 **

	Balance at 31 March 2023	In year Expenditure	Reserve movements	New Reserves Raised	*Net Movement 2023/24*	Balance at 31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Capital - Community Infrastructure Levy	24,699	-14,670	0	20,107	*5,436*	30,136
Revenue implications of capital	3,569	0	0	0	*0*	3,569
Total Capital Reserves	**28,268**	**-14,670**	**0**	**20,107**	***5,436***	**33,705**
Public Health	1,603	-720	0	0	*-720*	882
Dedicated Schools Grant	9,711	-2,916	0	1,823	*-1,093*	8,618
Special Parking Account	1,311	0	0	0	*0*	1,311
Earmarked Revenue Grants	5,503	-2,215	0	749	*-1,465*	4,038
Brent Cross Designated Area S31	13,449	0	0	0	*0*	13,449
Insurance	2,768	-1,100	0	0	*-1,100*	1,668
Council tax and NNDR smoothing	2,822	-2,822	0	0	*-2,822*	0
Total Ringfenced Reserves	**37,167**	**-9,773**	**0**	**2,572**	**-7,200**	**29,966**
Housing Benefits	0	0	0	0	*0*	0
Local Welfare Provision	4,084	0	320	0	*320*	4,404
Covid-19 Recovery	0	0	0	0	*0*	0
Service Specific Revenue Reserves	14,737	-2,289	-680	3,190	*220*	14,957
Climate change	1,543	-816	0	0	*-816*	727
Council Tax Rebate	0	0	0	0	*0*	0
Transformation Reserve	6,177	-3,017	6,000	0	*2,983*	9,160
Residents Support Fund	2,369	-790	0	0	*-790*	1,580
Financial Resilience Reserve	32,356	-2,354	-5,640	0	*-7,994*	24,361
Total Committed Reserves	**61,266**	**-9,266**	**0**	**3,190**	***-6,077***	**55,190**
Total Earmarked Reserves	**126,701**	**-33,709**	**0**	**25,869**	**-7,841**	**118,861**

** Excluding any drawdowns to support 23/24 overspend.

Table 4 Reserves Reconciliation to table 1

Reconciliation	**Net Reserves Usage**
	£m
General Fund Reserves (aligned to table 1)	9.373
DSG Reserve	-1.093
Capital Reserves	-13.298
Council Tax and NNDR Smoothing Reserve	-2.822
Total at Quarter 3	**-7.841**

Savings

2.9 The budget for 2023/24 includes planned savings of £11.199m; of which £9.435m of these savings are forecast to be achieved.

Table 5: Forecast Savings Delivery 2023-24

Service Area	Savings target 2023-24	Savings Achieved	(Gap)/Over to plan	Service area gap
	£m	£m	£m	
Communities, Adults & Health	(2.841)	(2.805)	(0.036)	1.27%
Children and Family Services	(0.784)	(0.634)	(0.150)	19.13%
Customer and Place	(2.721)	(1.266)	(1.455)	53.48%
Assurance	(0.055)	(0.055)	0.000	0.00%
Strategy & Resources	(4.797)	(4.675)	(0.122)	2.55%
Total	**(11.199)**	**(9.435)**	**(1.764)**	**15.75%**
Percentages	**100.00%**	**84.25%**	**15.75%**	

2.10 The gap in savings delivery in Communities, Adults & Health of £0.036m relates to Cafes and Biodiversity Net Gains being delayed in delivery. Any pressure is being contained within the overall budget.

2.11 The gap in saving delivery in Children and Family Services - Potential additional income generated through the new Parenting Hub is more than unlikely to be achieved as the ability to sell the service to other local authorities has not been mobilised.

2.12 The gap in savings delivery in Customer and Place:

- £0.750m – Parking: A review of services and policies to ensure a consistent, fair approach to improving traffic. Fundamental service review is being undertaken to determine new 'norms' and projected future incomes based on new travel and parking patterns and behaviours, as M3 this saving will not be achieved.
- £0.355m - Efficiencies across the Commercial Estate. Pressures on utilities, the need to extend leases associated with on-going capital programmes, and the need for unexpected reactive repairs across the estate have meant this is not fully achievable. An ongoing review of reactive repairs and review of leases are being conducted continuously to manage this pressure going forward.
- £0.176m - Housing Acquisitions through Open Door Homes, increasing the housing supply for use as Temporary Accommodation, and reducing TA costs. Savings are not fully achievable, as increased interest rates from Public Works Loan Board borrowing mean the business case on acquiring properties is becoming more challenging. The Barnet Group are working with council officers to review options to mitigate this pressure going forward.
- £0.100m - Centralising IT estate, based on ability to capitalise laptop costs - unachievable as current interest rates will prevent additional borrowing, as the increase in capital costs mean the approach is no longer viable.
- £0.050m Review of the winter maintenance routes and rounds with the move to new depot facilities. Potential to reduce by 2 rounds from the current configuration and remain statutory compliant. Development of Salt Barn at Oakleigh Road will not deliver prior to commencement of '23/24 winter season, as at M6 this saving is not forecast to be achieved.
- £0.025m - Improved Management of Skips placed on public highway £0.025m of the total £0.050m saving is forecast to be achieved. Full adoption of the legislation is expected to take place by November therefore this saving is forecast to be part achieved this year and full year affect will be in 2024/25.

2.13 The gap in savings delivery in Strategy and Resources of £0.122m is related to planned increased recovery of housing benefit overpayments. This is at risk due to potential overspend relating to temp and short-term accommodation where the capped subsidy paid by DWP does not meet full rental costs.

Risks and opportunities

2.14 During this financial year several overall (corporate) and service-specific risks have been identified which will continue to have a potential financial impact.

2.15 Adults and Health

- Demographic - Activity continues to rise, an assumption has been built into 23/24 forecasts, but actuals and cost, particularly for new placements has already exceeded estimates, especially with the continuation of significant discharges from hospital. The service has seen a shift towards more complex care packages which has resulted in a higher average unit cost of care.
- Provider Market inflation - Market conditions continue to present a risk; the forecast includes an assumption on care provider rate inflationary uplifts at the inflation offer of c6-7% for 23/24 but there are still some outstanding negotiations with a small number of large providers.
- YCB - The operating losses presenting last financial year have continued into 23/24 whilst major refurbishment works are underway on the two care homes, which is resulting in additional costs.
- Continued workforce pressure - The previous two financial years have seen a significant impact on demand which has led to pressures in the workforce. There is no extra one-off funding available in 23/24 apart from specific one-off reserve funding for Debt Recovery Team and Prevention and Wellbeing. Staffing costs are being closely monitored to minimise cost pressures as much as possible.
- Health Joint Funded Packages - Reconciling packages earmarked as joint health funded continues to be a challenge. Work is ongoing continuously with health partners to agree a position.
- The service is attempting to mitigate any further rises in costs above current projections by:
    - Reviewing large packages of care that may be eligible for NHS funding.
    - Robust negotiation with providers on rates
    - Optimal use of the enablement offer
    - Higher levels of authorisation for post-discharge (from hospital) packages of care

2.16 Children's and Family Services

- The cost pressure on placements continues as the number of children and young persons with complex mental health needs and complex behavioural needs requiring solo provision and Deprivation of Liberty has increased. The number of children and young persons with suicidal ideation and self-harm in solo provision currently being supported (and financially projected) is 6. Court delays continue to have a negative impact and whilst the levels of complexity of the these looked after young people was in the past considered rare or needs were met by other agencies, it is projected that the cost pressure is ongoing into 2023/24. There is also the impact of residual pressure in Placements after the non-pay inflation funding allocation.

2.17 Customer and Place

- The direct impact of the cost-of-living crisis has seen an upwards trend in TA numbers over the last few months, with this demand expected to rise. Early forecasts are showing a significant increase in demand in 23/24. The pressure has so far been contained through one-off existing and additional homelessness grant and Homes for Ukraine grant. However, there is a risk of additional in-year and future pressures.
- There are also supply-side pressures which will need to be managed:
    - The removal of properties from the private rented sector by landlords.
    - Increasing interest rates and the cost of borrowing impacting council capital programmes which are focused on increasing the supply of affordable homes. The 2023/24 savings are at risk, where they relate to TA cost avoidance through increasing the housing supply.
    - Market forces applying upwards pressure to the costs of TA, making it more difficult for the council to secure affordable, good quality housing.

- Competition for TA accommodation and reduced supply has resulted in the use of more expensive accommodation to manage increased demand in last few months

- The Estates service conducts monthly reviews of the outstanding commercial debt. This could lead to subsequent write-offs of income related to prior years. The level of outstanding debt will again be reviewed quarterly.
- Pressures across the estate, from utilities, the need to extend leases associated with on-going capital programmes, unexpected reactive repairs across, and fire safety and other legislation, requiring the council to bring buildings up to regulatory standards.

2.18 Strategy and Resources

- Risk around potential overspend relating to temp and short-term accommodation where the capped subsidy paid by DWP does not meet full rental costs. Note an assumption for this pressure has now been reported in quarter 3.

3. Ringfenced funding

3.1 Housing Revenue Account (HRA)

The HRA budget has been set in line with the 30-year business plan and approved by Full council March 2023.

The service-related elements of the HRA are forecasted to be £0.523m favourable to budget. This is an adverse movement of £2.720m to M6. The favourable is offset by a corresponding charge of £0.523m in RCCO (Revenue contribution to Capital Outlay). The £0.523m underspend is comprised of:

- £4.076m favourable - The dwelling rent income is currently showing as significantly favourable, the budget is subject to an adjustment by the next report and should show a more accurate variance on dwelling rent, related to lower void rates.
- £2.200m favourable – Service & other Charges are projected to exceed budget due to HRA tenants paying higher amounts for gas and electricity costs.
- Some of the variance is also attributable to the income from Affinity, a financial partner.
- £3.538m favourable - Our treasury department has projected to earn £3.538m from short-term investing of HRA cash held at the bank.
- £1.191m favourable – This is mainly due to £1.190m insurance reimbursement for fire damage repair costs at Willow House in FY19/20.
- The projections include demolition costs of the recently fire-damaged properties at Moss Hall Grove of £0.607m. Another insurance claim will fund these costs, hence it is likely to have a null impact on the accounts.
- £1.000m favourable Provision for bad debts – This is primarily due to the Water rates provision expected to be released due to passing statute barred dates.
- Offset by;
- £3.038m adverse- The budget is likely to be exceeded, with the projected Debt Expense (interest costs) higher by £3.038m. This is primarily due to un-budgeted, but anticipated borrowings in the third quarter of this financial year. The unbudgeted borrowings are to fund the purchase of 249 units at Colindale Gardens.
- £5.588m adverse variance on Repairs and Maintenance, some of this variance is subject to an adjustment to the budget to be updated by the next report. The remaining adverse variance is due to higher repair and associated costs driven by damp and mould claims from our tenants.
- £1.906m adverse - Increase in Other costs. This is mainly due to the following:

- 0.971m of additional costs due to further increases in market costs for gas and electricity
- £0.871m of Council Tax costs that have been unpaid for a significant amount of time. The dispute arose due to inaccuracies in the information held by the Revenue Team for multiple properties including tenanted, demolished, and sold ones. To resolve the debt situation in Revenue, HRA will pay the amount owed and continue to work towards obtaining refunds once each matter is dealt with.

- £0.741m projected costs for leaseholders' services, including legal fees, RTB services, and feasibility study on Moss Hall Grove.

There are on-going risks associated with the 30-year HRA business plan.

- Interest rates on borrowing increasing to c.5%. This may impact the financial affordability of capital programmes in future years. The council's treasury team are considering options for borrowing in line with need.
- Rent-setting for council dwellings and temporary accommodation is historically set at CPI+1% and communicated to tenants in February of each year. The proposal for 2024/25 will be in line with the rent policy of September 2023 CPI plus 1%.
- Meeting Fire Safety and other regulatory requirements are likely to add further financial pressure on the HRA, as the cost of raw materials and availability of skilled labour continue to drive costs higher than the level of rent inflation.
- High levels of disrepair claims and associated legal costs.
- Fuel/ Vehicle costs – insurance and fuel costs are continuing to rise.
- Impact of proactive approach to assisting with Damp and Mould issues across the estate

Table 6: HRA Forecast Outturn position

HRA - Revenue	22/23 Outturn	2023/24 Budget	Month 9 Actuals	Reserves Applied	Month 9 Forecast Outturn after reserves	Month 9 Variance after reserves	Movement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Dwelling Rent	(52,578)	(51,734)	(37,244)	-	(55,810)	(4,076)	(300)
Non-Dwelling Rent	(1,069)	(1,021)	(728)	-	(956)	65	65
Service & Other Charges	(6,628)	(7,491)	(6,442)	-	(9,691)	(2,200)	(781)
Other Income	(317)	(227)	(1)	-	(119)	108	-
Housing Management	20,624	21,763	19,217	-	21,993	229	229
Other Costs	1,647	804	813	-	2,709	1,906	370
Internal recharges	3,082	2,776	18	-	3,304	528	528
Repairs & Maintenance - Mgt Fee	9,743	9,540	7,155	-	15,128	5,588	5,588
Repairs & Maintenance - Non Core	0	-	(1,191)	-	(1,191)	(1,191)	-
Provision for Bad Debt	942	1,185	-	-	185	(1,000)	(1,000)
Regeneration	688	-	(239)	-	21	21	21
Debt Management Expenses	11,520	11,568	-	-	14,606	3,038	-
Interest on Balances	(2,434)	(62)	(3)	-	(3,600)	(3,538)	(2,000)
HRA Controllable (Surplus)/Deficit	***(14,782)***	***(12,897)***	***(18,644)***	***-***	***(13,420)***	***(523)***	***2,720***
Depreciation	12,683	12,703	-	-	12,703	-	-
RCCO	1,998	-	-	-	523	523	(2,720)
HRA Capital Charges	***14,681***	***12,703***	***-***	***-***	***13,226***	***523***	***(2,720)***
HRA (Surplus)/Deficit	***(100)***	***(194)***	***(18,644)***	***-***	***(194)***	***(0)***	***(0)***

The projected HRA reserve is £4.314m, an increase of £0.194m from the opening reserve of £4.120m.

Table 7: HRA Forecast Outturn - Reserves

Service Area	B/Fwd	Revenue Movement	Depreciation & RCCO	Forecast Funding for Capex CFR	C/Fwd
	£'000	£'000	£'000	£'000	£'000
HRA Reserve	(4,120)	(13,420)	13,226		(4,314)
Major Repairs Reserve	(2,000)		(13,226)	13,226	(2,000)
HRA Reserves	**(6,120)**	**(13,420)**	**-**	**13,226**	***(6,314)***

3.2 Dedicated Schools Grant (DSG)

- At M9, the DSG forecast outturn is a surplus of £1.823m on business-as-usual activities. This is outlined in Table 7.
- For 2023-24, the final allocation for Barnet DSG after recoupment is £265.806m.
- The growth fund is forecast to underspend after agreed funding of £0.394m for Hasmonean High School for Boys and £0.169m for Underhill against the budget of £1.761m.
- The underspend of £0.625m against individual schools budget is due primarily to timing differences in repayment of cash advances previously paid to a number of schools experiencing cash flow difficulties.

Table 8: DSG Forecast Outturn

	2022-23 Outturn	2023-24 Budget (Final Allocation)	2023-24 Forecast Outturn after reserves applied	2023-24 Variance
	£m	£m	£m	£m
Expenditure				
Schools Block:				
Individual Schools Budget	152.267	160.196	159.571	(0.625)
ESG Retained Funding	0.700	0.700	0.700	0
Growth fund	0.384	1.761	0.563	(1.198)
Central School Services	2.344	2.369	2.369	0
Sub-total	**155.695**	**165.026**	**163.203**	**(1.823)**
Early Years Block	29.181	31.390	31.390	0
High Needs Block	60.975	69.390	69.390	0
Sub-total	**90.156**	**100.780**	**100.780**	**0**
Grand Total	**245.851**	**265.806**	**263.983**	**(1.823)**
Income				
DSG Income	(250.692)	(265.806)	(265.806)	
DSG Balance	**(4.841)**	**0**	**0**	**(1.823)**

- The DSG reserve brought forward balance into 2023-24 was £9.711m. The schools' forum has agreed to use up to £1.000m of reserves to fund the Hong Kong & Afghanistan Refugees joining our schools in Barnet, of which £0.213m was spent in 2022-23 and the remaining balance of £0.787m is planned to be utilised in 2023-24. In addition, a further £1.000m is earmarked for therapies (High Needs) and £1.129m of Early Years is confirmed and subject to DfE clawback.

Table 9: DSG Forecast Outturn - Reserves

DSG reserves	B/Fwd	Use of Reserve	Top up Reserve	Net Use of Reserves	C/Fwd
	£m	£m	£m		£m
DSG Reserve	(9.711)	2.916	(1.823)	1.093	(8.618)
DSG Reserves	**(9.711)**	**2.916**	**(1.823)**	**1.503**	**(8.618)**

3.3 Public Health Grant

- The Public Health Grant of £18.915m is forecast to overspend by £0.604m. This is to be funded by a drawdown from the Public Health ring fenced reserve. The variance mainly relates to one off use of the Public Health Reserve for Prevention projects and some demand led costs offset partially by underspends in support costs.

- A further £0.116m is forecast to be drawn down from Public Health Reserve to cover other one-off items in Public Health cost centres funded from General Fund.

Table 10: Public Health Forecast Outturn

Service Area	2023/24 Budget	2023/24 forecast	Variance	PH Reserve applied	Variance after Reserves
	£m`	£m	£m	£m	£m
Public Health Grant	18.915	19.520	0.604	(0.604)	0.000
Total	**18.915**	**19.520**	**0.604**	**(0.604)**	**0.000**

- The Public Health Grant Reserve carried forward from 2022/23 is £1.602m. The projected drawdown required as noted in 3.9 and 3.10 is £0.720m which would leave the reserve with a balance of £0.882m at end of 23/24 financial year.

Table 11: Public Health Grant Forecast Reserve position

Reserves use	Reserve at start of 2023/24	Use of Reserve	Reserve c/fwd to 2024/25
	£m	£m	£m
Public Health Reserve	1.602	(0.720)	0.882

Special Parking Account

- Income received from parking charges is paid into a Special Parking Account (SPA) to comply with legislative requirements. Any surplus is appropriated into the General Fund at year end. The act requires any surplus to be spent on specified traffic and highways management objectives. The table below illustrates the forecast outturn position for the SPA and the appropriation to the general fund. The SPA forecast outturn for 2023-24 is a shortfall of £2.932m.

- Parking contravention trends remain volatile with on-street enforcement reporting increased levels of issuance during this period but conversely, moving traffic contraventions and bus lane PCN recovery rates have reduced slightly, there has been an improvement across other parking work streams. It appears the increased prevalence of working from home, flexible working arrangements and ongoing cost of living issue continue to have an impact on travel and parking patterns.

- A fundamental review of the council's CPZ programme has now concluded, and capital bid submitted was approved by the Capital Strategy Board. The revised programme will be delivered over four years.

Table 12: Special Parking Account Forecast Outturn

SPA Accounts	2023-24 Budget	Estimated 2023-24 Outturn	
	£m	£m	£m
Income	**Budgeted SPA Account**	**M9 Forecast Outturn**	**M9 Variance**
Penalty Charge Notices	(13.727)	(11.085)	2.642
Residents Permits	(3.232)	(3.747)	(0.515)
Pay & Display	(3.725)	(4.049)	(0.324)
CCTV Bus lanes	(1.110)	(0.886)	0.224
Total Income	(21.794)	(19.768)	2.026
Operating Expenditure (running costs)	**8.262**	**8.552**	**0.291**
Net Operating Surplus	(13.532)	(11.215)	2.317
Appropriation to General Fund	**(13.532)**	**(11.215)**	**2.317**

4. Capital Programme

Capital Programme 2023-2028

- The council has a significant capital programme across both the General Fund and the Housing Revenue Account (HRA). Capital projects are considered within the council's overall medium to long term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking account of the revenue implications of the projects in the revenue budget setting process.

Forecast Outturn

- The net slippage/acceleration reported at quarter 3 (31st December 23) was £26.915m with £27.585m spend being slipped out of the 2023/24 financial year into future periods and £0.670m accelerated into 2023/24.

- As the council progresses through the financial year, estimates of slippage and accelerated spend will become more accurate. As such, any capital financing adjustments will be presented to Cabinet with outturn adjustments undertaken by the Chief Financial Officer at year end, in accordance with financial regulations.

- The breakdown of net slippage and acceleration by Directorate is shown below:

Table 12: Capital Programme net slippage and acceleration

Directorate	2023/24 Budget	2023/24 Forecast	Variance from Approved Budget	Expenditure to date
	£m	£m	£m	£m
Adults and Health	13.600	11.900	(1.700)	3.788
Children's Family Services	10.007	9.463	(0.544)	6.031
Assurance	1.576	1.567	(0.009)	0.968
Customer and Place	160.728	126.991	(33.738)	61.985
Brent Cross	52.908	41.333	(11.575)	12.925
Strategy & Resources	8.330	8.330	0.000	0.000
General Fund Programme Total	**247.150**	**199.585**	**(47.566)**	**85.698**
HRA	178.021	172.408	(5.613)	109.584
Grand Total	**425.171**	**371.993**	**(53.178)**	**195.281**

Communities, Adults and Health – The underspend mainly relates to Greenspaces Development Project and Barnet Playing Fields, the budget for which is to be reprofiled into 24/25.

Children's and Family Service – The slippage to be re-profiled is due to Education and

Social Care projects, the latter being the solo provision project which is experiencing difficulties in securing a long-term property.

Customer and Place – Overall net slippage of £33.738m.

- Housing General Fund:
  - ODH Acquisitions- £3m slippage - reflecting end of 500 Acquisition programme and waiting Cabinet approval to start new ODH acquisitions.
  - Sage nearly £5m slippage into 24/25 based latest construction costs estimates.
  - GF Small Sites £0.715m deletion to be replaced with new programme
- Growth and Regeneration – General:
  - Depot Relocation – re-profiling of c£0.4m into 24/25 for residual works then a budget deletion of £8.5m pending scheme review.
  - ICT Strategy £0.496m re-profiling – based on Capita SPIR costs profiled spend.
  - Development Portfolio £2.7m re-profiling – mainly due to £1.52m Investment Partnership fees budget re-profiled into next year.
  - Milespit Cemetary Works £0.122m re-profiling – due to planning committee decision requirement being possibly delayed to Jan 2024.
  - Family Friendly Hub £0.401m re-profiling – due to spend being re-profiled into 24/25.
  - The Barnet Loop £0.190m re-profiling – due to spend being re-profiled into 24/25.
  - Connected Places - £0.164m slippage due to staff changes and recruitment being slower.
  - The Town Centre capital budget has now been reduced to £18m over three years.
  - The Burroughs Hendon – the reason for the reduction in the Hendon Hub forecast is due to the deletion of the budget in line with the property review board, Full Business Case to be resubmitted in 2024.
- Highways Non TfL reporting slippage of £3.719m:
  - £2.248m slippage is within Strategic CIL programme made up of £0.913m is expected to slip on the Flooding and Drainage Programme, with additional slippages identified for Footway Relay, Signs and Lines and Brent Cross Carriageways and Footways.
  - The NRP Programme is forecasting a £0.598m acceleration, from the 2024/25 budget. this is mostly driven by higher Rubber Crumb costs – for both DLO and TKJV. The NRP Fees & Other Works budget is forecasting a £230k overspend which is driven by salary recharges. £0.256m were

received from DFT as part of the 'Network North' Road Maintenance allocation. This amount will be used to part-fund the NRP programme and reduce the overall borrowing burden.
    - £2.069m slippage in Highways Improvement programme. These are a series of S106 funded projects, including works for Ark Academy. The majority of these works will not take place in 2023/24 and the budget will slip into the next financial year.
- Environment and Climate Change:
    - £2m against Grahame Park community facilities. Construction costs for the new Colindale Health Centre (Colindale Community Facilities) are expected to be incurred in the next financial year, with only a small amount being spent on Consultancy Costs in 2023/24. The delay is due to a dispute over rent costs between developer Redrow and the ICB, which is delaying the project.
    - £2.858m slippage against Colindale Station Works
- Street Scene:
    - Vehicles - £0.600m slippage due to delay in vehicle procurement.
    - Jolt Town Centre EV Project – £1.400m deletion due to external funding.
    - Trojan Phase 2 EV Project – £2.402m deletion due to external funding. Project to be fully completed this financial year.
- Parking and Infrastructure:
    - Moving Traffic Cameras – £.0.352m slippage due to identifying site allocations.

Assurance – The capital programme is expected to be on budget for 2023/24.

Brent Cross – The Brent Cross capital programme is currently projecting re-profiling expenditure of £11.575m at M9 for 2023-24. The re-profiling all relates to aligning appropriate budgets into future financial years.

- BXC – Funding for land acquisitions – The forecast at M9 for 2023-24 identifies a need for re-profiling expenditure of £0.446m into 2025-26. The majority of the reprofiling relates to an updated legal expenditure profile.

- Brent Cross West – The forecast at M9 for 2023-24 identifies re-profiling expenditure of £5.421m into 2025-26. This relates to a redesign within the Geron Way Highways work package and pausing new expenditure requirements on the Geron Way Waste Transfer Station, whilst an alternative option is explored.

- Critical Infrastructure – The forecast at M9 for 2023-24 identifies accelerating expenditure of £0.178m into the current financial year. This relates to the latest expenditure forecast on the demolition costs for Whitefield Estates.

- BXT Land Acquisitions - The forecast at M9 for 2023-24 identifies a need for re-profiling expenditure of £5.886m into 2024-25. This relates to a prudent forecast acquisition profile of the remaining properties to be vested, likely resulting in an overlap into the new financial year.

HRA - The Housing Revenue Account is forecasting reprofiling of £5.613m into future years. The key areas to note are: Reprofiling of: £2.2m Colindale Gardens into 24/25, £10.7m realignment Acquisitions Phase 3 programme into 24/25 offset by acceleration of expenditure within the current financial year £2.9m Carbon Neutral Works and £4.2m Neighbourhood Works.

As the council progresses through the financial year, estimates of slippage and accelerated spend will become more accurate. As such, any capital financing adjustments will be presented to Cabinet with outturn adjustments undertaken by the Chief Financial Officer at year end, in accordance with financial regulations.

The funding for the capital programme is set out below:

Table 13: Financing of the Proposed Capital Programme

Directorate	Grants	S106	Capital Receipts	RCCO/ MRA	CIL	Borrowing (MEEF*)	Borrowing (PWLB)	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Adults and Health	5.448	0.875	0.139	0.000	5.292	0.000	0.146	11.900
Children's Family Services	8.752	0.131	0.100	0.000	0.268	0.000	0.213	9.463
Assurance	0.000	0.000	0.000	0.000	1.567	0.000	0.000	1.567
Customer and Place	38.091	1.272	3.517	0.000	6.212	1.700	76.198	126.991
Brent Cross	33.309	0.000	0.000	1.011	0.000	0.000	7.012	41.333
Strategy & Resources	0.000	0.595	0.000	0.000	0.000	0.000	7.735	8.330
General Fund Programme	**85.601**	**2.873**	**3.756**	**1.011**	**13.339**	**1.700**	**91.305**	**199.584**
HRA	20.945	3.550	26.401	16.258	0.000	0.000	105.253	172.408
Total Capital Programme	**106.546**	**6.423**	**30.156**	**17.270**	**13.339**	**1.700**	**196.558**	**371.992**

The table below shows the five-year forecast for the overall programme:

Table 14: Five Year Forecast of the Capital Programme

Directorate	Programme Budget	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	Programme Forecast	Additions/Deletions
	£m	£m	£m	£m	£m	£m	£m	£m
Adults and Health	41.662	11.900	21.381	8.380	0.000	0.000	41.662	0.000
Children's Family Services	37.340	9.463	16.623	5.431	5.821	0.000	37.339	(-0.001)
Assurance	1.745	1.567	0.178	0.000	0.000	0.000	1.745	0.000
Customer and Place	342.338	126.991	114.688	52.517	26.397	11.186	331.779	(-10.558)
Brent Cross	86.460	41.333	10.831	34.296	0.000	0.000	86.460	(-0.000)
Strategy & Resources	12.595	8.330	3.899	0.366	0.000	0.000	12.595	(-0.000)
General Fund Programme Total	**522.139**	**199.585**	**167.600**	**100.991**	**32.218**	**11.186**	**511.580**	**-10.558**
HRA	378.246	172.408	98.164	48.099	39.478	20.097	378.246	(-0.001)
Grand Total	**900.386**	**371.993**	**265.764**	**149.090**	**71.695**	**31.283**	**889.826**	**-10.559**

5. Revenues and debt

Collection Fund – Council Tax (based on latest available information)

For the purposes of this report, current year information has been compared against 2019-20, 2020-21, 2021-22 and 2022-23. This is to allow a visible comparison from pre-pandemic through to current period.

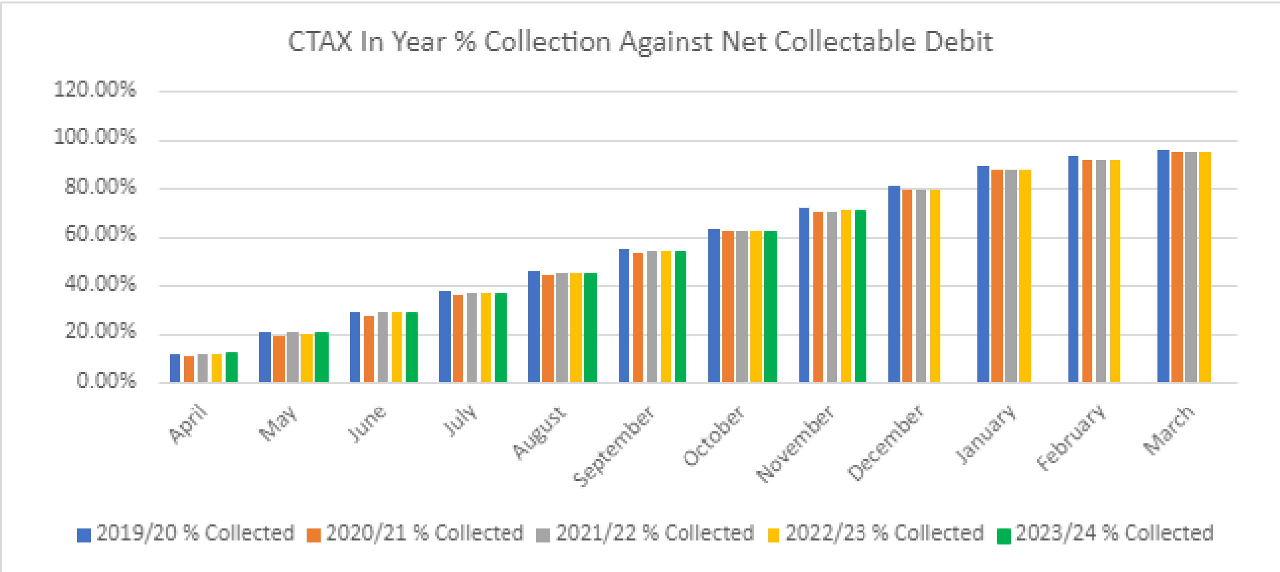
The collection rate in November 2023 is 70.71%, a decrease of 0.09% compared to 2022, an increase of 0.05% compared to 2021, an increase of 0.10% compared to 2020 and 1.06% lower than 2019 (pre-pandemic).

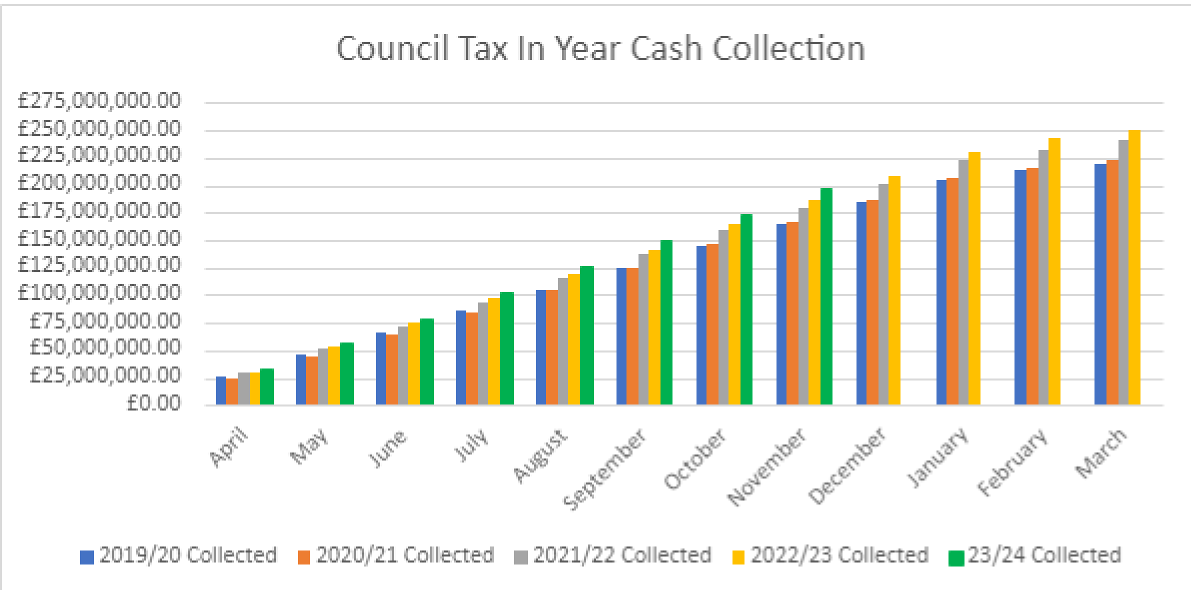
In cash terms, the current collection level is £10.722m higher than November 2022, £17.907m higher than 2021, £31.896m higher than 2020 and £33.341m higher than 2019 (pre – pandemic).

There has been an underlying recovery impact from COVID-19 in Council Tax, however the council's tax base has improved through additional completions and there is not expected to be an adverse pressure on the Collection Fund arising from the tax base.

Council Tax Support expenditure forecast for November is £0.125m below budget.

The charts show the comparison of collection rates and cash values since 2019/20 (pre-pandemic).





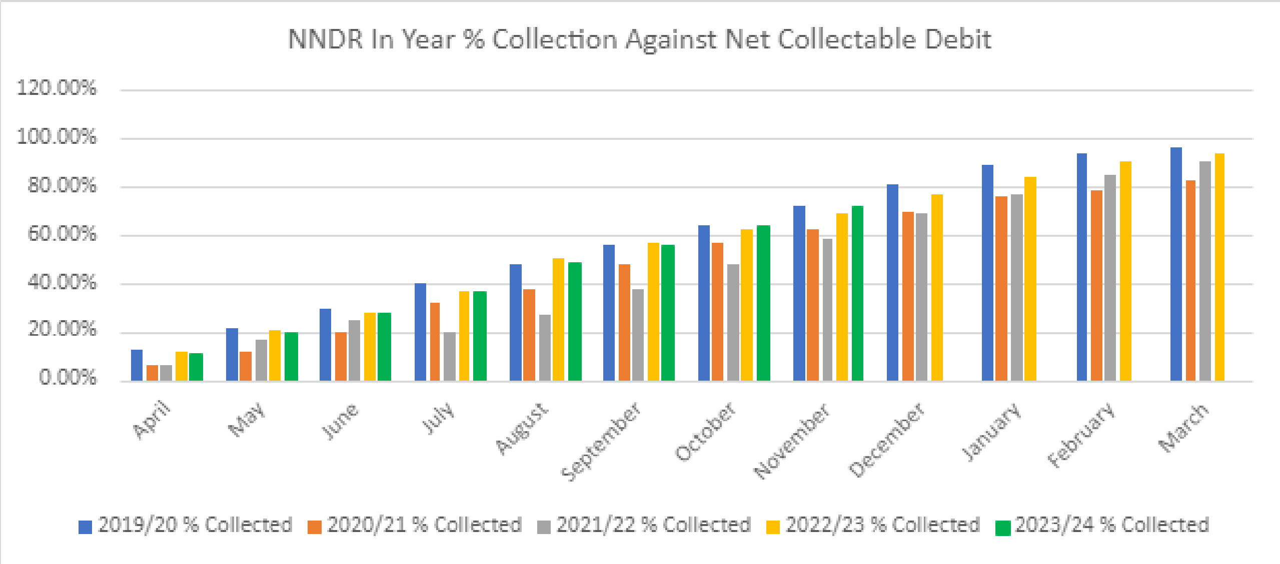
<u>Collection Fund – Business Rates</u>

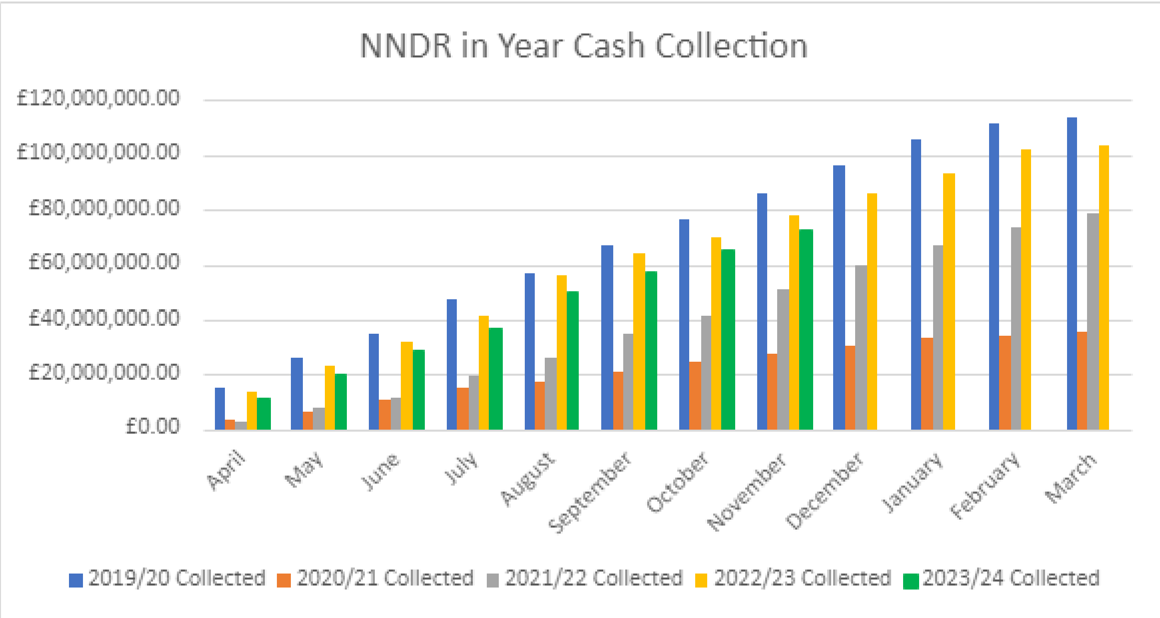
The Business Rates collection rate in November 2023 is 71.90%, an increase of 2.76% compared to 2022, 13.56% increase compared to 2021, 9.50% increase compared to 2020 and 0.18% higher than 2019.

In cash terms, the current collection level is £4.874m lower than November 2022, £21.873m higher than 2021, £45.473m higher than 2020 and £13.055m lower than 2019.

The cash collection is impacted by the Net Collectible debit (NCD) in each year. In November 2023, the NCD is £11.088m lower than 2022 which is why we have seen a reduction in cash collected between these years.

The charts below show the comparison of collection rates and cash values since 2019-20 (pre-pandemic).





<u>Emergency Financial Support for Residents</u>

Emergency support is in the form of Discretionary Housing Payments (DHP), Discretionary Council Tax Discounts (S13A) and Resident Support Fund (RSF) payments.

- DHP awards as at end of November 2023 are £0.895m and we are forecasting that we will spend 100% of Governments funding in this area which is £1.475m

- S13A awards as at end of November 2023 are £0.285m and we are currently forecasting an annual spend of £0.428m.

- RSF awards as at the end of November 2023 are £0.402m and we are currently forecasting an annual spend of £0.603m

Court Costs

November 2023 court costs awarded are £1.544m which is 10.9% lower than 2022.

Court costs collected as at end of November 2023 are £0.827m which is 20.7% lower than 2022

The current budgeted income forecast is not expected to be impacted by the reduction in costs awarded.

- Housing Benefit Overpayments (HBOP)

Housing Benefit Overpayment Collection at the end of November 2023 is £1.697m. This is 5.77% higher than 2022.

From the current forecasted income in this area, it is expected that the budget target of £2.645m will be met for 2023/24.

Sundry Debt

Between November 2023 and December 2023 overall debtors increased by £6.233m (£2.521 not yet overdue). It should be noted that this information is a snapshot as at that date and the overall position varies.

Table 15: Aged Debt Analysis as at 31 December 2023

Debtor	Not Overdue £m	Up to 30 days £m	30 - 60 days £m	60 - 90 days £m	Over 90 days £m	Total Debt £m
Month 9	4.637	5.667	4.160	6.061	25.223	45.748
Month 8	2.116	5.882	6.553	0.285	24.679	39.515
Movement	2.521	-0.215	-2.393	5.776	0.544	6.233

The table below gives detail of the top ten individual debts by debtor, totalling £31.719m.

Table 16: Top Ten Debtors 31 December 2023

Top Ten Debtors 30 December 2023						
Debtor	**Total Debt £m**	**Not Overdue £m**	**Up to 30 days £m**	**30 - 60 days £m**	**60 - 90 days £m**	**Over 90 days £m**
NHS NORTH CENTRAL LONDON ICB	29.403	2.053	4.491	3.826	5.393	13.640
THE FREMANTLE TRUST	1.359	0.000	0.000	0.000	0.000	1.359
NHS England	0.216	0.000	0.216	0.000	0.000	0.000
Mechinah Golders Green LTD	0.143	0.000	0.000	0.000	0.000	0.143
NHS North Central London CCG	0.141	0.000	0.000	0.000	0.000	0.141
COMMUNITY FOCUS INCLUSIVE ARTS	0.118	0.000	0.000	0.000	0.006	0.112
MEADOWSIDE RES. CARE HOME	0.095	0.000	0.000	0.000	0.000	0.095
NHS Haringey Clinical Commissioning Group	0.085	0.000	0.000	0.000	0.000	0.085

Signature Dining	0.084	0.000	0.000	0.000	0.000	0.084
Just Like Home Ltd	0.075	0.000	0.000	0.000	0.000	0.075
Total	**31.719**	**2.053**	**4.707**	**3.826**	**5.399**	**15.734**

There is a significant class of debt relating to Adult Social Care client contributions. At the end of period, the level of total debt related to individuals who receive adult social care services was £11.358m, of which £2.808m relates to Deferred Payment Arrangement (DPA) Debt accounts. Of the remaining £8.550m, £4.955m relates to debts prior to 23/24, which is steadily being reduced as the Debt Project team continue to investigate all ongoing debt cases. The team has recovered a total of £2m so far in 23/24 as well as securing £0.8m worth of DPA debt against individual properties.

NHS NCL ICB: There is an ongoing dialogue with service area and ICB colleagues concerning the remaining balance. Of the £30m outstanding:

£6.5m raised in the last few weeks and not yet due
£8.9m will be paid in January 24 (confirmation from ICB)
£7.7m is being cleared for payment (confirmation from ICB)
£4m of invoices are in the process of being checked by the ICB
£2.5m of invoices are currently being actively disputed.

The legal situation with The Fremantle Trust, which includes Meadowside Care Homes, has progressed, a settlement resolution is about to be finalised with the debtor and will be concluded by year end.

Affinity Water payment received £824,088.53. Balance outstanding £85,853.88.

Property services are currently working with HBPL around the sale of the land associated with the Mechinah Golders Green Ltd debt. The repayment of this debt is included within the negotiations. Completions anticipated 15/03/2024.

Community Focus Inclusive Arts debt is being progressed by the service area who are seeking resolution.

The service area is still to progressing the Signature Dinning debt.

6. Treasury & Liquidity

The council adopted its current Treasury Management Strategy Statement (TMSS) at Full Council in February 2023. This Cabinet is being presented with an updated TMSS for recommendation to Full Council as part of the Business Planning 2024-2030 paper.

At the end of the period, the council held £48.2m in short-term investments with an interest rate spread from 5.39% to 5.80%, averaging 5.30% yield. £18.2m is invested in same-day money market funds (MMF) with the balance of £30m in fixed term deposits with maturity dates of less than 1 year.

The above spread of investments is in line with the market offering higher yields on longer-term deposits and the organisation being sufficiently liquid at the time of placing the fixed term deposits, however the council's expenditure has been higher than expected through the year to date, so the treasury team has been active as a borrower in the short-term inter-local authority market to help manage its cashflow.

During 2023, the council did not breach its authorised limit for external borrowing (£919.873m) that were agreed in the 2023/24 TMSS, however the operational boundary (£819.873m) has been passed which is permitted, whereas the authorised limit is a statutory limit that must not be breached. The treasury team has recommended an increase to these indicators to recognise revisions to the council's capital programme and Cabinet is recommending to Council that this is agreed in January.

Since 1 April 2023, the council has borrowed £150m of loans from the Public Works Loan Board (PWLB). Total long-term borrowing totals £834.1m of which £62.5m is Lender Option Borrower Option (LOBO) loans where the lender option is next due in 2024. The remaining £771.6m is long-term borrowing from the PWLB.

The council is monitoring progression of its capital programme and interest rates as there is a need to increase its external borrowing to finance capital projects scheduled to be progressed this year. Consideration is being given to both current and forecasted gilt yields, as these dictate the current cost of borrowing and the refinancing costs respectively, to optimise the costs of financing the capital programme. The market is expecting interest rates to fall over the course of the next 12-months although the position is very sensitive to inflation reports and other economic data. Where rates are expected to fall, it may make sense to borrow over shorter time horizons while rates are high and then refinance after rates have eased off.

The council had previously fixed forward borrowing at low rates in 2020/21 and 2021/22, however the council is now operating in a significantly higher interest rate environment. The treasury team's timing of borrowing will be tied more closely to the agreement of new projects and the time the cash is required to avoid any additional cost of carry.

As the council's overall interest payments has increased significantly in the past three financial years, any additional projects included in the capital programme that are to be financed through borrowing will require additional budget to be allocated to the capital financing budget allocation. There is only a partial year impact of long-term borrowing taken in 2023/24 that affects the treasury interest payable budget due to the timing of loans being agreed, whereas from 2024/25 onwards, the full year interest cost associated with the new borrowing will need to be met.

The council is also exploring taking borrowing through the Mayor of London Energy Efficiency Fund (MEEF). Borrowing terms through MEEF are significantly more favourable than borrowing via PWLB. The use of MEEF funds needs to be earmarked to projects that demonstrably reduce emissions / improve energy efficiency.

The treasury team has projected forward its cost centre (broadly Interest payable less investment income receivable plus other expenses (bank charges / fees) to 2030. This analysis suggests that, based on the current capital programme, expenditure on the treasury cost centre may increase substantially which would create additional pressures on the council (to the extent these costs are not budgeted for or offset through other savings in services). This analysis has been shared with the team pulling together the MTFS.

The treasury team has also raised awareness that use of historical reserves (including capital receipts and grants unapplied) will likely increase our external borrowing need as reserves are generally backed by "internal borrowing", used to finance historical capital expenditure, rather than cash. This means that when reserves are utilised the internal borrowing needs to be converted to external borrowing. There is a financing implication of this that may create further pressures. The treasury team is building use of reserves into its long-term and current year forecasts.

As cash balances reduce, day-to-day liquidity needs to be more actively managed. Over August, the council experienced net cash out-go of £36m. This necessitated the council borrowing £20m from other Local Authorities on a short-term basis. The council has further borrowed £40m during October to manage liquidity and is likely to need to borrow significantly before the year-end to reflect capital expenditure and use of reserves.

7. Post Decision Implementation

None

8. Corporate Priorities, Performance and Other Considerations

Corporate Plan

This supports the council's corporate priorities as expressed through the Corporate Plan which sets out our vision and strategy for the borough. This includes the outcomes we want to achieve for the borough, the priorities we will focus limited resources on and, our approach for how we will deliver this.

Corporate Performance / Outcome Measures

None in the context of this report

Sustainability

None in the context of this report

Corporate Parenting

In line with Children and Social Work Act 2017, the council has a duty to consider Corporate Parenting Principles in decision-making across the council. There are no implications for Corporate Parenting in relation to this report.

Risk Management

Regular monitoring of financial performance is a key part of the overall risk management approach of the council.

Insight

Whilst not specifically applicable to this report, insight is used to support the future financial forecasts including risks and opportunities highlighted for 2023/24 in this report through activity drivers and place-based understanding.

Social Value

No application to this report

9. Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

This report considers the forecast outturn position of the council at the end of the financial year.

10. Legal and Constitutional References

Section 151 of the Local Government Act 1972 states that: "without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 111 of the Local Government Act 1972 relates to the subsidiary powers of local authorities to take actions which calculated to facilitate, or are conducive or incidental to, the discharge of any of their functions.

Section 28 of the Local Government Act 2003 (the Act) imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the authority must take such action as it considers necessary to deal with the situation. Definition as to whether there is deterioration in an authority's financial position is set out in sub-section 28(4) of the Act.

The council's Constitution, Article 7 Part 2D sets out the function of Cabinet. The Cabinet is responsible for the following functions:

- Development of proposals for the budget (including the capital and revenue budgets, the fixing of the Council Tax Base, and the level of Council Tax) and the financial strategy for the Council;
- Monitoring the implementation of the budget and financial strategy;

- Recommending major new policies (and amendments to existing policies) to the Council for approval as part of the Council's Policy Framework and implementing those approved by Council;
- Approving policies that are not part of the policy framework; 3.
- Management of the Council's Capital Programme;

The council's Constitution, Part 4A sets out the financial regulations part 2.5.4 states that the relevant committee (for example, Licensing and General Purposes Committee) or Cabinet can approve in-year changes to fees and charges subject to them being reported to Council and any requirements relating to public consultation and equality impact assessments being undertaken

11. Consulting and Engagement

N/a

12. Equalities and Diversity

Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties, they are not duties to secure a particular outcome. Consideration of these duties should precede the decision. The statutory grounds of the public sector equal duty are found at section 149 of the Equality Act 2010 and are as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act:
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share relevant protected characteristic that are connected to that characteristic.
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it.
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to.

Tackle prejudices and promote understanding.

Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

This is set out in the council's Equalities Policy together with our strategic Equalities Objective – as set out in the Corporate Plan – that, citizens will be treated equally with understanding and respect; have equal opportunities and receive quality services provided to best value principles.

Progress against the performance measures we use is published on our website at: www.barnet.gov.uk/info/200041/equality and diversity/224/equality and diversity

Background Papers

13.

None