REPORT TO:	**Cabinet** **24 January 2022**
SUBJECT:	**Financial Performance Report – Month 8 (November 2021)**
LEAD OFFICER:	**Richard Ennis, Interim Corporate Director of Resources (Section 151)**
CABINET MEMBER:	**Councillor Callton Young OBE Cabinet Member for Resources and Financial Governance** **Councillor Stuart King, Deputy Leader (Statutory) and Cabinet Member for Croydon Renewal**

SUMMARY OF REPORT:

This report provides the Council's annual forecast as at Month 8 (November 2021) for the Council's General Fund (GF), Housing Revenue Account (HRA) and the capital programme. The report forms part of the Council's financial management process of publically reporting financial performance against its budgets on a monthly basis.

FINANCIAL IMPACT

The Month 8 position is currently indicating a net underspend of £1.248m against budget – this represents a £0.828m favourable movement against the Month 7 forecast. This is before taking into account further risks and risk mitigations. In total, £12.257m (Month 7 £11.777m) of further risks (of which £6.584m relates to approved MTFS savings risks) are identified but there are £11.452m (Month 7 £11.259m) of potential opportunities to mitigate the risk, these are set out in the body of the report. Section 3 details these risks and risk mitigations and further discusses the impact on the General Fund if these were to materialise.

The HRA is indicating an over spend of £1.634m (Month 7 £0.786m) against budget. This overspend is further detailed within Section 5 of the report.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

The Cabinet is recommended to

1.1 Note the General Fund is projecting a net favourable movement of £0.828m from Month 7. Service directorates are indicating a £2.203m overspend (Month 7 £3.030m) with this being netted of as in the past seven months against the release of a one off Covid Grant (£3.451m released = 31% of the gran t) confirmed to Croydon Council for 21/22 by DLUHC as part of the Local Government Finance Settlement;

1.2 Note that a further number of risks and compensating opportunities may materialise which would see the forecast year-end variance change and these are reported within Section 3 of this report.

1.3 Note the Housing Revenue Account (HRA) is projecting a £1.634m (Month 7 £0.786m) overspend for 2021/22. If no further mitigations are found to reduce this overspend the HRA will need to drawdown reserves from HRA balances. There are sufficient balances to cover this expenditure.

1.4 Note the capital spend to date for the General Fund of £13.271m (against a budget of £190.581m) and for the HRA of £8.128m (against a budget of £183.209m), with a projected forecast variance of £58.683m on the General Fund against budget and £110.570m forecast variance against budget for the Housing Revenue Account;

1.5 Note, the above figures are predicated on forecasts from Month 8 to the year end and therefore could be subject to change as forecasts are refined and new and updated information is provided on a monthly basis. Forecasts are made based on the best available information at this time.

1.6 Note that whilst the Section 114 notice has formally been lifted, the internal controls established as part of the S114, such as the Spend Control Panel and Social Care Placement Panels remain. Restrictions have been lifted for ring-fenced accounts such as the Pension Fund, Housing Revenue Account and Coroner's Expenditure as these are directly outside of the General Fund's control. The Spending Control Panel which was set up at the beginning of November 2020 continues to meet on a twice daily basis.

1.7 Note that, Croydon Borough has taken on c1000 asylum seekers who have been placed in eight hotels by the Home Office without consultation with the Council. The hotel costs are funded by the Home Office, however the Council is be responsible for further ancillary services particularly around safeguarding, public health, children & youth provision and broader community support. These additional costs, which are currently being calculated have been flagged within the unquantified risks section of this report, and could clearly result in further financial pressures for the Council.

1.8 Note the Council has now renegotiated a revised loan agreement with Boxpark Croydon Ltd and to date Boxpark have ensured that they have paid the Council according to the terms of the revised agreement. The Council continues to monitor this repayment and will take necessary actions in the event of delays.

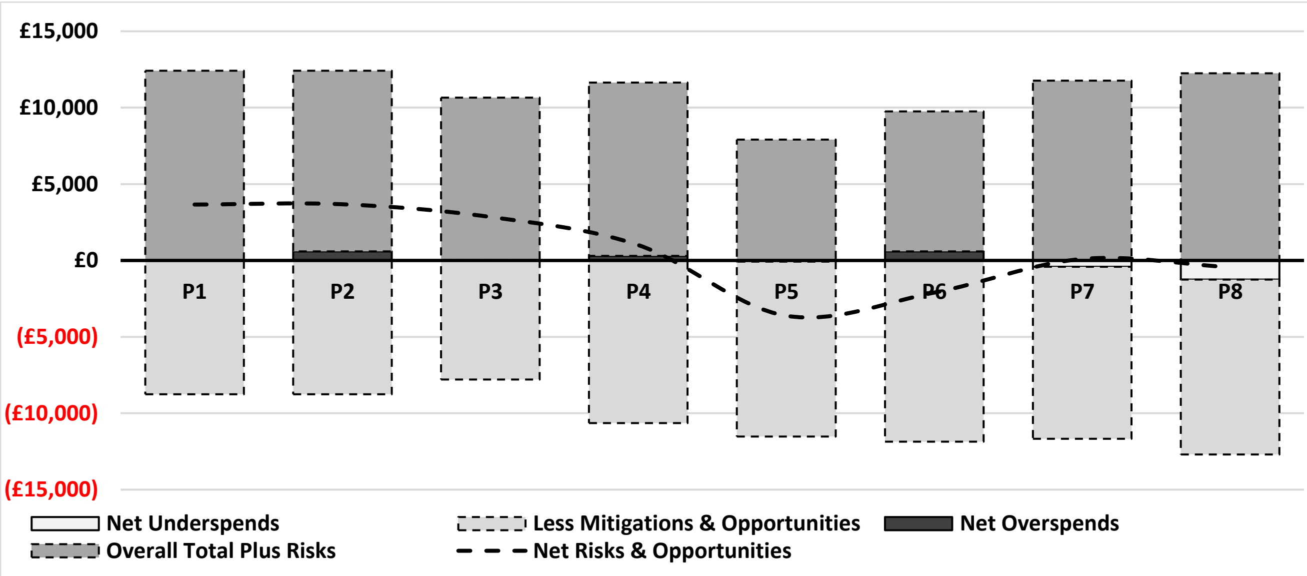
2. EXECUTIVE SUMMARY

2.1. The Financial Performance Report (FPR) is presented to each Cabinet meeting and provides a detailed breakdown of the Council's financial position and the challenges it faces. It covers the GF, HRA and capital programme and ensures there is transparency in our financial position, enables scrutiny by both members and the public, and offers reassurance regards to the commitment by chief officers to more effective financial management and disciplines.

2.2. The General Fund revenue projected outturn forecast has improved by £0.828m from a forecast underspend position of £0.421m in Month 7. There are a further set of risks and opportunities, which indicate a net cost of £0.805m (risks £12.257m and opportunities of £11.452m), but not yet sufficiently developed to be included in the outturn forecast. Should these materialise it will have a negative impact on the forecast.

2.3. The chart below illustrates the trend in the monthly monitoring reports and shows both the forecast as well as quantum of risks and opportunities together with the impact should all risks and opportunities fully materialise (dashed line). The trend indicates the Council will deliver within its budget plan.

Monthly Forecast, Risk & Opportunity Tracker



2.4. The Housing Revenue Account is forecasting an overspend of £1.634m (an increase of £0.848m on the Month 7 forecast of £0.786m). This projected variance impacts on HRA reserves rather than GF reserves.

2.5. The capital programme for both the General Fund and HRA is reporting expenditure to date of £21.399m against overall budget of £373.790m, with a forecast underspend of £169.253m.

2.6. The 2020/21 financial year was a very difficult year for the Council. The Council issued two Section 114 notices as the Council had insufficient resources to meet it’s in year expenditure pressures.

2.7. Since 8th March 2021 the S114 notice has been lifted as the Council received confirmation of a Capitalisation Direction from MHCLG of up to £70m for 2020/21 and MHCLG (Now DLUHC) were minded to fund £50m for 2021/22. The latter allowed the 2021/22 budget to be set.

2.8. The Council has had the benefit of a number of recommendations from various stakeholders and scrutiny panels such as the external auditor's Report in the Public Interest and the Non-statutory Rapid Review by MHCLG. Their recommendations have been taken on board and the Croydon Renewal Plan has been developed which will over the medium term financial strategy period restore the Council's finances, improve culture and practices and develop a more effective system of internal control amongst other improvements to the Council.

2.9. This report forms part of the reporting framework on the delivery of the Croydon Renewal Plan by ensuring the delivery of the council's budget is reported monthly and transparently.

2.10. The Council is still working with the external auditors on finalising the 2019/2020 audit of accounts. However the 2020/2021 Outturn has now been presented to Cabinet on 12th July 2021 based around their findings and the draft accounts have also been published for 2020/2021.

3. FINANCIAL POSITION

3.1. The FPR shows that the Council is forecast to have a General Fund net underspend variance of £1.248m (after drawing down on £3.451m of covid-related grant monies) – a favourable movement of £0.828m on the net forecast reported at Month 7.

3.2. Directorate Teams and Finance colleagues meet monthly to review the forecast position for each area and including risks to reduce any overspends and identify further options to mitigate these. A list of Risks and Opportunities are provided within various tables within this section.

3.3. The forecast outturn position of the General Fund is shown below in Table 1.

Table 1 – Month 8 Projection per Directorate

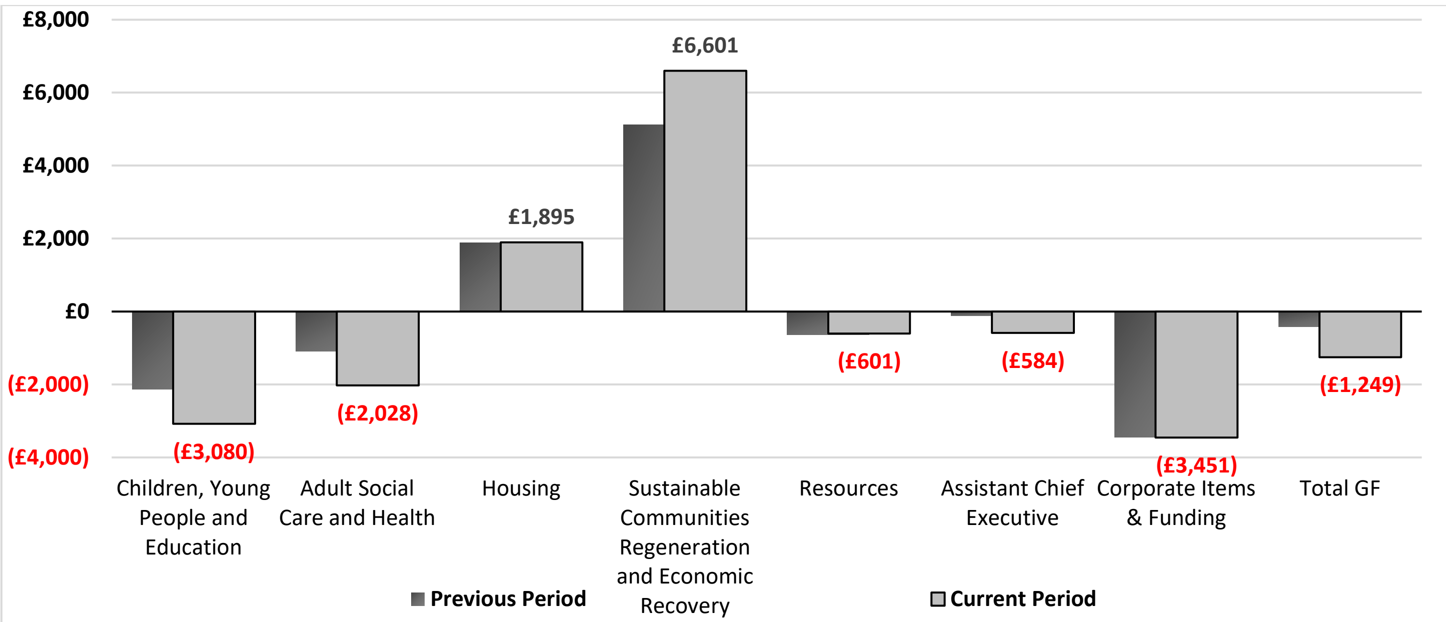
	Month 8	Month 7			
	Forecast Variance	Forecast Variance From Previous month	Change from previous month	Savings Non-Delivery	Other Pressures
	(£,000's)	*(£,000's)*	*(£,000's)*	*(£,000's)*	*(£,000's)*

Children, Young People and Education	(3,080)	(2,127)	(953)	-	(3,080)
Adult Social Care and Health	(2,028)	(1,088)	(940)	-	(2,028)
Housing	1,895	1,881	14	-	1,895
Sustainable Communities Regen & Economic Recovery	6,601	5,122	1,479	3,000	3,601
Resources	(601)	(636)	35	-	(601)
Assistant Chief Executive	(584)	(121)	(463)		(584)
Departmental Total	**2,203**	**3,030**	**(828)**	**3,000**	**(797)**
Corporate Items & Funding	(3,451)	(3,451)	-	-	(3,451)
Total General Fund	**(1,248)**	**(421)**	**(828)**	**3,000**	**(4,248)**

3.4. Net overspends and underspends within the service budgets are presented as forecast variance (as per Table 1), and are additionally classified as either non-delivery of agreed savings or other pressures. Non-delivery of savings relates to the non-achievement of the approved MTFS savings whilst other pressures are as a result of new and external pressures not previously provided for within the Council's 2021/2022 Budget. Further explanations of these overspends are provided within Section 4 of this report.

3.5. The chart below shows the forecast by service department for both the current and previous month:

<u>Change in forecast position Month 8</u>



3.6. The main areas of movement from Month 7 are as follows:

- Adult Social Care and Health £0.940m **favourable** movement due to a underspend on re-ablement cost due the continuation of the NHS Hospital Discharge Programme for Covid, improvement in needing provisions to cover legal challenge against Dorset in relation to Ordinary Residence assessment and underspends due to vacancies;

- Sustainable Communities, Regeneration and Economic Recovery **adverse** movement of £1.479m due to reported lower than expected income. There continues to be work to improve budget monitoring and reporting within the service.

- Resources £0.035m **adverse** movement, principally related to minor overspends in staffing costs across various teams.

- Housing £0.014m **adverse** movement due to slight increase in Temporary Accommodation spend.

- Children Young People and Education indicating an overall £0.953m **favourable** movement due to further reductions within the placement spend as part of the ongoing work to reduce costs without impacting on service delivery to clients.

Further details can be found in section 4 of this report.

Risks and Risk mitigations

3.7. As mentioned within paragraph 3.1 the forecast has been reported excluding further potential risks and risk mitigations. Risks and risk mitigations are split into quantified and unquantified items.

3.8. As with the forecast set out in Table 1 risks are separately reported for those elements that relate to potential under-delivery of approved savings, and those that are new and not directly related to agreed savings plans.

3.9. Table 2a below provides for details of MTFS savings at risk with a brief commentary of the projects that are at risk of delivery and Table 2b provides a list of quantified and unquantified other risks. The savings are subject to a separate assurance process involving both the Chief Executive and the Corporate Director of Resources (Section 151) meeting with the directorates and the Director of policy and programmes. The most recent of these was in early December.

3.10. These meetings identify savings at risk and mitigations for both the current and future years. Where risks are quantified currently, these are based on high level information and directorate experiences of the service. Parking Savings continue to be an issue due to further considerations of the March Budget decisions and therefore with 8 months of the year now passed it is likely these specific savings will not be delivered in full.

3.11. The rest of the services are sufficiently confident in being able to manage or mitigate these risks that they are not included as part of the present forecast year-end position. However, the figure has been provided to indicate to Cabinet the likely financial impact on the budget and therefore the need to take action to deal with the risk should they materialise.

Table 2a – MTFS Savings Risk

MTFS Savings Ref	MTFS Savings Description	Savings at risk	Savings at risk	Change From Prior Month
		(£,000's)	*(£,000's)*	*(£,000's)*
CFE Sav 09a	Review Children's Centres Delivery Model	359	165	194
CFE Sav 12	Early Learning Collaboration Contract	0	82	(82)
Children, Young People and Education Total		**359**	**247**	**112**
Adult Social Care and Health Total		**0**	**0**	**0**
Housing Total		**0**	**0**	**0**
PLA Sav 24	Parking charges increase 30p/30min	2,000	2,000	0
PLA Sav 10	ANPR camera enforcement	3,135	2,025	1,110
Sustainable Communities Regen & Economic Recovery Total		**5,135**	**4,025**	**1,110**
Resources Total		**0**	**0**	**0**
COR Sav 17	Fees and Charges Reviews	1,000	1,000	0
Corporate Items & Funding Total		**1,000**	**1,000**	**0**
RES SAV 23	CDS Extensions or procurements of core IT contracts	80	0	80
RES SAV 24	CDS Reduction in IT contract costs due to LBC smaller workforce	10	0	10
Assistant Chief Executive Total		**90**	**0**	**90**
Total Savings at Risk		**6,584**	**5,272**	**1,312**

Data above taken from Savings Tracker 20th December 2021

3.12. Table 2a indicates that there are potential £5.673m worth of MTFS savings (£6.505m in Month 7) that may not be achieved, however services are currently carrying out further work to ensure these can be delivered or otherwise be mitigated. So far no specific mitigations have been fully identified. Large proportion of the £5.673m risk relates to non-achievement of additional parking income due to demand for parking spaces still being impacted by changed resident behaviour following Covid-19, and downward pressures on demand for a range of services where the Council anticipated further income from increasing fees and charges.

3.13. These savings are reviewed on a monthly basis. If these savings are deemed to be definitely non-deliverable they will be factored into the monthly forecast and incorporated into the forecast outturn position provided in Table 1. The services have been instructed to find mitigations for all savings that cannot be delivered to meet their budgetary total per directorate.

3.14. The main cause of the movement is fees and charges across all services. As a result of Covid, demand levels for services have continued to remain low and the planned increase in fees and charges will not lead to the level of income anticipated in year.

3.15. Section 4 gives details of all the movements between Month 8 and Month 7 and identifies any movements in delivery of MTFS savings, risks and mitigating items that are factored into the forecast assumptions.

Table 2b – Other quantifiable and unquantifiable risks

Quantified Risks	P8 £'000	P7 £'000	Details of Risk
Children, Young People and Education	160	160	**£160k** - Education service for schools (Covid impact on income generation)
Adult Social Care and Health	3,050	3,050	**£550k** - Transitions - value of late prior year payments based on 20/21 **£2.5m** - Adult social care operational risks
Housing	396	396	**£96k** - Demand for Emergency/Temporary Accommodation likely to increase.
			£300k Bad debt costs - Current arrears are increasing in 2020/21 due to lower collection rates in the first part of the year (Covid related). When this debt becomes 'former' as tenants move on then recovery rates drop to between 5% and 30%. Potential additional debt costs of £300k-£800k beyond total presented based on current calculation methods.

Sustainable Communities, Regen & Economic Recovery	1,977	2,899	**£1.699m -** Additional risk to income due to compliance in high ticket yield areas has increased and so put more income at risk than previously stated. A new Parking Model has been devised which has highlighted this issue and the service is using this improved model to explore any mitigation factors that can be implemented to keep the financial risk to a minimum.
			£118k – Additional historic VAT liability within Building Control due to re-calculation of Building Control income. **£160k** - Potential payment to BoxPark for their 5th and 6th year grant contributions. However, Council currently reviewing legal position due to default clauses within the grant agreement which the Council believes have been triggered.
Resources	90	**-**	There is **£90k** confiscation budget within corporate anti-fraud team, although there are live cases where there is a recovery prospect in excess of £90k but there is a real risk due to delays in the court system associated with COVID 19 that these amounts are not recovered in 2021/22.
Assistant Chief Executive	**-**	**-**	
Total Quantified Risks	**5,673**	**6,505**	

Un-Quantified Risks	**P8 £'000**	**P7 £'000**	**Details of Risk**
Children, Families and Education	**-**	**-**	Croydon Borough has taken on c1000 asylum seekers who have been placed in eight hotels by the Home Office. The hotel costs are funded by the Home Office, however the Council will be responsible for further ancillary services particularly around safeguarding, public health, children & youth provision and broader community support. These additional costs, which are being worked out and have been flagged within unquantified risks, could result in further pressures for the Council. The Council is modelling the potential impact and will report the position in P9.
Adults, Health and Social Care	**-**	**-**	**TBC** - Impact of long Covid which will create additional placement pressures
	-	**-**	**TBC -** Potential impact of cold and flu pressures in the winter.

	-	-	**TBC** - **Care sector pressures -** The pressures in the social care sector nationally are well known. There are high levels of vacancies within the service and difficulty recruiting to the posts. This may result in providers not being able to provide care safely or within their financial envelope. Increasing utility costs is also a financial pressure. These additional pressures may lead to provider failure and the need to re-provision care with other providers which usually results in higher costs.
Housing	-	-	**NRPF** (No Recourse to Public Funds) Service is demand led. Brexit - EA Nationals in Croydon need to confirm their status and apply for the correct legislation to continue to receive benefit payments, if this is not actioned they will revert to NRPF
	-	-	**NRPF** (No Recourse to Public Funds) Service is demand led. Mental Health/CCG - expensive care placements, due to some cases having a criminal element it takes longer for the HO to make a decision resulting in a longer placement
	-	-	**Bad debt provision** to cover risks of non-payment of outstanding rents is included within the current forecast for Temporary accommodation however COVID impact may increase the % levels of bad debt
Sustainable Communities Regen & Economic Recovery	-	-	**SEN PRESSURE** Travel Training was suspended until September 2021 due to Covid, and we are currently working through the backlog of students who would otherwise have transitioned off traditional home to school transport, onto being able to travel independently. Addington Valley Academy additional students, Single students attending schools, Changes to contractors providing services in year, due to performance issues In addition pressures related to a national shortage of drivers and covid related staff shortages are putting additional pressure on the budget.
	-	-	**TBC** - Waste Collection and Street Cleansing Contract - Income Risk to Commercial Waste Income Collection in 20/21 due to COVID & 21/22 - under commercial dialogue with Veolia

Resources	**-**	**-**	**Insurance and Risk** - forecast to budget on basis that schools income pressure can be mitigated by reduction in premiums and claims.
	-	**-**	**Revs and Ben Income** - There are streams of income budget across this service such as Land charges, Court cost and Bailiff - current forecast are based on the assumption that the trend of income received to date continues or in the case of Land charges that it's income which is mostly based on the number of new build registered with the council etc. continue as it is in the last 2 months. There is the possibility that these trends could change there by resulting in risk/ opportunities.
	-	**-**	**Legal Recharges**. Risk that legal internal recharges forecast is too high. This is currently being followed up and investigated. Risk that internal legal recharges income does not match the legal recharges expenditure forecast by services charged
	-	**-**	**Unreconciled holding accounts for BIDS, HR Staff Loans and P-Cards.** Risk that holding accounts will not be able to be reconciled and some balances transferred as pressures into forecast
	-	**-**	**TBC - Further commercial tenants** are not able to pay rental income and will need to be written off, or will give notice on leases
	-	**-**	**Risk that utilities in** - year costs will be higher than forecast. Also risk that schools utilities debts will not be recovered and covered by bad debt provision
Corporate Items & Funding			None
Assistant Chief Executive	**-**	**-**	**CDS** - There is the risk of increased contract cost due to delays in receiving actual invoices and there are also outstanding contractual queries around End user service volumes as they are not reducing as anticipated.
	-	**-**	**Coroners** - risk that Croydon's contribution to the Coroners service will increase beyond the current forecast
Total Un-Quantified Risks			

3.16. Table 3 provides a list of quantified and unquantified risk mitigations. These are potential risk mitigations that will require further assurance to be included within the forecast. Services managers have identified these as potential mitigations to the risks identified Tables 2a and 2b. Any additional risk mitigations also help the overall financial position of the Council as these would help generate a larger underspend that can be put away into reserves to support future MTFS gaps.

Table 3 - Quantifiable and unquantifiable opportunities

Quantified Opportunities	**P8 £'000**	**P7 £'000**	**Details of Opportunities**
Children, Young People and Education	(1,307)	(1,307)	Transformation funding approved for a number of MTFS savings programme projects, these include: **1. Reconfiguration of Early Help Services** **2. Review of Children with Disabilities Care Packages** **3. Reduction in the Numbers of Children in Care** **4. Improve Practice System Efficiency** Potential for further reductions within Placement Costs due to ongoing review of in year and historic costs.
Adult Social Care and Health	(1,377)	(1,307)	Positive impact of health funding and Scheme 4 Covid funding on care packages. This is part of continuation of Hospital Discharge Programme funding until March 22 from NHS.
Housing	(396)	(396)	Property acquisition coming into HRA portfolio will allow tenants in nightly paid accommodation to move onto Assured Shorthold Tenancies and reduce the impact of rising demand. This addresses the **£210k** of risk from homelessness demand shown but will be unlikely to impact the forecast as shown.
Sustainable Communities Regen & Economic Recovery	0	0	None
Resources	(200)	(200)	**£200k** - FIR - There is the probability that the court cost income raised could be higher than what is currently being forecast.
Assistant Chief Executive	(373)	(250)	**£250k** - CDS - Opportunity of greater under budget from Digital Advertising Income. **£123k** - CDS - Opportunity of reduction in payment to key contractors.
Corporate Items & Funding	(7,799)	(7,799)	Potential reduced spend against the Covid Grant
Total Quantified Opportunities	**(11,452)**	**(11,259)**	

Un-Quantified Opportunities	**P8 £'000**	**P7 £'000**	**Details of Opportunities**

Children, Young People and Education	-	-	**TBC** - Corporate distribution of contact inflation and staffing budget deficits for 0.75% 2020/21 pay award and pension employer contribution
	-	-	**WIP** - Placement costs – validation of growth approved currently being completed
	-	-	**WIP** - CSC establishment review coming to a conclusion and is expected to realise sufficient savings to mitigate against savings at risk due to delay in completion of the respective MTFS delivery plans
	-	-	**WIP** - Transformation funding approved for a number of MTFS savings programme projects
Adult Social Care and Health	-	-	None
Housing	-	-	**TBC** - Leases – renegotiate the lease. Need to confirm the numbers due to expire this financial year
	-	-	**TBC** - Review of under occupied tenancy
Sustainable Communities Regen & Economic Recovery	-	-	None
Resources	-	-	None
Assistant Chief Executive	-	-	The council has received Control Outbreak Management Fund grant. Council have carried out work on the conditions of the grant and have understood how this can be applied. Further work will done to allocate funding to meet the grant conditions.
Corporate Items & Funding	-	-	None
Total Un-Quantified Opportunities			

3.17. As at Month 8, if all risks and risk mitigations were to materialise, along with the forecast reported in Table 1 the General Fund would overspend by £0.308m (Table 4), however some of the risks and mitigations will need further refining and validating to confirm the likelihood of them materialising. The situation will be clarified as the year progresses and the monthly budget reports show more detail on the patterns of income and expenditure and the longer term impact of Covid on Council services becomes clearer. Service managers have been instructed to identify and implement mitigations to spend within their approved funding envelopes. As such compensating measures are developed the impact of the net risks is expected to decline. Successful examples of this are the reduced risks and increased opportunities.

3.18. A number of the projected variances or risks relate to the continued impact of the Covid pandemic which we hope would ease towards the back end of the financial year. In particular parking and traffic income continues to be affected for which part grant compensation is only receivable for the first quarter of 2021/22. Other pressures such as SEN costs (with no grant funding) have been impacted in delays in delivering travel training to clients thus impacting on transport cost pressures.

3.19. There are however areas where budgets will need to be reviewed with a view to being rebased as they were not adjusted as part of the right sizing of budgets in the 2021/2022 budget setting. Two significant areas that will need to be reviewed before budget setting in 2022/2023 are SEN transport costs, and costs relating to Emergency and Temporary accommodation. Additional costs arising will need to be funded from within the existing Council wide budget envelope.

4. SERVICE VARIANCE DETAIL

4.1. **Children, Young People and Education (CYPE)**

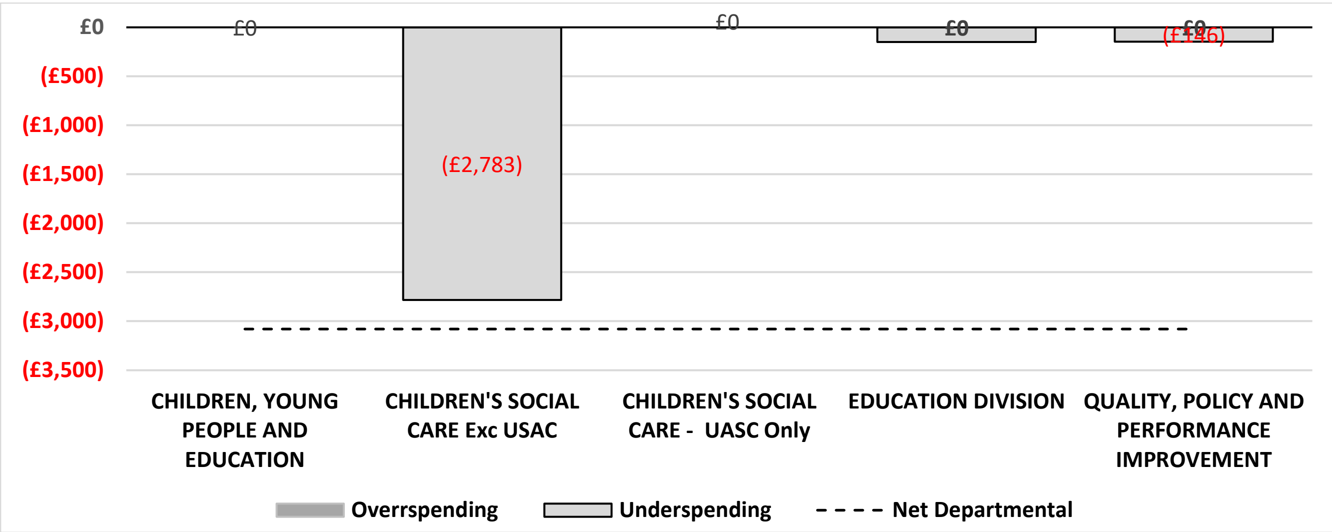
The CYPE directorate is forecasting a £3.080m underspend for Month 8 (favorable movement of £2.127m from Month 7) within the directorate.

The main cause of this is due to underspends in relation to under 18 placements and 18+ leaving care placement which have been realised as part of the recent review, and underspend on staffing within social care.

There are £0.359m of MTFS Savings at risk at Month 8. There are opportunities identified of £1.307m.

The following chart illustrates the divisional forecast variances within Children young People and Education:

Divisional View of Children Young People & Education Forecasts



4.2 Adults Social Care and Health Social Care (ASCH)

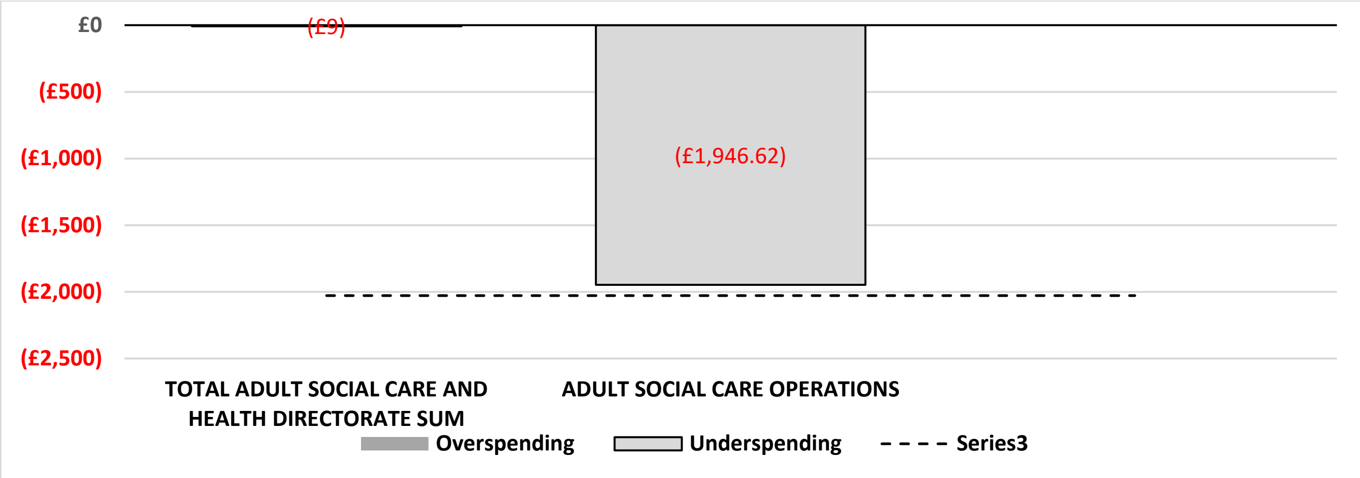
The ASCH directorate are forecasting an under spend of £2.028m (a favourable movement of £0.940m from Month 7).

Last month we reported that the main cause of this favourable movement is due to an under spend on re-ablement costs due to the continuation of the NHS Hospital Discharge Programme for covid (£0.513m) and underspends due to vacancies. This has continued and in further improvements have been generated, however the largest item that has resulted in the significant improvement to Month 7 is the reduction of legal liability provision in relation to an ordinary resident case.

Whilst the directorate is showing an under spend, Table 2b identifies a further £3.050m of potential additional risks. Of the risks identified £0.550m that relate to transitions of children social care clients to adult services have not moved since the last report and still remain the same and new risks of Adult social care operational risks have also been identified.

There are no MTFS savings at risk of delivery, however further unquantified risks due to long Covid have been identified at Month 8. There are opportunities identified of £1.377m, an improvement of £0.070m.
The following chart illustrates the divisional service forecast variances within Health, Wellbeing and Adults:

Divisional View of Adult Social Care and Health Forecasts



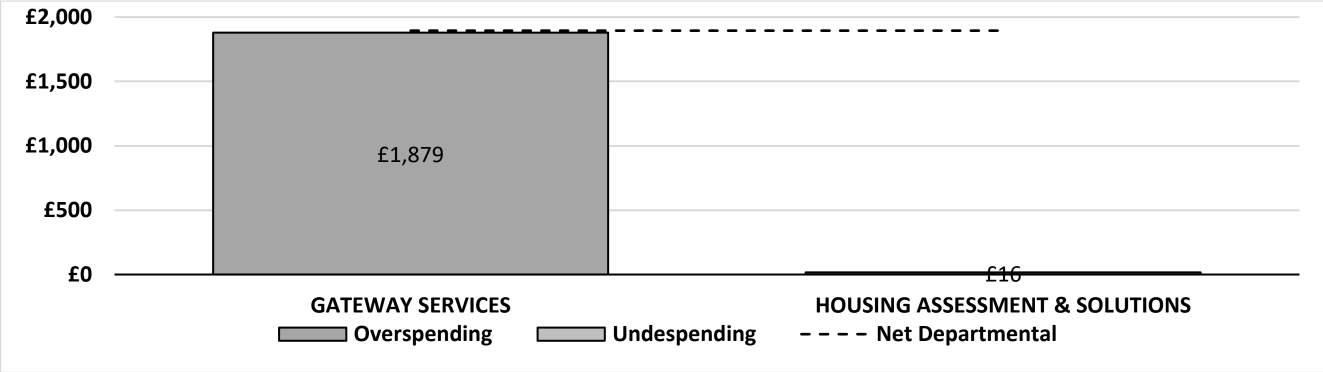
4.3 Housing

Housing Directorate is forecasting an over spend of £1.895m.This is an adverse movement of £0.014m to the projection reported at Month 7.

The main cause of this movement relates to projected cost and demand increases within the Emergency and Temporary Accommodation services. Demand for Emergency Accommodation is assumed to increase due to the negative economic after effects of Covid-19. Furthermore, this is also likely to impact the need to maintain a sufficient level of bad debt provision to cover risks of non-payment of outstanding rents which have accumulated over past 18 months.
Furthermore the service has identified £0.396m of other risks relating to potential further temporary accommodation pressures emerging. Further work will be done to ensure the bad debt risks are minimised and that the risk does not materialise.
There are no MTFS savings at risk of delivery, however further unquantified risks due to housing demand pressures and income collections risks have been identified. There are opportunities identified of £0.396m. Additional grant funding of £1.51m has been received from Government to tackle homelessness through prevention work. This grant comes with significant conditions in terms of its usage and the service are working to apply the grant as per the conditions and whether it can be applied towards reducing in year pressures. However, due to the time taken to mobilise prevention work it is felt that this funding will not benefit the Council in the current year but will support future year homelessness costs.

The following chart illustrates the divisional forecasts within the department:

Divisional View of Housing Forecast



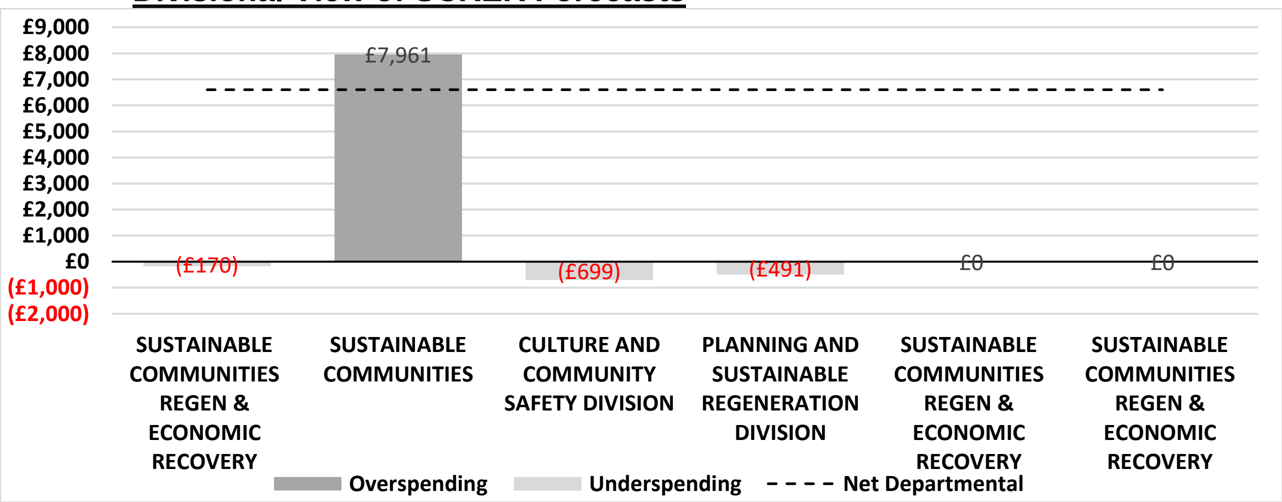
4.4 **Sustainable Communities Regeneration & Economic Recovery (SCRER)**

The SCREC directorate is forecasting a net overspend of £6.601m (an **adverse** movement of £1.479m from Month 7). The pressures continue to be around Highways (including Parking Services), SEN Transport and Environmental services.

In addition to the forecasted overspend with the SCRER directorate have provided for further risks as indicated in Table 2a and 2b. These risks include £5.135m of MTFS Savings risks and £1.977m for other risks. MTFS savings risks relate to the fall in Pay & Display parking income and income generated from new and existing ANPR Camera enforcement activity. Additional, risks have been identified mainly around loss of parking income and compliance in high risk yield areas and a potential claim in relation to the waste disposal contract.

There are no further opportunities identified by the SCRER directorate.
The following chart illustrates the nature of the overall SCRER Directorate forecast position by Division:

Divisional View of SCRER Forecasts



4.5 **Resources**

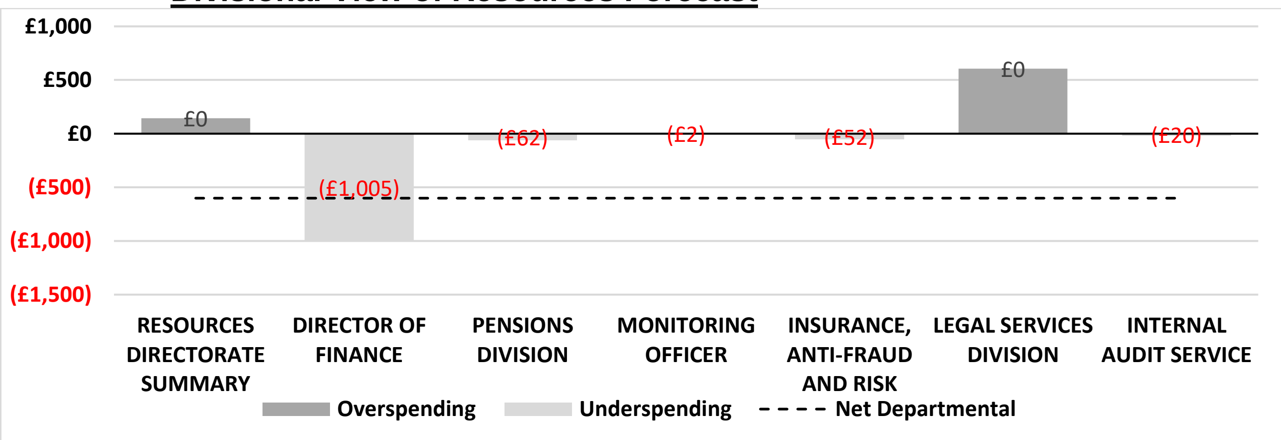
The Resources directorate is forecasting a underspend positon of £0.601m (underspend £0.636m in Month 7). This is a net position after factoring all budgeted income and expenditure within the directorate.

The main reasons for this underspend relate to better than projected collection of court cost income in relation to Revenue & Benefits activities and various staffing related underspends. Main causes of staff related underspends are for vacancies not being filled.

Further work on unquantified risks that had been identified is ongoing and whilst they may still materialise work is ongoing to try and work to mitigate these as we progress through the financial year.
Resources have identified further £0.200m of opportunities which would arise from recoupment of court costs in relation to our Revenues and Benefits service.

The following illustrates the split of the overall departmental forecast at a divisional level:

Divisional View of Resources Forecast



4.6 **Assistant Chief Executive**

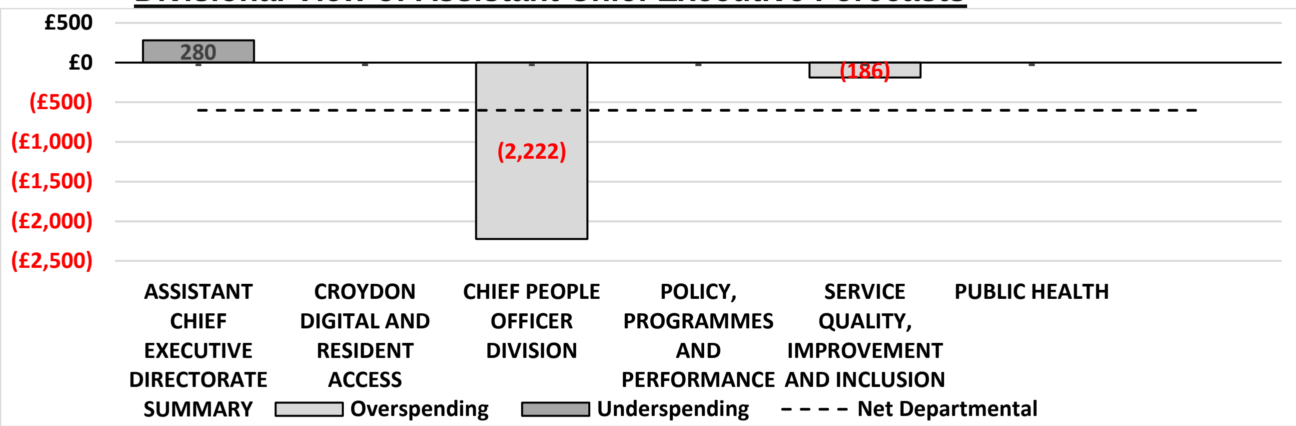
The ACE directorate is forecasting a underspend positon of £0.584m (underspend £0.121m in Month 7), an improvement of £0.463m. This is a net position after factoring all budgeted income and expenditure within the directorate.

The main reasons for this underspend relate to various staffing related underspends and identification of grant monies that can be applied within the current financial year. These grants includes usage of Brexit funding and drawdown of Community Fund grants. Main causes of staff related underspends are for vacancies not being filled.

The directorate however now expects that £0.090m of IT contract related MTFS Savings will now not be achieved, however ACE have identified further £0.373m (£0.250m in Month 7) of opportunities which would arise from increased income from digital advertising.

The following illustrates the split of the overall departmental forecast at a divisional level

Divisional View of Assistant Chief Executive Forecasts



4.7 **Corporate**

The Council received a non-fenced grant of £11.250m from Central Government in relation to additional costs that may be incurred in the current financial year as a result of Covid 19 and was announced in the December Local Government Finance Settlement. Any costs incurred by directorates are expected to be met from existing service budgets and the grant is available to meet any additional service costs over expenditure. Where practicable additional costs including lost income arising from Covid will be identified and reported separately in future reports. The forecast General Fund variance of £2.203m is currently offset by utilizing £3.451m of this grant.

Currently all pressures within services have been identified within the forecast and risks and therefore we believe that the remaining of the £11.250m of Covid funding, which is £7.799m will be used to offset the additional risks.

The cost of financing the capital programme is retained corporately. This is still being reviewed and an updated position will be provided in Month 9, however we do not anticipate any pressures to arise from these budgets.

MTFS savings of £1m relating to fees and charges have been identified. As a result of Covid, demand levels for services have continued to remain low and the planned increase in fees and charges will not lead to the level of income anticipated in year.

4.8 Table 4 below summaries the overall positions:

Table 4 – Summary – Month 8 with Month 7 Comparator

	Month 8	Month 7	Variance
	(£,000's)	(£,000's)	(£,000's)
Table 1 - Forecast	(1,248)	(421)	(828)
Table 2a - MTFS Savings Risk	6,584	5,272	1,312
Table 2b - Quantifiable Risks	5,673	6,505	(832)
Table 3 - Quantifiable Opportunities	(11,452)	(11,259)	(193)
Total	**(443)**	**97**	**(541)**

5 Housing Revenue Account (HRA)

5.1 Table 5 provides a summary of the HRA Month 8 monitor, which is currently indicating a £1.634m overspend (Month 7 £0.786m). The HRA is a self-financing ring-fenced account and will need to ensure it remains within the resources available, taking into account levels of HRA reserves. The adverse movement from the Month 7 forecast is largely due to a reassessment of likely disrepair liabilities, but there are also pressures in relation to responsive repair costs and large numbers of garage voids.

5.2 The Housing account has incurred significant disrepair settlement costs over the past month and due to legislative change and staff constraints these costs are projected to increase. The new forecast is based on an assessment of likely case settlement during the remainder of this financial year. In addition, the HRA continues to experience loss of income from garage rent along with increased demand for responsive repairs. The forecast overspend reported in Table 5 can be contained within HRA reserves provisionally forecast at £27.6m as at 31st March 2021.

Table 5 – Housing Revenue Account (HRA) at Month 8

SERVICES	Projected Variance For Month	Variance For Previous Month	Change From Previous Month	Explanation of Variance
	£'000	*£'000*	*£'000*	
Responsive Repairs and Safety	1,391	492	899	Increase in Legal & compensation payments by £518k in the period forecast due to disrepair claims. This is coupled with additional demand for responsive repairs on occupied and void properties.
Asset Planning and Capital Delivery	(857)	(697)	(161)	Vacancies within the service which has resulted in less expenditure than budgeted.

Allocations Lettings and Income Collection	469	289	180	Due to disrepair, garages remain void and this is impacting on income achievable from renting them.
Tenancy and Resident Engagement	55	124	(69)	Review of outstanding Purchase Order commitments on systems has resulted in some commitments being closed off as no longer needed.
Homelessness and Assessments	250	250	(0)	Overspend on costs combined with a high level of voids based on 20/21 outturn
Directorate & Centralised costs	327	327	(0)	Overspend on senior management budget due to additional resources needed to resolve various HRA delivery issues.
	1,634	**786**	**848**	

5.3 Further work in taking place within the Housing and Legal service to address the number of outstanding disrepair claims. This could have a further impact on the HRA budget in 22/23 if it transpires that additional compensation and legal costs are due to tenants.

6 Capital Programme as Month 8

6.1 The General Fund and HRA capital programmes have currently spent a gross £54.73m to the end of the month 8 against approved budgets of £373.790m. Forecast spend is £204.536m resulting in a forecast variance of £169.254m. Actuals to date are still impacted by accruals brought forward from 2020/2021 which have yet to be invoiced and do not take into account accruals for works so far completed due to delays in when suppliers send in their payment requests.

6.2 The table below summarises the capital spend to date by directorate with further details of individual schemes provided in Appendix 2.

Table 6 – Capital Programme

Department	Revised Budget 2021/22 (including approved slippage from 2020/21)	Actuals 2021/22 as at Month 8	Forecasts 2021/22 as at Month 8	Variance
	£'000	£'000	£'000	£'000
HOUSING	4,773	356	3,393	(1,380)
ADULT SOCIAL CARE AND HEALTH	1,726	4	68	(1,658)
ASSISTANT CHIEF EXECUTIVE	20,625	1,068	11,867	(8,758)

CHILDREN, YOUNG PEOPLE AND EDUCATION	26,078	10,020	15,451	(10,627)
SUSTAINABLE COMMUNITIES REGEN & ECONOMIC RECOVERY	76,439	1,703	45,269	(31,170)
RESOURCES	9,047	119	3,456	(5,592)
CORPORATE ITEMS & FUNDING	51,893	0	52,393	500
General Fund Total	**190,581**	**13,271**	**131,898**	**(58,683)**
HOUSING REVENUE ACCOUNT	183,209	8,128	72,639	(110,570)
LBC CAPITAL PROGRAMME TOTAL	**373,790**	**21,399**	**204,536**	**(169,254)**

6.3 The variance column is projected to be slipped into the new financial year, subject to Cabinet approval at year end. Further work will be done over the coming months to review the budget provision for 2021/2022 and the review will focus on ensuring the capital budgets are properly profiled to reflect the actual delivery of various projects.

6.4 The significant slippage within the HRA Capital Programme relates to the properties that will be purchased by the Council from Brick by Brick. The Council is working with Brick by Brick and the legal team to re-assess the acquisition of the properties with the intention to review if they can be purchased in the current financial year. This will be updated in Month 9 report.

7 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

7.1 Finance comments have been provided throughout this report.

Approved: Richard Ennis – Corporate Director of Resources

8 LEGAL CONSIDERATIONS

8.1 The Council is under a statutory duty to ensure that it maintains a balanced budget and to take any remedial action as required in year.

8.2 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control. It is consistent with these arrangements for Cabinet to receive information about the revenue and capital budgets as set out in this report.

8.3 The monitoring of financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report also complies with that legal duty.

Approved by*:* Sandra Herbert on behalf of the interim Director of Legal Services & Deputy Monitoring Officer

9 HUMAN RESOURCES IMPACT

9.1 There are no immediate workforce implications as a result of the recommendations in this report. Any mitigation on budget implications that may have effect on direct staffing will be managed in accordance with relevant human resources policies and were necessary consultation with recognised trade unions.

Approved by: Gillian Bevan Head of Human Resources (Res and CEO)

10 EQUALITIES IMPACT

10.1 There are no specific equalities issues set out in this report.

10.2 The Council has a statutory duty to comply with the provisions set out in the Sec 149 Equality Act 2010. The Council must therefore have due regard to:

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

10.3 In setting the Council's budget for 2021/2022, all savings proposals were required to complete an Equality Impact Assessment. As Officers deliver against the approved budget, including the savings within it, they will continue to monitor for any unanticipated equality impacts.

10.4 The Council's core priority is to tackle ingrained inequality and poverty and tackling the underlying causes of inequality and hardship, like structural racism, environmental injustice and economic injustice. The budget should take due regard to this objective in relation to each protected characteristic. The Borough's responsibility to asylum seekers, young people, and disabled people and families is key to this regard.

Approved by: Denise McCausland, Equalities Programme Manager, Policy Programmes and Performance

11 ENVIRONMENTAL IMPACT

11.1 There are no specific environmental impacts set out in this report

12 CRIME AND DISORDER REDUCTION IMPACT

12.1 There are no specific crime and disorder impacts set out in this report

13 DATA PROTECTION IMPLICATIONS

13.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**
NO

13.2 **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

NO, as the report contains no sensitive/personal data

Approved by Nish Popat – Interim Head of Corporate Finance

REPORT AUTHOR:	Nish Popat, Interim Head of Corporate Finance
APPENDICES:	Appendix 1 – Service Budgets and Forecasts Month 8 Appendix 2 – Capital Programme Month 8
BACKGROUND DOCUMENTS:	None