

REPORT TO:	Cabinet 18 October 2021
SUBJECT:	Financial Performance Report – Month 5 (August 2021)
LEAD OFFICER:	Richard Ennis, Interim Corporate Director of Resources (Section 151) and Deputy Chief Executive

SUMMARY OF REPORT:

This report provides the Council's annual forecast as at Month 5 (August 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 5 position is currently indicating a net underspend of £0.086m against budget – this represents a £0.378m favourable movement against the Period 4 forecast. This is before taking into account further risks and risk mitigations. In total, £7.900m (Month 4 £11.353m) of further risks (of which £1.408m relates to approved savings risks) are identified against which £11.435m (Month 4 £10.639m) of potential opportunities are identified and 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 overspend of £0.742m (Month 4 £0.696m) 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

- 1.1 Cabinet are asked to note the General Fund is projecting a net favourable movement of £0.378m from Period 4. Service departments are indicating a £3.365m overspend (Month 4 £3.742m) with this being netted of as in the past four months against release of a one off Covid Grant (£3.451m) confirmed to Croydon Council for 21/22 by MHCLG 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. Should these risks materialise or the mitigations not be effective the Council could overspend by £7.814m (Month 4 £11.664m);
- 1.3 Note the Housing Revenue Account (HRA) is projecting a £0.742m (Month 4 £0.696m) overspend for 2021/22. If no further mitigations are found to reduce this

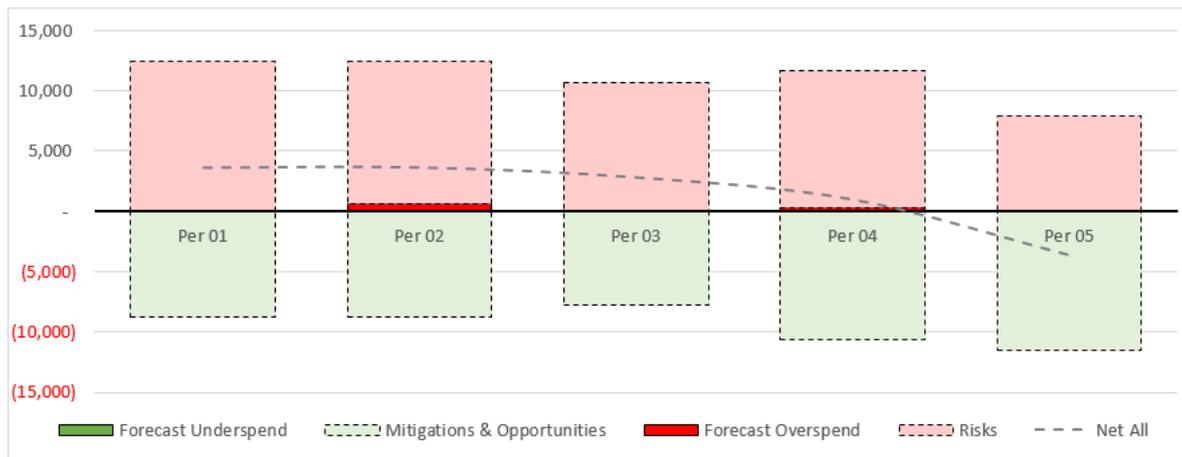
overspend the HRA will need to drawdown reserves from HRA balances which at the moment there are sufficient balances to cover this;

- 1.4 Note the capital spend to date for the General Fund of £8.235m (against a budget of £138.688m) and for the HRA of £5.713m (against a budget of £183.209m), with a projected forecast variance of £36.899m on the general fund against budget and nil forecast variance against budget for the general fund;
- 1.5 Note, the above figures are predicated on forecasts from Month 5 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; and
- 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 remain. However, restrictions have been lifted for ring-fenced accounts such as the Pensions Fund, Housing Revenue Account and Coroner's Costs as these do not directly impact on the financial position of the General Fund. 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 due to no Cabinet Meeting in September 2021 Period 4 has not been presented to Cabinet. Period 4 position has been provided for as Appendix 3 to ensure there is a clear audit trail for Members between Period 5 and Period 4.
- 1.8 Note that the Council has received a one off financial support of £2.3m from Government to help cover the pressures within Unaccompanied Asylum seeking Children (UASC), which means the Council still funds £2.20m of pressures.

2. EXECUTIVE SUMMARY

- 2.1. This reports sets out the Council's current General Fund revenue budget projected outturn for the full year as at Month 5, August 2021.
- 2.2. The forecast General Fund revenue forecast has improved by £0.378m from an overspend of £0.020m in Month 4. It is expected and required that services formulate plans to address these overspends over the coming month. Appendix 3 gives details of the financial performance report as at month 4 with a month 3 comparator, month 3 being the last financial performance report that was submitted to cabinet due to no Cabinet meeting in September.
- 2.3. Further risks and opportunities not yet sufficiently developed to be included in the forecast itself net to (£4.943m) have been identified (risks £6.492m and opportunities of £11.435m).
- 2.4. The chart below illustrates the trend in 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)

Monthly Forecast, Risk & Opportunity Tracker



- 2.5. The Housing Revenue Account is forecasting an overspend of £0.742m (an increase of £0.046m on the Month 4 forecast of £0.696m). This projected variance impacts on HRA balances rather than GF reserves.
- 2.6. The capital programme for both the General Fund and HRA is reporting a spend to date of £13.948m against overall budget of £321.897m, with a forecast underspend of £36.899m.
- 2.7. The Financial Performance Report (FPR) which will continue to be presented to each Cabinet meeting 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 as regards the commitment by chief officers to more effective financial management and disciplines.
- 2.8. The 2020/21 financial year was a very difficult year for the Council. The former Director for Finance, Risk and Insurance (Section 151 Officer) had to issue the Council's very first S114 notice in November 2020. A further S114 notice was issued on the 2 December 2020 as the Council continued to have an unbalance budget. 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 potential of £50m for 2021/22.
- 2.9. 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. These 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 to balance and develop a more effective system of internal control.
- 2.10. 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.

- 2.11. The Council is still working with the external auditors on finalising the 2019/20 audit of accounts however the 20/21 Outturn has now been presented to Cabinet on 12th July 2021 based around their findings and the accounts have also been published for 20/21.

3. FINANCIAL POSITION

- 3.1. The FPR shows that the Council is forecast to have a General Fund net underspend variance of £0.086m (after drawing down on £3.451m of covid-related grant reserves) – an improvement of £0.378m on the net forecast reported at Month 4 (before additional risks and mitigations), whilst the HRA is projecting a £0.742m overspend before risks mitigations. The current financial forecast is based on the known position at the time of writing this report. It is important that cabinet is aware of the much higher profile that the process has within the Council with iterations of the report going through a range of formal officer meetings including directorate meetings, Executive Leadership team and informal meetings with lead members.
- 3.2. Work is ongoing in departments to review the forecast position for each area and MTFs savings and risks to reduce any overspends and identify further options to mitigate these. Further details and options identified will form part of the monthly Finance Performance Reports.
- 3.3. In 2020/21 the monitoring forecasts presented details of Covid funding that the Council had received from Central Government, however the Government has not provided any further indication that it seeks to continue to fund Local Government in relation to Covid pressures and thus this section has been removed from 2021/22.
- 3.4. A detailed review of the Corporate Budgets is also being carried out that will feed into the MTFs and also inform any opportunities that may arise as a result of the review. This will be further detailed within the period 6 report.
- 3.5. The position of the General Fund is shown below in Table 1.

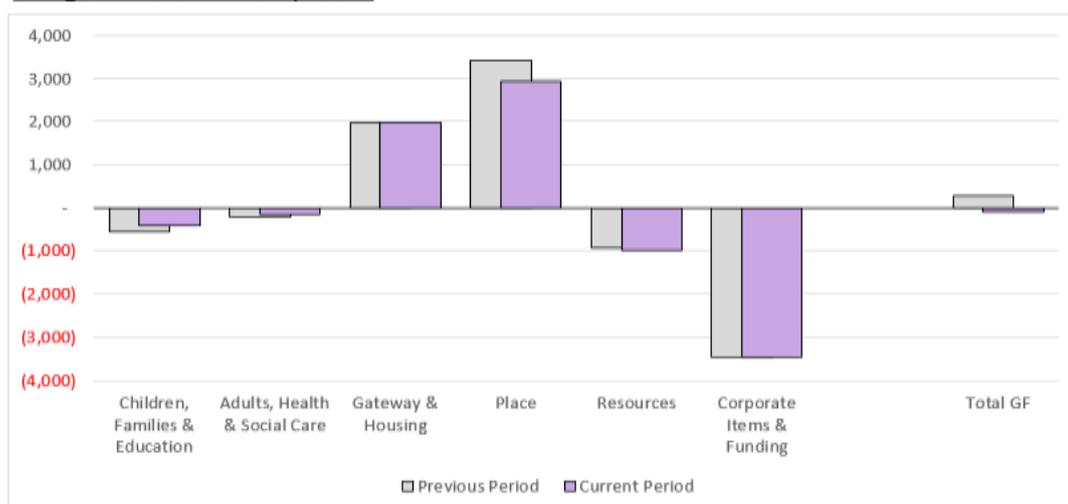
Table 1 – Month 5 Projection per Directorate

	Month 5	Month 4			
	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, Families and Education	(2,608)	(558)	(2,050)	-	(2,608)
Unaccompanied Asylum seeking Children (UASC)	2,200	0	2,200	0	2,200
Adults, Health and Social Care	(160)	(195)	35	-	(160)
Gateway & Housing	1,988	1,978	10	-	1,988
Place	2,930	3,437	(507)	-	2,930
Resources	(985)	(920)	(66)	-	(985)
Departmental Total	3,365	3,742	(378)	-	3,365
Corporate	(3,451)	(3,451)	-	-	(3,451)
Total General Fund	(86)	291	(378)	-	(86)

3.6. Net overspends and underspends within the services 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 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 21/22 Budget. Further explanations of these overspends are provided within Section 4 of this report.

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

Change in Forecast Outturn position



3.8. The main areas of movement from Month 5 are as follows:

- Adults, Health and Social Care £0.035m **adverse** movement due to small increase in the mental health area for care packages;
- Place £0.507m **favourable** minor movement mainly due to reduced Library services expenditure and additional income received from British Library;
- Resources £0.066m **favourable** movement, principally related to staffing savings / vacancies not being filled.
- Housing and Gateway £0.0010m **adverse** movement, pressures on homelessness budgets due to increased cases and increases in bad debt provisions.
- Children's Families and Education £2.05m **favourable** movement due to further reductions within the placements spend.
- Unaccompanied Asylum seeking Children (UASC) – The Council will face £2.2m of UASC pressures due to significant demand within the Borough. The original pressure was £4.5m however the Council has been able to secure one off grant funding of £2.3m from Central Government.

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

Risks and Risk mitigations

- 3.9. 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.
- 3.10. 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.
- 3.11. 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 Section 151 officer meeting with the directorates and the director of policy and programmes, the most recent of these was in early August. This identifies 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 departmental experiences of the service. At this stage, 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	P5 Savings at risk (£,000's)	P4 Savings at risk (£,000's)	Change From Prior Month (£,000's)
CFE Sav 07	Improve Practice System Efficiency	534	1,065	(531)
CFE Sav 10	Additional Education Savings	0	15	(15)
Children, Families and Education Total		534	1,080	(546)
Adults, Health and Social Care Total		0	0	0
Gateway & Housing Total		0	0	0
PLA Sav 08	Public Protection and Licensing Highways & Parking Services merger	0	50	(50)
PLA Sav 13	Public Protection and Licensing - Discontinue providing a night time noise service.	0	13	(13)
PLA Sav 24	Parking charges increase 30p/30min	874	754	120
Place Total		874	817	57
Resources Total		0	0	0
Total Savings at Risk		1,408	1,897	(489)

Data above taken from Savings Tracker 20th September 2021

3.12. Table 2a indicates that there are potential £1.408m worth of savings (£1.897m in Month 4) that may not be achieved, however services are currently carrying out further work to ensure these can be delivered or otherwise mitigated. So far no specific mitigations have been fully identified. Directorates are working up proposals to bring these savings at risk back on track. This represents 3% of the total savings (£44.6m) that had been identified as part of the 2021/22 budget setting exercise.

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. Section 4 gives details of all the movements between month 5 and month 4 and identifies and 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	P5 £'000	P4 £'000	Details of Risk
Children, Families and Education	2,062	4,963	<p>£1,670k Review of 20/21 placement costs and accruals.</p> <p>£232k - CSC Staffing Pressure due to increased need for agency and staff turnover</p> <p>£160k - Education service for schools due to Covid impact on income generation</p>
Adults, Health and Social Care	700	700	<p>£700k - Transitions - value of late prior year payments based on 20/21</p>
Gateway & Housing	430	533	<p>£130k - Demand for Emergency/Temporary Accommodation likely to increase due to economic pressures.</p> <p>£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.</p>
Place	2,900	2,130	<p>£2.5m - 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.</p> <p>£240k - Food Safety Team have an establishment gap budget, this has resulted in no recruitment to these roles and a pressure on the work they perform. This could result in action from the Food Standard Agency so needs to be carefully monitored maximum exposure if staff need to be recruited £240k.</p> <p>£160k - Potential payment to BoxPark for an additional 6th year of contract that was agreed last year. The 5yr contract ended in 20/21.</p>
Resources	400	1,130	<p>£400k - Insurance and Risk - forecast to budget on basis that schools income</p>

			pressure can be mitigated by reduction in premiums and claims - risk is currently up to £400k
Total Quantified Risks	6,492	9,456	

Un-Quantified Risks	P5 £'000	P4 £'000	Details of Risk
Children, Families and Education	-	-	TBC - Ongoing Children Social Care Placement cost pressures due to fluctuations in demand and demographics
Adults, Health and Social Care	-	-	TBC - Impact of long Covid on social care clients and the need for further support. not quantifiable at this stage
	-	-	TBC - Potential for further NHS funding for Covid depending on 3rd wave impact - not known at this stage
Housing	-	-	TBC - Potential DFG fees income pressure due to Covid as the service were unable to conduct adaptations 2020/21 - aiming to catch-up all outstanding work in 21/22
	-	-	TBC - NRPF service is demand led so projected underspend could change NRPF (No Recourse to Public Funds).
	-	-	TBC – Brexit/EU 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
	-	-	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
	-	-	TBC - 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.
Place	-	-	TBC - SEN PRESSURE - Some routes split due to Covid social distancing role and reduced Travel Training occurring over the last 12 months, this potentially has an impact of around £1million/year. Further risks around changes to contractors providing services in year, due to performance issues.

	-	-	<p>TBC - Waste Collection and Street Cleansing Contract – Further income Risk to Commercial Waste Income Collection in 20/21 due to COVID & 21/22 - under commercial dialogue with Veolia</p>
	-	-	<p>TBC - Further commercial tenants are not able to pay rental income and will need to be written off, or will give notice on leases</p>
	-	-	<p>TBC - CDS - There is the risk of increased contract cost when actual invoices are received - current forecast is based on two months of invoicing, there are also outstanding contractual queries around End user service volumes as they are not reducing as anticipated.</p>
	-	-	<p>TBC - 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.</p>
	-	-	<p>TBC - 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</p>
	-	-	<p>TBC - 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.</p>
Corporate	-	-	None
Total Un-Quantified Risks			

3.15. Table 3 provide 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	P5 £'000	P4 £'000	Details of Opportunities
Children, Families and Education	(1,107)	-	Transformation funding approved for a number of MTFS savings programme projects which include: <ul style="list-style-type: none"> • Reconfiguration of Early Help Services • Review of Children with Disabilities Care Packages • Reduction in the Numbers of Children in Care • Improve Practice System Efficiency • Placement Costs - Review of Accrual brought forward • Staffing establishment Review
Adults, Health and Social Care	(1,519)	(1,830)	The impact of health funding / Scheme 3 funding on care packages: (Lower £207k, Upper £830k) . Currently NHSE is taking views on the impact of this funding ending. We have input with SWLCCG requesting that funding continue to the end of the financial year.
Gateway & Housing	(1,010)	(1,010)	Homelessness debt collection team currently protected from staff cuts – therefore costs to collect debt may be reduced for the current year. These are projected as £300k savings but could be at top end of scenario of £800k . 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 could provide a further benefit of £210k for homelessness service.
Place	-	-	
Resources	-	-	
Corporate	(7,799)	(7,799)	Potential reduced spend against the Covid Grant
Total Quantified Opportunities	(11,435)	(10,639)	

Un-Quantified Opportunities	P5 £'000	P4 £'000	Details of Opportunities
Children, Families and Education	-	-	TBC - Corporate distribution of contact inflation and staffing budget deficits for 0.75% 2020/21 pay award and pension employer contribution
	-	-	TBC - Placement costs – validation of growth approved currently being finalised

	-	-	TBC - 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
	-	-	TBC - Transformation funding approved for a number of MTFS savings programme projects
Adults, Health and Social Care	-	-	None
Gateway & Housing	-	-	TBC - Property acquisition coming into HRA portfolio will allow tenants in nightly paid accommodation to move onto Assured Shorthold Tenancy TBC - Leases – renegotiate the lease. Need to confirm the numbers due to expire this financial year TBC - Review of under occupied tenancy
Place	-	-	None
Resources	-	-	None
Corporate	-	-	None
Total Un-Quantified Opportunities			

3.16. As at Month 5, if all risks and risk mitigations were to materialise, along with the forecast reported in Table 1 the General Fund would underspend by £6.15m (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.

3.17. A number of the projected variances or risks relate to the continued impact of the Covid pandemic and would not be expected to continue for the whole year or over future years. 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 impacting on transport cost pressures.

3.18. 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 2021/22 budget setting. Two significant areas that will need to be reviewed before budget setting in 2022/23 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, Families and Education (CFE)

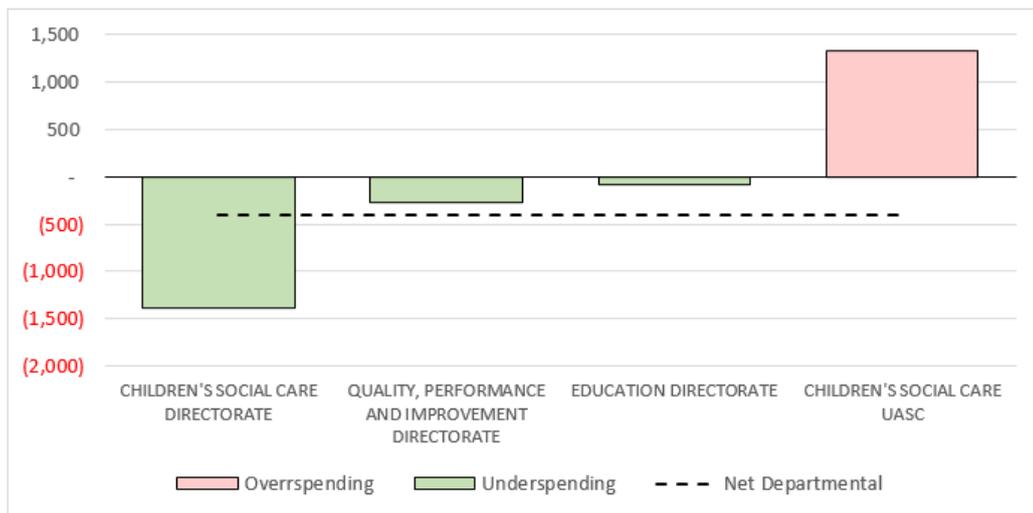
The CFE directorate is forecasting a £0.408m underspend for Month 5 (adverse movement of £0.150m from Month 4). This is a net position after factoring all budgeted income and expenditure within the directorate.

The main cause of this is due to the costs of unaccompanied asylum seekers that to date had all been identified as a risk which is materialising net off confirmation of grant funding of £2.35m that is being received as a result of the review of the UASC model and also discussions that have been held with the Government and the funding confirmed to support the USAC pressure. There has also been favourable movement in placement costs due to staff vacancies and a review of accruals.

Table 2a details MTFS savings, totaling £0.534m (£1.317m in Month 4), that are at risk of non-delivery. Furthermore, Table 2b indicates that there is a further £2.062m of other risks (£4.963m in Month 4) which could materialise through this financial year, this also continues to include a proportion of UASC risks. There are risk mitigations being projected of £1.107m.

The following chart illustrates the divisional forecast variances within Children's, Families and Education:

Divisional View of Children's, Families & Education Forecasts



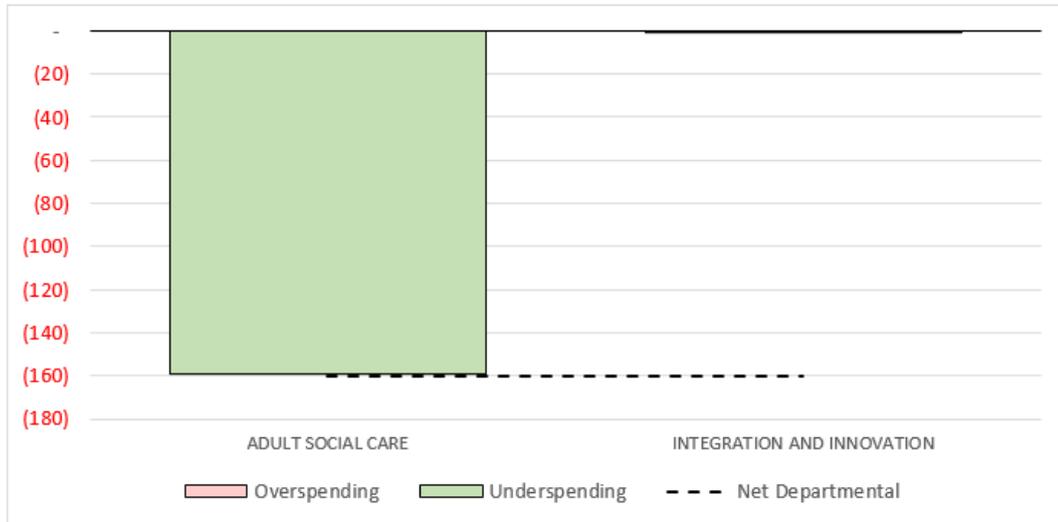
4.2 Adults, Health and Social Care

The HWA directorate are forecasting a small underspend of £0.160m (an adverse movement of £0.035m from Period 4). There are some risks and opportunities, mainly around the long and short term effects of Covid and additional Covid funding from NHSE.

Whilst the department is showing a slight underspend, table 2b identifies a further £0.700m of potential additional risks. The risks identified of £0.700m that relate to transitions of children social care clients to adult services have not moved since the last report and still remain the same.

The following chart illustrates the divisional service forecast variances within Health, Wellbeing and Adults:

Divisional View of Health, Wellbeing & Adults Forecasts



4.3 Gateway & Housing

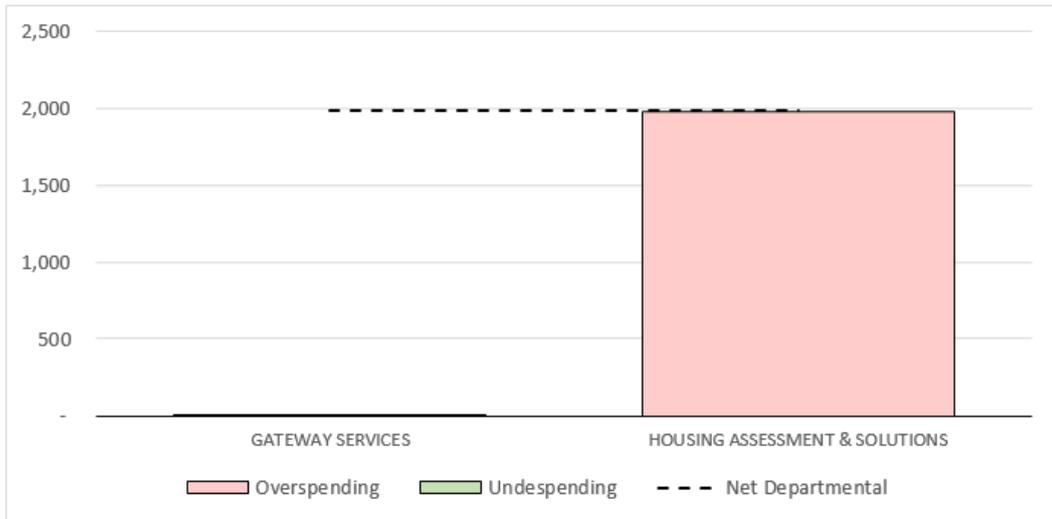
Housing Directorate is forecasting an overspend of £1.988m. This is an adverse movement of £0.010m to the projection reported at Month 4.

The main cause of this movement relates to 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.

Furthermore the service has identified £0.130m of other risk relating to potential further temporary accommodation pressures emerging. Further work will be done to ensure the bad debt risks are minimised and that risk does not materialise.

The following chart illustrates the divisional forecasts within the department:

Divisional View of Gateway and Housing Forecasts



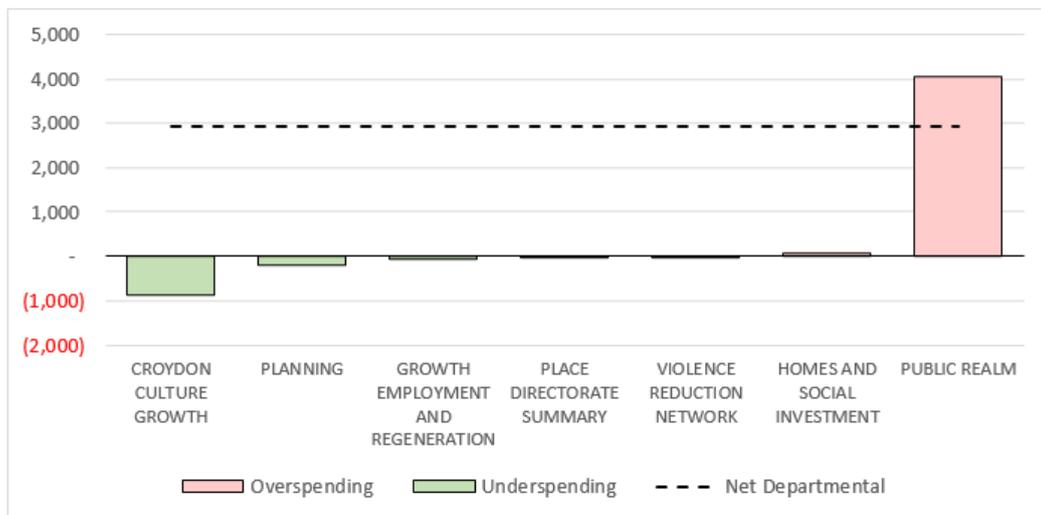
4.4 Place

The Place directorate is forecasting a net overspend of £2.930m (£3.437m at Month 4) – a reduction of £0.507m. The pressures continue to be around Highways, SEN Transport and Environmental services.

In addition to the forecasted overspend the Place directorate, as indicated in Table 2a and 2b, have provided for additional risks due to non-delivery of MTFS savings of £0.874m and £2.900m for other risks. Non delivery of MTFS savings relate to the fall in P&D parking income, and risks have been identified mainly around the level of penalty charge notices.

The following chart illustrates the nature of the overall Place Department forecast position by Division:

Divisional View of Place Forecasts



4.5 Resources

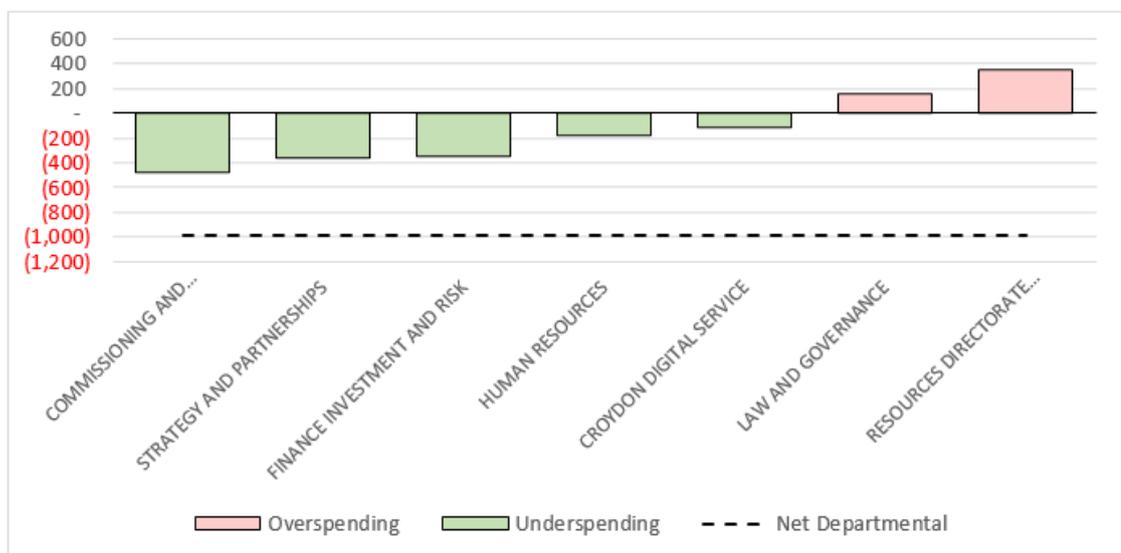
The Resources directorate is forecasting a slightly improved underspend position of £0.985m (overspend £0.066m in Month 4). This is a net position after factoring all budgeted income and expenditure within the directorate.

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 materialize work is ongoing to try and work to mitigate these as we progress through the financial year.

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

Divisional View of Resources Forecasts



4.6 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 departments 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 £3.365m is currently offset by utilizing £3.451m of this grant.

4.7 The cost of financing the capital programme is retained corporately, this is still being reviewed and an updated position will be provided in Month 6, however we do not anticipate any pressures to arise from these budgets.

4.8 Table 4 below summaries the overall positions

Table 4 – Summary – Month 5 with Month 4 Comparator

	Month 5	Month 4	Variance
	(£,000's)	(£,000's)	(£,000's)
Table 1 - Forecast	(86)	291	(378)
Table 2a - MTFs Savings Risk	1,408	1,897	(489)
Table 2b - Quantifiable Risks	6,492	9,456	(2,964)
Table 3 - Quantifiable Opportunities	(11,435)	(10,639)	(796)
Total	(3,622)	1,005	(4,627)

5 Housing Revenue Account (HRA)

- 5.1 Table 4 provides a summary of the HRA Month 5 monitor, which is currently indicating a £0.742m overspend (Month 4 £0.696m). 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 improvement from the month 3 forecast is due to the fact that there are a number of service that have identified further underspends in the main due to staff costs and legal fees.
- 5.2 The Service Finance team are currently working on the HRA business plan that takes a 30 year forward look and this will be presented to Cabinet in October 2021.
- 5.3 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 5

SERVICES	Projected Variance For Month 5	Variance For Previous Month 4	Change From Previous Month	Explanation of Variations
	£'000	£'000	£'000	
Responsive Repairs	772	778	(6)	Increase in average costs due to state of repair when vacated & the delayed prior years repairs
Asset Management & Involvement	(382)	(375)	(7)	Vacancies within the service
Homes & Schools Improvement	(262)	(295)	33	Vacancies within the service
Regeneration Growth	(233)	(273)	40	Vacancies within the service
Neighbourhood Operations	(122)	(122)	0	Vacancies within the service
Housing Renewal	(19)	(19)	0	Lower demand in home safety equipment
Housing Solutions	209	209	0	Overspend on costs combined with a high level of voids based on 20/21 outturn
Service Development	(100)	(123)	23	Legal commitments increase is offset by other departmental underspend
Income & Lettings	119	137	(18)	Charges that are incurred when tenants make payment using debit/credit cards & at local points. £50k - Income budget no longer achievable
Neighbourhood & Tenancy Service	123	147	(24)	Commitments have been reviewed & released
Emergency Accommodation	0	7	(7)	0
Leaseholder Services	60	53	7	Increase in Leaseholder's premium for 2021-22
Garage and Commercial Properties	250	245	5	Loss of garage income due to voids & loss of court income
Directorate & Centralised costs	327	327	0	Unbudgeted Executive Director/Corporate Director posts plus support costs
Total HRA	742	696	46	

6 Capital Programme as Month 5

- 6.1 The General Fund and HRA capital programmes have currently spent a gross £13.948m to the end of the fifth month against approved budgets of £321.897m. Forecast spend is £284.998m resulting in a forecast variance of £36.89m, all in the General Fund. Actuals to date are still impacted by accruals brought forward from 2020/21 which have yet to be invoiced and do not take into account accruals for works so far completed.
- 6.2 The table below summarises the capital spend to date by department with further details of individual schemes provided in Appendix 2.

Table 6 – Capital Programme

Department	Revised Budget 2021/22 (incl. approved slippage from 2020/21)	Actuals 2021/22 as Month 5	Forecasts 2021/22 as Month 5	Variance
	£'000	£'000	£'000	£'000
Adult Social Care and Health	788	4	788	0
Housing	7,422	65	7,529	107
Children, Families and Education	26,078	5,505	16,594	(9,484)
Place	78,055	2,240	56,132	(21,923)
Resources	26,345	421	20,746	(5,599)
General Fund Total	138,688	8,235	101,789	(36,899)
Housing Revenue Account	183,209	5,713	183,209	0
LBC CAPITAL PROGRAMME TOTAL	321,897	13,948	284,998	(36,899)

- 6.3 Further work will be done over the coming months to review the budget provision for 21/22 and the review will focus on ensuring the capital budgets are properly profiled to reflect the actual delivery of various projects. This work will include the reflection of 20/21 slippage and will be reported to a future meeting of the cabinet for approval.

7 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 7.1 Finance comments have been provided throughout this report.

Approved by Richard Ennis, Interim Corporate Director of Resources (Section 151) and Deputy Chief Executive)

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 Doutimi Aseh, Director of Law and Governance & Deputy Monitoring Officer (interim)

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 where necessary consultation with recognised trade unions.

Approved by: Gillian Bevan, Head of Human Resources

10 EQUALITIES IMPACT

- 10.1 There are no specific equalities issues set out in this report.
- 10.2 In setting the Council's budget for 2021/22, 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.

Approved by: Gavin Handford, Director of Policy & Partnership

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 There are no specific data protection impacts set out in this report

CONTACT OFFICER: Nish Popat, Interim Head of Corporate Finance

APPENDICES: Appendix 1 – Service Budgets and Forecasts
Month 5
Appendix 2 – Capital Programme Month 5
Appendix 3 – Period 4 Financial Performance
Report
Appendix 4 – Service Budgets and Forecasts
Month 4
Appendix 5 – Capital Programme Month 4

BACKGROUND DOCUMENTS: None