REPORT TO:	**Cabinet** **6th December 2021**
SUBJECT:	**Financial Performance Report – Month 7 (October 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 7 (October 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 7 position is currently indicating a net underspend of £0.421m against budget – this represents a £1.020m favourable movement against the Period 6 forecast. This is before taking into account further risks and risk mitigations. In total, £11.777m (Month 6 £10.464m) of further risks (of which £5.272m relates to approved MTFS savings risks) are identified against which £11.259m (Month 6 £11.866m) 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 over spend of £0.786m (Month 6 £0.733m) 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 £1.020m from Period 6. Service directorates are indicating a £3.030m overspend (Month 6 £4.050m) with this being netted of as in the past six months against the release of a one off Covid Grant (£3.451m released = 31% of the grant) 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. Should these risks materialise or the mitigations not be effective the Council could overspend by £11.356m (Month 6 £11.063m). However to note the Council does have the £7.799m of covid grant that can be used to offset such pressures.

1.3 Note the Housing Revenue Account (HRA) is projecting a £0.786m (Month 6 £0.733m) 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 £13.593m (against a budget of £188.688m) and for the HRA of £9.915m (against a budget of £183.209m), with a projected forecast variance of £45.472m on the General Fund against budget and £7.184m forecast variance against budget for the Housing Revenue Account;

1.5 Note, the above figures are predicated on forecasts from Month 7 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 the Council has received a one off financial sum of £2.36m from the Government to help cover the pressures related to Unaccompanied Asylum Seeking Children (UASC) and care leavers which Croydon bears disproportionately to other local authorities due to the siting of the Home Office's Lunar House. However this means the Council and Croydon tax payers still fund £1.615m of disproportionate costs in this financial year post the Grant support. These costs will continue throughout the MTFS for which the Government has not indicated any financial support to date.

1.8 Note that in addition to the UASC pressures, 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.

2. EXECUTIVE SUMMARY

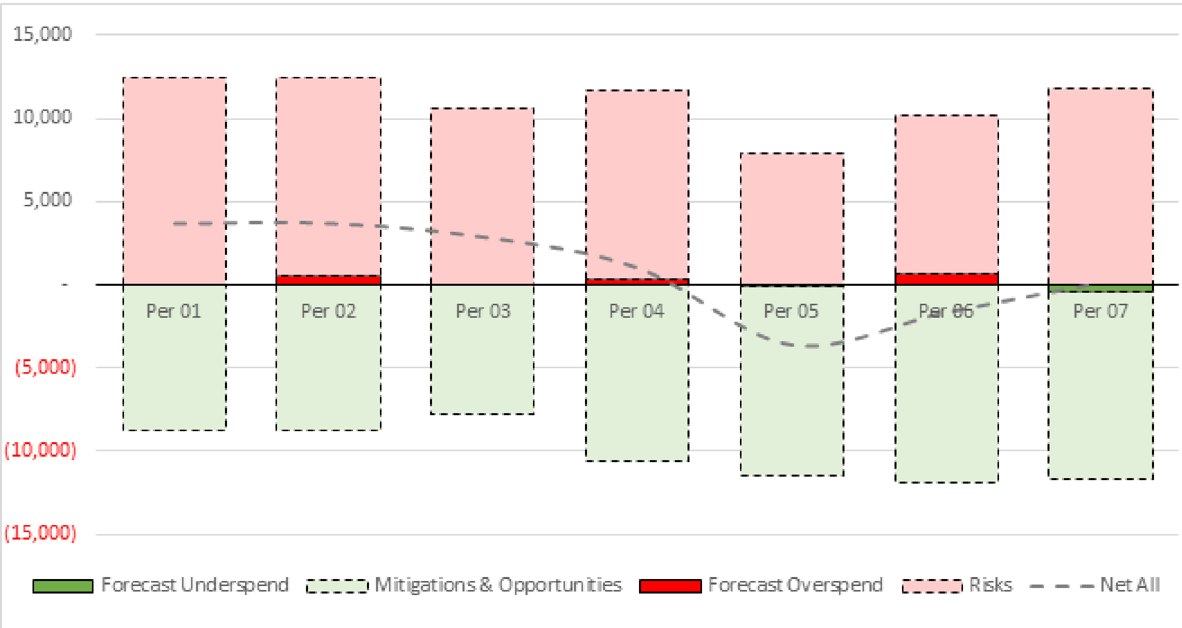
2.1. This reports sets out the Council's current General Fund revenue budget projected outturn for the full financial year 2021-2022 as at Month 7, October 2021.

2.2. The General Fund revenue projected outturn forecast has improved by £1.020m from a forecast over spend position of £0.599m in Month 6. The main cause of this movement has been due to further detailed work being done within the parking service to ensure confidence in the forecast.

2.3. There are a further set of risks and opportunities, which indicate a cost of £0.518m (risks £11.777m and opportunities of £11.259m), but not yet sufficiently developed to be included in the outturn forecast. Should these materialise it will have a negative impact on the forecast.

2.4. 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)

<u>Monthly Forecast, Risk & Opportunity Tracker</u>



2.5. The Housing Revenue Account is forecasting an over spend of £0.786m (an increase of £0.053m on the Month 6 forecast of £0.733m). This projected variance impacts on HRA reserves rather than GF reserves.

2.6. The capital programme for both the General Fund and HRA is reporting a spend to date of £23.508m against overall budget of £321.897m, with a forecast underspend of £52.656m.

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 overspend significantly without having sufficient resources to cover the overspends. 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 were minded to fund £50m for 2021/22. The latter allowed the 2021/22 budget to be set.

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 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 to balance and develop a more effective system of internal control amongst other improvements to the Council.

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 2019/2020 audit of accounts however the 2020/2021 Outturn has now been presented to Cabinet on 12th July 2021 based around their findings and the 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 £0.421m (after drawing down on £3.451m of covid-related grant reserves) – a favourable movement of £1.020m on the net forecast reported at Month 6. The HRA is projecting a £0.786m 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, Corporate Management Team and informal meetings with the Leader and Cabinet.

3.2. Work is ongoing in directorates 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 future monthly Finance Performance Reports.

3.3. In 2020/2021 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 2021/2022.

3.4. A detailed review of the corporate budgets is also being carried out that will feed into the MTFS and inform any opportunities that may arise as a result of the review. This will be further detailed within the Period 8 monthly FPR report.

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

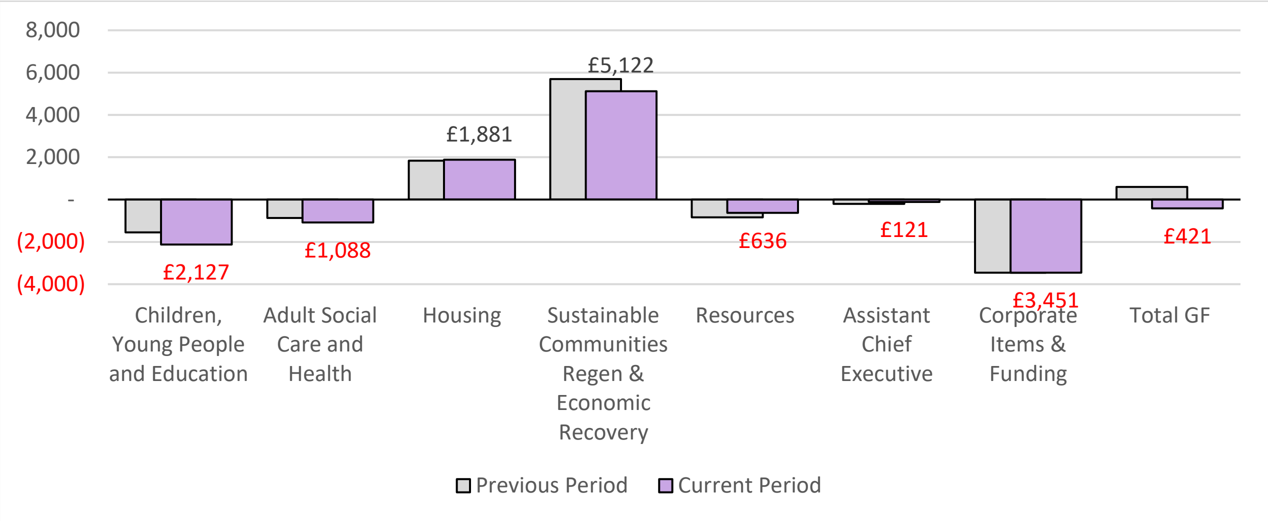
Table 1 – Month 7 Projection per Directorate

	Month 7	Month 6			
	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	(3,742)	(3,148)	(572)	-	(3,742)
UASC	1,615	1,615	-	-	1,615
Adult Social Care and Health	(1,088)	(869)	(219)	-	(1,088)
Housing	1,881	1,838	42	-	1,881
Sustainable Communities Regen & Economic Recovery	5,122	5,672	(572)	3,000	2,122
Resources	(636)	(848)	212	-	(636)
Assistant Chief Executive	(121)	(210)	89	-	(121)
Departmental Total	**3,030**	**4,050**	**(1,020)**	**3,000**	**30**
Corporate Items & Funding	(3,451)	(3,451)	-	-	(3,451)
Total General Fund	**(421)**	**599**	**(1,020)**	**3,000**	**(3,421)**

3.6. 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.

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

Change in forecast position month 7



3.8. The main areas of movement from Month 6 are as follows:

- Adult Social Care and Health £0.219m **favourable** movement due to a underspend on re-ablement costs and the continuation of the NHS Hospital Discharge Programme for Covid (£0.513m) and underspends due to vacancies;

- Sustainable Communities, Regeneration and Economic Recovery **favourable** movement of £0.572m due to staff underspends across various teams within the Directorate.

- Resources £0.212m **adverse** movement, principally related to overspends in staffing costs across various teams.

- Housing £0.042m **adverse** movement.

- Children Young People and Education indicating an overall £0.572m **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.

- Unaccompanied Asylum seeking Children (UASC) – The Council will face £1.615m 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 £2.36m from Central Government and there has been further reduction in costs.

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 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 November.

3.12. 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 7 months of the year now passed it is very likely these specific savings will not be delivered in full.

3.13. 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 09	Review Children's Centres Delivery Model	165	0	165
CFE Sav 12	Early Learning Collaboration Contract	82	0	82
Children, Young People and Education Total		**247**	**0**	**247**
Adult Social Care and Health Total		**0**	**0**	**0**
Housing Total		**0**	**0**	**0**
PLA Sav 24	Parking charges increase 30p/30min	2,000	874	0
PLA Sav 10	ANPR camera enforcement	2,025	0	0
Sustainable Communities Regen & Economic Recovery Total		**4,025**	**874**	**0**
Resources Total		**0**	**0**	**0**
COR Sav 17	Fees and Charges Reviews	1,000	0	1,000
Corporate Items & Funding Total		**1,000**	**0**	**1,000**
Assistant Chief Executive Total		**0**	**0**	**0**
Total Savings at Risk		**5,272**	**874**	**1,247**

Data above taken from Savings Tracker 17th November 2021

3.14. Table 2a indicates that there are potential £5.272m worth of MTFS savings (£0.874m in Month 6) 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 £5.272m 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.

3.15. 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.

3.16. The main cause of the movement is to do with 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.

3.17. Section 4 gives details of all the movements between month 7 and month 6 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	**P7 £'000**	**P6 £'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	3,200	**£550k** - Transitions - value of late prior year payments based on 20/21 **£2.5m** - Adult social care operational risks
Housing	396	430	**£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	2,899	5,400	**£1.699m** - Additional risk to income due to progression of schemes and decision making along with compliance in high PCN yield areas has increased and so put more income at risk than previously stated. The service are reviewing the modelling and programme for future schemes to explore any mitigation factors that can be implemented to keep the financial risk to a minimum.

			£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.
			£800k - Potential claim in relation to the waste disposal contract
			£160k - Potential payment to BoxPark for an additional 6th year of contract that was agreed last year. The 5yr contract ended in 20/21. This is being negotiated with BoxPark as part of a fuller discussion regarding outstanding loan repayments.
Resources	-	400	**£400k** - Insurance and Risk - forecast to budget on basis that schools income pressure can be mitigated by reduction in premiums and claims - risk is currently up to £400k - This risk have been moved to unquantified risk as a result of detailed work to done to forecast the level of Insurance and Risk provision that will be required as at month 6.
Assistant Chief Executive	-	-	
Total Quantified Risks	**6,505**	**9,590**	

Un-Quantified Risks	**P7 £'000**	**P6 £'000**	**Details of Risk**
Children, Families and Education	**-**	**-**	In addition to the UASC pressures, 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 P8.
Adults, Health and Social Care	**-**	**-**	**TBC** - Impact of long Covid - not quantifiable at this stage
	-	**-**	**TBC -** Potential for further NHS funding for Covid depending on 3rd wave impact - not known at this stage

	-	-	**TBC** - **Care sector pressures -** The pressures in the social care sector nationally are well known. There are high levels of vacancies which is exacerbated by the forthcoming compulsory vaccinations for care home staff. 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** - Some routes split due to Covid social distancing role, No Travel Training occurring over the last 12 months, this potentially has an impact of around £1million/year, Addington Valley Academy additional students, Single students attending schools, Changes to contractors providing services in year, due to performance issues.
	-	-	**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 thereby 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
Corporate Items & Funding	-	-	None
Assistant Chief Executive	-	-	**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.
Total Un-Quantified Risks			

3.18. 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	**P7 £'000**	**P6 £'000**	**Details of Opportunities**
Children, Young People and Education	**(1,307)**	**(607)**	Transformation funding approved for a number of MTFS savings programme projects - **Reconfiguration of Early Help Services** Transformation funding approved for a number of MTFS savings programme projects - **Review of Children with Disabilities Care Packages**

			Transformation funding approved for a number of MTFS savings programme projects - **Reduction in the Numbers of Children in Care**
			Transformation funding approved for a number of MTFS savings programme projects - **Improve Practice System Efficiency**
			Placement Costs - Review of Accrual brought forward
Adult Social Care and Health	(1,307)	(2,000)	The impact of health funding / Scheme 3 funding on care packages: **(Lower £207k, Upper £830k).** (Average of upper and lower). Update from Prior Month: Continuation of HDP funding until March 22
			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.
Housing	(396)	(1,010)	Homelessness debt collection team currently protected from staff cuts - mitigate risk of debt costs **(projected as £300k)** being at **top end of scenario (£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 addresses the **£210k** of risk from homelessness demand shown but will be unlikely to impact the forecast as shown.
Sustainable Communities Regen & Economic Recovery	-	-	
Resources	(200)	(450)	**£200k** - FIR - There is the probability that the court cost income raised could be higher than what is currently being forecast
Assistant Chief Executive	(250)	-	**£250k** - CDS - Opportunity of greater under budget from Digital Advertising Income.
Corporate Items & Funding	(7,799)	(7,799)	Potential reduced spend against the Covid Grant
Total Quantified Opportunities	**(11,259)**	**(11,866)**	
Un-Quantified Opportunities	**P7 £'000**	**P6 £'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
	-	-	**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
Adults, Health and Social Care	-	-	
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 further Contain Outbreak Management Fund monies (COMF). The Council has now understood the grant conditions and will be allocating this funding to relevant expenditure as required under the conditions.
Corporate Items & Funding	-	-	None
Total Un-Quantified Opportunities			

3.19. As at Month 7, if all risks and risk mitigations were to materialise, along with the forecast reported in Table 1 the General Fund would overspend by £0.097m (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.

3.20. 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.

3.21. 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 £2.127m underspend for Month 7 (favorable movement of £0.572m from Month 6) within the directorate.

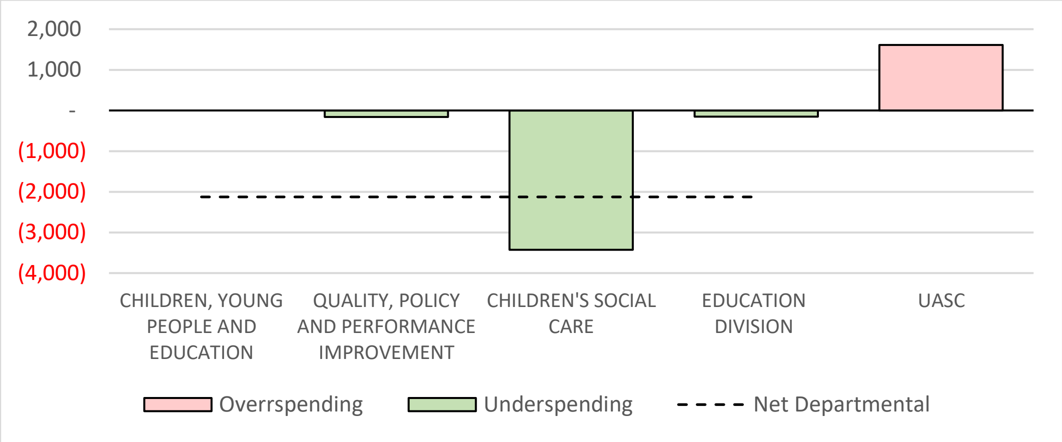
The main cause of this is due to under spends in relation to under 18 placements and 18+ leaving care placement which have been realised as part of the recent review, and underspend on staffing within social care.

UASC pressures continue to impact on the Council's finances, with a projected additional pressure of £1.615m. Whilst the Government provided the Council with £2.36m in one off USAC funding, that was based on an agreed number of over 18 non-eligible children between the Council and Home Office. Further analysis will be undertaken to fully understand the underlying causes of the ongoing pressure to inform further discussions/negotiations with the Home Office and Department for Education.

There are £0.247m of MTFS Savings at risk at Month 7. 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

The ASCH directorate are forecasting an under spend of £1.088m (a favourable movement of £0.219m from Period 6).

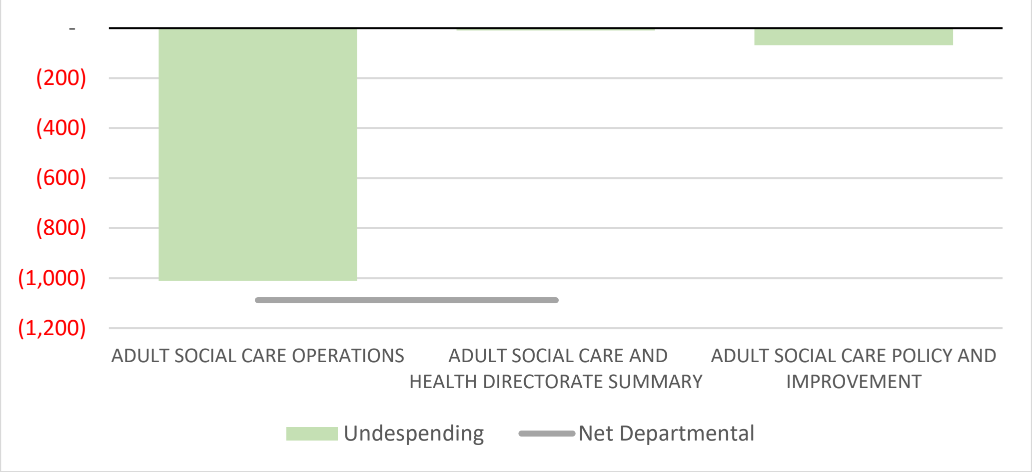
The main cause of this favourable movement is due to an under spend on re-ablement costs due to the continuation of the NHS Hospital Discharge Programme for covid (£0.513m) and underspends due to vacancies.

Whilst the directorate is showing an under spend, Table 2b identifies a further £3.050m of potential additional risks. Of the risks identified £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 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 6. There are opportunities identified of £1.307m.

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 £1.881m.This is an adverse movement of £0.042m to the projection reported at Month 6.

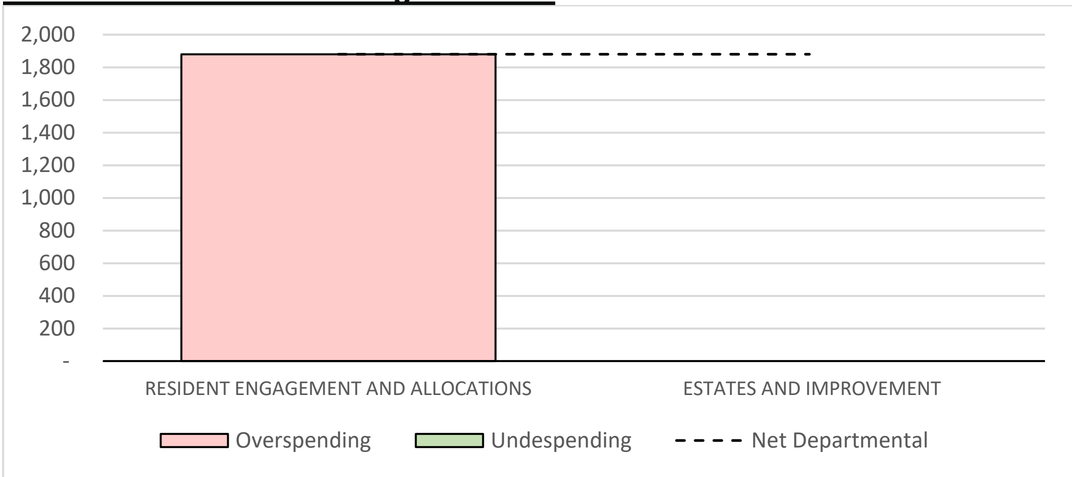
The main cause of this movement relates to cost and demand increases within the Emergency and Temporary Accommodation services. Demand for Emergency Accommodation is assumed to increase due to the negative economic after effects of Covid-19. Furthermore, this is also likely to impact the need to maintain a sufficient level of bad debt provision to cover risks of non-payment of outstanding rents.

Furthermore the service has identified £0.396m 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



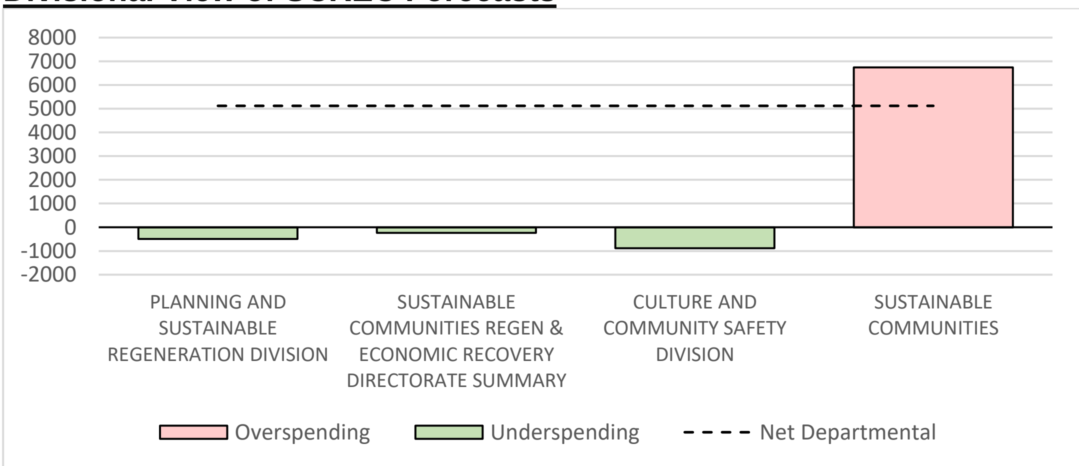
4.4 Sustainable Communities Regeneration & Economic Recovery (SCREC)

The SCREC directorate is forecasting a net overspend of £5.122m (a favourable movement of £0.572m from Month 6). The pressures continue to be around Highways, SEN Transport and Environmental services.

In addition to the forecasted overspend the SCREC directorate, the directorate have provided for further risks as indicated in Table 2a and 2b. These risks include £4.025m of MTFS Savings and £2.89m 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 SCREC directorate.
The following chart illustrates the nature of the overall SCREC Directorate forecast position by Division:

Divisional View of SCREC Forecasts



4.5 Resources

The Resources directorate is forecasting a underspend positon of £0.636m (underspend £0.858m in Month 6). This is a net position after factoring all budgeted income and expenditure within the directorate.

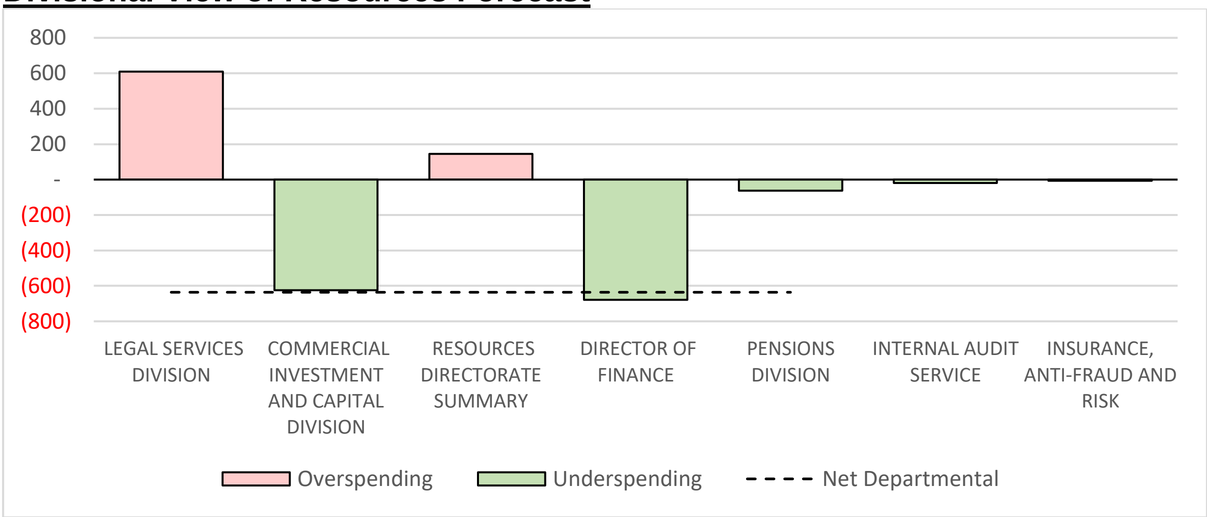
The main reasons for this underspend relate to better than projected collection of court cost income in relation to Revenue & Benefits activities and various staffing related underspends. Main causes of staff related underspends are for vacancies not being filled, and savings on contracts.

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.

Resources have identified further £0.400m 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:

<u>Divisional View of Resources Forecast</u>



4.6 Assistant Chief Executive

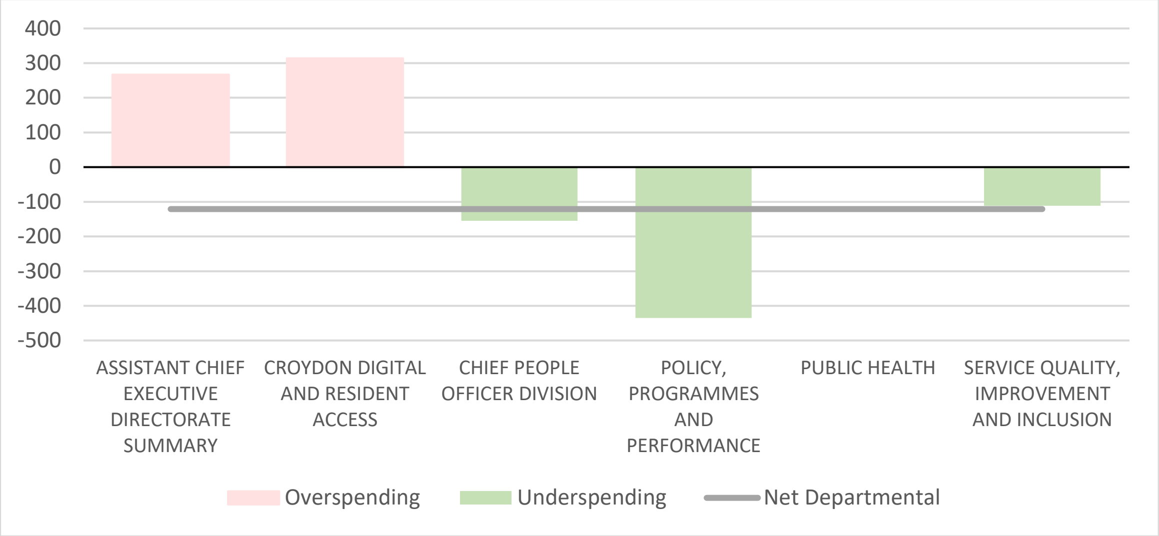
The ACE directorate is forecasting a underspend positon of £0.121m (underspend £0.210m in Month 6). This is a net position after factoring all budgeted income and expenditure within the directorate.

The main reasons for this underspend relate to various staffing related underspends. Main causes of staff related underspends are for vacancies not being filled, and savings on contracts.

ACE have identified further £0.250m 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 £3.030m 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.

4.8 The cost of financing the capital programme is retained corporately. This is still being reviewed and an updated position will be provided in Month 8, however we do not anticipate any pressures to arise from these budgets.

4.9 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.

4.10 Table 4 below summaries the overall positions

Table 4 – Summary – Month 7 with Month 6 Comparator

	Month 7	Month 6	Variance
	(£,000's)	(£,000's)	(£,000's)
Table 1 - Forecast	(421)	599	(1,020)
Table 2a - MTFS Savings Risk	5,272	874	1,247
Table 2b - Quantifiable Risks	6,505	9,590	66
Table 3 - Quantifiable Opportunities	(11,259)	(11,866)	607
Total	**97**	**(803)**	900

5 Housing Revenue Account (HRA)

5.1 Table 4 provides a summary of the HRA Month 7 monitor, which is currently indicating a £0.786m overspend (Month 6 £0.733m). 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 6 forecast is due to the fact that there are a number of services that have identified further overspends in the main due to an increased number of voids.

5.2 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 7

SERVICES	Projected Variance For Month 7	Variance For Previous Month 6	Change From Previous Month	Explanation of Variations
	£'000	*£'000*	*£'000*	
Responsive Repairs and Safety	492	666	(173)	Increase in average costs due to state of repair when vacated & the delayed prior years repairs Vacancies within the service
Asset Planning and Capital Delivery	(697)	(876)	180	Vacancies within the service
Allocations Lettings and Income Collection	289	308	(19)	Lower demand in home safety equipment Legal commitments increase is offset by other departmental underspend Charges that are incurred when tenants make payment using debit/credit cards & at local points. £50k - Income budget no longer achievable

				Increase in Leaseholder's premium for 2021-22
Tenancy and Resident Engagement	124	309	(184)	Overspend on costs combined with a high level of voids based on 20/21 outturn Commitments have been reviewed & released
Homelessness and Assessments	250	0	250	High level of Voids
Directorate & Centralised costs	327	327	1	Unbudgeted Executive Director/Corporate Director posts plus support costs
	786	**733**	**53**	

6 Capital Programme as Month 7

6.1 The General Fund and HRA capital programmes have currently spent a gross £23.508m to the end of the month 7 against approved budgets of £371.897m. Forecast spend is £319.241m resulting in a forecast variance of £52.656m. 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 7	Forecasts 2021/22 as at Month 7	Variance
	£'000	£'000	£'000	£'000
HOUSING	5,711	371	3,393	(2,318)
ADULT SOCIAL CARE & HEALTH	788	4	288	(500)
ASSISTANT CHIEF EXECUTIVE	20,625	1,139	12,984	(7,641)
CHILDREN YOUNG PEOPLE & EDUCATION	26,078	9,492	18,176	(7,902)
SUSTAINABLE COMMUNITIES, REGEN & ECONOMIC RECOVERY	76,439	2,405	54,835	(21,604)

RESOURCES	9,047	182	3,540	(5,507)
CORPORATE	50,000	0	50,000	(0)
General Fund Total	**188,688**	**13,593**	**143,216**	**(45,472)**
Housing Revenue Account	183,209	9,915	176,025	(7,184)
LBC CAPITAL PROGRAMME TOTAL	**371,897**	**23,508**	**319,241**	**(52,656)**

6.3 The Variance column is projected to be slipped into the new financial year, subject to Cabinet approval. 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.

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, Head of Litigation and Corporate Law on behalf of the interim Director of Law and Governance & 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 ACE)

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 2021/2022, 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.

Approved by: Denise McCausland, Equalities 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 Finance (Corporate & Treasury Management)

APPENDICES:
Appendix 1 – Service Budgets and Forecasts Month 7
Appendix 2 – Capital Programme

BACKGROUND DOCUMENTS:
None