

Council Budget Monitoring Report as at 31st May 2020-21

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Report of	Corporate Director of Resources
Lead Member	Cllr Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Tim Harlock, Chief Accountant
Wards affected	All Wards
Key Decision?	No

General Fund forecast £12.9m overspend

Dedicated Schools Grant (DSG) overspend of £4.0m

Housing Revenue Account (HRA) provisional outturn £5.2m overspend

2020-21 Forecast Outturn Variance

£m	Gross impact on GF/DSG/HRA	COVID-19 relief (assumed)	Variance before reserve adjustments	Contribution to /(from) Reserves	Net impact on General Fund GF/DSG/ HRA
Children & Culture (GF)	5.5	(4.0)	1.5	0.0	1.5
Resources	8.7	(0.7)	8.0	(2.6)	5.4
HA&C	9.2	(4.0)	5.2	0.0	5.2
Place	10.2	(10.7)	(0.5)	(0.3)	(0.8)
Governance	0.5	(0.1)	0.4	(0.4)	-
Sub-total GF Services	34.1	(19.5)	14.6	(3.3)	11.3
Corporate and financing costs			5.3	(3.7)	1.6
General Fund			19.9	(7.0)	12.9
Ringfenced Items					
Dedicated Schools Grant			4.0	0.0	4.0
Public Health GF			0.0	0.0	-
HRA			5.2	0.0	5.2
Overall Position			29.1	(11.0)	18.1

Conventions: The use of brackets denotes either an income budget or a positive variance (underspend).

This report sets out the 2020/21 forecast outturn position for the Council; it therefore shows the unmitigated position emerging before any management action is agreed or implemented.

In addition, there have been further recent announcements made by the Government to reimburse income lost as a result of COVID-19 which have not yet been reflected in this report; this is expected to reduce the overspend position as presented.

The current position of an estimated **£12.9m** overspend on General Fund expenditure is threatening to push the General Fund reserve from a draft end of 2019/20 balance of £8.3m to a **deficit of £6.3m**, after the planned budgeted contribution from General Fund balances of £1.7m. (Please see the Reserves section of this report for details). This net overspend position presented arises from a combination of the impact of COVID-19, non-delivery of agreed savings, changes in demographic demand and, in certain cases, spend above budget without apparent budget holder mitigation. The Council Tax Hardship fund, and Rough Sleepers' grants are all expected to be fully utilised this year.

Ongoing overspends are unsustainable, and current projections require urgent management remedial action.

In the Dedicated Schools Budget, the forecast overspend of £4.0m will **push the ongoing deficit from £11.7m to £15.7m**. This position is also unsustainable and needs urgent management remedial action.

The HRA balance is estimated to fall by £5.2m, mainly as a result of the impact of COVID-19.

Forecast overspend £1.5m General Fund

Forecast DSG overspend of £4.0m

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Children and Culture (GF)	1.5	1.5	(0.0)
Children and Culture (DSG)	0.0	4.0	(4.0)

The general fund is projected to be overspent by a gross £5.5m before any relief for COVID-19 has been applied. This forecast includes the impact of Covid -19 estimated at a £4m pressure as at period 2, resulting, therefore, in a net position of a **£1.5m overspend** without any impact of Covid-19. The gross overspend is as follows: Children’s Social Care £0.7m, Education & Partnerships £0.3m, Youth Services & Commissioning £2.1m, Sports, Leisure and Culture £2.2m and Children’s Resources £0.1m.

Following last year’s inspection, work has continued to strengthen the Divisions and ensure a more stable footing for finances and staffing structures. As part of the Continuous Improvement Plan, Children’s Social Care are also working to reduce the current reliance on agency staff. Over the past year this has reduced steadily, although in recent months we have accelerated this process so that by the end of September the percentage of agency staff should be 18% (London average is 20%). Currently we have plans to either replace or convert 34 agency staff by the end of September 2020.

Children’s Social Care were allocated growth in 2020/21 to manage staffing pressures as identified by Ofsted. Growth monies were also allocated for demographic growth in placements.

Details of the significant variances on the General Fund are shown below.

£m	Forecast variance commentary
Children’s Social Care 0.7	
(i) CSC - Staffing – (£0.0m)	Much work has been undertaken over the past 12 months to put in place arrangements to reduce the numbers of agency Social Workers and to recruit and retain our own staff. This has resulted in a forecast of a balanced budget for the year end. This allows for the permanent recruitment of 22 new experienced, permanent workers and the continued recruitment of a further 22 newly qualified Social Workers. This forecast accounts for both the recruitment costs for the new experienced workers, and also assumes all new staff are forecast at the top of each salary grade.
(ii) CSC - Looked After Children (LAC) Placements (£0.6m)	LAC placements is forecast to underspend by £0.6m mainly as a result of growth monies allocated in 2020/21 and the work being undertaken to keep children out of care. This is showing a pressure in the Edge of Care. However, it is also important to highlight the potential rise in demand in the second half of the financial year. This anticipated demand will coincide with schools resuming full time and a number of children being identified by schools and other agencies as potentially requiring placements due to concerns arising from lockdown.

(iii) Leaving Care Placement (£0.09m)	This service is currently reporting an underspend of £0.09m. However, this may change dependent on the level of demand.
(iv) CSC – Edge of Care £0.1m	This team were set up in 2017 on a payment by results basis. This year is the final year of this arrangement and the pressure is linked to slow progress from the initial 18 months of this project. The number of CLA in LBTH is significantly lower than the statistical neighbours (per 10,000 figure and shows the value of this service).
(v) CAMHS £0.130m	This overspend relates to late invoices not accrued.
(vi) Section 17 £0.53m	£350k of this overspend relates to pressures related to Covid-19 and is linked to increased demand of No Recourse to Public funds claims. This is driven by many families that previously had income via the “off the books” hospitality/fast-food sector no longer having income due to lockdown. In addition, there may also be an element of some of this forecast including an element of Legal costs, which should now be recorded separately (this will be monitored and assessed through budget monitoring sessions).
(vii) Direct Payments and Family Support £0.38	This forecast is based on an assumption that demand for respite for children with disabilities may rise significantly in the latter half of the year as restriction on placements are eased. This will need careful monitoring and management of thresholds.

Youth Services and Commissioning **£2.1m**

(i) Contract Services £1.7m – Full Review of Service	Options for the future delivery of Contract Services were presented to Cabinet in February 2019. The options included recommendations intended to reduce pressures on the budget for this service. Plans to reduce the historic pressure are being implemented during 2020/21. Plans to restructure the Contract Services in the light of the cessation of a number of areas of work will be presented to Children’s DLT in Q4 (2020/21). £1.1m of this reported pressure is as a result of lost income as a result of Covid -19 from school catering (£3.6m) for 6 months, netted off with estimated income £2.5m).
(ii) Professional Development Centre - £0.2m	There was a pressure in 2019/20 of £0.05m. This has increased to £0.2m mainly due to Covid -19 and income not being generated. Future options for the ongoing use of the PDC as a building are currently being explored by the Division and these will be presented, as part of the Contract Services’ restructure, to Children’s DLT in Q4 (2020/21).
(iii) Commissioned Services - £0.12m	Staffing pressure to be resolved as part of planned restructure which, subject to due process is scheduled to commence in 2020/21.
(iv) Early Help - £0.1m	Staffing pressure from the transfer of Business Support staff budgets. This pressure is contested by the Service. Further work is being undertaken to understand this pressure which is thought belongs to another Service. The matter should be resolved during P3, but if resolved for Children’s satisfaction, would not reduce the budget pressure on the Council overall.
(v) Children’s Centres – (£0.135m)	Underspend as a result of Children’s Centres not open during Covid-19.
(vi) Youth Justice Service - £0.09	Staffing pressure to be resolved as part of planned restructure which, subject to due process is scheduled to commence in 2020/21.

Plans, £0.6m from the loss of income from managed moves of pupils and the exclusion of pupils. The significant delay in restructuring of the Support for Learning service has resulted in a £0.3m staffing pressure within the Support for Learning Service. This adds to the cumulative pressure brought forward from 2018/19 and 2019/20 of £12.12m.

The Council have met with the DfE and presented the recovery plan to manage the overspend on the High Needs Funding Block (HNFB) and how it will be addressed over the period 2019 – 2022. The actions include:

- significantly reducing the funding retained by LBTH to deliver support services (SLS restructure),
- reducing the demand for centrally retained funding for Alternative Provision,
- reducing the rate of increase in EHC plan numbers,
- a reduction across all school top-up payments
- re-provisioning of primary SEMH support.

Early Years Block (EYB)
£0.8m deficit from 2019/20

The likelihood of a pressure for the EYB, arising in part due to the increase in the take up of places by eligible 2-year olds, for 2020/21 is currently being calculated.

Forecast overspend of £5.4m, after reserves drawdown

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Resources	5.4	8.0	(2.6)

The Resources directorate is forecasting a £5.4m overspend due to temporary accommodation costs, following the expected drawdown of £2.6m from reserves. The reserves drawdown consists of £2.0m from the ICT Transformation Reserve, £0.2m for Human Resources and £0.4m for the Finance Improvement Team from the Transformation Reserve.

Details of the areas of overspending and mitigations are summarised below.

£m	Forecast variance commentary
Benefits Service Temporary accommodation costs above grant level	5.4 Forecast overspend of £5.4m from temporary accommodation costs funded by the Council above housing benefit subsidy level of government grant. The 2020-21 Benefits service – centralisation of assessments – service review and restructure saving of £0.6m has been delayed due to needing to facilitate grant payments and new business rates reliefs relating to the Covid-19 pandemic and a significant increase in the number of residents submitting new claims for Council Tax Reduction. Replacement funding of £0.6m from the Covid-19 emergency grant is requested to meet this short-term pressure in 2020-21.
Human Resources Phase 2 review slippage	0.5 Savings slippage on phase 2 of the HR review of £0.7m and the 2020-21 HR Services - Additional Staffing Efficiencies saving of £0.1m, partially mitigated by holding temporary vacancies and reducing non-pay expenditure (£0.3m). Further £0.2m of staffing cost relates to extra work on the Tower Rewards new terms and conditions and is funded through the transformation reserve.
Business Support Phase 2 review slippage	0.3 The forecast overspend relates to savings slippage which will be actioned in Phase 2 of the business support review.
Customer Access	- Customer Access model savings slippage in 2019-20 of £0.9m has now been achieved for full year effect in 2020-21. The 2020-21 Additional Local Presence Efficiencies saving of £0.3m is also forecast to be achieved.
Finance, Procurement and Audit	- A forecast break-even position, following the expected drawdown of £0.4m from transformation reserves for the Finance Improvement Team. The 2020-21 saving for Internal Audit – Streamline Management and Explore Shared Service Options (£50k) will be achieved in 2020-21 through holding vacancies, and will be permanently achieved in the future Finance, Procurement & Audit review of the 2019 restructure.

Information Technology

- Regarding the 2020-21 ICT savings of £0.2m, the on-line rationalisation saving of £0.1m has been achieved. The rack rationalisation has been delayed due to supporting the Covid-19 BECC and will achieve part-year savings of £0.04m in 2020-21. Efficiencies in contracted services will meet the short-term £0.06m savings delay pressure in 2020-21. Infrastructure improvement costs that are not applicable for capitalisation are expected to be funded by a drawdown from the ICT transformation reserve (£2.0m).

Revenues Service

- Forecast pressure from reduced court costs awarded income of £0.5m, which will be offset through the additional burdens grant from government and the write-back of credit balances.

Programme Office

- (0.8) Transformation budget underspend in third party payments.

Forecast outturn variance £5.2m overspend on the General Fund

Public Health breaks even

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to / (from) Reserves
HA&C	5.2	5.2	0.0
Public Health	-	0.0	0.0

The Adults, Health and Communities Directorate forecast outturn for 2020-21 at period 2 is for a £5.23m overspend. The forecast position is after accounting for any Covid19 related expenditure which is assumed to be fully funded through corporately held government grants or recharged to the CCG. The challenges remain around the demand for services within Adult Social Care. The main variances are summarised below.

The 2020/21 budgets include £2.55m of savings, including £0.78m of savings from 2019/20. The directorate is forecasting to achieve £2.49m (98%) of these savings in 2020/21. The only area of slippage is the implementation of the changes to the Adult Social Care Charging policy which will subject to completion of the consultation exercise will not be in place until January 2021. An additional option has been included in the charging consultation which would result in higher income being generated which would mitigate the risk. The consultation on the changes to the charging policy has been delayed due to the Covid19 pandemic.

A revised recovery plan is in the process of being developed to address the budget pressure, these plans thus far have identified £3m of savings proposals. These proposals are currently being worked up into delivery plans and further work is underway to identify additional savings to bridge the remaining gap of £2.23m.

There continues to be a number of risks across the directorate through demand and price pressures. The residual impact of the Covid19 pandemic is likely to continue for some time and continue to affect demand for services and have an impact on service providers operating costs.

(in numerical descending order)	£m	Forecast variance commentary
Adult Social Care & Integrated Commissioning	5.23	The forecast outturn variance is a £5.23m overspend against a net budget of £100.91m. (5.18% overspend).
An over spend due to demand for residential and community-based care services for disabled, mental health and older people.		The forecast overspend is caused by pressures in both residential/nursing placements and community-based services supporting service users in their own homes. The council supports approximately 520 people in residential /nursing accommodation and over 1,800 people to live independently in their own homes through home care provision. These overspends are a continuation of the pressures seen and reported in the 2018/19 and 2019/20 Outturn reports. Similar pressures in adult social care budgets are reported by authorities nationally.
		The main pressures in the forecast at P2 are as follows:

ASC Care Packages (£5.91m forecast overspend)

This reflects a continuation of the underlying financial position as reported in the 2019/20 outturn. Demand for services and unit cost for the services exceeds the available budget. Without major changes in the way demand for services is managed and the cost of placements this pressure will continue.

Staff Costs (£0.24m forecast overspend)

Due to the Covid19 pandemic there has been delays in implementing the new ASC structure. This forecast overspend is non-recurring.

Integrated Commissioning (£0.95m forecast underspend)

Due to BCF funding held in Integrated Commissioning where expenditure is incurred in Adult Social Care (£0.75m) and a forecast underspend on Staffing (£0.2m)

Community Safety

Forecast Breakeven position

Whilst a breakeven position has been forecast there are budgetary pressures in the CCTV service and DAAT that will need to be closely monitored and contained within the budget available.

Public Health

Breakeven position forecast

- It is currently forecast that the Public Health grant will be fully utilised in 2020/21.

Projected variance £0.8m underspend on the General Fund

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Place	(0.8)	(0.5)	(0.3)

The Place Directorate is forecasting to underspend by £0.8m after adjustments for reserve movements and COVID-19 funding.

The Directorate has been significantly impacted by COVID-19, with income being reduced primarily in Public Realm and planning and additional costs within Housing and Growth & Economic Development. The gross forecast is a £9.9m overspend before any Government funding is applied. Direct costs attributable to COVID-19 across the Place Directorate total £10.7m and it is assumed this cost will be from Government funding, resulting in a net projection against budget of a £0.8m (£0.5m before reserves drawn down of £0.3m) underspend from business as usual activity.

Division	Gross Variance £m	Additional COVID-19 Funding £m	Net Variance £m
Property & Major Projects	1.4	(0.1)	1.3
Planning & Building Control	0.7	(1.0)	(0.3)
Growth & Economic Development	0.5	(0.7)	(0.2)
Public Realm	4.4	(5.8)	(1.4)
Housing & Regeneration	2.9	(3.1)	(0.2)
Total	9.9	(10.7)	(0.8)

The Directorate has £3.3m of savings targets in 2020/21. Although there is an additional risk of non-delivery as a result of COVID-19, it is currently felt that they will be delivered. The impact of the savings proposals is included within the forecast for each division.

The Place Directorate are currently working on a recovery plan to identify in year efficiencies and innovative ways to maximise income to try and deliver further savings.

(in numerical descending order) Variance
£m

Outturn variance commentary

Property & Major Projects

Reduction in income from occupation of Jack Dash House; Business rate costs on council owned properties; Non-Delivery of saving proposals relating to commercial shops; Recovery of costs relating to Architects

1.3

Property & Major Projects (£1.3m Overspend)

The Property & Major Projects division is forecasting a gross overspend of £1.4m. This includes £0.1m that is directly attributable to COVID-19 and assumed to be met from Government funding, reducing the net overspend to £1.3m. There are a number of factors contributing to this overspend that are detailed below.

Administrative Buildings (£1.2m overspend)

A pressure of £1.4m resulting from loss of rent following Tower Hamlets Homes move from Jack Dash House in July 2018. This budgetary pressure will continue

until a new tenant is secured or the property is put to a different use or disposed of. The building will require capital investment to bring it to a marketable standard should a decision be taken to rent it out.

These overspends are being offset by an underspend of £0.1m relating to Town Hall revenue budget, where the majority of costs now incurred are of a capital nature.

An underspend against postal costs of £0.1m where new ways of working are reducing the volumes of postage

Building & Technical Services (£0.1m Overspend)

The Architects team recharge their costs on a cost-plus basis. However, the income target assigned to the team is unlikely to be achieved as a result of the capital programme being in abeyance and little scheme development as a result of COVID-19, resulting in a forecast under achievement of income of £0.1m against budget. A review of this service is being undertaken

Corporate Landlord Model (Nil Variance)

Income received relating to rents for sites managed within the corporate landlord model is forecast to over-recover by £0.1m.

Business Rate expenditure on Council owned property is forecast to exceed budget by £0.1m. This results from inflationary increases to the rateable values not being reflected in the budget and properties being vacant against which a business rate charge is incurred.

There is a forecast loss of rent of £0.1m following the decision to give community groups a three month rent holiday as part of the Council's response to COVID-19. This cost will be met from the COVID emergency grant funding as approved by an Individual Mayoral Decision on 17th April 2020. There will therefore be no impact on Place budgets from this rent holiday.

A £0.8m overspend relating to the Appropriation of HRA shops to the general fund. This saving proposal will not deliver the required saving based on current assumptions and as a result the appropriation has not taken place. This pressure is not included within the Corporate Landlord Model forecast as it has been agreed that a mitigation will be identified corporately.

Resources

No material variances

- Resources (Nil Variance)

There are no material variances being forecast within the Resources division. The pressures resulting in an overspend in 2019/20 were one off and therefore not impacting on the current year projections.

Planning & Building Control

Reduced fee income in relation to Planning and local land charges; vacant posts; Planning appeal relating to West Ferry Printworks;

(0.3) Planning & Building Control (£0.3m Underspend)

Planning & Building Control is forecasting a gross overspend of £0.7m. This includes £1m of lost income directly attributable to the impact of COVID-19. It is assumed that this additional COVID related cost will be met from Government funding, resulting in a net underspend of £0.3m from business as usual activity.

Planning

Based on current projections, planning fee income is forecasting to under recover by £0.6m against budget. Planning income has reduced as a result of delays in developers bringing forward sites for planning consent as a result of COVID-19. Sites such as Sainsbury's Whitechapel and Queen Mary Business School are now being re-appraised by developers.

The mood within the industry is less confident post COVID-19 with developers nervous to develop as a result of financial pressures. This will be monitored throughout the year to identify the impact on income streams.

There is a savings target of £0.125m relating to new fees for Planning Performance Agreements. There has been significant interest for this service to provide a more personalised journey through the planning process and large developers have signed up for the service. It is forecast that the full two-year saving of £0.250m will be delivered in the current financial year, resulting in additional income of £0.125m.

The Planning service has a number of vacant posts which is projecting to result in a £0.2m underspend.

LBTH has incurred costs in 2020/21 relating to an appeal against the Government's decision to overturn the Planning Inspectorate decision at Westferry Printworks site. This appeal has been successful and it is anticipated that the Council will be able to recover its costs relating to this appeal. No financial impact has been included in this forecast.

Local Land Charges

Income relating to land searches has reduced by 60% as a result of the impact of COVID-19. The number of house sales has significantly fallen resulting in a projected income shortfall of £0.4m

Building Control Trading Account

The Building Control Trading Account is projecting to outturn in line with budget. There is a pressure on income as a result of reduced service following COVID-19 and competition from the private sector which is being offset by vacancies within the service

Growth & Economic Development
Additional costs from delays to restructuring being offset by additional funding; reduced use of apprenticeship scheme

(0.2) **Growth & Economic Development (£0.2m Underspend)**

The Growth & Economic Development division is forecasting a gross overspend of £0.5m. This includes £0.7m of cost directly attributable to the COVID-19 pandemic through additional work undertaken by the tackling poverty team. It is assumed that this cost will be met from the Government Hardship fund received by the Council, resulting in an underspend of £0.2m from business as usual activity. Details of this underspend are outlined below:

Economic Development (Nil Variance)

Economic Development are projected to outturn in line with budget, utilising approved s106 funding and mayoral growth monies as planned in the base budget. Any unspent funding relating to project work such as apprenticeship, Childcare, Women into Health and Tackling Poverty programmes will be returned to the balance sheet for future use.

The Tackling Poverty service is currently funded through Mayoral Priority Growth. This funding will end in 2020/21 and as a result, decisions will need to be made around the future funding of this service area. If a decision is taken to end the service then there will be budget implications in year, with unbudgeted redundancy payments causing a cost pressure.

The Tackling Poverty team has undertaken significant additional work from COVID-19 through the opening of a food bank and food deliveries to vulnerable and shielding residents. Additional costs incurred are projected at £0.7m and is assumed will be funded through the Hardship Grant received from Central

Government. Therefore, no impact on the outturn position has been forecast.

Careers Service (£0.1m overspend)

The Careers service is forecasting to overspend by £0.2m as a result of a restructure savings proposal that has not delivered the desired saving as a result of the level of long-term sickness within the service and roles being backfilled. Mitigations are being assessed which will include the use of s106 and Mayoral Priority Growth money relating to the career's cohort, both of which fit the demographic of the careers service.

PAS Scheme (£0.3m Underspend)

An underspend of £0.3m relating to the apprenticeship scheme is being forecast. This scheme placed local people in apprenticeship placements outside of the Council and the Council made a contribution to the cost. This represents an area for priority review in 2020/21.

Public Realm

Impact of COVID-19 on both income and expenditure being offset by vacancies and savings against the waste disposal contract

(1.4) **Public Realm (£1.4m Underspend)**

The Public Realm division is forecasting a gross overspend of £4.4m. This includes costs and lost income totalling £5.8m that is directly attributable to COVID-19. It is assumed that this additional cost will be met from Government funding, resulting in a net underspend of £1.4m from business as usual activities. Details of these variances are outlined below

Parking Control (£3.2m Overspend)

The Parking service is projected to overspend by £3.2m against budget. This overspend is entirely COVID-19 related and results from a loss of various sources of income from April to June whilst the lockdown has been in place.

This overspend also includes an increased income budget target of £1.5m with the service contributing to a Corporate savings target for the maximisation of income. It is assumed that this pressure will remain with Place, although there is an agreement that any shortfall will be funded corporately if not delivered. (due to the 19/20 performance a stretched target was set with this proviso – it should be noted it was before the pandemic and the lockdown which has had severe impact on my budget

The Enforcement service was suspended for April and May with commencement of a reduced service in early June. As a result, there is a £1m loss of income from appeals and a further £0.5m from the non-collection of outstanding debt that is not being chased and warrants are not being issued. This is being partially offset by vacancies within the service, giving a forecast overspend of £1.3m

Casual Parking income is £1.2m lower than budget as a result of fewer visitors to the Borough during lockdown

There is an under recovery of £0.6m against permit income. This results from a corporate decision to issue key workers (including council own social worker staff) with free permits. In total nearly 5k permits have been issued, some of whom would have renewed a resident's permit but instead received one for free. Relaxing enforcement has also impacted on permit income, with fewer residents choosing to renew their permit during lockdown.

A reduced removals service has resulted in a net loss of £0.1m to the Council.

A diesel surcharge levy has been introduced in 2019/20 which will result in additional income that will help to mitigate this pressure. However, at this stage

it is difficult to project additional income levels due to the impact of COVID-19. As the service returns to normal and cars usage increases the impact of the diesel surcharge will be monitored and reported.

It is assumed that the pressure within Parking will not be met from Government funding received for COVID-19 and is therefore being reported as an overspend. There are mitigations that could be utilised that will reduce this impact but decisions will need to be made around them:

- Staff not working during the pandemic could be placed on the Government furlough scheme which would save 80% of their salary costs
- Parking has a reserve balance of £3.2m and some or all of this could be drawn down to offset the overspend. However, any decision would need to take into account the overall reserve position of the Authority

Concessionary Fares (£0.2m Underspend)

The mobility support service is forecasting to underspend by £0.2m, with the contribution towards the cost of Taxi Cards being less than budgeted. This is a demand led budget, with little ability for the Council to control or reduce costs.

The Council incurs spend of £9.8m per annum on the freedom pass scheme, being charged for bus journeys for card holders that terminate in the Borough. Usage of freedom passes has reduced over the first quarter of 2019/20 by 80%, which would result in a saving of £1.8m. However, this saving will not be realised in year as the freedom pass charge is calculated on past year usage and the benefit will therefore be in future years.

Street Trading Account (Nil Variance)

The Markets service is forecasting to overspend by £0.7m as a result of income loss directly attributable to COVID-19. All markets were closed from April until the middle of June, with a phased re-opening of markets from 15th June. This overspend position includes any small savings resulting from the markets closure, such as reduced cleaning. To date a decision has been made not to furlough market officers and therefore the salary costs are included in this forecast.

There is a risk that this overspend could increase as a result of traders ceasing to trade post COVID-19 and additional pitches remaining vacant. Any impact will be monitored and reported in future months.

Being a traded service there is no impact on the General Fund arising from surpluses and losses within the markets service. Any variances are transferred to an earmarked reserve at year end. In 2019/20 the reserve balance was reduced to nil as a result of an overspend in year. Any shortfall in the current financial year will have to be held in the earmarked reserve and offset against future surpluses. However, the size of the overspend forecast this year will be very difficult to offset and strategic decisions will need to be taken to mitigate this pressure.

Environmental & Regulatory Services (£0.6m Overspend)

The Environment & Regulatory Service (ERS) is forecasting to overspend by £0.6m. Increased cost of £1m is being incurred as a direct impact of COVID-19 and is partly being offset by vacancies held within the out of hours noise service, pest control, traveller's liaison, licensing administration and food safety services. These vacancies are projected to save £0.4m in year. These posts have been very difficult to fill and staff retention is a problem within this area.

Additional income from Landlord Licensing, HMO (House in Multiple

Occupation) and Late-Night Levy licenses are being profiled to be allocated over the life of each licence issued. Income is received up front and drawn down over the license period for which it is valid to cover costs incurred. No variance is forecast.

A one-off cost of £0.860m relating to London wide mortuary costs will be incurred in year. This reflects the additional mortality management service costs across London during the pandemic. These costs are being met by the 33 Boroughs based on ONS population projections and this cost represents LBTH's share. Further cost of £0.1m has been incurred for additional staffing and consumables within the mortuary service as a result of the increased number of deaths caused by COVID-19.

Public Realm Management & Administration (Nil Variance)

The outsourced waste collection and Trade Waste services have been brought back in-house in 2020/21. One-off funding was approved through growth bids to fund the cost of implementation, resulting in a £0.3m budget in 2020/21. Current forecasts indicate that this budget will be spent in full and additional costs totalling £0.5m will be incurred for planned work around staff inductions, I.T. and service consumables slipping into this financial year. It is assumed that this will be funded from reserve in year.

Operational Services (£1.3m Overspend)

Waste Collection service has been insourced in 2020/21 and internal budgets created for the provision of the in-house service. At present a £0.3m overspend is being forecast which can be directly attributed to additional costs incurred as part of COVID-19. The use of agency staff to cover high levels of sickness and staff that are self-isolating combined with reduced numbers of men on lorries and additional PPE requirements has resulted in this pressure.

A service review is being undertaken to identify synergies and savings within the back office now the service is in-house to try and mitigate this pressure.

A £1m underspend is being forecast for waste disposal. This is the result of reduced tonnages from COVID-19 and increased recycling across the Borough and additional income from rebates for recyclable materials.

The Bywaters recycling contract has been retendered and costs have increased by £0.5m. There is no budgetary provision for this additional cost, which will be met from the underspend on the disposals.

Commercial Waste income is forecast to be short of budget by £1.8m. As a result of COVID-19 many of the commercial waste customers were on lockdown and either suspended or cancelled accounts. Some of these customers will not return to the Council after lockdown or will cease trading and combined with ceasing debt collection is compounding the pressure. An aggressive marketing campaign will be undertaken in an attempt to increase the portfolio and mitigate this pressure in future years.

The Contracts Development Team is forecasting to underspend by £0.2m as a result of vacancies within the service. A further vacancy saving of £0.2m is forecast within the Green team

Riverside walk has overspent by £0.1m. There is a historical income target relating to the Travelodge site. The site was sold and a capital receipt realised. However, the site was generating an income and this lost income is resulting in a pressure.

Highways and Traffic Management (Nil Variance)

No material variances are forecast within Highways and Traffic Management.

Fleet (£0.5m Underspend)

The Fleet service is forecasting to underspend by £0.5m against budget. This results from a reduced service during COVID-19 where vehicles were not in use.

Housing & Regeneration
additional costs of homelessness associated with COVID-19; Over recovery of income relating to lettings service

(0.2) **Housing & Regeneration (£0.2m Underspend)**

The Housing & Regeneration division is forecasting a gross overspend of £2.9m. This includes £3.1m of forecast costs directly attributable to COVID-19 within rough sleeping. It is assumed that this cost will be met from Government funding, resulting in a net underspend of £0.2m. Details of the variances are outlined below.

Homelessness

The Homelessness and Temporary Accommodation services are forecasting to outturn in line with budget. Homelessness numbers continue to increase, placing more pressure on the use of expensive nightly booked accommodation and additional cost. However, additional rental income relating to a total of 397 acquisitions as part of the buyback programme is mitigating this cost pressure by generating additional income, reducing the use of expensive nightly booked and bed & breakfast accommodation. This generates a net surplus of £5.6m. This surplus is used to cover the cost of the borrowing (interest and minimum revenue provision) to fund these acquisitions.

This forecast is inclusive of the continued grant drawdowns totalling £4.8m in year to cover specific activity including rough sleepers (£0.5m), homelessness reduction act (£0.4m) and flexible homelessness support (£3.9m). These drawdowns are in line with those budgeted for the year.

Housing Options Lettings

The Housing Options Lettings service is forecasting to underspend by £0.2m as a result of income from Registered Social Landlords (RSL's) exceeding budgeted targets. RSL's are using the Council's common housing register above budgeted levels and a charge is being made to them for this service.

COVID-19 Response

As part of its COVID-19 response, the Government asked local authorities to put in place a plan of support for all rough sleepers, accommodating them in hotels and other forms of emergency accommodation during the response to the pandemic. This has resulted in over 200 individuals rough sleeping on the streets or at imminent risk of rough sleeping being found suitable emergency accommodation in the past two months at an additional ongoing cost of £100k per week for accommodation, inclusive of the impact on Housing Benefit subsidy and further support costs of £0.4m to the end of July for specific floating support and meals for this vulnerable cohort. It is forecast that additional costs will total £1.5m by the end of July.

It is anticipated that these costs will be met from a combination of Government funding and Housing Benefits but at this stage there is uncertainty that all costs will be covered and therefore it is prudent to forecast Housing & Regeneration spend in line with budget and that any saving resulting from the buyback programme and additional income from Lettings will be utilised in year. These costs and funding will continue to be monitored closely throughout the year.

Forecast breakeven position after reserves drawdown

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Governance	-	0.4	(0.4)

The Governance directorate forecast outturn impact on the general fund is nil, after requested drawdown from the transformation reserve of £0.340m and the EU exit preparations grant reserve of £0.105m.

The transformation reserves drawdown consists of transitional funding for Strategy, Policy and Performance staffing (£0.3m) and Communications support of transformation initiatives (£0.040m).

The 2020-21 budgets include £0.6m of Strategy, Policy and Performance centralisation savings slippage to be achieved through Phase 2 of the review.

Other comments

Strategy, Policy & Performance (SPP) Break-even forecast position after the requested drawdown of transformation reserves for the transitional staffing structure (£0.3m) pending Phase 2 of the SPP restructure. The EU exit grant reserve created in 2019-20 will be drawn down in 2020-21 to support EU exit preparations.

Communications Break-even forecast position after the requested drawdown of transformation reserves for extra staffing to support Council-wide transformation initiatives (£0.04m).

Registrars Services There is an increase in the registration of deaths due to Covid-19, however this is being managed within existing staffing budgets by prioritising this over other services. There is a reduction in income due to not delivering other services, including citizenship ceremonies (average £14k per month) and wedding ceremony fees, birth/marriage and other certificates and our immigration services (circa £30k per month for these other areas). However when we return to business as usual, most of this income will be made up as many ceremonies have been deferred and not cancelled. In addition, all the birth and marriage registrations that we have had to postpone will all need to take place and the income will be made. Overall there could be a permanent loss in income of a quarter of the income (£10k per month), which has been requested to be funded from the Covid-19 emergency grant.

Forecast overspend of £1.6m after drawdowns from reserves

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Corporate and financing costs	1.6	5.3	(3.7)

The corporate and financing costs area is forecasting an overspend of £1.6m, after the planned drawdown from reserves for £3.730m contribution to non-recurrent expenditure in the MTFs position. The planned drawdown from reserves consists of the £2m short-term funding of Free School Meals from the Free School Meals Reserve and £1.730m short-term funding of the Programme Management Office from the Transformation Reserve.

Details of the variances are summarised below:

(in numerical descending order)	£m	Forecast variance commentary
Cross-Directorate Savings Slippage in savings achievement	7.2	Slippage in cross-directorate savings held centrally of £4.1m, being £1.6m slippage in Debt Management & Income Optimisation, £1.35m slippage in the Review of Printing/Scanning/Use of Multi-Functional Devices (MFD's) and £1.15m in Local Presence savings. Unachievable savings held centrally of £3.15m, being £2m TOWER Rewards terms and conditions changes, £0.8m Appropriation of Housing Revenue Account (HRA) Shops to General Fund (GF), £0.25m Income Through Housing Companies and £0.1m THH - Potential support service savings.
Redundancy, Severance and Early Retirement Forecast overspends	3.2	The current forecast overspend is based on the 2019-20 level of expenditure, which consisted of £1.9m in severance costs (nil budget), £0.8m in early retirement pension strain and £0.5m in redundancy costs. The corporate budget only funds redundancy costs where these relate to achieving savings agreed in the medium term financial strategy (MTFS).
Central Support Costs Unallocated support costs	3.2	Forecast of overhead costs that are funded centrally (not apportioned out to directorates).
Pension Fund deficit repayment Forecast underspend against budget	(0.8)	Forecast underspend against the budget allowed (£12.8m) for the payment to the Pension Fund to meet deficit estimated by the actuary.
Corporate contingency Budget to cover unforeseen circumstances	(3.1)	There are currently no commitments against the contingency budget of £3.1m.
Pay inflation budget Held centrally	0	2020-21 pay inflation budget (£3.1m) and TOWER Rewards terms and conditions budget (£2m) held centrally.
Treasury Management Forecast underspend on borrowing costs budget	(8.1)	A forecast underspend of £8.1m on the borrowing costs budget, due to slippage in the capital programme. An estimated £3.6m of the Minimum Revenue Provision (MRP) internal borrowing cost will be funded by the rental income earned through the property buyback programme in Place directorate.

It is forecast that interest and dividend income in 2020-21 will break-even against the income budget of £4.5m. This forecast is lower than 2019-20 achievement, due to the Covid-19 impact on the economy and the Bank of England reducing its base rate to 0.1%.

£m	Estimated impact on HRA	Forecast Variance	
		Variance before reserve adjustments	Contribution to /(from) Reserves
HRA	5.2	5.2	0.0

The HRA is forecasting to overspend before reserve movements by £5.2m as a result of the impact of COVID-19 on both income collection and unbudgeted costs. Work is ongoing to mitigate any overspend and to reduce the impact on the general balances (reserve) at year end. Projections will be input into the HRA business plan during the year to identify any pressures or opportunities arising at the earliest stage to enable strategic decision making within the ringfenced HRA.

(in numerical descending order)	Variance £m	Outturn variance commentary
Leasehold Admin Fee	0.1	Leaseholder admin fees are projected to under recover when compared to budget by £0.124m as a result of lower than budgeted right to buy sales.
Bad Debt Provision	4.7	Since the COVID-19 pandemic outbreak, there has been a reduction in the levels of rent collected with tenants and leaseholders cancelling direct debit arrangements. The impact is a 5% reduction in rent and as a result it is felt prudent at this stage to increase the bad det provision by this amount. The impact on rents is being carefully monitored and will be refined in future months based on collection rates.
Repairs & Maintenance	0.1	An overspend of £0.148m is projected relating to additional risk assessments on water storage tanks that will be carried out in year
Poplar Baths / Dame Colet	0.1	A forecast overspend of £0.1m relating to repairs & maintenance works that are being undertaken for which there is no budgetary provision.
Cleaning Materials	0.1	An overspend of £0.1m on cleaning materials as a result of additional PPE purchased as a result of COVID-19
Concierge	0.1	The Concierge budget is forecasting to overspend as a result of increased fire safety patrols that are currently in place.

Current projections will:

This table shows the balance on the general fund, HRA and useable reserves projected forward to the end of this financial year. It should be noted that further amendments are expected (arising from the ongoing 2018/19 audit), and that these balances are likely to *reduce significantly* upon the next restatement.

Reduce our General Fund Reserve to a deficit of £6.3m

Furthermore, outturn movements are still being finalised for 2019/20, and so the figures as presented here are subject to some change.

Decrease our HRA by £5.2m**Increase our DSG deficit to £15.7m****Decrease our GF Earmarked Reserves by £19.3m**

	*Draft Balance at 31 March 2020 £m	Movement £m	Projected Balance 31 March 2021 £m
General Fund Reserve	8.3	(12.9)	(4.6)
Budgeted drawdown		(1.7)	(1.7)
General Fund total	8.3	(14.6)	(6.3)
Housing Revenue Account (HRA)	53.0	(5.2)	47.8
HRA Earmarked Reserve	4.6	0.0	4.6
Dedicated Schools Grant (DSG)	(11.7)	(4.0)	(15.7)
GF Earmarked Reserves	155.3	(19.3)	136.0
Total Revenue Reserves	209.5	(43.1)	166.4

	*Draft Balance at 31 March 2020 £m	Contribution to / (from) Reserve £m	Projected Balance 31 March 2021 £m
Earmarked reserves consist of			
Insurance	17.7	0.0	17.7
New Civic Centre**	17.0	(17.0)	0.0
Risk Reserve**	4.5	(0.9)	3.6
Parking Control	3.3	0.0	3.3
Transformation Reserve	5.3	(3.0)	2.3
Collection Fund Smoothing Reserve***	6.5	0.0	6.5
ICT Reserve	14.5	(2.0)	12.5
Mayor's Tackling Poverty Reserve	3.4	0.0	3.4
Free School Meals Reserve	2.0	(2.0)	0.0
Mayor's Priority Investment Reserve	5.4	0.0	5.4
New Homes Bonus	44.9	16.0	60.9
Public Health Reserve	1.0	0.0	1.0
Services Reserve	3.2	0.0	3.2
Revenue Grants Unused	8.5	(0.1)	8.4
COVID 19 grant	10.3	(10.3)	0.0
CIL	7.8	0.0	7.8
Totals	155.3	(19.3)	136.0

*The figures as at 31/03/2020 are draft, due to the ongoing audit of the 2018-19 financial statements, and the 2019/20 outturn still being provisional.

**The Civic Centre will now be funded by borrowing, and the balance of this reserve will be used to fund the Business Rates Collection Fund Deficit together with £0.9m from the Risk Reserve.

***A drawdown of the full Collection Fund Smoothing Reserve balance will be required in 2021/22.

Target for year £21.0m

£11.3m savings to be delivered

£m	20-21 Target	Prior Year Slippage	Saving Target	Forecast Savings	Slippage	Under Recovery	Over recovery
	A	B	C = A + B				
HA&C	1.3	0.9	2.2	1.8	-	0.4	-
Children and Culture	1.5	1.0	2.5	2.0	0.6	-	-
Place	2.8	1.1	3.9	3.0	-	0.9	-
Governance	-	-	-	-	-	-	-
Resources	2.6	0.7	3.3	1.8	1.1	0.3	-
All	2.0	7.1	9.1	2.7	4.4	2.0	-
Total	10.2	10.7	21.0	11.3	6.1	3.7	-

Total savings target for 2020-21 is £21.0m (£10.2m relates to approved savings as part of the 2020-21 budget setting process, and £10.7m as a result of previous years' savings not delivered)

- £11.3m is identified as being on track to deliver savings;
- A net position of £6.1m is forecast to slip into future years due to timing issues;
- £3.7m has been identified as unachievable