

# Council Budget Monitoring Report as at 31<sup>st</sup> August 2020-21

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

General Fund forecast £13.0m overspend

Dedicated Schools Grant (DSG) overspend of £0.4m

Housing Revenue Account (HRA) forecast £1.0m underspend

<i>Forecast position as overspend/(underspend)</i>					
£m	Gross impact on General Fund	COVID-19 related costs*	Variance before reserve adjustments	Contribution to /(from) Reserves	Net impact on General Fund GF/DSG/ HRA
Children & Culture (GF)	7.1	(5.5)	1.6	-	1.6
Resources	13.6	(6.2)	7.4	(2.8)	4.6
HA&C	10.1	(5.1)	5.0	-	5.0
Place	11.9	(12.2)	(0.3)	(4.1)	(4.4)
Governance	2.3	(2.2)	0.1	(0.1)	-
<b>Sub-total GF Services</b>	<b>45.0</b>	<b>(31.2)</b>	<b>13.8</b>	<b>(7.0)</b>	<b>6.8</b>
Corporate and financing costs	9.1	(4.7)	4.4	(3.7)	0.7
Deficit on COVID relief	5.5	-	5.5	-	5.5
<b>General Fund</b>	<b>59.6</b>	<b>(35.9)</b>	<b>23.7</b>	<b>(10.7)</b>	<b>13.0</b>
<b>Ringfenced Items</b>					
Dedicated Schools Grant			0.4	-	0.4
Public Health GF			-	-	-
HRA			(1.0)	-	(1.0)
<b>Overall Position</b>			<b>23.1</b>	<b>(10.7)</b>	<b>12.4</b>

\*The COVID-19 related costs include both expenditure incurred and income foregone.

The currently forecast position of an estimated net overspend of **£13.0m** on General Fund expenditure represents a net increase of £0.1m above the period 4 forecast. Clearly, we are not seeing the necessary downward trend of net expenditure required in order to reach a balanced position by year-end and, at this point, we are also not seeing the impact of the financial control measures put in place earlier this year. This position continues to put General Fund balances under significant pressure as can be seen in the reserves section of this report which provides full details of anticipated movements and shows how General Fund earmarked reserves are projected to fall significantly from **£132m** to **£94.7m** by the end of the financial year.

At this point in time the Government has provided total COVID-19 relief grants of £23.6m (tranches 1-3), of which £0.1m was utilised in 2019/20. In addition, the Government will reimburse a proportion of income foregone due to COVID-19, *estimated* at £7.0m. The total COVID-19 relief, therefore, estimated to come from the Government for 2020/21 is £30.5m. This is exceeded by the estimated gross costs as a result of COVID-19 by £5.5m in the General Fund (including the DSG COVID-19 pressure of £0.1m).

Ongoing overspends of this level are clearly unsustainable and current projections require urgent management remedial action, particularly in the light of strategic budget planning requirements for the medium term.

In the Dedicated Schools Budget, the forecast overspend of £0.4m will **push the brought forward deficit from £11.1m to £11.5m**. (DSG overspend for 2019/20 finalised at £6.5m, not the £7.2m reported in the provisional outturn report.) This position is also unsustainable and needs urgent management remedial action. The HRA is forecast to underspend by £1.0m.

Forecast overspend £1.6m General Fund

Forecast DSG overspend of £0.4m

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Children and Culture (GF)	1.6	1.6	(0.0)
Children and Culture (DSG)	0.0	0.4	(0.4)

The general fund is projected to be overspent by a gross £7.1m, an improvement of £0.7m on the position reported at P4. This position is before any relief for COVID-19 has been applied. This forecast includes the impact of COVID -19 estimated at a £5.5m pressure as at period 5, resulting, therefore, in a net position of a **£1.6m overspend** without any impact of COVID-19. The gross overspend is as follows: Children’s Social Care £0.85m, Education & Partnerships £1.4m, Youth Services & Commissioning £1.9m, Sports, Leisure and Culture £2.7m and Children’s Resources £0.3m.

There has been an improvement of £0.7m to the position reported at Period 4. This is mainly due to an improved position within Children’s Centres of £0.1m, an underspend within SEND transport of £0.4m due to fewer children requiring transport and a reduction in the forecast in Children’s Social Care of £0.3m. There has been an increase in pressure in Sports Leisure and Culture of £0.16m mainly due to the support provided to Poplar Baths.

The improvement of £0.7m to the position reported at Period 4 is due to a combination of factors, in particular the team’s work on recovery plans for the budget position including:

- Reduction of locum spend – 318k lower in August than in January
- Permanent recruitment freeze of all non-essential posts
- Review of all non-essential spend
- Tight control of demand costs
- Resumption of income wherever possible
- Improved practice in commissioning
- Deep dive reviews into key areas of spend – e.g. Section 17, placement costs, SEND
- Review of forecasting in light of Covid uncertainties
- Review of schools’ income
- DSG recovery plan
- As well as key movements in the following areas:
  - an improved position within Childrens’ Centres of £0.100m
  - an underspend within SEND transport due to fewer children requiring transport.
  - Continuing progress in recruiting and retaining permanent Social Workers - the percentage of agency staff is now 18% and reducing (London average is 20%). Currently we have plans to either replace or convert 34 agency staff by the end of September 2020.

There is an estimated pressure of £0.17m arising from the implementation of Tower Rewards in 2020-21 and has been included in the forecast this month. The full year impact of this is estimated to be £0.230m.

The DSG is projected to be overspent by a gross of £0.4m before any relief of COVID-19 has been applied. There is a Covid-19 pressure of £0.1m within the High Needs Block.

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

	£m	Forecast variance commentary
<b>Children's Social Care</b>	<b>0.8m</b>	
(i) <b>CSC - Staffing – £0.05m</b>		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. There is a minor overspend of £0.05m forecast at 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) <b>CSC - Looked After Children (LAC) Placements £0.1m</b>		LAC placements is forecast to overspend by £0.1m. This is mainly as a result of a placement for a child requiring shielding due to Covid -19. 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) <b>Leaving Care Placement (£0.6m)</b>		This service is currently reporting an underspend of £0.6m. However, this may change dependent on the level of demand. This underspend is currently being driven by the changes we have made to the commissioning of placements for care-leavers, enabling us to access a wider-range of placements at more competitive prices.
<b>Non Placement Pressure £0.1m</b>		There is a non placements pressure of £0.1m and includes £0.055m Business Rates pressure in the Throughcare Team & £0.01m various other service pressures in staffing There is also income for a Duty implementation which is not budgeted (£0.04m);
(iv) <b>CAMHS £0.14m</b>		This overspend relates to late invoices not accrued.
(v) <b>Section 17 £0.4m</b>		£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).
(vi) <b>Disability Services Direct Payments and Family Support £0.48m</b>		There is a forecast pressure of £0.480m for Direct Payments (£0.340m) and Family Support (£0.280). There is also a pressure a pressure of £0.12m arising from the late receipt of old year invoices. This pressure is offset by an underspend in Short Breaks of £0.24m. 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.

(vii) **Adoption and Fostering £0.17m** There is a pressure arising from budgeted Adoption Support Grant no longer available (£0.035m), pressure on the Mockingbird Income (£0.1m) and (£0.03m) pressure from the Positive Family Programme.

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**Youth Services and Commissioning** £1.9m

- (i) **Contract Services £1.49m – 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) **Childrens Centres (£0.1m)** Childrens Centres are forecasting to underspend by £0.1m through tightening spend on non essential spend.
- (iii) **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).
- (iv) **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.
- (v) **Tower Rewards 0.05m** Estimated pressure from the implementation of Tower Rewards.
- (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.

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**Sports, Leisure and Culture** £2.7m

- (i) **Arts, Parks and Events £1.6m** Income for filming, Victoria Park Arts and Events are all severely affected by Covid-19. No income for filming has been forecast and the income forecast for Victoria has been prudent. The AEG income of £1.3m has not been forecast currently, although legal advice is being sought on whether is due as a contractual agreement. There is an increased income target for 2020/21 which will not be met.
- (ii) **Sports and Physical Activity £0.9m** There is a forecast pressure in Sports and Physical Activity of £0.9m, mainly due to the management fee support provided to the leisure provider GLL and Poplar Baths driven by Covid-19.
- (iii) **Community Language Service £0.230m** A pressure of £0.233m has arisen as the full year saving of £0.350m will not be met due to the delay in the implementation of the Community Language Services restructure.
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**Education and Partnerships** £1.43m

**Loss of Income from School SLAs**  
£0.753m

A pressure of £0.753m has arisen as a result of the loss of SLA income from Schools. This is made up of Support for Learning Service (£0.2m), Parental Engagement and Support (£0.185m), School Governance (£0.8m), Arts and Music Service (£0.046m), Safeguarding Services (£0.112m) and Schools Library Services (£0.123m)

**Closure of Raines School and the amalgamation of Guardian Angels and St Anne's schools**  
£0.95m

General Fund pressure from the closure of Raines School and the amalgamation of Guardian Angels and St Anne's schools, resulting in a pressure of £0.95m.

**Special Educational Needs**  
(£0.4m)

SEND transport has been an ongoing area of pressure, which reported an overspend of £2.8m in 2019/20 resulting from an historic misalignment of budget against demand. Growth of £2.5m was allocated for 2020/21 which will support the pressure in 2020/21.

During lock down, the use of Vehicle hire (taxis) has ceased and this is a reduction in costs. However, going forward as schools start admitting more pupils, the costs arising from implementing social distancing during journeys have still to be fully understood. As at Period 5 the service is forecasting an underspend of £0.4m in SEND transport. The consultation on the proposed changes to the council's policy on travel assistance for those with special educational needs and disabilities (SEND) completed on 6th May 2020 which is expected to deliver cost reductions as changes are implemented to the travel assistance provided by the council.

**Tower Rewards Impact**  
(0.03m)

The impact of Tower Rewards on this service is approximately £0.03m

**Childrens Resources –**  
£0.3m

**Covid Spend** £0.25m

This pressure is as a result of Covid Spend and will be funded from the grant received from government.

**Property and Asset Management Team**  
£0.05m

The Property and Asset Management Team are forecasting a salaries pressure of £0.05m.

**The Dedicated Schools Grant (DSG)**

£m

The key impact on the DSG is the significant overspend in the High Needs Funding Block element. The actions being taken to address this are outlined below.

**High Needs Block (HNB)**  
Plus £11.782m deficit from 2018-19 and 2019/20

0.6m

There is a further £0.6m pressure being reported on the High Needs Block for 2020/21, after an increase in HN Block funding of £7m for 2020/21. There continues to be a pressure related to SEN Education, Health and Care Plans of £2.7m. 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. There is also a pressure of £0.130m as a result of Covid. These pressures have been mitigated by the additional funding received in 2020/21 and previously earmarked to manage previous years' deficit position. The cumulative pressure on the High Needs Block with the brought forward deficit from 2018/19 and 2019/20 is £12.382m.

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),

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- 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.

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<b>Early Years Block (EYB)</b>	(£0.2	The Early Block has seen an increase in its funding and is now reporting an underspend of £0.2m, after the application of funding to remove the deficit from 2019/20. Previously this may have been subject to clawback based on the latest census figures. However, the DfE have confirmed that no adjustments are to be made.
£0.7m deficit from 2019/20 now removed	m)	

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## Forecast overspend of £4.6m, after reserves drawdown

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Resources	4.6	7.4	(2.8)

The Resources directorate is forecasting a £4.6m overspend due to housing benefit costs, following assumed Covid-19 funding and expected drawdown of £2.75m from reserves. The reserves drawdown consists of £2.0m from the ICT Transformation Reserve, £0.4m for the Finance Improvement Team from the Transformation Reserve and £0.35m from the insurance reserve.

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

£m	Forecast variance commentary
<b>Benefits Service</b> Temporary accommodation costs above grant level	4.6 Housing Benefits forecast overspend of £8.9m, based on current activity level before any other grants have been applied above the housing benefit grant. This forecast overspend is due to temporary accommodation costs and increased demand due to the pandemic and its economic impact on the level of housing benefit claims. The situation will need to be kept under constant review as the economic impact of the pandemic and the government response to local government funding requirements unfolds. Funding sources could include the non-ringfenced Covid-19 emergency grant and specific government grants for homelessness and rough sleeping to support the £4.3m increase since 2019-20.  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.  Improved Recovery of Housing Benefits Overpayments saving (reference SAV/ RES 01 / 18-19) in 2020-21 of £0.5m will not be achieved in 2020-21 due to the economic impact of Covid-19 and this savings slippage is therefore requested to be funded through the Covid-19 emergency grant.
<b>Human Resources</b> Phase 2 review slippage	0.6 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 (£0.2m). The forecast includes an estimated impact of £19k for changes to staff terms and conditions.  Covid-19 grant funding of circa £30k is requested for the period April to September for an employee co-ordinating key worker information, arranging for the issue of letters to travel, monitoring and managing the Coronavirus inbox and collating health and wellbeing information for key workers.



<b>Business Support</b> 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. The forecast includes an estimated impact of £30k for changes to staff terms and conditions.
<b>Customer Access</b>	<p>- Customer Access is forecasting a breakeven position in staffing for 2020-21 due to staff being on lower spinal points in grades (budget set at top spinal point) which is mitigating the unachieved 2020-21 Additional Local Presence Efficiencies saving of £0.3m in 2020-21. The forecast incorporates the extra £37k cost in 2020-21 from terms and conditions changes.</p> <p>Customer Access model savings slippage in 2019-20 of £0.9m has now been achieved for full year effect in 2020-21.</p>
<b>Finance, Procurement and Audit</b>	<p>- A breakeven position is forecast, following the expected drawdowns of £0.4m from the transformation reserve for the Finance Improvement Team and £0.35m from the insurance reserve for insurance related costs.</p> <p>The breakeven position includes £34k staffing cost in 2020-21 from terms and conditions changes.</p> <p>The 2020-21 saving for Internal Audit – Streamline Management and Explore Shared Service Options (£50k) is being achieved in 2020-21 through holding vacancies, and will be permanently achieved in the future Finance, Procurement &amp; Audit review of the 2019 restructure.</p>
<b>Information Technology</b>	<p>- Breakeven forecast position, including the £19k extra cost in 2020-21 from terms and conditions changes. Infrastructure improvement costs that are not applicable for capitalisation are expected to be funded by a drawdown from the ICT transformation reserve (£2.0m).</p> <p>Regarding the 2020-21 ICT savings of £0.2m, the telephony IVR 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.</p> <p>The pandemic has slowed down the end user computing migration (as low as 40 employees per week in March compared to 300 per week) and this has created extra costs of £0.8m for staffing and prolonged retention of legacy systems (licences, maintenance and support). Funding of £0.8m from the Covid-19 emergency grant is requested to meet this 2020-21 pressure.</p>
<b>Revenues Service</b>	<p>- Forecast pressure from reduced court costs awarded income of circa £0.5m, which will be offset through the additional burdens grant from government, GLA funding to support the minimisation of Council tax base vacant properties and the holding of temporary staffing vacancies.</p>
<b>Programme Management Office and Central Resources</b>	(0.9) Programme Management Office forecast staffing underspend of £0.45m (including the £5k extra cost from changes in terms and conditions) and central resources forecast underspend in third party payments of £0.4m.

Forecast £5.0m 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	5.0	5.0	0.0
Public Health	-	0.0	0.0

The Adults, Health and Community Directorate forecast outturn for 2020-21 at period 5 is for a £5.02m overspend. This is a marginal deterioration when compared to the forecast at Month 4 (£4.87m forecast overspend). Additional staffing costs relating to the Tower Rewards implementation were included in the forecast from Month 4. The forecast position is net of Covid19 related expenditure of £5.1m which is assumed to be fully funded through corporately held government grants or recharged to the CCG. The main challenge remains around the demand for and cost of 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, though these savings contain a range of risk to delivery which is explained in more detail the savings tracker. There is potential slippage to the implementation of the changes to the Adult Social Care Charging policy which is estimated to be in place from January 2021 (three months later than expected due to postponement of the consultation process during the Covid pandemic). 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 closed on 7 September 2020 and a paper will shortly be presented to the Mayor's Advisory Board and Cabinet.

A revised recovery plan is in place to address the budget pressure and is regularly reviewed. These plans so far have identified £3m of new savings proposals. There is ongoing work to track progress against the recovery plan (robustness of data remains a concern in this regard) and also to identify further savings opportunities. Progress in delivering these savings proposals has yet to make a material impact on the forecast outturn. Agency staff has already been reduced and is under further review – some critical front-line roles in adult social care still require cover by agency staff at this time.

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

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

**Adult Social Care & Integrated Commissioning**

An overspend due to demand for residential and community-based care services for disabled people, older people and those with mental health issues.

5.13 The forecast outturn variance is a £5.13m overspend against a net budget of £100.91m. (4.96% overspend) a deterioration of £0.12m compared to P4.

The forecast overspend is caused by ongoing demand pressures across all service areas and underlying price pressures on placements/care packages. The council supports approximately 3700 people across all types of care. These overspends are a continuation of the pressures seen and reported in previous years. Similar pressures in adult social care budgets are reported by authorities nationally.

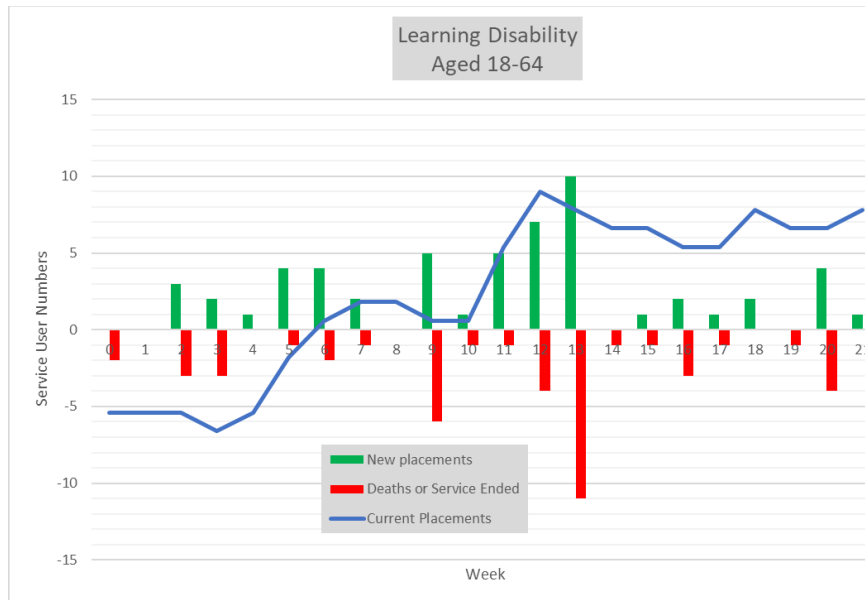
The main pressures in the forecast at P5 are as follows:

**ASC Care Packages (£5.488m 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. The cost of all new placements is strictly controlled and all existing high cost packages are being reviewed. As we review all care packages using strengths based approaches, service users, carers, providers and stakeholders are raising concerns about changes to support arrangements – this is inevitable as we try to draw more on universal and community support and increased short-term services with a reablement focus.

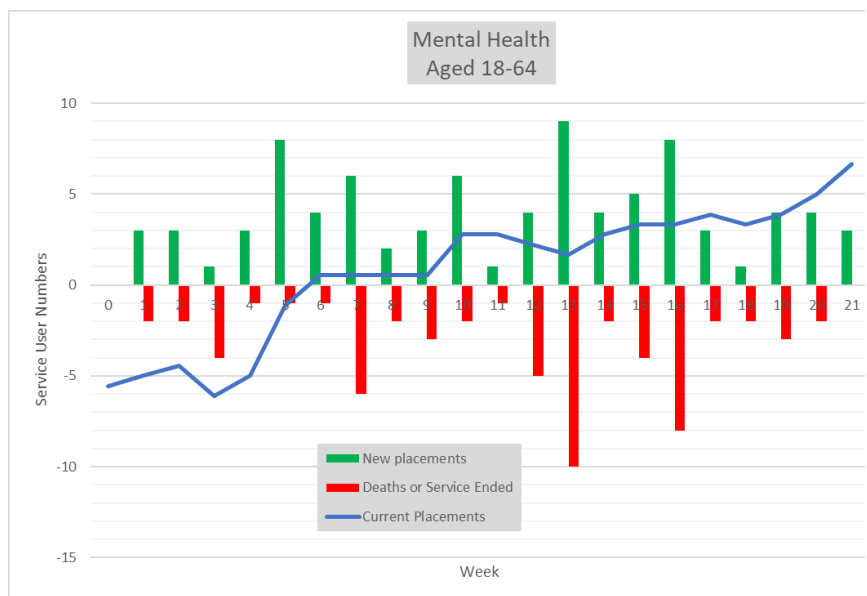
The key areas of overspend for placements budgets are as follows:

Learning Disability services is currently forecasting an overspend of £2.29m, a £0.250m improvement over period 4. The level of overspend exceeds the savings that the service needs to achieve through the Supporting Independence programme. There are significant pressures on the service from transition of young people from Children's Services. With an assumption that these part year costs will be c£1.2m in the current financial year. In addition, lockdown has presented significant challenges for many families/family carers of people with learning disabilities. High cost packages are being reviewed as part of the recovery plan and in the medium to long-term we continue to focus on developing more local options for independent living with support. The cost of packages of care and placements is also an area of focus. A further iteration of the recovery plan, specific to learning disabilities is being articulated. Over all placement numbers have not materially changed over the course of the financial year to date. The graph below shows the number of placements for those aged 18-64 where the net change is 12 additional placements over the first five months of the financial year.



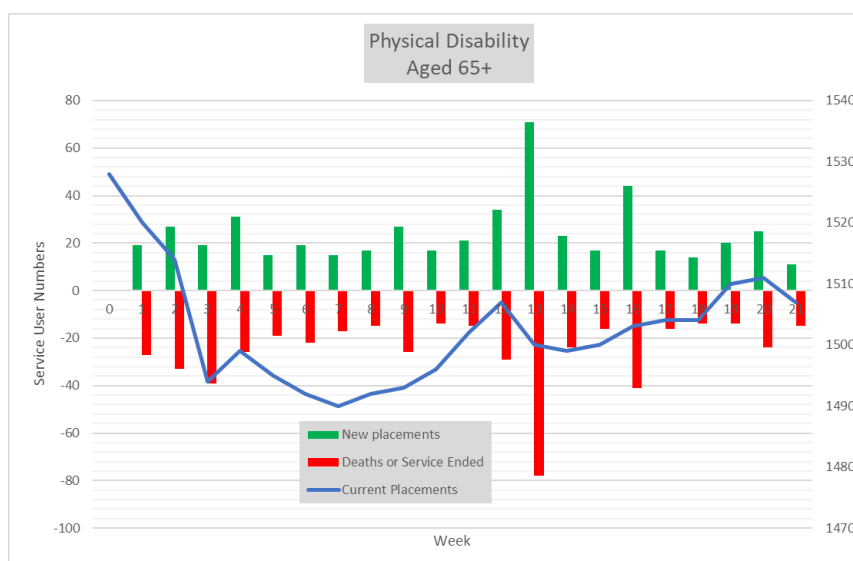
The costs of supporting young adults with a Learning Disability can be extremely expensive where the current average cost of a residential placement is in excess of £1,700 per week and a Supported Living placement approaching £1,150 per week.

Mental health services are currently forecast to overspend by £1.5m an improvement of £0.700m over period 4. This includes support for those of working age and support for those over the age of 65 including those with dementia. A further iteration of the recovery plan, specific to mental health is being articulated. Over the course of the year to date there has been a small reduction of placements for those aged 65+ (220 down to 202) but an increase for younger adults from 336 to 360. Any continuation of the trend in placements for younger adults could lead to further budget pressures.



There is an a £2.8m overspend in Physical Disability services, an increase of £0.845m from period 4, mainly in homecare and extra care support services. All packages are being reviewed under the **Care and Support Planning Assurance Meetings (CSPAM)** by looking at alternative provision that meets needs whilst bringing down overall cost of the service. In terms of placements, the number of

older adults shows a net change of 21 fewer placement since April but the number of younger adults has increased by 29 in the same period.



A suite of performance reports is being developed from Mosaic however progress has been delayed and this is impacting on our ability to report performance and activity against the recovery plan. The graphs presented above are examples of the type of information that is now available and more detailed information will come on stream in the coming months.

**Other (£0.222m forecast overspend)**

A forecast overspend on staffing budgets offset by an underspend in transport costs and supplies and services. Staffing costs are being further reviewed – the restructure of adult social care has just been implemented. The forecast for staff costs is £0.647m over budget, this has increase by £0.103m from P4 due to the increased cost of the Transitions team. The forecast for Transport Costs has improved as Day Centres remain closed for the foreseeable future will mean a minimal requirement for taxis and internal transport It is planned to top slice the Disabled Facilities Grant to fund the council contribution to the community equipment budget. This is the continuation of the practice from 2019/20 and will result in a £0.34m underspend.

**Income (£1.004m forecast shortfall)**

Income from joint health funded placements is forecast to be lower than budgeted. This is a concern which requires further investigation with partners. There are risks associated with the recent change in guidance on hospital discharges during the next phase of the Covid 19 pandemic – this will reduce the level of NHS funding available post admissions and may increase cost pressures in Adult Social Care. In addition, the assessment process for Continuing Health Care (CHC) is recommencing – it is essential that those entitled to assessments for CHC are supported through this process in order to access free NHS care where they are eligible for this due to the level of their needs.

**Integrated Commissioning (£1.402m forecast underspend)**

For historical budgeting reasons some BCF funding is held in Integrated Commissioning where expenditure is incurred in Adult Social Care this will result in an underspend of £0.85m, a forecast underspend on Staffing (£0.35m) and additional non-recurring income not previously forecast of £0.2m. Following a restructure, the staffing underspend being achieved this year will be recurrent and has been put forward as a new saving in the new Medium Term Financial Strategy (MTFS).

**Community Safety**  
Forecast underspend of  
£0.112m

A recovery plan is in place to address an overspend which was identified at the start of the year (relating to the costs of operating the CCTV service). The agreed recovery plan contained a list of proposals totalling £560k as set out below

<b>Savings Area</b>	<b>Value £'000s</b>
Reduce CCTV Operator hours	161
Negotiate Charter Management Fee	16
Reduce camera maintenance	100
Hold ASB post vacant	53
Hold Partnership Task Force vacancies / stop funding	200
Income Generation via FPNs	30
<b>Total</b>	<b>560</b>

Progress has been made against each of the savings areas with the amounts RAG rated green totalling £514k, substantial progress has been made on a further £16k but there is a low likelihood that the remaining £30k will be delivered. In total the recovery plan is expected to deliver £530k. The reduction in camera maintenance is having an impact on the number of cameras in use with a greater number now inoperable. The project is underway to acquire replacement digital cameras which are due to come on stream from 2022. There are new reported forecast underspends in staffing costs within the Community Safety Response Team (recently restructured). The additional costs of Tower Rewards have been factored into the forecast.

**Public Health**  
Breakeven position forecast

- It is currently forecast that the Public Health grant will be fully utilised in 2020/21. The impact of Tower Rewards in the current financial year has been accounted for in the forecast position.

## Projected £4.4m underspend on the General Fund after reserves drawdown

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Place	(4.4)	(0.3)	(4.1)

The Place Directorate is forecasting to underspend by £4.4m after adjustments for reserve movements and COVID-19 funding. Significant underspends have been forecast within Housing & Regeneration and Public Realm, with smaller underspends in Planning & Building Control and Growth & Economic Development. Property & Major Projects is overspending, primarily as a result of rent loss at Jack Dash House and increases to the lease costs for Mulberry Place. Further details can be found below.

The Directorate is budgeting to drawdown £4.1m from reserves to support specific activities, the use of which has been projected in the forecast above.

- Waste Mobilisation (Transformation reserve) £0.5m
- Local Land Charges Reserve £0.1m
- MPG (Tackling Poverty) £2.0m
- Flexible Homeless Support Grant Reserve £0.8m
- Building Control Trading Account Reserve £0.3m
- MPG (Incentivising Recycling on Estates) £0.4m

The Place 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. An assumption has been made that all directly attributable costs and income will be fully recoverable through Government funding with the exception of parking enforcement notices where PCN income is likely to be outside of the scope of the Government's income recompense scheme.

The gross forecast for the Place Directorate is a £11.9m overspend before any Government funding is applied for COVID-19. Direct costs and income loss attributable to COVID-19 across the Place Directorate total £12.2m and assuming this will be funded in full from Government grant results in an underspend of £0.3m from business as usual activities. This underspend increases to £4.4m following the planned drawdowns against reserves.

The Directorate has £3.1m 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 with the exception of £0.1m for a saving relating to the in-sourcing of THH. The impact of the savings proposals is included within the forecast for each division.

(in numerical descending order)	Variance £m	Outturn variance commentary
<b>Property &amp; Major Programmes</b> Reduction in income from occupation of Jack Dash House; Non-Delivery of saving	1.7	<b><u>Property &amp; Major Programmes (£1.7m Overspend)</u></b> The Property & Major Projects division is forecasting a gross overspend of £1.8m. This includes £0.1m that is directly attributable to COVID-19 which is forecast to be recovered through Government funding. There are a number of factors contributing to this overspend that are detailed below.

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proposals relating to commercial shops;  
Recovery of costs relating to Architects

Administrative Buildings (£0.1m Underspend)

An underspend against postal costs of £0.1m where new ways of working are reducing the volumes of postage and a reduced contract cost

Capital Delivery Team (£0.2m Overspend)

The Architects team budget to 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 to date being in abeyance with little scheme development and the majority of work completed relating to the internal capital programme where time is recharged at cost. Work is ongoing to mitigate this pressure from within Capital Delivery.

Corporate Landlord Model (£1.6m Overspend)

A reconciliation of the Agresso finance system and the TF Cloud asset management system has identified rental income of £0.4m relating to general fund properties that have been leased to third parties. Historically this income has been coded incorrectly to the HRA rather than the CLM rents. There is no general fund budget for these rents.

The new Town Hall revenue budget is forecasting an underspend of £0.1m. The majority of costs being incurred at present are being capitalised, resulting in the underspend. Nearer to completion further revenue costs will be incurred so there is an ongoing need for this budget.

A pressure of £1.3m resulting from loss of rent following Tower Hamlets Homes move from Jack Dash House in July 2018. This is an ongoing budgetary pressure that will only be part mitigated once the building is occupied. At present several organisations are renting floor space within the building but rental income is low as the leases come with a rental holiday of up to a year. There is also further interest in leasing the vacant floors and negotiations are ongoing. Once the building is fully occupied and rents are being paid in full, it is projected that the pressure will reduce to £0.7m

The Asset Maximisation Board is working to mitigate this pressure and to deliver future savings targets. Although occupancy will increase over the months ahead, organisations will only enter into lease agreements if a one year rental holiday is given, which will mean any mitigation will be delayed.

A budget pressure of £0.1m on business rates where annual inflationary increases are not included in the MTFs.

A pressure of £0.7m relating to rents and service charges paid by the Council. The lease for Mulberry Place has increased from £2.8m to £4m per annum as of July 2020. No growth bid was included as part of the 2020/21 budget setting process, creating a pressure. This pressure has been partly mitigated through other savings within rents and service charges.

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 17<sup>th</sup> April 2020. There will therefore be no impact on Place budgets from this rent holiday.

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**Resources**  
No material variances

- Resources (Nil Variance)

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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.

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**Planning & Building Control**

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

(0.6) *Planning & Building Control (£0.8m Underspend)*

Planning & Building Control is forecasting to outturn in line with budget from its general fund activities. This includes a loss of income of £0.6m directly attributable to reduced activity as a result of COVID-19. It is assumed that this income loss will be recovered from Government funding, resulting in an underspend of £0.6m from business as usual activity. This forecast includes a budgeted drawdown of £0.1m from the local land charge reserve.

*Salaries (£0.4m underspend)*

There are salary underspends across the Division projected at £0.4m. There are vacancies within Building Control (general fund and trading), Development Management, Application Support and Infrastructure Planning.

Development Management is largely funded by planning fee income, and the under recovery of income set out below is being managed through the vacancies in this area.

*Income (£0.3m overspend)*

There is a savings target of £0.1m 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 £0.2m will be delivered in the current financial year, resulting in additional income of £0.1m.

Planning Performance Agreement income is projecting a further underspend against budget of £0.2m on top of the saving detailed above. Demand for this service is above budgeted levels.

Based on current projections, planning fee income is forecasting to under recover by £0.4m 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, however we are seeing some big sites that had stalled during the summer coming back in again for pre-app.

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

Income relating to land searches reduced by 60% from April to June as a result of the impact of COVID-19, with the number of house sales has significantly falling and an income shortfall of £0.2m. Relaxing of stamp duty post COVID has encouraged more house sales and land searches have returned to pre-COVID levels.

Building Control General Fund income is projecting a shortfall of £0.1m against budget as a result of reduced activity

*Other Costs (£0.1m Overspend)*

A projected underspend of £0.1m on postage and printing public notices as a result of reduced activity in year.

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The Secretary of State has called in a planning decision at the Bell Foundry on Whitechapel estate. It is estimated that the appeal will result in costs of £0.2m for which there is no budgetary provision. The Council is also awaiting a decision on Westferry Printworks. If this appeal is re-opened then the Council will incur further costs. The original appeal cost £0.5m but at present this is being highlighted as a risk.

Building Control Trading Account (nil variance)

The Building Control Trading Account is projecting to outturn with a £0.2m overspend against budget. There is a £0.3m forecast pressure on income as a result of reduced service following COVID-19 and competition from the private sector which is being offset by vacancies (£0.1m) within the service

The Building Control trading account has a net nil impact on the general fund. The overspend will be mitigated by a drawdown from the earmarked reserve at year end. There are sufficient funds held within the reserve to meet this budget shortfall.

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**Growth & Economic Development**

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

(0.3) Growth & Economic Development (£0.3m Underspend)

The Growth & Economic Development division is forecasting a gross overspend of £0.5m. This includes a pressure of £0.8m 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 funding, resulting in an underspend of £0.3m from business as usual activities. This forecast includes a budgeted drawdown of £2m from the Mayoral Priority Growth reserve and the budgeted use of £1.2m of s106 funding.

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 Apprenticeships, Childcare, Women into Health, Women into Childcare and Tackling Poverty programmes will be returned to the balance sheet for future use and previous years underspends drawn down from the balance sheet to mitigate any approved additional spend.

It is forecast that Tackling Poverty will spend £1.7m in year on delivering these projects. Mayoral Priority Growth allocation of £1.3m is available in year, with the remainder being funded from previous year underspend against the Mayoral Priority Growth.

The additional cost relates to spend on projects that have been approved by the Poverty & Inequalities board relating to children's social care and purchasing small items for families, an additional loan scheme forming part of the residents support package and the recruitment to three new posts that were also approved by the Poverty & Inequalities Board

Mayoral Priority Growth funding for Tackling Poverty 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 with rules around the resident support scheme being relaxed and

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through the opening of a food bank and food deliveries to vulnerable and shielding residents. Additional costs incurred are projected at £0.8m and it is assumed will be funded from grants received relating to the holiday hunger programme and the emergency assistance grant for food and supplies. Therefore, no impact on the outturn position has been forecast.

Careers Service (Nil Variance)

The Careers service is forecasting to outturn in line with budget. Costs are predominantly salary related and any vacancies are offsetting agency costs being incurred. The budget has recently transferred to Growth & Economic Development and is short by £0.2m, the result of a restructure savings proposal that has not delivered the required level of saving. It has been agreed that any of this pressure that cannot be mitigated will be funded corporately.

PAS Scheme (£0.3m Underspend)

An underspend of £0.3m relating to the apprenticeship scheme is being forecast. This scheme places local residents in apprenticeship placements outside of the Council and the Council make a contribution to the cost. There has been no spend in this area and it represents a priority for review in 2020/21.

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**Public Realm**

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

(1.6)

Public Realm (£1.6m Underspend)

The Public Realm division is forecasting gross costs of £5.3m over budget. This includes £7.3m of cost and lost income directly attributable to COVID-19, of which £6.9m is deemed recoverable through Government funding. As a result, Public Realm is forecasting to underspend by £1.6m from its business as usual activities.

The £1.6m underspend position includes budgeted reserve drawdowns totalling 0.5m for waste mobilisation, £0.4m for incentivising recycling on estates and balance sheet transfers totalling £1.5m for licensing and rechargeable works.

Parking Control (Nil Variance)

The Parking service is projecting to overspend by £1.9m against budget before any adjustments. Lost income totalling £2.3m has been forecast as a direct result of COVID-19. This results from a loss of various sources of income from April to June whilst the lockdown has been in place. It is anticipated that this pressure will be partly met from Government funding, with £1.9m being in scope of the fees & charges recompense scheme (it has been assumed that lost income from Enforcement activity will not be reclaimed).

Overall, the parking service is forecasting to outturn in line with budget from its business as usual activity with the unfunded COVID pressure being mitigated by additional income from bay suspensions.

The Enforcement service was suspended for April and May with commencement of a reduced service in early June. As a result, there is a £0.4m loss of income to the end of May where 15k fewer tickets were issued when compared with the previous year. Since June the enforcement service has been in operation and PCN income has been increasing. The income from warrants is forecast in line with budget, the expectation being that the income target will be achieved once warrants can be registered and agents can collect outstanding debt. It is unlikely that this income shortfall will

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meet the conditions of the Government's recompense scheme and therefore it is assumed that it will be a pressure on the General Fund.

Bay suspension income is forecasting to over recover by £0.4m despite COVID-19 with demand for the service continuing to be high. In previous years a number of large multiple year suspensions has resulted in significantly more income being collected. This is not being projected for the current year, making the level of additional income modest when compared with previous years.

Casual Parking income is projected to be £0.8m lower than budget. Over the first nine weeks of lockdown casual parking income with fewer visitors to the Borough. Demand is now increasing and an analysis of current parking data suggests it is getting nearer to budgeted levels, with smaller monthly losses. The forecast is inclusive of additional income being realised from the diesel surcharge levy. It is assumed this income shortfall met from Government funding.

This overspend also includes an increased income budgeted 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 the income levels).

There is an under recovery of £0.9m against permit income. This results from a corporate decision to issue key workers (including the council's 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. There has also been a reduction in the number of business permits issued, with organisations furloughing staff and utilising alternative working arrangements such as home working during lockdown and beyond. It is assumed this income shortfall will be met from Government funding

A reduced removals service has resulted in a net loss of £0.2m to the Council and being COVID related it is assumed will be met from Government funding.

Concessionary Fares (£0.1m Underspend)

The mobility support service is forecasting to underspend by £0.1m, 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 £1.2m as a result of income loss directly attributable to COVID-19. All markets were closed

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from April until the middle of June, with a phased re-opening of some markets from 15<sup>th</sup> 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.

Markets have continued to struggle since the phased re-opening. £50k of invoices have been cancelled where traders have ceased to continue, permanent traders have not returned to pre-COVID levels, there are fewer casual traders and the tightening of Government restrictions around groups of people meeting is likely to impact on the footfall through the markets.

From July the service has experienced increased levels of income from footway licensing with more traders looking at outdoor seating rather than indoors, but this is being offset by casual market trader income not being collected as these traders have not been allowed to return to the markets. The impact on income will be monitored in the months ahead.

It is forecast that the markets service will be able to recover this lost income from Government funding in full as it is directly attributable to COVID-19.

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 that is not mitigated by Government COVID funding will have to be held in the earmarked reserve and offset against future surpluses.

#### Environmental & Regulatory Services (£0.3m Underspend)

The Environment & Regulatory Service (ERS) is forecasting a gross overspend position of £1.3m. This includes £1.5m of pan- London mortuary costs (LBTH share of the cost) and £0.1m of additional burial costs, both of which are directly attributable to COVID-19 and projected to be funded in full from Government grant.

The projected net outturn position is an underspend of £0.3m from business as usual activity. This forecast includes budgeted transfers from the balance sheet of £1.2m for various licensing services.

The forecast underspend results from 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 £0.3m 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. A budgeted drawdown of £1.2m is forecast which will result in no projected variance.

The one-off costs totalling £1.5m relating to London wide mortuary costs outlined above has been 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

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been incurred for additional staffing and consumables within the mortuary service as a result of the increased number of deaths caused by COVID-19. These costs are projected to be met in full from Government grant funding and will have no impact on the forecast position

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 reserves in year.

Operational Services (£0.9m Underspend)

Waste Collection service has been insourced in 2020/21 and internal budgets created for the provision of the in-house service. At present a £0.4m 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 which is forecast to be met from Government funding.

A £0.7m underspend is being forecast for waste disposal and recycling. This is mostly related to underspends against the disposal contract and income from rebates for recyclable materials

Unbudgeted costs of £0.4m are forecast to be incurred for incentivising recycling on estates. This cost will be met from approved Mayoral Priority Growth reserve funding and therefore have a nil impact on the revenue outturn position.

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 may 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.

It is assumed that LBTH will be able to reclaim this loss of income from COVID-19 in full, resulting in a net nil impact on the service.

The Contracts Development Team is forecasting to underspend by £0.3m. Growth for graffiti removal is unlikely to be spent, with the cost of works being absorbed within existing budgetary provision.

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 (£0.3m Underspend)

A £0.3m overspend is being forecast against street works where additional agency support is being incurred along with unbudgeted costs associated with running the street manager platform, a requirement of the Department for Transport.

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This overspend is being mitigated by a £0.2m forecast over recovery of permits income and a £0.1m underspend relating to public lighting with lower than budgeted maintenance costs following capital investment in replacing street lighting columns

Forecast spend on rechargeable works is in line with budget which will allow the Council to draw down £0.3m of fees (27.5% of cost). This is in line with the budgeted drawdown. It is LBTH policy for any amounts held in reserve for longer than six years to be utilised within the general fund if not claimed back. There is the potential for £0.3m to be used in this way in 2020/21 and it is assumed that the General Fund will take advantage of this in year.

Fleet (Nil Variance)

The Fleet service is forecasting to outturn in line with budget. During lockdown there has been a reduced service where schools have been closed and the passenger transport vehicles not in use. These savings will be passed on to Adults and Children's through reduced recharges.

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**Housing & Regeneration**

Additional income from buyback programme above that budgeted; Over recovery of income relating to lettings service

(3.7) **Housing & Regeneration (£3.7m Underspend)**

The Housing & Regeneration division is forecasting to underspend by £3.7m from its business as usual activities. This forecast includes a £0.8m drawdown against the Flexible Homelessness Support Grant reserve to offset the rent increases that have not been passed on to tenants due to the negative impact this would have on the Housing Benefit Subsidy position.

This underspend is primarily in Homelessness but excludes the Housing Benefit Subsidy loss of £4.6m which is reported within the Resources Directorate. The true cost of homelessness is an overspend of c£1m when the HB subsidy loss is factored in.

There are £3.4m of additional costs relating to rough sleeping that are directly attributable to COVID-19. It is assumed that costs of £1.8m up to August will be met from Government grant, with the remaining £1.6m of future costs being subject to a co-produced funding bid with MHCLG as part of the Governments Next Steps Accommodation programme. Details of the variances are outlined below.

Homelessness (Underspend £3.4m)

The Homelessness and Temporary Accommodation services are forecasting to outturn with an underspend of £3.4m. Homelessness numbers continue to increase, placing more pressure on the use of expensive nightly booked and bed & breakfast accommodation at additional cost. However, additional rental income relating to property acquisitions as part of the buyback programme is mitigating this cost pressure by generating additional rental income over that budgeted and reducing the reliance expensive nightly booked and bed & breakfast accommodation. The Housing Options service are working through the backlog of assessment cases and moving more people on to housing benefit, resulting in further increases in income. Until assessment is complete the Council is meeting the cost of housing these families but not receiving the rental income through housing benefit.

The buyback programme generates a surplus that is used to cover the cost of the borrowing (interest and minimum revenue provision) to fund these

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acquisitions. In 2020/21 this is forecast to be £5.3m and included in the projected outturn position

This forecast is inclusive of the continued utilisation of grant received for homelessness and rough sleeping in year and from reserve drawdowns. In total budgeted grants totalling £4.8m are planned to be received in year and spent, covering specific activity including rough sleepers (£0.5m), homelessness reduction act (£0.4m) and flexible homelessness support (£3.9m). The reserve drawdown of £0.8m is on top of these amounts.

Housing Options Lettings (Underspend £0.2m)

The Housing Options Lettings service is forecasting to underspend by £0.2m as a result of vacant posts and 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.

Energy, Sustainability & Housing Supply (Underspend £0.1m)

There is a projected over recovery of income from schools and through general fees of £0.1m when compared with that budgeted.

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. The Council will have incurred additional cost of £1.8m at the end of July with ongoing accommodation and support costing £1.6m for the remainder of the year. In total costs directly attributable to COVID-19 are forecast at £3.4m for the year. It is assumed that these costs will be funded in full from the government grant funding received specifically for rough sleeping (13k) and from the general grant received by the Council and through the Government's Next Steps Accommodation programme, representing a nil impact on the budget position.

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Forecast breakeven position after reserves drawdown

£m	Forecast Variance		
	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Governance	-	0.1	(0.1)

The Governance directorate forecast outturn impact on the general fund is nil, following assumed Covid-19 funding and after requested drawdown from the transformation reserve of £0.040m and the EU exit preparations grant reserve of £0.105m.

The transformation reserves drawdown is for 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 enabling review of these functions across the Council.

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

£m	Forecast variance commentary
<b>Communications</b> 0.1	Communications is forecasting a potential overspend of £50k from changes in staffing terms and conditions, including contractual changes for out of hours working (cost impact to be evaluated as level of additional hours becomes evident). This forecast position is after the requested drawdown of transformation reserves for extra staffing to support Council-wide transformation initiatives of £40k.
<b>Corporate Management</b> (0.1)	Net forecast underspend of £58k in the areas of the Chief Executive’s Office, Corporate Director of Governance and Monitoring Officer duties, Investors In People (IIP) assessment and staff conferences/events.
<b>Democratic Services and Mayor’s Office</b> -	A forecast underspend of £20k due to officer staffing underspend of £90k reduced by other expenditure net pressures of £70k.
<b>Electoral Services</b> (0.2)	Electoral services is currently projecting a forecast underspend of £150k due to staffing vacancies and no elections or referendums planned in 2020-21.  National elections (GE, European, GLA) are funded, in part, through a maximum recoverable amount grant and this is a system that provides a 75% advance and 25% to be claimed back, with surpluses being assessed by government with no guarantee. The 2020-21 position assumes that the government will provide residual election reimbursement income of £122k which was accrued for in 2019-20.
<b>Information Governance</b> 0.1	An overspend of £55k due to staffing costs (£25k) and i-casework software costs (£30k). The staffing costs overspend includes one-off agency costs of £11k which have now ended as the team is now fully staffed with permanent employees. The Council’s corporate information governance software (i-

casework) is currently unfunded however it is planned for this system to become part of the Council's customer relationship management (CRM) system in the future.

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<b>Legal Services</b>	- Forecast breakeven position for 2020-21. There has been reduced court case activity due to Covid-19 however this is not expected to impact the net forecast due to reduced Counsel costs and related legal costs awarded income. Pay spine increases from changes in staffing terms and conditions are expected to be a £12k part year extra cost which legal services is offsetting through temporary vacancies in 2020-21.
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<b>Registrars Services</b>	- Forecast underspend of £30k in staffing and non-pay expenditure.  There has been an increase in the registration of deaths due to Covid-19, however this has been managed within existing staffing budgets by prioritising this over other services. There has been a reduction in income due to not delivering other services, including citizenship ceremonies and wedding ceremony fees, birth/marriage and other certificates and our immigration services.  However as we return to business as usual, most of this income will be made up as many ceremonies have been deferred and not cancelled. The Local Government Secretary announced fees and charges replacement funding of 75% of lost income (after the first 5%) due to Covid-19 and this will reduce the income pressure that the service would have otherwise encountered (£10k per month).
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<b>Strategy, Policy &amp; Performance (SPP)</b>	0.1 Forecast overspend of £59k due to pay spine increases from changes in staffing terms and conditions. This forecast position is after the requested drawdown of the EU exit grant reserve created in 2019-20 to support EU exit preparations.  There are £2.2m of costs which are requested to be funded from the Covid-19 emergency grant, primarily for the funding guarantee to existing Local Community Fund organisations and the THVCS Infrastructure Partnership which have diverted their activities to the pandemic response, data analysis and reporting to support Covid-19 planning and monitoring and to offset the delay from Covid-19 on phase 2 of the enabling review of SPP functions across the Council.
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## Forecast overspend of £0.7m 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	0.7	4.4	(3.7)

The corporate and financing costs area is forecasting an overspend of £0.7m, following assumed Covid-19 funding and 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
<b>Cross-Directorate Savings</b> Slippage in savings achievement	3.7	<p>Slippage in cross-directorate savings held centrally of £4.1m, being £1.6m slippage in Debt Management &amp; 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.</p> <p>The Covid-19 pandemic has delayed achievement of the £1.6m Debt Management &amp; Income Optimisation saving and therefore replacement funding for 2020-21 is requested from the Covid-19 emergency grant.</p> <p>Unachievable savings held centrally of £1.15m, being £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.</p> <p>The TOWER Rewards terms and conditions saving of £2m has been offset against the £2m central budget originally held to fund spinal point increases.</p>
<b>Social Care Grant and Winter Pressures Grant</b>	4.0	Removal of double counted income between Core Funding and the HA&C and C&C directorates.
<b>Central Support Costs</b> Unallocated support costs	3.2	Forecast of overhead costs that are funded centrally (not apportioned out to directorates).
<b>Pay inflation budget</b> Held centrally	1.2	2020-21 pay inflation budget of £3.1m is held centrally based on 2% inflation assumption in the MTFS. National pay inflation award has now been agreed at 2.75% which indicates an estimated pay inflation cost of £4.3m. The increases, backdated to April 2020, will be paid in the September payroll to staff and further work will be carried out to calculate the extra cost incurred by this change.

<p><b>Redundancy, Severance and Early Retirement</b> Forecast overspends to be funded by capital or reserves</p>	<p>- There is a forecast overspend of £3.2m although this is based purely 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). The forecast net nil position assumes these costs will either be capitalised or funded through reserves.</p>
<p><b>Pension Fund deficit repayment</b> Forecast underspend against budget</p>	<p>(1.0) Forecast underspend against the budget allowed (£12.8m) for the payment to the Pension Fund to meet deficit estimated by the actuary.</p>
<p><b>Corporate contingency</b> Budget to cover unforeseen circumstances</p>	<p>(3.1) There are currently no commitments against the contingency budget of £3.1m.</p>
<p><b>Treasury Management</b> Forecast underspend on borrowing costs budget</p>	<p>(7.3) A forecast underspend 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.</p> <p>It is forecast that interest and dividend income in 2020-21 will be £2.3m. This is significantly lower than the 2019-20 achievement of £5.4m, due to the Covid-19 impact on the economy and the Bank of England subsequently reducing its base rate to 0.1%. It is assumed that that the £3.1m reduction in income can be claimed through Covid-19 grant funding from central government.</p>

£m	Forecast Variance		
	Estimated impact on HRA	Variance before reserve adjustments	Contribution to /(from) Reserves
HRA	(1.0)	(1.0)	0.0

The HRA is forecasting to underspend before reserve movements by £1m. This projection includes the impact of COVID-19 on both income collection and expenditure budgets. 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
<b>Income Loss (Tenant Rents)</b>	0.9	Since the COVID-19 pandemic outbreak, there has been a small reduction in the levels of rent collected with tenants and leaseholders cancelling direct debit arrangements. The impact is a 1% reduction in rent and service charge income. The impact on rents is being carefully monitored and will be refined in future months based on collection rates.
<b>Leasehold Income</b>	(1.1)	There has been a significant increase of repairs undertaken on leasehold properties which has resulted in an increase in the charge and therefore income forecast for leaseholders.
<b>Repairs &amp; Maintenance</b>	(0.7)	An underspend on repairs & maintenance is forecast as a result of less responsive repairs on internal decorations, internal repairs and play areas, reduced works on passenger lifts and repairs to communal areas. These underspends are being offset by additional work on risk assessments on water storage
<b>Communal Energy</b>	(0.3)	The communal energy contract was re-procured at the end of last year, resulting in savings against budget.
<b>Cleaning Materials</b>	0.1	An overspend of £0.1m on cleaning materials as a result of additional PPE purchased as a result of COVID-19
<b>Concierge</b>	0.1	The Concierge budget is forecasting to overspend as a result of increased fire safety patrols that are currently in place
<b>Community Investment Budget</b>	(0.2)	This budget is used to support organisations within the Borough. The impact of COVID has resulted in reduced service provision and a saving against the budget.

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**Business Rates charges –  
Community Centres**

0.1 Charges for business rates on community centres held within the HRA is £0.1m higher than budgeted. This results from annual inflation that has not been applied to the budget.

**Major Works**

0.1 A 10% administrative charge is applied to major works bills passed on to leaseholders. Activity has been significantly reduced as a result of the abeyance of the capital programme which has resulted in a reduced admin fee.

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The table shows how the General Fund balances are under pressure and how this might be managed by means of utilising earmarked reserves.

*Please note that £11.7m was drawn down from the New Homes Bonus reserve to remedy the anticipated shortfall in GF balances arising from the 2019/20 in-year overspend; and a further £11.7m (£9m from the Insurance Fund, and £2.7m from NHB) to remedy the accounting errors identified in previous years.*

	Balances at 31 March 2020 as per 2019/20 Accounts	Assumed Contribution to / (from) Reserve	Potential adjustment to maintain GF balances	Projected Balance 31 March 2021
£m	£m	£m		£m
<b>GF balances (general reserve)</b>	<b>20.4</b>	<b>(13.0)</b>	<b>14.3</b>	<b>21.7</b>
Budgeted drawdown in MTFS		(1.7)		(1.7)
	<b>20.4</b>	<b>(14.7)</b>	<b>14.3</b>	<b>20.0</b>
<b>Earmarked reserves consist of</b>				
Insurance	8.7	(0.4)		8.3
New Civic Centre*	17	(17.0)		0.0
Risk Reserve*	4.5	(0.9)		3.6
Parking Control	3.3	0.0		3.3
Transformation Reserve	5.3	(2.7)		2.6
Collection Fund Smoothing**	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	(2.0)		0.0
Mayor's Priority Investment Reserve	5.4	(2.4)		3.0
New Homes Bonus	30.6	16.0	(14.3)	32.3
Public Health Reserve	1	0.0		1.0
Services Reserve	3.2	(0.4)		2.8
Revenue Grants Unused	8.5	(0.9)		7.6
COVID 19 grant	10.3	(10.3)		0.0
CIL	7.8	0.0		7.8
<b>Total Earmarked Reserves</b>	<b>132.0</b>	<b>(23.0)</b>	<b>(14.3)</b>	<b>94.7</b>
<b>Total GF reserves</b>	<b>152.4</b>	<b>(37.7)</b>	<b>0.0</b>	<b>114.7</b>

\*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

The table shows the projected position for the Housing Revenue Account, and for Dedicated Schools Grant.

<b>HRA and DSG reserves</b>	<b>*Draft Balance at 31 March 2020 £m</b>	<b>Movement £m</b>	<b>Projected Balance 31 March 2021 £m</b>
<b>Housing Revenue Account (HRA)</b>	<b>53.0</b>	1.0	<b>54.0</b>
HRA Earmarked Reserve	4.6	0.0	<b>4.6</b>
<b>Dedicated Schools Grant (DSG)</b>	<b>(11.1)</b>	(0.4)	<b>(11.5)</b>
<b>Total Other Reserves</b>	<b>46.5</b>	0.6	<b>47.1</b>



Spend of £30.8m against apportioned budget to P5 of £95.1m

**Capital Programme**

	September Annual Budget	Budget apportioned to P5	Spend at P5	(Under)/ Overspends as at P5	Scheme No included in Commentary
	£m	£m	£m	£m	
		A	B	C=B-A	
Corporate	50.2	20.9	9.6	(11.3)	3
Children and Culture	14.5	6.0	2.1	(3.9)	4, 5
Place	73.1	30.4	8.4	(22.0)	6-10
Health, Adults and Communities	12.3	5.1	1.0	(4.1)	11
Resources	0.9	0.4	(0.1)	(0.5)	
<b>General Fund Sub-Total</b>	<b>151.0</b>	<b>62.8</b>	<b>21.0</b>	<b>(41.8)</b>	
HRA	77.4	32.3	9.8	(22.5)	1, 2
<b>TOTAL</b>	<b>228.4</b>	<b>95.1</b>	<b>30.8</b>	<b>(64.3)</b>	

The underspend on the capital programme to the end of 2020/21 P5 has been higher than expected, primarily as a result of the impact of Covid-19. This has led to delays at various stages of the delivery process, including accessing sites and buildings, achieving planning consents and funding approvals, and different ways of working. It is expected that there will be increased activity during the remainder of the year to ensure that as far as possible approved budgets will be spent by the end of March 2021.

Commentary on some key schemes is given below.

Scheme No.	20-21 Budget £m	Apportioned to P5 £m	Spend £m	(Under)/overspend £m	
		A	B	C=B-A	
1 Housing Capital Programme	24.5	10.2	3.2	(7.0)	Covid 19 restricted much of this year’s programme which is only just fully resuming. There has been a delay in procuring Better Neighbourhoods, and as a result sites have delayed starts. Recent Covid delays in relation to the Better Neighbourhoods Procurement meaning 82 projects are only now going to tender. Some blocks being held pending possible rooftop development. Delays to the delivery of Maltings & Brewster works also. This may result in slippage into 21-22.
2 Housing – New Supply	49.5	20.6	6.5	(14.1)	Achieved completion of 77 new council homes. Longer lead in time for active starts on site due to COVID-19.

Scheme No		20-21 Budget £m	Apportioned to P5 £m	Spend £m	(Under)/overspend £m	
3	Town Hall and London Square	50.2	20.9	9.6	(11.3)	Full budget spend anticipated for year end, expenditure to date slightly behind spend forecast.
4	Schools Basic Need/Expansion	5.2	2.2	1.5	(0.7)	Delays in appointing contractor for Beatrice Tate temporary Classrooms, works have not commenced.
5	Schools – Condition & Improvement	4.0	1.7	0.5	(1.2)	Programmed works are now able to be carried out now that schools have re-opened in a Covid secure arrangement.
6	Purchase of Properties for TA	24.6	10.2	4.9	(5.3)	Properties identified for purchase and are progressing through various stages of the acquisition process.
7	Registered Provider Grant Scheme (from 1-4-1)	6.1	2.5	-	(2.5)	Due to a recent incident on one of the RP sites, a development is on hold, which will have a significant impact on RP grant programme. Some new applications which were expected earlier in the year have been delayed by approximately six months due to Covid 19. This may result in slippage into 21-22
8	Community Safety	3.4	1.4	-	(1.4)	Full budget spend expected for year end.
9	Liveable Streets	4.5	1.9	0.4	(1.5)	Full budget spend anticipated for year end but expenditure profile is back loaded due to slow start of implementation work post lockdown. Works are now progressing on site in Bethnal Green and coming on stream in 2 other areas. Engagement work is also continuing to target.
10	South Dock Bridge	7.5	3.1	0.1	(3.0)	Spend/programme slightly delayed due to Covid-19. Spend will accelerate during construction phases in the coming months.
11	Public Health	8.3	3.5	1.0	(2.5)	This budget is the responsibility of the CCG. Programme has experienced delays due to approvals in passporting funding. Progress impacted by COVID-19.

Target for year £18.2m

£10.4m 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	0.3	3.1	2.9	0.1	0.1	-
Governance	-	-	-	-	-	-	-
Resources	2.2	0.7	2.9	1.0	1.9	-	-
All	2.4	5.1	7.5	2.7	4.4	0.3	-
<b>Total</b>	<b>10.2</b>	<b>8.0</b>	<b>18.2</b>	<b>10.4</b>	<b>7.0</b>	<b>0.8</b>	<b>-</b>

Total savings target for 2020-21 is £18.2m (£10.2m relates to approved savings as part of the 2020-21 budget setting process, and £8.0m as a result of previous years' savings not delivered, which have been re-evaluated since the last report).

- £10.4m is identified as being on track to deliver savings;
- A net position of £7.0m is forecast to slip into future years due to timing issues;
- £0.8m has been identified as unachievable