Appendix A
Budget monitoring report 2021-22 as at 30th June (period 3)

Circulated to	Cabinet
Date	22 September 2021
Classification	Unrestricted
Report of	Corporate Director of Resources
Lead Member	Cllr Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Ahsan Khan, Head of Strategic Finance (Chief Accountant)
Wards affected	All Wards
Key Decision?	No

Forecast General Fund (GF) £0.1m overspend

Forecast Dedicated Schools Grant (DSG) £0.8m underspend before transfer to reserve

Forecast Public Health (GF) £0.1m overspend before transfer from reserve

Forecast Housing Revenue Account (HRA) £0.7m overspend before transfer from reserve

Forecast position as overspend/(underspend)

£m	**Gross impact on General Fund**	Estimated COVID-19 non-ring fenced grants*	Variance before reserve adjustments	Contribution to / (from) Reserves	Net impact on General Fund GF/DSG/HRA
Children & Culture	4.6	(0.9)	3.7	(2.0)	**1.7**
Resources and Governance	8.4	(4.8)	3.6	(2.2)	**1.4**
HA&C	5.0	(4.5)	0.5	0.0	**0.5**
Place	10.6	(5.8)	4.8	(5.6)	**(0.8)**
Sub-total GF Services	**28.6**	**(16.0)**	**12.6**	**(9.8)**	**2.8**
Corporate and Financing costs	(6.6)	(1.0)	(7.6)	6.4	(1.2)
Covid relief	0.0	(1.5)	(1.5)	0.0	**(1.5)**
Total General Fund	**22.0**	**(18.5)**	**3.5**	**(3.4)**	**0.1**
Ringfenced Items					
Dedicated Schools Grant			(0.8)	0.8	**0.0**
Public Health GF			0.1	(0.1)	**0.0**
HRA			0.7	(0.7)	**0.0**
Overall Position			**3.5**	**(3.4)**	**0.1**

**The estimated COVID-19 non-ring fenced grants include funding for both expenditure incurred and income foregone pressures*

General Fund

The gross month 3 (30th June) 2021-22 financial forecast before Covid grants is an underlying overspend of £22.0m. The position after the application of Covid grants, and contributions from reserves, is a net overspend of £0.1m. This is a relatively small variance for the council following an unprecedented year in relation to the on-going Covid-19 pandemic, which continues to create uncertainties for the council in 2021-22. However, there remains a continuing reliance on using one-off reserves, which is not sustainable in the long term, to balance the budget. The reserve draw down requests are at this stage provisional as they have not yet been approved by the s151 officer. Significant savings are still to be delivered in 2021-22 within a continuing very challenging environment for the council. Any overspend at the year-end will be funded from reserves and it should be noted that the overall reserves position remains uncertain pending the delayed closure and audit of the Council's accounts for the period 2016 – 2021.

Covid-19

The Council continues to work with partners and with residents to: prevent and limit the spread of Covid-19; support the most vulnerable through the pandemic; support children and families through lockdown and school closure; support businesses and residents through economic hardship; help make Tower Hamlets as safe a place as possible and work closely with communities.

The pandemic has created cost pressures, delayed planned savings actions and an adverse impact on income collection. The full impact will begin to be experienced now and over the medium term as the shortfall on previous years' collection fund is accounted for from 2021-22 onwards.

To date the government has provided total non-ringfenced grant of £51.1m (tranches 1-5), of which £34.6m was utilised in previous years. The total relief available for utilisation in 2021-22 is £16.5m (£51.1m less £34.6m). In addition, the Government will reimburse a proportion of income foregone, estimated at £2.0m.

Collection Fund

For business rates, to the end of June, we have collected £117.7m of £419.3m billed (28.1% in-year collection rate) compared to 26.7% for 2020, which is an improvement on 2020 but still lower than pre-pandemic collection levels.

For council tax, to the end of June we have collected £38m of the £154m Council Tax bills raised (24.7% in-year collection rate) compared to 24.6% for the same period in 2020, which is a slight improvement on 2020 but still lower than pre-pandemic collection levels.

Dedicated Schools Budget

The forecast underspend is £0.8m. The allocation of the DSG for High Needs Block was increased by 8%, this has meant significant increases in budgets for 2021/22. This will go towards addressing the brought forward cumulative deficit of £11.6m, reducing it to **£10.8m** at year end. A mitigation plan is also being developed by the Council to address pressures on the Dedicated Schools Budgets and the cumulative deficit.

HRA

The HRA is forecast to overspend by £0.7m. This overspend largely results from residual costs relating to the fire at Hadley House which are not covered by the Council's insurance policy, additional one-off ICT costs relating to the recent upgrades at THH and loss of rents relating to a number of parking spaces that have been decommissioned as a result of developments. The impact of this movement will be to reduce reserve balances within the HRA to **£51.6m**.

General Fund and Earmarked Reserves

There is a forecast reduction in the year-end reserves position, this is summarised in the table below:

All in figures in £m	**Provisional outturn 2020-21**	**Forecast 2021-22**	**Increase/(decrease)**
General Balance	20.0	20.0	-
Reserves without restrictions	75.1	74.0	(1.1)
Total	**95.1**	**94.0**	**(1.1)**
Restricted Reserves	97.9	91.9	(6.0)

Reserves (excluding restricted reserves) are forecast to decrease by £1.1m. We are in a hugely unpredictable environment and we are facing significant challenges over the medium-term thus it is important to maintain reserves at an adequate level to help mitigate and manage these significant risks and ensure the council remains on a sustainable footing going forward.

Children and Culture

Forecast overspend of £1.7m on General Fund

Forecast DSG underspend of £0.8m before transfer to reserves

	Forecast Variance		
£m	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Children and Culture (GF)	1.7	3.7	(2.0)
Children and Culture (DSG)	-	(0.8)	0.8

The general fund is projected to be overspent by a **gross £4.6m**. This forecast includes the impact of Covid-19 currently estimated at a £0.9m pressure as at period 3 and a contribution from reserves of £2m for the cost of providing Free School Meals for all Children in Tower Hamlets Primary Schools, giving a net General Fund position of a **£1.7m overspend** without any impact of Covid-19 and use of Council agreed reserves. The gross overspend is as follows: Children's Social Care £0.9m, Commissioning and Culture £1.8m, Children's Resources £2.0m with a balanced position in Education. The net positions after Covid relief and reserves are Children's Social Care £0.9m, Commissioning and Culture £0.8m, Children's Resources and Education both with a balanced budget.

The improving Covid-19 position has meant that many services are returning to similar operational levels as pre pandemic however there remains uncertainty in a number of areas where there are thought to be residual elements needing to be identified, this is particularly the case with increasing numbers of Social Care referrals. Work continues to review all the spend and lost income due to Covid-19 in order to ensure that a true base budget is reflected.

There have been a number of savings attributed to the budget for 2021/22 compared with the budget of the previous year including distribution of the previous central Agency staff rebate, which has meant overall reductions in staffing budgets between the two years leaving some areas without fully funded staffing budgets. The total MTFS savings which have been applied to the budget for the Directorate in 2021/22 stand at £3.295m with three major elements in respect of the revised Early Help and Youth offer (c£1m), the ending of growth that invested in Children's Social Care and the Social Work Academy (800k), and Education savings including upon SEND School Travel (c£1m).

	£m	Forecast variance commentary
Children's Social Care	**£0.9m**	
(i) CSC - Staffing £0.6m		The division continues to work to reduce the previous use of agency staff, the trend is positive and we are now below the benchmarked London average. However there is still a significant reliance on agency in certain areas particularly in the Assessment and Intervention teams. The work to realign the budgets will bring a more specific focus on the base cost of staffing and whether there are areas of potential savings within some areas that will support the forecast cost of overspends is other areas.

The budget saving allocated from the changes in the Matrix contract has meant that overall there is a reduced staffing budget whilst numbers have not decreased to match that decrease

(i) Leaving Care £0.3m

The Costs of placements for leaving care are currently showing a significant overspend for the costs of supported Accommodation for young people leaving care. This position is being reviewed to provide assurance on the accuracy of the forecast.

Commissioning and Culture £1.8m

(i) Contract Services £0.8m

The pressure in Contract Services has remained challenging despite the full return to School for 2021/22. There have remained a number of year group closures which has seen a reduction in the number of meals taken at short notice. The element of this that can be attributable to Covid has yet to be quantified and therefore there is the potential to make a charge to the unringfenced Covid grant. Other strategies continue to be explored to further reduce the level of deficit.

(ii) Leisure and Parks Income £0.7

There are a number of income losses, GLL income loss is £471k. Outdoor Education income loss is £81k. Barts & Royal London Cardiac rehab programme income loss is £30k. Total £582k will be claimed from the unringfenced covid grant.

(iii) SEN Transport £0.3m

For the first term of this year passenger transport were unable to optimise the routes for SEN transport from 48 to 40 routes which had been in the original transport plan, the difference in cost of £300k will be charged to the unringfenced Covid grant.

Education £Nil

(i) Closure of Shapla, St Mathias and Cherry Tree Schools £0.8m

The Cost of closing the three schools this year has yet to be finalised, however all Schools have closed with a budget deficit and will be charged with a number of redundancies. Work is ongoing to apply further mitigation here, through the use of full year budgets and DSG contingencies in supporting the closing costs.

(ii) Early Years and Children's Centres (£0.8)

Children & Family Centres are showing a reduced spend through a structural Budget surplus that will be corrected as part of the budget realignment.

Resources £2.0m

(i) Contribution from reserves in relation to providing KS2 Free School Meals

This is an agreed use of reserves, £6m agreed over 3 years at £2m per year to support the cost of providing all Primary School Children in Tower Hamlets with a Free School Meal regardless of their income based eligibility.

Resources and Governance

Forecast overspend of £1.4m, after reserves movements

£m	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
	Forecast Variance		
Resources and Governance	1.4	3.6	(2.2)

The Resources and Governance directorate forecast impact on the general fund is an overspend of £1.4m. This position is following Covid-19 funding of £4.8m, Covid Outbreak Management Fund grant of £0.3m and after the drawdown of reserves totalling £2.2m.

The reserve movements include drawdowns from the Transformation Reserve for the Finance Improvement Programme (circa £1m) and HR Improvement Plan (£0.14m), Local Election Reserve of circa £0.5m for the governance referendum, Insurance Reserve for the Insurance Team (£0.35m), the ESOL for Integration Fund reserve (£156k) and the Local Community Fund reserve (£60k).

Please also note that there will be a drawdown of £2m from the ICT Transformation Reserve towards the funding of ICT capital infrastructure improvements totalling £5.5m.

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

	£m	Forecast variance commentary
Communications and Marketing	-	Forecast breakeven position, after expected funding from the Contain Outbreak Management Fund (COMF) grant for pandemic related work.
Strategy, Improvement and Transformation	0.2	The £0.2m overspend forecast position is demonstrated through the part-year delay in the Enabled Functions restructure (consultation commenced in June) of £0.3m, reduced by staffing costs requested to be allocated to the Contain Outbreak Management Fund (£0.1m). There will be a drawdown from the Covid Recovery Fund of £175k for community-led recovery, health and economic recovery, and supporting children and young people. Two reserves will be drawn down in 2021-22, being the ESOL for Integration Fund reserve (£156k) and the Local Community Fund reserve (£60k), which were created in 2020-21 for projects that spanned across 2020-21 and 2021-22.
Customer Services	0.6	Month 3 forecast overspend for Customer Services of £0.6m. This is due to Local Presence unachievable and delayed savings (£0.9m), reduced by staffing costs allocated to Covid grants (£0.2m) and a forecast underspend in Registrar's income (£0.1m). ________________________________ The Month 3 forecast for **Customer Access** is an overspend of £0.7m due to Local Presence unachievable and delayed savings (£0.9m) partially offset by staffing costs allocated to Covid grants (£0.2m). The Local Presence and Idea Store Asset Strategy agreed at Cabinet in

March 2021 will achieve £1.235m of the £1.6m saving target from the following three savings:

£0.3m *Additional Local Presence Efficiencies*
£0.7m *Phase 2 Local Presence - putting Digital First*
£0.6m *2021-22 Local Presence and Idea Store Asset Strategy*

Of the total target of £1.6m, there will be unachievable savings of £0.365m which will need to be considered for cancellation in the 2022-25 MTFS, and estimated savings slippage of £0.515m due to staff consultation and part-year implementation during 2021-22.

Customer Access staffing costs relating to Covid of £180k will be requested to be allocated to the Covid Outbreak Management Fund grant.

Covid-19 non-ringfenced grant funding is requested to fund the estimated £15k overtime costs caused by pandemic work carried out in the Customer Contact Centre and Idea Stores and £27k for lost income relating to room hire in Idea Stores.

Idea Stores Learning is forecasting reduced income of £138k for adult community learning classes due to the pandemic. The Council is expected to receive Sales, Fees and Charges income compensation from MHCLG of £98k and the remaining £40k of reduced income is requested to be funded from the non-ringfenced Covid emergency grant.

The month 3 forecast for **Registrars Services** is a forecast underspend of £0.1m, due to fees & charges income, after allocation of Covid non-ringfenced emergency grant for extra staffing to process the backlog of registrations from the pandemic.

The Modernisation of the Registration Service saving (SAV GOV 002 20-21) of £40k has been achieved through pay and non-pay efficiencies.

The Registrars Service is expected to move into the St George Town Hall in late summer which will increase income maximisation from events such as weddings. The income budget for Registrars has been increased in budget setting by £30k, being a contribution towards the corporate Greater Commercialisation saving, and is forecast to over-achieve the income budget by a further £0.1m.

The Month 3 forecast for **Information Governance** is a balanced budget. This assumes recharges of circa £20k to relevant directorates for the costs of independent investigators for statutory complaints.

Legal, Monitoring Officer, Democratic and Electoral Services -

The Month 3 forecast is a breakeven position, however legal services is a demand led service and the level of work will need to be monitored throughout 2021-22 to identify any potential overspend pressures.

There will be an increase in court proceedings as the backlog of cases from the pandemic now work their way through the courts and therefore £150k of counsel fees are requested to be funded through the Covid non-ringfenced emergency grant.

Legal services has a £100k staffing saving in 2021-22 (SAV GOV 001 20-21). This is a demand led service and therefore the staffing saving will need to be monitored through 2021-22 to check that the level of legal work allows for this to be achieved.

The Review of Monitoring Officer service structure saving (SAV GOV 003

21-22) of £52k will be achieved part-year in 2021-22, with full year effect saving achieved for 2022-23.

The Electoral Services staffing saving (SAV GOV 001 21-22) of £80k will be achieved in 2021-22.

The governance referendum of the Mayoral system was carried out in May 2021 as well as the London Assembly elections. The London elections will be funded through the GLA, however a drawdown will be required from the Local Elections Reserve to fund the costs of the governance referendum (circa £0.5m). Also the extra Covid social distancing and cleaning costs for venues of £0.15m is requested to be funded through the Covid non-ringfenced emergency grant.

The 2021-22 position includes a £30k assumption of income accrued for previous year elections which should be achieved through Parliamentary Constituency Claims yet to be settled.

Revenues and Benefits Service

0.2 Covid-19 had a significant impact on the staffing levels required in Revenues Services for administering Council Tax, Housing Benefits and Council Tax reduction claims. There is an expected 2021-22 extra cost of £821k demonstrated by £671k direct staffing costs and a £150k commissioned contract for external processing support.

The government provided Additional Burdens Funding for administration of the Covid-19 business grants schemes, Local Restriction Grants and the Council Tax Hardship Fund. The cost pressure remaining of £521k, after anticipated government funding of £300k, is requested to be funded by the non-ringfenced Covid-19 emergency grant.

The Council has increased the use of self-service options for the payment of bills by residents. This has successfully aided the achievement of staffing savings, however the increased bank transaction fees for card payments online and by touchtone phone has created a £0.2m pressure against the collection charges budget.

Enforcement activity to recover debts through the courts was suspended during the pandemic and this created an under-achievement in court costs awarded income in 2020-21, however it is forecast that this will be returning to pre-pandemic levels in 2021-22.

The following savings are expected to be fully achieved in 2021-22:
£0.5m *Improved Recovery of Housing Benefits Overpayments*
£0.2m *Improvements in Self Service and Digital uptake for Council Tax and Business Rates*
£0.12m *Merging the Revenues & Benefits Services (Phase 1)*
£0.098m *Revenues - Cashiers - reduce cash and cheque handling and eliminate the need for cheque printing* – full year effect has now been achieved for 2021-22.

The 2020-21 Benefits service – centralisation of assessments – service review and restructure savings of £0.7m have 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 £0.7m has been requested from the Covid-19 emergency grant. The long term staffing requirement from the pandemic and increased properties for Council Tax will need to be considered as part of the 2022-25 MTFS refresh.

The 2021-22 Merging the Revenues & Benefits Services (Phase 2) saving of

		£0.15m has been delayed due to the pandemic and is therefore requested to be short-term funded in 2021-22 from the Covid non-ringfenced emergency grant. As well as the main Housing Benefits Administration Grant, the Benefits Service has also historically received adhoc grants from government departments, such as from the DWP for participation in pilot schemes. Due to the Covid-19 pandemic, these other grants have not been available in full and it is expected that this will result in an income pressure of £0.4m for 2021-22 which has been requested from the Covid-19 emergency grant.
Human Resources and Business Support Phase 2 business support review slippage	0.4	The Month 3 forecast for HR and Business Support is an overspend of £0.4m due to slippage in Business Support savings. The service is requesting a drawdown from transformation reserves of £0.14m for the HR improvement plan. A report will be taken to CLT to make a further bid for funding required for systems and operational improvements. Covid-19 emergency grant funding of £72k is requested for staffing costs relating to co-ordinating key worker information, monitoring and managing the Coronavirus inbox, managing redeployments, collating health and wellbeing information for key workers, and supporting managers with increased staff absences for muscular skeletal, mental health and Covid-19 issues. Business Support is forecast to achieve £0.8m of the £1.2m staffing savings targets within 2021-22. The £0.4m forecast overspend, from the short-term savings slippage, is due to the part-year effect in 2021-22 from changes occurring in-year and to allow further review of the potential future structure and centralisations.
Finance, Procurement and Audit	-	Forecast breakeven position, subject to a drawdown of circa £1m from the Transformation Reserve for the Finance Improvement Programme and £0.35m from the Insurance Reserve for the Insurance Team. The Council has committed to continue with its improvement journey following issues highlighted in the ongoing audits of the Council's accounts for 2018-19 and 2019-20. It is anticipated circa £1m will need to be drawn down from the Transformation Reserve in 2021-22 to fund the improvements. This sum has been taken into account in the forecast Council reserve levels going forward.
Information Technology	-	Month 3 forecast breakeven position. There will be a drawdown of £2m from the ICT Transformation Reserve towards the funding of ICT capital infrastructure improvements totalling £5.5m. £0.5m is requested from the Covid non-ringfenced emergency grant for extra IT equipment costs to support remote working and hybrid meetings.
Corporate Management, Mayor's Office and Central Resources	-	Forecast breakeven position in the areas of the Chief Executive's Office, Mayor's Office and central Resources and Governance. Covid-19 related costs of £110k are requested to be funded by the non-ringfenced Covid grant for communications, additional cleaning and security at Registrars and Idea Stores buildings and BECC staffing.

Health, Adults & Community

Forecast overspend £0.5m on the General Fund

Forecast Public Health overspend of £0.1m before transfer from reserves

	Forecast Variance		
£m	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to / (from) Reserves
HA&C	0.5	0.5	-
Public Health	-	0.1	(0.1)

The Health, Adults and Community Directorate's forecast outturn at Period 3 for 2021-22 is a £0.541m overspend against a revised budget of £148.9m. In addition to this, expenditure totalling £3.909m is projected to be funded from the Covid non-ringfenced grant for 2021-22 with an additional £1.596m of expenditure to be funded by the NHS under arrangements to cover the costs of packages of care on discharge from hospital until September 2021, when the current NHS Hospital Discharge and Community Support package ends.

Table 1: Health, Adults and Community Forecast Outturn Summary Period 3 2021-22

	2020/21 Outturn			2021/22 Projected Outturn @ Period 3		
Service	**Revised Budget**	**Projected Final Outturn**	**Projected Final Variance**	**Current Budget ***	**Projected Outturn Period 3**	**Projected Variance Period 3**
Adult Social Care	92,197,519	94,535,559	+2,338,040	98,651,442	100,651,350	+1,999,908
Integrated Commissioning	9,124,339	6,917,307	-2,207,032	8,354,377	6,813,268	-1,541,109
Community Safety	6,377,938	6,054,016	-323,922	5,564,948	5,523,219	-41,729
Public Health	35,195,373	35,195,373	+0	36,350,890	36,474,599	+123,709
Total HAC	**142,895,169**	**142,702,255**	**-192,914**	**148,921,657**	**149,462,437**	**+540,780**

- *Budgets to be realigned as part of Budget Realignment exercise particularly Better Care Fund Budgets*
- *Excludes expenditure on Covid Cost Centres*

Adult Social Care

Adult Social Care is forecasting an overspend position of £1.999m for 2021-22 on a revised budget of £98.651m. However this is offset by an underspend in Integrated Commissioning – these variances are artificial as the budget realignment exercise currently underway will move money into the correct budget areas. Adult social care as a whole (Adult Social Care & Integrated Commissioning divisions) are together at period 3, forecasting an overspend of £458,799. This position is supported by ongoing Covid funding and therefore there is risk of increased budget pressure becoming evident during the year particularly if NHS funding for packages of care on discharge from hospital ceases. There is also further work underway to verify the learning disability spend against budget and this is another significant risk.

Table 2 below provides a detail of the projected overspend position at Period 3 for 2021-22 for Adult Social Care by category of expenditure and income.

Due to demand and unit costs for services continuing to increase, weekly Care and Support Plan Assurance Meetings (CSPAM) continue. CSPAM Tier I data (where weekly unit costs are £500 or more) currently shows that since the 1st April 2021, a total of 32 out of the total of 106 cases assessed, have resulted in a decrease in package, with a full year impact of £1.514m reduction in costs (as seen in Table 3 below). However, we have also seen an increase of care needs, resulting in 41 clients requiring an increase in care packages, resulting in a full year impact of £1.582m increase in costs, and 33 clients with no change. The net full year effect of CSPAM Tier I to date is an increase of £0.068m.

CSPAM Tier II data (where weekly unit costs are under £500) shows that a total of 154 out of 289 clients assessed since April (Table 4 below) have seen an increase in care package, with an additional full year impact of £1.105m. 60 clients have seen a reduction in care packages (£0.750m reduction in full year costs) with 75 clients having no changes. The overall net full year impact of CSPAM Tier II to date shows an increase of £0.356m.

This is the reverse of the position seen in the last financial year where smaller packages (CPAM Tier II) showed an overall net reduction in cost.

In line with the NHS Hospital Discharge and Community Support Package Guidance issued in May 2021, a total of £1.596m is projected to be recovered from NHS England (via the Clinical Commissioning Group - CCG) in relation to eligible costs during 2021-22 for additional packages of care for when clients are discharged from hospital. The majority of costs relate to additional home care and care home placements. Funding was provided between 1st April 2021 to 30th June 2021 for 6 weeks of funded care post discharge, and between 1st July 2021 and 30th September 2021 for 4 weeks of funded care post discharge. With the cessation of this funding from 1st October 2021, costs for the remainder of the financial year will need to be funded via the Council's Covid non-ringfenced grant or will be a further pressure on the budget.

CSPAM data clearly demonstrates the increasing needs and complexities of clients, with additional 1-1 support and 24-hour homecare packages being required to meet growing demand. With the cessation of NHS and other Covid grant funding to the Local Authority, financial pressures on Adult Social Care budgets are growing. In addition, the costs of long-covid implications on additional social care needs have yet to be quantified - it is still unclear the impact of the 2% of cases that remain ill after 12 weeks have on long-term adult social care referrals, and the cost implications on future budgets.

Table 2: ASC Projected Outturn Period 3 2021/22 – by Expenditure and Income Category (excluding Covid Related expenditure balances)

Cipfa Category of Expenditure/Income	Care Type	Revised Budget 2021/22	Actual to Date	Projected Forecast 2021/22	Projected Variance Period 3 2021/22	Comments
Employees		20,715,854	4,871,430	20,206,986	-508,868	P3 projections now take account of posts being funded via BCF.
Premises-Related Expenditure		9,500	2,230	11,094	+1,594	Extra expenditure on room hire
Transport-Related Expenditure		2,264,918	19,223	1,574,707	-690,211	Budget includes £100k savings and reduced expenditure on Client related transport
Supplies & Services		695,645	94,497	736,857	+41,212	Increase in costs for professional fees
Third Party Payments	Block	8,591,298	2,377,102	8,294,343	-296,955	Reduced projection as a result of reduction of clients
	Day care	4,894,055	161,994	3,972,757	-921,298	Reinvestment and the impact of closing 2 centres
	Direct Payment	11,489,300	3,632,633	11,622,095	+132,795	Based on last years outturn and drive to increase the use of direct payments in commissioned services
	Extra Care	2,679,718	402,933	3,300,233	+620,515	Increase use of extra care sheltered housing for clients
	Home care	28,022,381	7,333,245	30,517,808	+2,495,427	Increase in homecare support
	Nursing Care	5,048,261	538,778	4,813,001	-235,260	
	Prevention & Support	1,318,413	861,044	736,649	-581,764	
	Residential	21,698,868	3,188,745	21,799,711	+100,843	Increase in residential placement costs
	Respite Care Residential	40,313	12,776	39,884	-429	More realistic forecast
	Supported Living	6,541,203	328,960	7,552,872	+1,011,669	More realistic forecast in P3 - realigning clients to the correct packages and increasing the cost
	Other	883,082	10,753	62,655	-820,427	Adjustment being made to reflect outturn of previous year
	Other Third Party Payments	1,658,264	(65,684)	1,694,861	+36,597	This is based on last years actuals
Transfer Payments		0	0	3,025	+3,025	
Support Services		18,300	24,521	1,680,305	+1,662,005	Insufficient budget allocation
Capital and Financial Accounting		0	0	0	+0	
Income	Other	0	(11,348)	(18,298)	-18,298	
	Other Income	(947,835)	(70,274)	(912,042)	+35,793	More realistic forecast done
	Government Grants	(440,380)	(1,444,673)	(445,380)	-5,000	
	Other Health funding	(3,530,435)	711,641	(2,396,219)	+1,134,216	Movement of income to S117
	BCF	(6,046,583)	338,935	(6,200,894)	-154,311	
	Client Contributions	(5,727,966)	(1,101,760)	(4,333,045)	+1,394,921	Movement of income to S117
	S117 Income	(1,224,732)	(0)	(3,662,616)	-2,437,884	Adjustment of income
Total		**98,651,442**	**22,217,701**	**100,651,350**	**+1,999,908**	

Table 3: CSPAM Tier I Period 3

CSPAM Tier I Summary	No. of clients	Change in weekly cost	Full year impact
Increase	41	(30,353)	(1,582,597)
Decrease	32	29,041	1,514,209
No Change	33	0	0
TOTAL	**106**	**(1,312)**	**(68,387)**
Deferred	12	(514)	(26,817)
NEW	9	(1,075)	(56,032)

Table 4: CSPAM Tier II Period 3

CSPAM Tier II Summary	No. of clients	Change in weekly cost	Full year impact
Increase	154	21208	1,105,810
Decrease	60	(14,388)	(750,214)
No Change	75	0	0
TOTAL	**289**	**6,820**	**355,596**
Deferred	15	(10,423)	(543,445)

New	20	2,348	122,442

Integrated Commissioning

Integrated commissioning is expected to underspend by £1.541m at Period 3 however this offsets the overspend in Adult Social Care as set out above. The budget realignment exercise will ensure that money is in the correct budgets which will resolve this issue by removing relevant underspends. An additional £100k has been built into the forecast for the additional Lease and repair costs for the Sonali Gardens day centre, although these costs are yet to be finalised and could be higher.

There is currently a budget pressure within community equipment that is forecast to overspend by £360k based on April and May invoices. Work is underway to analyse current demand to determine whether this is due to additional health or social care demand increases, as the current BCF Section 75 agreement states that any overspend should be met by the originating commissioner of that equipment item. A risk and gain sharing agreement between the CCG and Local Authority is proposed and will be developed.

Table 5: Integrated Commissioning Projected Outturn Summary Period 3 2021-22

Vote & Descriptions	Budget 2021-22 £	Projected Forecast Period 3 2021-22 £	Projected Variance Period 3 £
A35 Adults of Working Age	444,189	444,189	+0
A47 Access to Resources	454,981	804,000	+349,019
A48 Carers & Cross Cutting Issues	1,643,104	1,226,905	-416,199
A50 Ageing Well	5,748,674	5,094,819	-653,855
A53 Commissioning & Health	63,429	-756,645	-820,074
Integrated Commissioning Total	**8,354,377**	**6,813,268**	**-1,541,109**

Community Safety

The Community Safety Division is expected to underspend by £0.042m. This is mainly due to 3 vacancies within the THEO enforcement team, a vacant head of service post (now recruited to) and one-off recharges for work carried out by the CCTV Service on behalf of another organisation. A £90k underspend exists within the DAAT team due to lower that budgeted prescribing costs and resolution of the backdated claims issue (£58k 2019/20 & £67k 2020/21) with the CCG for prescribing cost invoices. It is anticipated that a similar amount will be claimed from the CCG in 2021-22. A Memorandum of Understanding has been drafted to resolve this historic issue and to formalise these arrangements with the CCG.

The community safety budget was adjusted by £1.392k in 2021-22 for savings, of which £840k related to general fund and £552k Public Health grant funding. The MTFS savings for 2021-21 are applied against the Community Safety Response Team budget £614k, VAWG, Hate Crime and Community Safety Teams £226k, Substance Misuse £450k and Healthy E1 service £102k.

Whilst the budget was reduced at the beginning of the financial year there will be slippage in savings by approximately £324k as a reorganisation needs to be undertaken to stop these services and significantly reduce staffing headcount. This assumes the proposed redesign and restructures will be implemented and finalised within six months. Work to mitigate this slippage is taking place and the forecast to date is positive in this regard. The CCTV budget is expected to be on budget following the budget re-alignment exercise. The overall underspend position is expected to change once the cost of the residential rehabilitation programme is agreed. Further funding of £200k is sought from the public health grant further to recent CLT approval, to fund additional DAAT related expenditure. This is not yet built into the forecast on either budget (PH/CS).

Table 6: Community Safety Projected Outturn Summary Period 3 2021-22

Vote & Descriptions	Budget 2021-22 £	Projected Forecast Period 3 2021-22 £	Projected Variance Period 3 £
E80 Safer Communities Management	283,604	233,000	-50,604
E81 Community Safety Partnership, Domestic Violence & Hate Crime	669,891	1,068,341	+398,450
E84 Drug and Alcohol Action Team (DAAT)	6,962	0	-6,962
E89 Business Continuity/Civil Protection	294,088	238,366	-55,722
E91 Drug and Alcohol Action Team (DAAT) – Treatment)	240,157	157,211	-82,946
E92 Safer Neighbourhood Operations	4,070,246	3,826,301	-243,945
Community Safety DAAT and ASB Total	**5,564,948**	**5,523,219**	**-41,729**

Public Health

Public Health is currently expected to overspend by £0.124m overall. Although most of the services across public health are expected to be on budget, the spend against sexual health is unclear due to the nature of the service being largely demand-led. The forecast is currently based on data provided by the London Borough of Newham, who manage the integrated health service in North East London and is primarily historic spend. However, further work is needed by them to provide a more precise forecast. An additional £981k budget has been provided for PrEP[i] related spend, however, it is not yet clear how this is built into the Newham baseline forecast. Newham have indicated that there will potentially be additional costs for transformation elements e.g. optimisation incentives like vaccines, Long Acting Reversible Contraceptives etc. that are now included within the forecast figures. They have confirmed that projected forecast figures will be updated in quarter 2. Recharges to the Public Health Grant for VAWG, Domestic Abuse & the Hate Crime Team will be £55k lower than budgeted due to other grant funding being made available to some of the services being funded from these budgets, however, the public health grant allocations will be utilised in 2022-23.

An additional £1.111m will be funded from Public Health in 2021-22 and further £495k in 2022-23. These include recharges in 2021-22 from the Children's directorate for Physical Activity/Sports (£444k), Domestic Violence (£180k) and Local Community service within Governance £487k. Recharges previously built in for SPP support are likely to be higher than budgeted, however, as recharges are now-time based and some activity related to covid-19 work, it is difficult to forecast at this stage. The support service recharges to public health are based on historic figures, with a plan for these to be reviewed further.

The forecast includes expenditure related to the Loneliness Task project (£150k). Previously it was agreed this will be funded from Reserve. Should public health grant overspend in 2021-22, this will be drawn down from the reserve. The current reserve balance (including the 2020-21 underspend) is £3,321,792.

Table 7: Public Health Projected Outturn Summary Period 3 2021-22

Cost code & Descriptions	Budget 2021-22 £	Projected Forecast Period 3 2021-22 £	Projected Variance Period 3 £
21019 Local Outbreak Management *	0	0	+0
21020 Clinically Extremely Vulnerable *	0	0	+0
37001 Public Health - Director	3,976,781	3,904,213	-72,568
37005 Public Health – Healthy Environments	340,036	445,000	+104,964
37006 Public Health – Healthy Communities	932,357	942,581	+10,224
37007 Public Health – Healthy 0-5 year olds	11,177,395	11,175,500	-1,895
37008 Public Health – Healthy Children & Adolescents	3,954,637	3,962,441	+7,804
37009 Public Health – Healthy Young Adults	13,215,594	13,432,677	+217,083
37010 Public Health – Healthy Middle Age & Older People	2,754,090	2,612,187	-141,903
37014 Public Health-LSCTP Project	0	0	+0
37015 Public Health-Covid 19 *	0	0	+0
37017 Community Test Fund *	0	0	+0
37018 Self-Isolation Fund *	0	0	+0
37040 Contain Outbreak Management *	0	0	+0
37041 VOC Surge Testing *	0	0	+0
Public Health Total	**36,350,890**	**36,474,599**	**+123,709**

** Covid-19 cost centres*

HA&C Capital Summary Period 3

The majority of capital projects in the HA&C Directorate have paused due to the pandemic and will now be reinstated during 2021/22. Table 8 below provides an overview of the 2021/22 budget and a summary of progress on each. Projects in the approved programme are monitored via the HA&C Capital Oversight Group which meets monthly.

Some key projects are delivered by the NHS and are therefore dependent upon the NHS's capacity to deliver, given the priority and focus on the Covid-19 Pandemic e.g. Goodman's Fields project and Aberfeldy Practice.

In relation to the CCTV project, there was some slippage on the programme and a number of other risks which are being managed in relation to the aging infrastructure and the move to the new Town Hall. This is being addressed as risk mitigation with oversight through the HA&C capital board. Historically there have never been any formal contracts in place in the CCTV suite. In July 2020, in order to reduce risks to the Council, Cabinet approved direct award of three contracts to the organisations in question for one year with an optional one-year extension. Whilst there has not been a competitive tender exercise, negotiation has been undertaken to reduce costs associated with these services in this interim period and an annual saving of at least £150k has been achieved. This work has progressed well, and 2 contacts are now awarded with one imminent award. This significantly negates the GDPR risk on the Council's corporate risk register.

Virtual meetings, as well as site visits, have been carried out with various council departments to establish the timelines for each of the protective security projects. For some schemes it was agreed the best course of action is to carry out the works at the same time as infrastructure projects lead by the Liveable Streets programme to ensure join up e.g. Whitechapel /East London Mosque, Columbia

Rd/Gosset St, as well as Brick Lane have been identified as three key areas which will require hostile vehicle mitigation measures given the risk on crowded places and latest Government guidance. The Council will respond to the new proposed Protect Duty consultation.

Table 8: HA&C Capital Programme Projected Forecast Period 3 2021-22

Project Name	Programme/Team	Project Code	Cost Centre	Capital Budget 21/22	Forecast Period 3 21/22	Projected Variance Period 3 21/22
Wellington Way Health Centre	Healthy Environments	520102	39310	42,453	0	-42,453
Maximising Health Infrastructure	Healthy Environments	530088	39310	755,540	72,090	-683,449
Aberfeldy Village	Healthy Environments	530110	39310	3,012,174	1,500,000	-1,512,174
Buxton Street West - Landscaping (Green Grid)	Healthy Environments	530114	39310	74,435	0	-74,435
Goodman's Fields	Healthy Environments	530115	39310	5,805,271	3,446,096	-2,359,175
Sutton's Wharf	Healthy Environments	530116	39310	2,164,515	1,961,791	-202,724
Island Medical	Healthy Environments	560000	39310	801,295	684,285	-117,010
Wood Wharf	Healthy Environments	560002	39310	2,908,335	2,890,000	-18,335
Aberfeldy Village WellOne - Community Hub within GP Practice	Healthy Environments	560003	39310	324,007	436,400	+112,393
Total Healthy Environments				**15,888,024**	**10,990,663**	**-4,897,362**
Transformation of CCTV	Community Safety	560004	39320	2,806,473	2,825,671	+19,198
Protective Security Fund - Community Safety	Community Safety	560005	39320	199,760	77,000	-122,760
Total Community Safety				**3,006,233**	**2,902,671**	**-103,562**
LD Supported Accomodation - Sewardston Rd/Antill Rd	Integrated Commissioning	560001	39305	1,555,173	400,000	-1,155,173
Norman Grove (ASC Element)	Integrated Commissioning	600012	39305	1,800,000	666,664	-1,133,336
Total Integrated Commissioning				**3,355,173**	**1,066,664**	**-2,288,509**
Total HAC Capital 2021/22				**£22,249,431**	**£14,959,998**	**-£7,289,433**

Place 2.4

Forecast £0.8m underspend on the General Fund after requested transfers from reserves

£m	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
	Forecast Variance		
Place	(0.8)	4.8	(5.6)

The Place Directorate is forecasting a £4.8m adverse variance before proposed reserve drawdowns. The Directorate is projecting to drawdown £5.6m from agreed and ringfenced reserves, identified during the budget setting process, resulting in a net underspend after reserves of £0.8m.

The reserves that are planned to be used form part of the Directorate's budget and are not being used to offset a general overspend. Some of these reserves are funding core services such as the Tackling Poverty team where a corporate decision was taken to remove general fund budget, specific posts and the rent increase within Temporary Accommodation to prevent an adverse impact on the Housing Benefit subsidy position. Other reserves are funding target and approved projects such as clearing fly tipped materials at Ailsa Wharf, replacing trees or upgrades to the vehicle workshop to allow more income to be generated. The majority of these reserves represent unspent ringfenced grants that cannot be used for any other purpose.

Details of the reserve drawdowns are provided below:

Reserve	Division	Amount
Fly Tipping reserve to fund Ailsa Wharf	Public Realm	£475k
Cavat (replacement trees funding)	Public Realm	£40k
Transport workshop reserve	Public Realm	£123k
Rechargeable Works > 6 years old	Public Realm	£300k
S278 Highways Rechargeable Works	Public Realm	£600k
MPG Tackling Poverty Fund	G&ED	£851k
Support for Domestic Violence	G&ED	£47k
FHSG – Transformation of Homelessness	Housing	£1,000k
FHSG – Homelessness service	Housing	£1,567k
Rough Sleepers Initiative	Housing	£200k
PRS Access Grant	Housing	£100k
External Wall Surveys	Housing	£257K
Homeless Prevention Grant (Top Up)	Housing	-£371k
LIF Regeneration Funding	Resources	£400k
Total		**£5,589k**

Decisions around reserve drawdowns will be made at year end and will be dependent on the financial position of both the Directorate and Authority at that time. Therefore, these are assumed drawdowns and will be subject to change at year end.

The table below provides a summary of this forecast at a divisional level. Significant underspends have been forecast within Public Realm, which are partly offset by budget pressures within Property & Major Programmes.

	Net Budget	Outturn before drawdowns	Variance before drawdowns	Reserve (drawdowns) / Top Ups	Variance after Reserve movements
	£m	£m	£m	£m	£m
Property & Major Projects	17.8	20.5	2.7	0.0	2.7
Public Realm	33.8	32.3	-1.5	-1.5	-3.0
Growth & Economic Development	3.1	4.0	0.9	-0.9	0.0
Planning & Building Control	1.6	1.3	-0.3	0.0	-0.3
Housing & Regeneration	8.9	11.4	2.5	-2.7	-0.2
Resources	0.1	0.5	0.4	-0.4	0.0
Total	**65.3**	**70.0**	**4.7**	**-5.5**	**-0.8**

The Directorate has £3.9m of savings targets in 2020/21. Of these savings, £2.8m are forecast to be delivered, £1m of savings are forecast to slip into the next financial year and £0.1m is undeliverable.

The slippage relates to savings targets within the Property division where £1m of savings are due in year relating to better use of the Council's property portfolio. Although a work plan has been developed to deliver the saving, the current Covid-19 environment is making it increasingly difficult and a slow process to either let or dispose of property. Incentives are having to be offered when letting properties, for example rent holidays, to secure tenants, resulting in delays to the delivery of the savings. Delivery of these savings is further hampered by an inherent budget pressure relating to loss of rent at Jack Dash House following a corporate decision to allow THH to vacate the premise but the budget pressure remaining with Property. Any savings made will firstly mitigate this pressure unless a decision is taken to manage it corporately. The budget realignment work has commenced within the Place Directorate with a view to managing this pressure in the future.

Should the opportunity arise, consideration should be given to setting up reserves from any surplus made within Planning & Building Control. Currently there is no budget provision for appeals leading from member decisions. Each year a number of costly appeals occur, putting pressure on the service and a requirement to generate additional income or find alternative savings to manage this cost. Every five years the Council must also produce an updated local plan. Again, there is no base budget provision to meet this cost, estimated at £2m. A reserve to fund all or part of this cost would mitigate the need for large growth bids which place additional pressure on the MTFS.

The Place Directorate has been significantly impacted on by the Covid-19 pandemic. Forecast costs and income loss attributable to COVID-19 across the Place Directorate total £10.2m in 2021/22, of which £3.1m is planned to be offset by specific ring fenced grant, £1.2m from the sales, fees and charges recompense scheme for lost income, £4.7m from general Covid-19 grant and the remaining £1.2m from the Mayor's Covid-19 Recovery fund.

Property & Major Programmes

The Property & Major Programmes division is forecasting an overspend of £2.7m against budget inclusive of s106 drawdowns. There are a number of factors contributing to this overspend which are detailed below.

Corporate Property
The Corporate Property service is forecasting an overspend against budget of £0.4m.

Bromley Hall School is a vacant property declared surplus to requirements and transferred with no budget as it was previously funded from Basic Needs grant within Children's services, creating an ongoing budget pressure of £0.1m.

There are further forecast unbudgeted security costs of £0.3m relating to the William Brinson building which is vacant. It is hoped that guardians will be in place once leases are signed that will reduce this pressure but delays are being experienced within legal services.

A decision is required around meeting these ongoing costs relating to empty properties, whether that is from existing budget, corporately or through a growth bid. At present the division cannot mitigate this cost pressure. Processes also need to be put in place to ensure future transfers do not occur without adequate budget provision.

Capital Delivery
The capital delivery service is forecasting to outturn in line with budget. This position includes a budgeted drawdown of £90k from s106 income. An assumption has been made that the Capital Delivery team will capitalise salaries in line with budgets.

Facilities Management
The Facilities Management service is forecasting an underspend of £0.3m against budget. The main reasons for this underspend are detailed below.

The new Town Hall revenue budget is forecasting an underspend of £0.1m. The budget has been set aside for pilot schemes for furniture (testing best use of spaces) as required and very little spend is forecast.

During the pandemic FM staff have been redeployed onto specific Covid-19 related work associated with making the Council buildings safe and compliant ahead of the planned return to the office. Although this work is forecast to reduce, any associated costs will be charged against the general Covid-19 grant, resulting in a projected underspend of £0.2m within the general fund.

Corporate Landlord Model
The Corporate Landlord Model (CLM) is forecasting to overspend by £1m. This is made up of a number of factors:

The CLM rates budget is forecasting to overspend by £0.4m. The cross-rail multiplier does not form part of the base budget for business rates. Work is ongoing to mitigate this pressure

Service charge budget is forecasting to overspend by £0.3m due to unbudgeted insurance charges relating to Mulberry Place.

The energy budget is forecasting to overspend by £0.2m with unit costs increasing.

The Cleaning budget is forecast to overspend by £0.1m as a result of MTFS savings that are slipping.

Non-Operational Investment Estate
The overall variance within the non-operational investment estate is an overspend of 1.6m.

There are £1.2m savings target within the Property & Programme Management division relating to better use of Council assets that are slipping. Proposals have been drawn up to deliver the savings in full but are unlikely to be delivered in year, primarily the result of rent holidays being given to new Organisations leasing Council properties where it is increasingly difficult and time consuming to secure new tenants in a

Covid-19 environment. There will be proposals that come to fruition and deliver savings in year but these are forecast to offset an inherent budget pressure.

An ongoing budget pressure of £0.4m which relates to rental loss from Jack Dash House. A corporate decision was taken to allow THH to vacate this premise on the expiry of their previous lease agreement resulting in a budget shortfall. Even when fully occupied, the building will not realise sufficient rental levels to meet the income target. A corporate decision needs to be taken about how this shortfall will be met as it cannot be mitigated within the Property directorate.

Resources
The Resources Division is forecasting to outturn in line with budget. This forecast assumes that any costs incurred within the Regeneration Team (currently forecast at £0.4m) will be funded from LIF monies and drawn down from reserves.

Growth & Economic Development
The Growth & Economic Development division are forecasting to have an adverse variance of £2.5m before any drawdowns from s106 funding or reserves. The service has budgeted to utilise s106 funding and Mayoral Priority reserves for both its core activities and specific project work in year. Drawdowns totalling £2.5m have been forecast, with £1.6m from s106 to fund specific projects within the Growth and Economic Development services and £0.9m from the Mayoral Priority Growth Tackling Poverty reserve to fund the core team costs. The Growth & Economic Development division is forecasting to outturn in line with budget after drawdowns.

Economic Development
Economic Development is forecasting to outturn with a £0.1m overspend. This pressure relates to the careers service where it was planned to utilise s106 funding to cover some of the service costs. However, there is no available s106 to apply to the Careers service and this shortfall will be mitigated by underspends elsewhere in the Directorate.

Employment & Skills Service are forecasting an overspend of £0.4m. This is being mitigated though using unspent PAS budget and s106 income. As a result, no variance is being reported.

Supported Employment service focuses on the Kickstart project, getting 16-25 year olds into employment. It is funded from a combination of grant and s106 income. The grant covers the salaries of the apprentices being placed and the s106 income the salaries and costs of the officers providing this service. It is forecast that the service will be on budget.

A small underspend is being forecast within the Careers Young Workpath service as a result of vacancies. This underspend is being used to partly mitigate the pressure in the Careers service.

Growth
The Growth service is underspending by £0.2m against budget. This underspend relates to vacancies within the business partnerships team. This underspend will be partly used to mitigate the pressure with the Careers service.

Economic Development Management
There is a £0.1m cost pressure against Economic Development Management as a result of an unbudgeted recharge from SPP. This cost pressure is being mitigated through the underspend detailed above in the Growth service.

Tackling Poverty
Tackling Poverty is forecasting to outturn in line with budget. Additional spend has been approved on the Crisis Support Residents Scheme and will be funded from the MPG Tackling Poverty reserve. This will increase the forecast drawdown to £0.9m.

The Tackling Poverty service has received £1.8m for Healthy Activity funding following the Marcus Rashford campaign. This funding will be used to provide school holiday activities throughout 2021/22.

Continuing Covid-19 response
The Tackling Poverty team continues to undertake significant additional work in response to the Covid-19 pandemic, with rules around the resident support scheme being relaxed and through the opening of a food bank and food deliveries to vulnerable and shielding residents. Food vouchers have also been distributed to vulnerable residents and a track and trace system implemented. In total spend in 2021/22 is estimated at £2m, which will be met from ringfenced grant, £1.4m from the Covid Local Support Grant and £0.6m from Test and Trace grant funding. There is no anticipated call on the general Covid-19 grant pot. On top of this funding the directorate has been successful in securing funding from the Mayor's Outbreak Recovery fund for specific projects. In total Growth & Economic Development has received approval for £571k of spend across a number of activities including business adaptation grants (£350k for schemes to help small and micro businesses), support to advice agencies (£121k to increase their capacity to support clients) and £100k for food pantries. These amounts are forecast to be spent in full.

Planning & Building Control
The Planning & Building Control service is forecasting an adverse variance against budget of £0.4m before any s106 funding. The service is planning to drawdown £0.7m from s106 income to fund elements of the Infrastructure Planning team, management costs and the new Digital Support Service (currently being recruited into as part of a service restructure). The Planning & Building Control service is forecasting a favourable variance against budget after reserve drawdowns of £0.3m

Current projections of salary costs will result in an underspend of £0.8m against budget. There are vacancies within Building Control, Development Management, Application Support, Local Land Charges and Infrastructure Planning. These services are currently recruiting to a significant number of these posts, the majority of which should be filled during the year, reducing this forecast underspend to £0.5m.

A savings proposal to restructure the technical services and directorate management systems teams, creating a new Digital Support service and a review of how this service will be funded, utilising more s106 income rather than general fund is underway. There are some delays to the recruitment to these posts and therefore a risk that the saving target will not be met in full in year. At present is not possible to accurately forecast the amount of any slippage and this will be monitored and reported in future budget monitoring reports. However, it is anticipated that any slippage can be mitigated by savings from the vacancies detailed above and will not result in a cost pressure.

There is likely to be residual unbudgeted costs relating to appeals where the Secretary of State has called in planning decisions. These are likely to include Westferry Printworks, the Bell Foundry on Whitechapel estate and the Chest Hospital. At present unbudgeted costs of £0.2m are being projected. There is a risk of further challenges during the year which will incur more unbudgeted cost and they will be reported as and when they occur.

Income received to date is broadly in line with budget with minor overs and unders across the various fees to the end of June. This will continue to be monitored and reported throughout the year. There is some delay in being able to accurately forecast income across Planning & Building Control as a result of the AIMS cash receipting system posting all income to one account code in Agresso.

At present it is difficult to forecast the level of THCIL and MCIL admin fee that will be available to use during the year. It is therefore assumed that CIL income will be in line with budget, with £1m being applied in 2021/22.

Any work undertaken on SPD's during the year will be funded from LIF income and have no impact on the outturn position.

Building Control Trading Account
Current forecasts for the Building Control Trading Account is in line with budget. There are vacancies within the service but these roles are currently being advertised and any saving will be minimal. There are no material variances on income at present. Any under or overspend will be transferred to or drawn down from the reserve at year end.

Public Realm

Public Realm is forecasting to underspend by £1.5m before any reserve movements. Reserve drawdowns for specific work totalling £1.5m have been forecast, resulting in an underspend after reserve drawdowns of £3m. Details of the variances are outlined below:

Public Realm Management

The Public Realm Management is forecasting a £0.2m underspend as a result of vacancies within the team.

Highways & Traffic Management

Highways and Traffic Management are forecasting to outturn with a favourable variance of £0.2m against budget.

A drawdown from balances of £0.3m for rechargeable works relating to historic temporary structures income that is over six years old and has past the statute limitations period and no longer has to be returned to the developer. 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 are also historic balances relating to s278 highways rechargeable works totalling £0.6m. Highways are planning to spend this in year on highways improvement works and will therefore have no impact on the outturn position.

Income from outdoor advertising is projected to under recover by £0.1m due to some advertising boards being currently inactive. The contracts for these sites will be re-procured as digital units which will likely be in place in the next financial year

Waste Services

Overall, there is a nil variance within Waste services, however there are a number of favourable and adverse variances which net off, such as vacant posts being offset by use of agency staff. There is a £0.2m savings target within waste services, this is being met in-year through additional one-off income relating primarily to uncollected income for cleansing at Chrisp Street market.

The Waste service continues to incur costs directly related to COVID-19, with additional costs of £0.2m forecast for agency cover during the year. These costs will be offset against the general COVID-19 grant and not impact on the business as usual outturn position. The service has received a further £0.3m from the Mayors Covid-19 recovery fund for use on enhanced street cleansing. It is assumed this will be spent in full.

Operational Services

Operational services are forecasting a £0.5m underspend within waste disposal. This is related to underspends against the disposal contract due to reduced tonnages. Any underspend will be used to purchase additional recycling sacks, resulting in nil variance.

The Council has a statutory responsibility to clear fly tipped materials from around the Ailsa Wharf site which has recently been sold to Country Gardens. The clearing of the site has been outsourced at a cost of £0.5m. Although this work was completed in this year it is being funded from reserves and will have no impact on outturn.

There is a projected under recovery of income totalling £1.4m for commercial waste income as a result of the pandemic. This will be reclaimed though the MHCLG Sales, Fees & Charges Losses scheme and have no impact on the business as usual position.

The Green team are forecasting to spend £0.1m on replacement trees. This will be funded from CAVAT developer income received in previous years and will have no impact on the outturn position.

Parking Services

Parking services are forecasting to underspend against budget by £1.3m. There are a number of factors making up this underspend.

The Enforcement service (PCN related income) is currently operating at pre covid-19 levels with tickets being issued in line with budgeted levels. The team have worked with highways to introduce new moving traffic cameras, including school street cameras to reduce overall environmental impact and user road safety, which are forecast to result in an increase in CCTV tickets issued across the borough and additional income estimated at £2m. However, this is part being offset by pressures on the Parking debt budget where an under recovery against the income target of £1.8m is forecast. This target relates to Aged debt cases where the central debt collection team are falling short of the targeted debt recovery levels that they felt were recoverable and therefore budgeted.

Bay suspension income is forecasting to over recover by £0.8 with demand for the service continuing to be high. This income level is in line with the outturn position from the previous year

Income totalling £0.2m for bay suspensions has been foregone as a result of the re-opening of high streets programme where businesses used outdoor space to enable social distancing. These parking bays were suspended free of charge. This cost will be met from the Covid-19 general grant and not impact on the forecast position.

Casual Parking income is forecasting to over recover by £0.5. This is mainly due to the introduction of the diesel levy in May 2020 and its full year impact. Drivers of higher polluting diesel vehicles pay a surcharge to park within the Borough.

Removals is forecasting to under recovery by £0.2m, with introduction of 24/7 TFL bus lane enforcement resulting in longer time period for collection and removal of vehicles

The Ultra Low Emission Zone will be introduced in October 2021, and its likely to have an impact on income. Evidence from other Boroughs (Westminster suffered a 5% reduction in income) indicate that less vehicles will travel through the Borough or it will encourage greater use of greener vehicles (e.g. low polluting electric vehicles) which will then not incur any surcharges when parking in the Borough. The fee and charge structure is based around vehicle emissions and this will need to be reviewed as part of budget setting for 2022/23 to minimise the impact on revenue.

Concessionary Fares
An underspend of £1.2m for Freedom Passes as a result of fewer TFL journeys being undertaken during the pandemic. The current years calculation is based on the previous year's journeys where travel was restricted due to lockdown. This is a one off saving and budget has not been reduced to reflect the lower charge

Environmental & Regulatory Services
Environmental & Regulatory services has underspent against budget by £0.4m. There are a number of factors contributing to this underspend position.

Vacancies held within the out of hours noise service, pest control, traveller's liaison, licensing administration and food safety services. These vacancies have saved £0.3m in year. These posts have been very difficult to fill and staff retention is a problem within this area.

Re-deployment of Environmental Health Officers on to Covid-19 work during lockdown has resulted in an underspend of £0.1m, with these costs being reclaimed from Covid-19 grants rather than being paid for by general fund resources.

A further £0.5m of costs are due to be incurred for the mortality wave 2 payment. This cost will be offset against the general COVID-19 grant. There is no impact on the forecast outturn position.

Works undertaken by COVID Marshalls is continuing and costs are forecast at £0.1m. These will be met from the COMF grant administered by HAC and have no impact on the outturn position.

Street Trading Account (Markets)

There is a shortfall of £0.3m against the street trading account. The street trading reserve has been used in full and cannot run into deficit. Therefore, this cost pressure will be met from the general fund.
Markets continue to struggle after the phased re-opening. It is anticipated that markets will open to full capacity in September, pending government guidelines. There has been an overall reduction in market traders since pre-covid levels and the Markets have lost income as a result.

Each Market has reduced capacity by up to 60% to allow for greater distancing between pitches. This has resulted in fewer casual traders being able to attend the markets, further reducing income.

The Government has introduced the Business & Planning Act 2000 which provides guidance around the reopening of highstreets. This will result in an annual reduction of £0.1m for ongoing fees for table and chair licenses.

Income losses of £0.4m have been forecast that are directly attributable to Covid-19. This results from a phased programme to re-open the markets and greater spacing between pitches, reducing the capacity for casual traders within the markets. This income loss will be reclaimed through the MHCLG sales, fees and charges recompense scheme.

The Markets service has successfully bid for £0.1m funding from the Mayor's Covid Recovery fund for use in developing and training market traders to use an online trading platform. It is forecast that this funding will be spent in full.

Housing & Regeneration
The Housing & Regeneration division are forecasting to overspend against budget before any reserve drawdowns by £2.5m. Budgeted reserve drawdowns totalling 2.7m have been projected along with the use of £7.8m of grant received in year. The Housing & Regeneration division is forecasting a favourable variance of £0.2m after reserve adjustments.

However, this underspend position excludes the impact of the Housing Benefit Subsidy loss. Growth totalling £4.6m has been added to this budget to mitigate the historic cost pressure. Despite this, forecasts show a further pressure of £3m. This forecast overspend is due to temporary accommodation costs, increased demand due to the pandemic and its economic impact on the level of housing benefit claims. It is requested that the non-ringfenced Covid-19 emergency grant funds this £3m pressure due to the increase in costs since 2019-20 caused by the pandemic. However, this will become a cost pressure that will need mitigating in the future when there is no Covid grant funding.

Homelessness numbers remain high but appear to have plateaued, placing pressure on the use of expensive nightly booked and bed & breakfast accommodation at additional cost. A lack of move on options in affordable housing within London is increasing this pressure, particularly for larger properties, making it very difficult for the Council to discharge its duty. Private License Accommodation costs and Non Secure Tenancy costs remain high and any reductions in year are likely to be minimal due unbudgeted costs from decanting Vantage House and the potential impact on numbers following the lifting of the eviction ban.

However, additional rental income relating to 400 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 private licensed accommodation. Repairs costs on these buyback properties in the early year of the programme are very low, with each property being brought up to habitable standard as part of the initial capital investment. This further increases the surplus being generated by the rents on these properties and reduces the pressure from the high demand for the service. Overall, Homelessness is projecting a small favourable variance of £0.1m.

This forecast includes a significant increase in the bad debt provision for current tenant arrears caused by delays in getting clients on to Housing Benefits, a significant number of benefit capped households with large arrears and very few debts being written off. In recent weeks there has been a significant reduction in the backlog and the benefit capped cases are a priority of the transformation project, all of which is hoped will lead to a reduction in the bad debt position.

This forecast also includes a Fire Safety team that are undertaking and documenting the results of fire risk surveys on the external walls of privately owned high rise properties. In 2021/22 this team will be funded from EWS grant that has been held in reserve specifically for this project and will therefore not impact on the forecast outturn. Any work undertaken by this team in future years will need to be funded from core budgets, either through growth or from savings elsewhere within the Division.

The transformation project to deliver £2m savings is underway, with key officers in post and policies and initiatives going live or programmed. A cabinet report in September will highlight the key elements of the transformation project and main changes. Costs of the transformation will be met in year by Flexible Homelessness Support Grant, with a projected drawdown from the reserve of £1m.

Lettings Service

A £0.1m underspend relates to the Housing Options Lettings service as a result of vacant posts and income from Registered Social Landlords (RSL's) exceeding budgeted targets. RSL's use the Council's common housing register above budgeted levels and as a result the charge made to them for this service is higher.

Covid-19 Response

Homelessness and Rough Sleeping are forecasting ongoing Covid-19 related spend of £0.9m, with accommodation costs forecast at £314k, support packages totalling £535k and staffing costs of £70k. This is being funded from MHCLG 2021/22 Rough Sleepers Initiative grant of £0.9m (£500k one off uplift for additional support and move on costs and a second tranche of £400k for an extension of covid safe emergency and intermediate accommodation and on-site support).

Housing have been successful in securing £0.2m of Mayor's Covid recovery funding to fund Health and Wellbeing support workers and to provide services to maintain wellbeing and physical and mental health for households struggling financially with rent payments. It is forecast that this funding will be spent in full.

Corporate Costs

Forecast £1.2m underspend, after Covid-19 funding and movements in reserves

	Forecast Variance		
£m	Estimated impact on General Fund (GF)	Variance before reserve adjustments	Contribution to /(from) Reserves
Corporate and financing costs	(1.2)	(7.6)	6.4

The corporate and financing costs Month 3 forecast is a £1.2m underspend, following £1m Covid-19 funding, the planned MTFS drawdown from reserves of £1.254m to balance the 2021-22 budget, and other movements in reserves.

Other movements in reserves include the transfer of the further extension year (2021-22) of New Homes Bonus grant, announced in the Spending Review 2020, of £7.654m into the New Homes Bonus reserve (of which £6m was agreed in the 2021-22 budget to be transferred into the Free School Meals reserve to fund the Key Stage Two extension until the end of 2023-24).

A Covid Recovery Fund of £3m has been created (funded from the New Homes Bonus reserve) as agreed at the Council budget meeting in March 2021. Services will drawdown from the Covid Recovery Fund reserve to fund the projects agreed by Cabinet on 30 June 2021.

The Council is utilising its Collection Fund Smoothing Reserve to align the government grant funding of business rates reliefs with the timing of deficit payments over the three-year period 2021-24. In the 2021-22 budget, Council agreed the use of the one-off Local Council Tax Support Grant (£4.025m) and one-off non-ringfenced Lower Tier Services Grant (£1.404m) to fund extra pressures that could be experienced, above assumptions in the MTFS, in the Local Council Tax Reduction Scheme (LCTRS) and business rates income due to the impact of the pandemic on the economy and unemployment.

Details of the variances are summarised below:

	£m	Forecast variance commentary
Cross-Directorate Savings Slippage in savings achievement	1.9	Cross-directorate savings of £3.809m are held corporately. There is slippage in the Local Presence / Contact Centre Review saving of £1.15m. The Programme Management Office is supporting the review of the service areas in which this saving can be achieved, the timing profile of achievement and the level of any potential unachievable saving amount. There is short-term slippage in the Reduction in Enabling and Support Services Costs saving (restructure consultation commenced in June) of £0.75m. Covid non-ringfenced emergency grant is requested to fund Covid related savings slippage of £1m, being Greater Commercialisation (£0.431m), Review of Printing/ Scanning/ Use of Multi-Functional Devices (£0.371m) and Change of working hours and use of Flexible Retirement schemes (£0.200m).

		There were two savings identified, through the review of 2021-22 fees & charges, towards the Greater Commercialisation savings target of £0.5m. These were £39k extra income through the introduction of household bulky waste charges after 2 free collections and Commercial bulky waste charges, and £30k extra income in Registrars Services. The remaining savings of £431k are being identified through the Commercialisation Board.
Recharges to ringfenced funding areas Review to be carried out in 2021-22	2.0	Forecast of potential General Fund pressure which could arise from a review of recharges, from directorates and corporate support recharges, to ringfenced funding areas and trading accounts.
Redundancy, Severance and Early Retirement Forecast overspend against budget	1.0	Forecast overspend of £1.0m against budget of £2.45m, estimated based on 2020-21 outturn, for redundancy and severance costs, early retirement pension strain and compensation payments. The corporate budget only funds redundancy costs where these relate to achieving savings agreed in the medium term financial strategy (MTFS).
Pay inflation budget Budget held centrally	-	Pay inflation budget of £1.056m is held centrally for potential 2021-22 pay award increase. £2.044m of the 2021-22 £3.1m budget has been allocated to directorates to fund the 2020-21 pay inflation shortfall from the 2.75% national pay award increase (2020-21 General Fund cost increase of £5.144m against the 2020-21 pay inflation budget of £3.1m).
Pension Fund deficit repayment Underspend against budget	(1.0)	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.
Treasury Management Forecast underspend on borrowing costs budget	(2.0)	A forecast underspend on the borrowing costs budget due to slippage in the capital programme. Minimum Revenue Provision (MRP) internal borrowing costs of £4.6m are expected to be funded by the rental income earned through the property buyback programme in Place directorate. It is forecast that interest and dividend income in 2021-22 will be £1.6m. This is below the income budget of £2.3m and continues to be significantly lower than the 2019-20 and 2020-21 levels of income, mainly due to the Covid-19 impact on the economy and the Bank of England subsequently reducing its base rate to 0.1%.

Housing Revenue Account (HRA)

Forecast outturn overspend of £0.7m before contribution from reserve

		Forecast Variance	
£m	Estimated impact on HRA	Variance before reserve adjustments	Contribution to /(from) Reserves
HRA	-	0.7	(0.7)

The Housing Revenue Account is forecasting an overspend of £0.7m when compared with budget. This overspend results from residual costs relating to the fire at Hadley House which are not covered by the Council's insurance policy, additional one-off ICT costs relating to the recent upgrades at THH and loss of rents relating to a number of parking spaces that have been decommissioned as a result of developments. These cost pressures are being partly offset by reduced ASB costs resulting from a new offer to procure Police Officers from the Metropolitan Police at a reduced rate to patrol the estates.

It is anticipated that the HRA will incur additional building safety costs following the introduction of the new bill. These costs will be predominantly staff costs and will be covered in year by a growth bid that was approved as part of previous budget setting. Therefore, there will be no impact on the outturn position as long as the costs are contained within growth levels.

There are a number of technical adjustments and recharges that the HRA incurs which historically have not been calculated or posted until year-end, for example insurance recharges, depreciation and Item 8 calculation. In previous year's this has resulted in underspend and if this trend continues will mitigate the overspend reported above. Work is ongoing to estimate these costs and they will be included in future forecasts.

Any overspend at year end will be met from a drawdown from reserve balances within the HRA.

The table shows forecast pressures on 2021-22 General Fund balances and how this might be managed by means of utilising earmarked reserves. Note the reserves position of the Council is uncertain pending the formal closure of statement of accounts for the period 2016 – 2021.

	Balances as per provisional outturn 2020/21	Assumed Contribution to / (from) Reserve	*Potential adjustment to maintain GF balances*	Forecast balance 31 March 2022
£m	£m	£m		£m
GF balances (general reserve)	**20.0**	(0.1)	1.3	**21.2**
Budgeted drawdown in MTFS	**0.0**	(1.2)	0.0	**(1.2)**
	20.0	**(1.3)**	**1.3**	**20.0**
Earmarked reserves consist of:				
Earmarked reserves with restrictions				
Insurance	**10.0**	(0.4)	0.0	**9.6**
New Civic Centre	**0.0**	0.0	0.0	**0.0**
Parking Control	**3.3**	0.0	0.0	**3.3**
Collection Fund Smoothing*	**54.5**	0.0	0.0	**54.5**
Free School Meals Reserve	**6.0**	(2.0)	0.0	**4.0**
Public Health Reserve	**3.3**	(0.1)	0.0	**3.2**
Revenue Grants Unused	**8.7**	(2.5)	0.0	**6.2**
COVID 19 grant	**3.5**	(3.5)	0.0	**0.0**
Local Elections	**0.8**	(0.5)	0.0	**0.3**
CIL	**7.8**	0.0	0.0	**7.8**
Covid Recovery Fund	**0.0**	3.0	0.0	**3.0**
Earmarked reserves with restrictions – Subtotal	**97.9**	**(6.0)**	**0.0**	**91.9**
Earmarked reserves without restrictions				
Risk Reserve*	**6.5**	0.0	0.0	**6.5**
Transformation Reserve	**3.6**	(1.1)	0.0	**2.5**
ICT Reserve	**9.6**	0.0	0.0	**9.6**
Mayor's Tackling Poverty Reserve	**3.4**	(0.8)	0.0	**2.6**
Mayor's Priority Investment Reserve	**5.4**	0.0	0.0	**5.4**
New Homes Bonus	**40.1**	4.6	(1.3)	**43.4**
Services Reserve	**6.5**	(2.5)	0.0	**4.0**
Earmarked reserves without restrictions - Subtotal	**75.1**	**0.2**	**(1.3)**	**74.0**
Total Earmarked Reserves	**173.0**	**(5.8)**	**(1.3)**	**165.9**
Total GF and Earmarked reserves	**193.0**	**(7.1)**	**0.0**	**185.9**

*The Collection Fund Smoothing Reserve is restricted in its use as it is solely intended to deal with surpluses and deficits that arise on an annual basis in the collection fund. The reserve figure above excludes the Local Council Tax Support Grant (£4.0m) and the Lower Tier Services Grant (£1.4m) which are expected to be received and utilised in 2021-22.

The table shows the 2021-22 provisional outturn position for the Housing Revenue Account, and for Dedicated Schools Grant.

HRA and DSG reserves	Balances as per provisional outturn 2020/21 £m	Forecast Movement £m	Forecast balance 31 March 2022 £m
Housing Revenue Account (HRA)	**52.3**	(0.7)	**51.6**
Dedicated Schools Grant (DSG)	**(11.6)**	0.8	**(10.8)**
Total Other Reserves	**40.7**	**0.1**	**40.8**

Overall Position We have £327m of investments and £72m borrowing.	At the end of June 2021 investment in the portfolio totalled £327m, returning average income of 0.71% and total return (including capital gains/losses) of 1.87%.
Income Position Forecast under-achievement in investment income.	The 2021-22 budget for investment income is £2.3m and the forecast is £1.6m based on expected cash levels throughout the year and expected dividends from pooled funds. This return is significantly lower than both 2019-20 and 2020-21, mainly due to the continued Covid-19 impact on the economy and the subsequent reduction in base rate to 0.1% by the Bank of England.
Benchmarking We compare favourably for the return we get from our investments.	According to the 2021-22 Quarter 1 benchmarking information received from our advisors, Arlingclose Ltd, our average income return of 0.71% outperformed a group of fifteen London councils (0.53% average income return) but slightly underperformed against 124 national local authorities (0.82% average income return). The Council's return on internally managed treasury investments of 0.18% performed well above a group of fourteen London councils by 0.07%. We are continuing to look at alternatives that retain and protect the capital value of our investments while maximising income return.
Liquidity	31% of funds are available within 7 days ensuring adequate cash is available to meet expenditure payments. 64% of funds are available within 100 days.
Inflation Monies invested are currently not holding value against current inflation.	As at June 2021, the Consumer Prices Index (CPI) inflation was 2.5%, up from 2.1% in May 2021. The Council's average income return of 0.71% is lower, demonstrating that currently the future value of the funds invested today will be less. The income return is positively impacted by dividends received from investments in externally managed pooled funds. The capital values of these funds were temporarily negatively affected by the economic impact of Covid-19, however they have since regained their value and are now at par (£76m) with the purchase price (£76m).
Security	The average credit rating across the portfolio of investments at the end of Quarter 1 was A+. This was at par with the average of the group of 124 national local authorities.

This section shows the amount of money we have collected from tax payers of the borough, and the split between the amount that is retained and the amounts paid over to central government and the GLA.

The business rates position could be significantly affected by valuation appeals (especially for office accommodation and retail, hospitality and leisure sectors) which could be submitted to the Valuation Office Agency for consideration. For 2020-21 the appeals provision included £102m (Council share of £30.6m) to take account of potentially successful Material Change of Circumstances (MCC) appeals relating to the pandemic.

NNDR (Business Rates)

We are expected to collect £402m in total for 2021-22.

Collection levels continue to be impacted by the Covid-19 pandemic.

There is an accumulated Business Rates Collection Fund deficit to the end of 2020-21, of which the Council share is £85.6m and of this circa £42.5m is funded through expanded retail and nursery scheme relief grants. The Council is utilising its Collection Fund Smoothing Reserve to align the government grant funding of business rates reliefs with the timing of deficit payments over the three-year period 2021-24.

The government will provide compensation funding for 75% of components of the 2020-21 deficit.

The accumulated deficit includes the significant impact of the increased appeals provision which includes allowance for potentially successful Material Change of Circumstances (MCC) appeals relating to the pandemic. The accumulated deficit also includes a significant increase in the loss allowance (bad debt provision) for potential non-payment of debts to the Council, again due to the pandemic.

The Covid-19 pandemic continues to have a significant impact on the 2021-22 business rates income through revaluations, other changes to the rating list and a reduction in collection rates. The level of the deficit will continue to be affected by changes in the pandemic and its economic impacts and is therefore being monitored closely.

For the total Business Rates income (retained by the Council and passported to the GLA and central government), the original estimate for Business Rates net rates payable for 2021-22 was £458m. This has adjusted to £402m after changes to the Extended Retail Relief Scheme and Section 31 grant will be provided to offset this reduction and the effect of rateable value changes in the valuation list.

To the end of June, we have collected £117.7m of £419.3m billed (28.1% in-year collection rate) compared to 26.7% for 2020, which is an improvement on 2020 but still lower than pre-pandemic collection levels. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

Council Tax

We were expected to collect

There is an accumulated Council Tax Collection Fund deficit to the end of 2020-21, of which the Council share is circa £7.3m. The government will fund 75% of components of the 2020-21 deficit.

£151m in total for 2021-22.

Collection levels continue to be impacted by the Covid-19 pandemic.

Council Tax income is split between the Council (circa 75%) and the GLA (circa 25%).

The deficit includes the impact of the loss allowance (bad debt provision) which was increased by £3.1m (Council share) from £11.9m (2019-20) to £15.0m (2020-21) due to the impact of the pandemic.

The Covid-19 pandemic has reduced the collection rate and it has increased significantly those claiming benefits including through the Local Council Tax Reduction Scheme (LCTRS). The cost of the LCTRS scheme rose from £26.7m in 2019-20 to £31.6m in 2020-21. The level of claimants has remained at the increased pandemic level to date (estimated £33.2m cost in 2021-22 which includes the effect of the annual Council Tax increases).

For total Council Tax income (both retained by the Council and passported to the GLA) the collectable budget for 2021-22 is £151m.

To the end of June we have collected £38m of the £154m Council Tax bills raised (24.7% in-year collection rate) compared to 24.6% for the same period in 2020, which is a slight improvement on 2020 but still lower than pre-pandemic collection levels.

Savings

Target for year £28.9m

£19.6m savings to be delivered

£m	21-22 Target	Prior Year Slippage	Saving Target	Forecast Savings	Slippage	Under Recovery	Over recovery
	A	B	C = A + B				
HA&C	5.4	0.4	5.8	5.1	0.6	0.0	0.0
Children and Culture	5.1	0.6	5.7	3.0	1.9	0.7	0.0
Place	3.2	0.7	3.9	2.8	1.0	0.1	0.0
Resources and Governance	3.7	1.9	5.5	4.5	0.8	0.4	0.0
All	6.3	1.7	8.0	4.2	3.8	0.0	0.0
Total	**23.7**	**5.2**	**28.9**	**19.6**	**8.1**	**1.2**	**0.0**

Total savings target for 2021-22 is £28.9m (£23.7m relates to approved savings as part of the 2021-22 budget setting process, and £5.2m as a result of previous years' savings not delivered, which have been re-evaluated since the last report).

- £19.6m is identified as being on track to deliver savings;
- A net position of £8.1m is forecast to slip into future years due to timing issues;
- £1.2m has been identified as unachievable

Please refer to 'Appendix B – Summary MTFS Savings Tracker 2021-24' for a detailed breakdown and latest updates on savings programme.

Covid-19

Total forecast impact of Covid £17.0m

forecast to reimbursed (as per MHCLG return) £2.0m

£m	Total Covid expenditure claimed against non-ringfenced grant	Reduced income not relating to sales fees and charges and claimed against non-ring fenced grant	Sales fees and charges income expected to be reimbursed	Sales fees and charges income not being reimbursed claimed from non ring-fenced grant	Total
Children and Culture	0.3	0.6	0.0	0.0	0.9
Resources and Governance	4.2	0.4	0.1	0.0	4.7
HA&C	3.9	0.0	0.6	0.0	4.5
Place	3.9	0.2	1.3	0.5	5.9
Corporate and financing costs	1.0	0.0	0.0	0.0	1.0
Total	13.3	1.2	2.0	0.5	**17.0**

As a consequence of Covid, the forecast additional expenditure impact (excluding ring-fenced grants spend) on General Fund services in 2021-22 is forecast at £17.0m. This includes foregone income of £2.0m as a consequence of Covid that is anticipated to be reimbursed by Central Government.

Please refer to 'Appendix C – 2021-22 Covid-19 Financial Forecast Summary' for an analysis of the non ring-fenced and ring-fenced Covid-19 grants and estimated overall Covid related spend and reduced income.

General Fund Period 3 Capital Monitoring

General Fund Programme	Directorate	Revised Budget	Current Forecast	Actual Amount	Variance
		£m	£m	£m	£m
Approved Programme	Children & Culture	36.8	25.1	2.3	(11.7)
	Health Adults and Community	22.2	15.0	(0.0)	(7.2)
	PLACE	111.1	101.2	14.5	(9.9)
	RESOURCES	3.4	0.3	0.1	(3.1)
Approved Programme Total		**173.6**	**141.7**	**16.8**	**(31.9)**
Approved Rolling Programme	Children & Culture	3.0	3.7	0.4	0.7
	PLACE	9.5	9.5	1.1	0.0
	RESOURCES	3.5	3.5	0.0	0.0
Approved Rolling Programme Total		**16.0**	**16.7**	**1.5**	**0.7**
Invest to Save Programme	PLACE	27.7	20.3	2.1	(7.4)
Invest to Save Programme Total		**27.7**	**20.3**	**2.1**	**(7.4)**
LIF Programme	PLACE	5.9	6.7	0.0	0.9
LIF Programme Total		**5.9**	**6.7**	**0.0**	**0.9**
Completed and Retentions Projects	PLACE	0.9	0.9	0.0	(0.0)
Completed and Retentions Projects Total		**0.9**	**1.0**	**0.0**	**0.0**
General Fund Total		**224.1**	**186.4**	**20.4**	**(37.7)**

The total current General Fund capital programme for 2021/22 of £224.1m consists of £199.2m approved at Full council March 2021, additions of £2.7m approved at Cabinet June 2021 and £22.2m of 2020/21 slippage reported at July 2021 Cabinet as part of the 2020-21 provisional outturn budget monitoring report. The current estimated General Fund capital expenditure for the year is forecast at £186.4m, which represents 83% of the current 2021/22 capital budget. The spend to date is £20.4m, representing 9% of the total approved budget.

Services are projecting £37.7m underspend against the budget, and although early in the year, much of this is anticipated to slip into future years. As part of the 2022/23 budget setting process, capital budgets will again be reviewed for re-profiling to better reflect the anticipated spend profile on projects, this is due to be initially reported to Cabinet in January 2022, followed by full council.

In period 3, the council has implemented a more robust forecasting processes, which includes the requirement for services to both provide forecasts and explanations on variances on a monthly basis. It is anticipated that as the process becomes fully imbedded within the council over the coming months, more accurate and up to date forecasting will be available for reporting purposes.

Based on the spend to date and the continuing effects of the pandemic, services are finding it difficult to forecast accurately and to deliver as programmed. As such, while the current forecast do appear to be ambitious, this will be closely monitored through the year to outturn.

The major variances are described below:

Approved Programme:

Children's and Culture

Budget £36.8m
Forecast: £25.1m
Variance: (£11.7m) underspend

The major programme under Children's services is the Basic Need and Expansion programme, within this programme there are several large schemes currently under way and in the early stages. The forecast for Period 3 shows that certain scheme budgets within the programme will need to be re-profiled in line with the latest up to date spend profiles.

The notable schemes that will require budget re-profiling include George Green school (£2.7m underspend), where the project is at the feasibility stage; the actual build phase is due commence in future years, with a view to complete by 2024. Wood Wharf school project budget (£2.0m underspend) was recently increased for future years to include internal fit out, and budgets will need to be re-profiled for this. Oaklands school project (£2.0m) is being held up by issues relating to land ownership, which is causing delays in the project, hence the spend profile is anticipated to slip.

Other smaller various individual contributing factors to the forecast underspend within the Children's and Culture directorate largely relate to scheme budgets which need to be re-profiled in line with the latest up to date spend profiles. The required re-profiling of budgets will be completed as part of the 2022/23 budget setting process.

Health, Adults and Communities

Budget £22.2m
Forecast: £15.0m
Variance: (£7.2m) underspend

The Sewardstone and Antill projects have now been separated (£1.2m underspend). The Sewardstone element now has approval and funding in place, Anthill does not, as there are ongoing discussions on the best course of action to provide best value for money. This scheme will be re-profiled accordingly. Norman grove (£1.3m underspend) is part of a wider housing scheme, and this shows the HAC contribution – there are discussions to transfer the budget. The Aberfeldy project (£1.5m underspend) is progressing, through there were leasing discussions between two external parties that delayed progress, these have now largely been resolved. It is worth noting that the project is not delivered by the council.

Goodmans' fields is showing a large underspend (£2.4m), however the project has been delivered by the CCG, it has reached practical completion, however the CCG switched from Tower Hamlets to North East London at the end of the last financial year and this has created delays in the NHS being able to draw done funds from the council. Full spend is anticipated.

Place

Budget £111.1m **Forecast: £101.2m** **Variance: (£9.9m) underspend**	The key projects that make up the forecast underspend variance of £9.9m within Place are anticipated slippage of budgets in the Lea Valley bridges schemes (£2.0m), as it expected works will now commence in future years. The high street capital schemes are forecasting a £1.4m underspend. The key reason for this anticipated slippage is due to Covid-19 restrictions and government guidelines on essential work and permitted travel. As a result work progressed in 2021/22 has been mainly: detailed design development, consultation with stakeholder, resident groups and enterprises on proposals (via Zoom etc) and other technical and development work. This experience and slippage of spend is reflected in most of other capital programmes. The TfL funded capital schemes have an allocated budget of £1.0m with a nil forecast until there is confirmation with TfL on scheme approvals. Whitechapel improvements scheme budgets have a forecast under spend of £1.0m, as the programme delivery is expected to extend across future years. Other various smaller individual contributing factors to the forecast underspend within the Place directorate largely relate to scheme budgets which need to be re-profiled in line with the latest up to date spend profiles. The required re-profiling of budgets will be completed as part of the 2022/23 budget setting process.

Resources

Budget £3.4m **Forecast: £0.3m** **Variance: (£3.1m) underspend**	This budget consists of IT transformation and Agresso re-hosting and upgrade, which are coming to an end and progressively well respectively. The next phase of programmes, including fraud investigation systems and cyber security amongst other things are currently going through procurement processes, once this has successfully completed, the forecasts will be updated through the year.

<u>Annual Rolling Programme:</u>

Children's and Culture

Budget £3.0m **Forecast: £3.7m** **Variance: £0.7m overspend**	The conditions and improvement programme is anticipated to overspend by £0.7m. This is a mixture of planned and emergency works that need to take place within schools, budgets will be accelerated to accommodate this as required.

Place

Budget £9.5m **Forecast: £9.5m** **Variance: Nil variance**	Notable schemes within the Place annual rolling programme include, disabled facilities grants schemes, Public Ream carriageways and Footways, investment works to LBTH assets are all forecast on budget.

Resources

Budget £3.5m **Forecast: £3.5m** **Variance: Nil variance**	The IT Rolling programme 2021 is a newly agreed IT programme in which some projects commenced in May 2021. The programme has made some very good progress. However, there are some initial delays due to various technical and resource capacity issues. We continue to monitor spend very carefully, and we will re-profile the capital forecasts regularly. We expect all projects to commence before the end of the financial year and we also anticipate that all projects will be delivered, albeit some may take longer than first anticipated.

Invest to Save:

Place

Budget £27.7m **Forecast: £20.3m** **Variance: (£7.4m) underspend**	The forecast underspend largely relates to purchase of accommodation for temporary accommodation (TA) (£5.4m), where slippage form 2020/21 has now been factored in. There will be a need to review and re-profile the budget in the coming months. conversion to TA is also forecast to underspend by £1.2m, this will be kept under close review whilst the council identifies the most suitable sites for conversions.

HRA Period 3 Capital Monitoring

Housing Revenue Account Programme	Directorate	Revised Budget	Current Forecast	Actual Amount	Variance
		£m	£m	£m	£m
Housing Revenue Account (First 1,000 homes)	HRA	54.4	53.8	8.5	(0.6)
Housing Revenue Account Total		**54.4**	**53.8**	**8.5**	**(0.6)**
Housing Revenue Account (THH Projects)	HRA	2.6	0.0	0.0	(2.6)
Housing Revenue Account (THH Projects) Total		**2.6**	**0.0**	**0.0**	**(2.6)**
Housing Revenue Account (THH Rolling)	HRA	23.3	23.5	0.1	0.1
Housing Revenue Account (THH Rolling) Total		**23.3**	**23.5**	**0.1**	**0.1**
HRA Completed and Retentions Projects	HRA	0.4	0.4	0.0	0.0
HRA Completed and Retentions Projects Total		**0.4**	**0.4**	**0.0**	**0.0**
HRA Total		**80.7**	**77.7**	**8.7**	**(3.0)**

The total current Housing Revenue Account capital programme for 2021/22 of £80.7m consists of £151.6m approved at Full council March 2021, less a budget re-alignment of £68.7m relating to the first 1,000 homes to reflect the approval of budget adjustments presented at Cabinet June 2021 (still maintaining the full funding envelope of £232m on the first 1,000 homes) and £2.2m of 2020/21 slippage reported at July 2021 Cabinet as part of the 2020-21 provisional outturn budget monitoring report.

The forecast for the year is £77.7m, which represents 96% of the budget. The spend to date is £8.7m, which is 11% of the budget. The HRA capital programme is forecast to underspend by £3.0m in 2021/22.

While the current forecast is largely on budget, this will be closely monitored through the year to outturn.