Appendix A

Budget Monitoring Report 2021-22 as at 31st December (Period 9)

Circulated to	Cabinet
Date	09 March 2022
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) £1.0m underspend before transfer to reserve

Forecast Public Health (GF) £1.7m underspend before transfer to reserve

Forecast Housing Revenue Account (HRA) £0.9m underspend before transfer to reserve

Period 9 Forecast position as overspend/(underspend)

	2021/22 Net expenditure budget £m	Actuals YTD £m	Year-end forecast £m	Net forecast variance (impact on GF / DSG / HRA) £m	Increase / (decrease) overspend from Period 6 position £m
Children & Culture	69.7	59.7	71.3	1.6	0.0
Resources	35.9	182.5	36.2	0.3	(0.7)
Chief Executive's Office	17.1	14.5	17.1	0.0	0.0
HA&C	148.9	93.4	150.8	1.9	(0.4)
Place	69.2	73.8	66.7	(2.5)	(1.0)
Sub-total GF Services	**340.8**	**423.9**	**342.1**	**1.3**	**(2.1)**
Corporate and Financing costs	23.3	5.9	22.1	(1.2)	1.9
Total General Fund	**364.1**	**429.8**	**364.2**	**0.1**	**(0.2)**
<u>Ringfenced Items</u>					
Dedicated Schools Grant			(1.0)	0.0	0.0
Public Health GF			(1.7)	0.0	0.0
HRA			(0.9)	0.0	0.0

General Fund

The gross month 9 (31st December) 2021/22 financial forecast before Covid-19 grants and re-imbursements on loss of sales, fees and charges is an underlying overspend of £40.8m. The position after the application of both Covid-19 ringfenced and non-ringfenced grants as well as re-imbursements on loss of sales, fees and charges, is a forecast 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. Significant savings are still to be delivered in 2021/22 within a continuing very challenging environment for the council. Any under/over spend at the year-end will be transferred to/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

Directorate	Forecast Gross Expenditure (£m)	Ringfenced COVID-19 Funding (£m)	Un-ringfenced COVID-19 Grant Funding (£m)	Sales, Fees and Charges re-imbursements (£m)	Net Forecast Period 9 Expenditure (£m)
	(A)	(B)	(C)	(D)	= A – B – C - D
Children & Culture	3.9	1.2	0.5	0.6	1.6
Resources	3.3	2.7	0.2	0.1	0.3
Chief Executive's Office	0.5	0.3	0.2	0.0	0.0
HA&C	19.6	0.0	17.0	0.7	1.9
Place	13.7	6.0	9.7	0.5	(2.5)
Corporate	(0.2)	1.0	0.0	0.0	(1.2)
Total	**40.8**	**11.2**	**27.6**	**1.9**	**0.1**
Total COVID-19 Funding Applied in 2021/22 = B + C + D					**40.7**

The Council has continued to face COVID-19 related pressures on its finances pertaining to supporting local businesses, reopening the economy, loss of income due to reduced economic activity and dealing with continued pressures related to hospital discharges within Health and Social Care and infection control.

In 2019/20 and 2020/21 the Government provided total non-ringfenced COVID-19 grant funding of £38.1m of which £3.5m was carried forward into the current financial year. A further tranche of COVID-19 funding amounting to £13.0m was received this year. It is currently forecast that the Council will have non-ringfenced COVID-19 funding of £5.3m and ringfenced COVID-19 funding of £3.3m to carry forward into the next financial year, however the council will continue to monitor this position in light of any further potential pressures that may arise from now to year end. The Council also received a number of ring-fenced COVID-19 grants that have been applied to meet pressures in services.

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

Collection Fund

For business rates, to the end of December we have collected £335.5m of £411.6m billed (81.5% in-year collection rate) compared to 80.9% for 2020, which is an improvement on 2020 but lower than pre-pandemic collection levels. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

For council tax, to the end of December we have collected £108m of the £157m Council Tax bills raised (69% in-year collection rate) compared to 68% for the same period in 2020, which is an improvement on 2020 but lower than pre-pandemic collection levels.

Dedicated Schools Budget

The forecast underspend is £1.0m. 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 **£10.6m** at year end. The Council continues to work with schools to ensure a recovery plan is progressed to reduce the deficit in future.

HRA

The Housing Revenue Account is forecasting a favourable variance of £0.9m when compared with budget. This underspend will be transferred to HRA general reserves at year end. This largely due to favourable variances forecast within HRA Non delegated budgets of £2.8m, offset by adverse variances forecast within HRA delegated budgets (£1.1m) and the THH Management Fee (£0.8m). Further details of these variances are provided within section 4 of this report.

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 Fund Balance	24.8	24.9	0.1
Reserves without restrictions	77.2	71.4	(5.8)
Total	**102.0**	**96.3**	**(5.7)**
Restricted Reserves	110.2	94.5	(15.7)

Reserves (excluding restricted reserves) are forecast to decrease by £5.7m. 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

2.1

Forecast overspend of £1.6m

Forecast DSG underspend (£1.0m)

Service	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Supporting Families	54.7	45.3	54.8	0.1
Commissioning and Culture	4.5	5.5	5.0	0.5
Education	9.3	5.9	9.8	0.5
Children's Resources	1.2	3.0	1.3	0.1
Education Impact of School Closures and Amalgamations	0.0	0.0	0.4	0.4
Total	**69.7**	**59.7**	**71.3**	**1.6**

The general fund is projected to be overspent by a gross £6.0m. This forecast includes the impact of Covid-19 currently estimated at a £2.3m pressure as at period 9 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 GF position of a **£1.6m overspend** without any impact of Covid-19 and use of Council agreed reserves. This is an improvement upon the previous month of £0.2m. The gross overspend is as follows: Supporting Families £0.6m, Commissioning and Culture £2.3m, Children's Resources £2.2m and Education £0.8m. The net positions after Covid relief and reserves are Children's Supporting Families £0.1m, Commissioning, and Culture £0.5m, Children's Resources £0.2m and Education £0.8m (including 345k one off pressure from school closures).

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 possible residual elements needing to be identified, this is particularly the case with projected income and increased 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).

Supporting Families: - Gross £0.6m net after Covid relief £0.1m

Whilst the current outturn in supporting families is looking positive, there are a number of underling offsets.

Children's Placements (£0.4m)

The number of Looked After Children has remained low as we have come out of the Pandemic, and therefore placements costs are showing a significant underspend. At the same time the number of Children in Need has increased which could lead to increases in care numbers and placements for the next Financial Year. However, since September 2021, the has been an increased financial pressure on the placements' budget with the unexpected demand to accommodate asylum seekers, placed in local hotels, who claim to be minors. To date the LA has been required to accommodate 32 asylum seekers presented as being under 18.

Children's Centres/Early Help (0.6m)

The Children & Family Centres underspend has continued with reduced services due to Covid restrictions and the movement of services to other areas of early help. This budget will be realigned as part of the full budget realignment program to ensure budgets and costs are correctly reflected

Staffing £1.0m

Whilst there has been considerable work done to get social workers into permanent contract and we have managed to maintain good retention with existing social workers, there are still a number of areas that continue to be reliant of temporary staff. This is particularly the case in the front-line assessment teams. Our proportion of locum Social Workers is now significantly better than the London average. Additional Costs are also incurred through the support needed for Newly Qualified Social workers working through the Social Work Academy.

Section 17 Costs £0.3m

There have been additional costs in relation to meeting the needs of those families that have no recourse to public funds which have increased through the pandemic due to economic hardship.

Leaving Care £0.3m

Much of the additional costs relate to accommodation and support for University Students that have required additional support and top up payments exacerbated by Covid pressures.

Commissioning and Culture Gross £2.3m net after Covid relief £0.5m Contract Services £0.7m

This area continues to face pressures relating to the effects of Covid, through both the reduced meal sales often at short notice with classes closing and both children and staff isolating. Workforce costs have also increased with large numbers of Kitchen staff being absent and positions having to be filled with agency cover. Costs of Food continue to increase and whilst Covid is a contributory factor in the current overspend, a structural budget deficit has been recognised and a one-year growth bid for 2022/23 will allow a full review of the current service and options going forwards.

Professional Development Centre (PDC) £0.3m

Covid has significantly impacted upon normal income streams generated from room hire. The PDC is therefore incurring day to day fixed costs without obtaining the usual operational levels of revenue. The final outturn position will ultimately be linked to the rate at which business as usual returns.

Events Income £0.4m

Assumption around AEG income were revised down by in line with actual activities. This will ultimately result in a budget pressure that may be offset by Covid funding. Whilst events have taken place, these have been at a reduced level and AEG contract value was reduced whilst we have managed to secure their commitment to future bookings.

Sports and Parks £0.7m

Income targets have not been met with the continuing effects of Covid and some additional costs have been incurred to cover both resumed demand and to ensure adequate cover.

Community Language service £0.2m

Whilst this service is now closed during November additional costs of £140k have been incurred in order to fulfil the cabinet's commitment to start up grants for community groups intending to provide language lessons..

Education £0.8m, no Covid relief claimed Education Psychology £0.3m

The service is forecasting an overspend at the year end. There has been a significant reduction in income from schools, and savings which have yet to come to fruition – whilst the need to drive improvement in the timely completion of Education, Health and Care Plan assessments in line with our SEND Improvement Plan and following our recent inspection has led to increased locum costs.

Parental Engagement and Support £0.1m

The Service has a loss of income, this now projected at between £50 and 100k, Hence, the overspend is now projected at c.£100k over budget at year end.

Central SEN Costs £0.1m

Additional resource is being recruited to support the additional EHCP support work identified within the SEN review. Whilst a growth bid is proposed for 2022/23 to cover the staffing cost is likely to cause a pressure in the later part of this financial year.

School Closures £0.3m

3 Schools have closed this year due to reduced numbers, with the balance on their accounts being transferred to the LA. The three Schools concerned were Cherry Trees, Shapla and St Matthias. The redistribution of pupils to neighbouring Schools has led to those Schools having a longer-term sustainable budget.

Education Resources £0.2m no covid relief claimed Building Development Costs £0.2m

Additional Staff costs including agency costs of interim cover and additional resource to cover significant building projects and PFI arrangements.

Forecast overspend of £0.3m

Service	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Customer Services	4.6	5.9	4.6	0.0
Revenue and Benefits Service	1.5	146.2	1.7	0.2
Finance, Procurement & Audit	7.2	10.6	7.2	0.0
Workforce, OD and Business Support Service	10.9	8.3	11.0	0.1
ICT	11.7	11.4	11.7	0.0
Resources Covid-19 Response	0.0	0.1	0.0	0.0
Total	**35.9**	**182.5**	**36.2**	**0.3**

The Resources Directorate forecast impact on the general fund is an overspend of £0.3m. This position is following Covid-19 funding of £2.8m, Covid Outbreak Management Fund grant of £0.2m and after the drawdown of reserves totalling £1.5m.

The reserve movements include drawdown from the Transformation Reserve for the Finance Improvement Programme (circa £1m) and HR Improvement Plan (£0.14m), and from the Insurance Reserve for the Insurance Team (£0.35m).

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

The year-to-date actuals position is high for some divisions for the following reasons:

- Revenue and Benefits Service is due to housing benefit subsidy payments that have been paid out and will be funded by government subsidy income.
- Customer Services is due to circa £2.5m in Government Grants to be drawn down at year end for Idea Stores Learning.
- Finance, Procurement & Audit is due to expenditure on holding codes that will be allocated out to the relevant services, such as business rates costs for Council owned properties.

<u>Customer Services – Forecast Breakeven</u>

A breakeven forecast position for the Customer Services division. This is due to Local Presence unachievable and delayed savings of £0.9m, reduced by an underspend in the Customer Contact Centre and Central Customer Services (£0.3m) and Idea Stores Learning (£0.3m), Idea Stores staffing costs allocated to the Covid Outbreak Management Fund grant (£0.2m) and over-achievement in Registrars Services income (£0.1m).

The forecast for the **Customer Contact Centre and Central Customer Services** is an underspend of £306k, after CCG funding towards the contact centre for Covid-19 work (£306k) and Covid-19 non-ringfenced grant funding for overtime costs caused by pandemic work (£15k).

The forecast for **Idea Stores** is a £725k overspend. This is demonstrated by £600k unachievable savings and £305k savings slippage, reduced by £180k of staffing allocated to the Covid Outbreak Management Fund grant. The unachievable savings (£0.6m of the total £1.6m savings target) relate to the Local Presence and Idea Store Asset Strategy agreed at Cabinet in March 2021 and are being requested to be written off in the 2022-25 MTFS. Lost income relating to room hire in Idea Stores is funded through Covid-19 non-ringfenced grant (£27k).

The forecast for **Idea Stores Learning** is a £300k underspend due to the allocation of staffing costs against adult community learning grants (including the Innovation Fund grant). 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 will be funded from the non-ringfenced Covid emergency grant.

The forecast for **Registrars Services** is an underspend of £100k, 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 Registrars Service has moved into St George Town Hall and this has increased income maximisation from events such as weddings.

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

<u>Revenues and Benefits Service – Forecast £0.2m Overspend</u>
The forecast overspend of £0.2m is due to increased bank transaction fees for card payments online and by touchtone phone, as the Council has increased the use of self-service options for the payment of bills by residents. Savings totalling £0.9m are expected to be fully achieved in 2021-22.

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 has provided Additional Burdens Funding of £300k for administration of Covid-19 business grants and the Council Tax Hardship Fund, and the remaining cost of £521k will be funded by the non-ringfenced Covid-19 emergency grant.

There has also been extra staffing required to facilitate Covid-19 grant payments and rates reliefs for businesses and this cost of £0.85m will be funded through 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 future updates to the MTFS.

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. With new grants now announced this will still be below anticipated levels in 2021-22, although has improved significantly on 2020-21 levels.

As well as the main Housing Benefits Administration Grant, the Benefits Service has also historically received ad hoc 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 will be funded by the Covid-19 emergency grant.

Workforce, OD and Business Support Service – Forecast £0.1m Overspend

The forecast for Workforce, OD and Business Support Service is an overspend of £0.1m. This overspend position includes an underspend on HR of £0.3m primarily due to the corporate training budget and graduate trainee budget. The overspend on Business Support of £0.4m is due to centralisation savings still to occur and funding pressures from pay inflation and changes to terms and conditions. Business Support is forecast to achieve the £0.8m 2021-22 new savings targets as planned. Remaining centralisation savings will be considered as part of potential future structure reviews and centralisations.

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.

Finance, Procurement and Audit – Forecast Breakeven

A forecast breakeven position following the drawdown of circa £1m from the Transformation Reserve for the Finance Improvement Programme, and £0.350m from the Insurance Reserve for the Insurance Team.

The council has committed to continue with its improvement journey following issues highlighted in the 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. CLT has also approved a further extension of the Finance Improvement Programme into the beginning of 2022-23 and £0.4m will be drawn down from the Transformation Reserve in 2022-23 for this extension. This sum has been taken into account in the forecast council reserve levels going forward. There is a risk relating to the capitalisation of finance staffing costs of £117k which is under review and a further risk relating to Community Infrastructure Levy (CIL) and Section 106 funding for finance staffing of £219k due to reduced income receipts for the Council in 2021-22.

Information Technology – Forecast Breakeven

A forecast breakeven position after funding of £0.5m from the Covid non-ringfenced emergency grant for extra IT equipment costs to support remote working and hybrid meetings. There will be a drawdown of circa £2m from the ICT Transformation Reserve towards the funding of ICT infrastructure improvements totalling £5.5m.

The budget realignment review has identified assumptions on recharges and income that are no longer sustainable and will reduce the amount the IT Service has to spend and at the same time higher than budgeted for inflation is increasing the cost of contract renewals. The IT Service seeks to absorb the reduced income and increased costs this year through vacancy management and cost controls however there is work nearing completion on Budget Realignment and Recharges which will give us a clearer picture of the difficulties facing us in 2022-23.

Resources Covid-19 Response – Forecast Breakeven

Forecast break-even position after the Covid-19 related costs of £240k are funded by the non-ringfenced Covid grant for BECC staffing, additional Registrars staffing for the backlog of registrations, and additional cleaning & security at Registrars and Idea Stores buildings.

Chief Executive's Office

2.3

Forecast breakeven position

Service	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Communications and Marketing	1.9	1.6	1.9	0.0
Strategy, Improvement and Transformation	8.7	7.2	8.7	0.0
Legal, Monitoring Officer, Democratic and Electoral Services	5.4	5.0	5.4	0.0
Corporate Management and Mayor's Office	1.1	0.7	1.1	0.0
Total	**17.1**	**14.5**	**17.1**	**0.0**

The Chief Executive's Office is forecasting a breakeven position. This position is following Covid-19 funding of £0.3m, Covid Outbreak Management Fund grant of £0.2m and after the drawdown of reserves totalling £0.9m.

The reserve movements include drawdown from the Local Election Reserve for the governance referendum (circa £0.5m), Covid Recovery Fund Reserve (£175k), the ESOL for Integration Fund reserve (£156k) and the Local Community Fund reserve (£30k).

Communications and Marketing – Forecast Breakeven
Forecast breakeven position after expected funding from the Contain Outbreak Management Fund (COMF) grant for pandemic related external communications (£0.1m).

Strategy, Improvement and Transformation – Forecast Breakeven
A forecast breakeven position after the funding of staffing costs by 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 further reserves will be drawn down in 2021-22, being the ESOL for Integration Fund reserve (£156k) and the Local Community Fund reserve (£30k), which were created in 2020-21 for projects that spanned across 2020-23.

There is a risk relating to Section 106 funding of £215k due to reduced income receipts for the Council in 2021-22.

Legal, Monitoring Officer, Democratic and Electoral Services – Forecast Breakeven

The 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 will be funded through the Covid non-ringfenced emergency grant.

There is a risk relating to Community Infrastructure Levy (CIL) funding of £127k for legal services due to reduced income receipts for the Council 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). 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.

Corporate Management and Mayor's Office – Forecast Breakeven

A forecast breakeven position in Corporate Management and the Mayor's Office.

Health, Adults & Community

Forecast overspend of £1.9m

Forecast to budget Public Health position

Service	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Adult Social Care	97.9	73.2	102.1	4.2
Community Safety	5.6	7.4	5.5	(0.1)
Integrated Commissioning	9.0	7.3	6.8	(2.2)
Public Health	36.4	5.5	36.4	0.0
Total	**148.9**	**93.4**	**150.8**	**1.9**

The Health, Adults and Community Directorate's forecast outturn at Period 9 for 2021-22 is a £1.875m overspend against a revised budget of £148.838m. This is a reduction on the period 6 forecast variance by £0.390m.

Delivery of savings is on track with any slippage now mitigated within existing revenue budgets.

It is relevant to note that a significant budget realignment exercise is underway and should be concluded for adult social care by the end of February 2022. Data quality remains a key concern and risk and the adult social care improvement programme is scoping an in-depth piece of work to cleanse data on the social care IT system, Mosaic. Work with budget managers and Finance on forecasting is also ongoing. The combination of these factors means that forecasting the adult social care budget remains volatile albeit progress is being made.

A total of £1.376m has been claimed (and invoiced for) from the CCG under the NHS Hospital Discharge and Community Support Funding to the period ending September 2021 for all eligible discharges from hospital. A further £1.088m has been claimed from the CCG for the period October to December 2021 (to be invoiced for) including an amount of £0.426m relating to Community Equipment issued to discharged clients for the period April to December 2021. It has been projected that for the period January 2022 to March 2022, a further £1m will be claimed from the CCG as part of this process.

A further amount of £424k has being agreed with the NHS as part of NHS Winter Discharge Funding for identified posts. Current expenditure against this funding is being monitored.
There is an underlying pressure of an additional £4m in 2022/23 on the cessation of the NHS discharge funding if the current level of discharges, and services delivered based on complexities of care, continues into the next financial year.

Adult Social Care Transformation Programme

Project resources were agreed to implement the Adult Social Care Improvement Plan, to be funded via Council reserves, up to a maximum of £532k (full-year), on recruitment of all the posts associated with the agreed program team. To date, recruitment of the ASC Programme Manager and Data Analyst posts are in progress, with anticipated costs for this financial year projected to be £16,500, to be funded via Council reserves.

Adult Social Care – Forecast £4.170m Overspend

(i) Care Package Costs – Forecast £4.862m Overspend

Care package costs are projected to overspend by £4.86m against a total budget of £92.86m. This represents an increase of £1.95m on the period 6 forecast. The most significant contribution to this overspends position is an increase in the Home Care and Residential placements. The pressure on the homecare budgets continues with clients preferring to remain at home with larger support packages, often with 2-1- and 24-hour support in the home.

Care and Support Plan Assurance Meetings (CSPAM) data clearly demonstrate the increasing needs and complexities of clients, with additional packages being required to meet growing demand. Data from the 1st April to the end of December shows that the Panel process has approved 472 packages of care with increasing needs, representing a further £3.696m full-year cost, and a further 71 new packages of care, adding a further £0.642m full-year cost. Against this, 150 cases assessed to date, resulted in a reduction in care package, amounting to a £2.167m reduction in full-year costs. 169 packages assessed resulted in no change in the level of care provided. The net impact of CSPAM to date is a net increase of £2.171m.

As reiterated in the period 6 report, the cessation of NHS Discharge Funding and other Covid grant funding to the Local Authority at the end of this financial year, and the costs of long-covid implications, continue to place enormous strain on the ASC budgets. In addition to this, cost inflation will add to provider market prices for care, and therefore will drive up the weekly unit costs providers will agree with the Local Authority. Work remains in progress to confirm the full financial implications of the loss of income and market pressures.

(ii) **Employees Costs - Forecast £0.523m Underspend**

The underspend position of £0.523m at period 9 represents a further reduction on the period 6 forecast position by £0.198m. This is due to the challenges in recruiting and retaining social work staff, and unfilled vacant posts. In addition, successful recruitment into permanent posts have been delayed by bottlenecks within HR protocol.

(iii) **Other Indirect Service Costs - Forecast £1.865m Overspend**

At period 9 the overall overspend position on other indirect services is £1.865m, a reduction of £0.080m from the period 6 forecast position. A proportion of the current variances are artificial and offset by the current underspend in Integrated Commissioning budgets. The current budget realignment exercise, which is underway and due to conclude by the end of the February 2022, should again facilitate more accurate representation of the overall position across all of the HA&C Budgets.

(iv) Transport Costs & Recharges (Support Services) – Forecast Overspend - £0.145m

With the new agreement with Children Services there is a net variance of £0.145m overspend, representing a reduction of £0.062m from the period 6 position. This includes a year-end transport variation for transition clients attending college.

(v) Income – Forecast (£2.182m) Underspend

Income budgets are projecting an underspend position of £2.182m overbudget. This is as a result of updated forecast with information from CCG on Sec 117 client recharges and all continuing care clients. Apart from the Better Care Fund (BCF) budgets, that have now been rebased, all other income budgets need to be accurately analysed as part of the budget realignment exercise.

Integrated Commissioning – Forecast (£2.158m) Underspend

Integrated Commissioning is forecasted to underspend by £2.158m which is an increase of £0.567m on the period 6 forecast underspend position. These is mainly as a result of the CCG NHS Discharge Funding in relation to Community equipment for discharged clients, projected at £0.581m for 2021/22. The other movement in an underspend relating to the repair costs for Sonali Garden which are now lower than originally forecast. These have offset increases in some budget areas, including an amount of £65k which has now been committed for the Care Tech Diagnostic work by Argenti.

The overall underspend will be reduced once the budget re-alignment virement is processed.

Community Safety – Forecast (£0.136m) Underspend

Community Safety is projecting to underspend by £0.136m at period 9. The position has moved favourably from Period 6 by £0.233m. This is due to the conclusion of the Community Safety Reorganisation, the use of the ADDER grant to fund the new Adder Navigator service model & associated staffing costs, which has also assisted in mitigating redundancies.

There is a £0.158m underspend forecast in DAAT, due to lower than budgeted prescribing costs, and due to backdated invoice claims with the CCG having been resolved. All planned MTFS savings have now been mitigated within service revenue budgets.

Public Health – Forecast to budget

Public Health is forecast to budget at period 9. It is estimated that the year-end recharge to the public health reserve will now increase, mainly due to the decision to recharge salary costs of relevant staff based on time spent on Covid-related work during this financial year (circa £950k) to the Contain Outbreak Management Grant (COMF) as allowed under the grant conditions.

Sexual Health

As a demand-led service, sexual health remains the main risk to the Public Health budget. There has been a revised forecast for sexual health related expenditure mainly for PrEP (pre-exposure prophylaxis – drugs to protect from HIV). The budget allocation for PrEP is £979,519. However, based on the latest usage between April to July, the forecast is estimated at £557,224. There is a high level of uncertainty around activity since Covid restrictions have only been lifted recently and ongoing challenges with providers in delays in submitting invoices.

The forecast is based partially on data provided by Newham, who are the lead commissioners on behalf of Tower Hamlets, Waltham Forest, and Newham, and partly on actual activity. The current forecast reflects baseline data from recent demand, predicted agenda for change uplifts and additional costs for transformational elements of the programme for the local provider (Barts Health). The forecast for period 9 is based on current data and will be updated monthly as demand figures are amended.

The current reserve balance (including the 2020-21 underspend) is £3,321,792 and a plan for investment of £2.322m from this reserve has been agreed for the BAME Commission and Health Borough (Communities First) Programmes. The balance of £1m will be maintained to meet contingencies such as higher than anticipated demand pressures, particularly sexual health. The Public Health Grant allocation for 2022/23 is yet to be announced by Central Government.

Forecast underspend of £2.5m

Service	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Property & Major Programmes	17.8	10.8	19.6	1.8
Resources	0.0	1.3	0.0	0.0
Public Realm	33.8	24.4	30.4	(3.4)
Growth & Economic Development	3.1	8.4	3.0	(0.1)
Planning & Building Control	1.6	(1.2)	0.9	(0.7)
Housing & Regeneration	12.9	30.1	12.8	(0.1)
Total	**69.2**	**73.8**	**66.7**	**(2.5)**

The Place Directorate is forecasting an underspend of £2.5m against a revised budget of £69.2m. Significant underspends have been forecast within Public Realm and Planning & Building Control, which are partially offset by budget pressures within Property & Major Programmes. This represents a favourable movement of £1m from that previously reported at P6.

Savings Targets

The Directorate has £3.9m of savings targets in 2021/22. 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 relating to better use of the Council owned assets. 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 THH vacating the premise. The budget realignment work is ongoing within the Place Directorate with a view to managing this pressure.

The £0.1m undeliverable saving is predicated on efficiencies from insourcing THH. A decision was taken to continue with the ALMO, making the saving undeliverable. An alternative saving is currently being sought to mitigate this pressure.

Covid-19 Response

The Place Directorate is continuing with its response to the Covid-19 pandemic. Forecast costs and income loss attributable to Covid-19 across the Directorate is projected to total £16.7m in 2021/22, of which £9.7m is planned to be offset by specific ring-fenced grant, £0.5m from the sales, fees and charges recompense scheme for lost income, £5.3m from general Covid-19 grant and the remaining £1.2m from the Mayor's Covid-19 Recovery fund reserve.

Ongoing Budget Pressures

The Directorate is currently offsetting ongoing expenditure resulting from the pandemic against the Covid-19 grant. A proportion of these costs will be ongoing in future years and therefore will become a cost pressure in future years unless mitigated when there is no more grant funding. These ongoing costs total £5.1m and include:

- Housing Benefit Subsidy loss £2.5m
- Lost Commercial Waste income £1.4m
- Lost Markets income £0.7m

Although work is ongoing to mitigate these pressures, for example the homelessness transformation programme and budget realignment work, it is unlikely that the benefit will be realised in 2022/23.

Property & Major Programmes – Forecast £1.8m Adverse

The Property & Major Programmes division is forecasting an overspend of £1.8m, with a forecast outturn of £19.6m against a budget of £17.8m. This represents a favourable movement of £0.4m compared with P6. There are a number of factors across the various service areas contributing to this overspend:

Corporate Property – Forecast £0.5m Adverse

Four schools were declared surplus to requirements at the end of October. These schools were previously funded from Basic Needs grant. Vacant property costs including security, insurance, utilities and general maintenance are being incurred, creating a part-year budget pressure of £0.5m.

Corporate Landlord Model (CLM) – Forecast Nil Variance

The CLM rates budget is forecasting an adverse variance of £0.2m due to the cross-rail multiplier not forming part of the base budget for business rates.

Service charge budget is forecasting an adverse variance of £0.1m due to unbudgeted insurance costs relating to Mulberry Place.

The energy budget is forecasting an adverse variance of £0.4m with unit costs increasing above budgeted rates. There is a risk that further increases in electricity costs as they are variable and global prices are rising.

The Cleaning budget is forecasting an adverse variance of £0.1m resulting from MTFS savings that are slipping.

Running costs amounting to £0.8m for sites being used as Covid-19 test and vaccine centres are being recharged to the COMF Covid-19 grant and NHS, resulting in a one-off underspend within the general fund.

Capital Delivery – Forecast £0.1m Adverse

Estimated shortfall of £01m against the capitalisation of salaries

Facilities Management – Forecast (£0.3m) Favourable

A £0.2m favourable variance on salaries resulting from vacancies that will not be filled in year. These posts will be held vacant and filled next financial year once the team moves to the new town hall.

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 £0.1m within the general fund.

Non-Operational Investment Estate – Forecast £1.5m Adverse
Forecast adverse variance relating to slipped savings relating to the better use of Council assets with rent holidays being given to new Organisations leasing Council properties where it is increasingly difficult and time consuming to secure new tenants in a post pandemic environment.

Resources – Forecast Nil Variance
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.

Public Realm – Forecast (£3.4m) Favourable
Public Realm is forecasting a favourable variance of £3.4m against budget. This figure is inclusive of budgeted and approved reserve drawdowns for specific work totalling £1.1m. This represents a favourable movement of £0.3m from that reported at P6.

Public Realm Management - Forecast (£0.1m) Favourable
Vacant posts within the management team.

Highways and Traffic Management – Forecast Nil Variance
Unbudgeted costs of £0.1m for repairs to the Foot tunnel lifts at Greenwich. This represents LBTH contribution to the cost of these works which will be completed in the current financial year

Income from outdoor advertising is projected to under recover by £0.2m 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

Budget shortfall of £0.5m following a restructure in Highways & Transportation. This is being addressed as part of the budget realignment work.

Unachievable income target resulting in a shortfall of £0.4m against budget on highways permitting.

Capitalisation shortfall of £0.9m which is being offset by a corresponding underspend on salaries resulting from posts being held vacant and difficulties in recruitment following a service restructure. This is being mitigated through £1m of salary and employee related expenditure due to vacancies and delays in recruiting to the new structure.

Balances of £0.3m for rechargeable works relating to historic temporary structures income that is over six years old that has past the statute limitations period and historic balances of £0.6m relating to s278 highways rechargeable works will be drawn down. These amounts are offsetting pressures across the Highways and Traffic Management service detailed above.

The balance of £0.2m will be met from the parking surplus through an increased recharge.

Operational services - Forecast £0.1m Adverse
There is a projected under recovery of income totalling £1.6m for commercial waste income partly resulting from the pandemic (£1.4m). There will be reclaim of £1.4m though both the MHCLG Sales, Fees & Charges Losses scheme and non-ringfenced grant. An income assumption has been made

within commercial waste relating to internal waste collection services. This has already been accounted for within waste services and therefore duplicated, resulting in an adverse impact of £0.2m on the general fund position.

A £0.1m underspend within the Environmental Services team relating to staff costs following a reorganisation and part year appointments to some posts.

A budget pressure of £0.1m within waste disposal based on current tonnages. The increased tonnages result from changes in behaviour from Covid-19, with more online shopping creating household waste and greater working from home. As a result, this cost will be charged against the general Covid grant and have no impact on the General Fund position.

The Council has a statutory responsibility to clear fly tipped materials from around the Ailsa Wharf site which has 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.

The Green team are forecasting to spend an additional £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.

Passenger transport – Forecast £0.1m Adverse
This relates to an unachievable income target relating to support service recharges. It is proposed to mitigate this pressure as part of the budget realignment work on passenger transport involving Place, HAC and Children's services

Waste Operations (Environmental Services) – Forecast £0.2m Adverse.
An overspend of £0.2m relating to the running costs of the fleet due to unscheduled maintenance during the year.

The Waste service continues to incur costs directly related to COVID-19, with additional costs of £0.3m forecast for agency and overtime cover during the year. Costs totalling £0.2m will be offset against the general COVID-19 grant and not impact on the outturn position. The remaining amount relates to unbudgeted staff costs associated with the day to day running of the service, resulting in a £0.1m adverse variance.

An underspend of £0.1m on third party expenditure resulting from reduced cleaning of Blackwall tunnel during the pandemic

An invoice for £0.2m relating to a claim made against Veolia when their staff took strike action has been included in the income forecast. This charge was netted off against the contract payments made and the invoice should not have been raised. This pressure is being offset in-year through additional one-off income relating to uncollected income for cleansing at Chrisp Street market.

The service has received £0.3m from the Mayors Covid-19 recovery fund for use on enhanced street cleansing. It is assumed this will be spent in full.

Concessionary Fares – Forecast (£1.3m) Favourable
Concessionary Fares is projecting a favourable variance for Freedom Passes as a result of fewer TFL journeys being undertaken during the pandemic. The current years calculation is based on the previous

two year's average 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

Parking services – Forecast (£2.4m) Favourable

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 road user safety, which are forecast to result in an increase in CCTV tickets issued across the borough and additional income estimated at £2.4m.

However, this is being offset by pressures on the Parking debt budget where an under recovery against the income target of £1.5m 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 £1.1m with demand for the service continuing to be high. Income is being forecast to over recover by £0.9m from direct suspensions, with the remaining £0.2m representing income foregone from the re-opening of high streets programme where bays were suspended to enable businesses to use outdoor space free of charge. This cost will be met from the Covid-19 general grant.

Casual Parking income is forecasting to over recover by £0.6m. This is mainly due to the introduction of the diesel levy in May 2020 and its full year impact where drivers of higher polluting diesel vehicles pay a surcharge to park within the Borough. The impact of the diesel levy was not included in the budget.

An increased contribution towards the running costs of Highways & Traffic Management of £0.2m.

Street Trading – Forecast £0.4m Adverse

The Street Trading account is projecting to outturn with an adverse variance of £0.4m, after offsetting a forecast income shortfall of £0.7m against the Covid-19 general grant and Sales, Fees & Charges reclaim for quarter 1.

Since full reopening, Markets have started to see a slight bounce back in Casual traders, but this has not made up for those lost during the pandemic. There has been an overall reduction in market traders since pre-covid levels and the Markets have lost income as a result. This lost income is being reclaimed through Covid grant and SFC recompense scheme.

The £0.4m adverse variance relates to abortive costs resulting from the PSI capital project that is no longer taking place.

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.

Environmental & Regulatory services – Forecast (£0.4m) Favourable

Vacant posts within Environmental Protection, Pest Control, Food Safety, Trading Standards and Health and Safety. These vacancies are currently being recruited too but have saved £0.3m in year.

Re-deployment of Environmental Health Officers on to Covid-19 work during lockdown has resulted in a favourable variance of £0.1m.

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 and no impact on the forecast outturn position.

Works undertaken by COVID Marshalls is continuing and the additional costs are forecast at £0.2m. These costs will be met from COMF grant and has no impact on the outturn position.

Growth & Economic Development – Forecast (£0.1m) Favourable

The Growth & Economic Development division has a net budget of £3.1m and is forecasting to outturn with expenditure totalling £3m, representing a favourable variance of £0.1m. This compares to a £0.2m favourable variance reported at P6. This outturn position assumes budgeted drawdowns from reserves totalling £3.3m, with £0.8m assumed drawdown from Mayoral Priority Reserve to fund the Tackling Poverty team and £1.9m from the s106 reserve for core activities and approved projects across the division. The remaining £0.6m is projected to be drawn down from the Mayors Covid Recovery reserve for approved projects.

Employment & Skills – Forecast Nil Variance

Employment & Skills is forecasting to outturn in line with budget. There are a number of favourable and adverse variances making up this forecast.

The 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 kickstart trainees being placed and the s106 income the salaries and costs of the officers providing this service. The Council receives an admin fee of £300 for every apprentice placed and £1,600 for each apprentice directly employed. The number of placements is forecast to exceed budgeted levels, resulting in a favourable variance against budget of £0.1m.

The Employment and Skills service is forecasting an adverse variance of £0.1m as a result of delays in the budgeted restructure and reduced s106 funding.

Growth – Forecast (£0.2m) Favourable

The Business Partnerships team are forecasting a favourable variance of £0.2m resulting from unspent consultancy budget and the unbudgeted capitalisation of staff costs within the High Streets team.

Economic Development Management – Forecast £0.1m Adverse

An adverse variance of £0.1m resulting from an unbudgeted recharge from SPP. This recharge will be reviewed as part of the budget realignment work.

Continuing Covid-19 response

The Tackling Poverty & Crisis Support 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, Tackling Poverty Covid related spend in 2021/22 is estimated at £6.8m, which will be met from ringfenced grant, £3m from Household Support Grant to fund Food Hubs (£0.3m), Residents Support Scheme (£0.4m), Energy & Food Vouchers (£1.9m) and Admin (£0.4m); £1.6m from the Covid Local Support Grant to fund holiday vouchers (£1.1m), Food Hubs (£0.3m), Small Grants (£0.1m) and Admin

(£0.1m); £1.8m from Test and Trace grant funding and £0.4m Self Isolation grant to fund the administration of the grants process. There is no forecast use of the general Covid grant.

The Growth service has received £0.4m of Welcome Back grant funding. This grant funding is being used for marshalling and security within the high streets as part of their reopening. A further £0.2m has been received for reopening high streets and £0.2m for Creative Enterprise zones. It is forecast that these grants will be spent in full in 2021/22.

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 – Forecast (£0.7m) Favourable

The Planning & Building Control service is forecasting to outturn with a favourable variance of £0.7m against a net budget of £1.6m from its general fund activities. This projection includes a drawdown of s106 funding totalling £0.4m to fund posts and activities across the Divisional Support & Technical Services team, Management Team and Infrastructure Planning and £0.2m to fund LIF projects. This drawdown is in line with that budgeted.

The P9 forecast position shows a favourable movement of £0.7m from P6 where projections were in line with budget.

Building Control Revenue – Forecast (£0.1m) Favourable

The service has a number of vacant posts which are currently being advertised. The underspend resulting from these vacancies is being offset by a pressure within the income budgets, where the income target is historical and unachievable. This will be addressed as part of the budget realignment work.

Development Management – Forecast (£0.2m) Favourable

There is no net General Fund budget within Development Management, with the service being income funded. There are vacant posts within the team resulting in a projected underspend of £0.3m and an overachievement of £0.4m against the income target. This underspend of £0.7m is being partially offset by recharges that are not fully budgeted where services are being received from Noise officers, Highways and other teams within Planning when assessing planning applications. Counsel fees incurred on Muirfield Crescent and Bethnal Green Road public enquiries are also unbudgeted, resulting in a cost pressure.

Application Support – Forecast (£0.3m) Favourable

This underspend is the result of vacancies within the newly restructured Divisional Support and Digital & Commercial Innovation Unit, which will replace Application Support. It has taken longer to recruit to some posts than had been planned. These roles have now been advertised and recruitment is underway. Income from local land charges is over-achieving against budget with demand for the service being high.

Strategic Planning – Forecast (£0.2m) Favourable

Unspent consultancy budget within the Plan Making team along with the successful bid for Neighbourhood Planning grant are contributing to the favourable variance. It was previously assumed the Neighbourhood Planning costs would be met from general fund budget provision.

Infrastructure Planning – Forecast £0.1m Adverse

There is budgeted use of CIL revenue funding of £0.7m towards the running costs of the Infrastructure Planning team. Current projections indicate that insufficient CIL will be received in year to fund the team at this level, resulting in the adverse variance.

<u>Building Control Trading Account – Forecast £0.4m Adverse against the trading account</u>
This results from income projections being lower than budgeted levels. Any shortfall at year end will be offset against the trading account reserve, resulting in nil variance for the general fund.

<u>Housing & Regeneration – Forecast (£0.1m) Favourable</u>
The Housing & Regeneration division is forecasting a favourable variance against budget of £0.1m. This projection includes reserve drawdowns totalling 1,7m, along with the use of £7.4m of grant received in year. This compares with a favourable variance of £0.3m reported at the end of quarter 2.

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, estimated at £2.5m in year. 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 pressure resulting from increased costs since 2019-20 caused by the pandemic.

The Housing Benefit subsidy loss will become a cost pressure that will need mitigating in the future when there is no Covid grant funding. It is anticipated that transformation of the Homelessness service will contribute towards this mitigation, but significant savings are not forecast to be realised until 2024/25 and a growth bid has been submitted to cover this transition period.

<u>Homelessness – Forecast Breakeven</u>
The service has budgeted to draw down £2.1m of reserves but current forecasts project a lower amount of £1.1m can be drawn down to outturn to budget. It is therefore proposed to draw down a lower amount from the Flexible Homelessness Support grant reserve.

Homelessness numbers remain high and the service has seen a small increase since that last reported. Current numbers in Temporary Accommodation are 2,595, compared with 2,577 at the end of quarter 2. This increase has followed the lifting of the evictions ban that has been in place, with the service experiencing an increase in the numbers of private evictions.

These high numbers place 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 but are reducing with T.A. clients being moved on in shorter timescales.

The service is embarking on an ambitious transformation programme with the aim of reducing both numbers and costs in Temporary Accommodation. Service redesign is underway to enable more work to be undertaken upstream to prevent homelessness occurring, bringing homeless people into employment and moving them into cheaper accommodation to reduce the impact on the housing benefit subsidy loss. Despite the small increase in TA numbers in quarter 3, the early indicators are that this process is starting to have an effect, with increases in discharges of duty into Private Licensed Accommodation and a reduction in the business-as-usual use of bed & breakfast accommodation. Currently 80% of new acceptances are now moved straight to self-contained accommodation rather than using bed & breakfast and five additional families per week are moved out of bed & breakfast within two weeks, along with 20 single people.

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 months 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 this forecast.

The transformation project detailed above is projected to deliver £2m savings. Key officers are in post and policies and initiatives are going live or being programmed. A cabinet report in September highlighted the key elements of the transformation project and main changes. Costs of the transformation will be met in year by Flexible Homelessness Support Grant reserve, with a projected drawdown of £0.3m in year.

<u>Lettings – Forecast (£0.2m) Favourable</u>
Vacant posts totalling £0.1m and additional income from RSL recharges of another £0.1m for use of the Council's housing register.

<u>Housing Supply – Forecast £0.1m Adverse.</u>
This represents an adverse movement when compared with previous forecasts where it was projected the service would outturn in line with budget. There are favourable and adverse variances making up this projection

The S&I Management Team is incurring unbudgeted costs of £0.2m relating to the Fire Safety team. The Fire Safety team 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 External Walls System grant that has been held in reserve specifically for this project and will therefore not impact on the forecast outturn. The reserve is projected to be used in full. 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.

Housing Supply are recharged by THH for service charges relating to St Katherine's Dock Wall. There is a budget for the recharge which is inadequate and a small overspend of £25k is forecast for the year. This budget shortfall will be addressed as part of the budget realignment work currently being undertaken.

The ALMO client team is forecasting an adverse variance of £0.2m. There is a £0.1m unachievable savings target relating to the insourcing of THH which has not been mitigated and a further pressure of £0.1m relating to a historical and unachievable income target from when the client team was larger and there was a higher recharge to the HRA. Again, this budget pressure will be addressed as part of the budget realignment work.

A £0.1m favourable variance is being forecast for the Harford Street community centre and shops. Income from the south side shops had been budgeted to fund contracts with Ocean Regeneration Trust but this is now not happening, with this income being retained.

The Regeneration & New Build service is projecting a favourable variance of £0.2m as a result of additional CPO income forecast to be collected in year that is unbudgeted and vacancies within the service.

The Affordable Housing Partnership is forecasting an adverse variance of £0.1m, mainly the result of an unbudgeted Housing Companies Manager post. These costs have not been passed on to the Housing Companies whilst they remain inactive.

There is a £0.1m adverse variance resulting from an unbudgeted recharge to the HRA relating to the shared use of amenities, this budget pressure will be addressed as part of the budget realignment work.

<u>Covid-19 Response</u>
Homelessness and Rough Sleeping are forecasting ongoing Covid-19 related spend of £1.5m, with accommodation costs forecast at £0.9m, support packages totalling £0.5m and staffing costs of £0.1m. This is being funded from DLUHC 2021/22 Rough Sleepers Initiative grant of £1m (a £0.5m one off uplift for additional support and move on costs and a second tranche of £0.5m for an extension of covid safe emergency and intermediate accommodation and on-site support). A further £0.2m will be met from the Protect and Vaccinate grant. A total of £0.1m will be met from a combination of public health COMF grant and winter pressures funding, with the remaining £0.2m from Covid general grant.

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

3

Forecast £1.2m underspend

Service	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Corporate Costs	23.3	5.9	22.1	(1.2)
Total	**23.3**	**5.9**	**22.1**	**(1.2)**

Pay inflation budget held centrally – Forecast £2.2m Adverse

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).

If the 2021-22 pay award is agreed at 1.75%, this represents an overspend of circa £2.240m across the Council's General Fund areas above the central budget held of £1.056m. This overspend is one-off in 2021-22 because the MTFS includes this extra £2.240m pay inflation budget in 2022-23 to be allocated to directorates.

Recharges to ringfenced funding areas review to be carried out in 2021-22 – Forecast £2.0m Adverse

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.

Cross-Directorate Savings Slippage in savings achievement – Forecast £1.9m Adverse

Cross-directorate savings of £3.809m are held corporately. There is short-term slippage in the Reduction in Enabling and Support Services Costs restructure saving of £0.75m.

For the Local Presence / Contact Centre Review saving of £1.150m, there is slippage of £0.461m and the rest of the savings of £0.689m have been identified as unachievable following a review supported by the Programme Management Office and are proposed to be written-off in the 2022-23 budget.

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 increased venue hire by the Commercialisation Board.

<u>Redundancy, Severance and Early Retirement - Forecast £1.0m Adverse</u>
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).

<u>Pension Fund deficit repayment – Forecast £0.9m Adverse</u>
Forecast overspend against the budget allowed (£12.8m) for the payment to the Pension Fund to meet deficit estimated by the actuary.

<u>Corporate contingency budget to cover unforeseen circumstances – Forecast (£3.1m) Underspend</u>
There are currently no commitments against the contingency budget of £3.1m.

<u>Treasury Management - Forecast (£6.1m) Underspend</u>
A forecast underspend on the borrowing costs budget due to slippage in the capital programme. Minimum Revenue Provision (MRP) internal borrowing costs of circa £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% from 19 March 2020 (recently increased to 0.25% on 16 December 2021 and further to 0.50% on 3 February 2022).

Housing Revenue Account (HRA)

4

Forecast underspend of £0.9m before contribution to reserve

Service	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Housing Revenue Accounts (HRA)	(2.3)	(48.9)	(3.2)	(0.9)
Total	**(2.3)**	**(48.9)**	**(3.2)**	**(0.9)**

The Housing Revenue Account is forecasting a favourable variance of £0.9m when compared with budget. This underspend will be transferred to HRA general reserves at year end.

Delegated Budgets – Forecast £1.1m Adverse
This overspend is the result of a number of factors including:

Repairs & Maintenance - £0.4m adverse variance as a result of rising costs post Brexit and Covid and catching up on works that could not be completed during the periods of lockdown.
Building Insurance - £0.3m adverse variance based on actuals posted.
Mayoral ASB - £0.2m favourable variance due to reduced costs with the Police.
Community Investment - £0.3m favourable variance resulting from lower than budgeted project activity as a result of the pandemic.
Concierge - £0.1m adverse variance arising from additional fire patrols at Brewster & Maltings following commencement of structural works on the building.
Dwelling Rents - £0.1m favourable variance resulting from additional income being claimed back from the contractor due to delays in completing the Barchester development.
Leaseholder Service Charges - £0.2m adverse variance as service charge actuals are lower than budgeted. Many of the services were impacted by Covid, reducing the amounts recovered.
Garage rents - £0.2m adverse variance following the decommissioning of parking bays on development sites.
Major Works - £0.5m adverse variance due to delays in completing the works programme during the pandemic.

Management Fee – Forecast £0.8m Adverse
This adverse variance results from additional one-off ICT costs relating to the recent upgrades at THH (£0.5m) and redundancy costs following a restructure of the capital delivery team (£0.3m), neither of which were factored into the original management fee calculation.

Non delegated budgets – Forecast £2.8m Favourable
A £1.5m favourable variance relating to depreciation charges based on the actual costs posted
A £3.1m favourable variance for residual pension costs where there is a historic budget allocation.

A £0.7m adverse variance for insurance recharges due to higher than budgeted premiums
Unbudgeted costs relating to the fire at Hadley House totalling £0.2m which are unlikely to be met by the Council's insurance policy

A projected adverse variance of £0.9m relating to recharges from other Directorates within the general fund. This forecast is based on previous years recharges.
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.

General Fund Balances and Earmarked Reserves 5

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 draft accounts 2020/21	Forecast contribution to / (from) Reserve	Forecast balance 31 March 2022
£m	**£m**	**£m**	**£m**
GF balances (general reserve)	**24.8**	(0.1)	**24.7**
Budgeted drawdown in MTFS	**0.0**	(1.2)	**(1.2)**
	24.8	**(1.3)**	**23.5**
Earmarked reserves consist of:			
Earmarked reserves with restrictions			
Insurance	**10.0**	(0.4)	**9.6**
New Civic Centre	**0.0**	0.0	**0.0**
Parking Control	**3.3**	0.0	**3.3**
Collection Fund Smoothing*	**66.8**	(15.8)	**51.0**
Free School Meals Reserve	**6.0**	(2.0)	**4.0**
Public Health Reserve	**3.3**	0.0	**3.3**
Revenue Grants Unused	**8.7**	(1.0)	**7.7**
COVID 19 grant	**3.5**	1.8	**5.3**
Local Elections	**0.8**	(0.3)	**0.5**
CIL**	**7.8**	(0.6)	**7.2**
BAME Inequalities Commission	**0.0**	1.0	**1.0**
Covid Recovery Fund	**0.0**	1.6	**1.6**
Earmarked reserves with restrictions – Subtotal	**110.2**	**(15.7)**	**94.5**
Earmarked reserves without restrictions			
Risk Reserve	**6.5**	0.0	**6.5**
Transformation Reserve	**3.6**	(1.1)	**2.5**
ICT Reserve	**9.6**	(2.0)	**7.6**
Mayor's Tackling Poverty Reserve	**3.4**	(0.8)	**2.6**
Mayor's Priority Investment Reserve	**5.0**	0.0	**5.0**
New Homes Bonus	**40.6**	3.6	**44.2**
Services Reserve	**8.5**	(5.5)	**3.0**

Earmarked reserves without restrictions - Subtotal	**77.2**	**(5.8)**	**71.4**
Total Earmarked Reserves	**187.4**	**(21.5)**	**165.9**
Total GF and Earmarked reserves	**212.2**	**(22.8)**	**189.4**

*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 CIL (Community Infrastructure Levy) reserve balance only includes revenue related CIL monies held within earmarked reserve and not capital CIL monies

HRA, DSG and Capital Usable Reserves 6

The table shows the 2021/22 forecast outturn position for the Housing Revenue Account, Dedicated Schools Grants and Capital Usable Reserves.

HRA and DSG reserves	Balances as per draft accounts 2020/21	Forecast contribution to / (from) reserves	Forecast balance 31 March 2022
	£m	£m	£m
Housing Revenue Account (HRA)	**52.3**	0.9	**53.2**
Dedicated Schools Grant (DSG)	**(11.6)**	1.0	**(10.6)**
Capital Grants Unapplied	**200.2**	(22.2)	**178.0**
Capital Receipts Reserve	**139.0**	(25.8)	**113.2**
Major Repairs Reserve	**0.1**	(0.1)	**0.0**
Total Other Reserves	**380.0**	**(46.2)**	**333.8**

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 £398m in total for 2021-22 (excluding business rates supplement). 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 £54m 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 has provided £15.08m compensation funding the 2020-21 deficit (being 75% of specific components of the 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 (an increase in Council share from £1.9m in 2019-20 to £7.7m in 2020-21).

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 £398m 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.
The net rates payable will reduce further with the allocation of the newly announced Covid Additional Relief Fund (CARF) of £26m to reduce the business rates requirement for businesses outside of the expanded retail relief scheme.

To the end of December, we have collected £335.5m of £411.6m billed (81.5% in-year collection rate) compared to 80.9% for 2020, which is an improvement on 2020 but lower than pre-pandemic collection levels. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development. Debt collection is temporarily on hold while the CARF fund is allocated to business rates accounts and re-billing takes place.

Council Tax

We were expected to collect £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%).

There is an accumulated Council Tax Collection Fund deficit to the end of 2020-21, of which the Council share is £6.5m. The government has compensated £3.1m of this (being 75% of certain components of the 2020-21 gross deficit).

The deficit includes the impact of the loss allowance (bad debt provision) which was increased by £2.9m (Council share) from £11.9m (2019-20) to £14.8m (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 £32.8m cost in 2021-22 which includes the effect of the annual Council Tax increases). Indications are that the level of claimants has peaked and is slowly decreasing now that pandemic restrictions are being withdrawn by the government.

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 December we have collected £108m of the £157m Council Tax bills raised (69% in-year collection rate) compared to 68% for the same period in 2020, which is an improvement on 2020 but lower than pre-pandemic collection levels. As debt enforcement processes have recommenced, the collection of debt arrears for previous years has improved (£6.4m collected to end of December relating to previous years). The in-year collection rate could be negatively affected by wider economic impacts currently being experienced by residents (including inflationary and market pressures on employment, energy and food costs).

Overall Position

The Council's investment balance at the end of December 2021 was £316.5m (a decrease of £11.7m from previous quarter and increase of £21.9m from previous month).

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 forecast return is significantly lower than both 2019-20 and 2020-21, mainly due to the continued Covid-19 impact on the economy. A slight increase is expected once the Bank of England raises interest rates. We have £316.5m of investments and £72m borrowing.

<u>Income Position</u>
Yield on the internal portfolio was 0.18%. Investments in local authorities contributed an average yield of 0.51% and the 35-day notice account with Santander contributed 0.25%. The income only return on the entire portfolio, including the Council's external investments was 0.62% whilst the total return on the entire portfolio was 1.16%.

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, most of the funds have since regained their total value and are now at £77.3m (£76m as of 31 March 2021) with the purchase price (£76m). Forecast under-achievement in investment income.

<u>Benchmarking</u>
According to the 2021-22 Quarter 3 benchmarking information received from our advisors, Arlingclose Ltd, our average income return of 0.62% outperformed a group of seventeen London councils (0.55%) average income return) but underperformed against 127 national local authorities (0.66% average income return).

The Council's return on internally managed treasury investments of 0.18% performed well above a group of seventeen London councils by 0.04%.

We are continuing to look at alternatives that retain and protect the capital value of our investments while maximising income return. We compare favourably for the income return we get from our investments in Q3 of 2021-22.

<u>Liquidity</u>
54% of funds are available within 7 days ensuring adequate cash is available to meet expenditure payments. 68% of funds are available within 100 days Inflation.

<u>Inflation</u>
Consumer Prices Index (CPI) rose by 5.4% in the 12 months to December 2021, up from 5.1% in November.
On a monthly basis, CPI increased by 0.5% in September 2021, compared with a rise of 0.3% in December 2020.

According to Capital Economics recent forecasts, the further surge in inflation coupled with rapid tightening in the labour market will probably prompt the Monetary Policy Committee (MPC) to raise interest rates from 0.25% now to 0.50% at the next meeting and begin quantitative tightening (QT). 4 rate hikes to 1.25% by the end of 2022 is forecast, above the level of 0.75% expected by most economists this year. CPI inflation is expected to rise further to a peak of 7% and the Bank of England raising interest rates quicker from 0.25% to 1.25% by the end of the year. COVID-19 has the capacity to spring more surprises. But the main macro risk is that CPI inflation stays above the 2% target for longer and that the Bank of England raises interest rates above 1.15% in 2023. Monies invested are holding more value against current inflation.

Security

Weighted Average credit rating across the portfolio of investments managed internally at the end of December 2021 was A+. The portfolio's bail-in risk has increased by 3% to 68%. The portion that remains susceptible to bail-in risk includes the 35-day notice account and deposits with Money Market Funds.

Borrowing

The Council has Public Works Loan Board (PWLB) loans totalling £54.0m and fixed rate bank loans totalling £17.5m.

There is a forecast underspend on the borrowing costs budget due to forecast slippage in the capital programme. Forecast interest payable cost on external borrowing is £2.2m.

Savings

Target for year £28.9m

£20.4m savings to be delivered

	£m					
Services	2021/22 Target	Prior Year Slippage	Saving Target	Forecast Savings	Slippage	Under Recovery
	A	B	C = A + B			
HA&C	5.4	0.3	5.8	5.8	0.0	0.0
Children and Culture	5.1	0.6	5.7	4.5	1.2	0.0
Place	3.2	0.7	3.9	2.8	1.0	0.1
Resources	3.3	1.9	5.2	4.1	0.5	0.6
Chief Executive's Office	0.4	0.0	0.4	0.3	0.1	0.0
All	6.3	1.7	8.0	4.2	3.1	0.7
Total	**23.7**	**5.2**	**28.9**	**21.7**	**5.9**	**1.4**

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).

- £21.7m is identified as being on track to deliver savings;
- A net position of £5.9m is forecast to slip into future years due to timing issues;
- £1.4m 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.

Period 9 Forecast capital GF position

General Fund Programme	Directorate	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Approved Programme	Children's & Culture	40.3	13.4	31.5	(8.8)
	Health Adults and Community	22.2	0.0	13.6	(8.7)
	Place	119.7	31.8	80.8	(38.9)
	Resources	2.6	0.2	2.1	(0.5)
Approved Programme Total		**184.8**	**45.5**	**127.9**	**(56.9)**
Approved Rolling Programme	Children's & Culture	4.3	2.1	4.4	0.1
	Health Adults and Community	0.3	0.0	0.0	(0.3)
	Place	10.6	3.6	10.3	(0.3)
	Resources	4.3	0.1	1.9	(2.4)
Approved Rolling Programme Total		**19.5**	**5.8**	**16.6**	**(2.9)**
Invest to Save Programme	Place	19.3	5.4	11.7	(7.6)
Invest to Save Programme Total		**19.3**	**5.4**	**11.7**	**(7.6)**
LIF Programme	Place	5.6	0.1	0.2	(5.4)
LIF Programme Total		**5.6**	**0.1**	**0.2**	**(5.4)**
Completed and Retentions Projects	Place	0.9	0.0	0.0	(0.9)
Completed and Retentions Projects Total		**0.9**	**0.0**	**0.0**	**(0.9)**
Grand Total		**230.1**	**56.8**	**156.5**	**(73.7)**

The total current General Fund capital programme for 2021/22 of £230.1m consists of £199.2m approved at Full council March 2021, additions of £2.7m approved at Cabinet June 2021, £22.2m of 2020/21 slippage reported at July 2021 Cabinet as part of the 2020-21 provisional outturn budget monitoring report and additions of £6.0m approved at November 2021 Cabinet for 2021/22. The current estimated General Fund capital expenditure for the year is forecast at £156.5m, which represents 68% of the revised 2021/22 capital budget. The spend to date is £56.8m, representing 25% of the revised budget.

Services are projecting £73.7m net slippage against the budget, much of this is anticipated to slip into future years. As part of the 2022/23 to 2024/25 budget setting process, capital budgets have been reviewed for re-profiling to better reflect the anticipated spend profile on projects, this was reported to Cabinet on 8th February 2022.

During 2021/22, 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. This process continues to be imbedded within the council and will be reviewed for its effectiveness in providing a more accurate and up to date forecasting.

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 forecasts 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

The 2021/22 revised budget for the Children's and Culture Approved programme is £40.3m. The forecast year end outturn for the programme is £31.5m, resulting in a forecast net variance slippage of £8.8m.

The major programme under Children's services is the Schools Basic Need and Expansion programme, within this programme there are several large schemes currently under way and in the early stages.

London Dock Expansion is projecting an accelerated spend from future years of £4.0m. This is due to earlier than originally envisaged works underway and now estimated to complete by August 2023. A number of risks have been identified which are being costed in addition to the existing work package, including drainage works (works being impeded by concrete wall around side), recent closure of Pennington Street which will affect construction traffic, and early order instructions which need to be actioned. There are further risks in delay in supply chain and increased construction costs due to Covid-19 pandemic and the impacts of Brexit.

George Green school is forecast to slip by £4.6m, the project is still at its early stages and forecasts have been adjusted to reflect this. The actual build phase is due commence in future financial years, with a view to complete by 2024.

Wood Wharf school project budget is forecast to slip by (£2.8m). The forecast includes design fees plus early order instructions (for most of the mechanical and engineering materials). The slippage is due to delays in procuring the contractor, the tender was supposed to be issued in Feb 2021 but incurred delays until June 2021.

The Raines Foundation school scheme project is complete, the remaining budget is anticipated to be assigned to the new Oaklands school project (£2.0m) which is in development. However, this project is being held up by issues relating to land ownership, which is causing delays, hence the spend profile is anticipated to slip.

The current forecast for Beatrice Tate is £2.8m for the current year (resulting in £0.7m slippage). This forecast represents costs for surveys, consultant fees and completing stage 4 design. Project completion is estimated for spring' 2023.

The majority of the work to re-profile the budgets from future years for these schemes to align with current project delivery dates has been undertaken as part of the capital budget setting process for 2022/23 to 2024/25.

Other various smaller contributing factors to the forecast slippage within the Children's and Culture directorate have now been largely addressed through re-profiling of future budgets in line with the latest up to date spend profiles. The required re-profiling of budgets was also completed as part of the 2022/23 to 2024/25 capital budget setting process.

Health, Adults and Communities

The 2021/22 revised budget for the Health, Adults and Communities Approved programme is £22.2m. The forecast year end outturn for the programme is £13.6m, resulting in a forecast net variance slippage of £8.7m.

The majority of capital projects in the HA&C Directorate had paused due to the pandemic and are now being reinstated. 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 tackling the Covid-19 Pandemic. Actual expenditure to date is currently lower than planned due to delays in receipt of invoices from the CCG for health-related projects. Some have now been received, and others are being chased in order to assist with financial year-end processes in the Council.

In relation to the CCTV project, there was some slippage on the Programme, but this is being risk managed, along with a number of other risks which are being managed in relation to the aging infrastructure and the move to the new Town Hall.

Progress continues with the protective security programme. For some schemes it was agreed with the Place Directorate that the best course of action is to carry out the works at the same time as infrastructure projects within the Liveable Streets programme.

Place

The 2021/22 revised budget for the Place Approved programme is £119.7m. The forecast year end outturn for the programme is £80.8m, resulting in a forecast net variance slippage of £38.9m. The key projects that are driving the forecast slippage variance of £38.9m within Place are as follows:

Within the Asset Maximisation programme, there is a forecast anticipated slippage of £1.7m into future years due to delays in the procurement for windows and new lift works going forward for the Montefiore Centre.

High Street programme capital schemes are forecasting a £1.5m slippage. 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 related to detailed design development, consultation with stakeholder, resident groups and enterprises on proposals (via Zoom etc) and other technical and development work. This experience of slippage in spend is reflected in most other capital programmes.

Registered Providers grant scheme 1-4-1 receipts is projecting an underspend of £10.0m in 2021/22. This scheme was designed to give grants to Housing Registered Providers to deliver and build housing units for Tower Hamlets residents. However, the council is now anticipating that housing providers can access external funding for much of the delivery of this new supply.

The South Dock Bridge scheme is forecasting slippage of £6.1m. This is due to delay in Stage 4 detailed design appointment and the appointment of property consultants and a media firm to put together a sponsorship package for the bridge.

Transport S106 funded schemes are projecting slippage of £6.0m. This is reliant on third party (TfL) to draw down on s106 funding. There is a possibility of a claim for £900k funding for Braham St park.

New Infrastructure projects contributed £4.7m to the forecast slippage. This includes £1.9m forecast slippage in Whitechapel road improvements scheme budgets as the programme delivery is expected to extend across future years and £2.8m slippage relates to delays in anticipated project timelines for the three new bridges (Poplar Reach, Mayer Parry and Lochnagar).

Other various smaller contributing factors to the forecast slippage within the Place directorate have now been largely addressed through re-profiling of future budgets in line with the latest up to date spend profiles. The required re-profiling of budgets was completed as part of the 2022/23 to 2024/25 capital budget setting process.

Resources

The 2021/22 revised budget for the Resources Approved programme is £2.6m. The forecast year end outturn for the programme is £2.1m, resulting in a forecast net variance slippage of £0.5m.

This budget consists of IT transformation and Agresso re-hosting and upgrade, which are coming to an end. The next phase of programmes, including ICT Mosaic Project, Deployment of Firm Step CRM, Fraud Investigation systems and Cyber Security amongst other things are currently in the process of procurement. The required re-profiling of budgets was completed as part of the 2022/23 to 2024/25 capital budget setting process.

Annual Rolling Programme

Children's and Culture

The 2021/22 revised budget for the Children's and Culture Annual Rolling Programme is £4.3m. The forecast year end outturn for the programme is £4.4m, resulting in a small forecast net variance acceleration of £0.1m.

The notable scheme within the Children's and Culture Annual Rolling Programme is the conditions and improvement programme which is anticipated to show a small overspend on budgets requiring acceleration.

Place

The 2021/22 revised budget for the Place Annual Rolling Programme is £10.6m. The forecast year end outturn for the programme is £10.3m, resulting in a small forecast net variance slippage of £0.3m.

Notable schemes within the Place Annual Rolling Programme include, Disabled Facilities Grants (DFG) schemes, Public Ream Carriageways and Footways and Investment Works to Tower Hamlets assets. All projects within the programme are forecast to budget with the exception of DFG schemes, where works are anticipated to slip by £0.3m.

Resources

The 2021/22 revised budget for the Resources Annual Rolling Programme is £4.3m. The forecast year end outturn for the programme is £1.9m, resulting in a small forecast net variance slippage of £2.4m.

The IT Rolling programme was a newly agreed IT programme as part of the 2021/22 to 2023/24 capital budget setting 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. Spend is continued to be monitored very carefully and budgets have been re-profiled as part of the 2022/23 to 2024/25 capital budget setting process. All projects are expected to commence before the end of the financial year and be fully delivered, albeit some may take longer than first anticipated.

Invest to Save

Place

The 2021/22 revised budget for the Place Invest to Save Programme is £19.3m. The forecast year end outturn for the programme is £11.7m, resulting in a small forecast net variance slippage of £7.6m.

The total forecast slippage largely relates to Purchase of Temporary Accommodation (TA) programme (£5.4m), where slippage form 2020/21 has now been factored in, and for the Conversions of Properties to Temporary Accommodation (TA) (£2.1m). The spend and budget on both projects will be closely monitored in the coming months.

Period 9 Forecast capital HRA position

General Fund Programme	Directorate	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Housing Revenue Account (First 1,000 homes)	HRA	54.4	21.4	47.4	(7.0)
Housing Revenue Account (THH Rolling)	HRA	23.3	5.6	25.1	1.8
Housing Revenue Account (THH Projects)	HRA	2.6	0.1	0.1	(2.5)
HRA Completed and Retentions Projects	HRA	0.4	0.0	0.4	(0.0)
HRA Total		**80.7**	**27.1**	**73.0**	**(7.7)**

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 £73.0m, which represents 90% of the budget. The spend to date is £27.1m, which is 34% of the revised budget. The HRA capital programme is forecast to slip by £7.7m in 2021/22. The major variances are described below:

Approved Programme

First 1,000 Homes

The 2021/22 revised budget for the First 1,000 Homes Approved Programme is £54.4m. The forecast year end outturn for the programme is £47.4m, resulting in a small forecast net variance slippage of £7.0m.

Housing New Supply scheme is a budget heading for schemes primarily in the First 1,000 Homes new council homes programme and is projecting slippage of £1.3m. This is due to delays in procurement of contractors for some schemes, despite planning consent being achieved. Another area that has experienced delays is the New Build funded with GLA grants schemes, which is projecting slippage of £5.0m.

The creation of the Dynamic Procurement System (DPS) will help to speed up this process moving forward. In 2021/22, 23 new council homes for social rent will be completed as part of this programme; a further 36 new homes will be completed next year, planning consent has been achieved for the majority of the remaining projects and procurement is underway. Progress continues to be made towards delivery on the remainder of schemes within this programme.

<u>Tower Hamlets Homes (THH)</u>

The 2021/22 revised budget for the Approved Programme - Tower Hamlets Homes (THH) is £2.6m. The forecast year end outturn for the programme is £0.1m, resulting in a forecast net variance slippage of £2.5m.

This forecast slippage relates to the Housing Revenue Account (THH projects) Public Realm Improvements scheme, which is a consequence of delays caused by opposition to schemes and the continued impacts of the Covid-19 pandemic.

Annual Rolling Programme

<u>Tower Hamlets Homes (THH)</u>

The 2021/22 revised budget for the Annual Rolling Programme - Tower Hamlets Homes (THH) is £23.3m. The forecast year end outturn for the programme is £25.1m, resulting in a forecast net variance acceleration of £1.8m.