ISLINGTON

Resources Directorate
Newington Barrow Way, London, N7 7EP

Report of: Executive Member for Finance and Performance

Meeting of	Date	Ward(s)
Executive	14 October 2021	All

Delete as appropriate:	~~Exempt~~	Non-exempt

2021/22 BUDGET MONITORING – MONTH 5

1. SYNOPSIS

1.1 This report presents the forecast outturn position for the 2021/22 financial year as at the end of month 5 (31 August 2021).

1.2 The budget forecasts remain very uncertain at this stage in the financial year and recovery from the COVID-19 pandemic. Rather than a one-off event that the council's budget is recovering from, COVID-19 will continue to have a significant ongoing impact on the council's budget for the foreseeable future. There is a need to maintain and, where possible, increase resilience in the council's balance sheet and reserves to reflect hardening budget risks over the medium term.

1.3 Overall, the council is currently estimating total General Fund budget pressures of (+£24.954m). This is an increase of (+£2.223m) since the previous reported position, primarily due to adverse movements in the Environment and People directorate forecasts. After the allocation of available COVID-19 funding and an assumed allocation from contingency, this reduces to a forecast net overspend of (+£0.894m) on the General Fund as follows:

- (-£11.714m) centrally allocated COVID-19 government grant confirmed to date, comprising general grant and Contain Outbreak Management Fund (COMF).
- (-£2.436m) estimated compensation from the government's sales, fees and charges (SFC) income loss scheme for 2021/22 Quarter 1 (Q1).
- (-£7.117m) COVID-19 contingency budget and reserves set aside as part of the 2021/22 budget setting process.
- (-£2.900m) assumed call on contingency in relation to evolving assumptions on the 2021/22 local government pay award (negotiations still ongoing) compared to original budget setting assumption.

1.4 At present there are no forecast council tax or business rates income budget variances.

1.5 The Housing Revenue Account (HRA) is currently forecasting an in-year surplus of (-£15.079m, unchanged since the previous reported position), predominantly in relation to capital financing costs that are now expected to be incurred in future financial years. A significant proportion of the HRA budget is funding towards the housing capital programme. This means there can be large in-year fluctuations to revenue budgets when capital slippage occurs.

1.6 At the end of month 5, capital expenditure of £29.354m had been incurred against a 2021/22 full year forecast of £169.082m and against the revised 2021/22 capital budget of £203.322m. Within this, many schemes are still forecasting expenditure to budget pending a review of capital expenditure profiles that is currently underway. It is expected that this will result in re-profiling of the capital programme between financial years for approval in subsequent budget monitoring reports to the Executive.

2. RECOMMENDATIONS

2.1. To note the forecast 2021/22 General Fund budget variance and summary update on the deliverability of agreed budget savings. (**Section 3**, **Tables 1-2** and **Appendices 1-2**)

2.2. To note the forecast in-year budget variance on the Housing Revenue Account (HRA). (**Section 4**)

2.3. To note the 2021/22 capital expenditure forecast of £169.082m and that a review of the profiling of the capital programme is currently underway. (**Section 5**, **Table 4** and **Appendix 3**)

2.4. To note that £0.119m has been added to the 2021/22 capital programme for additional works on the Bunhill 2 Project, following approval by the Executive. (**Paragraph 5.4**)

3. GENERAL FUND

Summary

3.1. The forecast 2021/22 budget variance is summarised in **Table 1** and detailed by individual General Fund variance at **Appendix 1** and by individual service area at **Appendix 2**.

Table 1 – 2021/22 General Fund Forecast Over/(Under)Spend

GENERAL FUND	COVID-19 £m	Non COVID-19 £m	Month 5 Total £m	Month 3 Total £m	Monthly Movement £m
Chief Executive's Directorate	0.000	0.000	0.000	0.000	0.000
Community Wealth Building	0.800	0.000	0.800	0.800	0.000
Environment	8.304	(3.205)	5.099	3.587	1.512
Fairer Together	0.252	0.000	0.252	0.252	0.000
Homes and Neighbourhoods	0.934	(0.934)	0.000	0.000	0.000
People – Children's	2.830	2.312	5.142	5.709	(0.567)
People – Adult Social Services	3.218	3.091	6.309	5.149	1.160
Public Health	0.488	(0.488)	0.000	0.000	0.000
Resources	2.105	0.118	2.223	2.105	0.118
Total Directorates	**18.931**	**0.894**	**19.825**	**17.602**	**2.223**
Corporate Items	2.229	2.900	5.129	5.129	0.000

Total General Fund	**21.160**	**3.794**	**24.954**	**22.731**	**2.223**
COVID-19 Tranche 5 Grant and COMF	(11.714)	-	(11.714)	(11.714)	0.000
SFC Q1 Compensation (Estimate)	(2.436)	-	(2.436)	(2.436)	0.000
COVID-19 Contingency Budget/Reserves	(7.010)	-	(7.010)	(5.500)	1.510
Assumed Call on Contingency Budget	-	(2.900)	(2.900)	(2.900)	0.000
Net General Fund Over/(Under)Spend	**0.000**	**0.894**	**0.894**	**0.181**	**0.713**

Chief Executive's Directorate (Breakeven Position, unchanged since the previous reported position)

3.2. The Chief Executive is currently forecasting a breakeven position.

Community Wealth Building (+£0.800m, unchanged since the previous reported position)

3.3. The Community Wealth Building directorate is currently forecasting a net overspend of (+£0.800m), comprised entirely of COVID-19 related budget pressures.

3.4. There are COVID-19 related budget pressures in the department which are unchanged since the previous reported position and include:

- (+£0.548m) reduced income from the Assembly Hall.
- (+£0.100m) reduced income from Planning fees.
- (+£0.213m) Additional pandemic response related costs e.g. hygiene maintenance.
- (-£0.061m) offsetting reduction in operational costs at the Assembly Hall.

Environment Directorate (+£5.099m, an increase of £1.512m since the previous reported position)

3.5. The Environment directorate is currently forecasting a net overspend of (+£5.099m), of which (+£8.304m) is attributable to COVID-19 related budget pressures.

3.6. In total, this is a movement of (+£1.512m) since the previous reported position and is due to:

- Revised forecast on House in Multiple Occupation Licensing fees (+£0.442m) as some of the fee previously forecast will be required to finance the costs of implementing the schemes.
- Shortfall on Registrars income (+£0.382m) due to period with no weddings, reorganised ceremonies from last year with no income and loss of the council chamber due to building works and changes to building safety regulations as a large capacity venue.
- Additional fleet management costs (+£0.100m) as a result of vehicle hire costs.
- General revision of forecasts throughout the department resulting in a net overspend of (+£0.092m).
- Increase in income forecast due to recharge, fee and other income (-£0.243m).
- The forecast impact of COVID-19 on the directorate has increased by (+£0.738m) since the previous reported position due to revisions on the shortfall of trade waste, fixed penalty notice and pest control income, and continuing COVID-19 functions which were funded by specific grants in the previous financial year i.e. additional patrols, weekend day service, council stewards and emergency planning support to vaccination centres

3.7. The department relies heavily on fees and charges income to subsidise its services and the COVID-19 crisis has severely impacted on revenue generating activities across all service areas:

- Parking related income – there has been a substantial decrease in projected income across Pay & Display and Permit & Vouchers. Early estimates indicate that the impact will see a loss in income across these areas of around (+£3.979m, unchanged since the previous reported position).
- Leisure related income – the council receives income from operating the leisure centres and from events within our parks and open spaces. The forecast impact of this income loss is (+£3.135m, an increase of £0.120m since the previous reported position).
- Other areas such as Commercial Waste, Tables and Chair, Fixed Penalty Notice and Pest control income are also experiencing reduced levels of service and it is estimated that the net income loss across these areas will be (+£0.970m, an increase of +£0.398m since the previous reported position).

3.8. Other reasons for the overspend include:

- Additional overtime, allowances and mortuary costs throughout the Public Protection division as a result of COVID-19 (+£0.220m, new pressure for month 5)
- Shortfall in Registrars income (+£0.382m, new pressure for month 5)
- Overspend within Parking financial charges, NSL/PCN debt registration (£+0.354m, a decrease of -£0.002m since the previous reported position)
- Overspend within SES on vehicle maintenance (+£0.100m, new pressure for month 5)
- Additional spend on running costs (+£0.092m, new pressure for month 5).

3.9. Partially offsetting these budget pressures, based on prevailing activity the directorate is forecasting additional income totalling (-£4.134m, a decrease of +£0.201m since the previous reported position) for Parking Bay suspensions, House in Multiple Occupation licensing, Highways fees, recharge and other fee income. These activity levels are constantly monitored, and the forecasts will be refined based on emerging data.

Fairer Together (+£0.252m, unchanged since the previous reported position)

3.10. The Fairer Together directorate is currently forecasting an overspend of (+£0.252m) entirely attributable to the COVID-19 response and specifically the 'We are Islington' service. Additional overtime and salary related expenditure are being incurred due to extra support and assistance provided to the vulnerable, isolating and communities at large.

Homes and Neighbourhoods (Breakeven position, unchanged since the previous reported position)

The Homes and Neighbourhoods directorate includes the council's statutory, yet unfunded by central government, duty to provide a safety net to vulnerable migrants with No Recourse to Public Funds (NRPF) – including European Economic Area Nationals, under social services legislation (including the Care Act 2014 and Children's Act 1989).

3.11. The Housing directorate is currently forecasting a net breakeven position for the General Fund, comprised of (+£0.934m, an increase of +£0.058m since the previous reported position) COVID-19 related net budget pressures after specific grant funding and (-£0.934m, a decrease of -£0.058m since the previous reported position) net non-COVID-19 related underspends.

3.12. COVID-19 has continued to cause budget pressures across homelessness and NRPF services of (+£0.934m). This is shown through rising client numbers, increased provider costs, additional legal challenges, extra landlord incentive payments, higher rent arrears and lost income sources. The homelessness service had to alter its service provision following a series of central government instructions. The financial pressure is being met from wider departmental underspends and repurposed grants.

3.13. The movement since the previous forecast includes increased TA costs as client numbers have increased during the pandemic and will either continue to rise or remain steady. This pressure will be partly offset with the Rough Sleeper Initiative Grant. As TA cases remain high it is likely that higher amounts of rental income will feed through in the coming months. Other cost reductions include decrease in the use of private sector leasing properties, minor staffing changes and reduction in non-pay expenditure.

3.14. Underlying the COVID-19 impact are the continued financial pressures of the Homelessness Reduction Act 2017 and changes to the Statutory Homelessness Code of Guidance. This Act and amended Code are increasing the number of new homeless cases for the council and resulting in rising legal challenges.

3.15. Within the net non-COVID-19 related underspend, there is a forecast budget pressure of (+£0.427m, unchanged since the previous reported position) on Islington Lettings, the council run not-for-profit letting agency, Islington Lettings is include Islington Lettings. This is partly due write offs of uncollected rent.

<u>People (+£11.451m, an increase of +£0.593m since the previous reported position)</u>

3.16. The People directorate (comprising Children's, Employment and Skills and Adult Social Services) is currently forecasting a (+£11.451m) overspend.

Children's - General Fund (+£5.142m, a decrease of -£0.567m since the previous reported position), Schools (-£5.553m, a reduction of -£0.008m since the previous reported position)

3.17. Children's is currently forecasting a net overspend of (+£5.142m), comprised of (+£2.830m) COVID-19 related budget pressures and risks and (+£2.312m) non COVID-19 related net overspends.

3.18. COVID-19 related budget pressures in the department comprise:

- (+£0.500m, unchanged since the previous reported position) forecast loss of parental fee income in Children's Centres due to sustained lower levels of attendance.
- (+£0.285m, a decrease of -£0.122m since the previous reported position) forecast commercial income risk in relation to the universal youth offer.
- (+£1.597m, unchanged since the previous reported position) forecast net pressure against the children looked after placements budget, which is largely attributable to COVID-19. Several management actions have been put in place to control costs including:
    - Detailed review of costs pressures through the placements board.
    - Focus on increasing in-house recruitment of foster carers.
    - Regional work across London regarding high costs placements, a local welfare secure unit for children who need their liberty restricted due to risk.
    - Sub-regional block booking with Independent Fostering Agencies to reduce costs, by reducing boroughs competing for the same placement and pushing up cost.
    - Service director approval required for all residential/high cost placements.
- (+£0.270m, an increase of +£0.006m since the previous reported position) forecast overspend against Special Educational Needs and Disabilities (SEND) transport due to increased costs of transporting young people and the loss of curriculum income. This is an increase of (+£0.006m) since the previous reported position.

- (+£0.178m, unchanged since the previous reported position) other COVID-19 cost pressures.

3.19. Non COVID-19 budget pressures are made up of:

- The previously reported pressure of £0.481m for costs of implementing the new Adolescent Support Intervention Programme is now being funded by the corporate transformation fund, (a reduction of -£0.481m since the previous reported position). The service is projected to lead to future cost avoidance of £0.902m per annum. The service is targeted at teenagers through a wraparound intensive prevention programme of support that could prevent up to 11 young people becoming looked after. This is no longer an in-year pressure but remains an ongoing cost pressure.
- (+£0.177m, unchanged since the previous reported position) legal costs in relation to a delay in the conclusion of care proceedings and to SEND appeals. The use of Counsel is subject to service director approval to minimise this cost pressure.
- (+£0.393m, unchanged since the previous reported position) further cost risks in relation to the re-procurement of the youth offer. An enhanced offer will incur additional costs and there will be a risk to commercial income generated under the current offer.
- (+£0.357m, an increase of+ £0.030m since the previous reported position) overspends due to a reduction in funding from the Youth Justice Board (despite rising activity), increased activity against the remand budget, and staffing pressures to meet significantly increased caseloads in the SEND team in line with the SEND strategy and statutory duties.
- (-£0.100m, unchanged since the previous reported position) underspend on the council's Universal Free School Meals programme due to increased eligibility for government funded free school meals and falling pupil numbers.
- (+£0.262m, unchanged since the previous reported position) ongoing staffing pressure in relation to supporting increased numbers of care leavers in recent years.
- (+£0.125m, unchanged since the previous reported position) cost pressure in relation to increased demand for temporary accommodation.
- (+£1.090m, unchanged since the previous reported position) of in-year cost pressures in relation to early help, Islington Trauma Informed Practices in Schools (iTIPS) and Partners in Practice due to timing differences in relation to funding. The funding for these items has already been recognised in previous financial years.
- (+£0.008m, unchanged since the previous reported position) of other net underspends across the service.

3.20. There is an underspend of (-£5.553m) (3.5%) against the ring-fenced Dedicated Schools Grant (DSG), a reduction of (+£0.008m) since the previous reported position. This forecast includes (-£4.082m) of balances brought forward from previous years. The underspend is as follows:

- (-£0.199m) unallocated funding in the Central School Services Block that is being held to smooth in reductions in funding in future years as the government continues to phase out funding for historic duties. (-£0.044m) of this underspend is a balance from previous years.
- (-£2.858m) estimated balance of high needs funding after allowing for forecast demographic cost pressures in the region of £1m, a reduction of (+£0.008m) since the previous reported position. There is a high level of uncertainty in the high needs forecast at this point in the year. (-£1.542m) of this underspend relates to balances from previous years. The council is working closely with schools and other stakeholders to update the SEND strategy in order to ensure that the needs of children and young people with high needs are met.

- (-£0.463m) prior year balance in relation to funding for the statutory entitlement for 2-year-old provision that is being held by Schools Forum to offset a future year funding risk.
- (-£2.033m) early years contingency balance from previous years that is being held to offset funding risks due to lower numbers in provision because of COVID-19, and to meet pressures in relation to early years SEND.

3.21. School Individual school balances stood at (+£9.459m) at the end of 2020/21. Schools have budgeted to reduce their balance by (-£5.468m) to (+£3.991m) over the course of the year. Quarter 1 monitoring has shown an improvement in this position of (+£0.309m) to (+£4.301m). Some use of surplus balances will be planned for capital works, where timing can be uncertain.

3.22. There are 9 schools in deficit as of 31 March 2021, based on the budget plans submitted by schools this is expected to reduce to 8 by 31 March 2022, with two schools coming out of deficit and one entering into a deficit.

Adult Social Services (+£6.309m, an increase of +£1.160m since the previous reported position)

3.23. Adult Social Services is currently forecasting an (+£6.309m) overspend. This is mainly (+£3.218m) attributable to the COVID-19 crisis, with a non COVID-19 overspend of (+£3.091m).

3.24. The department is forecasting net COVID-19 related budget pressures of (+£3.048m) in relation to additional demand from the COVID-19 Hospital Discharge Service, as follows:

- (+£2.454m, unchanged since the previous reported position) in relation to cohort of people who entered a care package between 19 March 2020 and 31 August 2020 (funded by NHS to 31 March 2021) and between 1 September 2020 and 31 March 2021 (funded by the NHS for first 6 weeks).
- (+£1.317m, a decrease of -£0.055m since the previous reported position) in relation to the cohort of people who entered a care package between 1 April 2021 and 30 June 2021 (funded by NHS for first 6 weeks) and between 1 July 2021 and 30 September 2021 (funded by NHS for first 4 weeks). This is offset by estimated NHS funding of (-£0.723m). Review teams were set up to reduce the cost of these packages, however a pressure persists.

3.25. Additional COVID-19 budget pressures totalling (+£0.170m, unchanged since the previous reported position) include workforce pressures of running additional social work and occupational therapist capacity.

3.26. Non COVID-19 related pressures include a contract with Care UK to manage the delivery of three care homes and day centres. Since September 2020, a fire related suspension has prevented any new placements from using vacant beds across all three care homes. This has created a forecast budget pressure of (+£1.850m, unchanged since the previous reported position) due to additional spot purchased residential beds whilst also paying for the vacant beds in Care UK. The ongoing issue with the provider also creates a pressure of (+£0.172m, unchanged since the previous reported position) in relation to delivery of the 'Better Use of Block Provision' saving.

3.27. The ongoing issues with Care UK will lead to an estimated additional cost of (+£1.400m) in 2021/22, with additional budgetary impact in future financial years.

3.28. Budget provision had been set aside in order to fund Care UK to pay the London Living Wage to their staff. This is no longer anticipated to be agreed in 2021/22, resulting in a one-off underspend of (-£0.700m, unchanged since the previous reported position).

3.29. Adult Social Services continues to be impacted by wider demographic pressures, including increased demand for services and need of acute care. This is part-funded through demographic budget growth assumed in the 2021/22 budget. However, there is currently forecast to be an additional, unbudgeted demographic growth pressure of (+£0.994m, a decrease of -£0.427m since the previous reported position) as well a pressure of (+£0.250m) in relation to delivery of demand management savings.

3.30. The additional clients entering Adult Social Services will also increase the amount of client contributions the council will receive. This partially offsets the pressures created from the additional demand by (-£0.200m, an increase of +£0.400m since the previous reported position). There is also a one-off balance on the Direct Payment accounts of (-£0.500m).

3.31. Other small non COVID-19 related underspends totalling (-£0.0175m, a decrease of -£0.158m since the previous reported position) make up the remainder of the non COVID-19 variance.

Public Health (Breakeven position, unchanged since the previous reported position)

3.32. Public Health is funded via a ring-fenced grant of £27.365m for 2021/22. The directorate is currently forecasting a breakeven position, of which (+£0.488m) are COVID-19 related budget pressures.

3.33. COVID-19 is currently estimated to cause a pressure of (+£0.488m). The main COVID-19 budget pressures are in the Sexual Health division (increased online access to STI testing). This is fully offset by underspends, namely an underspend in the Sexual Health division of (-£0.479m, a decrease of -£0.007m since the previous reported position) due to decreased levels of activity within areas of the service.

3.34. The following non COVID-19 related budget pressures of (totalling +£0.115m, an increase of +£0.007m since the previous reported position) are forecast across the directorate:

- (+£0.042m, unchanged since the previous reported position) within Smoking & Tobacco division for the additional cost of a two-year Smoke free Pregnancy project.
- (+£0.071m, an increase of +£0.025m since the previous reported position) within Substance Misuse division, predominantly due to the service continuing to commission withdrawal services and homelessness health services for 2021/22, as a consequence of demand remaining high.
- (+£0.002m, a decrease of £0.018m since the previous reported position) additional pressure across the department.

3.35. These non-COVID-19 related budget pressures are fully offset by the following underspends in various divisions:

- (-£0.063m, a decrease of -£0.007m since the previous reported position) within Sexual Health as a result of lower demand for GP Local Enhanced Services during the pandemic.
- (-£0.034m, unchanged since the previous reported position) within Obesity and Physical Health predominantly due to a supplier folding at the start of 2021/22.
- (-£0.019m, unchanged since the previous reported position) small underspends across the department.

3.36. In addition to the reported budget variance, the directorate is forecasting (+£0.353m) one-off projects and (+£0.250m) team posts that are to be funded by wider Public Health underspends and/or the public health earmarked reserve.

3.37. The directorate will need to ensure sufficient resources are allocated to fund the Agenda for Change salary uplift to NHS providers. It is unclear how much the additional cost will be as discussions are ongoing.

Resources (+£2.223m, an increase of +£0.118m since the previous reported position)

3.38. The Resources directorate is currently forecasting a net overspend of (+£2.223m), comprising of (+£2.105m) in relation to COVID 19 budget pressure and (+£0.118m), non COVID-19 overspend.

3.39. The most significant COVID-19 budget pressure in the directorate is an estimated (+£1.936m, unchanged since the previous reported position) of additional costs of IT related hardware and software solutions. Examples of these costs include the fit out of the council chamber for broadcasts, delays to schemes and additional infrastructure required to support rapidly increasing digitisation of services.

3.40. Additional costs (+£0.169m, unchanged since the previous reported position) include delays to the implementation of the case management system within Legal Services, the willingness of the courts to use e-bundling and loss of legal income from planning activities due to reduced demand.

3.41. The directorate is also incurring non COVID 19 related extra costs of (+£0.177m, new pressure for month 5) in connection with various ad hoc projects including on-going restructure, recruitment campaign, consultancy/agency and Civica upgrade costs, part of which is offset by non COVID-19 underspend (-£0.059m, new underspend for month 5) elsewhere within the department.

Corporate Items (+£5.129m, unchanged since the previous reported position)

3.42. The initial corporate items forecast is a (+£5.129m) overspend, comprising (+£2.229m) COVID-19 related pressures and non COVID-19 related net pressures of (+£2.900m).

3.43. The COVID-19 related corporate budget pressure relates to the implementation of the Council Tax Support Hardship Scheme for 2021/22, mirroring the scheme that ran to support residents in 2020/21.

3.44. The forecast non COVID-19 variance (+£2.900m, unchanged since the previous reported position) is in relation to evolving assumptions on the 2021/22 local government pay award. Following announcements from the Chancellor during the budget setting process, the council set aside provision for a zero percent general pay award together with an increase for those staff on the lower pay grades. It is now anticipated that the pay award will be higher than budgeted, however negotiations remain ongoing.

Council Tax and Business Rates (Breakeven position)

3.45. COVID-19 led to significant council tax income and business rates income losses in 2020/21. Whilst it is too early in the year and recovery from the pandemic to fully assess the budget outlook in this area, collection levels currently appear to be reassuring compared to the prudent assumptions made at 2021/22 budget setting. This resilience in collection is to some extent underpinned by the government’s extension of Business Rates Reliefs and the Furlough Scheme. As such, a breakeven position on council tax and business rates is currently forecast.

4. HOUSING REVENUE ACCOUNT (HRA)

4.1. The HRA is currently forecasting an in-year surplus of (-£15.079m), predominantly in relation to capital financing costs that are now expected to be incurred in future financial years. The HRA budget forecast is summarised in **Appendix 2**.

4.2. As the HRA is a ring-fenced account, a surplus or deficit at the end of the financial year will be transferred to or from HRA reserves.

4.3. A significant proportion of the HRA budget is funding towards the housing capital programme. This means there can be large in-year fluctuations to revenue budgets when capital slippage occurs. At month 5, there is a forecast net capital financing underspend on the HRA of (-£15.012m), comprising:

- (+£1.000m) capital cost pressure on the Andover 42 unit new build scheme, representing 3.5% of scheme cost.
- (+£0.800m) pump room upgrades to facilitate operational effectiveness of Bunhill 2.
- (+£0.180m) Holland Walk lighting improvement works.
- (-£16.992m) anticipated New Build Programme slippage, which is simply moving the same expenditure into 2022/23. That is, capital expenditure has slipped into the next financial year and so has the HRA revenue funding required to finance the expenditure.

4.4. The remaining forecast budget variance (-£0.067m) is in relation to the following areas:

- (-£0.456m) additional generated income within the Rent and Service Charges department, representing 0.26% of budget.
- (+£0.389m) HRA parking income shortfall as current data indicates that usage of car spaces and garages has failed to return to pre-pandemic levels. This could be partly due to a decline in the need to commute for work and behavioural changes influenced by the implementation of the Low Traffic Neighbourhood (LTN) initiative. There is a risk that HRA parking income could reduce further with the expansion of the Ultra Low Emission Zone (ULEZ) from October 2021.

4.5. Whilst the HRA is not expecting any material variances to result from COVID-19 related activities, there remains a risk that tenant rent and service charge arrears could increase when the furlough scheme ends in September 2021. However, a more significant factor of increasing arrears is the ongoing migration from Housing benefit (HB) to Universal Credit (UC). This is because tenants on UC typically hold much higher arrears (UC tenants average arrears of £1,400 and non UC tenant's average arrears of £750).

4.6. An assessment as to the recoverability of arrears is reflected in the budget in the form of a provision for arrears that are deemed irrecoverable in the long term (also known as bad debt provision). The 2021/22 HRA budget includes a bad debt provision of (+£2.250m) to accommodate tenant rent arrears that are deemed irrecoverable. In addition, a (+£1.500m) one-off provision has been made available for any pressure that may arise from the migration of HB to UC. This assessment will be kept under review as the year progresses.

5. CAPITAL PROGRAMME

5.1. At the end of month 5, capital expenditure of £29.354m had been incurred against a 2021/22 full year forecast of £169.082m and against the revised 2021/22 capital budget of £203.322m. This revised 2021/22 budget now incorporates approved slippage from 2020/21.

5.2. The capital forecast at month 5 reflects initial forecast variances where available. However, many schemes are still forecasting expenditure to budget pending a review of capital expenditure profiles that is currently underway. It is expected that this will result in re-profiling of the capital programme between financial years for approval in subsequent budget monitoring reports to the Executive.

5.3. The latest capital position is summarised by directorate in **Table 4** and by project in **Appendix 3**.

Table 4 – 2021/22 Capital Programme

Directorate	Revised Budget 21/22 £m	Spend to Date M5 £m	Forecast Outturn 21/22 £m	Forecast Variance/ Slippage £m
Community Wealth Building	7.968	1.403	8.474	0.506
Environment	36.929	0.794	29.140	(7.789)
Housing	146.001	26.379	121.402	(24.599)
People	12.424	0.778	10.066	(2.358)
Total	**203.322**	**29.354**	**169.082**	**(34.240)**

5.4. There is a capital budget pressure on the Bunhill 2 Project due to additional professional fees resulting from COVID-19 measures. Following Executive approval, £0.119m has been added to the current year capital programme for this, to be funded from existing available capital resources.

6. IMPLICATIONS

Financial Implications

6.1. These are included in the main body of the report.

Legal Implications

6.2. The law requires that the council must plan to balance its spending plans against resources to avoid a deficit occurring in any year. Members need to be reasonably satisfied that expenditure is being contained within budget and that the savings for the financial year will be achieved, to ensure that income and expenditure balance (Section 28 Local Government Act 2003; the council's Financial Regulations 3.7 to 3.10 (Revenue Monitoring and Control)).

Environmental Implications

6.3. This report does not have any direct environmental implications.

Resident Impact Assessment

6.4. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

6.5. A resident impact assessment (RIA) was carried out for the 2021/22 Budget Report agreed by Full Council. This report notes the financial performance to date but does not have direct policy implications, so a separate RIA is not required for this report.

Appendices:
Appendix 1 – General Fund Revenue Monitoring by Variance
Appendix 2 – 2021/22 Revenue by Service Area
Appendix 3 – 2021/22 Capital Appendix

Background papers: None

Signed by:

1 October 2021

Executive Member for Finance and Performance   Date

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