

Report of: Executive Member for Finance and Performance

Meeting of	Date	Agenda Item	Ward(s)
Executive	13 January 2022		All
	Exempt		Non-exempt

2021/22 BUDGET MONITORING – MONTH 8

1. SYNOPSIS

- 1.1 This report presents the forecast outturn position for the 2021/22 financial year as at the end of month 8 (30 November 2021).
- 1.2 Overall, the council is currently estimating total General Fund budget pressures of (+£24.096m). This is an increase of (+£1.315m) since the previous reported position, due to adverse movement within the Community Wealth Building directorate. After the allocation of available COVID-19 funding and an assumed allocation from contingency budgets, this reduces to a forecast net overspend of (+£0.447m) 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).
 - (-£2.423m) estimated compensation from the government's sales, fees and charges (SFC) income loss scheme for 2021/22 Quarter 1 (Q1). This amount is based on our submitted claim and will be subject to a further reconciliation process and is therefore subject to change.
 - (-£5.500m) COVID-19 contingency budget in the 2021/22 base budget.
 - (-£4.012m) assumed call on the non-COVID-19 contingency budget in relation to (-£2.900m) evolving assumptions on the pending 2021/22 local government pay award compared to the original budget setting assumption of a pay freeze, (-£0.957m) contribution towards the costs of fire safety precautions within the corporate landlord estate, and (-£0.155m) costs of converting all documents on the council's website into accessible formats to meet legal requirements around accessibility.
- 1.3 The Housing Revenue Account (HRA) is currently forecasting an in-year deficit of (+£9.278m), an increase of (+£0.464m) since the previous reported position. The deficit is predominantly in respect of capital financing costs. A significant proportion of the HRA budget is funding towards the housing capital programme. This means that there can be large in-year fluctuations to

revenue budgets when either capital expenditure or capital resources (e.g. property receipts) slippage occurs. This is a timing issue and not a reflection of the overall viability of schemes.

- 1.4 At the end of month 8, the non-housing programme had incurred £8.438m of capital expenditure, and the housing programme had incurred £45.936m. Total capital expenditure of £54.374m had been incurred against a 2021/22 full year forecast of £122.546m and against the revised 2021/22 capital budget of £228.748m. This means that there is forecast reprofiling of £65.353m into future financial years. There is a risk of further slippage over the remainder of the financial year. A central adjustment has been included to recognise this risk due to low levels of expenditure to date.

2. RECOMMENDATIONS

- 2.1. To note the forecast 2021/22 General Fund budget variance. (**Section 3, Table 1 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 and review latest estimated calls on the corporate transformation fund in 2021/22. (**Section 3.55, Table 2 and Appendix 3**)
- 2.4. To note the 2021/22 capital expenditure forecast of £122.546m and agree slippage of £63.395m to future financial years, and to note that there is a significant risk of further slippage over the remainder of the financial year. (**Section 5, Table 3 and Appendix 4**)

3. GENERAL FUND

- 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

	COVID-19 £m	Non COVID-19 £m	M8 Total £m	M7 Total £m	Monthly Movement £m
Adult Social Services	2.919	1.473	4.392	4.757	(0.365)
Chief Executive's Directorate	0.010	0.345	0.355	0.160	0.195
Children's Services	2.301	3.221	5.522	5.299	0.223
Community Wealth Building	0.723	1.900	2.623	0.800	1.823
Environment	8.178	(4.598)	3.580	3.663	(0.083)
Fairer Together	0.174	0.000	0.174	0.252	(0.078)
Homes and Neighbourhoods	0.871	(1.592)	(0.721)	(0.264)	(0.457)
Public Health	0.871	(0.428)	0.443	0.383	0.060
Resources	2.105	0.123	2.228	2.231	(0.003)
Total Directorates	18.152	0.444	18.596	17.281	1.315
Corporate	2.600	2.900	5.500	5.500	0.000
Total General Fund	20.752	3.344	24.096	22.781	1.315
COVID-19 Grants	(11.714)	0.000	(11.714)	(11.714)	0.000
SFC Q1 Compensation	(2.423)	0.000	(2.423)	(2.423)	0.000
COVID-19 Contingency	(5.500)	0.000	(5.500)	(5.500)	0.000
Non COVID-19 Contingency	0.000	(4.012)	(4.012)	(3.055)	(0.957)
Net General Fund Over/(Under)Spend	1.115	(0.668)	0.447	0.089	0.358

Adult Social Services (+£4.392m, a decrease of -£0.365m since the previous reported position)

- 3.2. Adult Social Services is currently forecasting an (+£4.392m) overspend. Of this, (+£2.919m) is considered attributable to the COVID-19 crisis, with a non-COVID-19 overspend of (+£1.473m).
- 3.3. The most significant COVID-19 budget pressure in the directorate is in relation to additional demand from the COVID-19 Hospital Discharge Service (+£2.819m), summarised as follows:
- (+£2.536m, an increase of +£0.066m since the previous reported position) is in relation to the cohort of people who have received a care package since the 19 March 2020 as a result of the Hospital Discharge schemes. 1493* individuals have accessed social care through this route since the Hospital Discharge schemes began. Of these, 805* clients have been reviewed and determined to be eligible for social care with an estimated cost in 2021-22 of £14.536m. An estimated (+£12.000m) would have been funded as business as usual, causing this residual budgetary pressure.
 - (+£2.043m, no change since the previous reported position) is in relation to the cohort of people who received a care package, through the Hospital Discharge schemes in this financial year, and are awaiting a review of their care packages to assess whether they are eligible for social care. There have been 573* individuals accessing services through this scheme to date, with 81* currently awaiting a review.
 - This is offset by estimated NHS funding of (-£1.760m, no change since the previous reported position due to the NHS discharge scheme being extended to the 31 March 2022). Review teams were set up to reduce the cost of these packages, however a pressure persists.
- *as at December 2021
- 3.4. 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 (+£2.107m, no change since the previous reported position) due to an additional 65 spot purchased residential beds being required whilst also paying for the vacant beds in Care UK.
- 3.5. Previously it had been reported that the ongoing issues with Care UK would result in additional pressures in 2021/22 further to those detailed above, however it has been confirmed that these will not materialise in this financial year. This has been reflected in the forecast (£0, a decrease of -£0.316m). However these issues are expected to continue into 2022/23 with significant additional cost pressures expected
- 3.6. 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 (+£0.781m, a decrease of -£0.043m since the previous reported position) as well a pressure of (+£0.250m) in relation to delivery of demand management savings.
- 3.7. 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, unchanged since the previous reported position). There is also a one-off balance on the Direct Payment accounts of (-£0.500m) which reduces the net future expenditure for the service.

- 3.8. Other small non-COVID-19 related underspends totalling (-£0.494m, a decrease of -£0.102m since the previous reported position) make up the remainder of the non-COVID-19 variance.
- 3.9. In November 2021, the Government announced it would award the following grants to Adult Social Care:
- The **Workforce Capacity Fund** (-£0.871m) – This will be used to offset existing forecasted workforce pressures over the winter period and further additional workforce costs to support timely hospital discharges (+£0.300m).
 - Round 5 of the **Infection Prevention and Control Grant** (-£0.816m) – This will be used towards infection control measures within the borough's care providers and within the Local Authority. It is expected that it will be fully spent in 2021/22 (+£0.816m).

Chief Executive's Directorate (+£0.355m, an increase of +£0.195m since the previous reported position)

- 3.10. The Chief Executive directorate is currently forecasting a net overspend of (+£0.355m), of which (+£0.010m) is attributable to COVID-19 related income budget pressures.
- 3.11. The reasons for the position are detailed below:
- (+£0.155m) costs of converting all documents on the council's website into accessible formats to meet legal requirements around accessibility. This overspend has been offset by an assumed drawdown from the corporate contingency budget.
 - (+£0.148m) costs relating to the 'More Equal Islington' project.
 - (-£0.008m) net underspends on supplies and services throughout Communications.
 - (+£0.050m) overspend forecast within Print Services mainly as a result of the vacancy factor, additional IT costs and loss of income
 - (+£0.010m) loss of advertising income due to the impact of COVID-19.
- 3.12. There has been movement of (+£0.195m) for the department between Months 7 and 8 the details of which are explained below:
- (+£0.148m) costs relating to the 'More Equal Islington' project.
 - (+£0.010m) revised employee forecasts throughout Communications.
 - (+£0.028m) on the income forecasts as the commercial plan has been hit by delays.
 - (+£0.011m) net movement on software and printing costs within Print Services.

Children's Services - General Fund (+£5.522m, an increase of +£0.223m since the previous reported position), Schools (-£5.607m, a decrease of +£0.203m since the previous reported position)

- 3.13. Children's is currently forecasting a net overspend of (+£5.522m), comprised of (+£2.301m) COVID-19 related budget pressures and risks and (+£3.221m) non COVID-19 related net overspends.
- 3.14. COVID-19 related budget pressures in the directorate comprise:
- (+£0.565m, unchanged since the previous reported position) forecast loss of parental fee income in Children's Centres due to sustained lower levels of attendance. The lost income during the summer term was +£0.277m and a loss of +£0.166m is forecast for the autumn terms and +£0.122m for the spring term.

- (+£0.285m, unchanged since the previous reported position) forecast commercial income risk in relation to the universal youth offer.
- (+£0.927m, unchanged since the previous reported position) forecast net pressure against the children looked after placements budget, which is largely attributable to COVID-19. While there has been a minor increase in residential activity since quarter 1, it is still significantly lower than quarter 2 2020/21. Semi-independent provision activity has reduced significantly since quarter 1 but is still much greater than quarter 2 2020/21. Activity in relation to independent foster care has increased since quarter 1 but is still lower than quarter 2 2020/21. 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.
- (+£0.292m, unchanged 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.
- (+£0.232m, an increase of +£0.054m since the previous reported position) other COVID-19 cost pressures.

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

- (+£0.441m, unchanged since the previous reported position) legal costs in relation to a delay in the conclusion of care proceedings, SEND appeals and other legal costs. The use of Counsel is subject to service director approval to minimise this cost pressure.
- (+£0.122m, a reduction of -£0.271m since the previous reported position) further cost pressures in relation to the re-procurement of the youth offer. The enhanced offer will incur additional costs and there will be a risk to commercial income generated under the current offer.
- (+£0.300m, unchanged since the previous reported position) overspend due to a reduction in funding from the Youth Justice Board (despite rising activity) and further increased activity against the remand budget. Activity is significantly higher than last year – there has been an increase of 101% in the first 8 months of 2021/22 compared to the whole of 2020/21. The unit cost of remand, as set by the Youth Justice Board, ranges from £315 per night for a Youth Offenders Institute to £574 per night for a Secure Training Centre to £753 per night for a Secure Children’s Home. Most of the additional activity is in relation to young people remanded to the lower cost Youth Offenders Institute, although one young person has been remanded to the highest cost Secure Children’s Home provision compared to none last year.
- (+£0.167m, unchanged since the previous reported position) staffing pressures to meet significantly increased caseloads in the SEND team in line with the SEND strategy and statutory duties.
- (-£0.062m, 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, offset by increased eligibility for school uniform grants and Post-16 bursaries.

- (+£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.
- (+£1.033m, 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.
- (+£0.080m, unchanged since the previous reported position) SEND transport pressure for looked after children in out of borough provision.
- (+£0.588m, an increase of +£0.393m from the previous reported position) of net staffing pressures across the service.
- (+£0.165m, an increase of +£0.047m since the previous reported position) of other net overspends across the service.

3.16. There is an underspend of (-£5.607m) (3.6%) against the ring-fenced Dedicated Schools Grant (DSG), a decrease of (+£0.203m) since the previous reported position. This forecast includes (-£3.750m) of balances brought forward from previous years. The underspend is as follows:

- (-£0.199m, unchanged since the previous reported position) 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.
- (-£0.007m, unchanged since the previous reported position) underspend against the budget for school admission appeals for the current academic year.
- (-£2.534m, unchanged since the previous reported position, following the allocation of funding to schools with higher-than-average numbers of children with Education, Health and Care Plans). (-£1.228m) of this underspend relates to balances from previous years.
- (-£0.077m, a reduction of +£0.263 since the previous reported position) forecast underspend against the budget for centrally commissioned places in academies, the independent sector, further education and out of borough provision. The movement from month 7 is due to early years to primary transfers in the autumn term and reassessment of need following the transfer of young people to further education provision.
- (-£0.234m, unchanged since the previous reported position) unallocated funding against the budget for additional needs.
- (-£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.
- (-£2.093m, an increase of -£0.060m since the previous reported position) early years contingency balance (£2.033m of which is 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. The movement from month 7 is due of a lower than expected funding reduction from the DfE.

3.17. Individual schools' 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 2

monitoring has shown a £0.372m improvement in this position, with balances now projected to be £4.326m at the end of 2021/22 (an improvement of +£0.026m on the previous reported position). Some of the use of balances is for planned capital works where timing can be uncertain.

- 3.18. There are nine schools in deficit as at 31 March 2021, based on the budget plans submitted by schools this was expected to reduce to 8 by 31 March 2022, with two schools coming out of deficit and one entering into deficit. Quarter 2 monitoring returns have identified a further 3 schools projecting to end the year in deficit.

Community Wealth Building (+£2.623m, an increase of +£1.823m since the previous reported position)

- 3.19. The Community Wealth Building directorate is currently forecasting a net overspend of (+£2.623m), of which (+£0.723m) is attributable to COVID-19.
- 3.20. There are COVID-19 related budget pressures in the department which are unchanged since the previous reported position and include:
- (+£0.498m) reduced income from the Assembly Hall.
 - (+£0.361m) additional pandemic response related costs e.g., hygiene maintenance.
 - (-£0.136m) offsetting reduction in operational costs at the Assembly Hall.
- 3.21. The Corporate Landlord division is reporting a (+£0.957m) payment to Guinness Partnership Limited as a 50% contribution to the Waking Watch programme at the Hungerford Estate. The Waking Watch is a fire safety system where suitably trained staff continually patrol the floors and the exterior perimeter of a building to maintain the safety of its occupants from fire. The aim of a waking watch is to ensure there is sufficient warning in the event of a fire to support the evacuation strategy. This is a one-off fire safety action and this overspend has been offset by an assumed drawdown from the corporate contingency budget.
- 3.22. Other Non COVID-19 related budget pressures are made up of:
- (+£0.641m) forecast loss in commercial property income due to difficult market conditions.
 - (+£0.298m) net overspend on staffing costs mainly due to vacancies that are filled by agencies throughout the divisions within the department.
 - (+£0.095m) overspend on operational costs due reactive repairs, letting and legal fees in Corporate Landlord division.
 - (-£0.172m) Grant income received from the Arts Council to support assembly hall activities in the Corporate Landlord division.
 - (-£0.300m) Additional recharge income received to support infection control and enhanced cleaning in the Corporate Landlord division.
 - (+£0.254m) lost income due to reduction in levels of planning activity
 - (+£0.127m) Additional costs due to advertising and legal fees in the Planning and Development division.

Environment (+£3.580m, a decrease of -£0.083m since the previous reported position)

- 3.23. The Environment directorate is currently forecasting a net overspend of (+£3.663m), of which (+£8.178m) is attributable to COVID-19 related budget pressures.
- 3.24. 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;

- (+£3.646m) forecast loss in Parking related income – Early estimates indicate there has been a substantial decrease in projected income across Pay & Display and Permit & Vouchers.
- (+£3.105m) forecast loss in Leisure related income – the council receives income from operating the leisure centres and from events within our parks and open spaces.
- (+£1.952m) forecast loss in income across areas such as Commercial Waste, Registrars, Tables and Chair, Fixed Penalty Notice, and Pest control due to reduced levels of services.

3.25. The Commercial Waste service is also expected to have a reduction in the NLWA levy due to reduced commercial sales and this has been estimated at (-£0.700m).

3.26. Other reasons for the net overspend include:

- (+£0.175m) Additional overtime, allowances and mortuary costs throughout the Public Protection division as a result of Covid-19.
- (+£0.454m) Net overspend on employee costs within the Street Services Operations (SES) division mainly due to annual leave cover.
- (+£0.557m) Overspend within Parking financial charges, NSL/PCN debt registration and salary costs.
- (+£0.042m) Overspend within SES on vehicle maintenance.
- (+£0.141m) Net overspend on employee costs within the Public Protection division due to the vacancy factor.
- (+£0.073m) Overspend forecast on supplies & services mainly on software purchases.
- (+£0.109m) Net overspend being forecast within the Climate Change & Transport division on supplies and services mainly on contractor payments and transport costs.
- (-£0.009m) Combined net underspend throughout the other divisions within the department.

Offset by:

- (-£0.181m) Underspend forecast within Street Services Operations due to revised forecast on bin purchases
- (-£5.803m) Additional income forecasted across Parking Bay suspensions, House in Multiple Occupation licensing, Highways fees, recharge /fee and other income. These activity levels are constantly monitored, and the forecasts will be refined based on emerging data.

3.27. There has been movement of (-£0.083m) for the department between Months 7 and 8 the details of which are explained below:

- (+£0.124m) Movement within Climate Change & Transport as a result of revised forecasts on employee costs, contractor payments (recommissioning of water/drinking fountains post Covid) offset by additional income.
- (-£0.164m) Reduction within Street Services Operations on supplies & services as a result of reduced bin purchases offset by additional net spend forecast throughout the rest of the division (£+0.050m).
- Combined net underspend throughout the other divisions within the department totalling (-£0.004m)

- (-£0.090m) The impact of Covid-19 on the department has decreased due to revisions on the Registrars income forecast.

3.28. Despite the significant spike in energy costs nationally, the council is protected in the current financial year as energy supplies were purchased and secured in advance. However, there would be a significant cost pressure in future years if current prices are sustained. This will need to be considered as part of the overall Medium-Term Financial Strategy.

Fairer Together (+£0.174m, -£0.078m decrease since the previous reported position)

3.29. The Fairer Together directorate is currently forecasting an overspend of (+£0.174m, a decrease of -£0.078m since the previous reported position) 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. This has decreased from the last reported position due to some of the expenditure being offset by the Practical Support Payments grant.

Homes and Neighbourhoods (-£0.721m, -£0.457m decrease since the previous reported position)

3.30. 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).

3.31. The Housing directorate is currently forecasting an underspend position (-£0.721m) for the General Fund including (+£0.756m) of COVID-19 related pressures, a decrease of (-£0.457m) since the previous reported position.

3.32. COVID-19 has continued to cause budget pressures across homelessness and NRPF services of (+£0.756m). 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 grants.

3.33. The movement since the previous forecast includes additional grant support and a reduction in costs in areas such as TA. The reduction in TA is modest and relates to the discharge of duties to cases in TA with negative decisions held against them. As further grant support is provided, the service will be deferring the financial year 2021/22 Demographic Growth and bid until the next financial year. It will also not be drawing down any transformation funding in financial year 2021/22.

3.34. The additional Homelessness Prevention grants have not had the terms and conditions specified and the RSI4 grant is subject to central government spending revision, leading to potentially significant fluidity in financial forecasts in the months ahead.

3.35. 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.

3.36. 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. This pressure is partly due to write-offs of historic uncollected rent.

Public Health (+£0.443m, an increase of +£0.060m since the previous reported position)

- 3.37. Public Health is funded via a ring-fenced grant of £27.365m for 2021/22. The directorate is currently forecasting an overspend position of (+£0.443m), of which (+£0.871m) are COVID-19 related budget pressures.
- 3.38. The main COVID-19 budget pressures are in the Sexual Health division (+£0.400m) (increased online access to STI testing) and the Vaccination programme (+£0.443m). At an overall council level, the (+£0.443m) overspend is ultimately funded by corporately allocated COVID-19 funding.
- 3.39. The following non COVID-19 related budget pressures are forecast across the directorate:
- (+£0.091m, unchanged since the previous reported position) within Smoking and Tobacco division for the additional cost of a two-year Smoke free Pregnancy project and the one-off payment towards stop smoking advisors who will provide support to service users and residents in supported accommodation/
 - (+£0.184m, unchanged 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, because of demand remaining high.
 - The remaining divisions have a modest (-£0.275m) underspend across the directorate.
 - Other Public Health costs have increased by (+£0.050m) due to Agenda for Change salary increases.
- 3.40. In addition to the reported budget variance, the directorate is forecasting (+£0.413m) one-off projects and (+£0.252m) fixed term posts that are to be funded by wider Public Health underspends and the earmarked public health reserve. It is forecast that £0.615m of the earmarked public health reserve (balance £1.353m) will be drawn down in the current financial year.
- 3.41. The Agenda for Change contract uplift to NHS providers has not determined if a contribution is required from Islington, this looks unlikely at this juncture. If a contribution is required this will increase the financial pressure on the service.

Resources (+£2.228m, reduction of -£0.003m since the previous reported position)

- 3.42. The Resources directorate is currently forecasting a net overspend of (+£2.228m), comprising (+£2.105m) COVID 19 pressures and a (+£0.123m) net non-COVID-19 overspend.
- 3.43. The most significant COVID-19 budget pressure in the directorate is estimated additional costs (+£1.936m, unchanged since the previous reported position) in relation to IT related hardware and software solutions. Examples of these costs include the fit out of the council chamber for broadcasts, updating Wi-Fi in key buildings to enable social distancing, central government required PSN compliance, delays to schemes and additional infrastructure required to support rapidly increasing digitisation of services.
- 3.44. Additional COVID-19 cost pressures (+£0.169m, unchanged since the previous reported position) include:
- (+£0.048m) shortfall in legal income from planning activities due to reduced demand.
 - (+£0.100m) forecast one-off implementation costs due to a delay in deliverable savings within Legal Services.
 - (+£0.021m) annual cost of Caselines system required by the courts during the pandemic in order to process digitised papers for legal cases. This cost will be ongoing as the courts move away from paper based to a digitalised system.

- 3.45. The directorate is also incurring non-COVID 19 related extra costs of (+£0.123m, decrease of -£0.003m compared to previous reported figure) in connection with various ad-hoc projects including ongoing restructures in finance and HR, recruitment campaigns and software upgrade costs in connection with income receipts within the council and temporary agency costs.

Corporate Items (+£5.500m, unchanged since the previous reported position)

- 3.46. The corporate items forecast is a (+£5.500m) overspend, comprising (+£2.600m) COVID-19 related pressures and non-COVID-19 related net pressures of (+£2.900m).
- 3.47. The COVID-19 related corporate budget pressure (+£2.600m, unchanged since the previous reported position) relates in full to the in-year decision to continue the Council Tax Support Hardship Scheme in 2021/22, mirroring the additional £150 deductions scheme that supported residents in 2020/21.
- 3.48. 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 0% general pay award together with an increase for those staff on the lower pay grades. It is now anticipated that there will be a pay award of at least 1.75%, with negotiations ongoing.
- 3.49. In addition, not currently factored into the forecast, it is anticipated that there will be an underspend on the treasury management and capital financing budget due to continued low interest rates and re-profiling of the capital programme. The council's budget includes prudent provision for a revenue cost of borrowing to fund the capital programme that is higher than prevailing interest rates. This prudent provision ensures that the capital programme remains affordable if interest rates increase, with latest indications being of an increase in the near future. Alongside re-profiling of the capital programme, this lower and delayed cost of borrowing gives rise to budget underspends in the short term. The forecasts in this area are currently being reviewed alongside the re-profiling of the capital programme and will be factored into the month 8 budget monitoring report to the Executive.

Council Tax and Business Rates

- 3.50. COVID-19 led to significant council tax income and business rates income losses in 2020/21. Whilst it is too early in the 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.
- 3.51. As part of setting the 2021/22 council tax base in January 2021, with the second national lockdown and with the furlough scheme due to end on 31 March 2021, it was prudently assumed that council tax support caseload could significantly increase during 2021/22. To date, this significant increase has not materialised and it is currently anticipated (to be refined over the coming months ahead of the annual statutory Collection Fund forecast in January 2022), that there will be a significant in-year surplus on the council tax account. Other things being equal, this one-off surplus is expected to be in the region of £3.6m and in line with the Medium-Term Financial Strategy would be used to replenish reserves. Due to the time lag around accounting for Collection Fund surpluses and deficits, this surplus would not come into the council's budget and reserves until 2022/23 so would not affect the 2021/22 outturn position.
- 3.52. At this stage, a balanced in-year position is currently forecast on the business rates account after government grant income to offset the impact of increased reliefs on the council's retained rates income. This assumes that the government, as previously announced, legislates against COVID-19 Material Change of Circumstance (MCC) appeals by businesses and specifically that

the cost of any such appeals does not fall on the council. The business rates forecast is under increasing pressure and will be further refined over the coming months ahead of the annual statutory Collection Fund forecast in January 2022.

Transformation Fund (an increase of +£0.085m since previous reported position)

- 3.53. As part of the council’s overall Medium-Term Financial Strategy, there is a corporate transformation fund for the one-off revenue costs of projects which aim to improve services and residents’ experiences and/or support the delivery of budget savings.
- 3.54. The transformation fund is funded from the council’s earmarked reserves. However, the expectation is that costs will be funded in the first instance from available in-year budgets.
- 3.55. Investment decisions are made in consideration of the benefits to residents, the approved savings the investment will deliver and available funds within the approved reserve.
- 3.56. The latest forecast 2021/22 drawdowns from the transformation fund are summarised by directorate in **Table 2** and detailed by project in **Appendix 3**. The (+£0.085m) increase in the forecasted drawdown from the Transformation Fund relates to a new project which has been approved within Adult Social Care (+£0.215), and a (-£0.130m) reduction in the forecast Homes and Neighbourhoods drawdown is due to forecast underspends within the directorate funding transformation projects this financial year.

Table 2 – Forecast 2021/22 Transformation Fund Drawdowns

Directorate	M8 Forecast £m	M7 Forecast £m	Movement
Adult Social Services	1.265	1.050	0.215
Children’s Services	1.768	1.768	0.000
Community Wealth Building	2.465	2.465	0.000
Environment	0.450	0.450	0.000
Fairer Together	0.274	0.274	0.000
Homes and Neighbourhoods	0.000	0.130	(0.130)
Public Health	0.000	0.000	0.000
Resources	2.214	2.214	0.000
Total	8.436	8.351	0.085

4. HOUSING REVENUE ACCOUNT (HRA)

- 4.1. The HRA is currently forecasting an in-year deficit of (+£9.278m, +£0.464m increase from the previous reported position). This is predominantly in relation to capital financing costs which have increased temporarily due to capital receipts in respect of properties “built for sale” slipping into the next year financial year. 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 8, there is a forecast overspend on the HRA’s Revenue Contributions to

Capital Expenditure (RCCO) of (+£7.915m). This increase in RCCO relates in the main to the New Build section of the capital programme, comprising:

- (+£10.317m) delayed open market sale receipts.
- (+£7.271m) RCCO rolled forward from the prior year (at closing 2020/21 capital receipts planned for use in 2021/22 were swapped for RCCO).
- (+£0.800m) pump room upgrades to facilitate operational effectiveness of Bunhill 2;
- (+£0.180m) Holland Walk lighting improvement works (it should be noted that, except for Major Works growth (+£0.980m), this increase in RCCO is simply a timing issue straddling financial years and as such does not result in an additional cost pressure).
- (-£10.653m) anticipated RCCO slippage during 2021/22 (net of RTB receipts) as compared to the original 2021/22 budget.

4.4. The remaining forecast budget variance (+£1.363m) is in relation to the following:

- (+£0.268m) 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.
- (+£0.588m) repairs and maintenance cost pressure, of which (+£0.233m) is a net pressure on in-house repairs and repairs sub-contractor expenditure and (+£0.350m) pressure resulting from the installation of carbon monoxide detectors to comply with the Smoke and Carbon Monoxide Alarm (England) Regulations 2015 amendment which requires social landlords to install carbon monoxide alarms in any room used as living accommodation where a fixed combustion appliance is used.
- (+£0.302m) forecast pressure on HRA use of temporary accommodation due to the introduction of the Domestic Abuse Act 2021. Islington is experiencing an estimated 45% sharp increase in tenant related anti-social behaviour, domestic violence and abuse cases compared to 2020/21.
- (+£0.664m) an upward revaluation of HRA dwelling assets during 2020-21 is expected to result in an increase in depreciation costs. Whilst this appears to represent a cost pressure to the HRA, this is a technical overspend. Depreciation costs are transferred to the Major Repairs Reserve (MRR) to fund HRA major works projects, as such, the increase in MRR balances will reduce the use of Revenue Contributions to Capital Expenditure (RCCO) over the medium term thus no adverse impact on the HRA.
- (+£0.143m) forecast pressure on Rents, Rates, Taxes & Other Charges resulting from higher lease rental costs.
- (-£0.602m) in additional generated income within the Rent and Service Charges department, representing 0.34% of the budget.

4.5. Despite recent increases in UK gas prices, heating and hot water expenditure by the HRA will not overspend because gas supplies for 2021/22 were purchased and secured in advance. However, with current market prices being an estimated 45-55% higher than 2021/22 prices, it is highly probable that costs will increase significantly as we seek to secure supplies for next year. The gas market will be closely monitored as the year progresses to ensure supplies are secured at most competitive prices for our tenants and leaseholders. If costs were to increase,

this would be managed by the utilisation of the tenant heat reserve to smooth the impact on tenants and a review of heating charges levied to tenants and leaseholders.

- 4.6. 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 hold much higher arrears (UC tenants average arrears £1,400 and non UC tenants average arrears £750)
- 4.7. An assessment as to the recoverability of those arrears that is reflected in the budget in the form of a provision for arrears that are deemed irrecoverable in the long term (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 housing benefit to universal credit. This assessment will be kept under review as the year progresses.

5. CAPITAL PROGRAMME

- 5.1. At the end of month 8, capital expenditure of £54.374m had been incurred against a 2021/22 full year forecast of £122.546m and against the revised 2021/22 capital budget of £228.748m.
- 5.2. The capital forecast by scheme at month 8 reflects latest forecast variances where available, with identified re-profiling of £65.353m into future financial years. Formal approval for re-profiling is being sought as part of the month 8 budget monitoring report to the Executive.
- 5.3. A central adjustment to the capital forecast has been included due to the low levels of expenditure to date compared to full year forecasts. This central adjustment extrapolates the capital expenditure to date whilst recognising that capital expenditure is generally more weighted in the second half of the financial year. As a proxy, it is assumed that capital expenditure will be 25% less than currently forecast.
- 5.4. This is summarised between the non-housing and housing capital programme in **Table 3** and detailed in **Appendix 4**.

Table 3 – 2021/22 Capital Programme

	Revised Budget £m	Spend to Date M8 £m	Forecast Outturn 2021/22 £m	Forecast Variance £m	Forecast Expenditure M9-M12
Non-Housing	57.321	8.438	27.634	(29.687)	19.196
Housing	171.427	45.936	135.761	(35.666)	89.825
Sub-Total	228.748	54.374	163.395	(65.353)	109.021
Central Adjustment (25%)			(40.849)	(40.849)	(40.849)
Total Capital Programme			122.546	(106.202)	68.173

- 5.5. The housing budget now includes the property acquisitions previously approved. The housing spend to date noted above does not include adjustments relating to month 8 that had not been processed before month end. To include these would increase the housing spend significantly. For example, the major works spend would increase by approximately £6m and new build spend by approximately £3m.

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 – Revenue by Service Area

Appendix 3 – 2021/22 Calls on Transformation Fund

Appendix 4 – Capital Programme

Background papers: None

Signed by:



5 January 2022

Executive Member for Finance and Performance

Date

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