Resources Directorate
Newington Barrow Way, London, N7 7EP

Report of: Executive Member for Finance and Performance

Meeting of		Date	Agenda Item	Ward(s)
Executive		24 March 2022		All
	~~Exempt~~		Non-exempt	

2021/22 BUDGET MONITORING – MONTH 10

1. SYNOPSIS – MONTH 10 AT A GLANCE

1.1 This report presents the forecast outturn position for the 2021/22 financial year as at the end of month 10 (31 January 2022). Key month 10 highlights are included in this synopsis, with detailed analysis contained in the main body of the report and appendices.

1.2 Overall, the council is forecasting a net underspend of (-£1.201m) after the application of COVID-19 government grant funding and corporate contingency budget. Within this position, there are total forecast General Fund budget pressures of (+£22.727m).

1.3 There has been a net favourable movement in the forecast of (-£1.842m) since the previous reported position. The most significant favourable and adverse movements are summarised below. **Figure 1** shows the movement by directorate and **Figure 2** shows the forecast variance by directorate over the course of the financial year.

Favourable Movements

- (-£0.678m) increase in rental income due from Greenwich Leisure Ltd (GLL) based on latest information (Environment).
- (-£0.332m) decrease in cost pressures in Children's social care in relation to early help, Islington Trauma Informed Practices in Schools (iTIPS) and Partners in Practice (Children's Services).
- (-£0.230m) additional forecast Houses in Multiple Occupation (HMO) licensing income (Environment).
- (-£0.259m) reduction in overtime and agency costs in the Corporate Landlord division (Community Wealth Building).
- (-£0.183m) underspend on corporate levies budget (Corporate).

Adverse Movements

- (+£0.582m) cost of the discretionary pay award paid to low-income staff due to the current cost of living crisis, funded from the corporate contingency budget (Corporate).
- (+£0.497m) pressure on the independent living budget due to care leavers remaining in semi-supported accommodation whilst awaiting temporary accommodation (Children's Services).
- (+£0.200m) increase in agency staff forecast in Street Environment Services due to annual leave cover (Environment).
- (+£0.177m) in net staffing pressures (Children's Services).
- (+£0.054m) movement in net budget shortfall attributable to COVID-19 (Environment).

Figure 1 – Movement by Directorate Month 9-10 (£m)

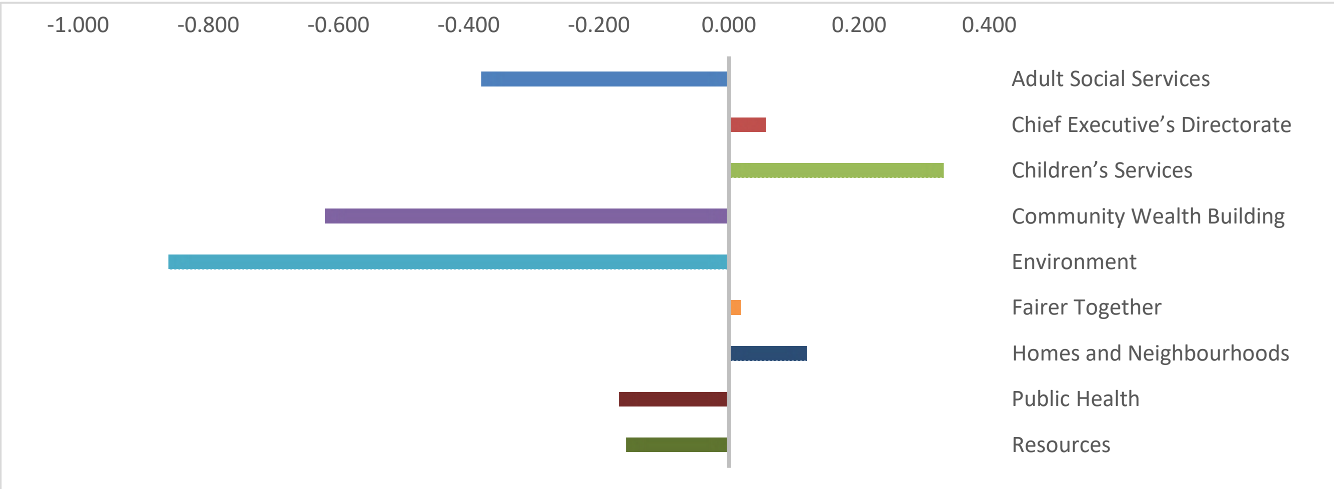
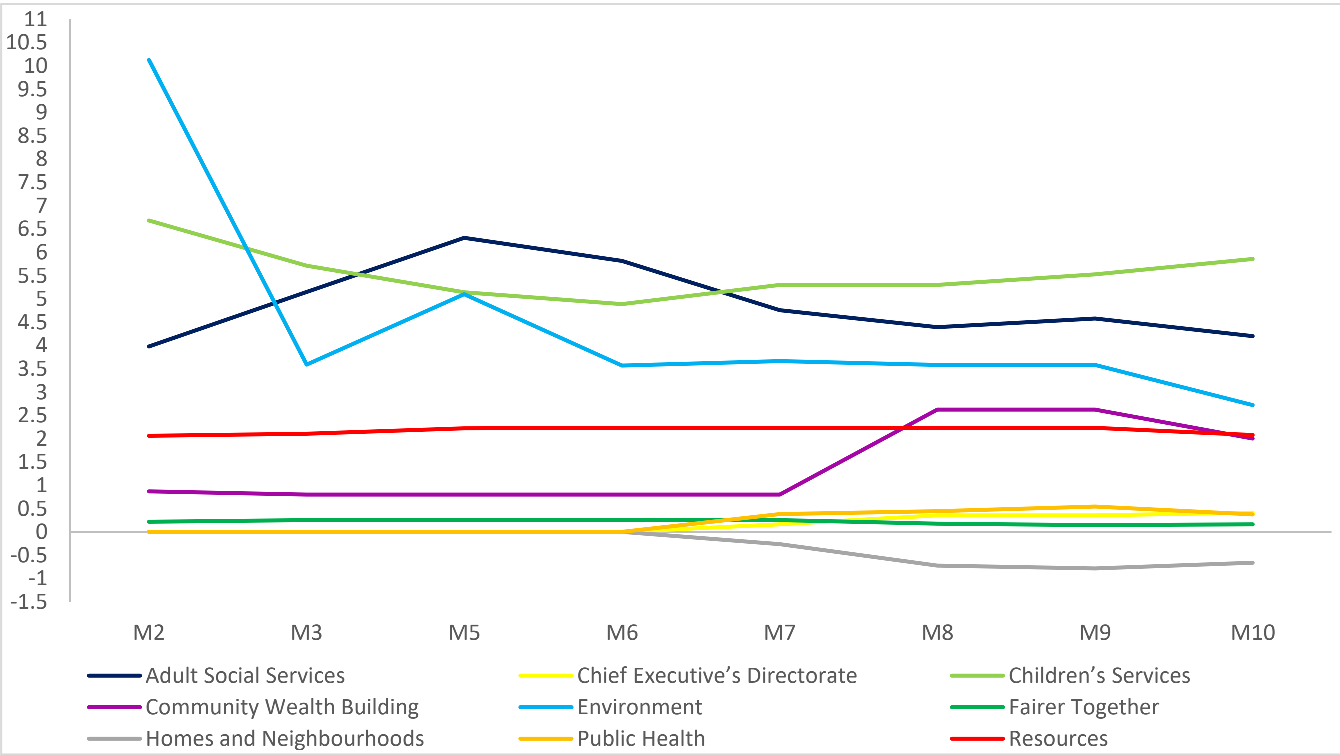


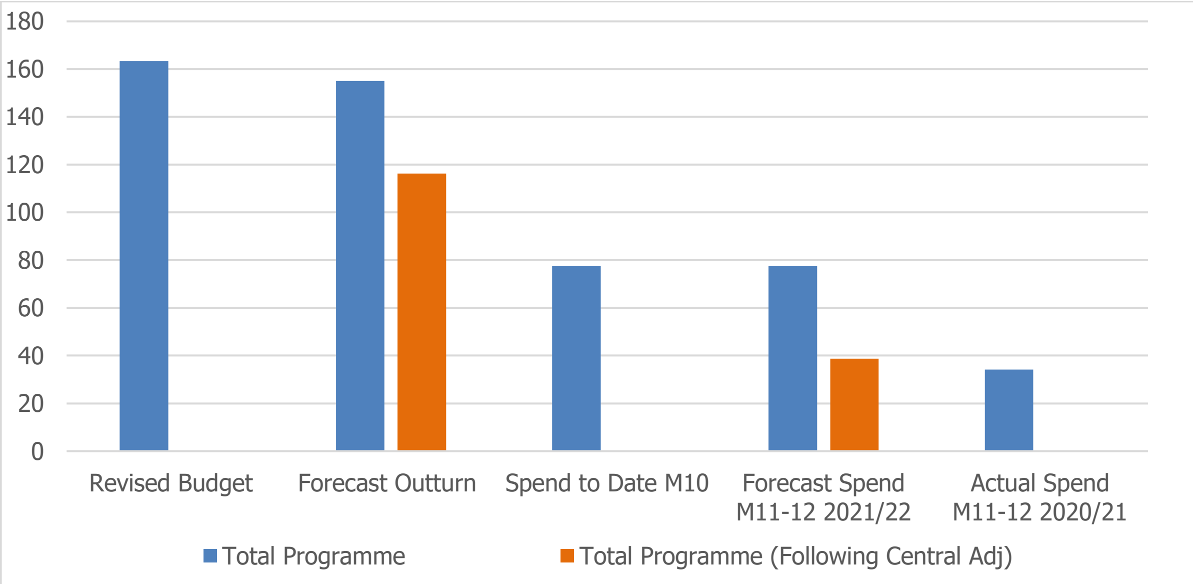
Figure 2 – Forecast Variance by Directorate 2021/22 Month 2-10 (£m)



1.4 The Housing Revenue Account (HRA) is forecasting an in-year deficit of (+£9.298m), an increase of (+£0.02m) since the previous reported position. The deficit mainly relates to 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 necessarily a reflection of the overall viability of schemes.

1.5 At the end of month 10, total capital expenditure of £77.512m had been incurred against a 2021/22 full year forecast of £116.276m and against the revised 2021/22 capital budget of £163.395m. The 2021/22 forecast is after a central adjustment to directorate forecasts to reflect the likelihood of further slippage. The latest capital position is illustrated in **Figure 3** below. The profile of capital expenditure is typically higher towards the end of the financial year. However, capital expenditure of £77.5m would be required in the last 2 months of the financial year (more than the total for the previous 8 months) to achieve the forecast.

Figure 3 – Capital Forecast at Month 10 (£m)



1.6 As at the end of month 10, the council had complied with all treasury management limits and indicators set out in the 2021/22 Treasury Management Strategy. Over the course of the month, external borrowing had decreased by £15m due to maturing loans and treasury investments were unchanged.

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 that, at the end of month 10, capital expenditure of £77.512m had been incurred against a 2021/22 full year forecast of £116.276m and against the revised 2021/22 capital budget of £163.395m. (**Section 5**, **Table 5,** and **Appendix 4**)

2.4. To note the compliance with all treasury management limits and indicators set out in the 2021/22 Treasury Management Strategy. (**Paragraph 3.54**)

2.5. To note and review latest estimated calls on the corporate transformation fund in 2021/22. (**Paragraph 3.66, Table 4,** and **Appendix 3**)

2.6. To note and agree the amendment to the Sales, Fees and Charges Schedule 2022/23. (**Paragraph 3.30)**

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	M10 Total £m	M9 Total £m	Monthly Movement £m
Adult Social Services	3.369	0.828	4.197	4.576	(0.379)
Chief Executive's Directorate	0.010	0.402	0.412	0.355	0.057
Children's Services	2.937	2.915	5.852	5.522	0.330
Community Wealth Building	0.734	1.269	2.003	2.623	(0.620)
Environment	7.503	(4.783)	2.720	3.580	(0.860)
Fairer Together	0.163	0.000	0.163	0.144	0.019
Homes and Neighbourhoods	0.858	(1.523)	(0.665)	(0.785)	0.120
Public Health	0.987	(0.612)	0.375	0.543	(0.168)
Resources	2.105	(0.030)	2.075	2.232	(0.157)
Total Directorates	**18.666**	**(1.535)**	**17.131**	**18.790**	**(1.659)**
Corporate	2.600	2.996	5.596	5.500	0.096
Total General Fund	**21.266**	**1.461**	**22.727**	**24.290**	**(1.563)**
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	(4.291)	(4.291)	(4.012)	(0.279)
Net General Fund Over/(Under)Spend	**1.629**	**(2.830)**	**(1.201)**	**0.641**	**(1.842)**

3.2. There is a forecast net underspend of (-£1.201m) after the allocation of available COVID-19 funding and contingency budgets, as detailed below:

- (-£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), based on the submitted claim.
- (-£5.5m) COVID-19 contingency budget in the 2021/22 base budget.
- (-£4.291m) assumed call on the non-COVID-19 contingency budget in relation to (-£2.597m) evolving assumptions on the pending 2021/22 pay award compared to budget, (-£0.582m) for the £200 cost of living pay award paid to staff on grades SO1 and below, (-£0.957m) for fire safety precautions within the corporate landlord estate, and (-£0.155m) costs of converting all documents on the council's website into accessible formats.

Adult Social Services (+£4.197m, -£0.379m since previous reported position)

3.3. Adult Social Services is currently forecasting an (+£4.197m) overspend. Of this, (+£3.369m) is considered attributable to the COVID-19 crisis, with a non-COVID-19 overspend of (+£0.828m).

3.4. The most significant COVID-19 budget pressure in the directorate is in relation to additional demand from the COVID-19 Hospital Discharge Service (+£3.269m), summarised as follows:

- (+£2.411m, a decrease of -£0.125m 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. 1,493* 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 £14.411m. An estimated (+£12.000m) would have been funded as business as usual, causing this residual budgetary pressure.
- (+£2.302m, a decrease of -£0.145m 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 (-£1.444m, a decrease of +£0.316m 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

3.5. 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.

3.6. 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. These issues are expected to continue into 2022/23 with significant additional cost pressures expected.

3.7. 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 (+£0.882m, a decrease of -£0.050m since the previous reported position) as well a pressure of (+£0.250m) in relation to delivery of demand management savings.

3.8. 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.

3.9. Other non-COVID-19 related underspends totalling (-£0.588m, an increase of +£0.020m since the previous reported position) make up the remainder of the non-COVID-19 variance. This is mostly in relation to underspends in transport budgets due to day centre closures.

3.10. In November 2021, the government announced it would award the Workforce Recruitment and Retention Fund to Adult Social Care and increased the Infection Prevention and Control Grant. In December 2021, the government increased these amounts.

- The **Workforce Recruitment and Retention Fund** (-£2.477m) – This will be used to offset existing forecasted workforce pressures over the winter period and further additional workforce costs internally and across our providers to support timely hospital discharges (+£1.676m, an increase of +£0.026m since the previous reported position).
- The **Infection Prevention and Control Grant** (-£2.118m) – 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 (+£2.118m).
- The **Adult Social Care Omicron Support Fund** (-£0.321, an increase of -£0.321m since the previous reported position) – This will be used to offset existing workforce pressures over the winter period and further additional workforce costs to support timely hospital discharges.

Chief Executive's Directorate (+£0.412m, +£0.057m since previous reported position)

3.11. The Chief Executive directorate is currently forecasting a net overspend of (+£0.412m), of which (+£0.010m) is attributable to COVID-19 related income budget pressures. The variances 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.
- (+£0.130m) costs relating to the 'More Equal Islington' project.
- (-£0.002m) net underspends on supplies and services throughout Communications.
- (+£0.049m) overspend forecast within Print Services due in the main to agency and additional IT costs.
- (+£0.070m) loss of income within Print Services mainly as a result of the Commercial Plan being hit with delays.
- (+£0.010m) loss of advertising income due to the impact of COVID-19.

3.12. The (+0.057m) movement since the previous reported is due to the following:

- (-£0.018m) costs relating to the 'More Equal Islington' project.
- (+£0.005m) revised supplies and services forecasts throughout Communications.
- (+£0.050m) on the income forecast within Print Services as the Commercial Plan has been hit by delays.
- (+£0.020m) additional printing costs within Print Services.

Children's Services - General Fund (+£5.852m, +£0.330m since previous reported position), Schools (-£4.880m, +£1.102m since previous reported position)

3.13. Children's Services are currently forecasting a net overspend of (+£5.852m), comprised of (+£2.937m) COVID-19 related budget pressures and risks and (+£2.915m) 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.
- (+£0.355m, an increase of +£0.070m since the previous reported position) forecast commercial income risk in relation to the universal youth offer.
- (+£1.424m, an increase of +£0.497m since the previous reported position) forecast net pressure against the children looked after placements budget, which is largely attributable to COVID-19. There has been a decrease in residential activity of 11% since quarter 2 which is 38% lower than at quarter 3 2020/21. Semi-independent activity has reduced by 8.7% but is still 46% higher than at quarter 3 2020/21. Activity in relation to independent foster care has increased by 5% since quarter 2, on top of the 7% increase from quarter 1, and is broadly in line with the level of activity in quarter 3 2020/21. The increase in the forecast since the previous reported position is due pressures on the independent living budget due to care leavers remaining in semi-supported accommodation whilst awaiting temporary accommodation. The forecast spend for 2021/22 is £0.658m less than the 2020/21 outturn.

Figure 4A – Quarterly Bed Nights by Placement Type

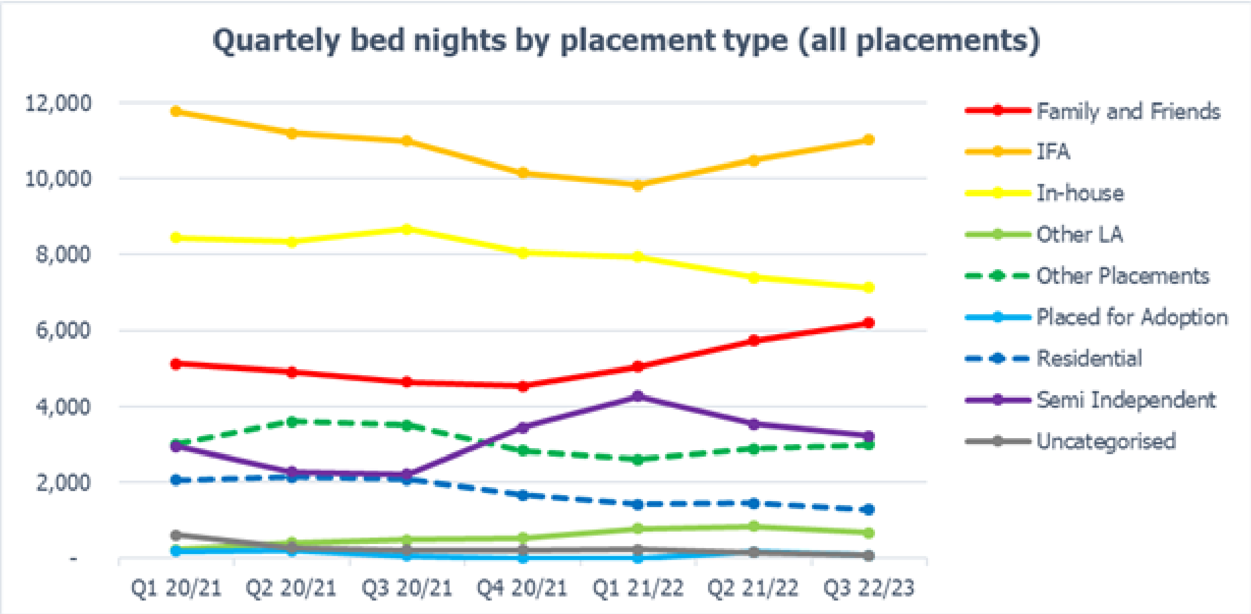


Figure 4B – Total Quarterly Bed Night

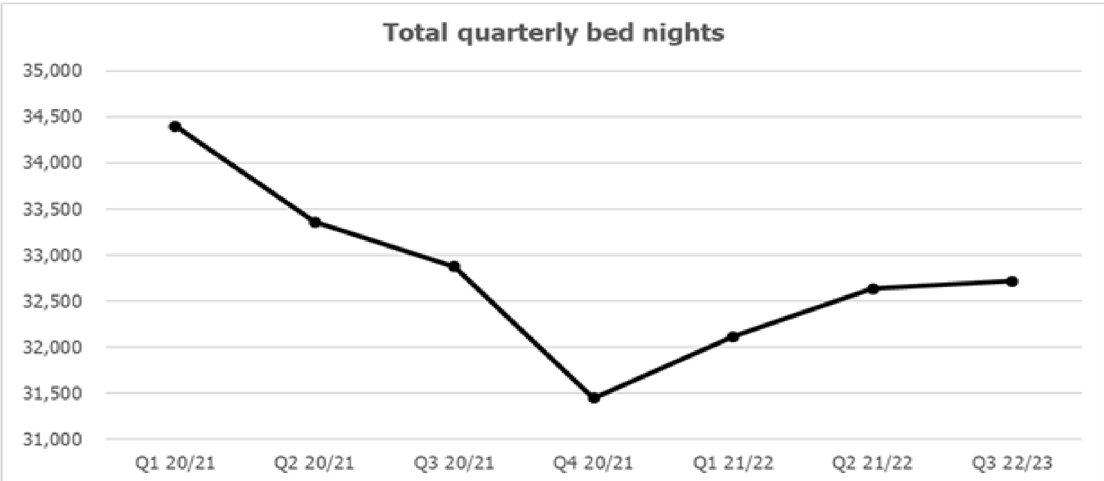
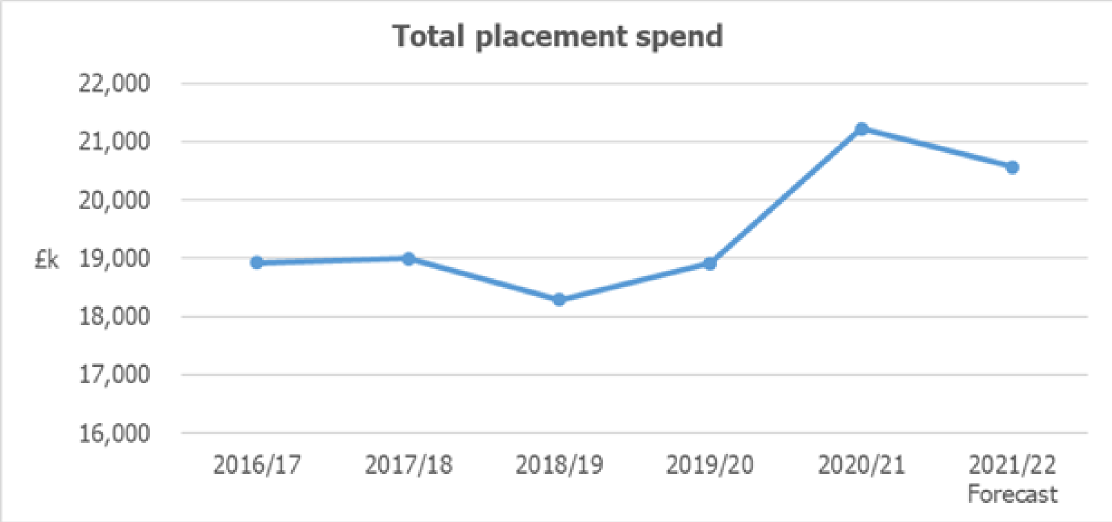


Figure 5 – Total spend for Children Looked After Budget 2016/17-2021/22

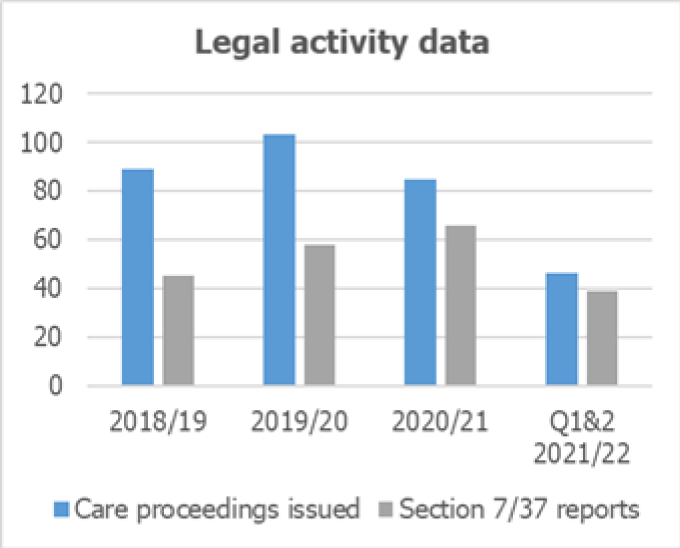


- Several management actions have been put in place to control placement costs including:
    - Detailed review of costs pressures through the placements board.
    - Focus on increasing in-house recruitment of foster carers.
    - Joint work with the housing team to develop solutions that enable care leavers to move into their own accommodation more swiftly.
    - 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, a reduction of -£0.022m 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.
- (+£0.323m, an increase of +£0.091m since the previous reported position) other COVID-19 cost pressures.

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

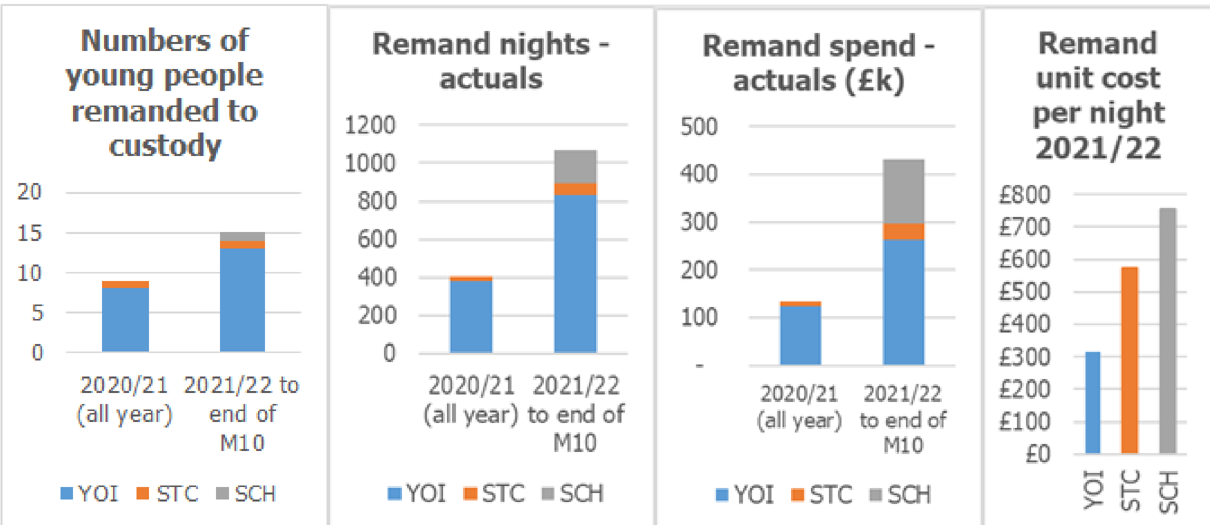
- (+£0.441m, unchanged since the previous reported position) legal costs in relation to a delay in the conclusion of care proceedings, SEND appeals and other legal costs. The use of Counsel is subject to service director approval to minimise this cost pressure. Care proceedings issued and Section 7/37 reports activity is increasing – at the end of quarter 2 they were 54% and 59% respectively of the total level of activity for the whole of last year. Updated activity data for quarter 3 will be available in February.

Figure 6 – Care proceedings and Section 7/37 activity data



- (+£0.122m, unchanged 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 (YJB), despite rising activity, and further increased activity against the remand budget. Activity is significantly higher than last year with 15 young people remanded to custody so far this year giving a total of 1,071 remand nights. This compares to 9 young people for the whole of 2020/21 for a total of 405 remand nights. We have seen an increase in activity of 164% in the first 10 months of 2021/22 compared to the whole of 2020/21. The unit cost of remand, as set by the YJB, ranges from £315 per night for a Young Offenders Institute (YOI) to £574 per night for a Secure Training Centre (STC) to £753 per night for a Secure Children's Home (SCH). Most of the additional activity is in relation to young people remanded to the lower cost YOI, although one young person has been remanded to the highest cost SCH provision compared to zero last year.

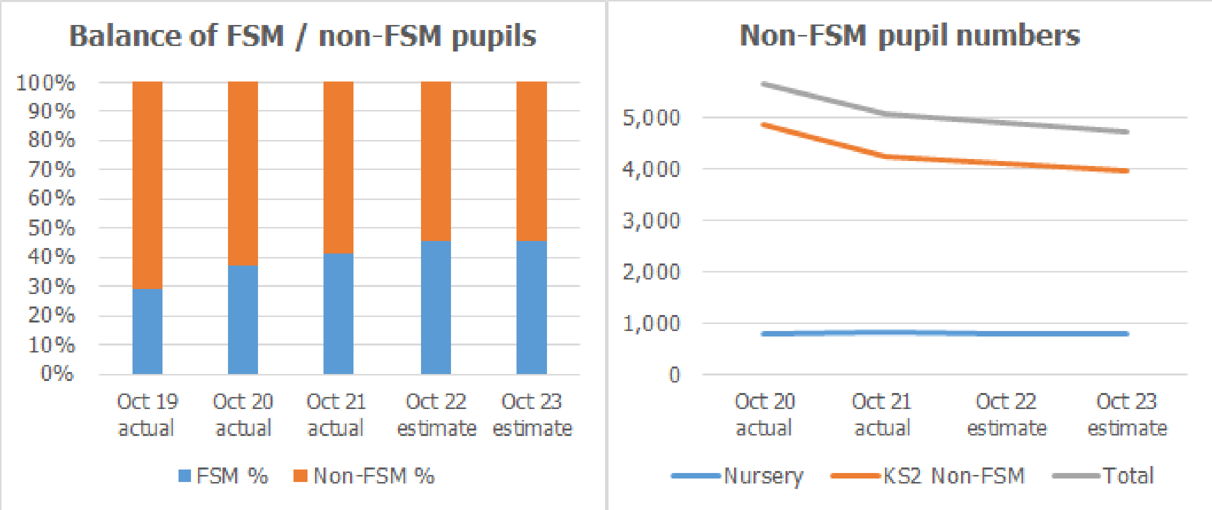
Figure 7 – Activity data for Young People in Custody and Remand



- (+£0.079m, a reduction of -£0.088m 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.

- (-£0.137m, an increase of -£0.075m since the previous reported position) underspend on the council's Universal Free School Meals (FSM) 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. High level estimates indicate that non-FSM pupils (nursey and KS2) will reduce by another 3.3% at October 2022 and 2.6% at October 2023. This follows a 10.5% reduction as at October 2021.

Figure 8 – Free School Meal / Non-Free School Meal numbers



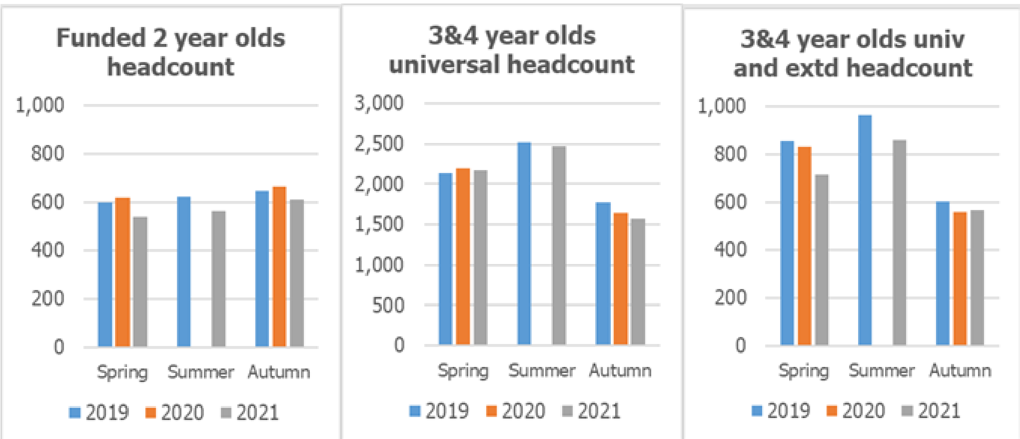
- (+£0.262m, unchanged since the previous reported position) ongoing staffing pressure in relation to supporting increased numbers of care leavers in recent years.
- (+£0.125m, unchanged since the previous reported position) cost pressure in relation to increased demand for temporary accommodation.
- (+£0.701m, a reduction of -£0.332m 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.
- (+£0.765m, an increase of +£0.177m since the previous reported position) of net staffing pressures across the service.
- (+£0.177m, an increase of +£0.012m since the previous reported position) of other net overspends across the service.

3.16. There is an underspend of (-£4.879m or 3.1%) against the ring-fenced Dedicated Schools Grant (DSG), a reduction of (+£1.102m) since the previous reported position. This forecast includes (-£4.071m) of balances brought forward from previous years. The underspend is as follows:

- (-£0.088m, unchanged since the previous reported position) unallocated budget for growth and falling rolls following finalisation of the October school's census.
- (-£0.321m, unchanged since the previous reported position) balance from the one-off cash payment in relation to the secondary unit of funding from 2019/20. This will be allocated in 2022/23.
- (-£0.367m, a new variance since the previous reported position) one-off DSG rebate in relation to Clerkenwell School which closed in the summer.

- (-£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.
- (-£2.085m, a reduction of +£0.526m since the previous reported position) forecast balance of high needs funding earmarked for future demand / funding pressures, 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. The movement from the previous reported position mainly relates to the materialisation of budget risks in relation to post-16 FE provision.
- No variance is now forecast (-£0.200m at the previous reported position) against the budget for additional needs following further allocation of funds.
- (-£0.463m unchanged since the previous reported position) 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.
- (-£1.150m, a reduction of +£0.931m since the previous reported position) early years contingency balance 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 the previous reported position is due to the estimated impact of the January funding adjustment from the DfE that took into account the summer and autumn term headcounts. Funding is normally based on the spring term headcount, but due to the impact of the pandemic on attendance, the DfE have factored in the summer and autumn term headcount in this financial year which has reduced funding to the Council. From 2022/23 the basis of funding will return to the spring term headcount only, which will be beneficial to Islington. Termly headcount shows that: the headcount for the 3- and 4-year-old universal entitlement remains depressed, at 11% below pre-pandemic levels in autumn 2021, a further deterioration from just 2% below in summer 2021 and spring 2021; while the headcount for 3- and 4-year-olds eligible for the extended entitlement and 2-year-olds are recovering. Funded 2-year-olds were 6% below pre-pandemic levels in autumn 2021, an improvement from 10% below in summer 2021 and 12% below in spring 2021. Universal and extended 3- and 4-year-olds were 5% below pre-pandemic levels in autumn 2021, an improvement from 11% below in summer 2021 and 14% below in spring 2021.

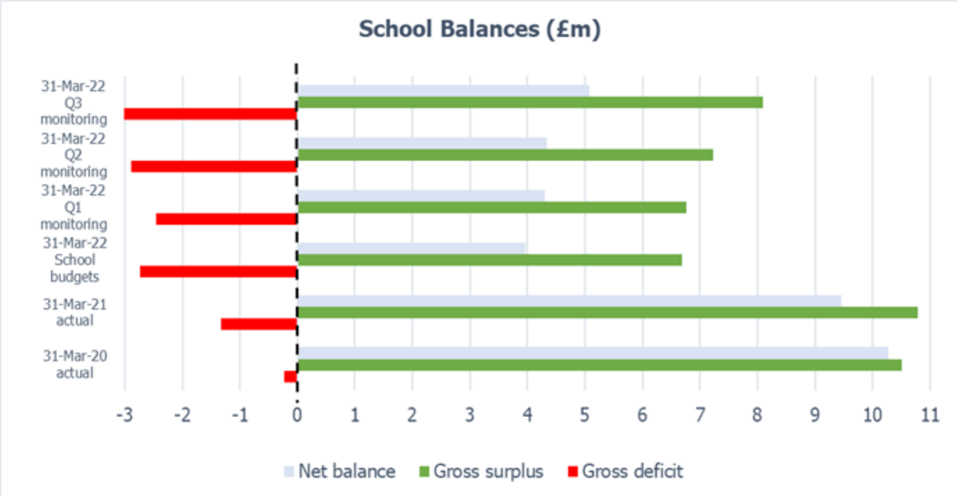
<u>Figure 9 – Headcount data for entitlements to free early education and childcare</u>



- (-£0.200m a new variance since the previous reported position) forecast underspend against the special education needs and disabilities inclusion fund due to a reduced take up of provision in line with the reduced headcount.

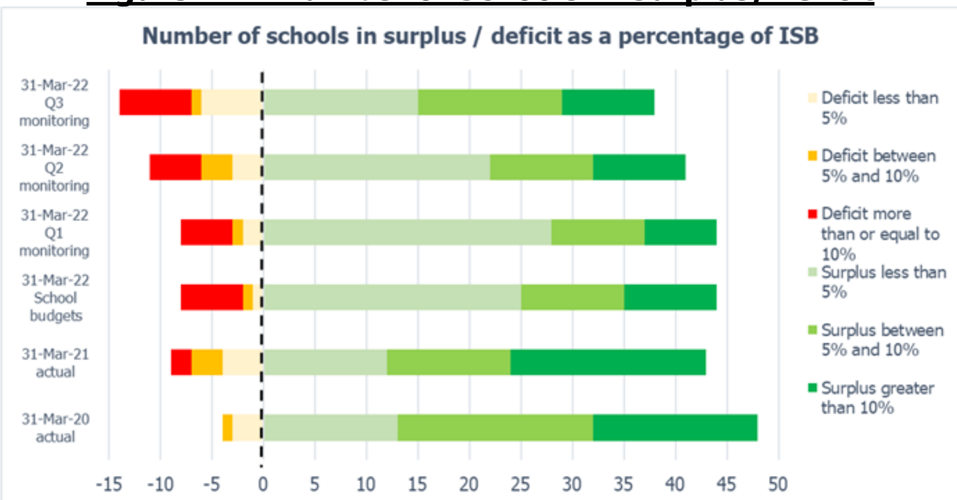
3.17. Individual schools' balances stood at £9.459m at the end of 2020/21. Schools have budgeted to reduce their balance by £5.464m to £3.995m over the course of the year. Quarter 3 monitoring has shown a £1.086m improvement in this position, with balances now projected to be £5.081m at the end of 2021/22 (an improvement of £0.755m on the previous reported position). Some of the use of balances is for planned capital works where timing can be uncertain.

Figure 10 – School Balances



3.18. There are nine schools in deficit as of 31 March 2021, based on the budget plans submitted by schools this was expected to reduce to eight schools by 31 March 2022, with two schools coming out of deficit and one entering deficit. Quarter 2 monitoring returns have identified a further three schools projecting to end the year in deficit, and another three schools have been identified in quarter 3, bringing the projected total to 14. Of these, four deficit balances are likely to be greatly reduced or eradicated following the application of early years funding adjustments that will be undertaken following the outcome of the spring census.

Figure 11 – Number of Schools in Surplus/Deficit



Community Wealth Building (+£2.003m, -£0.620m since previous reported position)

3.19. The Community Wealth Building directorate is currently forecasting a net overspend of (+£2.003m), of which (+£0.734m) is attributable to COVID-19.

3.20. There are COVID-19 related budget pressures in the department which have slightly changed compared to 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).
- (-£0.124m) 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.
- (+£0.039m) net overspend on staffing costs mainly due to vacancies that are filled by agencies throughout the divisions within the department.
- (-£0.060m) underspend on property costs and supplies 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.
- (-£0.297m) additional recharge income due to cleaning, property, and postage
- (+£0.254m) lost income due to reduction in levels of planning activity
- (+£0.207m) additional costs due to advertising and legal fees in the Planning and Development division.

3.23. There has been a movement of (-£0.620m) between M9 and M10 as below:

- (+£0.080m) overspend in Planning & Development due to additional legal and consultancy fees for Judicial Review.
- (-£0.259m) staffing underspend due to reduction in overtime and agency in Corporate Landlord division.
- (-£0.155m) underspend on property related costs.
- (-£0.297m) additional net recharge income mainly from HRA due to additional cleaning and postage.
- (+£0.011m) minor overspend in Assembly Hall running costs.

Environment (+£2.720m, -£0.860m since previous reported position)

3.24. The Environment directorate is currently forecasting a net overspend of (+£2.720m), of which (+£7.503m) is attributable to COVID-19 related budget pressures. This is a movement of (-£0.860m) since the previous reported position.

3.25. 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 and Display and Permit and Vouchers.
- (+£2.427m) forecast loss in Leisure related income – the council receives income from operating the leisure centres and from events within our parks and open spaces.
- (+£1.968m) 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.

3.26. 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). Other reasons for the net overspend include:

- (+£0.213m) additional overtime, allowances, and mortuary costs throughout the Public Protection division as a result of Covid-19.
- (-£0.051m) Temporary Pavement License Grant.
- (+£0.654m) net overspend on employee costs within the Street Environmental Services (SES) operational 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.
- (+£0.184m) net overspend on employee costs within the Public Protection division due to the vacancy factor.
- (+£0.102m) overspend forecast on supplies and services mainly on software purchases within the Public Protection division.

Offset by:

- (-£0.181m) underspend forecast within SES operational division due to a revised forecast on bin purchases.
- (-£6.111m) additional income forecasted across Parking, House in Multiple Occupation (HMO) licensing, Streetworks fees and other income. These activity levels are constantly monitored, and the forecasts will be refined based on emerging data.
- (-£0.030m) combined net underspend throughout the other divisions within the department.

3.27. There has been a movement of (-£0.860m) for the department between Months 9 and 10, the details of which can be found below.

- (-£0.678m) improvement in rental income due from Greenwich Leisure Ltd (GLL) based on the latest information.
- (-£0.230m) additional HMO licensing income being forecast due to year-to-date actuals being higher than anticipated.
- (-£0.080m) additional Streetworks income forecast due to year-to-date actual net costs being higher than anticipated.
- (-£0.054m) combined net underspend throughout other services within the department.
- (-£0.051m) Temporary Pavement Licensing New Burden Payment.
- (-£0.021m) net movement within Parking due to additional parking bay suspension income being forecast offset by a reduction in PCN income.

- (+£0.200m) increase in agency costs forecast within SES operational division due to annual leave cover.
- (+£0.054m) movement in costs / net income shortfall attributable to Covid-19.

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.

3.29. There are some other emerging risks in the department around one-off activities that may impact on the budget for this financial year or during the 2022/23 financial year. These are not currently included in the forecast position but is estimated to be between £0.150m to £0.200m.

3.30. There has been an amendment to the 2022/23 Sales, Fees and Charges Schedule, that was agreed as part of the 'Budget Proposals 2022/23' report to the Executive on 10 February 2022. The £2.00 charge for E-visitor vouchers, petrol vehicle fuel surcharge is revised from 'all day' to 'per half hour'. (**'Budget Proposals 2022/23' Appendix C – Sales, Fees & Charges – Page 17**)

Fairer Together (+£0.163m, +£0.019m since previous reported position)

3.31. The Fairer Together directorate is currently forecasting an overspend of (+£0.163m, an increase of +£0.019m 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, those isolating and communities in general. This has increased from the last reported position due to revisions in the forecasted expenditure at year-end.

Homes and Neighbourhoods (-£0.665m, +£0.120m since previous reported position)

3.32. 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).

3.33. The Housing directorate is currently forecasting an underspend position (-£0.665m) for the General Fund including (+£0.858m) of COVID-19 related pressures, an increase of (+£0.120m) since the previous reported position as explained below.

3.34. COVID-19 has continued to cause budget pressures across homelessness and NRPF services of (+£0.858m). 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.

3.35. The movement since the previous forecast is due to additional staffing cost pressures in Community Safety, increased bad debt provision costs, and lower HRA recharges. This is slightly offset by additional grant support. As additional 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.

3.36. 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 volatility in financial forecasts in the months ahead.

3.37. 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.

3.38. Within the net non-COVID-19 related underspend, there is a forecast budget pressure of (+£0.314m) Islington Lettings, the council run not-for-profit letting agency. This pressure is partly due to write-offs of historic uncollected rent.

Public Health (+£0.375m, -£0.168m since previous reported position)

3.39. Public Health is funded via a ring-fenced grant of £27.365m for 2021/22. The directorate is currently forecasting an overspend position of (+£0.375m), of which (+£0.987m) are COVID-19 related budget pressures.

3.40. The main COVID-19 budget pressures are in the Sexual Health division (+£0.595m) (increased online access to STI testing) and the Vaccination programme (+£0.375m). At an overall council level, the (+£0.375m) overspend is ultimately funded by corporately allocated COVID-19 funding.

3.41. The following non COVID-19 related budget pressures are forecast across the directorate:

- (+£0.184m) within the 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.
- There is an underspend of (-£1.164m, an increase of -£0.082m) within the Sexual Health division due to baseline tariffs being paid to providers coming in lower than anticipated. This underspend has increased by (-£0.082m) since the previous reported position, representing represents further lower PrEP activity and delays to the building refurbishment works in Archway.
- Within the Other Public Health division, there is a pressure of (+£0.387m) due to a number of one-off projects originally to be funded via reserves but now funded by wider underspends in Public Health.
- The remaining divisions have an overall (-£0.019m) underspend. Included within this above figure is a movement of (-£0.094m) in NHS Health Checks division due to contracts moving to activity pricing, not fixed baseline pricing. The service has confirmed that activity levels will continue to be low until the end of the financial year.

3.42. In addition to the reported budget variance, the directorate is forecasting (+£0.392m) one-off projects and (+£0.234m) fixed term posts that are to be funded by wider Public Health underspends and the earmarked public health reserve. It is forecast that £0.142m of the earmarked public health reserve (£1.353m) will be applied in the current financial year.

3.43. The Agenda for Change contract uplift to NHS providers has not determined if a contribution is required from Islington Council. It looks unlikely at this time. If a contribution is required, this will increase the financial pressure on the service.

Resources (+£2.075m, -£0.157m since previous reported position)

3.44. The Resources directorate is currently forecasting a net overspend of (+£2.075m), comprising (+£2.105m) COVID 19 pressures and a (-£0.030m) net non-COVID-19 underspend.

3.45. The most significant COVID-19 budget pressure in the directorate is the estimated additional costs (+£1.936m, unchanged since the previous reported position) in relation to IT related hardware and software solutions. This includes the fit out of the council chamber for broadcasts, updating Wi-Fi in key buildings to enable social distancing, central government required PSN compliance and additional infrastructure required to support rapidly increasing the digitisation of services.

3.46. 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) additional 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

3.47. The net non-COVID-19 (-£0.030m) underspend is made up of savings from counter fraud initiatives and court income. It is anticipated that the non COVID-19 underspend may increase by the end of the financial year due to a cautious assumption on court costs income and additional grant funding to be confirmed.

Corporate Items (+£5.596m, +£0.096m since previous reported position)

3.48. The corporate items forecast is a (+£5.596m) overspend, comprising (+£2.600m) COVID-19 related pressures

3.49. and non-COVID-19 related net pressures of (+£2.996m).

3.50. 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.

3.51. The forecast non-COVID-19 variance (+£2.996m, +£0.096m since the previous reported position) comprises the working assumption of 1.75% pay award (+£2.597m, compared to base budget assumption of a pay freeze) and the council's discretionary £200 pay award for low-income staff (+£0.582m).

3.52. This is offset by a forecast underspend of (-£0.183m) on the corporate levies budget. This primarily relating to the North London Waste Authority Household Waste Levy, which was set at a lower amount than estimated when finalising the 2021/22 budget assumptions.

3.53. There are additional current year budget pressures in relation to cross-cutting saving programmes that have not yet been fully delivered. Subject to review at the end of the financial year, it is currently assumed that these pressures will be offset by a drawdown from earmarked reserves set aside for savings delivery risks.

Treasury Management

3.54. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the council's spending needs, while managing the risks involved. As at the end of month 10, the council was in compliance with all treasury management limits and indicators set out in the 2021/22 Treasury Management Strategy. As at the end of month 10, external borrowing was £278.274m and investments were £155.500m

Council Tax and Business Rates

3.55. The council is required to maintain a collection fund for the purpose of collecting council tax and non-domestic rates (business rates). Council tax and non-domestic rates receipts are administered separately.

3.56. By the end of each financial year the council tax and non-domestic rates collection funds will either be in deficit or surplus depending upon whether the local tax income is more or less than was expected at the start of the financial year. Regulations provide for the calculation of these surpluses or deficits, and for their apportionment between the council, Greater London Authority

(GLA) and central government in future financial years. This is set out below based on the latest forecasts for 2021/22, the financial implications of which are fully reflected in the 2022/23 budget and medium-term financial strategy.

Council Tax

3.57. The latest 2021/22 Collection Fund forecast for council tax is a £0.795m surplus, comprising a £1.839m COVID-19 related deficit brought forward from 2020/21 and a £2.634m in-year surplus.

3.58. The forecast in-year Collection Fund surplus of £2.634m is due to:

- Lower than budgeted council tax support costs of £5.327m – This is due to council tax support caseload stabilising and not increasing to the extent estimated at 2021/22 budget setting. As part of setting the 2021/22 council tax base in January 2021, with all the uncertainty of a second national lockdown and the furlough scheme due to end on 31 March 2021, it was prudently assumed that caseload would significantly increase during 2021/22. This increase has not materialised, thereby giving rise to a significant surplus on the council tax support element of the council taxbase.

Partially offset by:

- An adverse net movement of £2.551m in the wider taxbase position – largely attributable to increased student exemptions and single person discounts since the 2022/23 council taxbase was set in January 2021.
    - The movement on exemptions can be logically explained by the impact of the COVID-19 pandemic on student residents. An impact of the pandemic was fewer students living in the borough in the 2020/21 academic year and therefore less student exemptions from council tax. With universities having returned to some degree of face-to-face learning in the 2021/22 academic year, there has been a corresponding movement back towards pre-pandemic exemption levels.
    - The upwards trend on single person discounts appears to have started before the pandemic and accelerated over the past year. Anecdotal evidence from other London boroughs suggests this could be linked to (a) the typically smaller size of new dwellings being built; and (b) relocation of families out of inner London, as reflected in declining pupil numbers, freeing up smaller properties to be occupied by single adult households.
- £0.142m payment to the council's General Fund and the GLA in relation to the forecast Collection Fund surplus as part of 2021/22 budget setting in January 2021.

3.59. The distribution of the forecast 2021/22 council tax surplus in the 2022/23 budget is outlined in **Table 2**. This is based on prescribed accounting requirements and the three-year phasing of 2020/21 Exceptional (COVID-19) Deficits.

Table 2: Distribution of Forecast 2021/22 Council Tax (Surplus)/Deficit

			Total £m
Total Forecast (Surplus)/Deficit			**(0.795)**
Add back 1/3 2020/21 Exceptional Balance (2023/24 element due to three-year phasing)			(0.608)
Total (Surplus)/Deficit to be distributed in 2022/23			**(1.403)**
	Islington £m	**GLA £m**	**Total £m**

1/3 of 2020/21 Exceptional Balance (2022/23 element due to three-year phasing)	0.478	0.130	**0.608**
Remainder of (Surplus)/Deficit	(1.566)	(0.446)	**(2.012)**
Total (Surplus)/Deficit to be reflected in 2022/23 Budget	**(1.088)**	**(0.316)**	**(1.403)**

Business Rates

3.60. Under the existing business rates retention system, the council retains 30% of business rates income in the borough and receives Section 31 grant from the government to compensate for the impact of government policy (e.g. new reliefs, freezing of business rates) on its retained business rates income.

3.61. The council's NNDR1 return (detailed business rates estimate) for 2022/23 has now been submitted following the 31 January 2022 statutory submission deadline. This included a forecast 2021/22 surplus/(deficit) on business rates income to be incorporated in the 2022/23 budget. This is summarised in **Table 3**.

Table 3 – Forecast NNDR Surplus/(Deficit)

	Total **£**	**Islington 30% Share** **£**
Net 2021/22 Business Rates Income	221,626,761	66,488,028
Allowance for Non-Collection	(6,648,805)	(1,994,642)
Appeals Refunds and Provisions	(3,607,643)	(1,082,293)
Budgeted Demand based on 2021/22 Agreed Budget	(297,036,585)	(89,110,976)
Other Charges (e.g., cost of collection)	(823,073)	(246,922)
Total 2021/22 Surplus/(Deficit)	**(86,489,345)**	**(25,946,805)***
Opening 2020/21 Surplus/(Deficit)	(73,993,217)	(22,197,965)
2021/22 Contribution towards Prior Year Deficit	77,314,613	23,194,384
Adjustment for Three-Year Phasing of 2020/21 Exceptional Balance (2023/24 Element)	3,671,089	1,101,327
Total Surplus/(Deficit) in 2022/23 Budget	**(79,496,860)**	**(23,849,058)**

3.62. The 2021/22 Deficit of £25.947m (Islington share) is largely offset by £20.848m of forecast unbudgeted Section 31 grant receivable in 2021/22 to compensate for the impact of government reliefs. The overall forecast position on 2021/22 business rates, net of this timing difference, is therefore an underlying deficit of £5.099m.

Transformation Fund (unchanged since previous reported position)

3.63. Within 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.

3.64. 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, where possible.

3.65. 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.

3.66. The latest forecast 2021/22 drawdowns from the transformation fund are summarised by directorate in **Table 4** and detailed by project in **Appendix 3**. The estimated drawdown from the fund is unchanged since the previous reported position.

Table 4 – Forecast 2021/22 Fund Drawdowns

	Month 10 Forecast £m	**Month 9 Forecast £m**	**Movement £m**
Adult Social Services	0.955	0.955	0.000
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	0.000	0.000
Public Health	0.000	0.000	0.000
Resources	2.214	2.214	0.000
Total	**8.126**	**8.126**	**0.000**

4. HOUSING REVENUE ACCOUNT (HRA)

4.1. The HRA is currently forecasting an in-year deficit of (+£9.298m), a (+£0.020m) increase from the previous reported position. The movement in the forecast is primarily due to a (+£0.470m) anticipated increase to the housing disrepairs provision to accommodate the rise in new housing disrepair cases and a (-£0.450m) expected reduction in the bad debt provision requirement for 2021/22 resulting from a lower than anticipated rent arrears position.

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 consists of the revenue impact of funding towards the housing capital programme. This means there can be large in-year fluctuations to revenue budgets when capital slippage occurs. At month 10, there is a forecast overspend on the HRA's Revenue Contributions to Capital Expenditure (RCCO) of (+£7.915m). This increase in RCCO relates mainly 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 (+£1.383m) 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.
- (+£0.470m) a significant increase in housing disrepair claims over the past few years with the number of new cases received increasing by approx. 60% compared to 2020-21. As a result of the increased case numbers, a projected pressure of (+£0.170m) on in-year settlement of disrepair claims is expected. In addition, the Tenant disrepair provision set aside to cover the potential liability of all open disrepair cases will need to increase from the current provision of +£0.512m to +£0.812m (+£0.300m), a total pressure of (+£0.470m).
- (+£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 with no adverse medium-term impact on the HRA.
- (+£0.143m) forecast pressure on Rents, Rates, Taxes and 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.
- (-£0.450m) expected reduction in the bed debt provision requirement for 2021/22 resulting from a lower than anticipated rent arrears position compared to the original 2021/22 budget.

CAPITAL PROGRAMME

4.5. At the end of month 10, capital expenditure of £77.512m had been incurred against a 2021/22 full year forecast of £116.275m and against the revised 2021/22 capital budget of £163.395m.

4.6. A central adjustment to the capital forecast has been included due to the low levels of expenditure to date compared to full year forecasts. The purpose of this is to highlight the expectation of further reprofiling in the remainder of the financial year. The 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.

4.7. Prior to the central adjustment, the full year capital expenditure forecast is £155.034m. This is a variance of £8.361m against the revised budget of £163.395m. This is mostly attributable to non-housing projects, including:

- Vehicle fleet electrification - Due to the start date of the contractor being pushed back and increased lead times on core supplies).
- Bunhill Energy Centre Phase 2 – Due to an assessment of fees, works and purchases that are now expected to take place in 2022/23.

4.8. This is summarised between the non-housing and housing capital programme in **Table 5** and detailed in **Appendix 4**.

Table 5 – 2021/22 Capital Programme

	Revised Budget £m	**Spend to Date M10 £m**	**Forecast Outturn 2021/22 £m**	**Forecast Variance £m**	**Forecast Expenditure M11-M12**
Non-Housing	27.634	10.613	20.397	(7.237)	9.784
Housing	135.761	66.899	134.637	(1.124)	67.738
Sub-Total	**163.395**	**77.512**	**155.034**	**(8.361)**	**77.522**
Central Adjustment (25%)			(38.759)	(38.759)	(38.759)
Total Capital Programme			**116.275**	**(47.120)**	**38.763**

5. IMPLICATIONS

Financial Implications

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

Legal Implications

5.2. 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

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

Equality Impact Assessment

5.4. 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.

5.5. An equality impact assessment (EQIA) 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, therefore a separate EQIA 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

Signed by:

15 March 2022

Executive Member for Finance and Performance Date

Background papers: None

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