CABINET

Subject Heading:	**Budget Monitoring Report - Period 6 September 2022**
Cabinet Member:	**Councillor Chris Wilkins (Cabinet Member for Finance and transformation)**
SLT Lead:	**Dave McNamara** Section 151 Officer
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Policy context:	The report provides an update on the Financial monitoring position of the Council at the end of Period 6
Financial summary:	This report includes: • Projected Outturn at Period 6 • Projected Capital spend as at Period 6 • Update on 2022/23 savings

Is this a Key Decision? No

1. EXECUTIVE SUMMARY

1.1. This Report sets out the monitoring position for the Council for 2022/23 based on figures to period six (30th September). The section also sets out the mitigations and action plans the services are undertaking in order to reduce the current overspend.

1.2. The overall Council overspend has reduced from £19.1m at Period 3 to £14.1m at Period 6. The change is through a mixture of service actions to contain spend and an increased underspend on treasury management. The Council will continue to work hard to reduce the overspend in the remaining months of the year.

1.3. The table below shows the net service budgets, forecast outturn and variances**.**

Service	Original Budget £'m	Revised Budget £'m	Forecast £'m	Current Forecast Variance to Budget £'m	Period 3 Forecast Variance to Budget £'m
A3000B-Public Health Total	(1.650)	(1.650)	(1.650)	0.000	0.000
A4000B-Childrens Total	46.496	50.660	56.654	5.994	6.807
A4600B-Adults Total	72.523	72.124	76.265	4.141	4.355
A5000B-Neighbourhoods Total	11.514	11.742	14.186	2.444	2.941
A5500B-Regeneration Programme Delivery Total	1.262	1.262	0.980	(0.282)	(0.145)
A5700B-Housing Total	3.883	3.883	3.883	0.000	0.241
A7000B-oneSource Shared Total	1.895	2.884	4.898	2.014	2.445
A8000B-oneSource Non-Shared LBH Total	0.361	0.158	1.427	1.269	1.166
A9000B-Chief Operating Officer Total	4.891	5.456	5.544	0.088	0.342
Service Total	141.175	146.519	162.187	15.668	18.151
Treasury Management	8.136	8.136	5.336	(2.800)	(2.000)
Corporate Contingency Total	1.000	1.000	0.000	(1.000)	0.000
Other Corporate budgets	22.599	17.255	19.505	2.250	3.000
Overall Total	172.910	172.910	187.028	14.118	19.151

1.4. A more detailed summary is included within the Business as Usual section, including emerging pressures and also savings that are unlikely to be achieved in 2022/23. This section also sets out the steps being taken to address the reported overspend.

1.5. The report then reviews the Corporate position, including Treasury and the Collection Fund.

1.6. The report then has a section setting out the position on the HRA and Capital.

2. RECOMMENDATIONS

2.1 Cabinet are asked to note the revenue and Capital financial positions at Period 6 and the action plans being taken by services to reduce the overspend.

3. REPORT DETAIL

3.1 Background

The combined effects of the recovery from the COVID pandemic and the current economic crisis has placed pressure on the Council's finances. In March 2022 the Council set a balanced budget for 2022/23 but since then the combined effect of increased demand in Social Care, rising costs and inflation have caused the Council to project a significant overspend in the current year.

3.2 Current Variances by Department

This monitoring report sets out the service reported position at the end of September and the directorates view on the potential outturn position from all known information. The paragraphs below set out department commentary on the current variances.

3.3 Public Health Directorate

Service	Original Budget £'m	Revised Budget £'m	Forecast £'m	Current Forecast Variance to Budget £'m	Period 3 Forecast Variance to Budget £'m
A3100C-Public Health Total	**(1.650)**	**(1.650)**	(1.650)	0.000	0.000
A3105C-Public Health - Non Grant Expenditure Total	**0.000**	**0.000**	0.000	0.000	0.000
A3000B-Public Health Total	**(1.650)**	**(1.650)**	**(1.650)**	**0.000**	**0.000**

The Public Health Directorate is reporting a nil BAU variance. Expenditure of £12.070m was projected against £11.622m ring-fenced 2022/23 Public Health grant, with a contribution from the public health reserve of £0.448m.

However, the level of demand for sexual health services has yet to return to pre-pandemic levels leading to an underspend which is likely to negate the need for any use of the reserve this year.

3.4 Children's Directorate

Service	Original Budget £'m	Revised Budget £'m	Forecast £'m	Current Forecast Variance to Budget £'m	Period 3 Forecast Variance to Budget £'m
A4100C-Learning & Achievement Total	11.030	11.032	15.896	4.864	5.748
A4200C-Childrens Services Total	33.856	38.018	38.962	0.944	0.791
A4250C-Safeguarding - Quality and Assurance Total	1.610	1.610	1.796	0.186	0.267
A4000B-Childrens Total	**46.496**	**50.660**	**56.654**	**5.994**	**6.807**

Children's is forecasting an overspend position at Period 6 of £5.994m based on best estimated of future demand levels; this is an overall reduction of £0.813m from the position reported at Period 3. This improvement is related to ongoing management actions which are proactively addressing pressures and increasing demand.

These figures include £5.0m growth allocated as part of the 2022/23 budget round. The analysis of the forecast position is as follows:

LAC Placements	£4.351m
CWD Placements/Short Breaks/SEND	£1.352m
SEN Transport	£3.050m
Catering	£0.278m
UASC 18+	£0.481m
Children's Centres	£0.570m
Staffing	£1.840m
Sub-total	**£11.922m**
Growth to be apportioned	(£5.000m)
Savings already identified	(£0.928m)
Period 6 pressure	**£5.994m**

The Growth applied to the Childrens budget will be applied to ongoing pressures across the service shown in the table above. The exact allocation is still being finalised so the growth is still shown separately in this report.

3.4.1 Learning and Achievement

- LAC placements continue to increase in numbers. It was originally hoped that the increased trend was a temporary peak but the latest data indicates it is not. The forecast has been increased by £0.070m this month to reflect the increasing expenditure.

- The data on SEN transport and CWD indicate increased client numbers and needs that are more complex. The forecast assumes an overall increase in expenditure of 15% for transport and 25% for CWD over 2021/22 levels based on client data and projections. There has been some further improvement in the forecast this month, as the service has continued to be able to avoid new placements. Expenditure continues to rise on short break provision, partly due to planned action in order to prevent placements that are more expensive. Whilst the number of new placements this year remains very low, children are being supported in their own families with access to short breaks, and this is testing family resilience which could result in new placements being required later this year.

- The Catering Service is forecasting a year-end overspend of £278k, which is an increase since Period 3 .The increased overspend is in part due to inflationary increases in supply chain costs, currently estimated at £80k. There have also been variations in meal uptake linked to the cost of living crisis and we are projecting an increased number of children becoming eligible for FSM. In addition, the equipment maintenance costs are forecast to overspend by £50k, although this has been offset in part by contributions from schools as part of an equipment SLA.

3.4.2 Children's Services

- Dependency on agency continues to be an issue in Social Care despite significant efforts to recruit and retain permanent staff

- UASC 18+ cases are increasing and the costs of these clients exceed the Governments weekly allowance. Additionally, the threshold at which an authority does not have to accept new clients has increased from 0.07% to 0.1% of the general child population. This equates to an additional 50 clients that the authority could be asked to accommodate. There has been an improvement of £0.044m this month as the service has been able to recover additional funding from the Home Office.

At the start of the year, the Directorate undertook a Zero Based Budget (ZBB) exercise, which has informed the above forecast. As part of this review, the service has looked closely at activities that can be controlled further to avoid cost or reduced in order to alleviate the financial pressure. This exercise has resulted in a reduction in the predicted overspend of £0.928m through the service realigning budget to the overspending areas and through the release of some one-off grant funding. These savings are already incorporated into the overspend figures reported above.

The Directorate is proactively implementing a workforce strategy in an effort to recruit and retain higher levels of permanent staff to reduce caseloads, thereby making the roles more attractive to potential applicants and driving consistent practice performance. The strategy is focused on developing improved recruitment offers/promotional activity, strengthened on boarding and projects to target potential recruits from particular sectors including growing the newly qualified social worker cohort, scoping a business case for recruitment from abroad and reorganising work flow mechanisms via service reshaping.

In order to try to mitigate the pressure from SEND activity, the service is endeavouring to increase travel training to reduce the demand for more expensive transport. Other areas being scoped include a further full end-to-end review of SEND and Passenger Transport Services eligibility criteria, processes and overarching policy. The Directorate is working with intensively with colleagues across the Council, DfE and regional/sub-regional groups to plan and develop a wide range of provision for children with disabilities and children in care placements designed to reduce the use of high cost external provision, improve quality and keep more children in Borough.

Additionally, the Service is reviewing commissioning processes with colleagues in the Joint Commissioning Unit, and have strengthened the Havering Access to Resources panel, which rigorously scrutinises all placement requests. A similar multi-agency panel has been introduced to ensure partner contributions to costs are benchmarked, pursued and challenge is applied as required.

The currently reported budget pressure in Children Services is likely to be ongoing. However, the level will vary from year to year because of being demand led and with cost pressures from providers.

The DSG remains under significant pressure. Projections for 22-23 take into account the £2.5m in-year overspend, and a cumulative overspend of £7.3m is now projected for the High Needs budget.

3.5 Adults Directorate

Service	Original Budget £'m	Revised Budget £'m	Forecast £'m	Current Forecast Variance to Budget £'m	Period 3 Forecast Variance to Budget £'m
A4600C-Adult Services Total	6.970	7.849	8.456	0.607	0.467
A4610C-ASC Business Management Total	12.479	3.036	2.922	(0.114)	0.477
A4620C-ASC Integrated Services Total	53.075	61.239	64.887	3.648	3.411
A4600B-Adults Total	**72.523**	**72.124**	**76.265**	**4.141**	**4.355**

3.5.1 The period six reported position for the Adults' Directorate is an overspend of £4.141m, a decrease of £0.214m from Period 3 due to an improved income forecast in respect of assessed charges.

The table below sets out the main variances causing the overspend in Adult Services.

Pressure	Amount
Mental Health Placements and staffing	905,000
Adult Community Team Placements	2,922,000
Learning Difficulties Placements	2,122,000
Transformation Funding	-77,000
LD/ACT/Business Management staffing	-204,000
Underspends against various Adult Services	-217,000
Safeguarding	-310,000
Winter Pressures Funding	-1,000,000
Total	**4,141,000**

Overall the forecast overspend continues to be driven by significant demand pressures because of continuing increases in the complexity and costs of provisions. The pressures include:

- We are still seeing a high demand at the front door, which has not decreased from last year. We are seeing just over 1,000 calls a week. This is being looked at in more detail in terms of what we are diverting and signposting elsewhere.

- Homecare – The main headline is that new starters are costing more than leavers due to complexity of need. There is still a significant demand from hospital. Community cases reflecting that people getting frailer and carers are not coping.

The increases to homecare packages are what continue to drive the budget pressure. People are experiencing issues with post hospital transfers, which is a real driver for the increase in the number of packages.

- Nursing - We have seen new starters costing more than leavers, driving up overall cost to the council. The one to one packages are all on the targeted review list. In addition, this month nursing have more starters than packages ending, with the cost of the new starters being just under double the cost of the leavers.

- Even though more people are leaving residential than starting, the costs of the new starters were higher than those leaving. Residential cost have increased overall this period. The Council is having difficulty placing at LBH rates - new placement costs can be between £1,000 and £1,200 since the summer compared to the previous rate of £695. The Council has no choice other than to place at these rates. The pressure is currently compounded due to homes being suspended and an outbreak in Redbridge resulting in increased more expensive out of borough placements.

- A new emerging theme is we are getting requests from families paying third party top ups stating they can no longer pay given the current climate. These are being addressed on an individual basis, but it is a clear emerging pressure.

- We are seeing more people move to traditional services, as opposed to taking up a direct payment.

Although growth has been applied to budgets there have also been significant savings applied. Better Living is forecast to deliver annual savings of £1.5m and targeted reviews of 1-1's in care homes will deliver a further £1.5m in full year savings in 2022/23. A range of measures are in place to continue to deliver savings and efficiencies across the service:

- A savings plan is in place and being actioned across the Service to review complex packages and 121s to mitigate increased costs and maximise CHC funding,
- The strength based approach is being focused upon by frontline teams to ensure clients maximise community resources over Council led care,
- Support has been engaged to provide advanced advice on CHC cases to maximise success at CHC Panel and also success at appeal, and
- Work is now underway with health partners to mitigate nursing care pressures as far as possible by reviewing the Discharge to Assess / Trusted Assessor discharge recommendations to ensure that clients cannot be supported in their homes and to ensure that appropriate support is in place for clients in short term nursing care beds to maximise their chances of returning home at reduced package costs after short term intensive interventions.

However, as reported in earlier reports, the current work to deliver in year savings/review work is being regularly outstripped by both new demand and increased complexity of existing client's needs and it maybe be necessary to rephase and reduce the forecast reductions achievable this year during the third quarter.

The savings for the remainder of the year yet to be delivered is £0.968m, although it is expected that some of this will be reported as delivered by future periods, once further analysis has been completed.

Targeted Reviews savings achieved to date are £1.252m. Due to considerable efforts and focus on challenging Continuing Health Care funding in both the last financial year and this year, the service has achieved significant cost transfers in the first quarter. Three large packages of care have successfully moved through the dispute process and have been agreed as CHC. Better Living savings achieved to date are £0.869m.

It continues to be the case that review work is being offset by demand, especially by increasing complexity of client needs. There is still a risk that the outturn projection could fluctuate.

The MTFS plan agreed by Cabinet in February 2022, assumed £4m income based on dialogue with NEL CCG at the time, and was based on project income for Discharge to Assess for 2021/22; however, ASC only received £1.9m from the NHS.

The main areas of overspend at period 6 relate to:

- **An overspend of £2.053m against the Adult Community Team Budget** The position is improved due to the client contribution income forecast increasing. While this is good news, it does also reflect the increases to demand that we are seeing this year. We have seen an increase to placement costs this month with increases to residential and nursing, whereby rates are higher than previously. Respite has also increased although we have this month seen some reductions to homecare, Daycare and direct payments due to changes in take up and client movement. We are still seeing a high demand at the front door, which has not decreased from last year. We are seeing just over 1,000 calls a week. This will be looked at in more detail in terms of what we are diverting and signposting elsewhere.

  Homecare – The main headline is that new starters are costing more than leavers are, due to complexity are. There is still a significant demand from hospital. Community cases reflect people getting frailer and carers not coping.
  The increases to homecare are what continue to drive the budget. The hospital again features, and people are experiencing issues with post hospital transfers, which is a real driver for the increase in packages.

  Nursing - We have seen new starters costing more than leavers, driving up overall cost to the council. The 1:1 packages are all on the targeted review list. Also, this month we have ACT nursing having 1 more starter than ending, with the cost of the new starters being just under double the cost of the leavers.

  Even though more people are leaving residential than starting, the costs of the new starters were higher than those leaving. Residential cost have increased overall this period. We are having trouble placing at LBH rates - the average new placement cost is now £1,200 compared to our usual rate of £695. WE are having

no choice other than to place at these rates, however as pressure is currently compounded due to homes being suspended and an outbreak in Redbridge meaning that OOB placements are currently up, we expect the trajectory in rate increases to continue.
A new emerging theme is we are getting requests from families paying 3rd party top ups stating they can no longer pay given the current climate. These are being addressed on an individual basis, but it is a clear emerging pressure. We are seeing more people move to traditional services, as opposed to taking up a DP.

- **An overspend within Learning Disability Services of £1.598m**

  The biggest increases are within Supported Accommodation and Residential. Supported accommodation increased by £0.390m. LD is facing an issue of high costs clients. This month within supported accommodation 2 clients had a combined increase in cost of £0.186m. Residential has increased by £0.110m with 2 clients having a £0.096m impact. One of these clients is being moved due to the provider leaving the market. This has meant the client is being rehomed but at a higher cost. This is becoming an increasing issue with further clients needing to be rehomed in the coming months, all at an expected increased rate. Daycare is forecasting an increase of £0.080m, which is down to 5 new clients having a £0.073m impact.

  Direct payments forecast has increased by £0.125m due to an adjustment of £0.146m being put in as the same amount was loaded in error as budget (which will later be removed). Increasing the forecast has meant the variance to budget is correct. The budget and forecast will both be reduced next month.

  Better Living:
  The team is working hard to try to deliver Better Living savings. Seniors and the LD resource panel are scrutinising all requests for appropriateness and proportionality.

  Costs of Care are also being worked on.

  There are various risks and pressures:

  Targeted reviews:
  There are severe capacity issues within the team, with the volume of unplanned activity extremely high. Complaints are increasing and some quality issues are arising. It is not possible to allocate identified targeted review cases within existing capacity. Solutions are being discussed but there is a risk to savings delivery.

  LD provider uplifts:
  Many LD providers are raising cost pressures. To look at provider requests on an individual basis risks significant impact to the service budget, however not addressing this carries market risks. Providers leaving the market is starting to

occur with at least one client in a residential setting being moved this month and more are expected.

Rents:
The rent payments have increased by 4% this year.

- **An overspend of £1.001m in respect of Mental Health non S75**
  The overspend is driven by placement pressures in year. A plan is being put in place to bring spend down as far as is feasible for the remainder of the year. The increase from P3 is due to increase in provision costs, mainly Supported accommodation/living and homecare. Supported living increased by £0.050m this was mainly due to 4 new clients who had a combined impact of £0.086m (but was mitigated by 36k due to clients ending and decreases in costs). Homecare was the other main increase, of 26k. Other small non-material increases and an increase in income reduced the overall monthly increase to 72k. Work is ongoing to reduce this including identifying clients that are applicable for health funding.

- **An underspend of £0.310m in Adults Safeguarding**
  The safeguarding team has had a budget movement for ongoing LPS funding. This has reduced the net position, which is offsetting costs elsewhere. However, this budget will be needed in future years when the scheme is fully implemented.

- **An underspend of £0.067m in Strategy & Commissioning**. There has been a change in month as the forecast for the Emergency Reablement contract has had to be increased to accommodate the discharge system need forecast to the end of the financial year.

- **An underspend against Other Adults Services of £0.133m** The underspend is due to a combination of various areas including vacancy lag.

3.6 Neighbourhoods

Service	Original Budget £'m	Revised Budget £'m	Forecast £'m	Current Forecast Variance to Budget £'m	Period 3 Forecast Variance to Budget £'m
A2300C-Public Realm Total	8.254	8.254	10.380	2.126	2.839
A2310C-Civil Protection Total	1.476	1.546	1.493	(0.053)	0.090
A2350C-Bereavement and Registration Services Total	(2.631)	(2.406)	(2.368)	0.038	(0.081)
A2860C-Planning Total	3.058	2.989	3.496	0.507	0.259
A2900C-Business Support - Neighbourhoods Total	1.359	1.359	1.185	(0.174)	(0.170)
A5000B-Neighbourhoods Total	**11.514**	**11.742**	**14.186**	**2.444**	**2.941**

At period six Neighbourhoods has identified potential pressures of £2.444m across its services. The service have developed action plans to try to contain these pressures. It should be noted that some of the pressures still relate to the legacy of the lockdowns as services build back to previous levels.

The main pressure areas are:

3.6.1 Public Realm

Costs of £0.956m relating to the deferral of the integrated Public Realm Contract work to 22/23, which was paused when the nation went into lock down in 2020. There are a number of mitigating actions (removal of the final year weed spraying, reducing the number of waste round collection made in one day, restriction on the use agency staff) being implemented to reduce the overall pressures.

Parking is currently projecting a pressure of £0.175m. Parking Services are in the process of delivering the prior year and in year MTFS savings relating to the expansion of the CCTV network, of course as is always the case with parking or moving traffic enforcement the intention of the scheme is to generate compliance but for budgeting purposes. The MTFS items added are the anticipated by-products of the work the service undertakes. The Parking income has been reviewed following the finalised date for the removal of Covid specific parking measures.

Highways currently anticipate a £1.154m pressure due to reduced external works for TFL funded projects has resulted in reduced anticipated income, Management have started implementing plans to mitigate these pressures, including reducing spend on minor operational adjustments, structures and schemes budgets.

3.6.2 Planning

There is a potential budget pressure £0.507m in planning for unbudgeted legal costs in relation to an upcoming Public Inquiry, in addition, under achievement of the Planning application fee and building control fee income.

3.6.3 Civil Protection

Civil Protection is currently projecting an under spend of £0.053m. This is due to an overachievement of income and reduction in costs across Enforcement. .

3.6.4 Bereavement and Registration Services

There are also potential pressures of £0.038m across Bereavement and Registration Services due to slight unachievable income in Cemeteries.

The forecast position includes Directorate underspends of £0.333m, mainly as a result of staffing underspend within Business Support, and reduced consultancy cost.

3.7 Regeneration Programme Delivery

Service	Original Budget £'m	Revised Budget £'m	Forecast £'m	Current Forecast Variance to Budget £'m	Period 3 Forecast Variance to Budget £'m
A2850C-Regeneration Total	1.262	1.262	0.980	(0.282)	(0.145)
A5500B-Regeneration Programme Delivery Total	**1.262**	**1.262**	**0.980**	**(0.282)**	**(0.145)**

3.7.1 Regeneration

Regeneration are reporting an underspend position of £0.282m against the revised budget position on revenue at Period 6, which includes meeting the planned savings of (£0.1m). The underspend is mainly due to a planned reduction in business development costs in response to corporate budget pressures and capitalisation of project management costs.

3.8 Housing General Fund

Service	Original Budget £'m	Revised Budget £'m	Forecast £'m	Current Forecast Variance to Budget £'m	Period 3 Forecast Variance to Budget £'m
A4300C-Housing Services (GF) Total	3.883	3.883	3.883	0.000	0.241
A5700B-Housing Total	**3.883**	**3.883**	**3.883**	**0.000**	**0.241**

3.8.1 Housing General Fund

Housing has a £383k overspend due to undeliverable savings with MLH pulling out of the project to deliver 125 units of accommodation (£100k) and the price per property of £102k. It is also worth noting that Capital Letters have not been able to deliver this year on their targets, as they also have been experiencing significant market challenges trying to secure private rented accommodation this has impacted our ability to deliver on the associated £100k MTFS saving.

Housing has seen a £70k increase in PSL void responsive repairs. Housing are also anticipating spend £170k on the Ukrainian refugee households who are ineligible for full Universal Credit due to being benefit capped and those on family visas that is currently being absorbed by the Homeless Prevention Grant.

The overspend will be met by unspent grant monies and therefore the Service is reporting a net nil variance.

The cost of living crisis and anticipated hotel spend in 2022/23 has given cause for concern with projected hotel costs becoming particularly challenging during the winter period. We anticipate a hotel costs to reach as high as £659k as a result of the private rented market drying up supply, pressure from refugees, and demand from homeless approaches. Some of the total overspend will be met by existing HPG grant as a one off. Difficult decisions about how we support homeless families will need to be considered over the coming months as B&B will be an ongoing pressure during the winter.

3.9 OneSource Shared

Service	Original Budget £'m	Revised Budget £'m	Forecast £'m	Current Forecast Variance to Budget £'m	Period 3 Forecast Variance to Budget £'m
A7100C-oS Finance Total	(0.063)	(0.027)	(0.020)	0.007	0.149
A7131C-Procurement Total	0.006	0.004	0.160	0.156	0.139
A7200C-oS Business Services Total	(0.035)	0.109	0.346	0.237	0.238
A7300C-oS Exchequer & Transactional Services Total	1.970	2.510	3.455	0.945	0.844
A7500C-oS Legal & Governance Total	0.026	0.257	0.357	0.100	0.075
A7600C-oS ICT Services Total	(0.073)	(0.050)	0.518	0.568	0.902
A7700C-oS Asset Management Services Total	0.044	0.067	0.068	0.001	0.096
A7800C-oS Strategic & Operational HR Total	0.020	0.014	0.014	(0.000)	0.002
A7000B-oneSource Shared Total	**1.895**	**2.884**	**4.898**	**2.014**	**2.445**

3.9.1 ICT Services

ICT Services is forecasting an overspend of £0.9m. This is due to the increased cost of Microsoft Enterprise Licences of £0.4m which is in part due to the fall in value of the pound against the dollar, coupled with slippage on savings of £0.5m (£0.3m for 22/23 and £0.2m prior year). A thorough review of ICT budgets and spend is being undertaken to enable a more accurate time-scale for the delivery of these savings, it is envisaged that savings will be deliverable but the benefits will not be realised until next financial year.The additional cost of licences will be funded in 2022/23 through an earmarked reserve

3.9.2 Exchequer and Transactional Services

The Exchequer and Transactional Service is forecasting an overspend of £0.9m which relates to an anticipated enforcement income shortfall against target. The income target has recently been increased by over £0.8m (£0.3m in 21/22 and £0.5m in 22/23) whilst the level of income has not increased at the same rate.

A contract delivered on behalf of another London Borough has recently ended, which is exacerbating the position. The service continually aim to increase income and as and when new contracts are secured, or caseloads increase, the income forecast will be updated accordingly.

3.9.3 Legal

An overspend of £0.1m is projected within Legal Services due to locum and agency spend; as and when recruitment concludes the forecasts will be updated.

3.10 OneSource Non-Shared

Service	Original Budget £'m	Revised Budget £'m	Forecast £'m	Current Forecast Variance to Budget £'m	Period 3 Forecast Variance to Budget £'m
A5200C-Exchequer Services Total	(1.396)	(1.598)	(1.658)	(0.060)	0.026
A5350C-Business Services Total	0.002	0.002	0.000	(0.002)	(0.002)
A5750C-oS non Shared Finance Total	0.933	1.082	1.363	0.281	0.017
A5800C-Asset Management Total	(1.264)	(1.449)	(0.455)	0.994	1.087
A5850C-Strategic HR & OD Total	0.012	0.101	0.099	(0.002)	0.072
A5900C-Legal & Democratic Svs Total	2.096	2.041	2.155	0.114	(0.083)
A5950C-ICT Services Total	(0.022)	(0.022)	(0.077)	(0.055)	0.050
A8000B-oneSource Non-Shared LBH Total	**0.361**	**0.158**	**1.427**	**1.269**	**1.166**

The forecasted overspend for oneSource non-shared is £1.3m, which largely relates to pressures within the Asset Management area.

3.10.1 Asset Management

There is a combination of pressure points within the service which have contributed to the £1.3m forecasted overspend:

- The budget contains a £0.6m savings target which relates mainly to the decant of Mercury House office accommodation as a result of increased working from home since the pandemic; of this, only £0.2m is being forecasted as achieved in 22/23 due to the continuation of some residual occupation. The forecasted partial delivery of £0.2m relates to some reduced running costs, NNDR exemptions and rental income (relating to River Chambers).

- Passenger Transport Service (PTS) have lost a number of external income generating routes, therefore an income shortfall is being reported of £0.1m. They continue to bid for new business, and as and when successful, the forecast will be updated accordingly.

- Commercial property is forecasting an income shortfall of £0.4m, due to commercial rents £0.2m and Romford Market £0.2m. The income target for the commercial rent roll was increased during budget setting by £0.2m but this has not been achieved as yet due to a higher than expected number of vacant properties within the Hilldene area owing to uncertainty over plans for its future development. Theses pressures will be partilally mitigated by a drawdown from reserves of £0.3m

- Corporate Landlord is projecting an overspend on building repairs and maintenance costs of £0.2m; the service will continue to review the prioritisation of works, the ability to capitalise spend and the costs paid for repairs and maintenance contracts with a view to improving the forecasted overspend.

3.10.2 Legal

The forecasted over spend of £0.114m relates to a combination of slippage on the delivery of a £0.055m savings target relating to reducing the cost of external legal spend in wider council budgets coupled with income pressures resulting from a reduction in school appeal income.

3.11 Chief Operating Officer

Service	Original Budget £'m	Revised Budget £'m	Forecast £'m	Current Forecast Variance to Budget £'m	Period 3 Forecast Variance to Budget £'m
A2100C-Customer and Communications Total	1.214	1.467	1.939	0.472	0.149
A2600C-Policy, Performance and Community Total	3.119	3.355	3.355	0.000	0.000
A3150C-Joint Commissioning Unit Total	0.040	0.085	0.085	(0.000)	0.000
A5300C-Transformation Agenda Total	0.519	0.549	0.742	0.193	0.193
One off use of reserves to support budget			(0.577)	(0.577)	0.000
A9000B-Chief Operating Officer Total	**4.891**	**5.456**	**5.544**	**0.088**	**0.342**

3.11.1 Customer and Communications

There are continuing income shortfalls in relation to the Council's leisure contract with SLM, which at period 6 is £0.6m. The Council is monitoring the position closely through regular recovery meetings with SLM, but it is widely recognised that the pandemic has had a significant impact on the leisure industry.

Havering Music School is experiencing a £0.2m shortfall of income largely due to a decline in pupil numbers and reduced school uptake. The Music School is seeing the impact of families who are weighing up the cost of living versus continuing with music lessons. The service is working hard to attract new pupils and increase school uptake by prioritising Marketing with the Council's internal communication team and Traded Services unit. Additionally, further costs may be incurred such as hall hire due to rising inflation however at present, this is contained within existing budgets.

There are underspends across the rest of the Customer and Communication Service totalling £0.3m.

3.11.2 Transformation Agenda

Transformation Service is forecasting unachieved prior year savings of £0.2m in relation to Digital Platform for delivery of the CRM and D365 project.

4. ACHIEVEMENT OF SAVINGS

In setting the 2022/23 budget the Council identified £15.028m of savings proposals which would need to be delivered in order to balance the budget. These proposals were partially offset by a £2.0m budget provision recognising that potentially some proposals might not be fully realised. Delivery of these savings is absolutely key to achieving a balanced position for 2022/23 and Departments are working collectively to achieve that aim wherever possible. Below however is a list of the reported unachievable savings.

4.1 Unachieved Savings

Directorate	2022/23 MTFS Description	2022/23 MTFS Ref	2022/23 MTFS Variance	2022/23 Theme	2022/23 RAG Rating
A5700B : Housing	PSL Capital Letters	Ref.060	100,000	Communities	red
A5700B : Housing	Introduce price per property repairs service for PSLs.	Ref.061	102,000	Communities	red
A7000B : oneSource Shared	ICT Restructure	Ref.081	150,000	Opportunities	red
A7000B : oneSource Shared	Increase net contribution from providing enforcement to others OSS	Ref.082	450,000	Opportunities	red
			852,000		

4.1.1 Staffing Savings

The Council is fundamentally reviewing its staff base and structures to modernise services and improve efficiency. The main initiatives to identify post savings are:

- A voluntary release scheme. This will allow the Council to release a number of individuals and make staffing savings through restructure and reorganisation of services. The process is well underway and the posts that will be able to be released will be confirmed in the next few weeks. It is anticipated this will deliver a significant saving in 2022/23 with a full year effect in 2023/24. At present is estimated £0.750m will be realised through this process in 2022/23 with a full year effect of £1.6m.

- The Council is reviewing all agency placements with the aim of significantly reducing the need for these more expensive costs. The review will identify where recruitment to permanent posts can take place and if the agency placement is project based look at other means to deliver that project to minimise the level of agency cover required. It is accepted that in some difficult to recruit areas such as social care there will always be an element of agency costs but those services are doing everything they can to promote and encourage permanent recruitment.

- The Council is looking at its Target operating model (TOM) and staffing structures to flatten management structures and reduce management costs where possible and also to restructure service provision to deliver more efficient outcomes. There was a full report to November Cabinet which set out the planned approach to delivering the new target operating model

- The Council is also reviewing all current vacant posts to establish if those roles are required or if the services can reconfigure to continue to deliver outcomes without the need for recruitment

The VR exercise will generate savings of the order of £1.6m in a full year. The work described above is expected to deliver further staffing savings although it is recognised the majority of the achievement will be in 23/24. This position is recognised both in this monitoring report and the Council's medium term financial strategy.

5 CORPORATE BUDGETS AND CONTINGENCY

5.1 The Council holds a central contingency of £1m each year. This is held for unforeseen events and the Council would only use this as a last resort if no other funding is available.

The Contingency has been released to support the overall budget position. The Provision set aside for unachieved savings has also been added to this table.

5.1.1 The Council also holds a number of budgets centrally mostly pending allocation to departments. These budgets are reviewed, on a monthly basis, by the Section 151 Officer, as part of the monitoring cycle.

5.1.2 Corporate Budgets

Corporate Variances			
	Budget	Known Commitments	(Under)/ Over spend
Corporate Items	£m	£m	£m
Corporate Contingency	1.000	0.000	(1.000)
Treasury Management Underspend	8.136	5.336	(2.800)
Other Corporate Budgets	17.255	19.505	2.250
Total	**26.391**	**24.841**	**(1.550)**

5.1.3 Estimated Energy Shortfall 2022-23

	Fuel Costs £m	Electricity Costs £m	Gas Charges £m	Potential Energy Shortfall £m
A3000B-Public Health		0.000	0.010	0.010
A4000B-Childrens (GF)		0.010	0.040	0.050
A4600B-Adults		0.550	0.025	0.575
A5000B-Neighbourhoods		0.000	0.120	0.120

A5700B-Housing (GF)		0.050	0.030	0.080
A8000B-oneSource Non-Shared		0.040	0.065	0.105
A9000B-Chief Operating Officer		0.000	0.010	0.010
Transport	0.350	0.000	0.000	0.350
Potential Total	**0.350**	**0.650**	**0.300**	**1.300**

Under the corporate energy contract with Laser, electricity is expected to increase by 61% (Street Lighting by 80%) and gas by 132% for 2022-23. Also diesel prices have increased from approximately £1.25 per litre, peaking recently at approximately £1.95 per litre since 2018/19.

All the increases have been recognised corporately by a provision of £1.5m currently held in the centre. The Council also has a £0.5m energy reserve set aside. If the full energy provision and reserve are not required in 22/23 they will be released to support the overall budget position

5.2 The Collection Fund

The Council continues to collect both Council Tax and Business Rates income where chargeable. Council Tax collection over the current year is strong despite the effects of the pandemic and at this stage is on target for the collection rates set in the budget.

5.3 Treasury Management Forecast

The Council sets its treasury budgets based on the assumed Capital programme and forecasted level of cash balances each year. There are fluctuations on these budgets due to slippage and changes to the Capital programme, prevailing interest rates and borrowing decisions and the level of cash balances held by the Council.

Slippage in the Capital programme and current cash balances of over £100m has meant that there has been no General Fund external borrowing to date in 2022/23. It should be noted that the Council is reliant on internal borrowing to fund its CFR and further borrowing maybe necessary in 2022/23 and interest rates are rising. The Council remains in regular contact with its treasury advisors to determine the most appropriate time to undertake any external borrowing.

The Council has also benefitted from increased interest receivable from its deposits. At the time the budget was set interest rates were extremely low and therefore the budget was set to reflect this. Rates have now risen which has increased the yield on cash deposits.

These factors have resulted in a forecasted underspend on the treasury budget of £2.8m. This underspend could potentially increase depending on prevailing interest rates and the speed of the Capital programme.

6 EARMARKED AND GENERAL RESERVES

6.1 The Council holds general balances to mitigate against unforeseen risks. At the end of 2021/22 General Fund Balances stood at £10.942m. The Council has planned contributions to general balances in 2022/23 of £2m. There is however a current year overspend and Council will do everything it can to identify efficiencies in order to reduce this to minimise the impact on general balances.

6.2 In a previous budget round the Council identified and agreed that balances should be increased to £20m over the next few years to properly reflect both the size of the authority and also the current risks it faces. This remains a priority for the authority and the Council is on track despite the current year overspend. The budget for 2023/24 contains further planned contributions so even if the current year overspend results in a lower than planned level of balances it is expected that this position will be recovered in future years.

6.3 The Council holds General Fund Earmarked Reserves which totalled £59.633m* at the end of 2021/22. These reserves have varying levels of flexibility in terms of what they can be used for.

**Excludes schools and HRA*

7 HOUSING REVENUE ACCOUNT

	2022-23 Budget £m	2022-23 Forecast £m	Current Forecast Variance £m	Previous Forecast Variance £m
Income and Expenditure				
Income				
Dwelling rents	(49.025)	(49.025)	(49.216)	(0.191)
Garages	(0.370)	(0.370)	(0.370)	-
Charges for servi ces and facilities - Tenants	(6.547)	(6.547)	(6.547)	-
Charges for services and facilities - Leaseholders	(1.745)	(1.745)	(1.745)	-
Shared ownership	(0.279)	(0.279)	(0.279)	-
Other	(0.733)	(0.733)	(0.733)	-
Total Income	**(58.698)**	**(58.698)**	**(58.889)**	**(0.191)**
Expenditure				
Repairs and maintenance	10.864	10.864	10.864	-
Supervision and management plus recharges	26.859	26.859	25.852	(1.007)
Depreciation and impairment	16.590	16.590	16.590	-
Debt management costs	0.048	0.048	0.048	-
Bad debt	0.665	0.665	0.665	-
Total Expenditure	**55.027**	**55.027**	**54.020**	**(1.007)**
Net cost of HRA services	**(3.671)**	**(3.671)**	**(4.869)**	**(1.198)**
Interest payable and similar charges	9.701	9.701	9.701	-
Interest and investment income	(0.036)	(0.036)	(0.036)	-
Surplus or deficit for the year on HRA services	**5.994**	**5.994**	**4.796**	**(1.198)**
Statement on movement of HRA balances				
Surplus or deficit for the year on HRA services	**5.994**	**5.994**	**4.796**	**(1.198)**
Capital expenditure funded by the HRA	4.270	4.270	4.270	-
Reversal of impairment charge	(7.110)	(7.110)	(7.110)	-
Net (income)/Expenditure	**3.154**	**3.154**	**1.956**	**(1.198)**
HRA balance brought forward	**(17.029)**	**(17.029)**	**(17.029)**	**-**
Net (income)/Expenditure	3.154	3.154	1.956	(1.198)
HRA balance carried forward	**(13.874)**	**(13.874)**	**(15.072)**	**(1.198)**

7.1 The HRA is projecting an underspend of £1.198m. £1.2m, of this is due to delays in the commencement of the Open Housing Upgrade/Replacement Project. The additional staff resource required have yet to be approved, which is not expected to happen until February 2023.

There has been additional income generated of £102k from properties let at Brunswick Court, Dell Court and Royal Jubilee Court, which has also reduced the void loss as many of the properties were long term voids.

There is a pressure coming from the increase cost of utility bills.

7.2 Rent & Service Charge Income.

The figures below are up to and including week 26 of 2022/23.

Rent Debit Raised	Income			Arrears	Collection Rate
	Housing Benefit	Direct Payments	Total Income		
31,059,540.26	- 9,907,827.12	- 19,497,442.48	**- 29,405,269.60**	**1,654,270.66**	**95%**

8 CAPITAL MONITORING

8.1 Capital Programme Overview

The Capital programme for 2022/23 through to 2026/27 was agreed at Council in February 2022. In addition to the approved capital programme, slippage from 2021/22 has since been added (detailed in the capital outturn report) and there have been some additions relating to external grants and contributions. The current approved full Capital Programme is set out below.

Summary of Existing Approved Capital Programme	Previous Years Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 to 2026/27 £m	Total Budget £m
Adults Services	4.790	5.743	1.618	0.000	12.150
Adults Services	**4.790**	**5.743**	**1.618**	**0.000**	**12.150**
Customer & Communications	28.191	7.583	3.959	0.603	40.336
Transformation	3.182	10.816	6.462	6.440	26.900
Chief Operating Officer	**31.373**	**18.399**	**10.421**	**7.043**	**67.236**
Children's Services	0.254	2.373	0.891	0.000	3.518
Learning & Achievement Service	0.512	1.072	1.229	0.000	2.813
Children's Services	**0.766**	**3.446**	**2.120**	**0.000**	**6.331**
Housing Services	211.995	296.773	180.971	552.404	1,242.143
Housing Services	**211.995**	**296.773**	**180.971**	**552.404**	**1,242.143**
Bereavement Services	6.138	1.572	0.000	0.000	7.710
Environment	36.462	28.527	3.470	0.750	69.210
Civil Protection	0.151	3.599	0.000	0.000	3.750
Neighbourhoods	**42.751**	**33.699**	**3.470**	**0.750**	**80.669**
Asset Management	33.109	24.954	13.534	21.730	93.327
ICT Services	4.231	8.898	3.980	5.020	22.130
Finance	0.000	7.291	0.000	0.000	7.291
OneSource	**37.341**	**41.143**	**17.514**	**26.750**	**122.747**
Regeneration	29.308	195.642	198.106	42.024	465.079
Regeneration	**29.308**	**195.642**	**198.106**	**42.024**	**465.079**
Grand Total	**358.322**	**594.843**	**414.221**	**628.970**	**1,996.356**

- The 2022/23 Capital budget includes £209m of budget rolled forward from 2021/22 as agreed in the outturn report

8.2 <u>Financing</u>

The Council finances its capital expenditure through a combination of resources both internal and externally generated. Each funding stream is considered in terms of risk and affordability in the short and long term. The current and future climates have a significant influence on capital funding decisions. As a result planned disposals and borrowing costs are kept under regular review to ensure timing maximises any potential receipts and reduces borrowing costs.

Excluding previous years spend (totalling £358.322m shown for information above) the total programme for 2022/23 and beyond is £1,638.034m and for information purposes is funded as set out in the following table.

Financing	**2022/23 Financing Budgets £m**	**2023/24 Financing Budgets £m**	**2024/25 to 2026/27 Financing Budgets £m**	**Total Financing Budgets £m**
Capital Receipts	128.844	105.512	0	234.356
HRA Specific Capital Receipts	45.907	85.545	232.492	363.944
Revenue & Reserves	27.833	12.566	53.550	93.949
Grants and Other Contributions	38.268	17.440	23.551	79.259
Borrowing	353.991	193.158	319.377	866.526
Total Financing	**594.843**	**414.221**	**628.970**	**1,638.034**

8.3 Capital Achievements

Capital expenditure as at the 30th September is £57.114m to date. Notable achievements so far for 2022/23 are as follows:

- £23.9m on the 12 estates project to improve housing across the borough
- £8.2m spent on enhancing and increasing our existing housing stock
- £4.3m on improving the quality of our roads and infrastructure
- £2m on improving and refurbishing the Town Hall
- £2.2m on the construction of a new leisure centre in Rainham
- £0.8m on improving the council’s IT infrastructure
- £1.1m on improving Traffic safety via the implementation of CCTV cameras
- £1m on improving parks and open spaces across the borough
- £1.6m on improvements to our school buildings
- £1m on the Rainham & Beam Park regeneration project

8.4 Capital Monitoring @ Period 6

The report below sets out the latest Period 6 position for the Council's capital programme for the 2022/23 financial year.

Directorate	Budget 2022/23 £m	2022/23 Forecast Period 6 £m	2022/23 Variance £m	Current Year Actuals @ Per 6 £m
Adults Services	5.743	2.845	(2.897)	0.204
OneSource	41.143	18.566	(22.576)	4.399
Neighbourhoods	33.699	27.240	(6.458)	7.002
Regeneration Programme	195.642	36.276	(159.366)	1.071
Children's Services	3.446	2.482	(0.964)	0.044
Chief Operating Officer	18.399	11.167	(7.232)	3.469
Housing Services	296.773	150.005	(146.768)	40.924
Total	**594.843**	**248.580**	**(346.263)**	**57.114**

The forecast expenditure for 2022/23 is £248.580m with actual expenditure at the end of Period 6 of £57.114m. Whilst most project budgets are on track to be spent over the full MTFS period there are a number of projects where expenditure has slipped back into future years, the explanations for the main programmes that contribute towards the slippage provided below:

8.5 Adult Services

Programme Area /Service/ Directorate	Budget 2022/23 £m	2022/23 Forecast Period 6 £m	2022/23 Variance £m
Adults – DFG	4.631	1.793	(2.839)
Adults – Other	1.111	1.053	(0.059)
Adults Services	5.743	2.845	(2.897)
Adults Services	**5.743**	**2.845**	**(2.897)**

Adults - DFG – Slippage of £2.839m

The Dedicated Facilities Grant slippage is due to the lack of activity in applications and adaptations, however demand is slowly increasing after the disruptions of the pandemic. Recent recruitment has added to the DFG team which will help to maximise spend in this area.

8.6 OneSource

Programme Area /Service/ Directorate	Budget 2022/23 £m	2022/23 Forecast Period 6 £m	2022/23 Variance £m
Asset Management – Other	4.411	1.333	(3.078)
Corporate Buildings	3.520	3.287	(0.233)
Health & Safety	0.302	0.199	(0.103)
Pre Sale Expenses	0.133	0.119	(0.014)
Schools Building Maintenance	6.315	3.891	(2.424)
Schools Expansions	8.117	2.435	(5.681)
Vehicle Replacement	2.156	2.046	(0.110)
Asset Management	**24.954**	**13.311**	**(11.642)**
ICT Infrastructure	8.898	5.255	(3.644)
ICT Services	**8.898**	**5.255**	**(3.644)**
Contingency	0.691	0.000	(0.691)
Internal Leasing	6.600	0.000	(6.600)
Finance	**7.291**	**0.000**	**(7.291)**
OneSource	**41.143**	**18.566**	**(22.576)**

Asset Management - Other – Slippage of £3.078m
Most of the slippage £2.946m relates to the planned acquisition of Hornchurch Police Station. This project is currently on hold awaiting a decision by the Met Police.
School Buildings Maintenance – Slippage of £2.424m
This slippage is made up of a number of schemes that have been delayed, these works are now planned to commence later in the year.
School Expansions – Slippage of £5.681m
The Schools expansions slippage comprises of a number of schemes, which have been deferred and awaiting decisions. Any underspends within School Expansions Programme will be moved back to the unallocated expansions pot and subsequently used to fund additional projects.
ICT Infrastructure – Slippage of £3.644m
£1.527m of the slippage relates to the Data Centre & Core Network. The Programme has experienced delays and capital has been adjusted to reflect. The remainder of the slippage relates to schemes are being reviewed and then re-profiled.
It should be noted that only £0.152m of expenditure has been incurred to date against a forecast expenditure of £5.255m for 2022/23.

Finance
The Contingency budget is used for projects that are allocated as and when required. The budget is allocated to services by the Section 151 Officer.
The Internal Leasing budget is used to purchase vehicles that would otherwise have been leased by a service. The service repays the purchase cost over the life of the asset thus replenishing the budget for future purchases.
Expenditure is not shown against these programme areas as the budget is allocated to existing or new schemes across all directorates.

8.7 Neighbourhoods

Programme Area /Service/ Directorate	Budget 2022/23 £m	2022/23 Forecast Period 6 £m	2022/23 Variance £m
Public Protection	3.599	3.599	0.000
Civil Protection	**3.599**	**3.599**	**0.000**
Cemeteries and Crematorium	1.572	1.502	(0.070)
Bereavement Services - Cems & Crems	**1.572**	**1.502**	**(0.070)**
Environment – Other	8.220	8.220	0.000
Environment – TFL	0.171	0.002	(0.169)
Grounds Maintenance	0.250	0.100	(0.150)
Environment – Highways	16.934	10.868	(6.066)
Environment – Parking	0.405	0.405	0.000
Environment – Parks	2.548	2.544	(0.004)
Environment	**28.527**	**22.139**	**(6.388)**
Neighbourhoods	**33.699**	**27.240**	**(6.458)**

Environment – Highways – Variance of £6.066m

£5.666m of the slippage relates to the Highways Improvement Programme (HIP). The HIP scheme has now been paused. The winding down of the programme is expected to be complete by the end of October. Based on the current trajectory forecast expenditure is estimated at £7.260m, resulting in an underspend of £5.600m, which is factored into current MTFS forecasts.

8.8 Regeneration

Programme Area /Service/ Directorate	Budget 2022/23 £m	2022/23 Forecast Period 6 £m	2022/23 Variance £m
Mercury Land Holdings	93.657	11.600	(82.057)
Rainham & Beam Park	25.419	20.901	(4.518)
Regeneration – Other	73.277	3.375	(69.902)
Regeneration – TFL	3.288	0.400	(2.888)
Regeneration	**195.642**	**36.276**	**(159.366)**
Regeneration	**195.642**	**36.276**	**(159.366)**

MLH – Slippage of £82.057m

The main elements of the slippage are discussed below -

£35.525m of the slippage relates to the Waterloo scheme. The capital forecast was adjusted at Period 3 in accordance with current programme. Negotiations are taking place between MLH and the Havering Wates Regeneration JV to agree a PRS allocation for the Waterloo scheme between phases 2-5. Forecast has been moved back to reflect possible spend in later phases of work.

£19.500m of the slippage relates to the MLH Rainham Joint Venture. This project is not proceeding due to viability challenges. The budget will be reallocated in the Mercury Land Holdings Business Plan update.
£15.104m of the slippage relates to the Roneo Corner project. This has been slightly delayed by the developer. MLH are currently negotiating the particulars of the scheme, anticipated to start in 2022/23.
£11.865m of the slippage relates to the Homelessness. This Homelessness scheme is currently not progressing due to viability challenges, likely to be transferred into the general MLH schemes budget at Period 7 once confirmed by MLH.

Rainham & Beam Park – Slippage of £4.518m

The Rainham & Beam Park CPO budget is in place to evidence adequate financial support being in place for scheme delivery at a CPO. Assessment is currently being carried out on planning, programme and financial impact of the delay to the GLA delivering Beam Park Station.

Regeneration - Other – Slippage of £69.902m

The slippage of £69.902m relates to the Provision for Future Regeneration Opportunities project. Future Regeneration Opportunities budget could be drawn down in accordance with an approved business case, no planned expenditure at present in 2022/23.

Regeneration – TfL – Slippage of £2.888m

The slippage of £2.888m relates to the Beam Parkway Major Scheme, which is part funded by TfL. The estimated spend for 2022/23 is for consultancy costs for the scheme. No further funding has been confirmed by TfL, scope and other funding options are being explored, before the scheme can progress further.

8.9 Children's Services

Programme Area /Service/ Directorate	Budget 2022/23 £m	2022/23 Forecast Period 6 £m	2022/23 Variance £m
Learning & Achievement – Other	0.022	0.000	(0.022)
Schools	1.051	1.442	0.392
Learning & Achievement Service	**1.072**	**1.442**	**0.370**
Children's – Other	2.373	1.039	(1.334)
Children's Services	**2.373**	**1.039**	**(1.334)**
Children's Services	**3.446**	**2.482**	**(0.964)**

Schools – Acceleration of £0.392m

The slippage relates to the Harris Academy ARP. This scheme will be delivered by the Academy. The payment schedule has been agreed with the Academy. The budget will be re-profiled to reflect the progress of the scheme.

Children Services - Other – Slippage of £1.334m

The majority of the slippage relates to the build of Children's Residential provisions in the Borough. There continues to be a delay to the overall build programme.

8.10 Chief Operating Officer

Programme Area /Service/ Directorate	Budget 2022/23 £m	2022/23 Forecast Period 6 £m	2022/23 Variance £m
Leisure Other	6.830	5.875	(0.955)
Leisure SLM	0.415	0.415	0.000
Libraries	0.337	0.270	(0.067)
Customer, Communication & Culture	**7.583**	**6.560**	**(1.023)**
Transformation	10.816	4.607	(6.209)
Transformation	**10.816**	**4.607**	**(6.209)**
Chief Operating Officer	**18.399**	**11.167**	**(7.232)**

Leisure Other – Slippage of £0.955m
The slippage of £0.955m relates to the new leisure centre in Rainham. The slippage has reduced significantly from £1.880m from Period 3 as the project continues to make good progress.
Transformation – Slippage of £6.209m
The main elements of the slippage are discussed below –
£1.983m of the slippage relates to the Organisational Data Capability. Digital portfolio reprioritised prior to Period 3 with 2022/23 estimates revised down based on scope. Surplus budget re-profiled across future years for consideration when the data and digital strategies have been confirmed. The 2022/23 programme includes the BI and Reporting Project and the creation of a new Data Strategy, which will provide a road map of subsequent projects.

£1.040m of the slippage relates to Platforms & Integration programme. The digital portfolio has recently been reshaped and all activities are now under review, with new resource being on boarded to scope out deliverables and associated plans and costs. This programme includes the Alloy Implementation, Civica APP Replacement, a Cyber Security/ Business Continuity project and Application Risk Management Review and a new Digital Strategy. Programme estimates are broadly in line with Period 3 estimates, although there is variance at a project level as scope, plans and maturity have been progressed.
£0.953m of the slippage relates to the CRM budget. The CRM System 2022/23 forecast based on Project Manager's indicative plan and estimate. The remainder of budget will be rolled over to 2023/24.

£0.870m of the slippage relate to the Smart Working plus budget. Digital portfolio reprioritised prior to Period 3 with 2022/23 estimates revised down based on scope. Surplus budget re-profiled across future years for consideration when the data and digital strategies have been confirmed. The programme is being reviewed by the new project team with an SLT presentation in October to determine the new scope and approach.

8.11 <u>Housing Services</u>

Programme Area /Service/ Directorate	Budget 2022/23 £m	2022/23 Forecast Period 6 £m	2022/23 Variance £m
Bridge Close Acquisitions	36.103	31.827	(4.276)
Bridge Close Regeneration	8.342	1.003	(7.338)
HRA	44.013	37.581	(6.433)
HRA Regeneration	137.527	57.705	(79.821)
HRA Stock Adjustments	70.789	21.888	(48.900)
Housing Services	**296.773**	**150.005**	**(146.768)**
Housing Services	**296.773**	**150.005**	**(146.768)**

Bridge Close Acquisitions – Slippage of £4.276m

£4.276m of the slippage relates to the Acquisitions budget. Forecast updated to reflect planned commercial acquisitions under private treaty in 2022/23 plus £10.000m contingency allowance for further acquisitions coming forward, £60,000 per month drawdowns for average creditors fees plus £400,000 redesign fees forthcoming due to changes in design to reflect fire regulations update.

Bridge Close Regeneration – Slippage of £7.338m

£7.338m of the slippage relates to the Forward Funding Bridge Close budget. Forward funding budget reflects Council direct costs for the Bridge Close scheme, forecast includes allowance for staff capitalisation costs for Regeneration, provision for insurances and council legal advice plus a contingency of £0.500m in year for unforeseen costs, which will reduce down towards year-end should it not be required. Forecast in later years adjusted to reflect planning submission in Quarter 3 and start on site around September 2024.

HRA Regeneration – Slippage of £79.821m

The main elements of the slippage are discussed below –

£21.231m of the slippage relates to the 12 Estates - Partner Loan budget. Projections have been adjusted in line with JV partner cashflow forecast, with allowance for 50% of Waterloo PCSA costs (75% in year) and £500,000 contingency allowed for in forecast for 2022/23.

£13.300m of the slippage relates to the Vacant Possession budget. This budget funds the remainder of the work required to achieve vacant possession on the 12 Estates sites. Current forecasts based on 8 properties in year.

£10.577m of the slippage relates to the 12 Estates Affordable Housing Programme. Projections have been revised in line with JV partner cash flows for active schemes, NNP and SSS, with NNP concluding in December 2022. Waterloo construction will not begin until 2023/24 and intermediate costs will be picked up through demolition contract and PCSA (cash drawdowns budget).

£10.550m of the slippage relates to 12 Estates Phase 1 Forward Funding. Projections have been revised in line with JV partner cash flows for active schemes, NNP and SSS, with NNP concluding in December 2022. Waterloo construction will not begin until 2023/24 and intermediate costs will be picked up through demolition contract and PCSA (cash drawdowns budget). Allowance made in 2023/24 forecast for £6.000m for completion of SSS and £15.000m for activity on Waterloo phase 1 construction.

£6.632m of the slippage relates to The Bund - Affordable Housing scheme. This project is not currently proceeding due to viability challenges. £2.000m to be allocated to Telecare digital upgrade in 2023/24 and rest can be reallocated.
£4.721m of the slippage relates to 12 Estates - Tenant Compensation. The reduction in the number to regeneration decant moves has contributed to the low forecast. This is not expected to change over the coming years.

HRA Stock Adjustments – Slippage of £48.900m
The main elements of the slippage are discussed below –
£23.562m of the slippage relates to the HRA Acquisition Fund - Affordable Housing. The scheme has not progressed as quickly as expected due to lack of resources and external market forces. Current forecasts based on 27 completions in year.
£17.075m of the slippage relates to the Affordable Housing budget. The slippage is due to delays with negotiations, however projects are now moving forward with progress on St Georges scheme and Quarles scheme.
£6.125m of the slippage relates to the Hostel re-provision - Building of a new hostel budget. Allowance have been made in the 2022/23 forecast for progression to RIBA Stage 4, ready for detailed design with a new partner/contractor plus usual council fees for EA fees, Planning & capitalisation of project management costs.

8.12 Capital Financing Requirement

The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with the set aside of money to repay debt (either via the minimum revenue provision or a use of receipts to repay debt).
The latest forecasts for the CFR (the councils predicted underlying need to borrow) based on the latest period 6 forecasts are:

	31/3/2022	31/3/2023	31/3/2024	31/3/2025	31/03/2026	31/03/2027
	Actual £m	**Forecast £m**	**Forecast £m**	**Forecast £m**	**Forecast £m**	**Forecast £m**
General Fund	123.953	143.105	157.727	161.698	156.036	148.864
Regeneration	65.005	90.026	147.114	276.516	273.620	282.237
Total GF	**188.958**	**233.131**	**304.841**	**438.214**	**429.656**	**431.101**
HRA	279.968	369.055	469.082	596.023	702.491	772.013
Total	**468.926**	**602.186**	**773.923**	**1,034.237**	**1,132.147**	**1,203.114**

The key changes between the period 6 forecast of the CFR from period 3 are:

- HRA borrowing requirements have fallen by over £50m in 2022/23 and a further £10m in 2023/24. The borrowing is now expected to be needed in 2025/26
- The Regeneration borrowing requirement has also seen significant reductions with slippage causing the estimated borrowing need for 2022/23 to reduce by £16m to £25m and 2023/24 dropping by £44m to £59m. The bulk of the slippage is now expected in 2024/25
- GF borrowing needs have seen a small decrease in 2022/23 from £28m to £23m.

8.13 Capital Receipts Position

To reduce the need to borrow and therefore keep capital financing costs that impact the MTFS to a minimum the Council also has an assets disposals programme. Whilst capital receipts can't be used to finance revenue expenditure they can be used to finance capital spend.
The latest capital receipts position based on the period 6 forecasts is:

	£m
Available Capital Receipts @ 31/3/22	25.540
RTB receipts available for Regen	0.700
Non HRA receipts received	0.084
Total Available Capital Receipts	**26.324**
Budgeted 22/23 GF Capital Receipts	10.000
Budgeted 22/23 Usable RTB Receipts	0.700
Forecast Capital Receipts	**37.024**
Forecast receipts needed for 22/23 Cap Exp	(26.274)
2022/23 Estimated Surplus / (Shortfall)	**10.750**
Budgeted 23/24 GF Capital Receipts	10.000
Budgeted 23/24 Usable RTB Receipts	0.700
St Bernards Day Centre	0.550
Forecast receipts needed for 23/24 Cap Exp	(11.717)
Use of Receipts to replace Borrowing for short dated capital expenditure (see paragraph below)	(10.000)
2023/24 Estimated Surplus / (Shortfall)	**0.283**

Currently built into the capital programme is the use of £10m of capital receipts generated in 2022/23 to finance capital spend within the approved capital programme. Since the 22/23 budget setting process which approved the capital programme a further £10m per year of capital receipts for 23/24 and beyond has been earmarked in the MTFS to reduce borrowing. This has the effect of reducing capital financing costs that would be otherwise charged to revenue thus helping to reduce the budget gap. If there is insufficient receipts generated or the receipts are redirected, there would be a pressure of £2.4m per year to revenue over the short term associated with the additional capital financing costs.

8.14 Community Infrastructure Levy and S106 Planning Agreements

In addition to Capital Receipts and Borrowing an alternative financing source for capital expenditure are the Community Infrastructure Levy (CIL) and S106 Planning Agreements. There are external sources of financing that can be used to finance capital spend with varying degrees of restriction on what they can be used to fund.
The table below sets out the Council's current CIL position:

	£m
CIL balance as at 31.3.22	3.261
Q1 income received	0.940
Q2 income received	0.427
CIL balance as at 30.09.2022	**4.628**
Remaining CIL Allocations	
Verge Parking (total scheme £0.840m)	(0.737)

Sunrise Avenue - Traffic Calming	(0.050)
Covid Memorial Project - Hard landscaping & Memorial (total scheme £0.224m)	(0.182)
CCTV Refresh	(0.750)
Primary School Cycle & Scooter Parking	(0.050)
Lamp Column Replacement	(0.050)
Rom Valley Way Active Travel – Delivery Plan	(0.024)
Unallocated CIL monies	**2.785**

The table below sets out the Council's current S106 positon:

	£m
S106 balance as at 31.3.22	11.992
Q1 income received	1.464
Q2 income received	0.889
S106 balance monies as at 30.9.2022	**14.345**
S106 Allocations by service	
Education	(6.810)
Environment	(0.040)
Primary Healthcare	(0.569)
Highways	(0.585)
Employment Skills & Training	(0.015)
Transport	(0.435)
Unallocated S106 monies	**5.891**

Note – S106s monies are usually linked to planning obligations and are to be spent for a specific purpose.

8.15 Capital Pressures

Following discussion during the star chamber events in August and September a number of capital pressures have been identified that will require additional capital funding.
The capital projects that have been currently identified as additional pressures along with their profiling are:

	2023/ 24 £m	**2024/ 25 £m**	**2025/ 26 £m**	**2026/ 27 £m**	**2027/ 28 £m**	**Total £m**
Depot Expansion	3.410	0	0	0	0	**3.410**
Highways (Road & Pavements)	6.000	6.000	6.000	6.000	6.000	**30.000**
Highways (Lighting)	1.000	1.000	1.000	1.000	1.000	**5.000**
Langtons Stable Block	1.600	0	0	0	0	**1.600**
Total	**12.010**	**7.000**	**7.000**	**7.000**	**7.000**	**40.010**

If the above capital pressures are agreed the incremental capital financing costs as a result of the additional borrowing will be:

Capital Pressure	**2023/ 24 £m**	**2024/ 25 £m**	**2025/ 26 £m**	**2026/ 27 £m**	**2027/ 28 £m**	**2028/ 29 £m**

Depot Expansion	0.068	0.144	0.000	0.000	0.000	0.000
Highways (Road & Pavements)	0.120	0.480	0.480	0.480	0.480	0.360
Highways (Lighting)	0.020	0.080	0.080	0.080	0.080	0.060
Langtons Stable Block	0.032	0.068	0.000	0.000	0.000	0.000
Total	**0.240**	**0.772**	**0.560**	**0.560**	**0.560**	**0.420**

9.0 BACKGROUND PAPERS

None

10.0 IMPLICATIONS AND RISKS

10.1 Financial Implications and Risks

The Council set the 2022/23 budget in March 2022. This report is an important part of the monitoring process and sets out progress against the budget. The report explains the variances to the budget and this information can be used to develop action plans to reduce spend and also to inform the 2023/24 budget development process

10.2 Legal Implications and Risks

The Council is required by section S151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs.

Under S28 of the Local Government Act 2003, a local authority must review its budget calculations from time to time during the financial year and take appropriate action if there is any deterioration in its financial position. The proposals set out in this report aim to address the Council's current position.

In accordance with section 3 of the Local Government Act 1999, a local authority has a duty "to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." (This is "the best value duty".) The monitoring of the financial position assists the Council in meeting that duty.

10.3 Human Resource Implications and Risks

There are no immediate Human Resource implications arising from the report at this stage and any specific workforce impact is difficult to assess at the present time. However, any future savings proposals or changes to the funding regime that impact on staff numbers, will be managed in accordance with both statutory requirements and the Council's Managing Organisational Change & Redundancy policy."

10.4 Equalities and Social Inclusion Implications and Risks

Havering has a diverse community made up of many different groups and individuals. The Council values diversity and believes it essential to understand and include the different contributions, perspectives and experience that people from different backgrounds bring.

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

(i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
(iii) foster good relations between those who have protected characteristics and those who do not.

Note: ‘Protected characteristics’ are: age, gender, race and disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council demonstrates its commitment to the Equality Act in its decision-making processes, the provision, procurement and commissioning of its services, and employment practices concerning its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing of all Havering residents in respect of socio-economics and health determinants.

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