Appendix 1 Actions on Projected Budget Pressures

The key General Fund variations and budget pressures were reported to September cabinet in the month 4 budget monitor. The mitigations to bring overspends back into a balanced position are as follows:

1) Budgetary pressure of £2.4m in Education, mainly driven by higher demand and cost pressures in home to school transport. The continued growth in children and young people with Education Health Care Plans (EHCPs) reflected in increased demand for the home to transport service. Currently, approximately 25% of children and young people with EHCPs receiving travel assistance. Budget pressures are especially affected by the number of high costs of 'out of borough' placements. In addition, the current economic conditions and the rise of inflation has led to increased costs in the taxi and bus contracts.

   Mitigating activities

   The department has implemented a number of initiatives to reduce the budget pressure in line with the Special Educational Needs and Disability (SEND) strategy. The strategy is expected to develop in-borough provision to meet needs which is expected to reduce the number of children requiring transport out of borough. In addition reducing demand for EHCPs into and across the system through a strengthened universal offer and early intervention. Work also continues to increase take up of the independent travel training programme, reviewing and promoting direct payments and reviewing the 16-25 transport as well as the high costs placement commitments. These actions sit within a wider review of managing the costs of the SEND provision and with the Safety Valve programme.

2) £1.6m pressure in Environment, Neighbourhoods and Growth department, due mainly to significant increases in 'No Recourse to Public Funds' (NRPF) costs.

   The cost of living crisis has increased pressure on families subject to NRPF, which has resulted in significant increases in client payment and accommodation costs. Data from the NRPF Network' for 2021-22 highlighted that 72 councils were providing accommodation and financial support for 3,423 households at a cost of £64 million per annum. Latest Southwark data shows the council supporting 435 households at a cost of £6.2m in 2022-23. This represents a 15% increase in the number of households supported between 2021-22 to 2022-23, together with rising costs for accommodation, utilities and care costs resulting in an overspend last year. Year to date figures for the first quarter of 2023-24, suggest a similar pattern of cost pressures with increased

accommodation and support costs with a risk of another expected overspend of about £1.3m.

Mitigating activities

Officers are exploring options that could help manage/bring down these costs over the medium term, as the statistics show that we are funding a disproportionate number of families at 8% of the total number in the Network.

3) The continuing budget pressure (of £1.6m) in homelessness and demand for temporary accommodation (TA) which is exacerbated by the cost of living crisis. In addition, there is an emerging supply-side pressure, as providers are exiting the private rental market due to rising interest rates impact on the financial return. As there are no effective controls to prevent private sector rent rises and continued restrictions on Local Housing Allowance (LHA) rates, many who are on welfare benefits and those on low incomes will find themselves struggling to pay rents. This in turn will increase the demand for local authority provision.

Mitigating activities

The council is part of the Inter-Borough Accommodation Agreement (IBAA) which is a Pan London agreement that ensures rent costs remain at consistent levels across London. However, given the cost of living crisis these rates across London have risen by 10% since March 2023. The council is working with current providers of temporary accommodation to maintain good working relationships in order to negotiate competitive overnight rates.

Within the Housing Solutions service, which administers the wider service including the prevention of homelessness, additional temporary staffing resources have been agreed, to increase case management capacity and drive forward new processes designed to increase efficiency.

The council has set up a cross-departmental working group, overseen by the Section 151 officer, to review all aspects of temporary accommodation provision. This group is considering best practice for demand management and taking practical steps to increase the supply of appropriate housing solutions including the usage of empty housing stock and the steps to increase turnaround of void properties.

Housing Revenue Account (HRA) Mitigations

The HRA is forecast an adverse variance of £13.8m. The main projected overspends are in customer facing services, where despite additional budget increases in 2023-24, inflationary increases have more than outstripped additions to budgets. The key pressures are in resident services (£5.7m), which includes cost pressures in cleaning and grounds maintenance and in repairs and maintenance (£8.3m) of the housing stock. The growing cost of financing the capital programme is also adding increasing pressure to the revenue account.

Cabinet are asked to agree the broad approach outlined below to manage both the short term pressure and the long-term sustainability of the HRA and its ambitious capital programme. Further work will then be undertaken to bring forward specific proposals in line with the agreed approach.

<u>Housing Revenue Account</u>

- Reviewing service budgets and taking management action to contain expenditure within realistic and affordable budget envelopes
- Improvements in procurement and contract management to maximise outcomes and value for money
- Increasing the revenue funding for asset management in the medium term in order to fully fund the programme without borrowing
- Agree a plan to increase the level of HRA reserves to a more prudent level in the short to medium term
- Continue to lobby central government, via DLUHC and The Treasury, for appropriate funding for social housing

<u>Housing Investment Programme</u>

- Avoiding or otherwise limiting the need to borrow for the Asset Management programme and committing to repay any unavoidable borrowing in the medium term
- Maximising capital receipts through sales of uneconomic land in order to reduce the borrowing burden on the revenue account
- Applying prudent viability criteria to all new build projects to minimise the need for borrowing
- Taking all necessary steps to limit the overall impact of capital financing on the Housing Revenue Account to an affordable level, taking into account all other demands on the HRA.