Item No. 13.	Classification: Open	Date: 17 January 2024	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy: Revenue Monitoring Report, 2023-24	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Stephanie Cryan – Cabinet Member for Communities, Democracy and Finance	

FOREWORD – COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR COMMUNITIES, DEMOCRACY AND FINANCE

This report sets out the current forecast position for the general fund, housing revenue account and dedicated schools grant for the 2023-24 financial year.

As set out in September, the council is experiencing demand and inflationary pressures in temporary accommodation, the costs of those with 'No Recourse to Public Funds' and home to school transport. These pressures are not unique to Southwark and have been acknowledged, by central government as having an adverse financial impact on local councils. Similarly, the projected overspend in the Dedicated Schools Grant (DSG) from demand and cost pressures has reduced and is on target to meet the planned targets set out in the Safety Valve agreement

It is reassuring that the mitigations put in place to contain these pressures have started to have a positive impact and this report shows a small improvement in the overall picture at month 8. Our General Fund continues to be robust and the mitigations we have put in place should continue to reduce the current in year overspend.

The housing revenue account was forecasting a projected overspend at month 4 due to the impact of the rent capping policy (rent increases below inflation) and the 1% annual rent reduction from 2016 and 2020 as part of the Welfare Reform Act. This is coupled with above inflation running costs, rising interest rates and energy costs. The impact of these, is again, common across all councils responsible for social housing, but more pronounced for Southwark given it has the largest council housing stock in London. This report notes the worsening position at month 8 but details the collective council response to this situation, assessing short term and long term measures to ensure the housing revenue account remains financially sustainable.

RECOMMENDATIONS

That cabinet note;

1. The adverse variance of £3.4m forecast for the General Fund in 2023-24;

2. The continuing budget pressures in:

   - Temporary Accommodation
   - No Recourse to Public Funds (NRPF)
   - Home to School Transport.

3. The progress on plans to contain general fund projected overspends since month 4 reporting (Appendix B).

4. The Dedicated Schools Grant (DSG) in-year pressure of £0.4m, an improvement from £0.6m reported at month 4 and consistent with the Safety Valve Agreement;

5. The Housing Revenue Account forecast of £16.8m, an adverse movement of £2.9m since month 4, and the mitigations in place to contain this.

6. The ongoing inclement macro-economic environment, with inflation running at 3.9% in November (6.7% in September), and interest rates remain at 5.25%.

That cabinet approves;

7. The interdepartmental budget movements that exceed £250k, as shown in Appendix A (noting those under this threshold);

8. The approach proposed in principle in paragraph 20 - to reduce the HRA revenue contribution to capital in order to preserve reserves and to fund any resulting shortfall in the capital asset management programme through borrowing, noting the impact this will have on borrowing headroom and financing budgets.

BACKGROUND INFORMATION

9. This report sets out the forecast position at month 8 for the General Fund (GF), Housing Revenue Account (HRA) and Dedicated Schools Grant (DSG) for the 2023-24 financial year.

10. The short-term macro-economic environment remains challenging. CPI inflation has reduced from 6.7% in September, to 4.6% in October and 3.9% in November but still remains well above the government's target of 2%. The Bank of England base rate is at 5.25%. Meanwhile, a significant proportion of council contracts will have been indexed on CPI rates and inflation on repairs and construction materials and contracts has been well publicised as running well above CPI. The Autumn Statement in November 2023 made it clear that local government would not be compensated for the higher than expected inflationary costs of providing services in 2023-24.

11. Interest rate increases to 5.25% have significantly increased the cost of council borrowing. The cost of borrowing continues to pose a material risk to the sustainability of the Housing Revenue Account (HRA) and mitigation activity is underway to lessen that impact as far as feasible.

12. The 2023-24 position at month 4 was reported to October cabinet. This report updates this position, with a revised forecast outturn. The report also considers the mitigating actions that have taken place, and their impact to date (Appendix B)

KEY ISSUES FOR CONSIDERATION

General Fund

13. The outturn projections in this monitoring report remain subject to some uncertainty. The forecast outturn position for the general fund is an adverse variance of £3.4m, (at month 4, this was £3.5m) after the utilisation of reserves, as set out in Table 1. The table shows the projected departmental budget outturn variances together with the estimated utilisation of reserves as at the end of 2023-24.

Table 1: 2023-24 General Fund Forecast Month 8

General Fund	Budget	Forecast	Reserve Movement	Total use of Resources	Variance after use of reserves
	£000	**£000**	**£000**	**£000**	**£000**
Children & Families	62,612	62,487	(99)	62,388	(224)
Adult Social Care	78,294	77,968	-	77,968	(326)
Commissioning & Central	6,059	6,035	(97)	5,938	(121)
Education	20,678	24,328	(1,633)	22,695	2,017
Public Health	-	-	-	-	-
Children & Adults total (excl. DSG)	**167,643**	**170,818**	**(1,829)**	**168,989**	**1,346**
Environment, Neighbourhoods and Growth	93,583	85,438	9,435	94,873	1,290
Housing	25,475	29,026	(333)	28,693	3,218
Finance	40,058	44,058	(3,000)	41,058	1,000
Governance and Assurance	22,395	23,578	(565)	23,013	618
Strategy and Communities	7,602	7,999	(505)	7,494	(108)
Support Cost Reallocations	(42,423)	(42,423)	-	(42,423)	-
Contribution from Reserves	(2,500)	(2,500)	-	(2,500)	-
General Fund Service Outturn Forecast	**311,833**	**315,994**	**3,203**	**319,198**	**7,364**
General Contingency	4,000	-	-	-	(4,000)
Outturn	**315,833**	**315,994**	**3,203**	**319,198**	**3,364**

14. The month 4 revenue monitor, projected an adverse variance of £3.5m against the 2023-24 budget, with the projected overspend largely attributed to the following key variances:

- Higher demand and cost pressures in home to school transport;
- £1.3m increased costs for those who have ‘No Recourse to Public Funds’ (NRPF)
- Temporary accommodation (TA) demand pressures which will not be fully contained within the planned TA contingency.

15. The month 8 projections show a mixed picture. Some areas have reduced their expected adverse variances, showing a positive impact from the mitigations that were put in place after month 4, such as home to school transport. In other areas, where there continues to be underlying demand-led pressures such as temporary accommodation and those who have ‘no recourse to public funds’, a worsening position has been reported. Chief Officers hold ultimate responsibility for budget overspends and have pursued mitigations to minimise the impact of areas forecasting demand-led and inflationary pressures. Appendix B details the mitigating actions that were presented at month 4, with an update for month 8.

Housing Revenue Account (HRA)

16. The council manages its housing stock through its ring-fenced landlord account, the Housing Revenue Account (HRA), which shows an adverse variance of £16.8m at this point (Table 2). This position is the result of a number of factors largely outside the council's control, such as government policy and macro-economic events which include:

    - The cumulative effect of a government imposed 1% rent reduction for four years for the period 2016-17 to 2019-20, running into hundreds of millions in income foregone

    - A government imposed 7% cap on rents from 1st April 2023 when formula rent would have yielded 11.1%, an annual loss of £9m+ in the current year and a reduced income base going forward

    - Unfunded additional burdens arising from the Fire Safety and Building Safety Acts of 2020 and 2021

    - Unprecedented construction industry inflationary pressure

    - The additional borrowing requirement for the new homes programme and the impact of a three-fold increase in interest rates since December 2021, which has substantially increased the revenue impact of financing costs in the HRA.

HRA - Mitigating Actions

17. To address the situation the council are collectively assessing options to manage the short term pressure by reducing in-year spending and actions are underway to moderate the impact of this through, for example, the repairs improvement programme, an end to end review of void properties and the refresh of the asset management strategy. Additionally, the scheme of management is currently under review and robust spending controls are being implemented. It is also a council strategic priority to consider how the HRA can be managed in the longer term to ensure financial sustainability, including:

    - Reviewing service expenditure and preparing sustainable and affordable budgets and taking management action to contain expenditure within approved cash limits

    - Improving procurement practices and embed more robust contract management to maximise outcomes and achieve value for money

    - Agreeing a plan to increase the level of HRA reserves to a more prudent level over the medium term

- Continuing to lobby central government, via DLUHC and the Treasury, for appropriate funding for social housing

- Limiting and ultimately repaying any borrowing for the Asset Management capital programme

- Maximising capital receipts through sales of uneconomic assets and land in order to reduce the borrowing burden on the HRA

- Applying prudent viability criteria to all new build projects to minimise the need for borrowing

- Pausing a small number of new build schemes in order to limit the council's borrowing and ensure that interest repayments remain affordable

- Taking all necessary steps to limit the impact of capital financing on the HRA to an affordable level, taking into account all other service demands and priorities.

18. It should be noted that the pressures on the HRA are not unique to Southwark. The impact of the rent capping policy and rent increases below inflation, coupled with above inflation running costs, rising interest rates and energy costs are impacting on all councils responsible for social housing. But the impact is more pronounced for Southwark given it has the largest social housing stock in London and is the fourth largest social landlord in the country.

19. Consideration will need to be given as to how any deficit (after the council's actions to reduce in year spending) will be covered at year-end. The HRA has limited reserves available and will consider using a prudent share of these, together with assessing the scale of reduction required in the revenue contribution to the housing investment programme, in order to bring the account into balance at year-end. In order to maintain reserves at a prudent level, it is highly likely that the council will have to borrow in order to fund elements of its asset management programme for 2023-24. This is an approach that has been avoided previously as it adds additional pressure to the revenue account (through the interest payments on the borrowing) and it reduces the borrowing headroom available for the New Build programme.

Table 2: 2023-24 Housing Revenue Account Forecast Month 8

Category	Budget	Forecast	Variance	Change since M4
Expenditure	**£000**	**£000**	**£000**	**£000**
Resident Services (Housing Management)	59,637	70,343	10,706	5,032
Asset Management (Repairs & Maintenance)	69,629	81,950	12,321	4,062
New Homes	670	1,165	495	179
Customer Services	5,272	6,982	1,710	1,227
Directorate	1,902	1,720	(182)	(147)
Total Tenant Facing Services	**137,110**	**162,160**	**25,050**	**10,353**
Capital, Financing and Support Services	157,128	147,560	(9,568)	(11,678)
Tenant and Homeowner Charges	(294,238)	(292,964)	1,274	4,270
Housing Revenue Account Forecast Outturn	**0**	**16,756**	**16,756**	**2,945**

2023-24 Tenant Facing Services

20. For 2023-24, additional budget provision of £11.4m was made across tenant facing services. However, costs continue to outstrip the available resources, leading to the forecast overspend position shown above.

21. For Resident Services, the forecast has worsened to £10.7m, notwithstanding a budget uplift of £4.4m for 2023-24. The main pressure areas comprise a higher volume and unit cost of estate voids, together with increases in the estate cleaning and grounds maintenance contract costs provided through the Environment, Neighbourhoods and Growth (ENG) department. This is predominantly driven by the 2023-24 pay award (which was higher than previously estimated). Other contributory factors are energy costs for estate lighting, council tax losses on long term voids and planned maintenance works on Tenant Resident Association (TRA) Halls.

22. Similarly for Asset Management, the forecast has increased to £12.3m, despite a budget increase of £6.4m this year. The main cost pressures continue to be on repairs and maintenance to the housing stock, particularly communal works, disrepair, voids and damp and mould.

23. Within the New Homes division, the nature of the work is predominantly project specific, therefore a high proportion of costs are capitalised. This year has seen a peak in delivery terms with consequent cost pressure and the forecast overspend has been revised to £0.5m to reflect this. However, as the programme slows and re-phasing takes place due to the current economic climate, it is anticipated that costs will start to reduce next year, which may impact on the level of capitalisation that can be charged and may give rise to abortive feasibility costs being charged to revenue.

24. Customer Services has a relatively small revenue budget by comparison to others within the HRA (£5.3m), which covers a significant proportion of the costs of the contact centre, customer complaints and other housing specific services. Given extremely high call volumes and housing related activity the forecast has been revised to £1.7m. This comprises the 2023-24 pay award, superannuation and additional resources that have been put in place to address severe capacity shortfalls, predominantly related to the repairs service and in anticipation of further call growth over the winter period.

Capital, Financing and Support Services

25. Budget forecasts in these areas have also been closely scrutinised and revised where appropriate. The discretionary contribution to meet capital expenditure has been reduced to reflect the reduction in major works billing referred to below (£7.6m). Whilst this has the immediate impact of reducing the overspend, the corollary is that it will likely require additional borrowing to meet the capital programme funding gap (unless other capital resources become available), resulting in higher interest costs going forward. However, on a positive note a review of the debt funding profile allows the forecast for interest to be revised downwards by around £4m this year based on the latest capital programme estimates. This includes the impact of pausing a small number of new build schemes which the council would otherwise have had to borrow for. Other changes, including additional energy costs for the heat network, mean the revised forecast is £9.6m overall.

Tenant and Homeowner Charges

26. Tenant rents and service charge income has been revised downwards in light of trend analysis over the first eight months of the year (£1.4m). This is a consequence of a higher volume of voids coming through and longer turn-round times in excess of the original budgeted estimates. It also reflects a spike in the number of new homes coming on stream which has created a temporary bottleneck which is being urgently addressed.

27. Homeowner revenue service charge billing is forecast to be higher than planned due to the costs for energy and buildings insurance (£8.2m), both of which have increased substantially this year. In contrast, the major works billing will be markedly lower than budget by £8m (previously

forecast at £5.2m), having been revised downwards following an in-depth mid-year programme review. Other changes in fee income and operational running costs account for the movement between forecasts.

GENERAL FUND DEPARTMENTAL NARRATIVES

28. The departmental narratives for month 8 2023-24 are as follows:

- Housing General Fund (Table 1 and paragraphs 29-33)
- Children and Adults Services (Table 1 and paragraphs 34-48)
- Environment, Neighbourhoods and Leisure (Table 1 and paragraphs 49-59)
- Finance (Table 1 and paragraph 60)
- Governance and Assurance (Table 1 and paragraph 61)
- Strategy and Communities (Table 1 and paragraph 62-65).

HOUSING – GENERAL FUND

Overview

29. The outturn forecast for 2023-24 shows an unfavourable variance of £3.55m (gross) and £3.22m net of reserves. This is primarily caused by the continuing budget pressure in homelessness, offset by positive variations elsewhere across the department.

Asset Management - Private Sector Building Safety

30. The Private Sector Building Programme was established during 2021 to undertake inspections and enforcement on high rise residential blocks with specific focus on Aluminium Composite Material (ACM) cladding. Subsequently, the scope of the programme has increased beyond cladding due to more onerous building safety requirements. Funding is through a combination of base budget and grant (£0.366m) from the Department for Levelling Up, Housing and Communities (DLUHC). This will enable the service to meet programme commitments this year and augment reserves (£0.227m) for future years' requirements, without the need for any additional base budget commitment.

Resident Services – Travellers, Hostel Accommodation and Support

31. In April 2023, the council in-sourced three hostels previously run by external providers, with the Resident Services division assuming day to day running and management responsibility for service provision. It is anticipated that the rent and service charges will cover the operational costs, with the caveat that void loss is kept within budget range.

Resident Services - Temporary Accommodation and Housing Solutions

32. The numbers of homeless approaches and acceptances had remained relatively stable until September, but have been rising steadily since then. Supply-side availability and increased charge rates account for the increase in this forecast to £3.34m (net of reserves of £0.56m), as providers exit the private rental market in response to rising interest rates impacting their financial returns. There is also a noticeable shift by providers to more expensive nightly-paid agreements, over which the council has little control if it wishes to retain supply. The mitigations in place are detailed in appendix B.

33. No effective controls exist to regulate rents in the private sector and with restrictions placed on Local Housing Allowance (LHA) rates for council supply, this will inevitably increase demand for local authority provision, which is also impacted by Home Office asylum cases. However, as part of the Autumn Statement (22 November 2023), the Chancellor announced an uplift in private sector LHA rates, which should help increase private sector discharge rates and allow the service to focus more on prevention. Notwithstanding this, if the current trajectories for demand and cost continue as they are it is likely that the overspend on TA in 2024-25 will move into eight figures and a fundamental change in approach will be required to mitigate this.

CHILDREN’S AND ADULTS’ SERVICES

Overview

34. Children’s and Adults’ services is forecasting an unfavourable variance of £1.3m. This is an improvement of £1.2m in comparison to the month 4 forecast. The key areas of concern is the continuous pressure on Special Education Need (SEN) services, especially SEN transport. The Dedicated Schools Grant (DSG) is also forecasting an adverse variance of £0.4m. Management actions are in place to address the unfavourable variance. The department has reserves built up over the years to withstand some of the challenges, in a planned and purposeful way, over the short to medium term, and Directors continue to practice strict financial management across all areas.

Adult Social Care

35. Adult social care is forecasting a favourable variance of £0.3m. The service continues to experience rises in expenditure especially in nursing, homecare and supported living placements due to higher acuity of need as residents are impacted by NHS waiting lists and inflationary increases. The costs are driven by the increased complexity of client need on discharge from hospital, as well as the higher than expected inflationary increases as result of rising inflation. This is more prevalent in nursing and residential care costs, which have risen significantly over the last 18

months.

36. Adult Social Care continue to work with the NHS to ensure a comprehensive and coordinated approach to support the well-being of residents. Adult Social Care and the Integrated Care Board (ICB) have reached agreement in regards to historical complex funding arrangements for mental health placements, which provides for a sustainable way forward.

37. The All Age Disability Team continue to reduce demand for out of borough residential care placements by managing the needs of service users locally in the community.

Children's Social Care

38. Children's Social Care is forecasting a favourable variance of £0.2m. The service has experienced a number of years of improved outturn which can be attributed to purposeful early help work to better support children and families rather than the more costly statutory social care system, as well as some reduced cost pressure from staffing. While the shortage in the supply of children's social workers is still a major challenge, new recruitment and retention initiatives are improving the position.

39. The overall improved financial position, in comparison to previous years, is also the result of a well managed reduction in demand for statutory social care services, i.e. lower numbers of children in care, and this is somewhat offset by increased numbers of care leavers, higher cost placements due to inflation and higher numbers of unaccompanied asylum seeking children. The service is also working hard with commissioning and corporate colleagues to address the lack of sufficient placements through opening two children's homes in the next 12 to 18 months, and increasing the capacity of commissioned semi-independent accommodation providers within the borough through use of capital assets.

Commissioning

40. The Commissioning division is expecting a favourable variance of £0.1m. The increase in permanent staffing and reduction in the use of agency staff contribute to achieving this position.

41. The division has posts that are joint funded by the Council and Integrated Care Board (ICB) and further integration is progressing positively with the agreement to jointly recruit and fund a Place Executive Lead for Southwark.

42. The division continues to implement the Southwark Residential Care Charter and is using the Southwark Supplement to support payments for the workforce in relation to London Living Wage, Occupational Sick Pay,

and other benefits. Implementation within the borough’s care home sector means that already nearly 70% of our care home workforce are benefitting from this policy.

Education

43. Education division is forecasting an unfavourable variance of £2m. Home to school transport remains the key driver for financial pressures on education general fund. This is driven by higher demand pressures as well as the high inflationary increases within the taxi and bus contracts. Implementation of the independent travel training programme, promoting direct payments and further reviews of the 16-25 transport commitments are a current priority in mitigating the pressure on the budget. This sits within a wider review of SEND and strategic work to better manage costs and demand for SEND provision. Management action will continue to address the forecast unfavourable variance (Appendix B).

Dedicated School Grant

44. The ring-fenced Dedicated Schools Grant (DSG) is forecasting an unfavourable outturn of £0.4m which is mainly due to pressures within the high needs service. The High Needs Block remains the main risk area for the DSG. In order to bring the service to a sustainable footing officers need to continue to pursue savings and efficiencies. In particular, through commissioning work focussed on Independent Non-Maintained Special Schools, a focus on 16-25 pathways and Alternative Provision, as well as increasing in borough provision.

45. In order to manage the accumulated DSG deficit the Council entered into a Safety Valve Agreement with the Department of Education (DfE). The DfE programme was established by Government in recognition of their historic underfunding of need. Key to this programme is the agreement to ensure a balanced position within the timeframes agreed. In exchange of this achievement the DfE will provide additional funding to eliminate the accumulated deficit. The achievement of key milestones will be challenging and will mean all aspects of service provision need to be reviewed. The division in conjunction with the High Needs sub-group of the School’s Forum, HR, Finance and Commissioning developed detailed action plans. There is close oversight of this work by Strategic Directors, and political oversight by the Deputy Leader and Cabinet Member.

Public Health

46. Public Health will achieve a balanced position for 2023-24. The public health grant is a ring fenced grant paid to local authorities from the Department for Health and Social Care (DHSC). It is used to provide preventative and early help services that help to support the health and wellbeing of our residents.

47. This includes smoking cessation, preventive cardiovascular health checks, drug and alcohol services, children's health services and sexual health services, as well as broader public health support across the council and NHS.

48. The current cost of living crisis is having wide-ranging negative impacts on mental and physical health and well-being, and public health plays a vital role in mitigating these effects. Initiatives include introducing free targeted secondary school meals, building on the successful free healthy primary school meal offer, an extensive holiday activity and food programme and outreach health promotion activities including programmes to increase HIV diagnosis and take up of cancer screening and vaccinations.

ENVIRONMENT NEIGHBOURHOODS AND GROWTH

Overview

49. The projected outturn for the Environment, Neighbourhoods and Growth (ENG) department is an adverse variance of £1.3m (after a proposed net transfer to reserves of £9.4m). This represents a favourable movement of £0.3m from month 4. Officers are exploring further opportunities to mitigate the remaining variance between now and year end.

50. The overspend is due to a significant increases in ‘No Recourse to Public Funds’ (NRPF) costs (£1.5m) and additional property management costs (£0.773m). These are partially offset by additional income from various services within the Environment department (£0.981m).

51. The revised budget reflects approved structure changes that resulted in ‘Communities, Equality and Diversity’ moving to ‘Strategy and Communities’ department, while the ‘Local Economy’ team transferred into the department.

Environment

52. The directorate is currently reporting a favourable variance of £0.981m, after transfers to reserves of £11.9m, which is income received in advance for private rented housing service licences and transfers into the ring-fenced parking places reserve account revenue (which has restrictions on spending).

Leisure

53. The directorate is currently reporting a breakeven position (after drawdowns from reserves of £2m which was reported in month 4) mainly

due to the mobilisation costs of in-sourcing leisure services. It should be noted that this service is still in transition and as a result, there are a lot of moving parts that will still have an impact on both income and expenditure (i.e. staffing recruitment, leisure activity provision/enhancements etc.) and could further impact the outturn position between now and year end. However, any leisure services in-sourcing variance will be funded from earmarked reserves, and it is currently anticipated that these are adequate to cover all known in-year cost pressures.

Stronger Neighbourhoods

54. The directorate is currently reporting an adverse variance of £1.5m mainly arising from the impact of the cost of living crisis on individuals and families subject to ‘no recourse to public funds’ which has increased demand for support, resulting in significant increases in client payments and accommodation costs.

55. As reported at month 4, Southwark has seen 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 over spend last year. Year to date figures suggest that this will lead to an expected overspend of about £1.5m – an increase of £0.2m from month 4. Officers are looking into options to address the current cost pressure (Appendix B).

Planning & Growth

56. The Directorate is currently reporting an adverse variance of £0.773m, an improvement of £0.2m on the month 4 position. The variance is mainly due to unbudgeted property management costs on commercial properties, and public enquiry costs of the New City Court case, these are partially offset by additional commercial property income and drawdowns from corporate reserves.

Climate Change & Sustainability

57. The Directorate is currently reporting a nil variance.

Local Economy

58. The Directorate is currently reporting a nil variance.

Planned movement in Reserves

59. The department is planning to drawdown £2.5m from reserves in 2023-24 to both cover the leisure services mobilisation costs and the public enquiry costs. A new reserve is planned for the ‘private rented housing service licence’ fees. Income for these licences can cover a 5 year period, so the reserve will be used for income received in advance of the issuing and monitoring of licence applications. The reserve is currently estimated at £6.1m in 2023-24. The department expects to top up the ‘Streets for People’ reserve by £5.8m to ensure adequate provisions are built up to deliver the council’s strategy.

FINANCE

60. The Finance department is projecting an adverse variance of £1m, after an expected contribution of £3m from the Cost of Living Reserve. The main pressure is in the Customer Services department due to a significant increase in administrative burdens. The current forecast for IT remains similar to the month 4 position, with a pressure of £0.3m, which is largely due to the range and complexity of activity across the department and the need to supplement existing resources with the use of interims and agency staff.

GOVERNANCE AND ASSURANCE

61. Governance and Assurance are showing a small adverse variance of £0.6m due to difficulties in recruiting and retaining professional and specialist staff and inflationary pressures in Facilities Management.

STRATEGY AND COMMUNITIES

Overview

62. The Assistant Chief Executive – Strategy & Communities Department is currently forecasting a favourable variance of £0.1m for 2023-24. This also represents a favourable movement of £0.1m from the month 4 reported position.

63. This is mainly due to a current underspend against the department's salary budget, before recruitment for a new post, which forms part of the restructure. This is partly offset by agency staff costs. The department expects spend to be on track by the end of the year.

64. The revised budget reflects the approved structure changes that resulted in 'Communities, Equality and Diversity' moving into this department, while the 'Local Economy' team transferred into the Environment, Neighbourhoods and Growth department, as well as some other staff related budget movements.

Planned movement in Reserves

65. The department plans to drawing down £0.5m from earmarked reserves for community engagement projects, comprising of £0.4m is from the Equalities Grant Reserve, £0.075m from the Windrush reserve and £0.03m from the Black History Month reserve.

CONTINGENCY

66. The £4m contingency budget is assumed to be fully utilised to offset in-year budget pressures.

Community, equalities (including socio-economic) and health impacts

67. This report monitors expenditure on council services, compared to the planned general fund budget agreed in February 2022, and HRA budget agreed in January 2022. Although as a monitoring report, this report has been judged to have no direct impact on local people and communities, the expenditure it is reporting reflects plans designed to have an impact on local people and communities. Community impact was considered at the time the services and programmes were agreed. It is important that resources are efficiently and effectively utilised to support the council's policies and objectives.

Climate change implications

68. There are no climate change implications arising directly from this report, which provides an update on the revenue outturn for 2023-24

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources Strategy 2023-24 Month 4 revenue budget: September Cabinet	160 Tooley Street PO Box 64529 London SE1P 5LX	Tim Jones 020 7525 1772
Link: Agenda item 10, September 2023 cabinet		

APPENDICES

No.	Title
Appendix A	Interdepartmental budget movements to be approved to Month 8
Appendix B	Impact of mitigating actions

AUDIT TRAIL

Cabinet Member	Councillor Stephanie Cryan - Communities, Democracy and Finance	
Lead officer	Clive Palfreyman, Strategic Director of Finance	
Report author	Tim Jones, Departmental Finance Manager,	
Version	Final	
Dated	4 January 2024	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments included**
Assistant Chief Executive, Governance and Assurance	N/a	N/a
Strategic Director for Finance	N/a	N/a
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		4 January 2024