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Report title:	Policy and Resources: Revenue Monitoring Report 2024-25
Cabinet Member:	Councillor Stephanie Cryan, Equalities, Democracy and Finance
Ward(s) or groups affected:	All
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FOREWORD – COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR EQUALITIES, DEMOCRACY AND FINANCE

This report sets out the month 4 forecast position for the General Fund, Housing Revenue Account and Dedicated Schools Grant for the 2024-2025 financial year.

With a new Government, we eagerly await the Autumn Statement later this year and the announcements for Local Government Finance.

The General Fund remains robust but we are seeing continued demand and cost pressures in homelessness services, for those who have no recourse to public funds.

We are also now seeing new demand pressures within Childrens Services driven by the increased placement costs for children with complex needs and shortage of available foster placements.

A less than expected income within the Planning and Growth Department coupled with the cost of maintaining void commercial properties has had an impact on our revenue costs and we are also having to allocate additional resources to the contact centre to ensure we are providing the best service possible for our residents.

This means that at present we are seeing an adverse variance of £12.9m within the General Fund, however we are committed to delivering on a balanced budget for this financial year and all departments are working with cabinet to look at mitigating actions and opportunities to ensure we deliver on a balanced budget by the end of the financial year.

We recently agreed our Housing Revenue Account Recovery Plan to help navigate the ongoing pressures within our housing finances currently reporting a potential £10.1m pressure due to the inflationary increases.

The Housing Revenue Account has been impacted over recent years, firstly by the cumulative effect of the rent lost as a consequence of the 1% rent reduction from 2016-2020 as part of the Welfare Reform Act and by the 7% rent cap imposed by the Government in 2023. This has led to a reduced income base for future years rent uplifts and will continue to affect future rental income levels.

This report outlines the current in year deficit of £10.1m and the measures agreed to manage the deficit both in year and longer term.

We continue to prioritise ways to secure the financial sustainability of the HRA.

I welcome the recent report led by Councillor Kieron Williams and the council on Securing the future of England's council housing which offers five solutions and more than 20 recommendations from over 100 councils. It was encouraging to hear the Minister reference the report in Parliament.

RECOMMENDATIONS

Recommendations for the Cabinet to note

The Housing Revenue Account (HRA) initial forecast of an adverse variance of £10.1m, acknowledging the volatility and assumptions that this forecast is based on.

The adverse variance of £12.9m forecast for the General Fund (GF) in 2024-25.

1. The key adverse variations and budget pressures and mitigating actions underlying the position:
 - Housing Revenue Account (paragraphs 14-30)
 - General Fund (paragraphs 31-84)
 - Demand pressures in temporary accommodation (TA) (Housing)
 - Increased costs for those who have 'No Recourse to Public Funds' (NRPF) (Environment Neighbourhoods and Growth)
 - Increased costs in children services driven by the increased placement costs for children with complex needs and shortage of available foster placements (Childrens and Adults)
 - Planning and Growth – less than expected income and cost of maintaining void properties (Finance)
 - Customer services – Additional resources into the contact centre to address capacity issues (Finance)
2. The Dedicated Schools Grant (DSG) in-year pressure of £0.68m.

Recommendations for the Cabinet to approve

3. The write-off of a bad debt totalling £0.140m for a commercial outdoor event which is deemed to be irrecoverable (paragraph 67).

REASONS FOR RECOMMENDATIONS

4. N/a

ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

5. None considered as this is a revenue monitoring report for 2024-25.

POST DECISION IMPLEMENTATION

6. N/a

BACKGROUND INFORMATION

7. This report sets out the forecast position at month 4 for the Housing Revenue Account (HRA), General Fund (GF), and Dedicated Schools Grant (DSG) for the 2024-25 financial year.
8. The HRA position at 2023-24 outturn was an overspend of £16.4m. Mitigations were put in place to balance this in the short term. In the medium and long term, the council agreed a recovery plan for the HRA to ensure its long term financial sustainability. The 2024-25 HRA balanced budget was agreed at cabinet on the 17 January 2024. Paragraphs 14-30 discuss the 2024-25 forecast position at month 4, together with the inherent risks in this forecast.
9. The council agreed a balanced general fund budget on 21 February 2024 including a 2.99% council tax increase and a contribution from earmarked reserves of £2.4m. The council also approved budget decisions which included efficiencies, savings and additional income generation of £20.8m within the general fund for 2024-25. Performance on achieving these savings and significant variances are included in the departmental narratives.
10. In the Spring Budget on 6 March 2024, the then Chancellor, Jeremy Hunt, made few significant changes to public spending targets. The incoming Labour government planned to retain these public spending targets to ensure economic stability for 2024-25. The new Chancellor, Rachel Reeves, having assessed the public finances stated that there was a 'spending hole' for this year of £22bn, that would require addressing. Given these pressures, it is unlikely that there will be additional funding for local government in 2024-25.
11. Consumer Price Index (CPI) inflation is 2.2% in July 2024, but CPI for services provision is higher, at 5.2%, which will continue to impact adversely on council services. The Bank of England base rate was reduced in July 2024 from 5.25% to 5%. However, interest rates at 5% continue to significantly increase the cost of council borrowing. The cost of borrowing continues to pose a material risk to the sustainability of the Housing Revenue Account (HRA).

KEY ISSUES FOR CONSIDERATION

Housing Revenue Account (HRA)

12. The council manages its housing stock through its ring-fenced landlord account, the Housing Revenue Account (HRA). The final outturn position in 2023-24 was an adverse variance of £16.4m, before short term mitigations brought the HRA into a balanced position. The mitigations were:
- Capital spend that would normally have been funded through revenue contributions via the Major Repairs Reserve will be funded through additional unplanned borrowing.
 - Overspends on the Asset Management programme will be financed from council borrowing (which was the first time the council had had to do this) having previously earmarked all borrowing for the New Homes programme. External borrowing was £59m in 2023-24.
 - Use of £2.5m of reserves.

13. A number of factors have contributed to this HRA financial position, some of which were outside the council's control, such as government policy and macro-economic events which include:

Macro-economic factors

14. 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.
15. 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 2023-24 and a reduced income base going forward.
16. Unfunded additional burdens arising from the Fire Safety and Building Safety Acts of 2020 and 2021.
17. Unprecedented construction industry inflationary pressure.

Internal Factors

18. The additional borrowing requirement for the new homes and asset management programmes compounded by the impact of a three-fold increase in interest rates since December 2021, has substantially increased the revenue impact of financing costs in the HRA.

2024-25 HRA forecast position at Month 4

19. It continues to be a strategic priority for the council to consider how the HRA can be managed to ensure financial sustainability, including:

- Setting cash limits within which services are required to operate.
 - Maximising capital receipts through the sale of uneconomic assets and land to reduce the borrowing burden on the HRA.
 - Pausing a small number of new build schemes to limit the council's borrowing and ensure that interest repayments remain affordable.
 - Applying prudent viability criteria to all new build projects to minimise the need for borrowing.
 - Adhering to a plan to maintain HRA reserves to their current level and to increase to a more prudent level over the medium term.
 - Limiting and ultimately repaying any borrowing for the asset management capital programme.
 - Improving procurement practices and continuing to embed more robust contract management to maximise outcomes and achieve value for money.
 - Taking all necessary steps to limit the impact of capital financing on the HRA to an affordable level, considering all other service demands and priorities.
20. The cash limited budgets for 2024-25 included approved service savings of £19.3m to deliver a neutral budget position to maintain HRA reserves at £15m. In addition, the council has put in place a series of medium term objectives to support the delivery of the HRA Recovery Plan, including:
- Disposing of surplus assets to support the AM capital programme. In 2024-25, it is expected that the sale of assets will achieve £25m and that the target of £50m will be met over two years subject to the release of further voids from the HRA and identifying other relevant disposal opportunities.
 - Ceasing or postponing non-committed new build schemes to reduce the borrowing requirement and revenue financing burden (until circumstances allow).
 - Temporary short-term borrowing to support the Asset Management (AM) capital programme and review and set future programme budgets within the available revenue funding envelope (c.£70m per annum).
21. It was assessed that savings of £19.3m would be required to achieve the estimated cash limits set within the HRA recovery plan. The original forecast assumption for 2024-25 assumed a lower delivery of savings of £14.965m which could be met by the end of the year. However, there is an inherent risk around this assumption and the ability to achieve this level of savings. Of these savings, £2.146m are reported as having been delivered and of the remainder £0.984m is considered high risk of non-delivery, £7.750m medium risk, with £4m deemed to be low risk of non-delivery.
22. At this early stage in the year, it is prudent to assume that high risk savings may not be met and only half of the medium risk savings will be met, but all the low risk savings and those already delivered will be assumed to be met. On this basis, £10.1m of savings will be delivered and the forecast overspend is

£9.5m. Given this prudent level of forecasted overspend, there will need to be further activity to identify immediate cost reductions and savings strategies to ensure that the agreed HRA recovery plan can be achieved.

23. It should also be noted that the HRA cash limits have been set on the basis that maximises available HRA resources across front line / customer facing services. As such, the HRA is now much more sensitive to demand changes and new commitments. Whereas previously there was some capacity at the centre to dampen any one-off financial shocks, this flexibility is much reduced whilst the financial sustainability of the HRA is rebuilt. Thus, in addition to the risks inherent in the savings plans, further cost pressures such as, higher than planned local government pay awards and other estimated costs have the potential to require additional current and future savings being required.
24. In summary, (Table 1), the Tenant Facing Services exceeded their cash limits by a forecast £9.7m, which is exacerbated by a forecast reduction in the overall income quantum of £2.9m, predominantly due to higher void losses on HRA temporary accommodation stock. Conversely, there is a beneficial 'windfall' budget movement estimated at £2.223m, arising on interest on balances, which will decline in future years in line with the expected reduction in interest rates.

Table 1: 2024-25 Housing Revenue Account Forecast Month 4

	Outturn	Budget	Forecast	Variance	Savings	
	23-24	24-25	24-25	24-25	Approved	Assumed
Income	£000's	£000's	£000's	£000's	£000's	£000's
Tenant's Charges	-266,628	-297,660	-297,633	27	-1,450	-681
Voids	9,443	6,482	9,136	2,654	0	0
Homeowner Charges	-38,440	-37,502	-37,502	1	0	0
Other Income	-16,225	-16,795	-16,477	318	-150	0
Total Income	-311,850	-345,475	-342,476	2,999	-1,600	-681
Expenditure						
Tenant facing services	167,718	156,971	166,660	9,689	-16,263	-8,792
Other Services	71,523	76,617	75,609	-1,008	-1,412	-633
Capital and Financing	50,080	71,851	71,851	0	0	0
Debt Financing	25,066	40,036	37,813	-2,223	0	0
Total Expenditure	314,387	345,475	351,933	6,458	-17,675	-9,425
Total HRA	2,537	0	9,457	9,457	-19,275	-10,106

2024-25 Tenant Facing Services

25. For 2024-25, the budget for tenant facing services was set as a cash limit of £156.9m. The forecast spend is £166.7m a variance of £9.7m. The areas of forecasted overspend are largely in resident services, asset management and customer services.
26. For resident services, the forecast is an overspend of £1.8m. This mainly relates to energy prices, estate cleaning cost pressures and private sector service charges. The service is continuing to work towards reducing expenditure elsewhere to help mitigate these pressures.
27. Asset management is forecasting an overspend of £6.1m for the repairs and maintenance to the housing stock. There are now significant plans in place to reduce this overspend and progress has been made where the service has focussed on implementing a credible plan to achieve the savings targets. All saving targets are now incorporated into monthly monitoring reports with new Key Performance Indicators (KPIs) produced as standard for the service monthly monitoring. Recognising that some of the saving targets are high risk, plans for mitigating these have been included by the service, although additional budget savings options are being developed on a month-on-month basis.
28. Customer services have a relatively small revenue budget by comparison to others within the HRA (£7.1m), which covers a significant proportion of the costs of the contact centre, customer complaints and other housing specific services. The forecast is currently £1.3m over budget, which relates to the call centre and corporate complaints department where increased calls for housing repairs have led to increased staffing levels to ensure neither waiting times nor service levels are adversely impacted.

General Fund (GF)

29. The forecast outturn position for the general fund is an adverse variance of £12.9m, after the utilisation of reserves, as set out in Table 2. The table shows the projected departmental budget outturn variances together with the estimated utilisation of reserves as at the end of 2024-25.

Table 2: 2024-25 General Fund Forecast Month 4

Department	Budget	Forecast	Forecast Variance	Reserve Movement	Variance after reserves
	£000	£000	£000	£000	£000
Children and Adults Services	165,023	168,771	3,748	(2,581)	1,167
Integrated Health and Care	3,897	3,960	64	-	64
Environment Neighbourhoods and Growth	103,897	101,615	(2,283)	4,114	1,831
Housing	28,411	38,008	9,597	(3,611)	5,986
Governance and Assurance	24,103	25,442	1,338	(1,053)	285
Finance	67,699	74,728	7,129	(3,646)	3,483
Strategy and Communities	8,237	9,773	1,536	(1,450)	86
Support Costs Re-allocation	(43,370)	(43,370)	(0)	-	(0)
Contribution from reserves	(2,400)	(2,400)	-		-
Total	355,398	375,027	21,129	(8,227)	12,901
General Contingency	4,000	4,000	-	-	-
Outturn	359,398	379,027	21,129	(8,227)	12,901

30. The month 4 revenue monitor, projected an adverse variance of £12.9m against the 2024-25 budget, with the projected overspend largely attributed to the following key variances:

- Demand pressures in temporary accommodation (TA) (Housing)
- Increased costs for those who have 'No Recourse to Public Funds' (NRPF) driven by increases in costs of adult care packages which are substantially in excess of inflation. (Environment Neighbourhoods and Growth)
- Increased costs in children's services driven by the increased placement costs for children with complex needs and a shortage of available foster placements (Childrens and Adults)
- Planning and Growth – less than expected income and cost of maintaining void properties (Finance)
- Customer services – Additional resources into the contact centre to address capacity issues (Finance).

31. Chief Officers hold ultimate responsibility for budget overspends and are pursuing mitigations to minimise the impact of areas forecasting demand-led and inflationary pressures.

GENERAL FUND DEPARTMENTAL NARRATIVES

32. The departmental narratives for month 4 2024-25 are as follows:

- Housing General Fund (Table 2 and paragraphs 35-41)
- Children and Adults Services (Table 2 and paragraphs 42-54)
- Integrated Health and Care (Table 2 and paragraphs 55-57)
- Environment, Neighbourhoods and Leisure (Table 2 and paragraphs 58-67)
- Governance and Assurance (Table 2 and paragraphs 68-71)
- Finance (Table 2 and paragraphs 72-82)
- Strategy and Communities (Table 2 and paragraphs 83-84).

HOUSING – GENERAL FUND

Overview

33. The outturn forecast at month 4 shows an adverse variance of £9.6m (gross), offset by a planned use of £3.6m reserves to reduce the forecast to a net £6m. This is primarily caused by the continuing budget pressure in homelessness, offset by some positive, but minor budget variances elsewhere across the department.

Resident Services - Temporary Accommodation (TA) and Housing Solutions

34. Homeless approaches and acceptances have seen a steady rise of around 30 households per month since the start of the year. Supply-side scarcity and higher charge rates account for the increase in costs to £9m (gross), before the use of reserves to bring the net position down to £5.5m (net). There has been a noticeable rise in providers exiting the private rental market in response to declining financial returns and a shift towards more expensive nightly-paid agreements, over which the council has little control if it wishes to retain supply. No effective controls exist to regulate rents in the private sector and with long-standing historical restrictions placed on Local Housing Allowance (LHA) rates, this inevitably increases demand for local authority provision. This is further exacerbated by Home Office asylum cases coming into the system, but on a positive note, the recent uplift in LHA rates from April 2024, should assist private sector discharge rates and help focus service activity on prevention.
35. Savings proposals to mitigate the budget pressure, for temporary accommodation (TA) usage are currently being discussed at the Housing Budget Recovery Board. Further analysis will be undertaken to assess the potential financial impact and an update provided at month 8 monitoring.
36. Another factor that has recently arisen is the decision to vacate Ledbury Towers due to health and safety concerns, which will further reduce the scope for achievement of cost savings. There are around a hundred and thirty households (predominantly TA clients) placed into stock that would otherwise have been available for new TA cases, thereby avoiding the need for more

expensive private sector accommodation. Initial cost estimates are approximately £1.5m in the current year dependent on the timeframe in which households move and type of accommodation provided.

37. Housing Solutions is also forecast to overspend by £1m before the use of £0.5m reserves to cover additional staffing resources required to address capacity issues and help reduce the backlog of determinations and the growing cost of incentives to maintain private sector provision.

Asset Management - Private Sector Building Safety

38. This programme was established to undertake safety inspections on high rise private sector residential blocks. Enforcement action taken against landlords for non-compliance is a function that sits separately within Environment, Neighbourhoods and Growth (ENG). Funding for the inspection regime is through a combination of base budget and grant, with any residual funding not spent in year carried forward as a reserve to meet future programme commitments.

Resident Services – Hostel Accommodation/ Support and Housing Strategy & Partnerships

39. During the last financial year, the council in-sourced three hostels previously run by external providers, with the resident services division assuming operational and management responsibility. Assuming full occupation, rents and service charge income would broadly cover the operational running costs, but under the inter-departmental agreement with Children's and Adult Services (CAS), any budget shortfall arising, such as through void loss is fully underwritten. Following the in-sourcing, a review of needs against existing provision and alignment of the staffing structure and operational processes is underway to improve service efficiency.

Resident Services – Travellers Sites

40. The council operates four traveller's sites, one of which (Springtide), is currently vacant pending refurbishment and fire safety improvement works funded through the capital programme. A long-term vacancy is contributing to the lower forecast this year.

CHILDREN'S AND ADULTS' SERVICES

Overview

41. Children and Adults Services is forecasting a £1.1m unfavourable variance in the general fund, a £0.68m unfavourable variance in the ring fenced dedicated school grant (DSG) and a balanced position after reserve movements in the ring fenced public health grant.
42. The key areas of concern affecting the general fund include the continuing increased demand for care packages in Adult Social Care as well as the need

to use high cost placements within children's social care, due to the scarcity of alternatives, combined with the increased complexity of the needs of young people. The DSG continues to experience increased demand for special education needs placement as a result of the increased number of Educational Health Care Plans (EHCP) causing financial concern. The department built up reserves, over the last few financial 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.

Adults Social Care

43. Adult social care is experiencing continued increase in year on year costs which is driven by the increased complexity of client need, as well as the higher than expected inflationary increases. The service is actively seeking to manage demand despite the ongoing acuity of hospital discharges and the resultant increasing costs in homecare, nursing and residential care. In addition, the service also ensures that ring fenced funding sources such as the social care grant, adult social care precept, market sustainability grant and the ASC discharge fund are used efficiently. This is achieved through good financial management in partnership with Finance, HR, Commissioning and Procurement colleagues and this will continue to ensure financial sustainability in the challenging years ahead.

Children's Services

44. Cost pressures in children's services is mainly driven by the increased demand for higher cost residential and semi-independent placements as well as staffing pressures. In children's social care, the children in care numbers have continued to reduce, which can be attributed to purposeful early help work to better support children and families. However, the financial effect of this has been offset by increased individual placement costs due to young people with more complex needs as well as the shortage of available foster placements resulting in the use of more costly provisions.
45. The service is working hard with commissioning and corporate colleagues to address the lack of sufficient placements by opening two children's homes and increasing the capacity of commissioned semi-independent accommodation providers within the borough. Furthermore, ongoing cost pressures due to the shortage of social workers are being mitigated through new recruitment and retention initiatives.

Dedicated School Grant

46. The ring-fenced Dedicated Schools Grant (DSG) is forecasting an unfavourable variance of £0.68m. The High Needs Block remains the main risk for the DSG, as this area has seen an average increased expenditure of 6% over the last 5 years. It is expected that the achievement of long term sustainability will be affected by the fluctuations in demand for EHCP's as this is a highly demand led service area.

47. This financial year is the second year of the council's Safety Valve agreement with the Department of Education (DfE). As per the agreement, the council will receive funding to offset the accumulated DSG deficit once key milestones are achieved. The accumulated DSG deficit reduced to £9m at the end of 2023-24 and the service is expecting another £1.77m contribution from the DfE once the required milestones in the improvement plan have been agreed. The key aim for the council, is to ensure a sustainable service, with better outcomes for children and young people as well as an in-year balanced position for the DSG. The achievement of future key milestones will be very challenging and will mean all aspects of service provision need to be reviewed.
48. There is also a continuing concern about the financial position of the council's maintained schools. This is mainly due to the continued falling roles that has been experienced across all London boroughs. Due to the close link between pupil numbers and the funding of schools, a number of maintained schools are experiencing financial difficulties. The council's Keeping Education Strong strategy has been working towards right sizing the school estate. This strategy led to PAN (Published Admissions Number) reductions, amalgamations, mergers and school closures to ensure provision better matches need, ensuring a sustainable sector in borough.

Public Health

49. The Public Health ring fenced grant is forecasting a balanced position after reserve movements. 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 aimed at improving health and wellbeing in the borough through evidence based interventions.
50. This includes commissioning drug and alcohol services, children's health services, sexual health services, smoking cessation, preventive cardiovascular health checks, exercise on referral and weight management services as well as gathering, analysing and interpreting information that influences the decisions made by public health, the wider council and NHS.
51. The grant also covers delivery of a large policy portfolio, providing strategic advice and guidance on matters relating to health and wellbeing, from suicide prevention through to sexual & reproductive health, mental health and wellbeing, tobacco control, immunisation and screening, health protection and healthy places (regeneration, transport systems, urban planning, culture & leisure).
52. 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.

INTEGRATED HEALTH AND CARE

Overview

53. Integrated Health and Care is forecasting a near balanced position for 2024-25 for the council's general fund budget lines.
54. The department was created in June 2024 with a joint appointment between the council and Southwark Integrated Care Board (ICB) of the Strategic Director for Integrated Health and Care (also known as the Place Executive Lead for Southwark). This is a positive step towards further integration between the council and the ICB. The expectation is that further integration will support both organisations in achieving better health and social care outcomes for the residents of Southwark as well as achieving better value for money through joint commissioning of services for budgets that are under pressure across both organisations.
55. The department 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 about 75% of our care home workforce are benefitting from this policy.

ENVIRONMENT NEIGHBOURHOODS AND GROWTH

Overview

56. The projected outturn for the Environment, Neighbourhoods and Growth Department is an adverse variance of £1.8m (after a proposed net transfer to reserves of £4.1m). Officers are exploring opportunities to mitigate this variance between now and year end and would expect this adverse variance position to be improved upon in the coming months.
57. The overspend is due to a significant increase in 'No Recourse to Public Funds' (NRPF) costs (£1.5m) and a shortfall in advertising income (£0.825m). These are partially offset by additional income from various services within the Environment department (£0.46m).
58. The revised budget reflects budget transfers of the Flood budget from corporate services to Environment.

Environment

59. The directorate is currently reporting an adverse variance of £0.343m, after net transfers to reserves of £5.3m which is income received in advance for private rented service licenses and transfers into the ring-fenced 'Streets for People' reserve account (which has restrictions on spending).

Leisure

60. The Directorate is currently reporting a breakeven position (after drawdowns from reserves of £0.983m) mainly due to the mobilisation costs of in-sourcing leisure services and dilapidation payments. The service is within the stabilisation phase after being brought back in-house last year and the leisure activities are picking up as the council is investing in refurbishing centres and updating equipment. The position is expected to improve as the year progresses.

Stronger Neighbourhoods

61. The directorate is currently reporting an adverse variance of £1.5m mainly arising from the increased demand for support given to individuals and families with 'no recourse to public funds' (NRPF). A significant proportion of this projected overspend is due to the increases in the costs of adult care packages which are substantially in excess of inflation together with significant increases in client payments and accommodation costs. The service is actively seeking to manage demand and practice strict financial management.
62. The national trend and recent data from the NRPF network show a 10% increase in number of cases and a 22% increase in spend due to cost-of-living pressures which is particularly acute in London. A review of the current arrangement and processes is due to take place in August 2024. Officers will be looking into options to address the current cost pressure on a more permanent and sustainable basis. These options are likely to require Cabinet approval but are in line with approaches taken by other authorities.

Climate Change & Sustainability

63. The Directorate is currently reporting a breakeven position after the drawdown from reserves of £0.156m.

Planned movement in Reserves

64. The department is planning to drawdown £1.1m from reserves in 2024-25 to both cover the leisure services stabilisation work, other dilapidation costs, as well as drawdowns to cover planned climate change staffing costs. There are also planned top ups to the 'Private rented service reserves from license fees income received in advance which is to be drawn down over a 5-year period to cover costs of providing this service; as well as a top up of the 'Streets for People' reserve. These top ups are estimated to total £5.3m by year end.

Debt write-offs

65. The department is seeking approval to write off a debt, in line with council policy, that is no longer recoverable. The debt is from an events company (Brand Events TM Ltd) of £0.140m that has gone into liquidation and is not recoverable is detailed in Appendix 1. Amendments have been made to the financial processes associated with event hires, in the form of non-refundable

advanced deposits system, which will eliminate risk associated with non-payment of fees.

GOVERNANCE AND ASSURANCE

66. Governance and Assurance are showing an adverse variance of £0.285m.
67. Human Resources (HR), Organisational Development (OD) and Health and Safety are showing a combined gross overspend of £1m before the application of reserves to balance the budget. The variance is largely constituted by employee costs, partially offset by the agency margin surplus, alongside several minor underspends across the service. The employees variance reflects transitional costs, including specific project related expenditure predicated against reserves. Progress remains on track toward implementing a fully funded structure later this year.
68. Corporate Facilities Management (CFM) is responsible for ensuring that buildings that make up the council's operational estate are compliant with building standards, health & safety rules and regulations and are fit for purpose for both staff and service users alike. Other than cleaning services to Tooley Street and Queen's Road sites, facilities management (FM) services are delivered through an outsourced FM contract. While there is a forecast pressure at £36k across a budget of £17.4m, this represents a prudent assessment of reactive maintenance costs incurred via the FM contract.
69. Law, governance and assurance are showing a combined adverse variance of £0.25m, due to under-recovery of recharges and the use of agency staff where there are hard to fill vacancies. The service is proposing a change to the charging mechanism and to the organisational structure to address these overspends and reduce the need for agency staff.

FINANCE

70. The finance department comprises of strategic and professional finance services, pensions and treasury, digital and technology services, planning and growth and customer and exchequer services. Overall, the department is projecting an adverse variance of £3.5m after an expected contribution of £3.6m from reserves.
71. Finance, pensions and treasury are forecasting a balanced budget by the end of the year after a planned drawdown in reserves.
72. The Technology and Digital Service (TDS) delivers the essential tools, capabilities, and infrastructure to ensure that all residents can access digital technology and reap its numerous benefits and support the council in its use of technology to deliver the best possible services. The TDS forecast at month 4 is a modest pressure of £0.1m. While the service will be looking to deliver a balanced budget by the end of the year

73. Operational delivery of IT infrastructure and support services is managed through an agreement with the London Borough of Brent and Lewisham, forming the Shared Technology Service (STS). While there are several challenges across the technology landscape, a key priority is the mitigation of the risk of cyberattacks and data breaches, which can lead to financial and reputational harm.
74. Alongside cyber security, the recent global technology outage is a reminder of the integral part technology plays in day to day lives and the need for ongoing investment to not only implement cybersecurity measures, but more generally ensure access to the council's services is maintained and continually improved. The shift towards cloud computing offers improved security and other advantages such as the flexibility and scalability needed to meet the council's evolving requirements. Additional significant efforts include the creation of data platforms that enhance service delivery to residents by fostering more integrated and informed approaches, thereby elevating the quality of life for the community.
75. The service continues to offer technological and digital support, alongside strategic business partnering advice, to all council departments, facilitating efficient service provision and business improvements aligned with the five key pillars outlined in the Technology and Digital Strategy for 2024-2026.
76. The main cost pressures in the finance department are in the customer and exchequer services department (£1.5m) and the planning and growth directorate (£1.9m)
77. The projected outturn for the planning and growth directorate is an adverse variance of £1.9m (after the proposed drawdown from reserves of £0.2m). Officers are exploring opportunities to mitigate this variance between now and year end.
78. The net variance is mainly due to the following:
 - Holding costs for void commercial properties up for disposal or relet. These costs include business rates, security costs and administration and professional fees.
 - Income producing assets have been delayed coming into the portfolio due to construction delays and commercial negotiations taking longer than anticipated.
 - Income reduction due to assets being redeveloped as part of the ongoing regeneration programmes.
79. Exchequer's Services overall overspend (£0.361m)
 - A staff restructure in council tax and business rates division incurred severance costs.

- There has been increased spending on software services of approximately £100k. Additional services that are not part of the annual contracts have been commissioned.
- Transactional finance staff restructure which occurred in 2023-24 resulted in a leaner establishment leading to savings in the service in 2024-25. This has helped absorb overspends across Exchequers including the budget reductions from the 2023-24 budget challenge.
- Officers are working to find mitigations for these forecast overspends.

80. Customer services overspend of £1.1m

- Smart Digital Transformation – The estimated value of the charge to the service is £190k. The department currently has no budget to cover this transformation cost, but if the forecasted income from Lambeth Smart Service materialises, the overspend will be absorbed.
- There are high call volumes in the customer services department and additional resources have been put in place to address severe capacity shortfalls.

STRATEGY AND COMMUNITIES

Overview

81. The projected outturn for the Strategy and Communities Department is a slight overspend of £86k. Officers are exploring opportunities to mitigate this variance between now and year end.
82. The anticipated net movement (drawdown) in reserves in 2024/25 currently stands at £1.45m and will be from the corporate capacity building reserve together with the modernisation, service and operational improvement reserve to fund the Future Southwark initiative and increased staffing costs.

CONTINGENCY

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

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

84. This report monitors expenditure on council services, compared to the planned general fund budget agreed in February 2024, and HRA budget agreed in January 2024. 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

85. There are no climate change implications arising directly from this report, which provides an update on the revenue outturn for 2024-25

Resource implications

86. This report is the revenue outturn report which details the budgetary outcomes in 2024-25.

Consultation

87. No consultation has taken place as this report details the 2024-25 revenue monitoring report for month 4.

APPENDICES

No.	Title
Appendix 1	Debt write off

AUDIT TRAIL

Cabinet Member	Councillor Stephanie Cryan, Equalities Democracy and Finance	
Lead officer	Clive Palfreyman, Strategic Director of Resources	
Report author	Tim Jones, Director of Corporate Finance	
Version	Final	
Dated	3 September 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 of Resources	N/a	N/a
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		4 September 2024