

## CABINET

12 November 2019

<b>Title:</b> Budget Monitoring 2019/20 - April to September (Month 6)	
<b>Report of the Cabinet Member for Finance, Performance and Core Services</b>	
<b>Open Report</b>	<b>For Decision</b> Yes
<b>Wards Affected:</b> All	<b>Key Decision:</b> Yes
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<b>Accountable Director:</b> Helen Seechurn, Interim Finance Director	
<b>Accountable Strategic Director:</b> Claire Symonds - Chief Operating Officer	
<b>Summary</b>	
<p>This report provides a high-level overview of the key financial risks and issues faced by the Council in this financial year. There is always a high level of uncertainty in the financial position – especially around demand and cost increase pressures and so the position may change; however, there are clearly significant pressures. The report describes the potential impact in high level terms and the forecasts have been made on a prudent (pessimistic) basis. The position may therefore be overstated. However, the scale of the challenge means that there is no room for complacency.</p>	
<p>The forecast expenditure in the General Fund is £159.070m against a budget of £148.820m. £0.25m will be funded by planned draw down from reserves leaving £158.864m which equates to a gross General Fund overspend of £10m, before Collection Fund and Business rates surpluses including monies brought forward from the previous year are added which then puts the overall variance at £7.582m (see Appendix A). This is largely unchanged since last month.</p>	
<p>As at the end of 2018/19 the budget support reserve stands at £12m. £4m of this however, has been earmarked to fund Transformation programmes. This would mean that this year's overspend could be mostly covered from this reserve with any residual overspend being taken from the unearmarked General Fund reserve of £17m. This reserve would also be required to cover future overspends.</p>	
<p>Although the reduction in reserves in 2019/20 is foreseen and can be managed, it is not desirable and will limit our future ability to respond to unforeseen events or invest in the borough. If this level of expenditure continues into next year it would exceed the funding plans set out in our Medium Term Financial Strategy (MTFS) and so would require the identification of further savings or income in order to set a balanced budget. For these two reasons the overspend must not be allowed to continue to grow and serious consideration needs to be given to possible remedial measures.</p>	
<p>Directors and Strategic Directors have been tasked with identifying any possible measures within their own spheres to mitigate the position as a matter of urgency. This is</p>	

likely to include short term management action such as delaying recruitment, bringing forward planned savings and maximisation of income. The potential impact on the future years if the position is not recovered would be a requirement to determine additional saving programmes for 2020/21 in the order of £7m, although this figure is expected to come down following the completion of the detailed budget review and more robust forecasting.

This report also includes an update about the use of the Strategic Investment Pot (SIP) funds generated as part of the London Business Rates Pool. A Cabinet decision is required to agree the allocation of this funding to appropriate projects across the city.

## **Recommendations**

The Cabinet is recommended to:

- (i) Note the projected revenue outturn for Council services as set out in sections 2 and 3 to 11 and Appendix A to the report;
- (ii) Note the implications for the reserves position and the need to identify in year action in relation to General Fund expenditure;
- (iii) Note the update on the Capital Programme and approve the additional 2018/19 slippage on the general fund budget of £0.366m for My Place, previously not requested;
- (iv) Note the update on the Transformation programme and approve the net carry forward of £2.907m and note the quarter 2 forecast position; and
- (v) Approve the proposed allocation of the London-wide Strategic Investment Pot to the individual projects listed in paragraph 16.8 and Appendix C of the report.

## **Reason(s)**

As a matter of good financial practice, the Cabinet should be informed about the Council's spending performance and its financial position. This will assist the Cabinet in holding officers to account and in making future financial decisions.

## **1. Introduction and Background**

- 1.1 The final outturn for 2018/19 was an overall overspend of just under £3m (after transfers to and from reserves were taken into account). This was the net position after collection fund surpluses and there was an underlying overspend of £7m in service expenditure budgets. In addition, it must be remembered that last year the budget setting approach was that as far as possible services would be expected to contain their own growth. Only a limited amount of additional funding was identified, and this was applied in the most part to Care and Support Services. This reduced the gap for budget setting purposes and meant that additional savings proposals were not required to be identified so 2018/19 could be a "consolidation" year.
- 1.2 However, the expectation that services could contain their own growth is a challenge for many. The small amount of growth funding that could be identified

was used both to deal with some specific issues in the budget and then to provide additional care and support funding. However, the sums available for this purpose (£1m for Children's, £1.3m for Disabilities) were lower than the 2018/19 pressures. This means that those services with existing pressures are likely to continue to overspend into 2019/20.

## 2. 2019/20 Budget Monitoring Position - Summary

- 1.3 This has led to a high level of overspend forecast. Across the Council there are known budget pressures of up to **£15.5m, with some underspends of £5.5m forecast centrally giving rise to a forecast net spend position of £10m.** It should be noted that this forecast has been made on a prudent basis and so there is potential for further reduction. This figure is a worsening of £0.5m from last month due to the newly reported pressure in Community Solutions.
- 1.4 As in previous years there is an expected underspend within Central Expenses. The £2m provision for non-delivery of savings put into the budget in 2018/19 is still there. There are other contingency budgets such as the redundancy budget (£1.3m of which half is currently assumed in the forecast) and the Council consistently over-achieves on gainshare against its budget (c£1.5m). In addition, there is an expectation to receive £3m in dividends from the companies giving us a total forecasted **underspend of £5.5** on central budgets.
- 1.5 There are at outturn additional Collection Fund surpluses and business rates via the London pool have been included as **£2.5m additional income.** Overall the net overspends forecast at end of September is now expected to be £7.5m,

DEPARTMENT	ADJUSTED BUDGET	OUTTURN	VARIANCE	Movement
SDI COMMISSIONING	8,345,510	8,295,510	(50,000)	0
CORE	6,226,000	6,418,000	192,000	(32,500)
CENTRAL MINUS F30080	35,099,327	29,632,327	(5,467,000)	2,000
EDUCATION, YOUTH & CHILDCARE	3,909,800	3,909,800	0	0
LAW, GOVERNANCE & HR	(638,206)	(685,254)	(47,048)	(47,048)
POLICY & PARTICIPATION	2,800,380	2,981,380	181,000	(131,087)
CARE & SUPPORT	71,104,978	84,361,978	13,257,000	822,130
INCLUSIVE GROWTH	994,880	994,880	0	0
COMMUNITY SOLUTIONS	9,746,030	10,240,651	494,621	494,621
MY PLACE	6,292,391	6,726,391	434,000	(537,765)
CONTRACTED SERVICES	4,938,920	5,988,920	1,050,000	0
<b>TOTAL GENERAL FUND BUDGET</b>	<b>148,820,010</b>	<b>158,864,583</b>	<b>10,044,573</b>	<b>570,351</b>
<b>CORPORATE FUNDING</b>	<b>(148,820,010)</b>	<b>(151,282,385)</b>	<b>(2,462,375)</b>	<b>0</b>
<b>NET GENERAL FUND POSITION</b>	<b>0</b>	<b>7,582,198</b>	<b>7,582,198</b>	<b>570,351</b>

- 1.6 More information about the key areas of risk are given below. The overall impact on reserves will be a drawdown of around £7m from the Budget Support Reserve. This is manageable as there is sufficient funding to do this, but it would restrict our ability to respond to future unforeseen events and to invest in the borough. If this level of spending continues it could also put at risk our Medium Term Financial plans, requiring the identification of future savings.

- 1.7 It is therefore necessary to identify both short and medium remedial actions to bring spending nearer to the budget. Directors and Strategic Directors have been tasked with identifying any possible measures within their own spheres to mitigate the position as a matter of urgency. This is likely to include short term management action such as delaying recruitment, bringing forward planned savings and maximisation of income. The results of this work will be brought back to Cabinet in December.

### 3. Care and Support/ People and Resilience

- 3.1 The overall budget for People and Resilience (exec Education) in 2019/20 is £81.810m. The total expenditure forecast (main case) for these services 2019/20 is £95m which would result in an overall budget pressure of £13.2m. This would be a growth in expenditure since the previous financial year of £7.3m. There is a significant savings gap currently which is contributing to the budget pressure.

- 3.2 Further information on the specific services is given below.

People & Resilience Group	19/20 Budget £000	Main Forecast £000	Variance £000	Period Movement £000	Change since 2018/19 £000
Adults Care & Support	19,474	23,322	3,848	0	1,837
Adults Commissioning	5,756	5,856	100	0	241
Disabilities Service	18,403	22,025	3,622	213	2,126
Children's Care & Support	34,490	40,276	5,787	(539)	2,906
Children's Commissioning	4,387	4,237	(150)	0	237
Public Health	(700)	(700)	0	0	0
<b>Group Total</b>	<b>81,810</b>	<b>95,016</b>	<b>13,207</b>	<b>(326)</b>	<b>7,347</b>

### 4. Adults' Care and Support

- 4.1 The total forecast for Adults Care and Support is £23.3m would result in a budget overspend of £3.85m as there continues to be upwards growth in expenditure and demand.

Service Area	19/20 Budget £000	Forecast £000	Variance £000	Period Movement £000
Adult packages	8,157	10,248	2,091	0
Adult teams	3,735	3,735	0	0
Adult homes and centres	2,025	2,375	350	0
Mental Health	4,567	5,974	1,407	0
Adults Other (Support services)	990	990	0	0
<b>Directorate Total</b>	<b>19,474</b>	<b>23,322</b>	<b>3,848</b>	<b>0</b>

- 4.2 The main area of increase and budget pressure is in the Adults' Care Packages. This forecast includes provision for the expected care fee increases (which will be funded from the IBCF) and assumes a continuation of the clear upwards trends in demand. This means that if demand growth slows or ceases the position may improve. There are no further savings targets within Adults. However, the brought forward savings shortfall from previous years is a significant part of the current overspend.

4.3 The main areas of pressure in this area are spread across the range of provision:

- £1.96m in Homecare: this is the bulk of the pressure where the service is witnessing an increase in homecare hours. The service has been reviewing crisis packages and we are likely to see a reduction during the year.
- £517k overspend in Direct Payments which is consistent with last year's outturn position in this area.
- £1.2m overspend in Residential and Nursing due to the volatility in this area further work is being carried out to review package costs.
- £750k overspend across supported living, respite, day care and short-term care, these are quite small in comparison to the above, but when added together form a significant portion of the overspend.
- The above is partially offset by a £1.6m forecast on direct payment refunds, this is a conservative projection and there is room to increase this projection if it can be justified with accurate data.
- The forecast also includes £913k of winter pressures money which we expect to receive in December.

4.4 The pressures in the Homes and Centres group includes an income shortfall at Kallar Lodge and at Relish Café. Resolution of these issues would also reduce the overspend and options for Relish are being considered. The savings targets for these services together amount to £0.415m but this is unlikely to be achieved this year. Recruitment of staff for the expanded offer at Kallar is nearing completion but take up of the spaces has not yet happened. A best case estimate for this year might be £0.2m.

4.5 Mental Health - £1.4m overspend the bulk of which is on supported living, this is due to 14 new service users in 19/20, as well as several packages have been reviewed and uplifted. Younger Mental Health homecare is the other major contributor to this overspend. Historically there has not been much spend in this area and therefore there has been no budget; however, there is a projected £240k spend in this area for 19/20 contributing to the overspend position within mental health.

4.6 The changes to the Charging Policy are expected to produce some level of savings, the current estimate for the in-year effect is £0.4m. This is not yet certain (medium risk rated) so is not included in the main forecast. It is unlikely we will see any of the other schemes produce any meaningful cost savings this year.

4.7 If there is no further growth above that allowed for (approx. 3% on the previous year) and the initiatives listed above have effect (£0.4k charging, £0.2m Kallar/Relish) then a best case forecast would be in the region of £3.2m overspend.

## **5. Disabilities Care and Support**

5.1 The total forecast for Disabilities Care and Support is £22m and would result in a budget overspend of £3.6m. The budget including iBCF transferred from Adults has

increased by £1.9m – however this has effectively been matched by upwards growth in expenditure leaving the variance at around the same level as 2018/19.

Service Area	19/20 Budget £000	Forecast £000	Variance £000	Period Movement £000
Adults Care Packages (inc Equipment)	9,284	10,831	1,547	334
Children's Care Costs	1,074	2,009	935	0
SEND transport	2,619	3,188	569	36
Centres and Care Provision	1,756	2,013	257	0
Staffing/Care Management	3,670	3,984	314	(157)
<b>Directorate Total</b>	<b>18,403</b>	<b>22,025</b>	<b>3,622</b>	<b>213</b>

5.2 The main increases/budget variances are on the demand-led budgets for care provision especially:

- £1.5m overspend on Learning Disabilities Adults across Direct Payments, Homecare, day care and residential care;
- £935k Overspend on Children with Disabilities across Direct Payments, Respite packages and legal / court costs;
- £571k overspend on Teams and Centres, made up of pressures within the education psychology service, 80 Gascoigne Road and Life Planning; and
- £569k overspend on SEND Transport, due to existing pressure in the cost of the routes- the growth that was given to meet this pressure doesn't fully cover it.
- The position has worsened by £213k this month due to additional pressure on SEND transport, Ed psych staffing costs and further pressure on packages.

5.3 The forecast is based on known commitments and has not been adjusted for future placement growth. The assumption is that the care package review activity, improved life planning and increased CHC will be enough to contain the costs of growth. If these initiatives produce greater benefits, then this would reduce the forecast.

5.4 Including this year's savings, the service has a cumulative total of £0.835m undelivered savings built into its budget which is contributing to the pressure. There are two MTFS savings initiatives in 2019/20 – the expansion of Shared Lives and new provision at 80 Gascoigne. It is now clear that the 80 Gascoigne savings can no longer be delivered as the CQC has deemed the additional room unfit for use, whereas the shared lives scheme is still considered high risk, thus the position is unlikely to improve this year.

5.5 Due to the high levels of growth in this forecast – which is largely outside the services control then this forecast is a reasonable main case. The potential best case is perhaps a potential further reduction if further client contributions or CHC income can be sought, but currently a large portion is already in the forecast.

## 6. Children's Care and Support

- 6.1 The total forecast for Children's Care and Support is £40.276m and would result in a budget overspend of £5.8m. The budget has been given growth of £1.4m but is currently undergoing a whole service transformation to deliver its savings proposals.
- 6.2 The third year of MTFs savings of £1.126m has been taken from the Looked After Children and Placements budget.

Service Area	19/20 Budget £000	Main Forecast £000	Variance £000	Period Movement £000
Care Management	5,063	6,769	1,706	(219)
Looked After Children	20,555	25,730	5,175	(229)
Assessment Teams	3,355	4,396	1,041	(118)
Adolescence & YOS	1,213	1,403	190	0
Other/Central	4,304	1,978	(2,325)	27
<b>Directorate Total</b>	<b>34,490</b>	<b>40,276</b>	<b>5,787</b>	<b>(539)</b>

- 6.3 The additional costs of the Children's TOM can be met from budget available within the growth funding. This is currently held centrally but will be vired across the service in line with the new TOM implementation. However, there are staffing pressures on the service in addition to this. Currently there are posts above the establishment in the forecast – additional staff in Rapid Response and staff to support the probationary period of the social workers recruited from overseas. The usage of agency is around 39% which is in excess of the budgeted ratio of 15%. These costs together are adding around £2m to the staffing forecast; however, it is possible that successful implementation of the Children's' operating model will mean that this reduces over time during the year.
- 6.4 The service are confident of achieving the low risk targets which amount to £0.55m, most of these are to do with contract frameworks that are currently in place and costs are reducing as and when client packages are being transferred over to the cheaper framework rates, therefore these are effectively already within the projections and will not improve the outturn significantly unless all open packages within these categories are changed over to the framework contracts. This is unrealistic as it will not always be in the children's best interest to change a package they are comfortable with.
- 6.5. The high-risk savings targets are unlikely to be achieved in this financial year as progress on these are still very minimal. Edge of Care may have up to 8 clients by the end of the year, but this will only at best achieve half of the target savings due to timing. The specialist in house provision will not be fully operational till January thus minimising the amount of savings this can generate in year, the positive is that both programmes should deliver greater results in 2020/21.
- 6.6 Most of the pressure, however, relates to the cost of Looked After Children as follows:
- £1.7m overspend on Residential Homes
  - £1.2m overspend in the Leaving Care Service
  - £117k overspend Family Assessment Units
  - £769k overspend in Specialist Agency Fostering

£532k overspend on Adoption Placements  
 £290k overspend in Children in Care  
 £262k overspend on Secure Units  
 £251k overspend in the Leaving Care Team  
 £155k overspend in the Fostering Team

6.7 The above overspend is being partially offset by a budget increase of £2.35m (including the Social Care grant). This growth has not yet been allocated out to individual services but is currently sitting as a credit in the Directorate central costs. Following final approval of the Children’s operating model we will allocate this funding to the relevant areas of need with the support of the Operational Director.

6.8 The removal of assumptions about future savings delivery and some other changes to the forecasting methodology for staffing resulted in an initial adverse movement on the underlying forecast from period 4 of £638k. However, the service have provided a new list of actions that they will be taking in year to reduce the forecast. These amount to £1.168m and are summarised below:

	2019/20
AYSE deployment	139,600
Other agency reduction	422,840
Reduction in weekly cost of placements	233,567
Recruitment Retention Clawback	90,000
Reduction in 18+ placement costs	62,123
PAUSE funded from PHG	220,000
	1,168,130

6.9 The agency reduction forecasts have been based on a very thorough review of staffing (at the individual post level) and so are regarded as reasonably robust. However, changes in demand or recruitment levels could still affect these plans.

## 7. My Place

7.1 My Place are forecasting a budget pressure of £436k. This is an improvement of £536k on the £972k overspend which was forecast at month 5. This is partly due to the reduction in the cemeteries income target of £102k, which had previously been overstated. In the main the reduction in the budget pressure is as a result of a robust budget challenge exercise which has identified a number of areas of underspend and income over-achievement. This is largely attributable to savings identified from vacant posts, increased fees and charges income and the release of operational savings in Business Development.

7.2 The pressure within Public Realm has not abated, and the service continues to forecast a cost pressure of £1.1m, mainly from the use of agency staff. This pressure is offset by an underspend of £693k across other services within My Place.



## **8. Contracted Services**

- 8.1 The overspend of £1.050m is largely due to a forecast overspend of £934k on B&D direct. Over the past two years savings of £0.7m have been taken for the Customer Experience and Digital Programme that have not yet been achieved in cashable terms. This is currently being assumed will be a net overspend on the budget at the end of the year. It may be possible to realise around £0.2m but this has not yet been included in the forecast. In addition, ICT are forecast to overspend by £126k.

## **9. Policy and Participation**

- 9.1 Policy and Participation are forecast to overspend by £181k. This is a reduction of £110k in the position that was forecast at Month 5. The main overspends are £104k on Valence House, £99k on Eastbury Manor and £56k on the Film Office, offset by underspends on Countryside and Conservation (£74k) and Strategy and Performance (£58k). There are staffing pressures at both Valence and Eastbury and Valence has a pressure on NNDR. The forecast overspend on the Film Office has reduced by £41k to £56k due to more favourable income projections.

## **10. Core**

- 10.1 There is a forecast overspend of £192k on the Elevate client team. This is attributable to additional staffing costs of £104k plus an income loss of £68k.

## **11. Law, Governance and HR and Enforcement**

- 11.1 There is currently a nil variance on Law and Governance. Enforcement are forecast to underspend by £47k after transferring a £45k surplus within the Markets cost centre to the Markets reserve. Within Enforcement where there are underspends across a number of service areas, offset by a forecast overspend of £291k within Parking. Parking income is below forecast and staffing costs are higher than budgeted. With the implementation of the restructure and the introduction of new CPZs there is an expectation that income levels will increase. PRPL income levels from the introduction of the new scheme from September 2019 continues to be monitored closely. Any surplus income will be carried to a smoothing reserve.

## **12. Community Solutions – £0.495m overspend**

- 12.1 Community Solutions are now reporting a pressure in their staffing budgets especially within Intervention services where there appear to be nine staff above the funded establishment. In addition, there appears to be a shortfall on the Troubled Families funding which could result in a net overspend of £0.495m. Now this issue has been identified, the Director and his management team will identify mitigations to reduce this forecast.
- 12.2 There are challenging targets for Temporary Accommodation reductions built in the budget. These have been achieved to date. There are some associated risks around income collection in the hostels and the costs of the rent deposit and other prevention schemes, but these are being managed closely. If the Temporary Accommodation performance is sustained, this is expected to offset these risks and may even be a further mitigation against the other pressures in the service

### 13. Capital Programme Update

- 13.1 The overall capital programme is £283.077m, this includes general fund of £202.982m, HRA £69.100m and Transformation of £10.995m.
- 13.2 Forecast spend against the total general fund programme is £200.158m resulting in a forecast underspend of £2.824m. Forecast spend against the HRA capital programme is £62.464m resulting in a forecast underspend of £6.636m. Forecast spend against the Transformation capital programme is £5.389m resulting in an underspend of £5.606m.
- 13.3 In Sept 2019, Cabinet were requested to approve carry forward of the overall net slippage of £0.988m. There was an intention to re-profile several budgets in the service as many programmes were underspending at year end. As a result of this exercise additional slippage (not previously requested) of £0.366m for general fund and £5.589m for HRA is requested.

#### General Fund Capital Programme

General Fund Capital Programme	Budget £000	Forecast £000	Over / Underspend (Slippage) £000
Approved Capital Budget – Sept 2019	161,806		
Woodward Road Purchase	20,821		
Approved in-year additional capital schemes (incl. approved slippage – Sept Cabinet)	9,433		
Becontree Heath New Build	6,722		
Robert Clack and Ripple Primary expansions	4,200		
<b>Revised 19-20 Approved Capital Budget</b>	<b>202,982</b>	<b>200,158</b>	<b>2,824</b>
*Net Slippage (excluded in quarter 1 - My Place)		366	366
<b>Net Forecasted Outturn Position</b>	<b>202,982</b>	<b>200,524</b>	

\*additional request to slip, was excluded in quarter 1 forecast

- 13.4 Cabinet is requested to approve additional 2018/19 slippage on the general fund budget of £0.366m for My Place, previously not requested.
- 13.5 A reprofiled HRA capital programme including slippage from 2019/20 was approved in October.

### 14. Transformation Programme

- 14.1 The overall Transformation programme for 2018/19 was £7.793m, actual spend against the programme was £4.886m, resulting in a net underspend of £2.907m. The service has requested to carry this forward, as in previous years, to utilise against additional transformation projects within the originally awarded envelope rather than request new funding.

<b>Transformation Programme</b>	<b>Budget £000</b>	<b>Forecast £000</b>	<b>Over / Underspend (Slippage) £000</b>
Approved Budget – Feb 2019 MTFS	400		
Childrens' Care and Support – July 2019 Cabinet	1,095		
Core Transformation – January 2019 Cabinet	9,500		
<b>Revised 19-20 Approved Transformation Budget</b>	<b>10,995</b>	<b>5,389</b>	<b>5,606</b>
Net Slippage request	-	2,907	2,907
<b>Net Forecasted Outturn Position</b>	<b>10,995</b>	<b>8,296</b>	

14.2 The overall budget for Transformation in 2019/20 was £0.400m, and in January 2019 Cabinet further approved £9.500m for the Core Transformation. The programme forecasts spending £3.800m in 2019/20, with the expectation to carry forward underspends as has been the case in previous years.

14.3 July 2019 Cabinet approved a further budget of £1.095m for the Children's Care and Support Improvement Programme, of which £895k is profiled for spend in 2019/20.

14.4 Cabinet is requested to approve the net carry forward of £2.907m and note the quarter 2 forecast position. See Appendix A.

## 15. Reserves Drawdown

15.1 As shown in Appendix 1, £1.226m has been drawn down from reserves into this year's budget. These are approved carry forward amounts from last year but are listed below for information.

<b>Description</b>	<b>Reserve</b>	<b>Amount</b>	<b>Classification</b>	<b>Department</b>
Brexit Preparation Grant carry forward from 18/19	Budget Support	104,984.00	c/f from pfy	Central
Business Rates Levy Surplus 18/19	Budget Support	871,010.00	c/f from pfy	Central
Inclusive Growth carry forward from 18/19	Budget Support	250,000.00	c/f from pfy	Inclusive Growth

## 16. London-wide Strategic Investment Pot

16.1 The Council entered into the 2019/20 London Wide Business Rates Pool which is piloting 75% Business Rates Retention in London along with the Greater London Authority, Common Council of the City of London (COLC) and the 31 other London Boroughs. The principles are embodied within a Memorandum of Understanding (MOU) endorsed by all the Leaders of London Councils and the Mayor of London. The Council also participated in the 2018/19 100% retention pilot

16.2 The aim of the pool is to improve the well-being of the communities that the participating authorities serve in London and by working together to; retain a greater proportion of business rate growth, further stimulate economic growth and build financial resilience. The principle of the pool is that no Authority will be worse off

than it would have been under the current local finance regime over the period of the four year settlement.

- 16.3 It was agreed within the MOU for the pilot pool, that the City of London Corporation (COLC) will act as the as Lead Authority and will therefore:
- make or receive payments in respect of any top ups and tariffs, levy and safety net and safety net payments to and from the MHCLG, the administer the pilot pool.
  - make or receive payments between members of the pilot pool as determined by governance arrangements
  - to administer the pilot pool in accordance with the governance arrangements.
- 16.4 The MOU also sets out that 15% of the net additional financial benefit generated through the growth in business rates collected in London would be distributed from the pilot pool as a Strategic Investment Pot (SIP). The estimated sum for 2019/20 is £27m – although this will not be confirmed until late in 2020 (after the audit of the 2019/20 accounts.) In addition there is £12.8m of funds from the 2018/19 pot that has not yet been audited.
- 16.5 The SIP should be spent on projects that:
- contribute to the sustainable growth of London's economy and increase business rates income either directly or as a result of the wider economic benefits anticipated.
  - leverage additional investment funding from other private or public sources
  - have broad support across London government in accordance with the proposed governance process
- 16.6 As there is no formal mechanism for joint decision making by London authorities, COLC as the lead Authority for the pilot pool is responsible for deciding which projects should be allocated SIP funding after consultation with the GLA and London Boroughs. The principles contained within the MOU reflect that,
- both the GLA and a majority of the 32 Boroughs (two thirds of London Councils) have agreed to recommend a Strategic investment Project
  - where all Participating Authorities in a single sub-region do not agree with the decision, the decision is not agreed
  - If no majority consensus on allocation of the SIP to Strategic Investment projects can be agreed the available resources in the SIP will be rolled forward for future consideration until the resources are spent.
- 16.7 The Council received the consultation report from COLC on the 8<sup>th</sup> October 2019. This report identifies the proposed projects which are recommended for funding by the SIP Panel. The SIP consultation report is attached at Appendix C.
- 16.8 The SIP Panel has reviewed the bids received, which total £102m for funding against the available Strategic Investment Pot of £39.9m and recommends that a total sum from the Strategic Investment Pot of £37.14m is allocated to individual bids. This represents full allocation of the 2018/19 funds and 90% of the 2019/20 estimated total. A summary of the recommended allocation of the SIP pot to bids by the Panel is set out below.

<b>Recommended Package by SIP Panel</b>	<b>£m</b>
Crystal Palace Subway	2.34
Inclusive Growth	8.00
London Cancer Hub	8.38
Supporting Sustainable Growth with 5G	0.15
West London Orbital and Strategic Growth	3.60
Croydon Creative Campus Phase 1	2.50
South London Knowledge Exchange	6.04
Local London e-Business for Growth	5.63
Lower Lea Valley Bridge Enabling	0.50
<b>Total Bids recommended</b>	<b>37.14</b>

Further details of the bids considered and those recommended are set out in the attached SIP Consultation Report attached as Appendix C

- 16.9 Following the confirmation of the final figures next year any remaining funds will be available for allocation. The process will depend on the final decision about the future of business rates retention in London. If there is no 2020/21 SIP the residual money from 2019/20 will be allocated to existing bids following another review.

## **17. Financial Implications**

Implications completed by Katherine Heffernan, Group Manager – Service Finance.

- 17.1 This report details the financial position of the Council.

## **18. Legal Implications**

Legal implications completed by Dr Paul Feild

- 18.1 Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met.

**Public Background Papers Used in the Preparation of the Report:** None.

## **List of Appendices**

- Appendix A – General Fund Revenue budgets and forecasts.
- Appendix B – Capital Programme Update
- Appendix C – SIP Consultation Report