
REPORT FOR: CABINET

Date of Meeting:	17 December 2020
Subject:	Revenue and Capital Monitoring 2020/21 - as at Quarter 2 (30 th September 2020).
Key Decision:	Yes
Responsible Officer:	Dawn Calvert - Director of Finance and Assurance
Portfolio Holder:	Councillor Adam Swersky- Portfolio Holder for Finance and Resources.
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All wards
Enclosures:	Appendix 1 – Summary of 2020/21 Revenue Budget Forecast by Directorate as at Quarter 2 (30 th September 2020) Appendix 2 – Draw Down From Reserves and Cross Divisional Adjustments Including One-Off Income Appendix 3 – Summary of Reserves at Q2 Appendix 4 – 2020/21 Savings Tracker Appendix 5 – Capital Programme 2020/21 – as at Quarter 2 Appendix 6 – Trading Company Update 2020/21 – as at Quarter 2

Section 1 – Summary and Recommendations

This report sets out the Council's forecast financial position as at Quarter 2 (30th September 2020), and seeks approval for Capital Programme adjustments.

Recommendations:

1. That Cabinet notes the revenue and capital forecast positions set out in paragraphs 1.2 and 1.8.
2. That Cabinet notes the grave concerns being expressed at the legacy impact of COVID-19 over the MTFs and the work being undertaken on finance sustainability in paragraphs 2.50 to 2.53.
3. That Cabinet approve the proposed amendments to the Capital Programme as set out in paragraphs 3.39 to 3.49
4. That Cabinet note progress on the Council's Trading Update as at Quarter 2, as detailed in Appendix 6.

Reason: (For recommendations)

To report the 2020/21 forecast financial position as at Quarter 2 (30th September 2020), to update Cabinet on trading company performance and to seek approval for Capital Programme adjustments which require Cabinet approval in accordance with the Financial Regulations.

Section 2 – Report

1.0 **INTRODUCTION**

- 1.1 This is the second monitoring report for 2020/21. As well as reporting on the Council's business as usual forecast position, it also includes the financial impact of COVID-19 on the 2020/21 position.
- 1.2 The net forecast underspend as at Quarter 2, on the revenue budget is (£29k) after the planned use of reserves which are largely applied to fund one-off projects and cross divisional adjustments including one-off income.
- 1.3 This is an increase in expenditure from the position reported at Q1 of £405k. This is largely due to increases in pressures in the Community directorate in relation to Waste Management and Facilities Management. This is set out in more detail in section 2 of this report.
- 1.4 The COVID-19 impact is forecast at £23.072m and allowing for (£18.165m) of Emergency grant funding announced to date and also an assumed compensation payment for loss of sales, fees and charges, currently estimated at (£4.3m), the net impact is £608k.

- 1.5 This is a reduction in pressure from the position reported at Q1 of £0.957m. This is largely due to the announcement of a fourth tranche of COVID-19 funding of £2.722m which has been partially offset by additional costs for mortuary services and a reduction in the expected compensation for loss of income from £4.8m to £4.3m based on the first round of successful claims.
- 1.6 Once the net impact of COVID-19 is included of £608k, the revenue position shows a £578k overspend.
- 1.7 It should also be noted that the financial projections in this report were calculated before it was announced that the country would enter into a second lockdown phase. It is anticipated that once the financial projections are revised to reflect additional expenditure and further losses of income as a result of this, a balanced budget could only be achieved by another injection of additional government funding.
- 1.8 As a result of this one off COVID -19 funding, this report does indicate that the Council can manage a balanced budget position for 2020/21. However there are grave concerns about the legacy impacts of COVID-19 over the Medium Term Financial Strategy.
- 1.9 The Capital Programme is reporting a forecast spend of £134.366m against a budget of £305.415m. This represents a total forecast spend of 44%. In terms of general fund capital, there is a net forecast variance of (£149.692m) which is mainly slippage. For the Housing Revenue Account, a variance of (£21.355m) is forecast which all relates to slippage.

2.0 **REVENUE MONITORING**

- 2.1 The revenue forecast overspend at Quarter 2 is £578k which includes a net COVID-19 pressure of £608k. The Q2 position before taking COVID-19 pressures into account is a net underspend of (£29k).
- 2.2 Due to the COVID-19 pandemic the monitoring of financial performance is being separated between business as usual and COVID-19. This is to ensure the impact of COVID-19 is fully understood in the current financial year and moving forwards. The summary of the forecast by the division is set out in Table 1 with a more detailed breakdown at Appendix 1:

Table 1: Summary of Revenue Budget Monitoring – as at 30 September 2020

Directorate	Revised Budget	Forecast Outturn – Business as usual	Drawdown From reserves	Cross Divisional Adjustments Including one-off	Revised Forecast due to Business as usual	Variance due to Business as usual	Forecast Outturn – COVID-19	Revised Forecast after COVID-19 Pressure	Variance Including COVID-19	Q1 Variance	Movement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	36,735	39,121	(2,487)	(26)	36,608	(127)	3,355	39,963	3,228	3,315	(87)
Community											
Commissioning & Commercial Services	(4,422)	(2,538)	(21)	(80)	(2,639)	1,783	7,553	4,914	9,336	9,634	(298)
Environment & Culture	23,103	24,232	(284)	0	23,948	845	3,254	27,202	4,099	3,847	252
Directorate Management	193	193	0	0	193	(0)	0	193	(0)	0	(0)
Housing General Fund	4,529	4,538	241	(250)	4,529	(0)	620	5,149	620	1,000	(380)
Regeneration, Enterprise and Planning	1,260	2,498	(1,250)	0	1,248	(12)	262	1,510	250	643	(393)
Total Community	24,664	28,923	(1,314)	(330)	27,279	2,615	11,689	38,968	14,304	15,124	(819)
People											
Adults Services	66,657	66,745	(88)	0	66,657	(0)	4,332	70,989	4,332	3,498	834
Public Health	(1,814)	(1,814)	0	0	(1,814)	0	0	(1,814)	0	0	0
Children's Services	33,628	34,752	(932)	0	33,820	192	1,572	35,392	1,764	1,356	408
Total People	98,471	99,683	(1,020)	0	98,663	192	5,904	104,567	6,096	4,854	1,242
Total Directorate Budget	159,870	167,727	(4,821)	(356)	162,551	2,680	20,948	183,498	23,628	23,293	336
Covid-19 Grant Allocations						0	(18,165)	(18,165)	(18,165)	(15,039)	(3,126)
Covid-19 estimated income compensation							(4,300)	(4,300)	(4,300)	(4,797)	497
Corporate Items	4,903	4,754	0	0	4,754	(149)	1,124	5,879	975	466	510
Corporate Contingency	1,248	1,248	0	0	1,248	0	0	1,248	0	0	0
Technical and Corporate Adjustment	12,781	10,220	0	0	10,220	(2,560)	1,000	11,220	(1,560)	(2,386)	825
Total Corporate	18,932	16,223	0	0	16,223	(2,709)	(20,340)	(4,117)	(23,050)	(21,756)	(1,293)
Uncontrollable Budget	(4,041)	(4,041)	0	0	(4,041)	0	0	(4,041)	0	0	0
Total Budget	174,762	179,909	(4,821)	(356)	174,733	(29)	608	175,340	578	1,537	(957)

RESOURCES

2.3 At Quarter 2, the directorate is forecasting to underspend by (£127k) which has improved from (£93k) reported in Q1. However including the COVID-19 impact on services of £3.355m in Q2, which has decreased from £3.408m reported in Q1, the Directorate is forecasting a total overspend of £3.228m in Q2. This has decreased by (£87k) from £3.315m reported in Q1. This is after the net draw down from reserves and cross divisional adjustments.

Table 2: Resources Directorate Revenue Monitoring Q1v Q2

Revised Budget	Net Forecast Spend At Quarter 1 BAU	Quarter 1 Variance BAU	Quarter 1 COVID-19 impact	Total Quarter 1 variance including COVID-19 impact
£000	£'000	£'000	£'000	£'000
36,735	36,642	(93)	3,408	3,315

Revised Budget	Net Forecast Spend At Quarter 2 BAU	Quarter 2 Variance BAU	Quarter 2 COVID-19 impact	Total Quarter 2 variance including COVID-19 impact
£000	£'000	£'000	£'000	£'000
36,735	36,608	(127)	3,355	3,228

Movement from Q1	£'000	£'000	£'000	£'000
Total	(34)	(34)	(53)	(87)

2.3 The Q2 reported business as usual net underspend of (£127k) is a result of underspends in the Legal and Governance (£321k) and Procurement division (£63k), offset by overspends of £147k in Strategy, £63k in Finance and Insurance and other minor overspends across the Directorate totalling £47k and is explained in more detail below.

- Legal and Governance underspend of (£321k) relates to income generated from Land Charges, Register of Birth, Death and Marriages and Citizenship in excess of the budgeted target. This is in line with the forecast reported in Q1.
- Procurement division is reporting a net (£64k) underspend in Q2 this reflects the vacancy within team pending recruitment which will be complete in January 2021. This is a new savings reported in Q2.
- The £147k overspend within the Strategy division relates to decreasing SIMS income from schools due to school merges and loss of a school subscribing to the SIMS service, overspend in Community Resilience, which too reflects loss of income from schools and is agreed by CSB up to a value of £60k in lieu of adjustment to the budget. The overall division's overspend has increased by £70k as previously reported offsetting underspends have now been revised down.
- The Finance and Insurance division net £63k overspend reflects an estimated loss of insurance income due to the Government extending its Risk Pooling Arrangement (RPA) to Local Authority Maintained Schools with effect from 1 April 2020 which five schools have taken up. This overspend is partly offset by minor underspends across the rest of finance division. The overspend has decreased by £26k from Q1 in line with improved insurance position.
- There are a few other minor variances across the other services areas totalling £47k.

The COVID-19 impact for the Resources Directorate is forecast at £3.355m which has overall decreased by £53k from Q1 and relates to the following:

- ICT reports additional costs totalling £773k on remote working, licences telephones and teleconferencing caused by lockdown. This has increased by £38k from Q1 due to additional licences and teleconferencing cost.
- Business Support are reporting £12k on additional staff cost due to COVID-19, including cover for shielding and self-isolating staff, this is at the same level as reported in Q1.
- Customer Services/Access Harrow are reporting £500k COVID-19 related costs of which £100k is in the Community Hub where additional staff costs have been incurred due to increased demand and staff self-isolating/shielding. There is also £175k unachieved savings in the change

of communication channels (Revenues and Benefits), Careline is reporting overall £150k additional costs due to approximately 70% of staff shielding and self-isolating and a further £75k Customer Relationship Management to enable service provision in the lockdown/remote working situation. This is at the same level as reported in Q1.

- Finance and Insurance are reporting the COVID-19 related spend of £935k which reflects grants to Harrow Community Action, Harrow Community Transport and ICT – Connected Performance. This has increased by £64k from Q1 due to additional net £94k grant to voluntary organisations offset by £30k lower estimate on ICT cost.
- The Directorate Management team reports £33k forecast COVID-19 related spend on consultancy costs, this has decreased from £47k reported estimate in Q1.
- The Revenues and Benefits section are reporting a net £410k Covid related cost which reflects £300k loss of Revenues income due to Local Authorities not being able to instigate court actions to pursue debts and additional cost of £110k on Capita support and overtime of staff who are working on the business grants. The forecast cost has decreased by £224k from Q1 following review of income losses from summons and recoveries work.
- The Strategy team are reporting £311k Covid related cost relating to additional costs across the division mainly on the community resilience, establishing the community hub, additional cost of communication services, loss of advertising income within the communication team and loss of income from schools within the SIMS team due to the cancellation of the Key Stage tests this year. This estimated cost has increased by £124k from Q1 mainly due to additional communication cost and losses initially estimated for only part of the year.
- Legal and Governance are reporting £381k loss of income from Land charges, Citizenship ceremonies and Register of Birth, Death and Marriages. The estimated loss has decreased by £40k from Q1 reflecting the performance up to Q2.

COMMUNITY

- 2.4 At Quarter 2, the directorate is forecasting to overspend by £2.616m however including the COVID-19 impact on services of £11.689m, the Directorate is forecasting a total overspend of £14.305m.

Table 3: Community Directorate Revenue Monitoring Quarter 1 v Quarter 2

Division	Revised Budget	Net Forecast Spend At Quarter 1	Quarter 1 Variance BAU	Quarter 1 COVID-19 impact	Total Quarter 1 including COVID-19 impact
	£'000	£'000	£'000	£'000	£'000
Commissioning and Commercial Services	(4,420)	(2,797)	1,623	8,011	9,634
Environment and Culture	23,104	23,522	418	3,429	3,847
Directorate Management	193	193	-	-	
Housing General Fund	4,529	4,529	-	620	620
Enterprise, Planning and Regeneration	1,260	1,248	(12)	655	643
Total	24,666	26,695	2,029	13,095	15,124

Division	Revised Budget	Net Forecast Spend At Quarter 2	Quarter 2 Variance BAU	Quarter 2 COVID-19 impact	Total Quarter 2 including COVID-19 impact
	£'000	£'000	£'000	£'000	£'000
Commissioning and Commercial Services	(4,422)	(2,463)	1,959	7,553	9,512
Environment and Culture	23,103	23,772	669	3,254	3,923
Directorate Management	193	193	-	-	-
Housing General Fund	4,529	4,529	-	620	620
Enterprise, Planning and Regeneration	1,260	1,248	(12)	262	250
Total	24,663	27,279	2,616	11,689	14,305

Movement from Q1	£'000	£'000	£'000	£'000	£'000
Total	(3)	587	587	(1,406)	(819)

- 2.5 The net reported business as usual overspend of £2.616m is as a result of overspends in the Commissioning and Commercial Services of £1.959m and Environment and Culture Divisions of £669k which are offset by a small underspend of £12k in the Enterprise, Planning and Regeneration Division. This is explained in more detail as follows:
- 2.6 The Commissioning and Commercial Services Division is reporting an overspend of £1.959m in the following areas:

- Facilities Management - £912k. Building maintenance and the cost of responsive repairs are forecast to overspend by £300k, there is also an under recovery of income of £152k in respect of schools cleaning and £80k in respect of under achievement of income for other services provided by Facilities Management to schools and academies. Staffing costs are forecast to overspend by £199k due to additional staff required to cover staff absences. In addition, a further £181k of costs are to be incurred for the provision of security services at the depot.
- Depot income - £681k. A MTF5 target in relation to the generation of commercial income from the depot which is unachievable in the current financial year.
- Contracts Management - £171k. There is a forecast overspend as a result of staffing pressures and unachieved procurement savings.
- Parking recovery - £150k. There is an overall shortfall in income from parking activities including income from public car parking facilities and Control Parking Zones as the forecast level of usages is less than originally budgeted.
- Catering Services - £134k. A shortfall as a result of an underachievement of income.
- There are net underspends of £90k elsewhere across the division, mainly due to underspends in staffing within the Business and Commercial Services area and an over-recovery of rental income from the commercial property portfolio.

2.7 The Environment and Culture Division is reporting a net overspend of £669k as follows:

- Mixed recyclables - £272k – due to unfavourable market prices the level of revenue rebate achieved from sales has been low and is expected to remain so which has resulted in this overspend. The re-procurement of the mixed dry recycling contract is underway and the outcome will inform the full year pressure in 2021-22.
- Residual waste costs - £480k – there is an increase in the level of residual waste services being disposed of resulting in this forecast cost pressure.
- Waste Management - £84k – there is an underspend in staffing costs due to less reliance on agency staff.

2.8 There is a small net underspend in the Enterprise and Planning division of £12k.

2.9 The Housing General Fund is reporting a balanced position after assuming a cross divisional adjustment of £250k arising from reduced capital financing costs budgeted for centrally to offset savings not achieved from the Property Acquisition Programme. The Housing service will also spend £1.129m of the 2020/21 allocation of Flexible Homelessness Support Grant of £1.370m to meet the business as usual costs associated with the Homelessness Reduction Act.

- 2.10 The Regeneration Programme revenue budget for 2020/21 is £1.25m and the full budget is forecast to be spent, mainly on staff costs and additional consultancy advice.
- 2.11 The net reported BAU overspend has increased from £2.029m in Q1 to £2.616m - an increase of £587k - mainly a result of the following:
- Waste Management, £250k – an increase in waste disposal costs
 - Facilities Management, £181k – a forecast overspend on annual security costs for the Depot Gatehouse
 - Contracts Management, £73k - an increase in staffing overspends by £73k due to a one-off severance payment
 - Facilities Management, £39k – a further cost increase in interim staffing arrangements
 - Facilities Management, £31k - an increase in the expected shortfall of SLA Income.
 - Transport, £8k - cost pressure relating to vehicle repairs.
- 2.12 **The COVID-19 impact for the Community Directorate is forecast at £11.689m. The bulk of this which relates to lost income and detailed as follows:**
- Parking Services - £6.1m. There has been a significant loss of recovery from Penalty Charge notices totalling £4.3m as a result of reduced enforcement activities as well as an under recovery for pay and display charges in car parks of £898k, on street parking income of £513k and parking permit income of £335k. In addition, school SLA income derived from the cash collection service is expected to reduce by £36k, given the significant reduction in the numbers requesting the service.
 - £166k in relation to commercial waste services and £163k in other commercial activities.
 - £318k in loss of rental income as a result of providing rental payment holidays to eligible local businesses within the Borough.
 - £80k loss of income in Catering services with the closure of the Civic Centre and Depot canteen.
 - £125k loss of income from the Civic Centre car park as a result of less visitors to the Civic Centre.
 - £612k in additional cleaning and fogging (£300k) and works associated with the fire risk assessments (£312k) for Civic Centre.
 - £31k in relation to income from several transport commercial activities, including M.O.T, driver assessments and vehicle maintenance.

- £1.4m relating to Sports and Leisure which is the provision of support to Everyone Active by way of granting a management fee holiday, help to underwrite losses and also assistance with maintenance and management costs.
- £400k in Waste Management services which is a combination of reduced Garden Waste income (£110k) , reduced income from trade waste customers (£60k), reduced income from the textile and metal recycling rebate at the Civic Amenity site (£50k) and increased staffing costs as a result of employing agency staff where existing staff were unable to work.
- £240k (net) at the Harrow Arts Centre. £529k of this relates to lost income forecast in connection with the cancellation of shows and events as well as room lettings. The remaining £67k relates to additional cleaning costs which are forecast to be spent to ensure the centre meets necessary health and safety requirements. This is partially offset by a one-off Cultural Recovery Fund successfully applied for from the Arts Council (£356k).
- £407k (net) in Public Protection of which the majority (£257k) relates to a loss in licencing incomes and applications across several areas including street trading and Highway licences. Payments to our third party enforcement contractor are forecast at £110k as their employees have been diverted from their normal roles to assist in patrolling parks and open spaces, but this is to be fully covered by one-off government grants. As a result, there is a forecast loss of income of £130k as limited number of fixed penalty notices are issued. In addition, SLA income from health and safety works is expected to fall by £20k.
- £296k in the Music service as a result of the closure of schools and no events planned for the Summer.
- £231k (net) at the Harrow Museum – with the exception of £12k which is the additional cost of cleaning and sanitising works required at the museum, the remainder of £464k relates to loss of income from wedding bookings and other events being cancelled. This is partially offset by a one off Cultural Recovery Fund successfully applied for from the Arts Council (£244k).
- £190k in Libraries with £84k relating to loss of oncome and £106k additional pressure forecast as a result of cleaning cost to be incurred.
- £82k for Clean and Green as fewer participants make use of Council facilities across the Borough and income is lost (£74k) with additional costs incurred (£8k) to ensure cemeteries comply with social distancing measures.
- £250k in Building Control with fewer applications being received.
- £620k in the Housing General Fund assuming there is no second lockdown similar to that imposed in March - £542k for the additional cost of emergency accommodation for single homeless and rough sleepers in

Bed and Breakfast and other forms of accommodation as well as support packages; £135k in payments for rent top ups, rent deposits and assistance with rent and mortgage arrears and £93k in relation to accommodation leased from private landlords under Private Sector Leasing (PSL) arrangements and Council owned properties being held vacant for up to six months in preparation for a potential second wave of infections.

- The Council has been successful in its application for additional grant support for rough sleepers through the MHCLG Next Steps Accommodation Programme (NSAP) and has been awarded £150,000 to be spent in this financial year. This has helped reduce the previously reported COVID-19 pressure of £1m to £620k

2.13 The financial impact of COVID-19 on the directorate overspend pressures has reduced down from £13.095m in Q1 to £11.689m in Q2, a movement of £1.406m, due mainly to the following reasons:

- Parking Services, (£1.190m) – the forecast income shortfall has reduced due to improvements in actual PCN income over the summer period
- Planning Services, (£400k) – income from planning applications is now expected to achieve full budget
- Housing, (£380k) - A reduction in the forecast costs of accommodating single homeless and rough sleepers.
- Facilities Management, £612k - additional cleaning and fogging of £300k and works associated with the fire risk assessments of £312k for Civic Centre.

PEOPLE SERVICES

2.14 At Quarter 2 the directorate is forecasting to overspend by £192k however including the COVID-19 impact on services of £5.904m, the directorate is forecasting a total overspend of £6.096m:

Table 4: People's Services Revenue Monitoring Quarter 2

Division	Revised Budget	Net Forecast Spend At Quarter 2	Quarter 2 Variance	Quarter 2 COVID-19 impact	Total Quarter 2 including COVID-19 impact
	£'000	£'000	£'000	£'000	£'000
Adults	66,657	66,657	-	4,332	4,332
Public Health	(1,814)	(1,814)	-	-	-
Children's Services	33,628	33,820	192	1,572	1,764
Total	98,471	98,663	192	5,904	6,096

Movement from Q1	£'000	£'000	£'000	£'000	£'000
Total	0	0	0	1,242	1,242

2.15 The net reported business as usual overspend of £192k relates to Children's Services. The variations are explained in more detail as follows:

Adult Services

2.16 The pre COVID-19 position in Adult Services assumes a balanced position, given that the impact of COVID-19 largely affects all directorate services.

2.17 **The COVID-19 related impact on Adult Social care is forecast as £4.332m.** This has increased by £0.834m since Q1. The total overspend and movement since Q1 is explained below

- PPE equipment - £750k – the PPE equipment was largely allocated to providers although some supplies will have been used within the Council. The total spend is forecast at £837k but with an £87k Infection Control grant this is reduced to £750k.
- Temporary support to providers - £1.030m – phase 1 costs have already been incurred at £600k and with additional potential phase 2 costs of £430k.
- Purchasing placements - £2.495m– this is as a result of an increased volume in packages following hospital discharge, together with reduced income as a result of cancelled care. This includes additional income to be received as part of the Better Care Fund (£0.145m). This pressure has increased by £0.853m since Q1.
 - The increases reflects in the main the assumptions around the ASC reserve. In Q1 it was assumed that £0.663m of the ASC reserve would be drawn down to mitigate part of the overall pressures. However this is now reflected in the overall overspend any benefits to the reserve can be carried forward to future years. The forecast assumes 13 new packages per week (11 community 1 residential, 1 nursing) rising in November by a further additional nursing placement to reflect anticipated winter pressures.
 - The forecast also assumes that 74 nursing packages commissioned by health following hospital discharge, will be assessed as requiring ongoing social care support from mid December. This results in a net cost of £608k - assuming 15wks care is funded with a maximum weekly cost of £903 reduced by assessed client contribution and CCG Funded Nursing Care contribution
 - The forecast excludes any covid discharge funding from Harrow CCG in relation to the period April to September. Following the September return this is currently estimated at £0.885m (based

on estimated discharge costs of £1.583m for the period less assumed Council funding of £0.698m).

- Additional staff to support social work practice £0.474m – temporary staff have been employed during the pandemic. An increase of £393k from Q1, £338k of which was previously reported to be funded by a contribution from the Public Health reserve, the balance being an increased staffing requirement.
- In house Services - £0.399m underspend – this represents staffing variations arising offset by the loss of trading income at Wiseworks (£90k) following the closure of the services. The underspend has increased by £0.411m since Q1. Of this amount £0.252m arises from a change in the assumptions around the reopening of the NRCs (only one NRC will now open in January, with the remainder being closed for the rest of the year). The remainder arises from the transport routes associated with the closed NRCs
- An underspend on Mental Health services of £18k reflecting increased Community Voices & Reform Grant

Public Health

- 2.18 The Public Health grant is forecast to underspend in 2020/21, increasing the Public Health reserve by £140k to £1.9m.
- 2.19 The underspend reflects the pandemic impact on sexual health services (£223k) following the agreement of a block payment based on historic activity, together with a reduced level of health checks (£72k). These underspends are offset by a range of wider health improvement project..

Children's Services

- 2.20 The Children's Services business as usual forecast overspend is £192k which relates to SEN Transport. SEN transport provides home to school and home to further education settings for children and young people in education with Education Health and Care Plans (EHCPs). There are significant pressures due to increase in demand for transport as well as increased complexity of children's needs and pressures in the market in relation to the recruitment of qualified drivers.
- 2.21 Although there has been reduced spend in the first part of the financial year, as schools have begun to open more pupils will require transport and with the social distancing rules, it is anticipated that the capacity of a standard mini bus will be reduced and will require additional external taxi hire.
- 2.22 Although the Business as Usual forecast is a £192k overspend. There are headline pressures across the directorate of £3.561m with mitigating management actions of £1.365m and £0.932m drawdown from reserves. It should be noted that £1.365m of these management actions are one off and will not be available in future years.

2.23 The COVID-19 related cost pressure for Children's services is forecast at £1.572m.

- Children's Placements and Accommodation £790k. This has increased by £330k since the position reported at Q1. The rate of children looked after per 10,000 of the child population in Harrow had previously been one of the lowest in London. However since March 2020 there has been a 20% net increase in the number of Children Looked After rising from 169 to 203 in September 2020. Two sibling groups, total of 9 children, were taken into care over one weekend. Factors contributing to this are delays in the court system meaning the outcome of care proceedings is taking longer and also an increased requirement for a statutory service due to parental mental health.
- Under 18s Home to School Transport £500k – as part of the deal between TfL and Government, TfL has suspended free travel for under 18s. This concession has been in place since 2006 and its withdrawal will mean that the statutory financial support for school travel for some age groups will fall to local authorities, as it does in the rest of the country. Whilst the duty has also been with local authorities, in London, the financial cost has been met by TfL. The proposal is that any changes would come into effect in January 2021.
- Frontline Teams Staffing £130k - In response to COVID-19 additional management capacity and frontline social workers have been required in order to manage demand for statutory services and operate a 7 day service.
- Various other pressures £152k – the majority of these relate to educational support to looked after children through the virtual school and loss of rental and play scheme income in the children's centres. The increase of £75k from Q1 is due to the council's commitment to fund schools to provide free school meals to children during half term.

Dedicated Schools Grant (DSG)

2.24 The DSG is a ring-fenced grant of which the majority is used to fund individual school budgets in maintained schools, academies and free schools in Harrow. It also funds Early Years nursery free entitlement places for 2, 3 and 4 year olds in maintained council nursery classes and private, voluntary and independent (PVI) nurseries as well as provision for pupils with High Needs including those with Education Health & Care Plans (EHCPs) in special schools and special provision and mainstream schools in Harrow and out of borough. The DSG is split into blocks: schools block, early years block and high needs block.

2.25 There is a projected overspend on the High Needs Block of £3.157m in 2020-21 which added to the deficit of £2.944m brought forward from 2019-20 will take the total deficit at the end of March 2021 to £6.101m. Any deficits an authority may

have on its DSG account is expected to be carried forward and does not require to be covered by the authority's general reserves.

2.26 With effect from 2019-20 the DfE has tightened up the rules under which local authorities have to explain their plans for bringing the DSG account back into balance. The DfE will require a report from any LA that has a cumulative DSG deficit of more than 1% at the end of the financial year. The 1% calculation will be based on the latest published DSG allocations for 2019-20 compared with the deficit shown in the authority's published draft accounts. The final deficit in 2019-20 of £2.944m represents 1.35% of the overall DSG allocation. The recovery plan has been drafted however and discussed with Schools Forum.

CORPORATE AND TECHNICAL

2.27 At Quarter 2, the corporate and technical budget is reporting an overall underspend on business as usual of (£2.56m) as detailed below.

Corporate Items

2.28 A net underspend of (£149k) is forecast on the following items:

- Pension augmentation costs
- Treasury Management expenses.

Central Contingency

2.29 The central contingency of £1.248m is forecast as being spent at this point in the year and so there is no variance.

Technical and Corporate Adjustments

2.30 An underspend of (£2.709m) is forecast on the Technical and Corporate Adjustment budgets as follows:

- (£5.189m) underspend in capital financing costs forecast as a result of slippage in the Capital Programme.
- £2.629m overspend as a result of not drawing down the Budget Planning Reserve originally budgeted and planned for draw down in 2020/21. This will leave the reserve intact so that it can be used to support the 2021/22 budget.

Corporate COVID-19 pressures

2.31 There are also COVID-19 pressures totalling £2.124m made up of:

- £1m additional capacity to frontline services during second lockdown
- £1.124m additional mortuary costs

RESERVES

2.32 Attached at Appendix 2 is an explanation of the draw down from Reserves and other funds including as part of Quarter 2 Revenue Budget monitoring. Appendix 3 showing all Reserves held by the Council.

Vaughan Road Capital Receipt

2.33 The ability to apply capital receipts under capital flexibility is currently in place until March 2020. There is a capital receipt of £2.173m received for the sale of Vaughan Road car park. This will be applied under the flexibility guidance and the impact of this will be reflected in Q3 monitoring.

MTFS IMPLEMENTATION TRACKER

2.34 The 2020-21 budget includes approved MTFS savings of £3.203m.

2.35 Appendix 4 shows a list of the individual red, amber, green and purple rated savings in the MTFS. The definition used to classify savings ratings in this report are detailed in table 5 below:

Table 5: Savings Definition

Green – Low or no risk to delivery of savings	Clear delivery plans in place Project running to timescale
Amber – Medium/some risk to delivery	Potential for slippage but project will be delivered as originally intended but not within timescale, so saving will not be fully realised
Red – High risk to delivering forecast savings	Project may have started but will deliver no savings in the current financial year Project cannot be delivered but underspends found elsewhere to mitigate savings.
Purple	Future years' savings

2.36 Table 6 below shows the summarised position for each directorate at Quarter 2:

Table 6: Savings Tracker 2020/21 – Directorate Summary

	Resources	People Services	Community	Corporate	Total	%
	£'000	£'000	£'000	£'000	£'000	
Red	0	0	(783)	(400)	(1,183)	37%
Amber	(175)	(410)	0	0	(585)	18%
Green	(693)	0	(292)	(450)	(1,435)	45%
Totals	(868)	(410)	(1,075)	(850)	(3,203)	100%

2.37 As at Quarter 2, 45% of the 2020-21 savings are rated green, 18% are rated as amber, whilst 37% are rated as red.

2.38 The red savings of £1.183m relate to three savings in the Community Directorate and one saving held Corporately as follows:

- £681k relates to the non achievement of income from the expansion of the Central Depot caused by a delay in the completion of the Depot.

- £80k relates to the non achievement of income from the redevelopment of Vernon Lodge. However this saving is offset by savings in capital financing costs as a result of the capital not being spent.
- £22k relates to removal of base budget for 4 positions for which resolution is now likely delayed until after March 2021 due to COVID-19
- £400k relates to the non achievement of SEN transport savings which have not been achieved. The saving is being offset against savings in the Capital Financing budget.

HOUSING REVENUE ACCOUNT

2.39 As at Quarter 2 HRA forecasts a pressure of £257k due entirely to extraordinary costs and income losses associated with COVID-19.

2.40 COVID-19 pressures are made up of income losses of £127k and additional costs of £130k. Income losses are due mainly to commercial income and income not chargeable to leaseholders due to suspension of services. Additional costs mainly include repairs costs, £67k and increased bad debt provision, £50k.

2.41 Service Level Agreements for Grounds Maintenance and Building cleaning are under review which may result in additional costs during the financial year although the service aims to contain these within the overall approved budget

2.42 Table 7 below summarises the forecast position on HRA revenue account at Q2:

HRA revenue balances £'000	Revised Budget	Forecast Outturn Business as usual	COVID-19 Financial impact	Revised Forecast incl. COVID-19 impact	Variance incl. COVID-19 impact
	£'000	£'000	£'000	£'000	£'000
Balance b/fwd	(£7,195)	(£7,526)		(£7,526)	(£331)
Net (surplus) deficit	£808	£808	£257	£1,065	£257
Transfer to reserves	£114	£114		£114	0
Balance c/fwd	(£6,273)	(£6,604)		(£6,347)	(£74)

Table 7: Housing Revenue Account at Quarter 2 2020/21

MINISTRY FOR HOUSING, COMMUNITIES AND LOCAL GOVERNMENT (MHCLG) **– FUNDING AND FINANCIAL REPORTING**

2.43 To date the Council has received £18.515m in emergency funding to support additional expenditure incurred and loss of income as a result of the COVID-19 pandemic. This is an increase of £3.476m reported at Q1 due to an additional national tranche allocation of £2.722m and a further £0.753m to support LAs in Tier 2.

2.44 MHCLG has also announced a co-payment mechanism for irrecoverable sales, fees and charges income with central government covering 75% of losses

beyond 5% of planned income, i.e. The Council will be compensated for 75% of 95% of qualifying income which is defined as income received for a service provided. The guidance for this co-payment mechanism was only released at the time of writing this report and for the purposes of the Q2 monitoring, the level of compensation has been estimated at £4.3m based on the first successful interim claim.

- 2.45 To date the Council has made seven submissions to MHCLG to report the estimated financial position of COVID-19 on the Council. In the Quarter 1 monitoring report to Cabinet in September, a summary of submissions 1 to 4 was included. Table 8 below sets out submissions 4 to 7:

Table 8: Financial Reporting to MHCLG

Submission No.	4	5	6	7
Submission Date	31st July	4th Sept	2nd Oct	6th Nov
	£000	£000	£000	£000
Estimated Expenditure	14,345	12,927	14,769	17,264
Estimated loss of income	24,053	23,536	22,039	15,218
Total	38,398	36,463	36,808	32,482
Emergency Funding	-15,039	-15,039	-15,039	-17,761
Estimated Funding Shortfall	23,359	23,359	21,769	14,721

- 2.46 MHCLG has advised that the next requirement for a submission will be in December and thereafter monthly submissions from mid January onwards.
- 2.47 There has been a significant amount of work undertaken to ensure the Q2 forecast is as accurate as possible. There is a difference between the Q2 forecast and the latest return to MHCLG submitted on 6 November. The main differences are due to the MHCLG requirement to include gross costs in the return even though separate grants have been provided to fund some of the costs. For example, the round 7 submission includes infection control costs of £3.4m but a grant has been received and so in the monitoring return the grant has been reflected and therefore the monitoring costs are less than those in the MHCLG submission. The main differences are set out in Table 9 below:

Table 9 – MHCLG return differences to Q2 forecast

Description	£'000
MHCLG Return 7 – total impact	32,482
Less Collection Fund loss *	(4,250)
Impact net of Collection Fund loss	28,232
Q2 Forecast – COVID- 19 impact Directorates	20,948
Q2 Forecast – COVID- 19 impact Corporate	2,124
Total Q2 Forecast – COVID-19 impact	23,072
Difference	5,160
Made up of:	
Unachieved savings – funded from reserve	410
Infection Control Grant	3,429
Culture Recovery Fund Grant	601
Enforcement Grant	110

Grants for Housing and Housing Benefit income	450
Cost impact on DSG not included in GF monitoring	100
Other minor timing differences	60
Difference	£5,160
*Collection Fund Losses – the estimated losses in year are managed as part of the Collection Fund and will manifest themselves as a Collection Fund loss in 2021/22 which is being managed as part of the budget setting process	

COVID-19 related income and grants

2.48 In addition to the tranches of MHCLG funding and compensation for loss of income set out above there are a number of other grants/income sources which are directly related to COVID-19. These are all assumed to be spent on the activities for which they have been provided/applied for. These are set out at Table 10 which includes the MHCLG tranche funding for completeness:

Table 10 – COVID-19 related grants and income

GRANT /FUNDING	Value
Emergency Funding (tranches 1 to 4)	£17,761,714
Tier 2 Funding (£3 per head)	£753,480
Lockdown Funding (£8 per head, hence additional £5 per head)	£1,255,800
Track and Trace	£1,020,000
DEFRA - Food & Welfare - tranche 1	£218,260
DWP Covid Winter Grant Scheme	£588,956
Section 31 Grant - admin burdens	£145,311
Clinically Extremely Vulnerable	£161,000
Infection Control (tranches 1 to 2)	£3,437,967
LA Enforcement & Compliance Grant	£112,853
Reopening High Street Safety Fund	£221,203
Cultural Recovery Fund (Arts Council)	£735,772
Emergency Active Travel Funding (DfT)	£100,000
London Streetspace Programme (TfL)	£683,000
Emergency Response Fund (Arts Council)	£20,405
SUBTOTAL GRANT/FUNDING	£27,215,721

GRANTS TO BUSINESSES AND RESIDENTS	Value
Council Tax Hardship Grant re Council Tax Support	£1,391,506
Grants to Small Businesses	£42,216,000
2nd Funding amount Statutory Business	£7,081,500
Discretionary Business Grants	
Total	£49,297,500
Self Isolation £500 awards Grant:	
Programme Funding - standard applications	£94,000
Programme Funding - discretionary applications	£56,463
Admin Funding	£33,987
Total	£184,450

NNDR Rate relief for 20/21 (balance of losses will be resolved through collection fund at outturn when actual losses known)	£8,757,127
Local Restrictions Grant (Open)	£289,000
Local Restrictions Support Grant (closed) AKA national lockdown	£3,648,000
Additional Restrictions Grants 100% discrepancy	£5,023,000
TOTAL	£94,414,798

- 2.49 Q2 reporting does indicate that in the current financial year, as a result of receiving emergency funding, the co-payment mechanism and robust control of the in-year budget, that the Council can broadly manage a balanced budget position, reporting an overspend of £578k. However there are continued grave concerns about the legacy impact of COVID-19 over the MTFS.
- 2.50 It should also be noted that the financial projections in this report were calculated before it was announced that the country would enter into a second lockdown phase. It is anticipated that once the financial projections are revised to reflect additional expenditure and further losses of income as a result, a balanced budget could only be achieved by another injection of additional government funding.
- 2.51 Council Officers and Members are linked into numerous lobbying forums to ensure the Government fully understands the financial impact of the emergency on Harrow Council, not only in the current year but over the three years of the MTFS as current events will carry legacy issues into future years. These concerns are heightened by the lack of clarity on Council funding and the continuation of schemes, such as emergency funding and co-payment mechanism, to support the legacy issues.
- 2.52 Full Council approved the Medium Term Financial Strategy (2020/21 to 2022/23) in February 2020. The financial impact of the COVID-19 emergency is being worked through in detail alongside the published MTFS and implications for future years are reflected in the Draft Budget report also on this agenda.

3.0 **CAPITAL PROGRAMME**

- 3.1 The 2020/21 Capital Programme agreed by the Council in February 2020 totalled £79.071m. After allowing for agreed slippage of £215.730m from 2019/20 outturn and other approved amendments of £9.694m, the programme now totals £305.415m at Quarter 2 as set out at Table 11:

Table 11: Capital Programme Forecast Q2

Directorate	Original Budget	CFWDs	Other Adjustment (Additional)	TOTAL BUDGET	Forecast Spend	Forecast Variance	Slippage	Underspend after slippage
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RESOURCES TOTAL	6,200	106,268	8,488	120,956	26,549	(94,407)	(94,407)	0
COMMUNITY								
Commissioning and Environment & Culture	25,953	34,291	275	60,519	32,630	(27,889)	(26,508)	(1,381)
Housing	2,480	7,425	0	9,830	9,198	(632)	(632)	0
Enterprise and Planning	1,201	2,402	62	3,605	2,219	(1,387)	(1,387)	0
Regeneration	5,193	25,964	0	31,157	29,003	(2,153)	(2,153)	0
COMMUNITY TOTAL	34,827	70,082	337	105,111	73,050	(32,061)	(30,680)	(1,381)
PEOPLE								
Adults	625	140	0	765	386	(379)	(370)	(9)
Public Health	0	78	0	78	78	0	0	0
Children	1,121	23,817	2,501	27,449	4,603	(22,845)	(22,845)	0
PEOPLE TOTAL	1,746	24,035	2,501	28,292	5,067	(23,224)	(23,215)	(9)
TOTAL GENERAL FUND	42,773	200,384	11,326	254,358	104,666	(149,692)	(148,302)	(1,390)
TOTAL HRA	36,298	15,345	0	51,057	29,701	(21,355)	(21,355)	0
TOTAL GENERAL FUND & HRA	79,071	215,729	11,326	305,415	134,366	(171,047)	(169,657)	(1,390)

3.2 The forecast spend at Quarter 2 is £134.366m, 44% of the total Capital Programme budget. The forecast spend on the General Fund at Q1 is £104.666m, (41% of budget) with the remainder of the budget of £149.692m being paused and /or proposed for slippage into 2021/22 apart from a small underspend of £1.39m.

- 3.3 A significant part of the £149m is the £94m ear marked for commercial property investment which is paused and will be removed from the Capital Programme. This underspend on the Capital Programme is generating a £4.9m underspend against capital financing costs in the revenue account. The forecast spend on the Housing Revenue Account budget is £29.701m (58% of budget) with the remainder of the budget of £21.355m being forecast as slippage.
- 3.4 Table 12 summarises the capital variances by funding and Appendix 5 shows the Capital Programme as a more detailed level:

Table 12: Analysis of Capital Forecast Variance

Project Definition	Forecast Variance	Outturn variance split by funding		Slippage	Slippages by funding		Over/Underspend	Underspend by funding	
		Grant/sec106	LBH		Grant / Sec 106	LBH		Grant /Sec 106	LBH
	£000	£000	£000	£000	£000	£000	£000	£000	£000
RESOURCES	(94,407)	-	(94,407)	(94,407)	-	(94,407)	-	-	-
COMMUNITY									
Commissioning and Environment & Culture	(27,889)	(4,691)	(23,198)	(26,508)	(3,400)	(23,108)	(1,381)	(1,291)	(90)
Housing	(632)	-	(632)	(632)	-	(632)	(0)	-	(0)
Enterprise and Planning	(1,387)	(1,287)	(100)	(1,387)	(1,287)	(100)	-	-	-
Regeneration	(2,153)	-	(2,153)	(2,153)	-	(2,153)	-	-	-
Total Community	(32,062)	(5,979)	(26,084)	(30,681)	(4,688)	(25,994)	(1,382)	(1,291)	(91)
PEOPLE									
Adults	(379)	-	(379)	(370)	-	(370)	(9)	-	(9)
Public Health							-	-	(0)
Schools and Children	(22,845)	(15,056)	(7,789)	(22,845)	(16,056)	(6,789)	-	-	-
TOTAL PEOPLE	(23,224)	(15,056)	(8,168)	(23,215)	(16,056)	(7,159)	(9)	-	(9)
TOTAL GENERAL FUND	(149,694)	(21,036)	(128,660)	(148,304)	(20,745)	(127,561)	(1,391)	(1,291)	(100)
TOTAL HRA	(21,355)	-	(21,355)	(21,355)	-	(21,355)	(0)	-	(0)
Total General Fund and HRA	(171,048)	(21,035)	(150,014)	(169,658)	(20,744)	(148,915)	(1,390)	(1,291)	(99)

RESOURCES AND COMMERCIAL

3.5As at Quarter 2 the Resources Directorate is forecasting an overall spend of £26.549m, which is 22% of the approved capital budget. The variance of £94.407m relates entirely to the delay in the Property Investment Programme. This is the same as reported in Q1.

3.6Recent CIPFA guidance on Investment Property acquisitions has been to inform Local Authorities that borrowing solely for the purpose of purchasing investment properties will no longer be regarded as prudent borrowing. There is an income target attached to this capital budget and whilst the 2020/21 income target has been achieved, the income target for 2021/22 will need to be addressed as part of the 2021/22 budget setting process.

COMMUNITY

- 3.7 As at Quarter 2 the Community Directorate forecast an overall spend of £73.050m (69%). The forecast variance of £30.608m is planned to be slipped into 2021/22 and £1.381m underspend can be removed from the Capital Programme. £1.291m of this underspend relates to TFL funded schemes (para 3.7), £60k relates to the Harrow Museum (para 3.16) and £30k relates to the Libraries project (para 3.13) .
- 3.8 The variance is all within Commissioning and Environment and Culture. The main items of slippage are as follows:
- 3.9 The Bus Improvements scheme and Liveable Neighbourhood scheme, (both in Wealdstone) have been put on hold as the bulk of the funding is from TFL (with match funding from BCIL) and following the outbreak of COVID-19 pandemic, TfL has put a pause on this funding in 2020/21. Alternative funding bids have been submitted, the outcome of which is awaited. These are multiple year projects and there is a budget of **£2.7m** profiled in 2020/21, originally assumed to be met from TfL (£1.8m) and BCIL (£0.9m). This is forecast to be slipped to 2021/22 for now until any alternative funding is secured.
- 3.10 The annual Local Implementation Plan, funded from TfL, will not be delivered due to the pause of funding by TfL as a result of the COVID-19 pandemic. Therefore the budget of **£1.291m** in the Capital Programme is reported as an underspend.
- 3.11 Redevelopment of Vernon Lodge and Probation Centre. The originally planned scheme at Vernon Lodge is no longer progressed. A revised business case for the project is currently being reviewed, along with the inclusion of the Probation Centre as part of a wider proposal to provide homeless accommodation, to assess the financial viability of the scheme. Due to long lead in time for obtaining planning consent and procurement of the redevelopment works, it is forecast that the full budget of **£14.177m** is slipped to 2021/22.
- 3.12 There are MTFS saving targets of £80k and £643k in 2020/21 and 2021/22 respectively associated with Vernon Lodge and £275k in 2021/22 associated with Probation Centre. The delay may have an impact on the achievement of the MTFS savings and this will be assessed once the scheme redesign is complete. The £80k target in 2020/21 is being offset against the saving in capital financing.
- 3.13 The CCTV Infrastructure project originally covered the replacement of aged CCTV equipment and the building of a new Alarm Receiving Centre. Following a review of the original business case, subsequent changes have been made to deliver a CCTV Control Room instead. The CCTV Control Room will be located in the new depot and is scheduled to be completed in line with the depot redevelopment project. The procurement of the work is underway and it is expected the work will be fully completed in 2021/22 in line with the depot completion time. Therefore the budget of **£1.247m** is to be slipped into 2021/22.
- 3.14 A budget of **£400k** for Unmanned Aerial Vehicles is included in the capital programme. There is a MTFS target of £92k in 2021/22 to reflect the capital financing costs associated with the project. The financial viability of the project is being assessed by the directorate before a decision is made to progress the project, therefore the budget is forecast to be slipped to 2021/22.

- 3.15 Vehicle procurement. The original vehicle replacement programme was complete in 2019/20. The remaining budget will be used to fund vehicle replacement in future as part of the rolling programme. The replacement of a number of street cleansing vehicles is planned in 2021/22, and the rest in future years. £425k is forecast to be spent in 2020/21 and **£7.234m** will be slipped to 2021/22.
- 3.16 Leisure and Libraries Capital Infrastructure. A number of projects to upgrade library facilities such as computers are underway. The service has identified works in the overflow car park at Bannister Sports Centre however this will not be installed until 2021/22 due to grass pitch works. Therefore £120k is forecast to be spent in 2020/21 and **£50k** will be slipped to 2021/22.
- 3.17 Priorities works for Libraries. The Kenton Library window refurbishment project is underway. The tender exercise has been completed with the overall costs forecast to be £30k lower than originally anticipated. Therefore the budget of **£30k** in the Capital Programme is reported as an underspend.
- 3.18 Refurbishment of Libraries. This project is assumed to be NCIL funded. The only library that is in a Ward where there is currently sufficient NCIL funding is Wealdstone Library. A CIL application following public consultation has been made but is currently on hold due to a potential development plans for the site. Subject to the outcome of this, the budget of **£300k** is forecast to be slipped to 2021/22 at this stage.
- 3.19 Harrow Arts Centre refurbishment. This project is for multiple years and is funded by the GLA and BCIL. Works are underway and the procurement for Phase 2 is scheduled to be completed by the end of Q2. Based on the latest project timeline, it is forecast to spend £1.731m in 2020/21 and the rest of the budget profiled in this year **£400k** will be slipped to 2021/22.
- 3.20 Harrow Museum Capital Infrastructure. This project is assumed to be partially externally funded (£60k) with a council match fund of £40k. Works have been identified in collections and archive storage to address the concern of the National Archives. However, no external funding has been secured to date, so the budget of **£60k** is reported as an underspend.
- 3.21 Harrow High Street Fund. There is a budget of £1.737m in 2020/21, largely funded from BCIL. The festive lighting project has been completed and mural projects are expected to be completed in Q3. Other proposals include the introduction of interventions to support increased walking and cycling to achieve an increase in footfall and economic activity in district centres. Once approved, it is forecast to spend £0.277m in 2020/21 and the rest of the budget profiled in this year **£1.314m** will be slipped to 2021/22.
- 3.22 Unless explicitly stated above there are no revenue implications as a result of this slippage.

Housing General Fund

- 3.23 Progress on all Housing schemes, including HRA, is reliant on access to properties and sometimes interaction with “at risk” individuals. Forecasts therefore assume Government restrictions will be progressively relaxed with no second lockdown imposed by Government similar to March and adequate access to properties occupied by individuals in “at risk” categories.

3.24 Forecast expenditure is £9.198m against a budget of £9.830m with the whole underspend of **£632k** classified as slippage. This comprises £302k for the Property Acquisition Programme for the remaining refurbishment costs of forty four properties expected to be purchased by the end of the financial year to mitigate the costs of homelessness. Remaining slippage of £330k relates to Empty Property Grants not expected to be awarded this year which bring vacant private properties into use to house homeless families.

3.25 Disabled Facilities Grants are expected to fully spend the budget based on case load data reviewed by Housing and Adult services assuming there will be no second lockdown similar to that imposed by the Government in March.

Regeneration

3.26 As at Quarter 2, the service is forecasting to spend a budget of £29.003m and to slip a budget of £2.154m into 2021/22. Projects with a budget variance are summarised below:

- Waxwell Lane: Forecast expenditure is £3.716m against a budget of £5.763m in 2020/21 with the variance of £2.047m classified as slippage, following the closure of the site for one month. Works are now underway, but with reduced productivity, this has resulted in an extension to the programme from April 2021 to October 2021.
- Based on the latest project forecasts, Waxwell lane is forecasting to underspend against its lifetime project budget of £8.698m by £1.313m as a result of efficiencies made during the procurement process. There is a risk to this position due to issues with the trees, drainage and recently reported Japanese knotweed found on the boundary of the site. Works are being undertaken to mitigate these additional costs and so they are not reflected in the forecast at this time.
- Haslam House is forecast expenditure of £1.732m against a budget in 2020/21 of £1.839m, with the variance of £107k classified as slippage into 2021/22. Covid-19, has resulted in an extension to the programme which would have otherwise concluded this year. This delay has attracted additional running costs for consultancy services and current forecasts indicate that Haslam House will overspend over its lifetime by £759k with the capital receipt from sale of units being delayed to October 2021.
- These two schemes come together as the Councils directly delivered Regeneration programme and the budget gap on Haslam House can be contained by the underspend on Waxwell Lane scheme, resulting in no additional drawdown of funding across the overall programme.

PEOPLE SERVICES

3.27 As at Quarter 2 People Services is forecasting overall spend of £5.067m, which is 18% of the approved £28.292m capital budget.

3.28 The forecast variance is (£23.224m) which is all slippage with the exception of a small underspend of £9k. The main items of slippage are detailed below:

Adult Services

3.29 The total capital programme is £0.765m. At Quarter 2, the outturn capital forecast for Adult Services is £0.386m, with Slippages of £0.370m forecast. The majority of the slippage (£0.245m) is due to the Assistive Technology pilot having been delayed by six months with further spend only being able to take place after the pilot has been completed. The Remaining £0.125m is due to Millman's Day Centre being closed and work not being able to be carried out until it reopens.

Public Health

3.30 Public Health's outturn forecast for capital projects is £77k. This represents the remaining portion of the Healthy Pupil Capital fund that was allocated to the service in 2018/19, with the majority of this funding having now been assigned for particular projects.

Children's Services

3.31 The total capital programme is £27.449mm and at Q2 the forecast spend is £4.603m which represents 17% of the programme. There is slippage of £22.845m.

3.32 The majority of the slippage £14.933m relates to the school expansion programme, in particular, secondary school expansion. Whilst there is additional demand for secondary school places it has been agreed between the schools that they will manage this through bulge classes for September 2020 rather than enter into a permanent expansion programme at this stage. However secondary school projections continue to grow over the next ten years and this situation will have to be monitored so that there are sufficient school places in the future which may require permanent expansion.

3.33 There is also slippage of £6.511m in relation to special educational needs expansion. One of the priorities of the SEND is to increase SEND school provision in borough. This includes opening new Additionally Resources Mainstream (ARMS) provision in Harrow schools to enable more pupils with SEND to be educated in Harrow. The programme is set out over the next few years meaning that not all funding will be required in 2020-21 but is committed in future years. Due to Covid-19 there has been a further delay in the ability to implement additional in-borough SEND provision and it is unlikely that any of this budget will be spent this financial year.

3.34 There are no revenue implications to this slippage

HOUSING REVENUE ACCOUNT

- 3.35 As at Quarter 2, the outturn forecast for the Housing Revenue Account is £29.701m against a budget of £51.057m, generating an underspend of **£21.356m**, all of which will be slipped into 2021/22. Details of the slippage on HRA Capital Programme are given below.
- 3.36 Planned Investment programme - £7.600m spend expected, yielding variation of £2.717m relating to fire compliance works, roof replacement and compulsory replacement of the Housing IT system.
- 3.37 Building Council Homes for Londoners (BCHfL) – £22.101m spend expected with slippage of **£18.639m**. The BCHfL programme is expected to span some five years and will provide some 659 new homes in the HRA.
- 3.38 Slippage, resulting mainly from delays in securing planning consents and impact of COVID-19, will result in delays in associated rental streams and new build units for use as social and affordable housing as well as in mitigating the impact of homelessness on the Council's General Fund. These revised trajectories will be incorporated into the draft HRA Budget which will be submitted to Cabinet 17th December 2020.

AMENDMENTS TO THE CAPITAL PROGRAMME

- 3.39 The following amendments include additions required to the Capital Programme all funded by additional grants and a virement proposed to be funded from existing corporate capital and therefore no additional capital financing costs will be incurred.

COMMUNITY

Learn Harrow Addition – £78,220

- 3.40 Learn Harrow has successfully applied for the Mayor of London's COVID-19 Emergency Recovery Support Fund (ERSF). The grant award of £78,220 will be used to deliver refurbishment works to improve COVID safety measures at Kenton Learning Centre (KLC) and connectivity at Harrow Arts Centre (HAC). The improvements include reception area, toilet facilities and ventilation on the upper floor, and will help to facilitate safe face to face learning at KLC and improve internet connectivity at HAC to enable online streaming of performing arts courses.
- 3.41 It is therefore proposed that £78,220 is added to the current capital programme.

Headstone Manor Flood Alleviation Project - £150,000

- 3.42 As part of the Smarter Water Catchments initiative, Thames Water has recently confirmed a financial contribution of £150k towards the Headstone Manor Flood Alleviation project. The funding will be used for the construction of sedimentation interception pond, constructed wetlands, footbridges and footpath access improvements and installation of interpretation information boards. This project is in the existing capital programme with a budget of £1.468m (being met from external funding from HLF and BCIL) and the works are underway. The additional funding from Thames Water will help to implement further measures to reduce the risk of flooding and improve water quality for Headstone Manor.

3.43 It is therefore proposed that £150k is added to the current capital programme

Housing Revenue Account - £1.1m

3.44 The Council has been awarded Next Steps Accommodation Programme (NSAP) capital grant of £600,000 to support the acquisition of five properties into the HRA at a total cost of £1.1m with the remaining £500,000 funded from HRA borrowing.

3.45 The financial impact of the proposal, including the additional borrowing in the HRA, has been satisfactorily tested against the HRA Business Plan approved by Cabinet 8th October 2020, indicating the scheme is affordable with no additional cost to the General Fund.

3.46 These properties will be used as temporary accommodation for rough sleepers to mitigate the costs of homelessness on the General Fund. There is potential to extend the scheme to acquire a further fifteen properties in 2021/22 with the same level of grant support and this will be submitted to Cabinet when appropriate.

Depot Redevelopment Virement - £5.762m

3.47 The Council's depot facility at Forward Drive is being re-developed, the original scheme including a 3 storey new office building and car parking and extended to include 2 additional floors and further car parking, A total investment of £29.850m has been provided for through the Capital Programme. The facility is due for completion in Septmeber 2021 and an overspend of £5.762m is reported against the scheme. The key costs making up the £5.762m are detailed in Table 13 below:

Table 13: Additional Depot Costs

Description	£m
Construction cost relating to the 2 additional floors and car parking	1.024
Increase in CIL liability	0.588
Provision for extension of time claims	0.826
Extension of temporary building contract	0.287
Additional allowance for ground conditions works	0.300
Car park re-design and barriers	0.589
Additional preliminary works	0.350
Enabling works	0.543
Fit out for additional floors	0.886
Various	0.369
Total	5.762

3.48 This overspend can be funding from within the current Capital Programme. In the 'Revenue and Capital Outturn Report 2019/20' reported to Cabinet in July 2020, paragraph 3.24 explained that a capital grant of £6.797m had been allocated from the Department For Education for the secondary expansions programme enabling this grant to be used as a substitute for planned borrowing.

The budget of £6.797m remained in the programme as a new budget to be held as a 'Corporate Capital' intended for any capital requirement in 2020/21 with no impact on the revenue account. Cabinet are recommended to approve a capital virement from the Corporate Capital Programme to the Depot Redevelopment scheme for £5.762m.

3.49 Governance issues identified along with the overspend have been dealt with in a separate Internal Audit report presented to the GARMS Committee earlier this year in October and reported in the Annual Governance Statement.

4.0 COUNCIL TRADING STRUCTURE UPDATE 2021/21 – QUARTER 2

4.1 The Council's Trading Structure update for Quarter 2 is attached at Appendix 6 and summarises the financial position and provides a general update on the activities of all the Council's trading entities.

5.0 REPORTING FOR THE 2020/21 FINANCIAL YEAR

5.1 Cabinet will receive Quarterly monitoring reports during the year as follows:

- Quarter 3 February 2021
- Outturn report June 2021.

6.0 Implications of the Recommendation

Implications of recommendation are set out in the body of this report.

7.0 Performance Issues

Good financial monitoring is essential to ensuring that there are adequate and appropriately directed resources to support delivery and achievement of Council priorities and targets as set out in the Corporate Plan. In addition, adherence to the Prudential Framework ensures capital expenditure plans remain affordable in the longer term and that capital resources are maximized.

The forecast position at Quarter 2 is showing an over spend position of £81k.

For the 2020/21 savings built into the MTFs total £3.203m. The overall position is that 45% of the savings are RAG rated as Green (Clear delivery plans in place and project running to timescale), 19% amber (Potential for slippage, project will be delivered as originally intended but not within timescale, so saving will not be fully realise) and 36% red (Project may have started but will deliver no savings in the current financial year).

The Capital Programme is projecting spend of 44% as at Quarter 2.

8.0 Environmental Implications

There is no direct environmental impact.

9.0 Risk Management Implications

The risks to the council and how they are being managed are set out in the report.

Revenue Risks

As set out in paragraphs 2.49 to 2.52, Q2 reporting does indicate that in the current financial year, as a result of receiving emergency funding, the co-payment mechanism and robust control of the in-year budget, that the Council can broadly manage a balanced budget position, reporting an overspend of £578k. However there are continued grave concerns about the legacy impact of COVID-19 over the MTFS.

It should also be noted that the financial projections in this report were calculated before it was announced that the country would enter into a second lockdown phase. It is anticipated that once the financial projections are revised to reflect additional expenditure and further losses of income as a result of this, a balanced budget could only be achieved by another injection of additional government funding.

Council Officers and Members are linked into numerous lobbying forums to ensure the Government fully understands the financial impact of the emergency on Harrow Council, not only in the current year but over the three years of the MTFS as current events will carry legacy issues into future years. These concerns are heightened by the lack of clarity on Council funding and the continuation of schemes, such as emergency funding and co-payment mechanism, to support the legacy issues.

Full Council approved the Medium Term Financial Strategy (2020/21 to 2022/23) in February 2020. The financial impact of the COVID-19 emergency is being worked through in detail alongside the published MTFS and implications for future years are reflected in the Draft Budget report also on this agenda.

The risk of failing to deliver the budget on target is included in the directorate risk register and this is mitigated through the budget monitoring process.

Capital Risks

As set out at paragraphs 3.39 to 3.49 there are amendments required to the capital programme which includes additions required to the Capital Programme all funded by additional grants and a virement proposed to be funded from existing corporate capital and therefore no additional capital financing costs will be incurred.

Trading Company Risks

Appendix 6 sets out the Q2 update on the Trading Company. To mitigate risks there is a quarterly stakeholder group with all companies which reviews financial and non financial performance information. This enables rapid escalation of identified issues. The Trading Company contribution to the MTFS is on target and there are no outstanding council loans to any of the companies.

10.0 Procurement Implications

There are no procurement implications arising from this report

11.0 Legal Implications

Section 151 of the Local Government Act 1972 states that without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 28 of the Local Government Act 2003 imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against budget calculations.

Additions to the Capital Programme are dealt with in B48 of the Financial Regulations, the additions above are within the thresholds allowed for Cabinet.

12.0 Financial Implications

Financial matters are integral to this report.

13.0 Equalities implications / Public Sector Equality Duty

13.1 Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed. Consideration of the duties should precede the decision. It is important that Cabinet has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

13.2 A public authority must, in the exercise of its functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

13.2 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- Tackle prejudice, and
- Promote understanding.

13.3 Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race,
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

13.4 Equality assessments were undertaken for the budget proposals agreed by Council listed as part of the MTFs process and an overall equality assessment was undertaken on the MTFs. There is only recommendation in this report for decision "That Cabinet approve the proposed amendments to the Capital Programme as set out in paragraphs 3.39 to 3.49" it is not considered that this will have a detrimental equality impact.

It is not considered that this report will have any further equality implications.

14.0 Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

This report deals with the Revenue monitoring which is key to delivering the Council's new priorities:

- Making a difference for the vulnerable
- Making a difference for communities
- Making a difference for local business's
- Making a difference for families

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 4 December 2020

Statutory Officer: Jessica Farmer

Signed on behalf of the Monitoring Officer

Date: 8 December 2020

Statutory Officer: Nimesh Mehta

Signed by the Head of Procurement

Date: 1 December 2020

Statutory Officer: Charlie Stewart

Signed by the Corporate Director

Date: 7 December 2020

Statutory Officer: Susan Dixon

Signed by the Head of Internal Audit

Date: 7 December 2020

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: NO

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Head of Strategic and Technical Finance
(Deputy S151), Telephone 020 8424 1332,

Sharon.Daniels@harrow.gov.uk

Background Papers:

- MTFS 2020/21 to 2022/23
<https://www2.harrow.gov.uk/documents/s164395/Appendix%20%20-%20MTFS%202020-21%20to%202022-23.pdf>
- 2020/21 Budget Report
<https://www2.harrow.gov.uk/documents/s164391/Revenue%20Budget%20Report%202021.pdf>

Call-in waived by the Chair of Overview and Scrutiny Committee

NO

Summary of 2020/21 Revenue Budget Forecast as at Quarter 2

Appendix 1

	Revised Budget	Forecast Outturn – Business as usual	Contribution/ Drawdown From reserves	Cross Divisional Adjustments Including one-off Income	Revised Forecast due to Business as usual	Variance due to Business as usual	Forecast Outturn – due to COVID-19	Revised Forecast after COVID-19 Pressure	Q2 Variance Including COVID-19	Q1 Variance	Movement Q1 to Q2	BAU Movement	COVID-19 Movement
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Resources													
Business Support	3,347	3,367	0	0	3,367	20	12	3,379	32	31	1	2	(1)
Customer Services/Access Harrow	3,643	3,644	0	0	3,644	1	500	4,144	501	500	1	1	0
ICT	7,260	7,379	(116)	0	7,263	3	773	8,036	776	760	16	(22)	38
Director of Resources	722	1,882	(1,148)	0	734	12	33	767	45	60	(15)	(1)	(14)
Internal Audit & CAFT	621	620	0	0	620	(1)	0	620	(1)	(1)	0	0	0
Finance & Insurance	3,118	3,526	(345)	0	3,181	63	810	3,991	873	960	(87)	(26)	64
Revenues, Parking & Benefits	13,062	13,071	0	0	13,071	9	410	13,481	419	640	(220)	3	(223)
Procurement	400	336	0	0	336	(63)	0	336	(63)	(0)	(63)	(63)	0
HRD	1,516	1,899	(383)	0	1,516	0	0	1,516	0	(0)	0	0	0
Legal & Governance	3,014	3,083	(390)	0	2,693	(321)	381	3,074	60	102	(42)	(2)	(40)
Strategy	2,783	3,060	(105)	(26)	2,929	147	436	3,365	583	264	319	70	124
Investment Income	(2,750)	(2,747)	0	0	(2,747)	3	0	(2,747)	3	(0)	3	3	0
Total Controllable Budget	36,735	39,121	(2,487)	(26)	36,608	(127)	3,355	39,963	3,228	3,315	(87)	(35)	(52)
Uncontrollable Budget	(18,697)	(18,697)		0	(18,697)	0	0	(18,697)	0		0	0	0
Community													
Controllable Budget													
Commissioning & Commercial Services	(4,422)	(2,538)	(21)	(80)	(2,639)	1,783	7,553	4,914	9,336	9,634	(298)	159	(457)
Environment & Culture	23,103	24,232	(284)	0	23,948	845	3,254	27,202	4,099	3,847	252	427	(175)
Directorate Management	193	193	0	0	193	(0)	0	193	(0)	0	(0)	0	0
Housing General Fund	4,529	4,538	241	(250)	4,529	(0)	620	5,149	620	1,000	(380)	0	(380)
Regeneration, Enterprise and Planning	1,260	2,498	(1,250)	0	1,248	(12)	262	1,510	250	643	(393)	0	(393)
Total Controllable Budget	24,664	28,923	(1,314)	(330)	27,279	2,615	11,689	38,968	14,304	15,124	(819)	586	(1,405)
Uncontrollable Budget	24,849	24,849			24,849	0	0	24,849	0		0	0	0
People													
Controllable Budget													
Adults Services	66,657	66,745	(88)	0	66,657	(0)	4,332	70,989	4,332	3,498	834	0	834
Public Health	(1,814)	(1,814)	0	0	(1,814)	0	0	(1,814)	0	0	0	0	0
Children's Services	33,628	34,752	(932)	0	33,820	192	1,572	35,392	1,764	1,356	408	0	408
Total Controllable Budget	98,471	99,683	(1,020)	0	98,663	192	5,904	104,567	6,096	4,854	1,242	0	1,242
Uncontrollable Budget	16,205	16,205	0	0	16,205	0	0	16,205	0		0	0	0
Total Directorate Budgets	182,227	190,084	(4,821)	(356)	184,908	2,680	20,948	205,855	23,628	23,293	336	551	(215)
Corporate Items	4,903	4,754	0	0	4,754	(149)	1,124	5,879	975	466	510	27	482
Covid Grants						0	(18,165)	(18,165)	(18,165)	(15,039)	(3,126)	0	(3,126)
Anticipated Compensation loss of income						0	(4,300)	(4,300)	(4,300)	(4,797)	497	0	497
Corporate Contingency	1,248	1,248	0	0	1,248	0		1,248	0	0	0	0	0
Technical and Corporate Adjustment	12,781	10,220	0	0	10,220	(2,560)	1,000	11,220	(1,560)	(2,386)	825	(173)	1,000
Total Controllable Budget	18,932	16,223	0	0	16,223	(2,709)	(20,340)	(4,117)	(23,050)	(21,756)	(1,293)	(146)	(1,146)
Uncontrollable Budget	(26,398)	(26,398)	0	0	(26,398)	0	0	(26,398)	0	0	0	0	0
Total Corporate Budget	(7,465)	(10,175)	0	0	(10,175)	(2,709)	(20,340)	(30,515)	(23,050)	(21,756)	(1,293)	(146)	(1,146)
Total Budget Requirement	174,762	179,909	(4,821)	(356)	174,733	(29)	608	175,340	578	1,537	(957)	405	(1,361)