



Report for: Cabinet

Date of Meeting:	11 th February 2021
Subject:	Revenue and Capital Monitoring 2020/21 - as at Quarter 3 (31 December 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 3 Appendix 2 – Draw Down From Reserves and Cross Divisional Adjustments Including One-Off Income Appendix 3 – Summary of Reserves at Q3 Appendix 4 – 2020/21 Savings Tracker Appendix 5 – Capital Programme 2020/21 – as at Quarter 3 Appendix 6 – Trading Company Update 2020/21 – as at Quarter 3

Section 1 – Summary and Recommendations

This report sets out the Council's forecast financial position as at Quarter 3 (31 December 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 1.10.
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 2.46 to 2.53.
3. That Cabinet approve the proposed amendments to the Capital Programme as set out in paragraphs 3.33 to 3.35
4. That Cabinet note progress on the Council's Trading Update as at Quarter 3, as detailed in Appendix 6.

Reason: (For recommendations)

To report the 2020/21 forecast financial position as at Quarter 3 (31 December 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 third 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 3, on the revenue budget is (£1.985m) 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 the underspend position reported at Q2 of £1.956m. This is largely due to a reduction in pressures in the Community directorate which are set out in more detail in section 2 of this report.
- 1.4 The COVID-19 impact is forecast at £22.382m and allowing for (£22.261m) 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 £121k.

- 1.5 This is a reduction in pressure from the position reported at Q2 of £0.487m. This is largely due to the announcement of a fourth tranche of COVID-19 funding of £2.226m which has been partially offset by additional costs within the directorate costs which are set out in more detail in section 2 of this report.
- 1.6 Once the net impact of COVID-19 is included of £121k, the revenue position shows a (£1.864m) underspend.
- 1.7 As part of the MTFS set out in more detail in the Final Budget Report also considered on this agenda it is anticipated that there will be a £2m underspend in 2020-21 to support the 2021-22 budget.
- 1.8 It should also be noted that the financial projections in this report were calculated before it was announced that the country would enter into another national 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.
- 1.9 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 for COVID-19 related activities. However there are grave concerns about the legacy impacts of COVID-19 over the Medium Term Financial Strategy.
- 1.10 The Capital Programme is reporting a forecast spend of £90.627m against a budget of £124.420m. This represents a total forecast spend of 73%. In terms of general fund capital, there is a net forecast variance of £3.114m which is mainly slippage. For the Housing Revenue Account, a variance of £30.679m is forecast which all mainly relates to slippage.

2.0 **Revenue Monitoring**

- 2.1 The revenue forecast underspend at Quarter 3 is (£1.864m) which includes a net COVID-19 pressure of £121k. The Q2 position before taking COVID-19 pressures into account is a net underspend of (£1.985m).
- 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 31 December 2020

Directorate	Revised Budget £'000	Forecast Outturn – Business as usual £'000	Drawdown From reserves £'000	Cross Divisional Adjustments Including one-off £'000	Revised Forecast due to Business as usual £'000	Variance due to Business as usual £'000	Forecast Outturn – due to COVID-19 £'000	Revised Forecast after COVID-19 Pressure £'000	Variance Including COVID-19 £'000	Q2 Variance £'000	Movement £'000
Resources	36,939	39,646	(2,511)	(285)	36,851	(88)	3,788	40,639	3,700	3,228	472
Community											
Commissioning & Commercial Services	(4,431)	(3,390)	(18)	(80)	(3,488)	943	8,601	5,113	9,544	9,336	208
Environment & Culture	23,226	23,638	(284)	0	23,354	128	4,028	27,382	4,156	4,099	57
Directorate Management	195	195	0	0	195	0	0	195	0	(0)	0
Housing General Fund	4,557	4,695	112	(250)	4,557	0	320	4,877	320	620	(300)
Regeneration, Enterprise and Planning	1,291	2,273	(994)	0	1,279	(12)	612	1,891	600	250	350
Total Community	24,838	27,411	(1,184)	(330)	25,897	1,059	13,561	39,458	14,620	14,304	316
People											
Adults Services	66,783	66,871	(88)	0	66,783	0	2,897	69,680	2,897	4,332	(1,435)
Public Health	(1,814)	(1,814)	0	0	(1,814)	0	400	(1,414)	400	0	400
Children's Services	33,845	34,239	(61)	(333)	33,845	0	1,736	35,581	1,736	1,764	(28)
Total People	98,814	99,296	(149)	(333)	98,814	0	5,033	103,847	5,033	6,096	(1,063)
Total Directorate Budget	160,590	166,353	(3,844)	(948)	161,562	971	22,382	183,944	23,353	23,628	(275)
Covid-19 Grant Allocations						0	(20,391)	(20,391)	(20,391)	(18,165)	(2,226)
Covid-19 estimated income compensation							(4,300)	(4,300)	(4,300)	(4,300)	0
Corporate Items	4,904	4,774	0	0	4,774	(130)	1,429	6,204	1,300	975	324
Corporate Contingency	1,248	1,000	0	0	1,000	(248)	0	1,000	(248)	0	(248)
Technical and Corporate Adjustment	12,060	9,481	0	0	9,481	(2,579)	1,000	10,481	(1,579)	(1,560)	(18)
Total Corporate	18,212	15,255	0	0	15,255	(2,957)	(22,261)	(7,006)	(25,218)	(23,050)	(2,168)
Uncontrollable Budget	(4,041)	(4,041)	0	0	(4,041)	0	0	(4,041)	0	0	0
Total Budget	174,762	177,568	(3,844)	(948)	172,777	(1,985)	121	172,898	(1,864)	578	(2,443)

RESOURCES

2.3 At Q3, the directorate is forecasting to underspend by (£88k) which has decreased from (£127k) reported in Q2. However including the COVID-19 impact on services of £3.788m, which has increased from £3.355m reported in Q2, the directorate is forecasting a total overspend of £3.700m in Q3. This has increased from £3.228m reported in Q2. This is after the net draw down from reserves and cross divisional adjustments.

Table 2: Resources Directorate Revenue Monitoring Q2 v Q3

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

Revised Budget	Net Forecast Spend At Quarter 3 BAU	Quarter 3 Variance BAU	Quarter 3 COVID-19 impact	Total Quarter 3 variance including COVID-19 impact
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£'000	£'000	£'000	£'000	£'000
36,939	36,851	(88)	3,788	3,700

Movement from Q2	£'000	£'000	£'000	£'000
204	243	39	433	472

2.4 At Q3 there is a business as usual net underspend of (£88k) as a result of underspends in Legal and Governance (£302k) and Procurement (£63k), offset by overspends of £152k in Strategy, £53k in Finance and Assurance and other minor variances across the directorate totalling net £72k and is explained in more detail below.

- Legal and Governance underspend of (£302k) relates to income generated from Land Charges, Register of Birth, Death and Marriages and Citizenship in excess of the budgeted target. This has decreased by net £19k from Q2 which reflects minor changes across the division.
- Procurement is reporting a net (£63k) underspend in Q3 which reflects a vacancy within team pending recruitment which will be complete in January 2021. This has not changed since Q2.
- The £152k 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 £5k which reflects minor variances across the division.
- The Finance and Assurance division net £53k 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 £10k from Q2 in line with improved insurance position.
- There are a few other minor variances across the other services areas totalling net £72k overspend. Of which £25k relates commercial space which became vacant in December 2020.

The COVID-19 impact for the Resources Directorate is forecast at £3.788m which has increased by £433k from Q2 and relates to the following:

- ICT additional costs totalling £973k on remote working, licences telephones and teleconferencing caused by lockdown. This has increased by £200k from Q2 mainly due to additional cost of extended Windows 10 deployment and support.
- Business Support £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 Q2.
- Customer Services/Access Harrow £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 in 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 Q2.
- Finance and Assurance £935k which reflects grants to Harrow Community Action, Harrow Community Transport and ICT – Connected Performance. This is at the same level as reported in Q2.
- Directorate Management team £33k forecast COVID-19 related spend on consultancy costs, this is at the same level as reported in Q2.
- Revenues and Benefits £520k which reflects £350k loss of Revenues income due to Local Authorities not being able to instigate court actions to pursue debts and additional cost of £170k on Capita support and overtime of staff who are working on the business grants. The forecast cost has increased by £110k from Q2 due to further loss of income, shielding and additional work on the grants processing.
- Strategy £384k COVID -19 related reflects additional costs across the division mainly on 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 £73k from Q2 mainly due to additional communication cost.
- Legal and Governance £331k loss of income from Land Charges, Citizenship ceremonies and Register of Birth, Death and Marriages. The estimated loss has decreased by £50k from Q2 reflecting the performance up to Q3.

- Investment Properties £100k covid related loss of rental income due to vacant office space and additional cost, mainly business rates and service charges.

COMMUNITY

- 2.5 At Q3 the Community directorate reports an adverse variance of **£14.620m** against a budget of **£24.839m**. The financial impact of COVID-19 is estimated to be **£13.561m**.

Table 3: Community Directorate Revenue Monitoring Quarter 2 v Quarter

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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

Division	Revised Budget	Net Forecast Spend At Quarter 3	Quarter 3 Variance BAU	Quarter 3 COVID-19 impact	Total Quarter 3 including COVID-19 impact
	£'000	£'000	£'000	£'000	£'000
Commissioning and Commercial Services	(4,431)	(3,488)	943	8,601	9,544
Environment and Culture	23,226	23,354	128	4,028	4,156
Directorate Management	195	195	0	0	0
Housing General Fund	4,557	4,557	0	320	320
Enterprise, Planning and Regeneration	1,291	1,279	(12)	612	600
Total	24,839	25,897	1,059	13,561	14,620

Movement from Q2	£'000	£'000	£'000	£'000	£'000
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Total	176	(1,382)	(1,557)	1,872	315
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2.3 The net reported business as usual overspend of £1.059m is a result of overspends in Commissioning and Commercial Services of £943k and Environment and Culture of £128k; this has been offset by a small underspend of £12k within the Enterprise and Planning division. This is explained in more detail below

2.4 The Commissioning and Commercial Services Division is reporting an overspend of £943k in the following areas:

- Facilities Management - £869k. Building maintenance and the cost of responsive repairs are forecast to overspend by £300k, there is also an under recovery of income of £177k in respect of schools cleaning and £119k 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 £119k due to additional staff required to cover staff absences. In addition, a further £154k of costs are to be incurred for the provision of security services at the depot.
- Contracts Management - £171k. There is a forecast overspend as a result of staffing pressures and unachieved procurement savings.
- There are net underspends of £97k 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.

2.5 The Environment and Culture Division is reporting a net overspend of £128k as follows:

- Mixed recyclables - £266k – 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 disposal contract has now been concluded and the full year pressure in 2021/22 is estimated at £600k.
- Waste Management - £139k – there is an underspend in staffing costs due to less reliance on agency staff.

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

2.7 The Housing General Fund is forecasting a balanced position after assuming a drawdown from the Flexible Homelessness Support Grant (FHSG) of £1.258m to meet the business as usual costs associated with the Homelessness

Reduction Act and cross divisional adjustments of £250k associated with financing costs for the Property Acquisition Programme.

2.8 The Regeneration Programme revenue budget for 2020/21 is £1.25m and £0.950m is forecast to be spent, mainly on staff costs and additional consultancy.

2.9 **The COVID-19 impact for the Community Directorate is forecast at £13.261m. The bulk of this which relates to lost income and is detailed as follows:**

- Parking Services - £5.766m. A significant loss of income from Penalty Charge Notices totalling £3.712m is forecast because of reduced enforcement activities and delays to the debt recovery process. Furthermore, an under-recovery of income is forecast for pay and display charges in car parks of £976k, on street parking of £557k, and parking permits 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.
- Depot income - £681k. A MTFS target in relation to the generation of commercial income from the depot which is unachievable in the current financial year.
- £377k in relation to commercial waste services and £208k 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.
- £198k loss of income in Catering services with the closure of the Civic Centre and Depot canteen.
- £133k loss of income from the Civic Centre car park as a result of less visitors to the Civic Centre.
- £889k in additional cleaning and fogging (£464k) and works associated with the fire risk assessments (£312k) for Civic Centre. In addition, there is forecast to be a shortfall of £113k in rental income from the Depot and Civic Centre
- £31k in relation to income from several transport commercial activities, including M.O.T, driver assessments and vehicle maintenance.
- £1.408m 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.

- £1.054m in Waste Management services which is a combination of reduced Garden Waste income (£110k), reduced income from trade waste customers (£149k), reduced income from the textile and metal recycling rebate at the Civic Amenity site (£68k) and increased staffing costs as a result of employing agency staff where existing staff were unable to work. In addition, there is a further cost pressure of £600k following increased levels of household waste.
- £334k (net) at the Harrow Arts Centre. £727k 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 payment via the Culture Recovery Fund successfully applied for from the Arts Council (£356k), and reduced spend on staffing (£104k).
- £551k (net) in Public Protection of which the majority (£460k) 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 £150k 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. These pressures have been partially offset by external grant funding.
- £150k (net) in the Music service as a result of the closure of schools and no events planned for the Summer. This has been partially offset by a one-off payment from the Culture Recovery Fund (£245k).
- £246k (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 £479k 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 (£245k).
- £190k across the Libraries service area, with £84k relating to a loss of income streams and £106k in additional pressures forecast as a result of cleaning cost to be incurred.
- £95k for Clean and Green as fewer participants make use of Council facilities across the Borough and income is lost (£87k) with additional

costs incurred (£8k) to ensure cemeteries comply with social distancing measures.

- £300k in Building Control with fewer applications being received.
- £12k. Additional costs incurred following the commission of two separate studies to help support the economic recovery plan(s) for the borough.
- £320k in the Housing General Fund due entirely to extraordinary costs and income losses associated with COVID-19 after assuming a drawdown from the Flexible Homelessness Support Grant (FHSG) of £1.258m to meet the business as usual costs associated with the Homelessness Reduction Act
- £300k in Regeneration due to staff deployed to work on covid related emergency measures.

2.10 The forecast overspend – including the impact of COVID-19 - across the directorate has increased by £15k, up from £14.305m in Q2 to £14.320m in Q3. This is due mainly to the following reasons:

- Facilities Management, £285k - An increase in the expected cost of providing building cleaning and fogging services and the implementation of FRA; in addition, there is an increase in security costs at the depot, which is partially offset by utilities saving.
- Business & Commercial, £248k – A significant increase in the forecast loss of income from commercial activities and trade waste services.
- Public Protection, £144k - An increase in the expected loss of licensing and enforcement income.
- Waste Management, £114k - Increase in the loss of income from textile and metal recycling and disposal charges at the C.A site. In addition, there are further cost pressures expected against the WLWA levy due to higher residual waste tonnage.
- Harrow Arts Centre, £94k - Further lockdown restrictions have led to an increase in the forecast loss of income as performances have been cancelled and the use of the centre's facilities has been reduced. This has been partially offset by Culture Recovery Fund.
- Planning, £50k - Application income, although performing relatively well within Development Control, is forecast to underachieve in the Building Control service area; thus, increasing the forecast loss by £50k.
- Parking, (£442k) - The forecast income shortfall has reduced due to improvements in actual PCN income during Q3.

- Housing General Fund, (£300k) – estimated impact of COVID-19 now lower than previously expected as all single homeless and rough sleepers will be moved on from emergency into settled private rented accommodation by March 2021.
- Music Services, (£146k) - Further loss of income from school-related activities have been offset by Cultural Recovery Fund.
- Catering, (£16k) – the closure/reduced service of the Council’s canteen facilities have resulted in significant cost savings, though these are partially offset by the loss of earned income.

PEOPLE SERVICES

2.11 At Quarter 3 the directorate is forecasting a balanced budget however including the COVID-19 impact on services there is an overall overspend of £4.333m

Table 4: People’s Services Revenue Monitoring Quarter 3

Division	Revised Budget	Net Forecast Spend At Quarter 3	Quarter 3 Variance	Quarter 3 COVID-19 impact	Total Quarter 3 including COVID-19 impact
	£'000	£'000	£'000	£'000	£'000
Adults	66,783	66,783	0	2,897	2,897
Public Health	(1,814)	(1,814)	0	400	400
Children’s Services	33,845	33,845	0	1,736	1,736
Total	98,814	98,814	0	5,033	5,033
Movement from Q2	£'000	£'000	£'000	£'000	£'000
Total	0	-192	-192	-871	-1,063

2.12 The variations are explained in more detail as follows:

Adult Services

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

2.14 The COVID-19 related impact on Adult Social care is forecast as £2.897m.

This is explained in more detail as follows

- 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 - £1.069m– 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).
- £708k – Largely represents the additional temporary staff engaged to support social work practice during the pandemic, a reduction in agreed recharges to the CCG for hospital staff and increased Care package costs in relation to Extra Care placements.
- An underspend on Mental Health Services of £213k caused by a lower level of new placements being required in the current financial year, as well as a reduction in the staffing forecast.
- An underspend of £446k in relation to inhouse services, mainly as a result of to the day centres being closed, and therefore savings being made on Agency staff costs and Utilities.

The position has improved by £1.436m since Q2 as a result of:

- Reduced costs as a result of Increased income arising from the implementation of the changes to the Adult Social Care policy , together with additional income in relation to previous financial years in the management of client finances (£0.872m).
- Reduced costs as a result of Unused accruals and a lower level of adjustments in placement costs (£0.245m), and a reduction in expected CCG income contributing to CYAD placements (£44k)
- Reduced costs as a result of a lower level of expenditure forecast in relation to respite, carers & transitions offset by increased costs of additional placements greater than previous assumptions (£0.265m).

- Reduced forecast costs in the Mental Health services of £195k due to a reduction in the staffing forecast of £35k, with the remaining £160k reduction reflecting a lower level of new placements being required in the current financial year
- Increased staffing costs (£145k) as a result of a combination of increased cost for staff outside the budgeted establishment who have been employed to assist with work relating to the Covid pandemic, as well as new established Service Manager posts having been created and recruited to.
- Increased costs of £40k as a result of Extra Care placement costs.

Public Health

Business as usual

2.15 The Public Health grant is forecast to underspend in 2020/21, increasing the Public Health reserve by £379k. However with reserves earmarked for additional staff employed as a result of COVID-19 (£250k), slippage on reserve projects (£311k) and COVID-19 testing (£500k), the Public health reserve balance has reduced from £1.9m in Q2 to £1.2m in Q3.

Financial Impact of COVID-19

2.16 The Community Testing Programme (CTP) was launched in December 2020 to enable local authorities with high prevalence of Covid-19 to work in partnership with the UK Government to accelerate a reduction in prevalence by identifying asymptomatic cases through local testing and supporting them to isolate. The forecast assumes 75% capacity will be reached in the 6 sites, resulting in approx 178,000 lateral flow tests and a cost of £400k over the capped cost of £14 per test funded by the Government.

Children's Services

2.17 The forecast for the directorate at Q3 is a net overspend of £1.736m which relates to COVID-19 pressures mainly due to placement sufficiency and additional frontline staffing capacity.

2.18 The headline pressure across the directorate is £3.201m with mitigating management actions of £1.071m, £0.061m drawdown from reserves and £0.333m cross divisional adjustments. It should be noted that £1.071m of these management actions are one off and will not be available in future years.

Business as usual

- **Frontline Teams Staffing & Other Costs overspend £661k**

In order to manage caseloads agency staff are required to cover vacant Social Work posts, including sickness and maternity cover. There are around 18%-20% of frontline posts which are covered by agency. 'As and when' workers to provide statutory supervised contact sessions. Also additional Business Support staff required for some service areas. There are also pressures in relation to Mosaic which is the Council's Social Care system. £140k of the budget pressure is due to annual software support, maintenance, licencing and hosting costs.

- **Client Spend Section 17 underspend £14k**

Expenditure to support families with children subject to a Child Protection or Children in Need plan, to help children remain at home where it is safe to do so. Also support for families with No Recourse to Public Funds until they can access benefits. This budget remains at risk due to increasing numbers of Children in Need.

- **Legal costs and signers & interpreters overspend £186k**

These are legal disbursement costs in relation to care proceedings, including expenditure on barristers, court fees, expert fees and solicitor fees. The use of external barristers is due to court hearings being delayed. Also pressure in relation to translation services.

- **Children's Placements & Accommodation overspend £473k**

There are a number of young people in high cost placements who are vulnerable and for whom the current placement meets their complex needs and safety. These are continually reviewed. Keeping Families Together service continues to aim to prevent young people from coming into care or step young people down from care where it is safe to do so. There are regular resource tracking and monitoring panels to ensure the level of accommodation and cost continues to be appropriate for the young person's needs. This includes targeted actions to reduce the average cost of service provision through negotiation with providers including block contract services for Asylum and also Leaving Care.

- **Other Children's Services overspend £159k**

Pressures on other non-staffing budgets. This includes the provision of Free School Meals for the Christmas holidays and February half term which are funded from the Winter Food Grant which is shown in Cross Divisional Adjustments below.

- **Management Actions underspend £751k**

One-off grant income and centrally held budgets used to mitigate in-year pressures.

- **One-off income underspend £320k**

Other one-off income used to mitigate in-year pressures.

- **Drawdown from Reserves £61k**
At Q3 £61k is required from the High Needs Strategic Planning reserve to fund the SEND Programme Manager.
- **Cross Divisional Adjustments £333k**
£45k Covid-19 Tier 2 capacity funding. £288k Winter Food grant funding for Free School Meals during the Christmas holidays and February half term.

Financial Impact of COVID-19

- **Frontline Teams Staffing £212k**
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. Also additional agency Social Workers in the Children in Need Service from December 2020 and January 2021 to manage increasing caseloads.
- **Children's Placements & Accommodation £1.497m**
The rate of children looked after per 10,000 of the child population in Harrow is currently one of the lowest in London. However, since March 2020 there has been a 22% net increase in the number of Looked After Children rising from 169 to 207 in December 2020. Two sibling groups, a total of nine children, were taken into care over one weekend.

There are a number of factors contributing to this which are mainly due to Covid-19

- Delays in the court system meaning the outcome of care proceedings is taking longer
- Increased requirement for a statutory service due to parental mental health
- Increase in county lines activities as lockdown is eased

This means that some young people are unable to move in a timely manner where it is safe to do so. In addition to this there is a sufficiency issue in the availability of placements particularly in relation to foster carers. This means young people may have to be accommodated in more expensive residential placements in order to meet safeguarding needs but where these could ordinarily be met in an alternative form of accommodation.

- **Various other pressures £128k**
Other pressures including educational support to Looked After Children and £79k to provide free school meals during October half term.

- **Early Support Service underspend £101k**
Lower than normal operating costs for Children's Centres due to COVID-19 and sites closing in March for lockdown with services provided virtually. Sites are currently only open for partner agencies, nurseries, essential health services, and internal services requiring meeting rooms. £20k loss of income from private nurseries due to lockdown is managed within the overall service underspend.

Dedicated Schools Grant (DSG)

- 2.19 The Dedicated Schools Grant (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.
- 2.20 There is a projected overspend on the High Needs Block of £2.994m 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 £5.938m.
- 2.21 Despite a projected underspend on the Schools Growth Fund, this will not be netted off the HNB pressure and Schools Forum does not support this approach.
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
- 2.22 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.
- 2.23 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.
- 2.24 The final deficit in 2019-20 of £2.944m represents 1.35% of the overall DSG allocation (including academy funding). The recovery plan has been drafted however and discussed with Schools Forum. However the following points should be noted:
- Despite the significant proposals and measures planned over the next ten years, this will not mitigate the deficit. This is due to the following contributory factors

- historical underfunding
- current budgets being based on historical budgets rather than historical spend
- extension of age range to include 0-5 and post 19
- current and projected formulaic funding which does not keep pace with demand
- significant historical and projected growth in number of EHCPs
- continued growth in complexity of pupils' needs
- limitations about creating cost effective provision in borough due to capacity and site limitations.

CORPORATE AND TECHNICAL

2.25 At Q3 the corporate and technical budget is reporting an overall underspend on business as usual of (£2.709m) as detailed below.

Corporate Items

2.26 A net underspend of (£130k) is forecast on the following items:

- Pension augmentation costs
- Treasury Management expenses.

Central Contingency

2.27 At Q3 the central contingency of £1.248m is forecast to underspend by £248k

Technical and Corporate Adjustments

2.28 An underspend of (£2.579m) is forecast on the Technical and Corporate Adjustment budgets as follows:

- (£5.208m) underspend in capital financing costs forecast as a result of slippage in the Capital Programme. This has increased by £1.303m since the position reported at Q2 since it is not anticipated that the council will need to borrow any additional funds before the end of the financial year.
- £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

2.29 There are also COVID-19 pressures totalling £2.429m made up of:

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

- £1.124m additional mortuary costs
- £303k 3 year Collection Fund deficit reserve provision. This is new in Q3.

RESERVES

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

Vaughan Road Capital Receipt

2.31 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 the final outturn report.

MTFS IMPLEMENTATION TRACKER

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

2.33 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

2.34 Table 6 below shows the summarised position for each directorate at Quarter 3:

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%

2.35 As at Quarter 3, 45% of the 2020-21 savings are rated green, 18% are rated as amber, whilst 37% are rated as red.

2.36 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

2.37 As at Q3, HRA forecasts a pressure of £250k made up of a neutral position on business as usual activities and extraordinary costs and income losses associated with COVID-19 of £250k.

2.38 COVID-19 pressures are made up of income losses of £146k and additional costs of £104k. Income losses are due mainly to commercial income and income not chargeable to leaseholders due to suspension of services. Additional costs comprise repairs costs £73K, increased bad debt provision for £20k and PPE cost of £11k

2.39 The position considers the impact of additional recharges from the depot together with additional calls on operating expenditure anticipated in the final quarter of the financial year.

2.40 The table below summarises the forecast position on HRA revenue account at Q3:

HRA revenue balances £'000	Outturn 2019-20 pre audit	Revised Budget	YTD actual	Forecast Outturn - Business as usual	COVID-19 - Financial impact	Revised Forecast - incl. COVID-19 impact	Variance incl. COVID-19 impact
Balance b/fwd	-7,474	-7,195		-7,526		-7,526	-331

Net (surplus) deficit	-144	308	-9,898	308	250	558	250
Transfer to reserves	92	114		114		114	0
Balance c/fwd	-7,526	-6,773		-7,104		-6,854	-81

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

2.41 To date the Council has received £22.908m 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 £4.393m reported at Q2 due to additional funding to support LAs in Tier 3 and Tier 4 as well as receipt of the first round of income compensation for loss of sales, fees & charges.

2.42 To date the Council has made eight 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. In the Quarter 2 monitoring report to December, a summary of submissions 4 to 7 was included. Table 8 below sets out submissions 7 to 8:

Table 8: Latest Financial Reporting to MHCLG

Submission No.	7	8
Submission Date	6th Nov	11th Dec
	£000	£000
Estimated Expenditure	17,264	17,408
Estimated loss of income	15,218	15,825
Total	32,482	33,233
Emergency Funding	-17,761	-17,761
Estimated Funding Shortfall	14,721	15,472

2.43 There has been a significant amount of work undertaken to ensure the Q3 forecast of COVID-19 impact is as accurate as possible. Table 9 shows there is a difference between the Q3 forecast and the latest return to MHCLG submitted on 11th December of £3.5m. There are 2 main reasons for this. Firstly there is the timing difference as Q3 covers the period to 31st December but Round 8 covers the period to November. Secondly, there is a fundamental difference between the figures on the submissions and the monitoring, which occurs 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.

2.44 As an example, the round 8 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 do not pick up the cost of £3.4m which correctly reflects the impact on the Council. Table 9 shows the difference:

Table 9 – MHCLG return differences to Q2 forecast

Description	£'000
MHCLG Return 8 – total impact	33,233
Less Collection Fund loss *	(4,900)
Impact net of Collection Fund loss	28,333
Q3 Forecast – COVID- 19 impact Directorates	<u>22,382</u>
Q3 Forecast – COVID- 19 impact Corporate	2,429
Total Q3 Forecast – COVID-19 impact	24,811
Difference – more on Round 8 than on Q3	3,522
*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

2.45 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

2.46 Items with an asterisk * are those included in the overall forecast in Table 1 at the start of this report and are being used to fund expenditure and loss of income as a result of COVID-19.

Table 10 – COVID-19 related grants and income

GRANT /FUNDING STREAM	Value
Emergency Funding (tranches 1 to 4)	£17,627,755*
Tier 2 Funding (£3 per head) Oct 2020	£753,480*
Tier 3 Funding (£5 per head) Nov 2020	£1,255,800*
Tier 4 Funding (£3 per head) Dec 2020	£753,480*
Compensation for loss of sales, fees & charges	£4,300,000*
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
Community Champions Fund	£495,000
Clinically Extremeley Vulnerable (tranches 1 and 2)	£320,762
Infection Control (tranches 1 to 2)	£3,437,967
ASC Rapid Testing	£431,905
Social Care Workforce Capacity Grant	£484,914
LA Enforcement & Compliance Grant	£112,853
Reopening High Street Safely 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
TOTAL	£33,706,823

GRANTS TO BUSINESSES AND RESIDENTS	
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	
LRSO Open discretionary Oct to 2 December	£289,318
Additional restrictions grant - 1st tranche	£5,023,200
LRSO Closed grants Nov 2020 to Dec 2020 1st tranche	£3,648,708
LRSO Closed & one off lockdown grants to 15-02-21 2nd tranche	£16,417,062
Additional restrictions grant - ARG top up Feb 2021 2nd tranche	£2,231,067
Sub Total Business & Residents Grants	£78,298,361
Self Isolation £500 awards Grant:	
Programme Funding - standard applications	£94,000
Programme Funding - discretionary applications	£56,463
Admin Funding	£33,987
Programme Funding - Discretionary applications top up Feb 21	£41,537
Sub Total Self Isolation Grants	£225,987
NNDR Rate relief for 20/21	£8,757,127
GRAND TOTAL	£120,988,298

- 2.47 Q3 reporting does indicate that in the current financial year, as a result of receiving emergency funding that the Council can broadly manage a balanced budget position for COVID-19 related activities, reporting an overspend of £121k. However there are continued grave concerns about the legacy impact of COVID-19 over the MTFS.
- 2.48 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 national lockdown phase in January. 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.
- 2.49 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.
- 2.50 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 Final Budget report also on this agenda.

UPDATE ON COMMERCIAL PROPERTY INVESTMENTS

- 2.51 From 2015 to 2019 the Council acquired seven investment properties at a cost of £48.2m. The portfolio consists of warehouses and other commercial and residential properties across the UK, as well as an office block in Harrow.
- 2.52 At acquisition, the net yield was estimated at 2.31% (gross yield 7.3%) for all but the office block Kings House (net yield 0.9% and gross yield 5.9%) which was also purchased as a land acquisition for potential regeneration. The return from investment properties was included in the MTFS.
- 2.53 The projected return from all but Kings House is currently on target despite COVID-19. There is vacant space in Kings House – part of the 3rd floor has been vacant since acquisition and the remainder of the 3rd floor became vacant in December 2020. This results in loss of rental receipts and the additional cost such as business rates and service charges which falls back to the council.
- 2.54 The annual estimated impact of vacant space at Kings House in 2021-22 is a loss of rental income of £290k and costs of business rates and service charges of £105k.
- 2.55 If this pressure materialises the council can call on the investment property reserve to mitigate this.

3.0 CAPITAL PROGRAMME

- 3.1 The 2020/21 Capital Programme agreed by the Council in February 2020 totalled £79.071m. Generally, once the Capital programme is set in February, it will only be amended for carry forwards from the previous year (£215.729m in Table 11) and any in year additions such as externally grant funded schemes.
- 3.2 However, due to the impact of Covid-19 which put a halt on many projects during the first lockdown (March to July), plus the removal of a large number of schemes which are no longer proceeding (as reported in the Final Capital Programme report elsewhere on the agenda), the 2020/21 General Fund budget has been reduced by £185.187m as shown in Table 11. The revised capital budget for 2020/21 is £124.418m at Quarter 3 as set out at Table 11:

Table 11: Capital Programme Forecast Q3

Directorate	Original Budget	CFWDs	Budget Realignment Dec 20 Cabinet	Other Adjustment	TOTAL BUDGET	Forecast Spend	Forecast Variance	Slippage	Underspend after slippage
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RESOURCES TOTAL	6,200	106,268	-108,594	11,107	14,981	14,881	-100	-100	0
COMMUNITY									
Commissioning and Environment & Culture	25,953	34,291	-25,878	437	34,803	33,820	-983	-960	-23
Housing	2,480	7,425	-295	-75	9,535	9,355	-180	0	-180
Enterprise and Planning	1,201	2,402	-1,387	80	2,296	1,926	-371	-371	0
Regeneration	5,193	25,964	-25,703	182	5,636	5,636	0	0	0
COMMUNITY TOTAL	34,827	70,082	-53,263	624	52,270	50,737	-1,534	-1,331	-203
PEOPLE									
Adults	625	140	-455	20	330	321	-9	0	-9
Public Health	0	78	0	0	78	78	0	0	0
Children	1,121	23,817	-22,845	2,511	4,604	3,132	-1,471	-1,471	0
PEOPLE TOTAL	1,746	24,035	-23,300	2,531	5,012	3,531	-1,480	-1,471	-9
TOTAL GENERAL FUND & HRA	42,773	200,384	-185,157	14,261	72,261	69,149	-3,114	-2,902	-212
TOTAL HRA	36,298	15,345	0	514	52,157	21,478	-30,679	-29,529	-1,150
TOTAL GENERAL FUND & HRA	79,071	215,729	-185,157	14,775	124,418	90,627	-33,792	-32,430	-1,362

3.3 The forecast spend at Quarter 3 is £90.627m, 73% of the total Capital Programme budget. The forecast spend on the General Fund at Q3 is £69.148m, (96% of budget) with the remainder of the budget of £2.902m being proposed for slippage into 2021/22 and a small underspend of £212k.

3.4 At Cabinet in December 2020 slippage of £185.187m was reported and this has now been taken out of the figures in Table 11.

3.5 The forecast spend on the Housing Revenue Account budget is £21.478m (41% of budget) with the remainder of the budget of £29.529m being forecast as slippage and £1.150m as an underspend.

RESOURCES

3.6 As at Quarter 3 the Resources Directorate is forecasting an overall spend of £14.881m, which represents 99% of approved budget. The variance of £0.1m relates to slippage which reflects the revised profile of Abavus and Waste collector programmes delivery.

COMMUNITY

3.7 As at Quarter 3 the Community Directorate forecast an overall spend of £50.668m (98%) against the latest budget of £51.838m. The 2020/21 budget has been reviewed as part of the preparation of the 2021/22 Capital Programme, which results in a budget re-alignment of £53.263m in this year's

programme in Community Directorate. The forecast variance of £1.331m is planned to be slipped into 2021/22 and the forecast underspend of £22k can be removed from the Capital Programme. The underspend relates to the Libraries project (para 3.8).

- 3.8 The details of the forecast variances are as follows:
- 3.9 Harrow Arts Centre refurbishment. This project is for multiple years and is funded by the GLA and BCIL. Phase 1 works will be completed in this financial year while Phase 2 is in planning and is scheduled to be completed in 2021/22. Based on the latest project timeline, it is forecast to spend £1.631m in 2020/21 and the rest of the budget profiled in this year **£500k** will be slipped to 2021/22 due to a delay in the commencement of the Phase 2 works (New Build element).
- 3.10 Planning New IT system. This project was originally scheduled to be completed in 2020/21, however the procurement exercise took longer to complete than anticipated. The revised project timeline suggests that the full implementation will now be expected in the summer of 2021, therefore it is forecast to spend £505k in 2020/21 and the rest of the budget **£370k** will be slipped to 2021/22.
- 3.11 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 £22k lower than originally anticipated. Therefore the budget of **£22k** in the Capital Programme is reported as an underspend.
- 3.12 High Priority Planned Maintenance. Various building maintenance projects are underway. Within the programme, there is an allocation of £220k for pipework replacement at Sancroft. This work commences in 2020/21 but the full completion will be in 2021/22 and therefore **£195k** of the budget will be slipped to 2021/22. In addition, the remaining budget of **£265k** in the programme is pending allocation when the outcome of the condition survey is available and this will be slipped to 2021/22.
- 3.13 Unless explicitly stated above there are no revenue implications as a result of the slippage.

Housing General Fund

- 3.14 Progress on all Housing schemes, including HRA, is reliant on access to properties and sometimes interaction with “at risk” individuals. Forecasts take into account the impact of latest Government announcements.
- 3.15 Budgets have been reduced by a total of £295k comprising :
- £337k addition to Disabled Facilities Grants as a result of increased grant
 - £330k reduction to Empty Property Grants reflecting lower spend estimate
 - £302k slippage for 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

- 3.16 Spend forecast £9.355m against a revised budget of £9.535m generating underspend £180k relating to Adults small equipment expenditure.

Regeneration

- 3.17 As at Quarter 3, Regeneration is forecasting to budget at £5.636m. The 2020/21 budget has been reviewed as part of the preparation of the 2021/22 Capital Programme, which results in a budget re-alignment of £25.521m, against an original budget of £31.157m, £16.996m into 2021/22 and £6.610m and £1.915m in 2022/23 and 2023/24 respectively. This is a variance of £23.368m against the reported quarter 2 forecast position of £29.003m. Projects with a budget variance are summarised below:

- 3.18 **Waxwell Lane:** Following a review of the budgets, £1.865m will slip into 2021/22 and £759k of this will be reallocated to fund the budget gap on the Haslam House scheme, resulting in a revised lifetime scheme budget on Waxwell Lane of £7.938m.

- 3.19 There are risks to this position due to issues with the trees, 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. There are additional consultancy fees as a result of the extended programme, due to Covid, from April 2021 to October 2021, and these are reflected in the forecast

- 3.20 **Haslam House:** The revised project timeline suggests the scheme will conclude in summer of 2021 with forecast expenditure of £1.732m in 2021 and £107k 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.

- 3.21 The budget gap on Haslam House can be contained by the underspend on Waxwell Lane scheme and the 2021/22 budgets have been reprofiled to reflect this, resulting in no additional drawdown of funding across the overall programme.

- 3.22 **Gayton Road:** Two of the three elements of this scheme have completed. There is a slippage of £2.293m, into 2021/22. A detailed options appraisal has been undertaken of the commercial unit at Gayton Road and this is going through the approvals process.

- 3.20 **Client Contingency:** An amount of £1.741m is being slipped into 2021/22 to support any unforeseen costs arising from the realigned capital

programme. This is 9.8% of next years programme and is considered reasonable.

3.21 **Harrow Strategic Development Partnership set aside (£19.515m):** this is funding that is set aside to seek a Strategic Development Partner for three core sites within the borough; Poets Corner, Byron Quarter (Phase 1), and Peel Road Car Park. Now that the procurement process has concluded and Wates is on board the budgets have been reprofiled resulting in slippages into future years to reflect:

- Wates spend profile : three cores sites across the MTFS of £8.525m
- Client side cost: HNC related costs of Temple Acquisition £2.070m
- Plots S commercial unit and £0.500m
- Demolition of Social club £0.300m

£11.395m

3.22 The difference of this placeholder funding of £8.120m has been slipped forward to 2021/22.

PEOPLE SERVICES

3.23 As at Quarter 3 People Services is forecasting overall spend of £3.531m, which is 70% of the approved capital budget.

Adult Services

3.24 The forecast variance is £1.480m is all slippage with the exception of a small underspend of £9k. These are detailed below

3.25 The total capital programme is £765k. At Quarter 3, the outturn capital forecast for Adult Services is £301k, with Slippages of £370k forecast and an underspend of £94k forecast. The majority of the slippage (£245k) 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 £125k is due to Millman's Day Centre being closed and work not being able to be carried out until it reopens. The £94k underspend relates to the Integrated Health Model project which is no longer required.

Public Health

3.26 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

- 3.27 The revised capital programme at Q3 is £4.603m of which £1.472m of schools capital maintenance will be slipped to 2021-22 as COVID-19 has limited the amount of works that can be carried out in schools. There are no revenue implications as a result of this slippage.

HOUSING REVENUE ACCOUNT

- 3.28 At Quarter 3, the outturn forecast for the Housing Revenue Account is £21.478m against budget of £52.157m generating an underspend of £30.679m, of which **£29.529m** is slippage and the remaining £1.150m is underspend. The main items of slippage are
- 3.29 Planned Investment programme - £5.604m spend expected with slippage of **£4.663m** relating to fire compliance and health & safety works, roof replacement, windows, doors, kitchen replacement, structural works and compulsory replacement of the Housing IT system which is expected to underspend by £50k.
- 3.30 Building Council Homes for Londoners (BCHfL) – £15.874m spend expected with slippage of **£24.865m**. The BCHfL programme is expected to span some five years and is expected to provide some 659 new homes in the HRA.
- 3.31 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 have been incorporated into the HRA Budget 2021/22 and MTFS 2022/23 to 2023/24 appearing elsewhere on this agenda.
- 3.32 Additional £1.1m budget approved by Cabinet 17th December as part of the Rough Sleepers Accommodation Programme to assist rough sleepers back into mainstream society not expected to be spent this financial year as envisaged. Budget unlikely to be eligible for carry forward to 2021/22 therefore no slippage expected although discussions are ongoing with GLA.

AMENDMENTS TO THE CAPITAL PROGRAMME

- 3.33 The following amendments include additions required to the Capital Programme all funded by additional grant and reserve draw downs therefore no additional capital financing costs will be incurred.

COMMUNITY

Urban Tree Challenge Fund – £12,454

3.34 The GLA has awarded a grant of £12,454 for the planting of street trees under Urban Tree Challenge Fund (Year 2). It is therefore requested that the Highway Programme is increased by this sum to reflect the grant award.

ADULTS

Wiseworks Ridgeway Project - £20,000

3.35 An additional £20k is required in addition to the capital budget agreed form 2020/21. This is to complete work in relation to the Wiseworks Ridgeway Project, for which costs have increased. The additional £20k is funded by the Public Health Reserve.

4.0 COUNCIL TRADING STRUCTURE UPDATE 2021/21 – QUARTER 3

4.1 The Council's Trading Structure update for Quarter 3 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 one further monitoring report during the year as follows:

- 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 3 is showing a net underspend position of (£1.864m).

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 73% as at Quarter 3

8.0 Environmental Implications

There is no direct environmental impact.

9.0 Risk Management Implications

Risks included on corporate or directorate risk register? **Yes**

Separate risk register in place? **No**

The relevant risks contained in the register are attached/summarised below.
Yes

The following key risks should be taken onto account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
Failing to deliver the budget on target	<ul style="list-style-type: none">▪ Budget monitoring process▪ Anticipated underspend on business as usual activities	Green
Overspend in relation to COVID-19 activities of £121k	<ul style="list-style-type: none">▪ Continued robust budget monitoring process▪ Review of expenditure and anticipated receipt of additional external income to support COVID-19 activities▪ Overall business as usual underspend	Green
Additions to the capital programme that may incur additional borrowing costs to the council	<ul style="list-style-type: none">▪ Funded by additional grants and reserves thus no additional capital financing costs will be incurred	Green
Trading companies failure to deliver required contribution to the MTFS	<ul style="list-style-type: none">▪ Quarterly stakeholder groups▪ Review of financial and non-financial performance information	Green

10.0 Procurement Implications

There are no procurement implication 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: 03/02/2021

Statutory Officer: Jessica Farmer

Signed on behalf of the Monitoring Officer

Date: 01/02/2021

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 01/02/2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 02/02/2021

Head of Internal Audit: Susan Dixon

Signed by the Head of Internal Audit

Date: 01/02/2021

Mandatory Checks

Ward Councillors notified: NO as it impacts on all Wards

EqIA carried out: NO

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](#)

- [2020/21 Budget Report](#)

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

NO

Appendix 1 - Summary of 2020/21 Revenue Budget Forecast as at Quarter 3

	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	Q3 Variance Including COVID-19	Q2 Variance	Movement Q2 to Q3	BAU Movement	COVID-19 Movement
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Resources													
Business Support	3,367	3,383	0	0	3,383	16	12	3,395	28	32	(4)	(4)	0
Customer Services/Access Harrow	3,671	3,671	0	0	3,671	(0)	500	4,171	500	501	(1)	(1)	0
ICT	7,265	7,388	(116)	0	7,272	7	973	8,245	980	776	204	4	200
Director of Resources	727	1,865	(1,125)	0	740	13	33	773	46	45	1	1	0
Internal Audit & CAFT	625	624	0	0	624	(1)	0	624	(1)	(1)	0	0	0
Finance & Insurance	3,140	3,538	(345)	0	3,193	53	935	4,128	988	873	115	(10)	125
Revenues, Parking & Benefits	13,090	13,098	0	0	13,098	8	520	13,618	528	419	109	(1)	110
Procurement	404	341	0	0	341	(63)	0	341	(63)	(63)	1	1	0
HRD	1,527	2,031	(383)	(120)	1,528	1	0	1,528	1	0	1	1	0
Legal & Governance	3,071	3,180	(411)	0	2,769	(302)	331	3,100	29	60	(31)	19	(50)
Strategy	2,802	3,250	(131)	(165)	2,954	152	384	3,338	536	583	(47)	5	(52)
Investment Income	(2,750)	(2,723)	0	0	(2,723)	27	100	(2,623)	127	3	124	24	100
Total Controllable Budget	36,939	39,646	(2,511)	(285)	36,851	(88)	3,788	40,639	3,700	3,228	472	39	433
Uncontrollable Budget	(18,697)	(18,697)		0	(18,697)	0	0	(18,697)	0		0	0	0
Community													
Controllable Budget													
Commissioning & Commercial Services	(4,431)	(3,390)	(18)	(80)	(3,488)	943	8,601	5,113	9,544	9,336	208	(840)	1,048
Environment & Culture	23,226	23,638	(284)	0	23,354	128	4,028	27,382	4,156	4,099	57	(717)	774
Directorate Management	195	195	0	0	195	0	0	195	0	(0)	0	0	0
Housing General Fund	4,557	4,695	112	(250)	4,557	0	320	4,877	320	620	(300)	0	(300)
Regeneration, Enterprise and Planning	1,291	2,273	(994)	0	1,279	(12)	612	1,891	600	250	350	(0)	350
Total Controllable Budget	24,838	27,411	(1,184)	(330)	25,897	1,059	13,561	39,458	14,620	14,304	316	(1,556)	1,872
Uncontrollable Budget	24,849	24,849		0	24,849	0	0	24,849	0		0	0	0
People													
Controllable Budget													
Adults Services	66,783	66,871	(88)	0	66,783	0	2,897	69,680	2,897	4,332	(1,435)	0	(1,435)
Public Health	(1,814)	(1,814)	0	0	(1,814)	0	400	(1,414)	400	0	400	0	400
Children's Services	33,845	34,239	(61)	(333)	33,845	0	1,736	35,581	1,736	1,764	(28)	(192)	164
Total Controllable Budget	98,814	99,296	(149)	(333)	98,814	0	5,033	103,847	5,033	6,096	(1,063)	(192)	(871)
Uncontrollable Budget	16,205	16,205	0	0	16,205	0	0	16,205	0		0	0	0
Total Directorate Budgets	182,947	188,710	(3,844)	(948)	183,919	971	22,382	206,301	23,353	23,628	(275)	(1,709)	1,434
Corporate Items													
Corporate Items	4,904	4,774	0	0	4,774	(130)	1,429	6,204	1,300	975	324	19	305
Covid Grants							0	(20,391)	(20,391)	(18,165)	(2,226)	0	(2,226)
Anticipated Compensation loss of income							0	(4,300)	(4,300)	(4,300)	0	0	0
Corporate Contingency	1,248	1,000	0	0	1,000	(248)		1,000	(248)	0	(248)	(248)	0
Technical and Corporate Adjustment	12,060	9,481	0	0	9,481	(2,579)	1,000	10,481	(1,579)	(1,560)	(18)	(18)	0
Total Controllable Budget	18,212	15,255	0	0	15,255	(2,957)	(22,261)	(7,006)	(25,218)	(23,050)	(2,168)	(247)	(1,921)
Uncontrollable Budget	(26,398)	(26,398)		0	(26,398)	0	0	(26,398)	0	0	0	0	0
Total Corporate Budget	(8,186)	(11,142)	0	0	(11,142)	(2,957)	(22,261)	(33,403)	(25,218)	(23,050)	(2,168)	(247)	(1,921)
Total Budget Requirement	174,762	177,568	(3,844)	(948)	172,777	(1,985)	121	172,898	(1,864)	578	(2,443)	(1,956)	(487)