

Report for: **Cabinet**

Date of Meeting:	23 September 2021
Subject:	Q1 Revenue and Capital Monitoring 2021/22
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance and Assurance
Portfolio Holder:	Councillor Natasha Proctor, Deputy Leader and Portfolio Holder for Finance and Resources
Exempt:	No except for Appendices 7 and 8 which are exempt on the grounds that they contain “exempt information” under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information.
Decision subject to Call-in:	Yes
Wards affected:	All wards
Enclosures:	Appendix 1 – Summary of 2021/22 Revenue Budget Forecast by Directorate Appendix 2 – Summary of Reserves Appendix 3 – Summary of Grants Appendix 4 – Savings Tracker 2021/22 Appendix 5 – Capital Programme 2021/22 Appendix 6 – Trading Company Update 2021/22 Appendix 7 – EXEMPT – Sancroft Community Care Limited Business Plan 2017-2023 Appendix 8 – EXEMPT – Concilium Assets LLP Business Plan 2021-2028

Section 1 – Summary and Recommendations

This report sets out the Council's final revenue and capital outturn position for 2021/22.

Recommendations:

1. That Cabinet notes the revenue and capital forecast positions set out in paragraphs 1.2 and 1.3.
2. That Cabinet approve the proposed amendments to the Capital Programme as set out in paragraphs 3.30 to 3.33 and notes paragraphs 3.34 to 3.38.
3. That Cabinet note the Council's Trading Update as detailed in Appendix 6.
4. That Cabinet approve the refresh of Sancroft Community Care Limited's Business Plan (2017-2023), as detailed in Appendix 7 (Exempt).
5. That Cabinet approve the Concillium Assets LLP's Business Plan (2021/22 – 2027/28) as detailed in Appendix 8 (Exempt).

Reason: (For recommendations)

To report the 2021/22 financial forecast position at Q1 and to update Cabinet on trading company performance.

Section 2 – Report

1.0 INTRODUCTION

- 1.1 This is the first budget monitoring report for 2021/22.
- 1.2 The revenue budget in 2021/22 is £179.442m which is net of government and other specific grants. A list of external grants is shown at Appendix 3. The net forecast position on the revenue budget at Q1 is an overspend of £641k, after the planned use of reserves which are largely applied to fund one-off projects and cross divisional adjustments.
- 1.3 The general fund capital programme budget in 2021/22 is £112.486m. The net forecast position on the capital budget at Q1 is £92.204m which represents 82% of the total capital programme budget. The variance of £20.282m is made up of proposed slippage of £18.506m and an underspend of £1.776m.

1.4 The Housing Revenue Account capital programme budget is £99.764m. The net forecast position on the HRA capital budget at Q1 is £98.791m which represents 99% of the total HRA capital programme budget. The variance of £973k is made up of proposed slippage of £900k and a net underspend of £73k.

2.0 REVENUE MONITORING

2.1 The net forecast position on the revenue budget at Q1 is an overspend of £641k. The summary of the outturn by each division is set out in Table 1 with a more detailed breakdown at Appendix 1:

Table 1: Summary of Revenue Budget Monitoring Forecast – Q1 2021/22

Directorate	Revised Budget	Forecast	Variance due to BAU	Contribution/ Drawdown From reserves	Cross Divisional Adjustments	Use of one off funding / management actions	Revised Outturn	Variance to budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	38,730	43,283	4,553	(1,148)	(2,212)	0	39,923	1,193
<u>Community</u>								
Environmental Services	19,548	21,020	1,472	(284)	0	0	20,736	1,188
Directorate Management	5,340	5,518	178	0	0	0	5,518	178
Housing General Fund	4,516	3,564	(952)	1,020	(68)	0	4,516	0
Enterprise and Planning	1,375	1,614	239	(239)	0	0	1,375	0
Cultural Services	2,435	2,228	(207)	0	0	0	2,228	(207)
Regeneration	0	1,250	1,250	0	(1,250)	0	0	0
Total Community	33,214	35,194	1,980	497	(1,318)	0	34,373	1,159
<u>People</u>								
Adults Services	71,501	72,729	(85)	(52)	0	72,592	1,091	1,091
Public Health	(1,667)	(1,989)	322	0	0	(1,667)	0	0
Children's Services	35,471	40,491	(2,528)	0	(627)	37,336	1,865	1,865
Total People	105,305	111,231	(2,291)	(52)	(627)	108,261	2,956	2,956
Total Directorate Budget	177,249	189,708	4,242	(703)	(4,157)	108,261	77,252	5,308
Corporate Items	4,931	5,011	80	0	0	0	5,011	80
Investment Income	(2,876)	(2,796)	80	0	0	0	(2,796)	80
Transformation Savings	(1,000)	0	1,000	0	0	0	0	1,000
Covid Grants	(6,051)	(6,051)	0	0	0	0	(6,051)	0
Controlling Outbreak Mgmt Fund (20/21)	0	(1,503)	(1,503)	0	0	0	(1,503)	(1,503)
Controlling Outbreak Mgmt Fund (21/22)	0	(2,100)	(2,100)	0	0	0	(2,100)	(2,100)
Covid Compensation for loss of income	(500)	(700)	(200)	0	0	0	(700)	(200)
Corporate Contingency	1,248	0	(1,248)	0	0	0	0	(1,248)
Technical and Corporate Adjustment	10,595	17,155	6,559	(7,334)	0	0	9,820	(775)
Total Controllable Budget	6,347	9,015	2,668	(7,334)	0	0	1,681	(4,667)
Uncontrollable Budget	(4,154)	(26,068)	0	0	0	0	(26,068)	0
Total Corporate Budget	2,193	(17,053)	2,668	(7,334)	0	0	(24,387)	(4,667)
Total Budget Requirement	179,442	172,655	6,910	(8,037)	(4,157)	108,261	52,864	641

RESOURCES

2.2 As at Q1 the directorate is reporting a net overspend of £1.193m after a draw down from reserves and cross divisional adjustments. The main variances are detailed in the following paragraphs.

- **Business Support** – net overspend £33k. This relates to a scanning project which was scheduled in the previous financial year but delayed due to Covid-19
- **Customer Services/Access Harrow** – net overspend £359k. This reflects unachieved savings of £50k (£175k 2020/21 and £175k 2021/22). Cabinet agreed to close the telephone lines for Council Tax and Benefits resulting in a saving in staffing costs. The closure was due to take place from 1 October 2020 however Covid-19 prevented to the start of the programme of work required to shift to digital channels. It is anticipated that the work can be carried out over the next nine months and the discovery work for the digitalisation of Revenues & Benefits has commenced.
- **Management** – net overspend £179k. This is due to additional subscription costs £12k and the remainder relates to additional costs related to Covid-19 which will be funded by the centrally held COMF grant.
- **Strategy** – net overspend £227k. This relates to loss of income in the SIMS team as a result of Covid-19 which led to exam cancellations in schools of which £210k will be funded by the centrally held COMF grant.
- **Finance & Insurance** – net overspend £155k. This is due to increased insurance premiums as a result of rate increases across the general insurance market as well as loss of income as several schools have joined the Government's Risk Protection Arrangement insurance scheme.
- **Revenues & Benefits** – net overspend £330k. This is due to increased workloads due to Covid-19 and additional resource spend on post-pandemic recovery work to decrease backlogs which built up. In addition, there are extra pressures to a 40% increase in working age council tax support applications over the last 12 months. The remaining £30k relates to system licence costs.
- **Legal & Governance** – net underspend £84k. This relates to Land Charges and Registration of Births, Deaths & Marriages where the income is expected to exceed the budget.

COMMUNITY

2.3 As at Q1 the directorate is reporting a net overspend of £1.159m after a draw down from reserves and cross divisional adjustments. It should be

noted that whilst it's assumed that Covid-19 related measures will cease in the financial year 2021/22 the expectation is that the legacy of these restrictions will continue to have an impact on the Council's financial performance. Growth of £5m was added to the budget in 2021/22 to support the anticipated loss of income due to Covid-19.

2.4 **Environmental Services – net overspend £1.189m**

2.5 Estates & Facilities Management

- **Facilities Management** – net overspend £1.030m. This is due to £209k Depot operational costs and £109k interim staffing arrangements across the service area. There is a further £711k of Covid-19 related works including fire risk assessments at Civic Centre and enhanced cleaning, fogging and security.
- **Corporate Estates** – net underspend £159k. This is due to over recovery of rental income across the Council's corporate property portfolio

2.6 Parking and Network Management

- **Parking Services** – income is expected to be lower than pre-Covid-19 levels however this is largely offset by budget growth in the MTFS to reflect the losses of income. Therefore, this area is forecasting a balanced budget.

2.7 Divisional Director

- **Staffing** – net underspend £75k. This is due to 2 vacant divisional director posts which at present are being covered by an interim member of staff

2.8 Licensing & Enforcement

- **Covid-19 Marshalls** – net overspend £398k.

2.9 Strategy, Development & Performance

- **Community Engagement** – net underspend £138k. This is due to vacant posts across the Community Engagement and School Crossing Patrol teams.
- **Contracts Management** – net overspend £32k. This is as a result of a forecast overspend on the Public Mortuary SLA which is partially offset by a small underspend on service overheads.

2.10 Transport and Environmental Operations

- **Transport** – net overspend £55k. This is due to staffing costs in the Fleet Management team
- **Waste Management** – net overspend £46k. This relates to service overheads.

2.11 Directorate Management – net overspend £178k

2.12 Covid-19 is expected to continue to result in losses of income in 2021/22. As part of the MTFS process budget growth of £5m was added to the Community directorate budget to recognise anticipated losses of income. This £5m growth is held within Directorate Management. As at Q1 it is anticipated that the losses of income due to Covid-19 will be £5.178m resulting in a net overspend of £178k.

2.13 Cultural Services – net underspend £207k

- **Harrow Museum** – net underspend £241k. A one-off payment of £325k is due from the National Heritage Lottery fund. This relates to the final 10% of the grant award for the Headstone Manor refurbishment project as the grant condition only allows that this funding is released after the final monitoring and evaluation report has been submitted and approved. This is partially offset by a pressure of £69k due to sunk costs in relation to proposals for a new funding application for Headstone Manor. In addition, there is a further £15k of additional Covid-19 costs.
- **Harrow Arts Centre** – net overspend £39k. This is due to additional enhanced cleaning costs related to Covid-19.
- **Libraries** – net underspend £5k. This is due to several part-time posts across the library portfolio which are forecast to remain vacant throughout the financial year of £30k partially offset by £25k in additional enhanced cleaning costs relating to Covid-19.

2.14 Housing General Fund

2.15 As at Q1 the Housing General Fund is projecting a balanced budget after a contribution to reserves of £1.020m and a cross divisional adjustment of £68k. The forecast also includes utilising £1.226m from the Homelessness Prevention Grant (formerly FHSG) to meet the costs associated with the Homelessness Reduction Act.

2.16 It is expected that there will be a significant increase in homelessness approaches from the private rented sector as Government support and mitigations such as the ban on evictions, furlough scheme extension and the extended six-month Section 21 notice period comes to an end. Mitigations are currently being worked on to minimise any financial implications.

2.17 Regeneration

2.18 The Regeneration Programme revenue budget for 2021/22 is £1.250m and is forecast to spend within budget. The majority of the costs relate to staffing and additional consultancy advice however a portion of the spend is attributable to the financial impact of Covid-19.

PEOPLE SERVICES

2.19 The forecast for People Services at Q1 is a net overspend of £2.956m after drawdowns from reserves and cross divisional adjustments.

2.20 The variations are explained in more detail in the following paragraphs.

Adult Services

2.21 As at Q1 the forecast for Adult Services is an overspend of £1.091m. This will require a planned draw down from the Adult Social Care reserve to balance the budget. The draw down is reflected within the corporate & technical budgets.

2.22 It should be noted that at this point of the financial year it is challenging to forecast the position with certainty given that the services continue to be affected by Covid-19.

2.23 **Strategic Management** – balanced budget. A balance of £186k is being held on the Directors contingency to mitigate any unplanned pressures arising during the year which cannot be reduced or eliminated elsewhere across the directorate

2.24 **Purchasing** – net overspend £1.255m. At Q1 the reported forecast for purchasing indicates planned activity above the allocated budget requiring a draw down from the Adult Social Care reserve. The position is complex and fluid and there are many variables which are uncertain at this stage which could potentially affect the forecast.

2.25 Early information indicates an increase of 20% in community referrals and 50% (previously one third) of hospital discharges requiring long term support. The forecast assumes the following:

- The Discharge to Assess process will continue until the end of September 2021 and results in the costs of the first 6 weeks (reducing to 4 weeks from July) of care being funded by the NHS.
- 15 new care packages per week (11 in the community and 4 in Nursing and Residential). Winter pressures have been assumed for 12 weeks starting from mid-November resulting in a further 2 Nursing Packages a week being required over this period.

- A number of CCG commissioned care packages from hospital discharges will transfer to the LA. This is currently estimated at £750k however social care reviews will determine any ongoing LA liability
- 325 deaths during the year
- That the £300k MTFS commissioning savings can be achieved and will be tracked in the recovery board and monitored monthly.

2.26 **Mental Health** – balanced budget. This is pending the implementation of the S75 overspend recovery plan by CNWL to reduce expenditure. A robust review of the financial effects of the recovery plan is awaited and no savings arising from this are currently assumed.

2.27 **Other Adults** – net underspend £75k. This reflects a lower level of equipment allocated to citizens of £218k offset by increasing staffing costs of £127k and a variation on contracts of £16k.

2.28 **In-House Services** – net underspend £89k. This is due to the phased opening of day care largely in relation to the budgeted costs of agency staff which enables the loss of income at Wiseworks to be mitigated.

Public Health

2.29 As at Q1 Public Health (PH) is reporting an overspend of £322k which will be managed through a draw down from the PH reserve. The overspend relates to wider health projects. There are ongoing projects which are being funded through reserves including the Dementia Hub, ADHD & Autism, Ridgeway Project and PNA assessment which is cyclical and has been delayed from 2020/21.

Children's Services

2.30 As at Q1 Children's Services is reporting a net overspend of £1.865m after draw down from reserves.

2.31 The headline pressure across the directorate is £5.020m with mitigating managements actions of £627k and £2.528m draw down from reserves. It should be noted that these management actions are one off and will not be available in future years.

2.32 The 2021/22 budget has increased by £1.226m through the MTFS to support anticipated growth in placements & accommodation and frontline staffing which is partially offset by a reversal of savings of £410k no longer achievable taking the net growth to £816k. There was also growth of £777k for SEN Transport to manage increased demand and costs.

2.33 **Frontline Teams Staffing & Other Costs** – net overspend £1.274m. In order to manage caseloads agency staff are required to cover vacant social

work posts, including sickness and maternity cover. There are around 20% of frontline posts which are covered by agency as well as increased 'As and when' workers to provide statutory supervised contact sessions. It has been necessary to recruit agency super numerate social workers in frontline teams to help manage increasing referrals and caseloads.

2.34 Children's Placements & Accommodation – net overspend £2.647m

2.35 In 2020/21 spend in these areas significantly increased compared with average spend in the previous two years. Largely this was attributed to Covid-19 however it is difficult to accurately work out exactly which costs are Covid-19 related and which are due to other demographic changes. Throughout 2020-21 the number of Children Looked After peaked at 207 in August 2020 compared to previous averages of around 170.

2.36 The current number of CLA is back down to around 170 however the number of young people currently accommodated have significant and complex needs which in some cases require expensive residential provision.

2.37 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 is supported by the Keeping Families Together service which aims to prevent young people coming into care or working on step down plans where safe to do so. In addition, there are targeted actions to reduce the average cost of service provision through negotiation with providers including block contract services for Asylum and also Leaving Care.

2.38 There are also issues regarding placement sufficiency as foster carers and other providers were reluctant to take new young people during COVID resulting in higher cost placements than necessarily required or young people staying longer in existing placements where they could have been stepped down. In addition, despite a successful in-house fostering recruitment campaign young people are still being placed out of borough for reasons of contextual safeguarding and not just placement sufficiency

2.39 Signers & interpreters and Legal costs – net overspend £117k. There are pressures mainly in relation to translation services, such as whole document translation of parenting assessments for individuals whose first language is not English as well as Legal disbursement costs including barrister and independent experts' fees in relation to care proceedings.

2.40 Client Spend Section 17 – net overspend £47k. There are pressures in relation to support to 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. This budget remains at risk due to increasing numbers of Children in Need.

2.41 Other Children and Young People Services – net overspend £82k. This is due to pressures on other non-staffing budgets including commissioned services.

- 2.42 **SEN Transport** – net overspend £272k. 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, increased complexity of children’s needs and pressures in the market in relation recruitment of qualified drivers. These issue lead to requirement for more single passenger journeys and the increased use of taxis and other hired transport.
- 2.43 **Education Services** – net overspend £552k. This is due to pressures in relation to SEN Assessment & Review Service and Educational Psychology for Covid-19 recovery of which £350k is funded from a draw down from a reserve. There is also an additional £145k pressure due to agency staff required to fill established vacancies in the Educational Psychology service which is struggling to recruit permanent staff and where agency staff are significantly more expensive than permanent staff.
- 2.44 **Capital Programme** - net overspend £29k. This relates to feasibility studies which must be charged to revenue until the it is determined whether the capital scheme can proceed.
- 2.45 The above pressures are partially mitigated by the following income/drawdowns:
- 2.46 **One-off grant and other income** – net underspend £627k.
- 2.47 **Drawdown from Reserves** – net underspend £2.528m.

Dedicated Schools Grant (DSG)

- 2.48 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
- 2.49 There is a projected overspend on the High Needs Block of £712k in 2021-22 which added to the cumulative deficit of £3.730m brought forward from 2019-20 and 2020-21 will take the total deficit at the end of March 2022 to £4.442m.
- 2.50 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. This is a temporary arrangement until 2022-23 beyond which LAs must demonstrate they have sufficient reserves to cover the deficits.

- 2.51 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.
- 2.52 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 2021-22 compared with the deficit shown in the authority's published draft accounts.
- 2.53 The final deficit at the end of 2020-21 of £3.730m represents 1.55% 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
- 2.54 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

HOUSING REVENUE ACCOUNT (HRA)

- 2.55 As at Q1 the HRA is forecast to make a small surplus of £74k which brings the reserves in line with the budgeted position. However, within this figure are significant variances. There are pressures of £678k of which £494k relates to lower rental income and £184k due to higher depreciation charges. These have been offset by lower capital charges of £752k.
- 2.56 The income pressure and lower capital charges are due to the reprofiling of the Council's House Building programme (lower property numbers than budgeted for and forecast reduction in requirement to borrow).
- 2.57 At present, operational expenditure is forecast to spend within budget. However, this will be monitored to understand the financial impact of the relaxation of Covid-19 restrictions.
- 2.58 The expected HRA reserve position is set out below at Table 2:

Table 2 – Housing Revenue Account Reserves 2021/22

HRA revenue balances £'000	Outturn 2020/21 pre audit	Budget	YTD actual	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000
Balance b/fwd	-7,526	-6,347	0	-6,347	0
Net (surplus) deficit	339		0	0	0
<u>Transfer to/(from) reserves:</u>					
Repairs reserve	114	0	0	0	0
Transformation reserve	250	0	0	0	0
Regeneration Reserve	550	0	0	0	0
Balance c/fwd	-6,273	-6,347	0	-6,347	0

CORPORATE AND TECHNICAL

2.59 As at Q1 the forecast for the corporate and technical budget is a net underspend of £4.667m as detailed below.

Corporate Items

2.60 As at Q1 the forecast for corporate items is a net overspend of £80k. This is due to increased costs related to the coroner's court.

Investment Properties

2.61 As at Q1 the forecast for investment properties is a net overspend of £80k. This is due to vacant space which results in loss of rental income.

2.62 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.

2.63 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.

2.64 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.

2.65 The annual estimated impact of vacant space at Kings House in 2021/22 is a loss of rental income of £395k. This is partly offset by earlier investment purchases achieving returns over and above their target hence the overall investment property pressure is forecast at £80k.

2.66 If this pressure materialises the council can call on the investment property reserve to mitigate this.

Transformation Savings

2.67 As at Q1 the transformation savings target of £1m is reporting an adverse variance as the target will not be met.

Covid-19 Grants & Income

2.68 In 2021/22 the council will receive the following Covid-19 grants and income as shown at Table 3

Table 3 – Covid-19 Grants & Income

Description	£000
Covid-19 Expenditure Pressures Grant 2021/22	6,051
Controlling Outbreak Management Fund	
- 2020/21 brought forward	1,503
- 2021/22 allocation	2,100
Compensation for loss of sales, fees & charges	700
Total Covid-19 grants and income	10,354

2.69 The Covid-19 Expenditure Pressures Grant 2021/22 allocation of £6.051m was included in the overall 2021/22 budget on a one-off basis. Compensation for loss of sales, fees & charges was also included in the budget on a one-off basis but at an estimated lower value of £500k.

2.70 Both COMF allocations have been earmarked to additional expenditure within the directorates including enhanced cleaning, fire risk assessments, communications, Covid-19 marshals and other COMF relevant activities.

Central Contingency

2.71 The central contingency of £1.248m was not required and therefore there is an underspend against this budget.

Technical and Corporate Adjustments

2.72 As at Q1 there is a projected net underspend of £775k in the technical and corporate adjustments budgets which is primarily an underspend on capital financing costs and interest charges.

RESERVES

2.73 Attached at Appendix 2 is a schedule of all the reserves held by the Council.

GRANTS

2.74 Attached at Appendix 3 is a schedule of all the grants the Council is anticipating receiving in 2021/22.

MTFS IMPLEMENTATION TRACKER

2.75 The 2021/22 budget includes approved MTFS savings of £3.443m.

2.76 Attached at Appendix 4 is a schedule 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 4 below:

Table 4: 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

2.77 Table 5 below shows the summarised position for each directorate for 2021/22:

Table 5 - Savings Tracker 2021/22 – Directorate Summary

	Resources	People Services	Community	Corporate	Total	%
	£'000	£'000	£'000	£'000	£'000	
Red	-175		-34	-1,000	-1,209	35%
Amber			-36	-144	-180	5%
Green	-1,759		-295		-2,054	60%
Totals	-1,934	0	-365	-1,144	-3,443	100%

2.78 In 2022/23 the MTFS savings total is £3.443m. 35% of these savings are rated red which means that these savings will not be delivered in this financial year.

2.79 The red savings of £1.209m relate to the following savings:

- Resources £175k – Customer Services: Reduction in Customer Channels. Cabinet agreed to close the telephone lines for Council Tax and Benefits to reduce the Access Harrow budget by £350k through staff reduction. The closure was due to take place from 1 October 2020 with the budget reduction being equally split between 2020/21 and 2021/22. However, Covid-19 prevented the start of the programme of work required to channel shift Revenues & Benefits to digital channels. It is anticipated that the work can be carried out over the next nine months.
- Community £20k – Building Control. Income is adversely impacted by Covid-19 and it is unlikely that any additional income will be generated in 2021/22.
- Community £14k – Housing General Fund: Travellers Site. The Housing service will be unable to carry out this review in 2021/22 to achieve full cost recovery. The saving will be met from within the Housing General Fund in 2021/22.
- Corporate £1m – Transformation Savings.

3.0 **CAPITAL PROGRAMME**

3.1 The revised capital budget for 2021/22 is £212.250m as set out at Table 9:

Table 9: Capital Programme 2021/22

Directorate	TOTAL BUDGET (A+B)	Forecast Spend	Forecast Variance	Slippage	Underspend after slippage
	£'000	£'000	£'000	£'000	£'000
RESOURCES TOTAL	14,833	14,583	(250)	(250)	0
COMMUNITY					
Commissioning and Environment	36,868	35,117	(1,751)	(60)	(1,691)
Cultural Services	2,958	2,708	(250)	(250)	0
Housing General Fund	12,348	12,263	(85)	0	(85)
Regeneration, Enterprise and Planning	16,593	16,053	(540)	(540)	0
COMMUNITY TOTAL	68,767	66,141	(2,626)	(850)	(1,776)
PEOPLE					
Adults	411	411	0	0	0
Public Health	9	9	0	0	0
Children	28,466	11,060	(17,406)	(17,406)	0
PEOPLE TOTAL	28,886	11,480	(17,406)	(17,406)	0
TOTAL GENERAL FUND	112,486	92,204	(20,282)	(18,506)	(1,776)
TOTAL HRA	99,764	98,791	(973)	(900)	(73)
TOTAL GENERAL FUND & HRA	212,250	190,995	(21,255)	(19,406)	(1,849)

- 3.2 The general fund capital programme budget in 2021/22 is £112.486m. The net forecast position on the capital budget at Q1 is £92.204m which represents 82% of the total capital programme budget. The variance of £20.282m is made up of proposed slippage of £18.506m and an underspend of £1.776m. Further details are set out at the following paragraphs.

RESOURCES

- 3.3 As at Q1 the Resources capital programme is forecasting to spend £14.528m which represents 98% of the total budget.
- 3.4 There is a variance of £250k in relation to the Careline Devices Replacement Programme and this will be slipped to 2022/23 as the programme is phased over two years. There are no revenue implications as a result of this slippage.

COMMUNITY

- 3.5 As at Quarter 1 the Community Directorate forecast is an overall spend of £66.140m which represents 96% of the total budget.
- 3.6 The forecast variance of £0.850m is planned to be slipped into 2022/23 and £1.776m is forecast as underspend in this year's Capital Programme.

Environment

- 3.7 The services forecast to spend £35.117m in 2021/22 and to slip a budget of £0.060m to 2022/23. £1.691m is reported as budget underspend. Projects with a budget variance are summarised below.
- 3.8 There are a couple of major transport infrastructure projects in Wealdstone area in the capital programme – Bus Improvements scheme and Liveable Neighbourhood. Both projects require significant external funding from TfL supported by a match fund from BCIL. TfL funding has been adversely affected by the Covid-19 pandemic. Following its funding review, TfL confirmed the release of the funding for the bus improvements scheme in 2021/22 to continue the works that started in the previous financial year. However, no funding has been allocated for Liveable Neighbourhood. £300k was originally assumed to be allocated in 2021/22 capital programme, and this is forecast as an underspend until there is any update from TfL funding.
- 3.9 TfL funding update is awaited on the annual Local Implementation Plan, therefore the budget of £1.391m in the capital programme is reported as an underspend at this stage.
- 3.10 There is a budget of £0.060m allocated for vehicles procurement in 2021/22. This is primarily for the replacement of a couple of vans and cars according to their age profile. Following an assessment on vehicles'

condition, it is decided that the vehicles are to be kept for another year and therefore this budget is slipped to 2022/23.

Culture

- 3.11 The services forecast to spend £2.708m in 2021/22 and to slip a budget of £0.250m to 2022/23. Projects with a budget variance are summarised below.
- 3.12 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 the New Build phase is complete. Based on the latest project timeline, it is forecast to spend £1.763m in 2021/22 and the rest of the budget profiled in this year (£250k) will be slipped to 2022/23.

Enterprise & Planning

- 3.13 The services forecast to spend £4.344m and to slip a budget of £0.540m to 2022/23. Projects with a budget variance are summarised below.
- 3.14 The Wealdstone Future High Street Fund project is funded by MHCLG with a match fund from BCIL. There is a total budget of £9.209m over 3 years. £1.500m was originally estimated for year 1 when the Capital Programme was prepared. Subsequent reviews of the project plan and the signing of the Memorandum of Understanding confirm the funding profiled to year 1 of £0.960m. Therefore the £0.540m in 2021/22 is forecast to be slipped to 2022/23.
- 3.15 Unless explicitly stated above there are no revenue implications as a result of the slippage.

Housing General Fund

- 3.16 The services forecast to spend £12.263m in 2021/22. £0.085m is reported as a budget underspend. Projects with a budget variance are summarised below.
- 3.12 Additional DFG grant was carried forward at 2020/21-year end resulting in a corresponding £0.085m reduction in borrowing requirement for 2021/22.

Regeneration

- 3.13 At this stage, the service is forecasting spend to budget. There are some known risks to this position identified on Waxwell Lane (£0.220m) due to some immature Japanese Knotweed identified on site, boundary tree issues, design and drainage issues but at this stage it is thought this will be contained within the existing budget.

PEOPLE SERVICES

- 3.20 The total People Services capital budget in 2021/22 is £28.886m. As at Q1 the projected spend is £11.480m which represents 40% of the total budget. Further details are set out at the following paragraphs.

Adult Services

- 3.21 The Adult Services capital budget in 2021/22 is £411k. As at Q1 this is forecast to spend to budget.

Public Health

- 3.22 The Public Health capital budget in 2021/22 is £9k. As at Q1 this is forecast to spend to budget.

3.23 Children's Services

- 3.24 The Children's Services capital budget in 2021/22 is £28.466m. It is proposed to slip the majority of this funding totalling £17.406m to future years. The majority of the slippage relates to external grant funding allocated for basic need school places. However, at present the school roll projections do not indicate that there is a need for permanent expansion at this time.

- 3.25 There are no revenue implications as a result of this slippage.

HOUSING REVENUE ACCOUNT

- 3.26 The HRA capital programme budget is £99.764m. The net forecast position on the HRA capital budget at Q1 is £98.791m which represents 99% of the total HRA capital programme budget. The variance of £973k is made up of proposed slippage of £900k and a net underspend of £73k.

- 3.27 The slippage of £900k relates to the Planned Investment Programme: Heating upgrades to sheltered blocks. This is due to delays within the tender process which has result in a review of the timeline. It is proposed to slip £900k to 2022/23. There are no revenue implications as a result of this slippage.

- 3.28 The underspend of £73k relates to the Planned Investment Programme: 3-storey fire door programme. This is due to changes and omissions within the programme which has result in a reduction to the required contract sum resulting in an underspend of £73k.

AMENDMENTS TO THE CAPITAL PROGRAMME 2021/22

- 3.29 The following amendments include realignment of capital programmes as well as additions required to the Capital Programme which are all funded by grant. The cost of additional borrowing required through the

HRA will be met within the HRA and therefore no additional capital financing costs will be incurred within the Council's general fund.

Additions to the Capital Programme

3.30 Bernays Garden Wall Restoration - £41,531

3.31 Following a successful funding application of the Repairs Grants for Heritage at Risk, Historic England will provide £41,531 towards the repair of both faces of the Grade II listed wall to Bernays Garden in Stanmore. The Council will provide 50% match funding for the project which has already been set aside in the Parks Infrastructure programme. It is therefore proposed that the additional funding of £41,531 is added to the capital programme

3.32 Mayor's Rough Sleeping Accommodation Programme (RSAP) - £2,880,915

3.33 The Council has been successful in a bid to the GLA for the 2021–2024 Mayor's Rough Sleeping Accommodation Programme (RSAP). The funding awarded is £1,350,000 capital and the HRA will be contributing additional borrowing of £1,430,916 and utilising £99,999 of s106 monies this financial year. The funding needs to be spent by 31 March 2022. It is therefore proposed to increase the 2021/22 capital programme by £2,880,915 to reflect the additional grant funding. This will enable the purchase of 9 properties to house rough sleepers. The Council has also been awarded revenue funding of £315k to provide specialist support to residents.

3.34 ICT Dynamics – £500,000 draw down

3.35 The existing ICT capital budget includes provision for the new Dynamics ERP system which is being implemented at present. There was a report to Cabinet in April 2021 setting out a delay in the project from a go-live date in April 2021 to a July/August 2021 go-live.

3.36 As the project has progressed it has been necessary to agree a further delay and also a split go-live so that the Finance elements of the system go live in October and HR will go live at a later date yet to be confirmed but by March 2022. Although the split go live has been necessary because of problems developing an interface to the schools system, SIMS, the split has the benefit of reducing the risk of going live in one 'big-bang'.

3.37 In addition, the delayed HR go-live should provide some scope for the in-house project team to look at bringing forward some of the additional HR functionality that was to be done in a second phase of the Dynamics project. The budget for this second phase is £1.7m and is already in the capital programme. Should this be possible then the equivalent amount it would cost to bring in this functionality, can be used to contribute towards the delay cost.

3.38 The cost of the delay for both Finance and HR elements for the Council is estimated to be under £500k. At this stage as work still needs to be undertaken to scope out what phase II work can be accommodated, the full £500k needs to be funded from the Phase II budget. There is no addition to the programme required but Cabinet is asked to note the requirement to draw down approximately £500k from the Phase II Dynamics budget already included in the Resources Capital Programme.

4.0 COUNCIL TRADING STRUCTURE UPDATE 2021/22

4.1 The Council's Trading Structure update 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.

4.2 Appendix 7 (exempt) details Sancroft's Business Plan Refresh (2017-2023) which Cabinet is recommended to approve.

4.3 In November 2018, Cabinet approved the use of Concilium Assets LLP as the Council's Private Rented Sector (PRS) investment vehicle to operate the Council owned 53 PRS units at Gayton Road. The LLP started trading on 1 January 2019 and the 53 units were transferred to the LLP in July 2019 on a 10-year lease.

4.4 The report recommends Cabinet approves the Concilium Assets LLP updated Business Plan at Appendix 8 (exempt). The activities of Concilium Assets LLP have been largely unaffected by Covid-19 and the business has remained resilient.

4.5 The budgeted contribution of £450k was transferred into the Council in 2020-21. Following the commercial experience of running a business of this nature for the past two financial years the MTFS contribution is being re-profiled. The quantum of the contribution remains at £641k but will be received over a four-year period rather than three.

5.0 REPORTING FOR THE 2021/22 FINANCIAL YEAR

5.1 This is the first revenue and capital budget monitoring report for 2021/22.

5.2 Cabinet will receive quarterly monitoring reports during the year as follows:

- Quarter 2 – December 2021
- Quarter 3 – February 2022
- Outturn report – June 2022

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.

As at Q1 the forecast position on the revenue budget is an overspend of £641k

For the 2021/22 savings built into the MTFS total £3.443m. The overall position is that 60% of the savings are RAG rated as Green (Clear delivery plans in place and project running to timescale), 5% amber (Potential for slippage, project will be delivered as originally intended but not within timescale, so saving will not be fully realised) and 35% red (Project may have started but will deliver no savings in the current financial year).

As at Q1 the capital programme is projecting spend of £190.995m which is 90% of the overall capital programme.

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
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 contributions and HRA borrowing costs met within the HRA thus no additional capital financing costs will be incurred by the Council's general fund budget	Green
Failure to deliver the budget on target	<ul style="list-style-type: none">At Q1 the council can broadly manage a balanced budget, reporting a small overspend of £641k.It is anticipated that by the end of the year this can be contained within budget through continued robust budget monitoring and challenge.	Green
Trading companies' failure to deliver	<ul style="list-style-type: none">Quarterly stakeholder groups	Green

required contribution to the MTFS	<ul style="list-style-type: none"> ▪ Review of financial and non-financial performance information 	
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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 3.33 to 3.41" it is not considered that this will have a detrimental equalities 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: Sharon Daniels

Signed on behalf of the Chief Financial Officer

Date: 13 September 2021

Statutory Officer: Jessica Farmer

Signed on behalf of the Monitoring Officer

Date: 14 September 2021

Chief Officer: Dawn Calvert

Signed on behalf of the Corporate Director

Date: 13 September 2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 13 September 2021

Head of Internal Audit: Susan Dixon

Signed by the Head of Internal Audit

Date: 13 September 2021

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:

- [2021/22 Budget Report](#)

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

NO