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**REPORT FOR: CABINET**

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<b>Date of Meeting:</b>	17 June 2021
<b>Subject:</b>	Revenue and Capital Monitoring 2020/21 – Final Outturn
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance and Assurance
<b>Portfolio Holder:</b>	Councillor Natasha Proctor, Deputy Leader and Portfolio Holder for Finance and Resources.
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All wards
<b>Enclosures:</b>	Appendix 1 – Summary of 2020/21 Revenue Budget Forecast by Directorate Appendix 2 – Summary of Reserves Appendix 3 – Summary of Carry Forwards Appendix 4 – 2020/21 Savings Tracker Appendix 5 – Capital Programme 2020/21 Appendix 6 – Trading Company Update 2020/21

## Section 1 – Summary and Recommendations

This report sets out the Council's final revenue and capital outturn position for 2020/21.

### **Recommendations:**

1. That Cabinet notes the revenue and capital outturn 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 3.6 and 3.33 to 3.44
3. That Cabinet note the Council's Trading Update as detailed in Appendix 6.

### **Reason: (For recommendations)**

To report the 2020/21 financial outturn position and to update Cabinet on trading company performance.

## Section 2 – Report

### 1.0 **INTRODUCTION**

- 1.1 This is the final budget monitoring report for 2020/21.
- 1.2 The final outturn on the revenue budget for 2020/21, after the planned use of reserves which are largely applied to fund one-off projects and cross divisional adjustments including one-off income, is a balanced position after transfers to reserves.
- 1.3 The final spend on the total capital programme is £54.597m, 58% of the total Capital Programme budget. The final spend on the General Fund is £42.060m, (58% of budget). The variance of £30.204m is made up of proposed slippage of £20.684m and a residual variance of £9.520m.
- 1.4 The final spend on the Housing Revenue Account Capital Programme is £12.537m (56% of budget). The variance of £10.041m is made up of proposed slippage of £8.941m and a net underspend of £1.1m.

### 2.0 **REVENUE MONITORING**

- 2.1 The revenue outturn position is balanced following transfers to reserves. 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 – final outturn 2020/21**

Directorate	Revised Budget	Outturn	To/ (From) Reserves	Cross Divisional Adjustment	Carry Forwards	Revised Outturn	Variance to budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Resources</b>	<b>36,938</b>	<b>41,883</b>	<b>490</b>	<b>0</b>	<b>245</b>	<b>42,618</b>	<b>5,680</b>
<b>Community</b>							
Commissioning & Commercial Services	(4,431)	5,878	80	0	160	6,118	10,549
Environment & Culture	23,226	25,710	(184)	0	808	26,334	3,108
Directorate Management	195	245	(56)	0	0	189	(6)
Housing General Fund	4,557	4,445	707	(272)	165	5,044	487
Enterprise & Planning	1,291	(904)	1,967	0	324	1,387	96
Regeneration	0	8,234	0	0	0	8,234	8,234
<b>Total Community</b>	<b>24,838</b>	<b>43,608</b>	<b>2,514</b>	<b>(272)</b>	<b>1,457</b>	<b>47,306</b>	<b>22,468</b>
<b>People</b>							
Adults Services	66,783	65,304	86	0	0	65,390	(1,393)
Public Health	(1,814)	(2,359)	545	0	0	(1,814)	0
Children's Services	33,845	32,168	2,914	0	0	35,082	1,237
<b>Total People</b>	<b>98,814</b>	<b>95,113</b>	<b>3,546</b>	<b>0</b>	<b>0</b>	<b>98,659</b>	<b>(156)</b>
<b>Total Directorate Budget</b>	<b>160,591</b>	<b>180,604</b>	<b>6,550</b>	<b>(272)</b>	<b>1,702</b>	<b>188,583</b>	<b>27,992</b>
Covid-19 Grant Allocations		(22,188)				(22,188)	(22,188)
Covid-19 estimated income compensation		(6,207)				(6,207)	(6,207)
Corporate Items	4,904	4,566	0	0	0	4,566	(338)
Corporate Contingency	1,248	0	0	0	0	0	(1,248)
Technical and Corporate Adjustment	12,058	(1,224)	15,271	0	0	14,047	1,989
<b>Total Corporate</b>	<b>18,210</b>	<b>(25,053)</b>	<b>15,271</b>	<b>0</b>	<b>0</b>	<b>(9,782)</b>	<b>(27,992)</b>
Uncontrollable Budget	(4,041)	(4,041)	0	0		(4,041)	0
<b>Total Budget</b>	<b>174,760</b>	<b>151,510</b>	<b>21,821</b>	<b>(272)</b>	<b>1,702</b>	<b>174,760</b>	<b>0</b>

## RESOURCES

- 2.2 At the end of the financial year the Resources directorate is reporting a net overspend of £5.680m after taking into account a carry forward request of £245k. The £5.680m includes COVID-19 related costs and loss of income totalling £4.690m as well as an overspend on business as usual of £990k. This is after the draw down and contribution to reserves and cross divisional adjustments.
- 2.3 The business as usual net overspend reflects £1.017m spend which was planned to be funded from reserves, however this funding was not drawn down and the uncommitted remaining balance on this reserve will be added to the budget planning reserve to support future years budgets.
- 2.4 The remaining variances are set out as follows:

- **Business Support** net underspend of £36k due to staff supporting the Access Harrow duties funded from other sources.
- **Customer Services/Access Harrow** net overspend £398k. This reflects the additional costs of staffing to cover staff shielding and absence as well as unachieved savings in the planned change of communication channels (Revenues and Benefits).
- **ICT** net overspend £770k related to COVID-19 due to investment in remote working, additional licenses, telephones and teleconferencing
- **Management** net overspend £1.114m. This reflects additional spend of £304k on ICT, COVID-19 building safety measures and Flexible Futures. In addition, a further overspend of £810k relates to £783k transformation cost initially planned to be covered from reserve funding and the balance of £27k relates to various smaller variance.
- **Internal Audit and CAFT** net £62k underspend which relates to a vacancy which will be recruited to in 21/22.
- **Finance and Insurance** net overspend £2.152m of which £2.137m relates to COVID-19 related grants to Harrow Community Action, Harrow Community Transport and ICT – Connected Performance, food parcels delivery and increased mortuary fees.
- **Revenues and Benefits** net overspend £717k of which of which £240k relates to loss of summons income within the Collections & Housing Benefits Service due to central Government not allowing Local Authorities to instigate court actions during COVID-19 to pursue the debts for Council Tax & Business Rates. There were also additional costs in Benefits and Revenues Teams due to extra Capita support and overtime payments to staff to provide extra capacity and backfilling for those staff who worked on COVID-19 grant schemes and related self-isolation grants as well as additional resources to deal with additional 2.500 claims for Council Tax support from working age households due to the pandemic. Finally, £184k reflects an increased contribution to the Housing Benefit bad debt provision. Due to the uncertainty related to COVID-19 the provision was increased from 60% to 70% cover.
- **Procurement** net underspend £101k which reflects a vacancy within the procurement team pending recruitment.
- **HR** net overspend £242k due to increased employees related activities as a result of COVID-19 as well as costs related to Change Management and Workforce equalities projects which were planned to be funded from reserve funding.

- **Legal & Governance** net underspend £248k of which £211k overspend reflects loss of income from Land charges, Citizenship ceremonies and Register of Birth, Death and Marriages due to lockdown and movement restrictions. This is offset by £459k underspend across registration services where income exceeded the budgeted income target. This is due to a delay in transfer of land charges service to Land Registry in 2021/22. In addition, there is an underspend in Democratic services and Legal management due to a reduction in service activity, meetings, postage, printing and procurement of external legal support during COVID-19.
- **Strategy** net overspend of £233k of which the majority reflects additional costs related to COVID-19 across the division incurred on Community Resilience team, assistance with establishing the community hub, additional cost of communication, loss of advertising income within communication team and loss of income from schools within the SIMS team due cancellation of the Key Stage tests this year.
- **Investment properties** net overspend £500k of which £100k relates to COVID-19 due to loss of income due to vacant space. The remaining £400k reflects an increased contribution to Investment property reserve to provide for the long-term impact of COVID-19 on the commercial rental market.

## COMMUNITY

2.5 The revenue outturn position for the Community directorate is an overspend of £22.468m, after taking into consideration of £1.457m carry forward requests. Of this £9.830m includes COVID-19 related costs as well as an overspend on business as usual of £12.639m.

**Table 2: Community Services Revenue Outturn 2020/21**

Division	Budget	Outturn	To/ (From) Reserves	Cross divisional adjmt	Carry Forwards	Revised Outturn	Variance to budget
	£000	£000	£000	£000	£000	£000	£000
Commissioning & Commercial	(4,431)	5,878	80	0	160	6,118	10,549
Environment & Culture	23,226	25,710	(184)	0	808	26,334	3,108
Directorate Management	195	245	(56)	0	0	189	(6)
Housing General Fund	4,557	4,445	707	(272)	165	5,044	487
Enterprise & Planning	1,291	(904)	1,967	0	324	1,387	96
Regeneration	0	8,234	0	0	0	8,234	8,234
<b>Total Budget</b>	<b>24,838</b>	<b>43,608</b>	<b>2,514</b>	<b>(272)</b>	<b>1,457</b>	<b>47,306</b>	<b>22,468</b>

### 2.6 Commissioning & Commercial Services

2.7 Commissioning and Commercial Services shows an overspend of £10.549m, attributable to the following:

- Parking Services - £5.657m. A significant loss of income was experienced across the service area as a direct result of COVID-19 restrictions reducing levels of traffic activity. This includes £3.857m in lost receipts from penalty charge notices (PCN) and £1.625m from Pay & Display parking income.
- Facilities Management - £1.905m. Cost pressures in building repairs and maintenance works resulted in an overspend of £508k. FM services to schools – including school cleaning – experienced an underachievement of income totalling £375k. Staffing expenditure overspent by £230k, due mainly to the use of interim staffing arrangements – with a further overspend of £173k on security costs at the depot. This has been partially offset by an underspend of (£120k) on utility costs and (£20k) on other miscellaneous expenditure. As part of 2021/22 budget process, a growth of £300k was provided in the MTFs to address the cost pressures in building repairs and maintenance. The completion of condition surveys recently will help inform and prioritise building repair works. In 2021/22, the service has also ceased to provide cleaning service to schools and this will address the historical deficit in the school cleaning account.
- The financial impact of COVID-19 resulted in a further spend of £511k on cleaning, fogging, and security. The cost of carrying out fire risk assessments led to a further overspend of £30k. In addition, rental income from the Depot underachieved by £82k, whilst reduced visitors and staff car park usage has resulted in a further loss of income of £133k.
- Divisional Director for Commissioning Services - £1.986m. The decision to discontinue several capital projects results in abortive costs totalling £1.201m. In addition, there is a net overspend of £24k on staffing related costs. The £681k MTFs target relating to commercial income from the Depot and £80k MTFs target relating to Vernon Lodge were not achieved, and these had been reversed as part of 2021/22 MTFs process.
- Business & Commercial - £465k. With fewer works being carried out due to lockdown restrictions, there is an underachievement of income totalling £403k. In addition, there is a staffing pressure of £63k.
- Corporate Estates - £234k. Given the impact of COVID-19 on local businesses within the borough, a rental payment holiday has been granted to eligible tenants, resulting in a loss of rent income.
- Contracts Management - £261k. There are overspends on staffing costs of £156k. In addition, the previous MTFs saving target of £40k in relation to contract procurement was not achieved, whilst the Public Mortuary service area overspent by £30k. These costs are partially offset by a forecast (£9k) underspend on consultant fees and other miscellaneous costs. A £43k overspend relating to Trading Standards SLA was planned to be funded from reserves.

- Catering - £205k. A net under-achievement of income following the closure of "The Retreat" and minimal activity from the Depot canteen. The income loss has been partially offset by reduced spend on agency staffing, catering supplies and equipment that would typically be required if the service was operating as BAU.
- Transport - £171k. A net overspend of £80k on staffing costs, including a £40k severance payment provided for the Head of Service. In addition, there is an overspend £60k on vehicle associated expenditure. The impact of COVID has reduced the level of income generating works carried out, resulting in an underachievement of £31k.
- Community Engagement £26k due to a net overspend on miscellaneous expenditure.
- There is a net underspend of (£361k) elsewhere across the division, due primarily to an overachievement of income within Network management.

## 2.8 Environment & Culture

2.9 Environment and Culture shows an overspend of £3.108m, attributable to the following:

- Leisure & Sports - £1.271m. The financial impact of COVID-19 placed significant cost pressures on the Council's leisure provider, Everyone Active (EA). A decision was made to provide financial support to EA, resulting in an overspend of £611k. In addition, the loss of income from reduced activities totalled £772k. This has been partially offset following the receipt of (£112k) in rental income from the NHS for their use of Council facilities as a vaccination centre.
- Public Protection - £782k. There was a net underspend of (£61k) of staffing costs. In addition, the service suffered a £515k loss of income from licensing and enforcement works. A lack of activity and applications as a result of social distancing and other lockdown restrictions across several areas, including Street Trading and Highways licences Furthermore, there was net spend of £276k as a result of using the Kingdom contractor to carry out COVID-related works. This expenditure is net of government grants received to help fund cost pressures. There was an overspend of £50k on PPE and other such items within the Health & Safety service.
- Waste Management - £568k. The service experienced a net underspend on staffing budgets of (£171k). A loss of Garden Waste subscription income totalling £102k due to the suspension of service for 6 weeks (resumed 11th May). A refund was made to customers for non-collection weeks. In addition, there was a further loss of income of £51k from textile and metal recycling works, and £106k in reduced disposal charges from trade

customers at the C.A site. There was a further overspend of £480k on the WLWA levy due to higher residual waste tonnage than budgeted for.

- Harrow Museum - £498k. The service suffered a net loss of income of £612K from across the Museum's fee generating services. An additional £36k was spent on staffing costs, with a further overspend of £49k on miscellaneous costs and service overheads. These overspends were partially offset by savings of (£71k) incurred following reduced spend on catering and supplies costs. The service was successful in securing the Arts Council Cultural Recovery Fund. This totalled (£245k) and partially offsets some of the above loss of income relating the impact of COVID-19.
- Clean & Green - (£271k). Additional income from grounds maintenance works carried out on various HRA sites was achieved (£174k). There was an underspend of (£88k) on vehicle and utility expenditure. Spend on staffing, including agency workers and overtime, was (£80k) less than budgeted for. There was, however, an underachievement of £94k in income from across the Parks and Opens Spaces fee generating services; this includes pitch bookings and income from advertising. Additional fencing works of £8k at cemeteries were also undertaken to ensure social distancing is achievable.
- Divisional Director for E&C - £190k. A net overspend on staffing costs, driven by expenditure on interim staffing arrangements.
- Harrow Music Services – (£136k). A net underspend on staffing salaries and service overheads of (£171k). The service was adversely affected by the pandemic, especially following the temporary closure of schools. As a result, there was an underachievement of income totalling £285k. There was a further £10k additional expenditure on the preparation of holding online lessons. With fewer face-to-face lessons being carried out, the service made savings of (£69k) on equipment and leasing spend, and (£24k) on staffing spend. The above cost pressures have been partially mitigated by additional grant funding from the Arts Council Culture Recovery Fund (£135k) and reduced expenditure on examination fees (£32k).
- Libraries - £103k. The service achieved a net underspend of (46k) on staffing costs. This is owing to several budgeted positions that remained vacant through most of the financial year. The impact of COVID-19 resulted in additional building cleaning and sanitising costs, totalling £86k, and a 63k loss of income from Library activities. These income streams include room hiring, charges levied against overdue payments, and other events and activities.
- Harrow Arts Centre - £103k. Due to a lack of events being held at the Arts Centre, there was a net underachievement of income totalling £413k (loss of income offset by savings made from reduced service-led expenditure). In addition, there was a £27k under recovery of recharge income following the

closure of Hatch End pool. The service area incurred increased cleaning costs as a result of weekly fogging requirements (for 6 months) £19k. The service has been successful in securing the Arts Council Cultural Recovery Fund; this totals (£356k) and partially offsets some of the above loss of income relating the impact of COVID-19.

## 2.10 Enterprise & Planning

2.11 Enterprise and Planning shows an overspend of £96k, attributable to the following:

- Economic Development & Research - £65k. The service overspent by £23k on staffing costs, due mainly to an honorarium arrangement. In addition, and to help manage the impact of COVID-19, a further £19k was spent on 3<sup>rd</sup> party and staffing costs to support business economic recovery. £23k of Tier 2 related expenditure will no longer be funded for corporately
- Planning & Building Control - £44k. A loss of income from Building Control statutory fees; this has been partially offset, however, by an overachievement in Planning income
- Planning Policy – (£13k). Underspends on staffing costs, including agency workers.

## 2.12 Regeneration

2.13 The final outturn on the Regeneration Programme revenue budget for 2020/21 is £8.234m. Of this £335k spend pressure is attributable to the financial impact of COVID-19. The outturn also includes a write-off of £7.153m for abortive costs of in respect of the pre-HSDP Regeneration Programme.

## 2.14 Housing General Fund

2.15 Housing Services is showing a balanced position after applying £0.961m from the Flexible Homelessness Support Grant (FHSG) to meet the business as usual costs associated with the Homelessness Reduction Act. There is a further cross divisional adjustment of £272k associated with financing costs for the Property Acquisition Programme.

## PEOPLE SERVICES

2.16 The final outturn for the People Services directorate is a net underspend of £156k. This is made up of an underspend on business as usual of £1.897m and a COVID-19 related pressure of £1.741m.

### **Table 3: People's Services Revenue Outturn 2020/21**

Division	Revised Budget	Outturn	To/ (From) Reserves	Cross divisional adjmts	Carry Forwards	Revised Outturn	Variance to budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults	66,783	65,304	86	0	0	65,390	(1,393)
Public Health	(1,814)	(2,359)	545	0	0	(1,814)	0
Children's Services	33,845	32,168	2,914	0	0	35,082	1,237
<b>Total</b>	<b>98,814</b>	<b>95,113</b>	<b>3,546</b>	<b>0</b>	<b>0</b>	<b>98,659</b>	<b>(156)</b>

2.17 The variations are explained in more detail as follows

### Adult Services

2.18 The final outturn for Adult Services is an underspend of £1.393m against the 2020/21 budget which includes Health Discharge funding of £1.358m. The cause of the underspend is highlighted as below

### 2.19 Strategic Management

2.20 An overspend of **£1.475m** is caused by the following:

- £0.713m: Costs associated with purchasing PPE, which was commissioned via the WLA and largely allocated to providers although some supplies will have been used within the Council.
- £0.604m: Payments made to support providers as agreed in the Leader's Decision Report of 6<sup>th</sup> May, which set out and approved the strategy of support to providers. This included a 5% Temporary Additional Payment made in May.
- £0.158m Cost of additional temporary staff in the service engaged above the agreed establishment to support social work practice during the pandemic.

### 2.21 Purchasing

2.22 A total net underspend of £0.920m which reflects the impact of COVID-19 on placements and services to meet citizens needs. Pressures totalling £2.272m are as follows:

- An overspend of £1.141m on the Learning Disability (LD) and non-Learning Disability care packages budget caused by variations to packages for existing citizens and an increase in the cost of new packages above budgeted assumptions of £0.909m, with the remaining £0.232m attributable to the partial achievement of MTFs savings.

- Pressure of £0.468m because of an increase in the bad debt provision requirement
- The budgeted brought forward Adult Social Care (ASC) grant from 2019/20 of £0.663m has not been drawn down as planned given the in year position. This contributed to the specific ASC reserve in 2021/22 (of £1.921m) which will provide support for any increased ongoing pressures in 2021/22

2.23 The pressures highlighted above are offset by underspends of £3.192m in the following areas in the Purchasing service:

- £1.781m due to an increased number of deaths above the budgeted assumptions
- £0.678m because of lower levels of expenditure in relation to Respite, Carers, Reablement and College Transport costs.
- £0.520m in the Children and Young Adults (CYAD) service due to care package commitments overstated in the social care system in relation to Domiciliary care, short breaks, and Direct Payments.
- £0.213m in relation to the BCF due to a combination of the Better Care Fund (BCF) uplift which delivered additional income, as well as underspends against the BCF staffing budget.

## 2.24 COVID-19 Discharge Funding

2.25 An underspend of **£1.358m** representing the unbudgeted contribution from health in relation to the increased cost and volume associated with discharges during the covid period.

## 2.26 Mental Health

2.27 Underspend of **£0.338m** - This is due to there being lower Central North West London (CNWL) Personal Budget and Placement package costs than budgeted for in 2020/21.

## 2.28 Other Adults

2.29 Overspend of **£0.377m** largely represents additional temporary staff in the service engaged above the agreed establishment to support social work practice during the pandemic.

## 2.30 In-House services

2.31 An underspend against budget of **£0.628m** due to the Neighbourhood Resources Centres (NRCs) having been closed throughout 2020/21, leading to savings in agency staff costs and utilities and transport costs. As a result of the transport

requirements, buses have been used flexibly across the People Services directorate with Children's Services using the buses during the year.

## **Public Health**

2.32 Public Health (PH) is reporting a balanced position after a contribution to the Public Health reserve of £0.545m. This will increase the PH reserve balance to £2.392m at the beginning of the 2021-22 financial year to provide additional capacity moving forward.

2.33 The funding for Lateral Flow Tests will be settled in full by the Department of Health and Social Care. Any variation will be funded by the PH reserve.

2.34 Underspends on Public Health relate to the following:

- Sexual health – An underspend of £0.330m, which reflect the agreed block payments based on 2018-19
- Health checks – An underspend of £40k, this reflects payments made to General Practitioners in line with guidance
- Wider Health Improvement – An underspend on the in-year projects of £0.145m offset by ongoing projects originally anticipated to be funded by the reserve of £0.210m resulting in a net pressure of £65k
- Staffing – an underspend of £0.140m– which relates to 3 new posts budgeted based on the Public Health grant increase.
- Grant holding code – An underspend of £0.106m in relation to the agenda for change funding.

## **Children's Services**

2.35 The final outturn for the directorate is a net overspend of £1.237m made up of overspends totalling £1.741m related to COVID-19 pressures mainly due to placement sufficiency and additional frontline staffing capacity, offset by an underspend of £504k in relation to SEN Transport.

2.36 It should be noted that excluding COVID-19 pressures the ongoing headline pressure across the directorate is £1.144m with mitigating management actions of £649k and other underspends of £495k which will not be available in future years.

### **2.37 Children's Placements & Accommodation overspend £1.696m**

2.38 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. The majority of the pressures relate to COVID-19

2.39 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.

#### **2.40 Frontline Teams Staffing & Other Costs overspend £544k**

2.41 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. In addition, in response to COVID-19, additional capacity has been required in order to manage demand for statutory services and operate a 7 day service.

#### **2.42 Capital Programme & Schools Private Finance Initiative overspend £439k**

2.43 The majority of this is as a result of a contribution to the PFI sinking fund to ensure the PFI contract is affordable in future years.

#### **2.44 Legal costs and other client related spend overspend £154k**

2.45 Mainly pressures in relation to translation services, Legal disbursement costs in relation to care proceedings and 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.

#### **2.46 Management Actions and one-off income underspend £649k**

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

#### **2.48 SEN Transport underspend £504k**

2.49 Whilst the majority of special schools and specialist provision remained open during lockdown the number of children attending school was significantly reduced. This reduced the requirement for using the taxi framework for smaller minibuses and taxi journeys, which are only paid for when used, thus reducing the overall spend.

#### **2.50 Various other service underspends £443k**

2.51 These mainly relate to vacant posts which COVID-19 delayed recruitment, lower non-staffing costs and a reduction in interagency adoption fees.

#### **Dedicated Schools Grant (DSG)**

2.52 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.

2.53 There is a net underspend on the overall DSG of £1.037m. There are small underspends on the central block and schools block totalling £258k. The largest underspend is on the Early Years Block due to COVID-19 as settings were not open during large parts of the year and when they did re-open, participation was significantly reduced. It is anticipated that this will reduce the funding available in 2021-22 since the January 2021 recorded fewer pupils than in previous years. Therefore, this underspend will be earmarked to support Early Years in 2021-22.

2.54 The final outturn on the High Needs Block is an overspend of £0.786m in 2020/21 which added to the deficit of £2.944m brought forward from 2019-20 takes the total deficit at the end of March 2021 to £3.73m. Despite underspends on the other blocks this will not be netted off the HNB pressure as 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.

2.55 A Deficit Management Plan has been drafted and discussed with Schools Forum. 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**

2.56 The final outturn for the corporate and technical budget is reporting an overall underspend on business as usual of £403k as detailed below. **Corporate Items**

2.57 The final outturn is a net underspend of £338k mainly in relation to pension augmentation costs.

### **Central Contingency**

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

## Technical and Corporate Adjustments

2.59 The final outturn on the technical and corporate adjustments is an overspend of £1.989m as follows:

- (£8.162m) underspend in capital financing costs and interest charges as a result of slippage in the Capital Programme.
- (£2.453m) additional grant and other income
- £3.805m overspend as a result of not drawing down the Budget Planning and Business Risk Reserves originally budgeted and planned for draw down in 2020/21.
- £8.799m additional contribution to reserves as set out in the reserves section of this report.

## 2.60 COVID-19 Grants & Income

2.61 The Council received tranches of emergency funding, Controlling Outbreak Management Fund (COMF) grant and compensation for loss of income from MHCLG. In addition there are a number of other grants/income sources which are directly related to COVID-19. These were all spent on activities for which they have been provided/applied for. These are set out at Table 4 which includes the MHCLG tranche funding for completeness.

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

**Table 4 – COVID-19 grants and external income**

<b>GRANT /FUNDING STREAM</b>	<b>Value</b>
Emergency Funding (tranches 1 to 4)	£17,627,760
Controlling Outbreak Management Fund (COMF) (Oct 2020 to March 2021)	£4,560,533
Compensation for loss of sales, fees & charges	£6,206,884
Track and Trace	£1,020,000
DEFRA - Food & Welfare	£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
Next Steps Accommodation Grant	£150,000
Welcome Back Fund (Support the High Street)	£221,203
Lateral Flow Testing (estimate)	£840,000
Test & Trace Support Grant	£184,450
Business Grants New Burdens	£752,606
Emergency Response Fund (Arts Council)	£20,405
<b>TOTAL</b>	<b>£39,559,744</b>
<b>GRANTS TO BUSINESSES AND RESIDENTS</b>	
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
LRSO Closed grants 19/12-14/01/21 tranche 2	£2,269,721
LRSO Pub Claw Back	-£64,000
Additional restrictions grant - ARG top up Feb 2021 2nd tranche	£2,231,067
<b>Sub Total Business &amp; Residents Grants</b>	<b>£80,504,082</b>
Self Isolation £500 awards Grant:	
Programme Funding - standard applications 1	£94,000
Programme Funding - standard applications 2	£37,000
Programme Funding - standard applications 3	£72,000
Programme Funding - discretionary applications	£56,463
Programme Funding - Discretionary applications top up Feb 21	£41,537
Programme Funding - Discretionary applications top up March 21	£21,000
Admin Funding	£137,206
<b>Sub Total Self Isolation Grants</b>	<b>£459,206</b>
NNDR Rate relief for 20/21	£8,757,127
<b>GRAND TOTAL</b>	<b>£129,280,159</b>

## RESERVES

2.63 Attached at Appendix 2 is a schedule of all the reserves held by the Council including the movements to and from reserves included in the final outturn for 2020/21. A summary the main reserves and movements is shown in Table 5 followed by narrative of the key movements set out below.

**Table 5 – Summary of Reserves 2020/21**

Reserve	Bal Bfwd 1/4/20	Additions	Draw Downs	Realignment	Bal Cfwd 1/4/21
	£'000	£'000	£'000	£'000	£'000
Business Pool Reserve	(£1,800)	(£767)	£1,800	£0	(£767)
Carry Forward Reserves	(£3,223)	(£571)	£0	£1,753	(£2,041)
CIL Harrow	(£7,788)	(£2,038)	£3,095	£0	(£6,730)
HRA Reserves	(£783)	£0	£0	£0	(£783)
NEW - Accomodation Strategy Reserve	£0	(£725)	£0	£0	(£725)
NEW - Adults Social Care Reserve	£0	£0	£0	(£1,969)	(£1,969)
NEW - Capital Feasibilities Reserve	£0	(£500)	£0	£0	(£500)
NEW - Collection Fund Reserve	£0	(£8,925)	£0	£0	(£8,925)
NEW - EDI Reserve	£0	(£250)	£0	£0	(£250)
NEW - LLW Reserve	£0	(£250)	£0	£0	(£250)
NEW - PAP Sinking Fund	£0	(£190)	£0	£0	(£190)
Other Earmarked Reserve	(£5,450)	(£157)	£312	£0	(£5,295)
Public Health Reserve	(£1,847)	(£545)	£20	£0	(£2,372)
Revenue Grant Reserve	(£4,796)	(£2,393)	(£517)	£216	(£7,490)
<b>Total Earmarked Reserves</b>	<b>(£25,687)</b>	<b>(£17,312)</b>	<b>£4,710</b>	<b>£0</b>	<b>(£38,288)</b>
Budget Planning Reserve	(£2,629)	(£7,387)	£0	(£6,673)	(£16,689)
Business Risk Reserve	(£7,526)	£0	£366	£1,810	(£5,350)
Children's Social Care Reserve	(£2,286)	£0	£0	£952	(£1,334)
Commercialisation Reserve	(£1,265)	£0	£0	£1,265	£0
MTFS Implementation Reserve	(£1,775)	£0	£0	£1,426	(£350)
Transformation Reserve	(£3,221)	£0	£0	£1,221	(£2,000)
<b>Total Non Earmarked Reserves</b>	<b>(£18,702)</b>	<b>(£7,387)</b>	<b>£366</b>	<b>£0</b>	<b>(£25,722)</b>
<b>General Fund Reserves</b>	<b>(£10,000)</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>(£10,000)</b>

## 2.64 Earmarked Reserves

- Business Rates Pool Reserve** – the balance brought forward relates to funding from the 2019/20 business pool reserve which was committed to the 2020/21 budget. The in-year addition relates to the 2020/21 business pool reserve which may be subject to adjustment and cannot be utilized until the pool accounts have been determined by the City of London.
- Carry Forward Reserve** – the balance brought forward relates to revenue budgets carried forward from 2019/20 for use in 2020/21. The balance carried forward relates to revenue budgets carried forward from 2020/21 for use in 2021/22.
- CIL Harrow** – the Community Infrastructure Levy is a planning charge introduced by the Planning Act 2008 as a tool for LAs in England and Wales to help deliver infrastructure to support the development of their area. An addition to the reserve has been made in 2020/21 totaling £2.038m. There are also drawdowns totaling £3.095m which have been used to support the capital programme.

- **HRA Reserves** – these reserves will be used to support Housing IT transformation, regeneration, support to eligible residents for financially sustainable independent living and housing repairs
- **Public Health Reserve** – this reserve relates to unspent government grant paid in relation to the delivery of public health responsibilities.
- **Revenue Grant Reserve** – this reserve holds revenue grants to be used for specific purposes or which may be subject to claw back if conditions of the grant are not met.
- **Other earmarked reserves** – including PFI sinking funds, legal services reserves and other small reserves set out in more detail at Appendix 2.

2.65 In addition to the other Earmarked Reserves above, 6 new reserves have been established in 2020/21 with balances committed in 2021/22 as follows:

- **Accommodation Strategy** – this reserve has been established to support the council's accommodation strategy as reported to Cabinet in May 2021
- **Adults Social Care** – this funding has been realigned from the revenue grants reserve and carry forward reserves and is earmarked to future social care pressures in Adults Services
- **Capital Feasibilities Reserve** – this has been established to support services to undertake feasibility studies for capital projects.
- **Collection Fund Reserve** – in 2020/21 the LA received funding in advance to support the cash flow in relation to the collection fund. This reserve will be used to support the estimated Collection Fund deficit of £8.867m as reported to Cabinet in December 2020.
- **EDI Reserve** – this reserve has been established to support the council's commitment to Equalities, Diversity and Inclusion agenda.
- **LLW Reserve** – this reserve has been established to support contractual increases as a result of the council's commitment to pay the London Living Wage to external contractors
- **PAP Sinking Fund** – this reserve has been established to support capital and revenue expenditure on the Property Acquisition Programme (acquired through the General Fund) used for temporary accommodation for the homeless

## 2.66 Non-Earmarked Reserves

- **Budget Planning Reserve** – this reserve was established to support the 2020/21 budget with £2.969m allocated to balance the 2020/21 budget.

However, this was not required to be drawn down. In addition a further £7.387m was added to the reserve in 2020/21 of which £2m was planned underspend as set out in the February 2020 Cabinet budget report and the balance identified to support the on-going impacts of COVID-19 on services, in particular, pent up demand in Adults and Children's Social care. In addition, a number of other non-earmarked reserves have been realigned into the Budget Planning Reserve with more details set out below. Although this reserve is classed as non-earmarked, this reserve will be required to support the MTFS.

- **Business Risk Reserve** – this reserve was established to cover potential shortfalls/risk of achieving sufficient savings to cover future year budget gaps. The balance carried forward to 2021/22 of £5.350m is committed to investment in frontline priorities (£2m over the next two years) and the remainder is required, as planned, to balance the 2021/22 budget.
- **Children's Social Care Reserve** – this was established to support pressures in children's social care. The balance carried forward to 2021/22 is required to balance the 2021/22 budget.
- **Commercialisation Reserve** – this reserve was established to support commercialisation activities. It has been realigned into the Budget Planning Reserve to support the MTFS.
- **MTFS Implementation Reserve** – this reserve was established to facilitate the achievement of MTFS savings. The majority of this reserve has been realigned into the Budget Planning Reserve to support future years budget gaps. The balance carried forward to 2021/22 will be required to support the reserve's original use.
- **Transformation Reserve** – this reserve was established to support organisational transformation costs. A balance of £2m is required to be carried forward to 2021/22 to support existing transformation commitments. The remainder has been realigned into the Budget Planning Reserve to support future years budget gaps.

## 2.67 General Fund Reserves

- General Fund Reserves remain at £10m.

## CARRY FORWARDS

2.68 Attached at Appendix 3 is a schedule of the revenue budget carry forwards included in the final outturn for 2020/21.

## MTFS IMPLEMENTATION TRACKER

2.69 The 2020/21 budget includes approved MTFs savings of £3.203m.

2.70 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 6 below:

**Table 6: Savings Definition**

<b>Green</b> – Low or no risk to delivery of savings	Clear delivery plans in place Project running to timescale
<b>Amber</b> – 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
<b>Red</b> – High risk to delivering forecast savings	Project may have started but will deliver <b>no</b> savings in the current financial year Project cannot be delivered but underspends found elsewhere to mitigate savings.
<b>Purple</b>	Future years' savings

2.71 Table 7 below shows the summarised position for each directorate for 2020/21:

**Table 7: Savings Tracker 2020/21 – Directorate Summary**

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

2.72 At the final outturn, 45% of the 2020/21 savings are rated green, 18% are rated as amber, whilst 37% are rated as red.

2.73 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 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**

- 2.74 The HRA in-year deficit, before transfers to reserves is £321k compared to an original budgeted position of £808k. This underspend of £487k along with an increase position on opening balances of £330k (£7.5m less £7.2m), totalling £818k, have been used to increase the Transformation and Regeneration reserves by £250 and £568k respectively.
- 2.75 These additions along with the budgeted transfer to the repairs and maintenance reserve of £114k total £932k which will support future pressures and risks associated with these activities whilst maintaining the 2020/21 budgeted HRA General Reserve position of £6.273m.
- 2.76 The net favourable in-year position of £487k is due to a reduction in operating costs for staffing, increased income due to delays in properties being demolished on Grange Farm and pressure on repairs and maintenance as a result of increased litigation and employee costs.
- 2.77 The figures reflect pressures and funding of £261k for COVID-19 that were identified in the HRA in 2020/21.
- 2.78 The HRA MTFs and Business Plan will be updated for the outturn position and assumptions reviewed as appropriate.
- 2.79 Table 8 below summarises the position on HRA revenue account.

**Table 8: update on Housing Revenue Account**

	<b>Outturn 2019-20 pre audit</b>	<b>Budget 2020/21</b>	<b>Outturn – Draft 2020/21</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Reserves b/fwd	-7,474	-7,195	-7,526	-331
In year position deficit/ -Surplus	-144	808	321	-487
Transfers to reserves	92	114	932	818
Balance c/fwd	7,526	-6,273	-6,273	0

## **UPDATE ON COMMERCIAL PROPERTY INVESTMENTS**

2.80 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.

2.81 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.

2.82 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 3<sup>rd</sup> floor has been vacant since acquisition and the remainder of the 3<sup>rd</sup> 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.

2.83 The annual estimated impact of vacant space at Kings House in 2021/22 is a loss of rental income of £395k.

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

### 3.0 CAPITAL PROGRAMME

3.1 The revised capital budget for 2020/21 is £94.842m as set out at Table 9:

**Table 9: Capital Programme 2020/21**

Directorate	TOTAL REVISED CAPITAL PROGRAMME 20/21	Outturn	Variance	Slippage	Over/ (underspend)	LBH	External/HRA	Underspend due to write offs
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>RESOURCES TOTAL</b>	<b>14,981</b>	<b>10,044</b>	<b>-4,937</b>	<b>-4,930</b>	<b>-7</b>	<b>-7</b>	<b>0</b>	<b>0</b>
<b>COMMUNITY</b>								
Commissioning and Environment & Culture	34,804	26,063	-8,741	-8,098	-643	-48	0	-595
Housing	9,535	6,500	-3,035	-1,356	-1,679	-1,679	0	0
Enterprise and Planning	2,297	1,219	-1,078	-1,050	-28	0	-28	0
Regeneration	5,636	-3,411	-9,047	-1,893	-7,154	0	0	-7,154
<b>COMMUNITY TOTAL</b>	<b>52,272</b>	<b>30,371</b>	<b>-21,901</b>	<b>-12,397</b>	<b>-9,504</b>	<b>-1,727</b>	<b>-28</b>	<b>-7,749</b>
<b>PEOPLE</b>								
Adults	330	281	-49	-41	-8	-8	0	0
Public Health	78	69	-9	-9	0	0	0	0
Children	4,603	1,295	-3,308	-3,307	-1	0	-1	0
<b>PEOPLE TOTAL</b>	<b>5,011</b>	<b>1,645</b>	<b>-3,366</b>	<b>-3,357</b>	<b>-9</b>	<b>-8</b>	<b>-1</b>	<b>0</b>
<b>TOTAL GENERAL FUND</b>	<b>72,264</b>	<b>42,060</b>	<b>-30,204</b>	<b>-20,684</b>	<b>-9,520</b>	<b>-1,742</b>	<b>-29</b>	<b>-7,749</b>
<b>TOTAL HRA</b>	<b>22,578</b>	<b>12,537</b>	<b>-10,041</b>	<b>-8,941</b>	<b>-1,100</b>	<b>-500</b>	<b>-600</b>	<b>0</b>
<b>TOTAL GENERAL FUND &amp; HRA</b>	<b>94,842</b>	<b>54,597</b>	<b>-40,245</b>	<b>-29,625</b>	<b>-10,620</b>	<b>-2,242</b>	<b>-629</b>	<b>-7,749</b>

- 3.2 The final spend is £54.597m, 58% of the total Capital Programme budget. The final spend on the General Fund is £42.060m, (58% of budget). The variance of £30.204m is made up of proposed slippage of £20.684m and a net underspend of £9.520m. The final spend on the Housing Revenue Account is £12.537m (56% of the budget). The variance on the HRA of £10.041m is made of up proposed slippage of £8.941m and an underspend of £1.1m.
- 3.3 At Cabinet in December 2020 slippage of £185.187m was reported and this has now been taken out of the figures in Table 9.
- 3.4 Table 9 sets shows a General Fund variance of £30.204m of which £20.684m will be slipped to 2021/22 and the remaining variance of £9.520m is an underspend. Of this underspend:
- £7.749m is as a result of a write off to revenue for abortive capital schemes.
  - £29k relates to externally funded schemes.
  - £1.742m is an underspend on schemes funded by borrowing. However, £810k of this relates to an underspend on the Property Acquisition scheme in the Housing General Fund which was put into the budget on a cost neutral basis and therefore this £810k saving in borrowing costs will not result in savings in the General Fund. The net saving in borrowing costs is therefore £932k.
- 3.5 Paragraph 3.6 below explains the delay on the implementation of the new ERP system (Programme Dynamics) which has been delayed until August 2021. There was a report to cabinet in April 2021 which set out the reasons for the delay and the associated cost of £850k, and also approved a virement into the Resources Capital Programme for £850k that would be funded from any underspends on the 2020/21 Capital Programme.
- 3.6 Therefore, of the £932k underspend in capital, £850k will be vired into the Resources Capital Programme as approved by cabinet in April 2021 and the remaining £82k will be retained in the Council wide Contingency budget held in Resources.

## **RESOURCES**

- 3.7 At the final outturn £10.043m (67% of budget) has been spent. Of the £4.937m variance, £4.930m of funding will be carried forward to 2021-22 to complete ongoing projects. The slippage mainly relates to the following projects:

- Ongoing refresh and enhancement of ICT (£2.201m). The refresh and enhancement work is ongoing and based on the latest implementation timeline, the project is scheduled to be completed in 2021/22
- Devolved Applications refresh (£837k). Due to delays caused by COVID-19, project delivery is delayed and will be completed by Q3 in 2021/22. There are no revenue implications as a result of the delay.
- Enterprise Resource Planning System (£1.590m). The Dynamics project has been delayed from an April 2021 implementation to August 2021 implementation mainly as a result of COVID-19 and this was reported to Cabinet in April 2021. The delay has resulted in increased implementation costs and therefore a need to increase the capital budget by £850k. This £850k is funded from the underspends in other capital budgets in 2020/21 and a virement from the IT capital programme in 2020/21 and therefore there is no implication on the revenue budget.
- ABAVUS and Waste Collector systems (£241k). Due to COVID-19 related restrictions this project is expected to be delivered by July 2021. There is no revenue implication from this delay.
- LAA Performance Reward Grant (£59k). This project is externally funded and budget is used according to demand.

## **COMMUNITY**

3.8 The final outturn for the Community Directorate is total spend of £30.371m (58% of budget). Of the variance to budget of £21.901m, a total of £12.397m of funding will be slipped to 2021/22 to complete ongoing projects. The underspend of £9.504m results from write offs of abortive costs to revenue account (£7.749m) and project underspends (£1.755m).

### **3.9 Environment**

3.10 The services spent £22.354m against a budget of £29.780m. £6.783m of funding is requested to be carried forward to 2021/22 and relates mainly to the following projects.

- Depot redevelopment (£4.068m). The redevelopment work is ongoing and based on the latest construction completion timeline, the project is scheduled to be completed in 2021/22. There was a MTFS target of £681k in 2020/21 associated with this project. This was not achieved and was reversed as part of the 2021/22 MTFS process.
- Headstone Manor Park for People project (£158k), Flood Alleviation project (£470k) and Flood Defence (£50k). These projects are externally funded.

The delay in completing the projects was due to the pandemic and winter weather which makes it unsuitable for site works.

- Vehicle procurement (£425k). The budget was set aside for the replacement of mechanical sweepers, which was delayed as options were explored to encourage the move to greener fleet.
- Playground improvement (£46k). Resurfacing works to playgrounds were delayed due to the pandemic.
- Waste bins (£76k). Bin orders were placed but the delivery was delayed due to long lead in time from the manufacturers.
- Parks Infrastructure (£149k). Funding was allocated to works at various parks during the year. The works were put on hold due to lockdown restrictions, but they are now being undertaken and will be completed in 2021/22.
- High Priority Planned Maintenance and Corporate Accommodation (£731k). Works in some buildings were delayed due to site visits not being able to take place under lockdown restrictions. The service has commissioned condition survey recently to inform the planned maintenance works in future. The carry forward budget will supplement 2021/22 capital programme to deliver the programme of works.
- Bannister café (£306k) and Harrow Weald café (£69k). The pandemic had slowed down the works, but they are now resumed and will be completed in 2021/22. The redeveloped buildings are expected to generate a rent income which has been assumed in the existing MTFs with a saving of £36k profiled in 2021/22.
- Rayners Lane toilet block (£170k). The project is no longer going ahead as approval was obtained for the disposal of this asset at Cabinet March 2021. The funding is proposed to be repurposed to top up the Leisure and Libraries Infrastructure Fund in 2021/22 as additional projects have since been identified since the approval of the Capital Programme.
- CA site infrastructure (£14k). The budget is set aside for the construction of a canopy to protect the dry recyclables bay in 2021/22, once the planning application is approved.
- CCTV cameras (£45k). The installation of CCTV will be undertaken following the completion of consultation process.

3.11 Unless stated otherwise, the slippage has no implications on the revenue budget.

### 3.12 Culture

3.13 The services spent £3.709m against a budget of £5.024m. £1.314m of funding is requested to be carried forward to 2021/22 and relates mainly to the following projects.

- Bannister Sports Centre (£228k). The delay in completing the 3G Artificial Grass Pitch Works was due to timetabling of works with the grass pitch works and remedial works required to the pitch surface. Pitch works are a planning condition requirement relating to the redevelopment of Harrow View West.
- Harrow Weald pavilion (£50k). There was a delay in completing the electrical works due to the need to install a new meter.
- Leisure and Libraries Infrastructure (£163k). Various improvement works at libraries and Hatch End pool are ongoing. The lead in time required to order materials and contractor staff resource issues had delayed the completion of these projects.
- Harrow Arts Centre (£870k). This project is externally funded. The works are ongoing, and the construction of new build will commence following planning approval. The project is scheduled to complete in 2021/22.

3.14 Unless stated otherwise, the slippage has no implications on the revenue budget

### 3.15 Enterprise and Planning

3.16 The services spent £1.219m against a budget of £2.297m. £1.050m funding is requested to be carried forward to 2021/22 and relates mainly to the following projects.

- Lyon Road project (£330k): This is a multiple year project, with the construction phase near completion. The budget will be used to pay for outstanding works in 2021/22.
- Planning IT replacement (£490k). There was a delay in the procurement exercise, which has now been concluded. The project will move to implementation stage with completion anticipated in 2021/22.
- Harrow High Street Fund (£136k). This project is CIL funded. The delay in completion was due to changes made to the High street programme during the year, the delay in cycle routes delivery, and a late start of the consultation programme on the local centres. The budget is part of a multiyear allocation and so the budget carry forward can be used to continue scheme delivery in 2021/22.

- Neighbourhood CIL projects (£84k). The delivery of approved projects in various wards in 2020/21 will continue in 2021/22.
- Kenton Learning Centre refurbishment (£10k). The project is externally funded. The final element of the work was yet to be completed by the contractor.

3.17 Unless stated otherwise, the slippage has no implications on the revenue budget.

### 3.18 Housing General Fund

3.19 The final spend is £6.5m against a budget of £9.535m. Of this £1.356m is requested to be carried forward to 2021/22 and £1.679m is an underspend against the programme, as detailed below:

- DFGs £1.018m – of this, £398k relates to mandatory grant adaptations which were delayed due to access to properties not being able to take place due to lockdown restrictions but are now being undertaken and will be completed in 2021/22. The remaining £850k is unspent as a result of the pandemic where works on site were stopped and no visits were able to take place
- Property Acquisition Programme £1.768m – of this, £958k is proposed to be carried forward into 2021/22 for the completion of the acquisition of the remaining 3 properties within the programme, which will conclude in 2021/22. The remaining £810k is unspent as a result of the pandemic where lockdown restrictions prevented further properties from being sourced.
- Empty Properties Programme £19k – unspent as a result of lockdown restrictions preventing further properties being sourced.

3.20 There are no implications on the revenue budgets as a result of the above slippage.

### 3.21 Regeneration

3.22 The final regeneration programme spend is £3.742m against a budget of £5.636m. Of this, £1.894m is requested to be slipped into 2021/22.

3.23 There are no further revenue implications as a result of this slippage that are listed below:

- Haslam House £0.626m – the construction phase of work is ongoing and based on the latest construction completion timeline, the project is scheduled to be completed in 2021/22.

- Waxwell Lane £1.267m – disruptions to the supply chain because of COVID-19 has resulted in delays to the scheme with completion now anticipated in 2021/22.
- Gayton Road – there is a small slippage of £1k that will be carried forward to next year's budget allocation to facilitate the relocation of Citizens Advice Bureau to Gayton Road.

## **PEOPLE SERVICES**

3.20 The final outturn for the People Services capital programme is spend of £1.645m of a total budget of £5.011m which is 33% of the approved capital budget.

### **3.21 Adult Services**

3.22 The service spent £0.268m against a budget of £0.688m, with a variance of £0.420m of which £0.411m relates to slippage, with £9k attributable to net underspends.

3.23 The Slippage relates to the following:

- Assistive Technology £0.270m slippage because of delays in the implementation and review of the Assistive Technology pilot.
- In House residential services £0.141m slippage - £0.125m of this relates to a delay to capital works at Millman's Day centre as a result of NRCs being closed in 2020/21, and therefore works against which this was assigned to have not been completed. The remainder relates to the Wiseworks Ridgeway project which will be completed in 2021/22.
- The net underspend of £9k relates to the Vaughan Party wall budget which has been completed and underspent against the budget allocated.

3.24 The expectation was that Assistive Technology would keep ongoing care packages low/minimised. The implication therefore of the delay is increased ongoing care costs (although there were no MTFs savings pending the outcome of the pilot). As a result of COVID-19 there is likely to be a review of next steps as the pandemic will inevitably impact approaches moving forward and may have opened new avenues to be explored.

### **3.25 Public Health**

3.26 The service received funding from the Healthy Pupils Capital Fund ring fenced grant of £0.174m in 2018/19, of which £0.165m has been spent to date, with £9k slipping into 2021/22.

### **3.27 Children's Services**

3.28 The revised capital programme totals £4.603m of which £417k is spent and the remainder will be slipped to 2021-22 as COVID-19 has limited the amount of works that can be carried out in schools.

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

### **HOUSING REVENUE ACCOUNT**

3.30 HRA spent £12.537m (55.5%) against a budget of £22.578m, including Homes-4-Harrow, generating an underspend of £10.041m. Of this, £8.940m will be slipped to 2021/22 leaving an underspend of £1.100m.

3.31 This underspend relates to the Next Steps Accommodation Programme funding secured via the GLA of £1.1m (£600k grant, £500k borrowing) to acquire 5x studio flats on the open market in Harrow. The allocation was only confirmed in Autumn 2020 and by then property prices had increased and the service were unable to source suitable vacant studio flats at an affordable price. After discussion with the GLA it was agreed to hand back the grant allocation and submit a bid in 2021/22 to acquire vacant 1 bed properties which are more widely available. As a result, there will be a saving in the associated financing costs of the additional borrowing which will now not be required.

3.32 The main items of slippage of £8.940m are detailed below:

- Homes-4-Harrow £7.129m – comprises Grange Farm £5.627m which has a contractor appointed and is undertaking works to enable demolition prior to construction of the new homes. A further £1.502m relates to BCHfL which, combined with Grange Farm, will contribute towards the overall programme approved by Council 11 February 2021 to deliver some six hundred and sixty new homes across the borough
- The remaining £1.811m comprises £1.759m including some compliance and health & safety works for existing Council houses identified earlier in 2020/21 for delivery in 2021/22 and £0.052m earmarked for the mandatory Housing IT system replacement

3.33 Unless otherwise stated, there are no further revenue implications as a result of the above slippage.

## **AMENDMENTS TO THE CAPITAL PROGRAMME 2021/22**

3.33 The following amendments include realignment of capital programmes as well as additions required to the Capital Programme which are all funded by grant and therefore no additional capital financing costs will be incurred.

### **Additions to the Capital Programme**

#### **3.34 Schools Condition Allocation - £2,800,444**

3.35 The Department for Education allocates funding each year to help maintain and improve the condition of school buildings and grounds. The SCA provides LAs with funding for maintained school buildings.

3.36 The grant allocation for 2021-22 was announced on 28 April 2021. It is proposed to add this to the capital programme to continue to fund the annual cycle of proactive and reactive maintenance in LA maintained schools.

#### **3.37 The Lyon Road Project - £34,509**

3.38 The Lyon Road Project is an existing scheme in the capital programme, with a budget allocation of £1.072m which is met from external funding from the GLA Good Growth Fund (£485k), S106 contribution (£512k) and NCIL (£75k) respectively. The project is underway and will create a new multi-functional public space (Greenhill Place) and five food kiosks in the town centre. Additional S106 funding has subsequently been allocated to the project to improve public realm including surfacing and place equipment. It is therefore proposed that the additional S106 funding of £34,509 is added to the capital programme.

#### **3.39 Carbon Offset Fund - £500,000**

3.40 The Carbon Offset Fund comprises payments collected by the Council by way of planning obligations contained in Section 106 Agreements. These payments are made by developers who are unable to meet in full, via on site mitigations, the required carbon reductions that are set out current London Plan for new development. They represent a sum in lieu of on-site mitigations that can instead be utilised by the local planning authority to achieve the necessary carbon reductions elsewhere in the borough.

3.41 The council has received a number of payments into the fund over the last two years as developments have progressed and these now total in excess of £500,000. These funds must be spent by the local authority on carbon emission reduction initiatives within Harrow. The council is currently developing suitable proposals, to include energy efficiency initiatives to schools and other council owned public buildings. In order to enable these projects to progress it is necessary to add £500,000 from the Fund into the capital programme for 2021/22, as recommended by this report. Prior to releasing any monies formal business cases will be developed for approval by the appropriate senior officer, in order to confirm compliance with the Fund criteria.

## Capital Programme Realignments 2021/22

### 3.42 Ongoing ICT Refresh and Enhancements £2,609,000

3.43 In December 2020 Cabinet approved new capital funding and along with the realigned existing programme it will be spent on refreshment and enhancement of ICT systems in Harrow. There is no clear line between devolved applications and ongoing refreshment of ICT in delivery of the new schemes proposed over the next four years.

3.44 Therefore, Cabinet is asked to agree the amalgamation of the ICT capital budget and transfer approved unallocated capital budget into one programme for Ongoing ICT Refresh and Enhancement as laid out in the table below:

Project Definition	CODE	Budget	Movement
		£000	£000
Devolved Applications refresh	C20-219E99	539	-539
Digital Improvements Programme	C21-104E99	750	-750
Devolved Applications refresh	C21-219E99	1,320	-1,320
Ongoing ICT Refresh and Enhancements	C21-205E99		+2,609
<b>TOTAL</b>		<b>2,609</b>	<b>0</b>

## 4.0 COUNCIL TRADING STRUCTURE UPDATE 2021/21

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.

## 5.0 REPORTING FOR THE 2020/21 FINANCIAL YEAR

5.1 This is the final revenue and capital budget monitoring report for 2020/21

### 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 final revenue outturn for 2020/21 is a balanced budget

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 realised) and 36% red (Project may have started but will deliver no savings in the current financial year).

The final capital programme spend was 58% of the total budget.

**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"> <li>▪ Funded by additional grants and contributions thus no additional capital financing costs will be incurred</li> </ul>	Green
Overspends in specific directorates potentially impact on deliverability of budget in 2021/22	<ul style="list-style-type: none"> <li>▪ Overspends related to COVID-19 related activities or losses of income were compensated by external funding. The 2021/22 budget has also accounted for assumptions on COVID-19 external funding as well as additional legacy costs and continued losses of income. The remaining overspends on Business As Usual activities have been mitigated by allocating growth in the MTFS to the impacted areas as reported to Cabinet in February 2021.</li> </ul>	Green
Percentage of red rated savings at outturn (37%) represent a risk to the achievement of the MTFS	<ul style="list-style-type: none"> <li>▪ In 2020/21 these have been mitigated through finding alternative savings or through general underspends across the council which has enabled the council to achieve a balanced budget. In terms of future MTFS a number of the 2020/21 have been reversed in 2021/22 and the remainder will continue to be monitored through the savings tracker</li> </ul>	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 3.33 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**

### **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 4 June 2021**

**Statutory Officer: Jessica Farmer**

Signed on behalf of the Monitoring Officer

**Date: 8 June 2021**

**Chief Officer: Charlie Stewart**

Signed off by the Corporate Director

**Date: 4 June 2021**

**Head of Procurement: Nimesh Mehta**

Signed by the Head of Procurement

**Date: 4 June 2021**

**Head of Internal Audit: Susan Dixon**

Signed by the Head of Internal Audit

**Date: 7 June 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**  
<https://www2.harrow.gov.uk/documents/s164395/Appendix%202%20-%20MTFS%202020-21%20to%202022-23.pdf>
- **2020/21 Budget Report**  
<https://www2.harrow.gov.uk/documents/s164391/Revenue%20Budget%20Report%20202021.pdf>

**Call-In Waived by the  
Chair of Overview and  
Scrutiny Committee**

**NO**

## Summary of 2020/21 Revenue Budget

## Appendix 1

	Revised Budget	Outturn	Contribution / Drawdown From reserves	Cross Divisional Adjustments Including one-off Income	Carry Forward Requests	Revised Outturn	Variance to budget
	£000	£000	£000	£000	£000	£000	£000
<b>Resources</b>							
Business Support	3,367	3,331	0	0	0	3,331	(36)
Customer Services/Acess Harrow	3,671	4,069	0	0	0	4,069	398
ICT	7,265	8,151	(116)	0	0	8,035	770
Director of Resources	727	1,841	0	0	0	1,841	1,114
Internal Audit & CAFT	625	563	0	0	0	563	(62)
Finance & Insurance	3,140	5,292	0	0	0	5,292	2,152
Revenues, Parking & Benefits	13,090	13,807	0	0	0	13,807	717
Procurement	774	673	0	0	0	673	(101)
HRD	1,157	1,399	0	0	0	1,399	242
Legal & Governance	3,071	2,749	51	0	23	2,823	(248)
Strategy	2,802	2,893	(80)	0	222	3,035	233
Investment Income	(2,750)	(2,885)	635	0	0	(2,250)	500
<b>Total Controllable Budget</b>	<b>36,938</b>	<b>41,883</b>	<b>490</b>	<b>0</b>	<b>245</b>	<b>42,618</b>	<b>5,680</b>
Uncontrollable Budget	(18,697)	(18,697)		0	0	(18,697)	0
<b>Community</b>							
<b>Controllable Budget</b>							
Commissioning & Commerical Services	(4,431)	5,878	80	0	160	6,118	10,549
Environment & Culture	23,226	25,710	(184)	0	808	26,334	3,108
Directorate Management	195	245	(56)	0	0	189	(6)
Housing General Fund	4,557	4,445	707	(272)	165	5,044	487
Enterprise & Planning	1,291	(904)	1,967	0	324	1,387	96
Regeneration	0	8,234	0	0	0	8,234	8,234
<b>Total Controllable Budget</b>	<b>24,838</b>	<b>43,608</b>	<b>2,514</b>	<b>(272)</b>	<b>1,457</b>	<b>47,306</b>	<b>22,468</b>
Uncontrollable Budget	24,849	24,849				24,849	0
<b>People</b>							
<b>Controllable Budget</b>							
Adults Services	66,783	65,304	86	0	0	65,390	(1,393)
Public Health	(1,814)	(2,359)	545	0	0	(1,814)	0
Children's Services	33,845	32,168	2,914	0	0	35,082	1,237
<b>Total Controllable Budget</b>	<b>98,814</b>	<b>95,113</b>	<b>3,546</b>	<b>0</b>	<b>0</b>	<b>98,659</b>	<b>(156)</b>
Uncontrollable Budget	16,205	16,205	0	0	0	16,205	0
<b>Total Directorate Budgets</b>	<b>182,948</b>	<b>202,961</b>	<b>6,550</b>	<b>(272)</b>	<b>1,702</b>	<b>210,940</b>	<b>27,992</b>
Corporate Items	4,904	4,566	0	0	0	4,566	(338)
Covid Grants		(22,188)				(22,188)	(22,188)
Anticipated Compensation loss of income		(6,207)				(6,207)	(6,207)
Corporate Contingency	1,248	0		0	0	0	(1,248)
Technical and Corporate Adjustment	12,058	(1,224)	15,271	0	0	14,047	1,989
<b>Total Controllable Budget</b>	<b>18,210</b>	<b>(25,053)</b>	<b>15,271</b>	<b>0</b>	<b>0</b>	<b>(9,782)</b>	<b>(27,992)</b>
Uncontrollable Budget	(26,398)	(26,398)		0	0	(26,398)	0
<b>Total Corporate Budget</b>	<b>(8,188)</b>	<b>(51,451)</b>	<b>15,271</b>	<b>0</b>	<b>0</b>	<b>(36,180)</b>	<b>(27,992)</b>
<b>Total Budget Requirement</b>	<b>174,760</b>	<b>151,510</b>	<b>21,821</b>	<b>(272)</b>	<b>1,702</b>	<b>174,760</b>	<b>0</b>