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**REPORT FOR: CABINET**

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<b>Date of Meeting:</b>	18 July 2022
<b>Subject:</b>	Revenue and Capital Monitoring 2021-22 – Final Outturn
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance and Assurance
<b>Portfolio Holder:</b>	Councillor David Ashton, Portfolio Holder for Finance and Human 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 Grants 2021-22 Appendix 2 – Summary of Carry Forwards 2021-22 Appendix 3 – Savings Tracker 2021-22 Appendix 4 – Capital Programme 2021-22 Appendix 5 – Trading Company Update 2021-22

## **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 outturn positions set out in paragraphs 1.2 and 1.3.
2. That Cabinet approve the proposed additions and amendments to the Capital Programme as set out in paragraphs 3.33 to 3.44
3. That Cabinet note the Council's Trading Update as detailed in Appendix 5.

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

To report the 2021-22 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 2021-22.
- 1.2 The final outturn on the revenue budget for 2021-22, 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 Capital Programme is £74.646m, 35% of the total budget. The final spend on the General Fund is £44.117m, (39% of budget). The variance of £69.758m is made up of proposed slippage of £64.626m and a net underspend of £5.132m.
- 1.4 The final spend on the Housing Revenue Account is £30.529m (30% of the budget). The variance on the HRA of £72.116m is made up of budget realignment of £51.980m agreed by Cabinet in February 2022, proposed slippage of £18.322m and an underspend of £1.815m.

## 2.0 REVENUE MONITORING

The revenue outturn position is balanced following transfers to reserves. The summary of the outturn by each division is set out in Table 1.

**Table 1: Summary of Revenue Budget Monitoring – final outturn 2021-22**

Service Area	Revised Budget	Outturn	Variance	Contribution/ Drawdown From reserves	Cross Divisional Adjustments	Carry Forwards	Use of one off funding / management actions	Revised Outturn	Variance to budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	39,553	39,076	-477	23	260	233	0	39,592	39
Place	32,909	29,185	-3,724	4,070	-70	1,098	0	34,283	1,374
People's Services	106,369	106,422	53	410	0	0	-757	106,075	-294
<b>Total Directorate Budget</b>	<b>178,831</b>	<b>174,683</b>	<b>-4,148</b>	<b>4,503</b>	<b>190</b>	<b>1,331</b>	<b>-757</b>	<b>179,950</b>	<b>1,119</b>
Corporate	6,189	4,457	-1,732	0	0	0	0	4,457	-1,732
Technical	9,688	14,523	4,835	-2,175	0	0	0	12,349	2,661
Investment Properties	-2,876	-2,937	-61	136	0	0	0	-2,801	75
Transformation	-1,000	0	1,000	0	0	0	0	0	1,000
Covid Grants/Income	-6,551	-9,673	-3,122	0	0	0	0	-9,673	-3,122
<b>Total Corporate Budgets</b>	<b>5,450</b>	<b>6,370</b>	<b>920</b>	<b>-2,039</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,331</b>	<b>-1,119</b>
Uncontrollable Budgets	-4,842	-4,842	0	0	0	0	0	-4,842	0
<b>Grand Total</b>	<b>179,439</b>	<b>176,212</b>	<b>-3,228</b>	<b>2,464</b>	<b>190</b>	<b>1,331</b>	<b>-757</b>	<b>179,439</b>	<b>0</b>

## RESOURCES

**Table 2: Resources Revenue Outturn 2021-22**

Division	Budget	Outturn	To/ (From) Reserves	Cross divisional adjmt	Carry Forwards	Revised Outturn	Variance to budget
	£000	£000	£000	£000	£000	£000	£000
Business Support	3,338	3,291	0	0	0	3,291	-47
Finance & Insurance	3,336	3,370	0	0	0	3,370	34
Management	806	1,384	0	0	0	1,384	578
Strategy	2,849	2,612	-60	260	187	2,999	150
Revenues & Benefits	11,933	10,731	0	0	0	10,731	-1,202
ICT	7,348	7,458	0	0	0	7,458	110
Procurement	681	645	0	0	0	645	-36
Access Harrow	3,514	3,453	0	0	0	3,453	-61
HR	1,647	2,442	-93	0	0	2,349	702
Legal & Governance	3,469	3,163	176	0	46	3,385	-84
Internal Audit/CAFT	632	527	0	0	0	527	-105
<b>Totals</b>	<b>39,553</b>	<b>39,076</b>	<b>23</b>	<b>260</b>	<b>233</b>	<b>39,592</b>	<b>39</b>

2.1 At the end of the financial year the Resources directorate is reporting a net overspend of £39k after taking into account carry forwards, the draw down and contribution to reserves and cross divisional adjustments.

2.2 The net overspend includes £1.517m of modernisation and transformation spend which was planned to be funded from capital flexibilities. However, due to the overall outturn position there was sufficient underspend to fund these costs allowing the capital flexibilities to be preserved to support the MTFS.

2.3 The remaining variances are set out as follows:

- **Business Support** net underspend of £47k due to lower cost of the postal service.
- **Finance and Insurance** - net overspend £34k. This is made up of £88k overspend due to loss of Insurance income as a result of several schools joining the Government's Risk Protection Arrangement. This is partially offset by £54k underspend across the finance teams, mainly due to the lower costs of supplies and services in the Pensions section.
- **Management** – net overspend £578k. This is made up of £618k cost of Flexible Futures and Whole Service Review functions originally planned to be funded from capital flexibilities. This is partially offset by net underspend of £40k across other parts of the management team.
- **Strategy** - net overspend £150k. This is made up of a net overspend of £113k related to the Modernisation programme originally planned to be funded from capital flexibilities. The remaining £37k net overspend is due to smaller variances across the division.
- **Revenues and Benefit** – net underspend £1.202m. This includes an underspend in Benefits of £97k and an underspend in Revenues of £1.105m
- **ICT** – net overspend £110k. Of this, £70k relates to the Modernisation program previously planned to be funded from capital flexibilities. The remaining £40k overspend relates to various items including increased costs of the cloud datacentre.
- **Procurement** – net underspend £36k. This is due to delayed recruitment.
- **Customer Services/Access Harrow** - net underspend £61k. This predominantly relates to difficulties in recruiting Revenues & Benefits staff resulting in vacant positions being left unfilled for a longer period than expected. In previous months, the service has reported £350k unachieved savings within customer services area which are now covered from Covid-19 grant. The service was not able to realise the savings of £350k through staff reduction. The closure of telephone lines was due to take place from 1 October 2020 with the budget reduction being equally split between 2020-21 and 2021-22; however, Covid prevented the start of the programme of work required to channel shift Revenues & Benefits to digital channels. The delays are due to the team working on supporting CEV residents, the

Community Hub, Track & Trace, Testing, the Revenues service, and Virtual meetings as well as a lack of capacity within the service to support discovery and testing. Further decisions will be made in relation to the future of this project.

- **HR** – net overspend £702k. This is made up of net overspend £716k related to the Modernisation programme previously planned to be funded from capital flexibilities. There was a net overspend of £67k in relation to increasing Employee Relations capacity and moving schools out of the LA’s payroll, offset by £81k overachievement of rebate income from Pertemps.
- **Legal & Governance** – net underspend £84k. This mainly relates to Registration Services; Land Charges and Registration of Births, Deaths and Marriages where the income exceeded the target.
- **Internal Audit and CAFT** – net underspend £105k. This is due to delayed recruitment.

## PLACE

2.4 The revenue outturn position for the Place directorate is an overspend of £1.354m, after taking into consideration £1.098m of carry forward requests.

**Table 3: Place Revenue Outturn 2021-22**

Division	Budget	Outturn	To/ (From) Reserves	Cross divisional adjmt	Carry Forwards	Revised Outturn	Variance to budget
	£000	£000	£000	£000	£000	£000	£000
Environmental Services	19,691	18,984	577	0	142	19,703	12
Directorate Management	5,346	5,569	-48	0	0	5,521	175
Housing General Fund	4,271	3,160	1,181	-70	0	4,271	0
Enterprise and Planning	1,164	-1,207	2,335	0	424	1,552	388
Cultural Services	2,437	1,715	25	0	532	2,272	-165
Regeneration	0	943	0	0	0	943	943
Total Budget	32,909	29,164	4,070	-70	1,098	34,262	1,354

2.5 **Environmental Services – net overspend £12k**

2.6 **Estates & Facilities Management – net overspend £1.480m**

- **Building Repairs & Maintenance** – net overspend £538k. The building maintenance and repair budget across the corporate portfolio was £1.28m, around £450k of which was spent on Planned Preventative Maintenance (PPM) to meet statutory compliance requirements. The remaining budget of £830k was used to fund reactive repair works. Due to a large number of properties in the corporate portfolio, the costs of building repairs exceeded the budget available and this resulted in an overspend of £400k. In addition, there was also an unfunded cost

relating to professional fees of £138k for FM consultancy services and stock condition survey.

- **Depot** – net overspend £325k. This is due to security costs £138k, utility bills £25k, underachievement of rental income £100k and £60k business rates liability.
- **Civic Centre** – net overspend £262k. This was as a result of £143k overspend on utilities and other running costs and £119k underachievement of rental income.
- **Staffing Costs** – net overspend £325k. This was driven by interim staffing arrangements in Facilities Management, Corporate Estates and the Capital Programme Team.
- **Catering** – net overspend £30k. This is due to under recovery of income in Harrow Meals on Wheels service as a result of fewer meals being supplied to internal clients such as NRCs.

#### 2.7 Traffic & Highways Asset Management – net overspend £297k

- **Street Lighting** – net overspend £195k. This is due to electricity costs
- **Staffing Costs** – net overspend £102k. This is as a result of a reduction in salary capitalisation due to reduced LIP funding from TfL.

#### 2.8 Divisional Director – net underspend £92k

- **Staffing Costs** – this is due to interim staffing arrangements being in place and one of the director posts remained vacant throughout the year.

#### 2.9 Licensing & Enforcement – net underspend £117k

- **Staffing Costs** – several enforcement posts across the service remained vacant over the course of the year.

#### 2.10 Strategy, Development & Performance – net overspend £372k

- **Public Mortuary** – net overspend £541k. This is due to additional running costs of £41k of the shared facility. The outturn also included a sum set aside for the proposed expansion of the mortuary facility at Northwick Park Hospital, for which Harrow's share is estimated at £500k.
- **Staffing Costs** – net underspend £105k. This is due to vacant posts across the service.
- **Ward Priority Fund** – net underspend £63k.

## 2.11 Transport and Environmental Operations – net underspend £873k

- **Waste Disposal** – net underspend £1.073m. This was mainly driven by improved market conditions for dry recyclables, which reduce the net dry recycling waste disposal costs. The residual waste tonnage also showed signs of being stabilized during 2021-22.
- **Income** – net underspend £137k. This is due to overachievement of income from a range of income generating activities within the service.
- **Staffing Costs** – net underspend £127k. This was as a result of a reduction in the reliance of agency staff, in particular for drivers.
- **Cemetery** – net overspend £164k. The service level agreement in place with the London Borough of Brent for the management of Carpenders Park Cemetery overspent. This was due to an increase in the annual management fee and other payments.
- **Vehicle Sinking Fund** - net overspend £330k. This is a contribution to the Vehicle Sinking fund which will be used to smooth the additional cost pressure of vehicle maintenance costs over the remaining life of the contract.
- **Maintenance** – net underspend £30k. This is due to a reduction in spend on equipment and purchases.

## 2.12 Parking and Network Management – net underspend £1.056m

- **Network Management Income** – net underspend £639k. This is due to an overachievement of income mainly driven by the recoupment of historical payments
- **Parking Services** – net underspend £116k. This is due to receiving more income than budgeted for from residents parking permits
- **Staffing Costs** – net underspend £250k. This is due to vacant posts across the service area.
- **Other variances** – net underspend £51k. These items included maintenance spend and running costs.

## 2.13 Directorate Management – net underspend £176k

- The Covid-19 pandemic continued to have an impact on the directorate's ability to generate income in 2021-22 despite the lifting of all lockdown restrictions. As part of the MTFs process, budget growth of £5m was allocated to the directorate to recognise this impact and

help mitigate any such losses. The £5m growth was held in Directorate Management. The final Covid-19 related loss of income in 2021-22 totalled £5.240m, £240k greater than the allocated budget growth.

- This cost pressure was partially offset by an underspend of £64k on running costs and miscellaneous spent within Directorate Management

#### 2.14 Enterprise and Planning – net overspend £389k

- **Legal and counsel costs** – net overspend £117k. This was largely due to a public inquiry on the planning application decision of Canons Park Station.
- **Staffing Costs** – net overspend £78k. There was an overspend in Development Control due to the use of interim staffing
- **Planning and Public Protection IT Project** – net overspend £216k. This was due to unfunded project resource to support the project.
- These cost pressures were partially offset by small underspends across the Economic Development & Research and Adult Learning service areas.

#### 2.15 Cultural Services – net underspend £165k

- **Harrow Music Service** – net underspend £67k. This is due to staffing costs as fewer lessons were being carried out following the impact of Covid-19 resulted in a fall in the number of required staffing hours.
- **Libraries** – net underspend £112k. There is an underspend on staffing costs driven by several vacant posts during library closure due to Covid-19. Some of these remained throughout the course of the year. Because of the nature of the work (much of the staff are part-time and/or only work weekends or evenings) and the staggered reopening of libraries following the lifting of restrictions, recruitment proved difficult.

#### 2.16 Housing General Fund

2.17 Housing Services produced a balanced position after applying £1.268m from the Homelessness Prevention Grant (HPG) to meet the business-as-usual costs associated with the Homelessness Reduction Act. There was a further cross divisional adjustment of £70k associated with financing costs for the Property Acquisition Programme

#### 2.18 Regeneration

2.19 The final outturn for the Regeneration Programme revenue budget is £943k.



## PEOPLE SERVICES

2.20 The final outturn for the People Services directorate is a net underspend of £294k.

**Table 4: People Services Revenue Outturn 2021-22**

Division	Service Area	Revised Budget	Outturn	To/ (From) Reserves	One off funding	Revised Outturn	Variance to budget
		£'000	£'000	£'000	£'000	£'000	£'000
Adults	Strategic Management	1,057	1,093			1,093	37
	Purchasing	46,957	45,033	1,300	0	46,333	-624
	Mental Health	5,943	5,782	0		5,782	-161
	Other Adults	12,127	12,452	0	0	12,452	325
	In House Services	5,340	4,641	0	72	4,712	-628
<b>Adults Total</b>		<b>71,424</b>	<b>69,000</b>	<b>1,300</b>	<b>72</b>	<b>70,372</b>	<b>-1,052</b>
<b>Public Health Total</b>		<b>-131</b>	<b>-433</b>	<b>302</b>	<b>0</b>	<b>-131</b>	<b>0</b>
Children's Services	Children & Young People	25,963	30,176	-1,588	-757	27,831	1,868
	Education Services	8,427	7,015	374	0	7,389	-1,038
	People Services Mgt	685	663	-50	0	613	-72
<b>Children's Services Total</b>		<b>35,075</b>	<b>37,854</b>	<b>-1,264</b>	<b>-757</b>	<b>35,833</b>	<b>758</b>
<b>People Services Total</b>		<b>106,368</b>	<b>106,421</b>	<b>338</b>	<b>-685</b>	<b>106,074</b>	<b>-294</b>

2.21 The variations are explained in more detail at the following paragraphs.

### Adult Services

2.22 The final outturn for Adult Services is an underspend of £1.052m against the 2021-22 budget. The cause of the underspend is highlighted as below

### 2.23 Strategic Management

2.24 An overspend of **£37k** is caused by the following:

- Principal Social Worker doing more hours than budgeted totalling £17k with the remainder relating to ICT and consultant costs.

### 2.25 Purchasing

2.26 A total net underspend of £624k after a contribution to reserves of £1.3m. The cause of the underspend on purchasing is as follows:

- The budget assumed 325 deaths in 2021-22. However, there have been a higher number of deaths this financial year and the final total is 524 – an additional 199 deaths

- The budget assumed 15 new care packages per week (11 in community and 4 in residential and nursing). For the financial year there has actually been an average of 17 new packages per week, however this was offset by a reduction of 5 packages per week for existing packages of care (excluding deaths). There was also a further 989 packages of care which started and finished in the year, a large proportion of these cases would have related to hospital discharges. The strength-based approach (3 Conversations) and a widening of the scope of Reablement will have been contributory factors in this respect.
- Additional income arising from the charging policy
- Better Care Fund (BCF) uplift resulted in a favourable variance of £115k.
- An underspend of £600k in the 0-18 CYAD Service. For residential, Domiciliary and Respite services, growth has not been required due to larger care packages dropping out of the service, which has effectively covered the cost of any new packages starting in 2021-22. New agreements with the CCG have also led to an increased income of £140k compared to budget.

2.27 The underspend was partially offset by:

- An increase in bad debt provision of £1.570m, resulting in a provision of £3.311m being held against outstanding debt of £10.782m.

## 2.28 Mental Health

2.29 Underspend of **£161k** – The number and costs of placements has increased in this financial year compared to last. However, the spend is within budget due to a focus on step downs for suitable service users, a backlog of outstanding financial assessments having now been completed and a recharge of relevant costs to non-Harrow CCGs and other local authorities.

## 2.30 Other Adults

2.31 Overspend of **£325k** due to:

- **Equipment** – net overspend £128k. This is due to a newly agreed split of equipment costs between the CCG and the LA which has added pressure to the budget
- **Staffing** – net overspend £277k. This is primarily due to agency staff covering permanent posts and their rates being substantially higher than permanent staffing budgets

- **Shared Lives and The Bridge** – net overspend £20k. This is due to a placement made by CNWL to Share Lives not budgeted for which has caused a £12k overspend. Utility costs for The Bridget is also £8k higher than budgeted due to increased energy costs.
- **Contracts** – net underspend £100k. High spending contracts with Rethink and Lookahead ended on 31 August 2021 and were replaced by new contracts with lower spend.

### 2.32 In-House services

2.33 There is an underspend of **£628k** due to the phased opening of day care as agency posts in NRCs and transport services have not been required to be filled for a large part of the financial year. The need for vehicles to transport citizens to NRCs has also been reduced this year, meaning vehicles have been loaned out to other services and the costs paid for by these services.

### Public Health

2.34 Public Health (PH) is reporting a balanced position after a contribution to the Public Health reserve of £302k. This will increase the PH reserve balance to £2.694m at the beginning of the 2022-23 financial year.

2.35 Underspends on Public Health relate to the following:

- **Sexual health** – net underspend £329k, which reflects the agreed block payments for 2020-21 during Covid-19 and continuing into 2021-22
- **Health checks** – net underspend £90k. Of this, £54k is due to an unused accrual and the remainder due to health checks activity lower than previously forecast due to activity stopping because of the Omicron strain and the need for GP to divert services towards vaccinations.
- **Staffing** – net underspend £68k which reflects a delay in recruitment for vacant posts.
- **Physical Activity** – net underspend £15k. As a result of Covid-19 restrictions, planned activities were cancelled.
- **Drug & Alcohol and Tobacco Control** – net underspend £61k in relation to agenda for change budget allocated.

2.36 These were partially offset by the following overspends:

- **Wider Health Improvement** – net overspend £261k. This is made up of an underspend of £39k on in-year projects and a pressure related to ongoing projects originally anticipated to be funded by the PH reserve of £300k

## Children's Services

2.37 The final outturn is a net overspend of £758k. The headline pressure within the directorate is £4.274m with mitigating management actions of £3.516m. It should be noted that these management actions are one off and will not be available in future years.

2.38 The main variances are summarised in the following paragraphs.

### 2.39 Children and Young People Services

- **Children's Placements & Accommodation** - net overspend £2.106m. 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. The number of CLA was down to 178 for August 2021, however, the number of young people currently accommodated have significant and complex needs which in some cases require expensive residential provision. The number of CLA has risen again and was 190 for March 2022 a 3% increase from March 2021.
- There are also issues regarding placement sufficiency and despite a successful inhouse fostering recruitment campaign young people are still being placed out of borough for reasons of contextual safeguarding and not just placement sufficiency.
- **Frontline Teams Staffing & Other Costs** – net overspend £1.513m. 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. There has also been the need for super numerate social work posts in Children in Need and the Front Door as there is an increase in the number of CIN Plans and the number of children on Child Protection Plans.
- **Client Spend & Section 17** – net overspend £347k. 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. This budget also provides support for families with No Recourse to Public Funds until they can access benefits and expenditure to support young people Leaving Care.
- **Legal costs and other client related spend** – net overspend £256k. Mainly pressures in relation to translation services £151k such as whole document translation of parenting assessments for individuals whose first language is not English as well as £105k overspend on legal disbursement

costs including barristers and independent experts' fees in relation to care proceedings.

- **Early Support Service** – net underspend £49k. There is a £99k underspend on Early Support sites due to vacant posts at Hillview and Cedars hubs as well as surplus income from PVI nurseries based at some sites. This is offset by a £50k overspend on the Youth Offending Team mainly due to maternity leave cover.
- **Grant income** - net underspend £183k. Additional grant income from the previous financial year which was not accrued for as final notification had not been received by year end.
- **Other CYPS** – net overspend £41k. This mainly relates to an overspend on HSCB partly offset by an underspend on the Regional Adoption Agency budget for payment of adoption inter-agency fees.
- **One off Management Actions/Income** – net underspend £574k
- **Drawdown from Reserves for CYPS** - £1.588m

#### 2.40 Education Services

- **Capital Programme** – net overspend £5k. Expenditure on capital scheme feasibility studies for projects that are not yet live.
- **SEN Transport** – net underspend £590k. There is an underspend on SEN Transport as budget growth was allocated mainly for spend on taxi journeys however not all of this has come to fruition. In addition, due to Covid-19 and other sickness, where a child does not attend school and the taxi company is notified within an agreed timescale, there is no charge for that day's route.
- **Other Education Services** – net underspend £454k. This is mainly due to underspends on Education staffing budgets due to vacancies as a result of recruitment difficulties in some service areas. This budget assumes £90k drawdown from reserve to support School Improvement.

2.41 **Commissioning & People's Management** – net underspend £72. £27k overspend on Commissioning Team staffing offset by £99k underspend on People's Services Management due to centrally held management actions. This includes £50k drawdown from reserve to support Young Carers.

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

2.42 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

**Table 5: DSG Outturn 2021-22**

<b>Block</b>	<b>Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
Central	1,388	1,385	-2
Early Years	18,044	18,320	277
High Needs	37,020	37,297	277
Schools Growth	1,479	662	-817
Schools ISB	80,103	80,103	0
<b>Totals</b>	<b>132,751</b>	<b>132,487</b>	<b>-264</b>
<b>Less High Needs Block Deficit</b>			<b>-277</b>
<b>Net DSG Underspend</b>			<b>-541</b>

2.43 The final outturn is a net underspend of £264k, however, the High Needs Block overspend of £277k is ringfenced to the High Needs Block Deficit and therefore the net underspend is £541k. This will be transferred to the schools brought forward contingency which is managed by Schools Forum.

2.44 **Central Block** – net underspend £2k.

2.45 **Early Years Block** – net overspend £277k. This is because funding for the year was based on the January 2021 Early Years Census which had a reduction in participation of children attending nurseries due to Covid-19.

2.46 **Schools Growth** – net underspend £817k. This is due to the fact that there has not been a requirement for bulge or additional classes. This has been reported to Schools Forum throughout the year and is committed to the schools funding formula in 2022-23 and other projects.

2.47 **High Needs Block** – net overspend £277k. The final outturn on the High Needs Block is an overspend of £277k which added to cumulative deficit brought forward from 2019-20 and 2020-21 takes the total deficit at the end of March 2022 to £4.007m. 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.

2.48 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.

- 2.49 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.
- 2.50 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.
- 2.51 The final deficit at the end of 2021-22 of £4.007m represents 1.67% 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.
- 2.52 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**

- 2.53 The final outturn for the corporate and technical budget is reporting an overall underspend on business as usual of £1.119m as detailed below.

### **Corporate Items**

- 2.54 The final outturn is a net underspend of £1.732m. The majority of this relates to a central contingency of £1.248m which was not required and therefore there is an underspend against this budget. The remainder mainly relates to pension augmentation costs.

### **Technical Budgets**

- 2.55 The final outturn on the technical and corporate adjustments is an overspend of £2.661m as follows:

- (£6.308m) underspend in capital financing costs and interest charges as a result of slippage in the Capital Programme. £2m of capital financing savings are built into the 2022-23 budget.
- (£2.532m) additional grant and other income
- £7.350m 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 and not utilising capital flexibilities.
- £4.365m additional contribution to reserves
- (£214k) various other opportunities

### **Investment Properties**

- 2.56 The final outturn for investment properties is a net overspend of £75k. This is due to vacant space which results in loss of rental income.
- 2.57 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.
- 2.58 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.
- 2.59 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.
- 2.60 The annual estimated impact of vacant space at Kings House in 2021/22 is a loss of rental income and charges relating to vacant space in total of £369k. This is partly offset by earlier investment purchases achieving returns over and above their target hence the overall investment property pressure of £75k.

### **Transformation Savings**

- 2.61 The transformation savings target of £1m has an adverse variance as the target was not met

### **Covid-19 Grants & Income**

- 2.62 In 2021-22 the council received the following non-specific Covid-19 grants and income compensation as shown at Table 6 below.



**Table 6: Covid-19 Grants & Income**

<b>Description</b>	<b>£000</b>
Covid-19 Expenditure Pressures Grant 2021-22	6,051
Controlling Outbreak Management Fund	
- 2020-21 brought forward	1,503
- 2021-22 allocation	1,565
- 2021-22 allocation underspend carry forward to 2022-23	-579
Compensation for loss of sales, fees & charges	1,133
<b>Total Covid-19 grants and income</b>	<b>9,673</b>

2.63 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.

2.64 Both COMF allocations were allocated to additional expenditure within the directorates including enhanced cleaning, fire risk assessments, communications, Covid-19 marshals and other COMF relevant activities. There was an underspend of £579k which will be carried forward to 2022-23 to fund residual activities

2.65 There are also a number of other Covid-19 related specific grants which are held within the directorates and not shown in the table above. These can be found in more detail at Appendix 1.

## **RESERVES**

2.66 Below at Table 7 is a schedule of all the reserves held by the Council at 31 March 2022. The table also shows the movements in 2021-22 followed by narrative of the key movements set out below.

**Table 7: Summary of Reserves 2021-22**

Description	Brought Forward 01/04/21	Directorate Reserve Movements	Corporate Reserves Movements	Other Reserves movement	Balance Carry Forward 31/03/2022
CIL Harrow	-6,730,442	-2,295,420		1,917,474	-7,108,388
Revenue Grant Reserve	-8,823,265	-274,680	-576,182	3,032,707	-6,641,421
Compensatory Added Year Reserve	-242,782				-242,782
Business Pool Reserve	-767,170		767,170		0
PFI Schools Sinking Fund	-2,371,579	299,903			-2,071,676
Public Health Reserve	-2,372,440	-301,702			-2,674,142
PFI NRC Sinking Fund	-1,751,952	-71,884			-1,823,836
Legal Services Contingency	-949,339			128,100	-821,239
Legal Expansion Reserve	-377,639			377,639	0
HRA Transformation Reserve	-671,551				-671,551
Carryforward Reserve	-2,041,393	-1,330,981	2,041,393		-1,330,981
Collection Fund Reserve	-8,924,753		4,290,008		-4,634,745
Equalities Diversity & Inclusion	-250,000	92,727			-157,273
London Living Wage Reserve	-250,000			250,000	0
Capital Feasibilities Reserve	-500,000				-500,000
Accommodation Strategy Reserve	-725,000			73,000	-652,000
Adults Social Care Reserve	-1,969,475	-1,300,000	-500,000		-3,769,475
Children's Social Care Reserve	0	-206,413		-2,901,707	-3,108,120
IT Reserve	-134,000				-134,000
Borough Election	-398,747	-175,930			-574,677
Harvist Reserve Harrow Share	-15,889				-15,889
Proceeds Of Crime Reserve	-63,000				-63,000
Proceeds Of Crime Planning	-326,550	-103,622			-430,172
Headstone Manor Reserve	-287,750				-287,750
CIL Mayor	-152,902	2,382			-150,520
Libraries Reserve	-150,000				-150,000
Vehicle Fund	-920,478	-330,000			-1,250,478
Investment Property Reserve	-841,875		-135,510		-977,385
DSG Overspend	3,730,218	276,649			4,006,867
PAP Sinking Fund	-190,000	-203,300			-393,300
HRA Hardship Fund	-25,000				-25,000
HRA Regeneration Reserve	-722,200				-722,200
HRA Repair Reserve	-277,428				-277,428
Business Risk Reserve	-5,350,000	464,802	-301,269	3,218,269	-1,968,198
Budget Planning Reserve MTFS gap	-16,688,761		-2,587,014	-2,435,204	-21,710,980
Capacity Build/ Transformation	-2,000,000	148,011		-1,320,663	-3,172,652
MTFS Implementation Reserve	-349,683			349,683	0
NEW 1 Hour Free Parking Reserve				-624,000	-624,000
NEW Insurance Reserve			-959,318		-959,318
NEW Mortuary Reserve		-500,000			-500,000
NEW 3G Pitch		-25,000			-25,000
<b>Total non General Fund Reserves</b>	<b>-64,882,826</b>	<b>-5,834,458</b>	<b>2,039,277</b>	<b>2,065,298</b>	<b>-66,612,708</b>
<b>General Fund Reserves</b>	<b>-10,000,000</b>				<b>-10,000,000</b>

## 2.67 Earmarked Reserves

- **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 2021-22 totaling £2.295m. There are also drawdowns totaling £1.917m which have been used to support the capital programme.

- **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. The movements in 2021-22 represent draw downs to revenue and contribution of new grants to carry forward to future years.
- **Business Pool Reserve** – the balance brought forward relates to 2020-21 and was subject to clawback by the City of London once the pool accounts were determined.
- **PFI Reserves** – these reserves are to support current and future funding gaps in relation to PFI contracts in Schools and Adult Services.
- **Public Health Reserve** – this reserve relates to unspent government grant paid in relation to the delivery of public health responsibilities. There has been an additional contribution of £302k in 2021-22.
- **Legal Reserve** – this reserve is earmarked to Legal services projects and contingency as set out in the IAA
- **Carry Forward Reserve** – the balance brought forward relates to revenue budgets carried forward from 2020-21 for use in 2021-22. The balance carried forward relates to revenue budgets carried forward from 2021-22 for use in 2022-23.
- **Collection Fund Reserve** – This reserve will be used to support the estimated Collection Fund deficit and will be drawn down in 2022-23
- **EDI Reserve** – this reserve has been established to support the council's commitment to Equalities, Diversity and Inclusion agenda.
- **Accommodation Strategy** – this reserve has been established to support the council's accommodation strategy
- **Adults Social Care** – this funding is earmarked to future social care pressures in Adults Services
- **Children's Social Care** – this funding is earmarked to future social care pressures in Children's Services
- **DSG Overspend** – this negative reserve holds the cumulative balance of the overspend on the High Needs Block of the Dedicated Schools Grant.

- **Business Risk Reserve** – the balance carried forward to 2022-23 is committed to investment in frontline priorities
- **Budget Planning Reserve** – this reserve was established to support future MTFS. £14.711m is earmarked to the 2022-23 budget and £6m is assumed in current plans to support the 2023-24 budget.
- **Capacity Building Reserve** – this reserve was established to support organisational transformation costs.

## 2.68 New Earmarked Reserves

2.69 In addition to the existing reserves set out above, there have been four new reserves established in 2021-22:

- **1 Hour Free Parking** - this reserve has been established to fund the 2022-23 implications of the 1 hr free parking initiative (as reported to Cabinet in June 2022).
- **Insurance Reserve** – an audit review of the insurance provision identified that the provision is currently too high. The provision has been reduced and the funds set aside in this reserve earmarked to fund any increases in insurance provision required in the future.
- **Mortuary Reserve** – this reserve has been established to contribute to expansion of the public mortuary at Northwick Park Hospital which is shared between Harrow, Brent and Barnet under an SLA.
- **3G Pitch Reserve** – this reserve has been established to hold a sinking fund using income generated from the 3G pitch so that investment funding is in place when the pitch is due for replacement in future. This is part of the grant conditions of Footballs Foundation for the award of funding to install a new 3G pitch at Bannister Sports Club.

## 2.70 General Fund Reserves

- General Fund Reserves remain at £10m.

## GRANTS

2.71 Attached at Appendix 1 is a schedule of all the grants the Council received in 2021-22.

## CARRY FORWARDS

2.72 Attached at Appendix 2 is a schedule of the revenue budget carry forwards included in the final outturn for 2021-22 that will be carried forward to 2022-23. The revenue carry forwards have been agreed by the Director of Finance in accordance with Financial Regulations.

## MTFS IMPLEMENTATION TRACKER

2.73 The 2021-22 budget includes approved MTFS savings of £3.443m.

2.74 Appendix 3 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 8 below:

**Table 8: 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

2.75 Table 9 below shows the summarised position for each directorate for 2021-22

**Table 9: Savings Tracker 2021-22 – Directorate Summary**

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

2.76 At the final outturn 35% of these savings are rated red as they have not been delivered.

2.77 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.
- Place £20k – Building Control. Income is adversely impacted by Covid-19, and it is unlikely that any additional income will be generated in 2021/22.
- Place £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.

## HOUSING REVENUE ACCOUNT

2.78 The outturn for 2021-22 is a general reserves position of £5.677m which reflects an in-year loss of £596k. This is an increase of £196k of the £400k loss previously projected in the HRA in 2021-22.

**Table 10: Update on Housing Revenue Account**

	<b>Budget 2021-22</b>	<b>Outturn 2021-22</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Reserves b/fwd	-6,273	-6,273	0
In year position deficit	0	596	596
<b>Balance c/fwd</b>	<b>-6,273</b>	<b>-5,677</b>	<b>596</b>

2.79 Table 11 summarised the variances by the main headings

**Table 11: summary of variances on Housing Revenue Accounts**

	<b>Budget 2021-22</b>	<b>Outturn 2021-22</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Income	-32,234	-31,885	350
Operating Expenditure	10,752	10,336	-416
Other Expenditure	14,636	14,285	-350
Repairs	6,847	7,860	1,013
<b>Total</b>	<b>0</b>	<b>596</b>	<b>596</b>

2.80 The explanation of the main variances is set out as follows:

- **Income** – net overspend £350k. this is due to reprofiling of the New Build programme resulting in fewer properties being delivered in 2021-22 that originally budgeted for
- **Operating Expenditure** – net underspend £416k. This is due to high levels of staff vacancies and increased charges to capital projects
- **Other Expenditure** – net underspend £350k. This is due to a reduction in capital charges of £750k due to reprofiling of the New Build programme partially offset by an increased depreciation charge of £400k as a result of a rise in house price inflation of 6%
- **Repairs Expenditure** – net overspend £1.013m. This is due to a number of factors that reflect exceptional items and essential health & safety works that were required in 2021-22 to ensure that Harrow is legally compliant with Housing Regulations. These are set out in more detail at Table 12.

**Table 12: Analysis of HRA Repairs Expenditure Variance**

<b>Reason for Variance</b>	<b>£'000</b>
Replacements for old non-compliant bin chutes	130
Addition staff to provide support hand over of new gas contractor, project support for disrepair/ essential structural works and lease hold advice and validation	163
Increase in demand for expenditure on Aids and Adaptation properties	190
Specialist Contractor report to survey properties for dampness/condensation/mould	190
Repairs to aging communal boilers	90
Increase in legal fees for disrepair case	50
Storm damage for fencing – not covered by insurance	122
Other variances (net)	78
<b>Total</b>	<b>1,013</b>

### 3.0 **CAPITAL PROGRAMME**

3.1 The revised capital budget for 2021-22 is £216.520m as set out at Table 13:

**Table 13: Capital Programme 2021-22**

Directorate	TOTAL BUDGET	Actuals	Variance	HRA budget realignment agreed Feb 22 cabinet	Slippage	Underspend after slippage
	£'000	£'000	£'000		£'000	£'000
<b>RESOURCES TOTAL</b>	<b>15,183</b>	<b>5,598</b>	<b>(9,584)</b>		<b>(9,554)</b>	<b>(30)</b>
<b>COMMUNITY</b>						
Commissioning and Environment	39,257	23,712	(15,545)		(13,849)	(1,697)
Cultural Services	2,958	579	(2,379)		(2,351)	(28)
Housing General Fund	12,348	6,736	(5,612)		(2,637)	(2,975)
Regeneration, Enterprise and Planning	15,243	5,233	(10,009)		(10,009)	(0)
<b>COMMUNITY TOTAL</b>	<b>69,806</b>	<b>36,261</b>	<b>(33,546)</b>		<b>(28,846)</b>	<b>(4,700)</b>
<b>PEOPLE</b>						
Adults	411	15	(396)		(395)	(1)
Public Health	9	2	(7)		(7)	(0)
Children	28,466	2,241	(26,225)		(25,824)	(401)
<b>PEOPLE TOTAL</b>	<b>28,886</b>	<b>2,258</b>	<b>(26,628)</b>		<b>(26,226)</b>	<b>(402)</b>
<b>TOTAL GENERAL FUND</b>	<b>113,875</b>	<b>44,117</b>	<b>(69,758)</b>		<b>(64,626)</b>	<b>(5,132)</b>
<b>TOTAL HRA</b>	<b>102,645</b>	<b>30,529</b>	<b>(72,116)</b>	<b>(51,980)</b>	<b>(18,322)</b>	<b>(1,815)</b>
<b>TOTAL GENERAL FUND &amp; HRA</b>	<b>216,520</b>	<b>74,646</b>	<b>(141,874)</b>	<b>(51,980)</b>	<b>(82,948)</b>	<b>(6,947)</b>

3.2 The final spend is £74.646m, 35% of the total Capital Programme budget. The final spend on the General Fund is £44.117m, (39% of budget). The variance of £69.758m is made up of proposed slippage of £64.626m and a net underspend of £5.132m. The final spend on the Housing Revenue Account is £30.529m (30% of the budget). The variance on the HRA of £72.116m is made up of budget realignment of £51.980m agreed by Cabinet in February 2022, proposed slippage of £18.322m and an underspend of £1.815m.

3.3 Table 13 shows a General Fund variance of £69.758m. The vast majority (£64.626m) will be slipped to 2022/23, and the remaining variance of £5.132m is an underspend. The breakdown of the underspend is detailed in Appendix 4 and in terms of funding, £4.266m is funded from grants, right to buy receipts and other external funding and the remaining £866k relates to schemes funded from borrowing. The saving in borrowing costs will be factored into the 2022/23 budget monitoring and will be reviewed as part of the 2023/24 budget setting. The breakdown of the underspend is detailed in Table 14.



**Table 14: Analysis of General Fund Capital Underspend**

Directorate	Capital Scheme	Borrowing £000	Other Funding (Grants, RTB, etc) £000
Resources	This relates to a minor underspend in IT projects (borrowing).	30	
Place	TfL Transport schemes (grant)- The assumed grant funding of £1.391m included in the original capital programme didn't materialise due to financial constraints within TfL.		1,391
	Wealdstone Major Transport Infrastructure (grant) - The assumed funding of £300k profiled in 22/23 was originally for the TfL funded Liveable Neighbourhood project, however no funding was awarded due to financial constraints within TfL.		300
	Banister Sport Pitch (Section 106) - the underspend of £19k relates to Football Foundation grant that couldn't be claimed as actual expenditure of the 3G pitch was less than the grant award in the end.		19
	Disabled Facilities Grants (borrowing) - This is a demand led budget and has seen a lower demand for adaptations in 2021/22 resulting in a variance of £1.435m. £1.087m relates to external grant which is being carried forward into 2022/23 and the remaining £349k borrowing is reported as an underspend.	349	
	Empty Property Grant (borrowing) - This scheme is a Repair to Lease grant assistance scheme for private landlords to part fund improvements to their empty properties and in return the council secures nomination rights to house families in housing need as an alternative to the more expensive Bed & Breakfast (B & B) emergency accommodation. There has been a reduced level of uptake from property owners for this programme in 2021/22.	71	
	Property Acquisition Programme (HRA Right to Buy receipts) - £2.555m is reported as an underspend as a result of legislative changes, effective from 1st April 2021, which prevents the continued use of Right to Buy 1-4-1 receipts being eligible to fund this programme. As a result, the programme was scaled back and units purchased contained within the budget resource available.		2,555
Peoples Services	Day Respite Provision in Children's services (borrowing)- the business Case has not yet been developed and therefore this budget is being removed from the Programme and funding will be bid for in future years if business case is viable.	400	
Various	Other small underspends across Directorates	16	1
<b>Total</b>		<b>866</b>	<b>4,266</b>

## RESOURCES

3.4 At the final outturn £5.598m (37% of budget) has been spent. Of the £9.584m variance, £9.554m of funding will be carried forward to 2022-23 to complete ongoing projects. There is a £30k underspend on the ABAVUS & Waste Collector projects which have now been completed. The slippage mainly relates to the following projects:

- Ongoing refresh and enhancement of ICT (£4.675m). The refresh and enhancement work is ongoing and based on the latest implementation timeline, the project is scheduled to be completed in 2022-23
- Council wide unallocated (£3.323m). This budget is to be set aside for any emerging capital requirements not included elsewhere in the capital programme in 2022-23

- Careline Digitalisation (£482k). This budget covers three-year equipment replacement programme, and the remaining balance will be slipped to 2022-23
- Devolved Applications refresh (£153k). This budget will be carried forward to 2022-23 for ongoing schemes relating to the Council Tax Integrated moves process and electoral registration integration work.
- Enterprise Resource Planning System (£922k). The Implementation of Dynamics 365 ERP is ongoing and due to be completed in 2022-23.

## **PLACE**

- 3.5 The final outturn for the Place Directorate is total spend of £36.260m (52% of budget). Of the variance to budget of £33.545m, a total of £28.847m of funding will be slipped to 2022-23 to complete ongoing projects. The underspend of £4.698m results from project underspends (£457k) and projects not going ahead (£4.241m) due to external funding assumed in the programme not materialised.

## **Environment**

- 3.6 The services spent £23.712m against a budget of £39.257m. £13.850m of funding is requested to be carried forward to 2022-23 and relates mainly to the projects listed below. £1.691m of underspend represents TfL projects assumed in the capital programme but not gone ahead because no funding was provided by TfL in 2021/22.
- Bannister café (£257k). Although works were resumed following the delay caused by the pandemic, these were paused due to additional costs claimed by the contractor. This is subject to on-going negotiations to resolve this, and therefore it is anticipated that the project will now be completed in 2022-23. The redeveloped building is expected to generate a rent income which has been assumed in the existing MTFS with a saving of £36k profiled in 2021-22.
  - CA site infrastructure (£78k). The funding is set aside for a new shelter for dry recyclables which will keep the waste dry before being taken by the disposal contractor. The procurement process is underway, and the project will be implemented in 2022-23.
  - CCTV cameras (£50k) and CCTV Infrastructure (£1.243m). Additional cameras for parking enforcement have been ordered to utilise the carry forward budget of £50k. The procurement of the CCTV infrastructure upgrade is now concluded, and the new CCTV Control room will be installed in 2022-23.

- Depot redevelopment (£3.439m). The redevelopment project is almost complete, with outstanding works in external areas and the decommissioning of temporary building scheduled to be completed in early 2022-23. The majority of furniture was delivered and installed in early April and the cost of this will be funded from the carry forward budget as well.
- Flood Defence and Highways Drainage (£97k). Some of the works ordered were not completed in 2021-22, and therefore the budget is carried forward to 2022/23 to fund these existing commitments.
- Harrow Green Grid (£20k). The installation of parks noticeboards and signs was delayed due to volunteer inputs and supplier issues.
- High Priority Planned Maintenance (£836k). The project at Sancroft (£205k) was delayed as it was being revisited to determine the phasing of the work to minimise disruptions to residents. The roof repair work at Hatch End swimming pool will now be completed in 2022-23 due to supply chain issues. The remaining budget in the programme is carried forward to 2022-23 to fund Health & Safety works identified from condition survey.
- Highway Programme (£1.566m) and Street Lighting Programme (£699k). Some of the projects were not fully completed in 2021-22. The budget is carried forward to 2022-23 to fund existing commitments.
- Litter Bin Project (£18k). External funding from WRAP was secured to install litter bins outside schools. The bins have been ordered and will be installed once they are delivered.
- Parking Management Programme (£145k). Some of the schemes were delayed, but works are continuing into 2022-23 and the proposed measures will be implemented subject to the outcome of relevant consultations.
- Parks Infrastructure (£471k) and Parks Playground improvement (£46k). A few projects such as Cedar Gate posts and Bernays Garden wall are on-going following successful external funding applications. The remaining budget in the programme is carried forward to 2022-23 to fund Health & Safety works in Parks.
- Public Sector Decarbonisation Scheme (£1.962m) and Carbon Offset Fund (£136k). External funding was secured to deliver energy efficiency measures across school sites and corporate buildings. These projects are on-going and will be completed in 2022-23.
- Waste and Recycling (£122k). Bin orders were placed but the delivery was delayed due to long lead in time from the manufacturers.

- Wealdstone Future High Street Fund (£1.368m). This is a multiple year project, funded by DLUHC and BCIL funding, for the construction of a footbridge and implementing Intelligent High Street. There was a delay in obtaining planning permission and land acquisition in 2021/22, therefore the funding is carried forward into 2022-23 to continue the project.
- Wealdstone Bus Improvement scheme (£962k). The project was delayed due to material / supply problems and the delayed statutory undertaker diversionary works, therefore will now be completed in 2022-23.
- Food Waste project (£335k). The project is underway. Bins have been purchased and are being installed at identified sites as part of the pilot scheme.

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

### **Culture**

3.8 The services spent £579k against a budget of £2.958m. £2.351m of funding is requested to be carried forward to 2022-23 and relates mainly to the following projects. £28k is reported as underspend for projects already completed.

- Harrow Arts Centre (£2.008m). This project is externally funded. Phase 2 project was delayed because the work had to be re-tendered during the year. A new contractor has now been appointed to complete the work in 2022-23.
- Bannister Sports Centre (£195k). The funding is set aside for a new overflow car park, which will be completed in 2022-23 as the procurement exercise is now concluded.
- Libraries and Leisure Capital Infrastructure (£35k). The Libraries ICT migration project is on-going as there is a delay in completing the novation of library BT phone lines.
- Libraries Self-Service Kiosks Refresh (£113k). There was a delay in the completion of the RFID refresh project due to shipping issues and the setup of card payments at the kiosks.

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

### **Enterprise and Planning**

3.10 The services spent £1.182m against a budget of £3.534m. £2.352m funding is requested to be carried forward to 2022-23 and relates mainly to the following projects.

- Lyon Road project (£188k): This is a multiple year project, which is near completion. The budget will be used to pay for outstanding works in 2022-23.
- Planning IT replacement (£468k). There was a delay in the implementation of the new system by the supplier.
- Harrow High Street Fund (£1.268m). This project is largely CIL funded. Project delivery is underway for a number of strands including festive lights, Copenhagen Crossings, benches, tree pits, trees and the North Harrow Junction study. Some of the strands will be completed in Q1 of 2022-23 whilst others are delayed due to supplier issues which include feature lights and gateway features. Contracts are being finalised with suppliers for delivery in 2022-23.
- Neighbourhood CIL projects (£428k). The delivery of approved projects in various wards in 2021-22 will continue in 2022-23.

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

### **Regeneration**

3.12 The services spent £4.051m against a budget of £11.708m. £7.657m funding is requested to be carried forward to 2022-23 to support the Accommodation Strategy and Harrow Strategic Development Partnership. Some project budgets will be reconfigured as part of the outturn process as detailed below:

- Haslam House (£0.026m). The project has completed. The budget is being used to cover the retention and costs to final account.
- Waxwell lane (£0.277m). This is a multi- year scheme which is estimated to complete by the summer 2022. An extension of time claim has been submitted by the contractor. We expect to conclude final account negotiations in 2022-23.
- Gayton Road (£2.267m). This budget was reclassified as Accommodation Strategy (£1.473m) and Investment in 3 Core Sites (£0.794m) as agreed by Cabinet (29/04/2021) and is being used to take forward the Accommodation strategy.
- Client Side-Regeneration Budget (£1.788m). This budget is being carry forward and reclassified to supplement the Investment in 3 core sites. There is £0.223m contingency for Waxwell Lane contained within this budget which will be added to the £0.277m carry forward request giving a total carry forward request for Waxwell Lane of £0.500m and £1.565m available for Investment in 3 Core sites.

- Investment in 3 Core sites (£0.429m). The budget will be used in 2022-23 to fund the councils share of the investment in the 3 core sites within the HSDP.
- Investment in HNC (£2.070m). The budget will be used in 2022-23 to cover the contractual liabilities associated with the Temple.
- Other (£0.800m). This includes £0.300m for the social club demolition and £0.500m for the development costs of commercial unit at Milton road-these budgets are requested to be carry forward into 2022-23 and reallocated to Investment in 3 Core Sites.
- As a result of the above proposed adjustments, there will be a total carry forward into 2022-23 of £3.588m against Investment in 3 Core Sites.

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

### **Housing General Fund**

3.18 The services spent £6.736m against a budget of £12.348m. Of this, £2.975m is reported as underspend. £2.637m of funding is requested to be carried forward to 2022-23 and relates mainly to the following projects.

- Property Acquisition Programme 2021-22 (£4.100m). Of this, £1.550m is proposed to be carried forward into 2022-23 for the completion of the acquisition of the remaining 3 properties within the programme, which will conclude in 2022-23. £2.550m is reported as an underspend as a result of legislative changes, effective from 1st April 2021, which prevents the continued use of Right to Buy 1-4-1 receipts being eligible to fund this programme.
- DFGs (£1.435m). Of this, £1.087m relates to external grant which is being requested to be carried forward into 2022-23 to cover remaining contractual commitments that are being undertaken and will be completed in 2022-23 and the remainder of the grant be added to next year's programme. The remaining £348k borrowing is reported as an underspend as a result of lower level of grant applications referrals being received than anticipated in 2021-22.
- Empty Properties (£71k). This scheme is a Repair to Lease grant assistance scheme for private landlords to part fund improvements to their empty properties. In return the council secures nomination rights to house families in housing need as an alternative to the more expensive Bed & Breakfast (B&B) emergency accommodation. There has been a reduced level of uptake from property owners for this programme in 2021-22 as the combined deal is no longer financially attractive to most landlords. However, the Direct Let Scheme has been upgraded and we are working

with Housing Needs to promote Direct Let combined with grant assistance for 2022-23

- Additional Property Acquisition Programme (£5k) underspend as project completed.

## **PEOPLE SERVICES**

3.20 The final outturn for the People Services capital programme is spend of £2.258m of a total budget of £28.886m which is 8% of the approved capital budget.

### **3.21 Adult Services**

3.22 The service spent £15km against a budget of £411k, with a variance of £396k with £395k relating to slippage and £1k underspend.

3.23 The Slippage relates to the following:

- Assistive Technology £270k slippage because of delays in the implementation and review of the Assistive Technology pilot.
- In House residential services £125k slippage as a result of a delay to capital works in NRCs until 2022-23 as well as projects planned to take place in the new financial year.

### **3.24 Public Health**

3.25 The service received funding from the Healthy Pupils Capital Fund ring fenced grant of £174k in 2018-19, of which £168k has been spent to date, with £6k slipping into 2022-23.

### **3.26 Children's Services**

3.27 Children's Services capital budget in 2021-22 is £28.466m. In total £25.824m has been slipped 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 projects do not indicate that there is a need for permanent expansion at this time.

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

## **HOUSING REVENUE ACCOUNT**

3.29 The HRA Capital programme spent £30.529m against a budget of £102.645m. £2.975m is reported as underspend and £51.980m relates to realignment of

Housing Revenue Account (HRA) capital budgets as agreed by the HRA 2022-23 & Medium-Term Financial Strategy (MTFS) 2023-24 to 2024-25 by Cabinet in February.

3.30 £18.322m of funding is proposed to be carried forward to 2022-23 and relates mainly to the following projects.

- Planned Investment – £6.375m is proposed to be carried forward into 2022/23.

The significant slippages are in respect of:

- Meadfield & Cornell scheme (£1.494m) Delays in finalising the specification has resulted in reprofile of scheme into 2022-23.
- Health Safety 3 programme (£2.293m) Only one tender was received which required the contract specification to be increased and re-tendered.
- Structural underpinning works (two schemes) (£0.607m) continuing issues with decanting residents and delays in procurement have resulted in these schemes being slipped into 2022-23
- Decarbonisation (£0.134m) this carry forward was approved by cabinet.
- Dickson fold land purchase (£0.342m) agreement still to be reached on price for acquisition of land for housing properties.
- Aids and adaptation (£0.145m) reduction in number of referrals in 2021/22.
- Other schemes (£1.36m) resources issues with contractors, specifications issues, notices to leaseholders, legal challenges and delays in procurement are the main theme for the schemes being carried forward to next year.

3.31 The underspend (£1.301m) is due to two schemes:

- Decarbonisation (£0.866m.) The budget was to match fund grant funding to meets Governments' Green Initiative targets, which was delayed. A bid is to be made in 2022-23 to the Social Housing Decarbonisation fund in conjunction with the GLA and £1.0m has been allocated for this in 2022-23 Planned Investment budget.
- 2 storey fire doors (£0.485m). As a result of delays in procurement, this will now be delivered and funded from the 2022-23 Planned Investment budget of £8.428m

3.32 Housing ICT scheme – the budget has been reprofiled due to implementation delays and £296k will be carried forward into 2022-23 resulting in a provisional



budget for 2022-23 of £474k, £178k approved February 2021 plus the estimated slippage of £296k.

- 3.33 The Building Council Homes for Londoners programme – this has been reviewed and re-profiled to take into account significant delays in confirming schemes due to the impact of Covid-19. The GLA extended the final programme start on site deadline from 31 March 2022 to 31 March 2023 and new target dates have been agreed with the GLA for each scheme and the programme budget has been re-profiled accordingly, resulting in a slippage of £56.523m into future years. Of this £4.544m is additional slippage above the £26.865m already carried forward into 2022-23 – 2024-25 and £25.115m HRA realignment approved by Cabinet in February 2022.
- 3.34 Mayors' Rough Sleeping Accommodation programme – 8x 1-bedroom stable, independent homes with intensive personalised support to homeless rough sleepers with multiple and complex needs were provided and the remaining 1 property (£0.381m cfwd) is being provided in 2022-23. Borrowing was used to match fund the external grant, of which £0.514m has been identified as surplus to requirement.

### **ADDITIONS AND AMENDMENTS TO THE CAPITAL PROGRAMME 2022-23**

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

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

#### **3.34 School Condition Allocation - £1,726,655**

- 3.35 The SCA is provided by the DfE to help LAs maintain and improve the condition of maintained school buildings and grounds.

- 3.36 The grant allocation for 2021-22 was announced in March 2022 after the capital programme was approved in February. The total amount is £2,726,655 however it is proposed to add £1,726,655 to the 2021-22 capital programme to fund rolling programmes and large-scale reactive works in maintained schools. The remaining £1m is unlikely to be spent in 2021-22 so will be added to the capital programme in 2022-23

#### **3.37 Changing Places Toilet - £61,000**

- 3.38 Following the successful funding application to DLUHC for the Changing Places Fund, the Council has been awarded £40k grant towards the cost of the installation of a Changing Places Toilet at Harrow Leisure Centre. A match funding of £21k is provided from S106 funding. Therefore, it is proposed that an additional budget of £61k is included in the 2022-23 Capital Programme.

### **3.39 Bannister Sports Centre - £65,003**

3.40 As part of the improvement works at Bannister Sports Centre, planning permission has been obtained to install an overflow car park which will provide additional parking for users of various facilities on site. This project is funded from Leisure and Libraries Capital Infrastructure fund and S106 funding. It is proposed that a budget of £65,003, representing the additional S106 funding, is added to 2022-23 Capital programme.

## **Amendments to the Capital Programme**

### **3.41 Regeneration Projects Budget Realignment**

3.42 There were a number of separate capital budgets in the Regeneration Programme in 2021-22, some of which were set up historically prior to the formation of the Harrow Strategic Development Partnership (HSDP). The total carry forward budget is £7.657m.

3.43 Following a review of the Waxwell Lane scheme, the budget requirement needs to be increased by £176k due to programme extension as a result of contractor delays due to shortages of materials and supplier issues, resulting in additional associated professional fees until practical completion is achieved. This is met from within the carry forward budget as shown in Table 15 below.

3.44 In March 2022, a report was presented to Cabinet to provide an update on the progress of the work of the HSDP and set out the next steps of the review. It is therefore proposed that the remaining budget for Other Regeneration (£1.565m), Accommodation strategy (£0.794m), Plot S (£0.5m) and Demolition of Social Club (£0.3m) are consolidated into one single budget and added to the 'Investment in 3 Core Sites' project.

3.45 This will give a total carry forward budget of £3.588m against this scheme as a starting point for 2022-23. The Council's Capital Programme 2022-23 to 2024-25 includes a sum of £8.525m against the 'Investment in 3 Core Sites' project. Therefore the total Regeneration budget including carry forward will be £16.182m of which £12.113m will relate to 'Investment in 3 Core Sites'.

**Table 15: Regeneration Capital Programme Realignment**

Regeneration Projects	2021-22 Budget c/fwd	Budget virement to Waxwell Lane	Budget consolidation	Revised Budget c/fwd
Haslem House redevelopment	26,175			26,175
Regeneration Capital - Project Management	147,003	-147,003		0
Other Regeneration	1,594,050	-28,734	-1,565,316	0
Waxwell Lane	324,263	175,737		500,000
Accommodation Strategy	794,138		-794,138	0
Accommodation Strategy - Sheldon House, Gayton Rd	1,158,000			1,158,000
Accommodation Strategy - Greenhill Library Pavilion	115,000			115,000
Accommodation Strategy - Forward Drive Storage unit	70,000			70,000
Accommodation Strategy - HAC Event space	35,000			35,000
Accommodation Strategy - Forward Drive Specialised Back Office	35,000			35,000
Accommodation Strategy - Fit out works for sites occupied by 3rd party	60,000			60,000
Plot S	500,000		-500,000	0
Demolition of Social Club	300,000		-300,000	0
Investment in HNC	2,070,000			2,070,000
Investment in 3 core sites	428,768		3,159,454	3,588,222
<b>Totals</b>	<b>7,657,397</b>	<b>0</b>	<b>0</b>	<b>7,657,397</b>

#### 4.0 **COUNCIL TRADING STRUCTURE UPDATE 2021-22**

4.1 The Council's Trading Structure update is attached at Appendix 5 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 2021-22 FINANCIAL YEAR**

5.1 This is the final revenue and capital budget monitoring report for 2021-22

#### 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 2021-22 is a balanced budget

The 2021-22 savings built into the MTFS total £3.443m. The overall position is that 35% of savings were ranked red (Project may have started but will deliver no savings in the current financial year).

The final spend on the Capital Programme is £74.646m, 35% 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
Failure to deliver the budget on target	<ul style="list-style-type: none"><li>The final outturn is a balanced budget</li></ul>	Green
Trading companies' failure to deliver required contribution to the MTFS	<ul style="list-style-type: none"><li>Income target reprofiled over four years rather than three</li><li>Impact of reprofiling on 2021-22 budget is already assumed in the overall outturn</li><li>Quarterly stakeholder groups</li><li>Review of financial and non-financial performance information</li></ul>	Green

## 10.0 Procurement Implications

Any procurement arising from this report will be supported by the Procurement Team and will be undertaken compliant with the Public Contract Regulations 2015 and the Council's Contract Procedure Rules.

## 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

- Improving the environment and addressing climate change
- Tackling poverty and inequality
- Building homes and infrastructure

- Addressing health and social care inequality
- Thriving economy

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

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 29/06/22**

**Statutory Officer: Jessica Farmer**

Signed on behalf of the Monitoring Officer

**Date: 28/06/22**

**Chief Officer: Charlie Stewart**

Signed off by the Corporate Director

**Date: 04/07/22**

**Head of Procurement: Nimesh Mehta**

Signed by the Head of Procurement

**Date: 04/07/22**

**Head of Internal Audit: Susan Dixon**

Signed by the Head of Internal Audit

**Date: 04/07/22**

### **Mandatory Checks**

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

*EqlA 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:**

- [2021/22 Budget Report](#)

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

**NO**