

Report for: Cabinet

Date of Meeting:	8 th December 2022
Subject:	Q2 Revenue and Capital Budget 2022-23
Key Decision:	No
Responsible Officer:	Dawn Calvert - Director of Finance and Assurance
Portfolio Holder:	Councillor David Ashton - Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Summary of Grants 2022-23 Appendix 2 – Capital Programme 2022-23 Appendix 3 – Trading Company Update 2022-23

Section 1 – Summary and Recommendations

This report sets out the Council's projected revenue and capital outturn position for 2022-23, based on all information known at the end of Q2 30 September 2022.

Recommendations:

1. That Cabinet notes the revenue and capital outturn positions set out in paragraphs 1.2 to 1.4.
2. That Cabinet approve the proposed additions and amendments to the Capital Programme as set out in paragraphs 3.30 to 3.31
3. That Cabinet note the Council's Trading Update as detailed in Appendix 3.
4. That Cabinet approves an extension of the contract between the Council and Sancroft Community Care Limited for a period of up to 2 years. The extension will commence on 8 February 2023 and continue for a period no longer than up to 7 February 2025.

Reason: (For recommendations)

To report the 2022-23 financial forecast position at Q2 and to update Cabinet on trading company performance.

Section 2 – Report

1.0 INTRODUCTION

- 1.1 This is the second budget monitoring report for 2022-23.
- 1.2 The revenue budget in 2022-23 at Q2 is £183.285m which is net of government and other specific grants. A list of external grants is shown at Appendix 1. The net forecast position on the revenue budget for 2022-23, after dawn down from reserves, cross divisional adjustments and management actions including one-off income, is a net overspend of £11.513m.
- 1.3 The general fund capital programme budget in 2022-23 is £101.808m. The net forecast position on the capital budget at Q2 is £52.724m which represents 52% of the total capital programme budget. The variance of £49.082m is made up of slippage of £48.857m and an underspend of £225k.
- 1.4 The Housing Revenue Account (HRA) capital programme budget is £52.446m. The net forecast position on the HRA capital budget at Q2 is £34.454m which

represents 66% of the total HRA capital programme budget. The variance of £17.991m is made up of slippage of £13.880m and a net underspend of £4.111m.

2.0 REVENUE MONITORING

- 2.1 As at Q2 the forecast revenue budget outturn after cross divisional adjustments and management actions including one-off income, is a net overspend of £11.513m. The Q1 variance of £5.721m assumed the planned drawn from the MTFS Budget Planning reserve of £14.711m.
- 2.2 A revised financial strategy is being implemented to ensure the Council manages within its budget envelope. There is more detail on this strategy included in the Draft Budget and MTFS report elsewhere on this agenda. There is the expectation that the Q2 forecast overspend of £11.513m will reduce by year end.
- 2.3 Any residual balance will be funded by a draw down from the MTFS Budget Planning Reserve, but the residual is expected to be lower than the planned £14.711m meaning more reserves can be retained to support the Council with its medium term financial challenges. There will be an impact of the current years forecast overspend into 2023/24. The carried forward impact is estimated to be in the region of £8m to £8.5m and this is being managed as part of the 2023/24 budget setting process.

Table 1: Summary of Revenue Budget Monitoring – Forecast at Q2 2022-23

Service Area	Revised Budget	Outturn	Variance	Contribution/ Drawdown From reserves	Cross Divisional Adjustments	Use of one off funding / management actions	Revised Outturn	Variance to budget	Q1 Variance to budget	Movement from Q1
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	18,002	18,503	501	-1,076	0	0	17,427	-575	-272	-303
Resources	19,737	22,334	2,597	-2,319	0	0	20,015	278	620	-342
Place	29,791	37,323	7,532	-1,881	-1,518	0	33,924	4,133	3,390	743
People's Services	104,351	112,251	7,900	-4,135	0	-1,883	106,233	1,882	1,638	244
Total Directorate Budgets	171,881	190,411	18,530	-9,411	-1,518	-1,883	177,599	5,718	5,376	342
Corporate	4,351	4,351	0	0	0	0	4,351	0	0	0
Contingency for Unforeseen	1,248	1,248	0	0	0	0	1,248	0	0	0
Technical	5,720	11,392	5,671	-1,331	0	0	10,061	4,340	2	4,338
Investment Properties	-2,876	-2,788	88	-88	0	0	-2,876	0	0	0
Pay Inflation	2,000	6,070	4,070	0	0	0	6,070	4,070	3,000	1,070
Non-Pay Inflation	2,750	134	-2,616	0	0	0	134	-2,616	-2,658	42
MTFS Growth held centrally	2,250	2,250	0	0	0	0	2,250	0	0	0
Total Corporate Budgets	15,443	22,656	7,213	-1,419	0	0	21,238	5,794	344	5,450
Uncontrollable Budgets	-4,039	-4,039	0	0	0	0	-4,039	0	0	0
Grand Total	183,285	209,029	25,743	-10,830	-1,518	-1,883	194,798	11,513	5,721	5,792

CHIEF EXECUTIVE

Table 2: Chief Executive Forecast Outturn Q2 2022-23

Division	Budget	Forecast	To/ (From) Reserves	Revised Forecast	Variance to budget	Q1 Variance	Movement to Q1
	£000	£000	£000	£000	£000	£000	£000
Finance & Insurance	3,337	3,563	-226	3,337	0	0	0
Revenues & Benefits	9,147	9,547	-400	9,147	0	0	0
Procurement	687	687	0	687	0	0	0
Internal Audit/CAFT	636	624	0	624	-12	-12	0
Legal & Governance	3,928	3,815	-450	3,365	-563	-261	-302
CEO	267	267		267	0	0	0
Totals	18,002	18,503	-1,076	17,427	-575	-273	-302

2.1 As at Q2 the directorate is reporting a net underspend of £575k after draw down from reserves. This is a reduction from the position reported at Q1 of £302k mainly as a result of improved income in Registration Services and delayed recruitment in Democratic Services.

2.2 The reserve movements are shown in Table 3

Table 3: Chief Executive Reserve Movements 2022-23

Description	Movement £'000
Borough Election	-450
Insurance Reserve	-226
Business Risk Reserve	-400
Chief Executive net draw down	-1,076

2.3 The net underspend of £575k is made up as follows:

- **Legal & Governance** – £300k additional income in Registration Services, £61k delayed recruitment in Democratic Services and £202k reduction in projected demand in Legal Services
- **Internal Audit/CAFT** - £12k underspend due to delayed recruitment

RESOURCES

Table 4: Resources Forecast Outturn Q2 2022-23

Division	Budget	Forecast	To/ (From) Reserves	Revised Forecast	Variance to budget	Q1 Variance	Movement to Q1
	£000	£000	£000	£000	£000	£000	£000
Business Support	3,361	3,412	0	3,412	51	40	11
Management	542	1,110	-590	520	-22	14	-36
Strategy	2,841	3,080	-325	2,755	-86	117	-203
ICT	7,455	7,548	-80	7,468	13	12	1
Access Harrow	3,675	3,972	-150	3,822	147	188	-41
HR	1,863	3,212	-1174	2,038	175	250	-75
Totals	19,737	22,334	-2,319	20,015	278	621	-343

2.4 As at Q2 the directorate is reporting a net overspend of £278k after draw down from reserves. The forecast includes £1.982m expected spend on the second year of the Modernisation Programme.

2.5 This is a reduction of £343k from the position reported at Q1 mainly as a result of vacancies, delayed recruitment, and additional external income across the directorate.

2.6 The reserve movements are shown in Table 5

Table 5: Resources Reserve Movements 2022-23

Description	Movement £'000
Business Risk Reserve	-235
Capacity Build/ Transformation Reserve	-1,982
Equalities Diversity & Inclusion Reserve	-102
Resources net draw down	-2,319

2.7 The net overspend of £278k is made up as follows:

- **Access Harrow** – £147k net overspend due to the decision to not implement a prior year MTFs saving to close the telephone lines for Revenues and Collections.
- **HR** - £175k net overspend due to loss of income from schools for Payroll services
- **Various underspends** - £44k across the directorate mainly related to vacancies, delayed recruitment, and additional external income

PLACE

Table 6: Place Forecast Outturn Q2 2022-23

Division	Budget	Forecast	To/ (From) Reserves	Cross divisional adjmt	Revised Forecast	Variance to budget	Q1 Variance	Mov to Q1
	£000	£000	£000	£000	£000	£000	£000	£000
Directorate Management	2,902	4,385	-113	0	4,272	1,370	349	1,021
Environment	16,197	17,284	-999	0	16,285	88	638	-550
Inclusive Economy Leisure & Culture	3,701	3,912	-117	0	3,795	94	67	27
Regeneration & Development	3,183	7,906	-652	-1,250	6,004	2,821	2,336	485
Housing General Fund	3,808	3,836		-268	3,568	-240	0	-240
Total Budget	29,791	37,323	-1,881	-1,518	33,924	4,133	3,390	743

2.8 As at Q2 the directorate is reporting a net overspend of £4.133mm after draw down from reserves and cross-divisional adjustments.

2.9 Of this, £2.464m relates to energy and fuel cost pressures due to the recent surges in the unit price of electricity, gas, and fuel. This will be funded by the non-pay inflation budget of £2.75m which is held corporately.

2.10 This an increased overspend of £743k from the position reported at Q1 as follows

- **Loss of income since Covid** - £1.021m mainly related to reduction in revenue from PCN income and licencing activities
- **Facilities Management** - £260k increase due to residual spend on Covid related works and additional repairs across the corporate portfolio
- **Planning Services** - £129k increase due to additional legal costs and spend on external consultancy services predominantly to assist with enforcement activities
- **Dry Recycling Waste Disposal** - £300k increased underspend due to reduced monthly gate fees
- **Housing General Fund** - £240k underspend
- **Carpenders Park Cemetery** - £100k reduction in forecast for management fees.

2.11 The reserve movements are shown in Table 7

Table 7: Place Reserve Movements 2022-23

Description	Movement £'000
Capital Feasibilities Reserve	-85
Accommodation Strategy Reserve	-652
3G Pitch	25
1 Hour Free Parking	-284
Business Risk Reserve	-732
Capacity Build/ Transformation Reserve	-153
Place net draw down	-1,881

2.12 The net overspend of £4.133m is set out in the following paragraphs

2.13 **Directorate Management** – £1.370m net overspend. COVID-19 is expected to continue to result in losses in income in 2022-23. As part of the 2022-23 MTFS process, budget growth of £2.482m is included in the budget to recognise the impact on income achievement. The growth is held in Directorate Management. The total forecast loss of income is £3.852m resulting in a pressure of £1.370m. This will be mitigated by a forecast overachievement of income in Trade Waste (£100k) and Network Management (£256k) reported elsewhere within this report.

2.14 **Environment** - £88k net overspend. This is made up as follows:

- **Fuel & Energy** - £1.520m net overspend
- **Strategy, Development & Performance** - £54k net underspend due to £100k overachievement of Trade Waste income partially offset by overspends on the Public Mortuary SLA £40k and service overheads £6k
- **Transport & Environmental Operations** - £979k net underspend mainly due to underspend of £1m in Waste Management due to favourable market conditions which has resulted in the projected

disposal cost for dry recyclables to be lower than budgeted for. As the market is very volatile and the gate fee can fluctuate up or down, this will be monitored closely throughout the year. This is partially offset by a forecast overspend of £21k on transport vehicle related expenditure including repairs and maintenance.

- **Parking Enforcement & Network Management** - £386k net underspend. This is due to forecast overachievement of £256k in Network Management driven by increased street works activity and an underspend of £130k on staffing costs in Parking Services due to vacant posts. As a result of increase efficiency within the current team, there are currently no plans to fill these vacancies.
- **Licensing & Enforcement** - £30k underspend mainly due to £100k underspend on staffing costs due to vacant posts across the service. This has been partially offset by £39k pressure relating to historical secondment payments and £31k in service overheads.
- **Divisional Director** - £17k overspend on employee costs due to interim staffing arrangements.

2.15 Inclusive Economy, Leisure and Culture - £94k net overspend. This is due to fuel and energy pressures totalling £65k and business rates bills at the Harrow Arts Centre of £19k and Harrow Museum service overheads of £10k

2.16 Regeneration and Sustainable Development - £2.821m net overspend

- **Fuel & Energy** - £879k net overspend
- **Estates & Facilities Management** – £1.313m net overspend
 - Facilities Management - £1.107m net overspend due to additional security staff across various council sites pending completion of the security review, £369k corporate cleaning due to the opening of the Harrow Council Hub, £196k building repairs and maintenance due to residual spend on Covid related works, £260k additional interim staffing arrangements, £73k and loss of income assumed for room letting bookings at the Civic Centre and rental income from units at the Depot £90k.
 - Corporate Estates – £80k net overspend due to interim staffing arrangements
 - Head of Facilities & Estates - £65k net overspend due to interim staffing arrangements
 - Catering Services - £61k net overspend due to under achievement of income in the Adults catering service.
- **Planning & Development** - £629k net overspend due to under achievement of planning application fee income as the number of planning applications are lower than expected £500k, legal fees due to

actions being taken in 2 cases £44k, cost related to historical secondment arrangements £38k and increased enforcement costs £47k

2.17 **Housing General Fund** – the forecast at Q2 is an underspend of £240k after fully utilizing the Homelessness Prevention Grant (HPG) of £2.246m and a cross divisional adjustment of £268k. This leaves a balance on the HPG of £5.691m.

Housing Revenue Account (HRA)

2.18 The budget for the HRA was set at an in-year loss of £241k for 2022-23. As at Q2 the forecast loss has increased by £865k reported at Q1 to £1.406m.

2.19 Major changes from the Q1 forecast are as follows:

- ICT Housing project moving from single phase to two phase project £104k
- Increase in repairs forecast £734k
- Reduction in income for service charges and hall hire £172k

2.20 These are partially offset by a reduction in the employee forecast of £145k due to staff vacancies.

2.21 The forecast repairs and maintenance position remains the most significant factor in the forecast overspend. These are made up as follows:

- Fencing work after storm Eunice £150k
- Health & Safety works for Cornell House during rectification works to address water hygiene issues £60k
- Legionella inspections and resulting works to street properties to be H&S compliant £210k
- Additional interim employee costs to manage increasing demand £295k
- Other variances including disrepair cases £319k.

2.22 The above is being partially mitigated by an underspend of £300k on introduction of new PPM programme which is now expected to commence in December 2022.

2.23 The revised forecast deficit of £1.406m would leave general reserves of £3.377m at 31 March 2023 which is still above the minimum required by the business plan ie greater than 7% of income (£2.37m in 2022-23). The reserves are after earmarking £500k towards the development reserve.

PEOPLE SERVICES

Table 8: People Services Forecast Outturn Q2 2022-23

Division	Service Area	Revised Budget	Forecast	To/ (From) Reserves	One off funding/ Mgt Actions	Revised Forecast	Revised Forecast	Q1 Variance	Q1 Movement
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults	Strategic Management	1,081	2,239	-1000	0	1,239	158	0	158
	Purchasing	42,195	43,238	0	-950	42,288	93	0	93
	Mental Health	6,422	6,222	0	0	6,222	-200	0	-200
	Other Adults	12,205	12,658	0	-75	12,583	378	0	378
	In House Services	5,416	5,022	0	0	5,022	-394	0	-394
Adults Total		67,319	69,379	-1,000	-1,025	67,354	35	0	35
Public Health Total		-163	92	-255	0	-163	0	0	0
Children's Services	Children & Young People	27,027	31,386	-2,117	-858	28,411	1,384	1,320	64
	Education Services	8,796	9,801	-732	0	9,069	273	130	143
	People Services Mgt	1373	1593	-31	0	1562	189	188	1
Children's Services		37,196	42,780	-2,880	-858	39,042	1,847	1,638	208
People Services Total		104,352	112,252	-4,135	-1,883	106,234	1,882	1,638	244

2.24 As at Q2 the directorate is reporting a net overspend of £1.882m after draw down from reserves and one-off funding & management actions.

2.25 The reserve movements are shown in Table 9

Table 9: People Services Reserve Movements 2022-23

Description	Movement £'000
Children's – Revenue Grant Reserve	-52
Children's – PFI Schools Sinking Fund	-459
Children's – Children's Social Care Reserve	-2,279
Children's – Business Risk Reserve	-90
Public Health – Public Health Reserve	-255
Adult Services – Adults Social Care Reserve	-1,000
People Services net draw down	-4,135

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

Adult Services

2.27 As at Q2 the service is reporting a net overspend of £2.060m which is partially managed by £1m draw down from the Adults Social Care (ASC) reserve and £1.025m expected to be mitigated through a number of projects to reduce the underlying expenditure. This leaves a net overspend of £35k from the balanced position reported at Q1.

2.28 **Strategic Management** - £1.158m overspend before draw down from reserves. There are 21FTE staffing above establishment to ease the impact of the cessation of the workforce grants allocated in previous years and will be partially funded by a one-off drawdown of £1m from the ASC Reserve.

2.29 **Commissioned Care** - £1.044m overspend before mitigating actions of £950k leaving a residual £93k overspend. The overspend is due to increased numbers in bedded care and packages of home care in the community.

2.30 The placement position forecast indicates an overspend of £453k with the following key assumptions in relation to activity between period 6 and year end.

- A balanced position for children and young adults
- £1.733m for new placements (£983k) and increased complexity (£750k) for older people
- An increase in the bad debt provision of £1.015m - of which £500k increase in the bad debt provision (£290k of which is budgeted) representing the ageing of the debt, together with £515k credit notes (previous years) written back to revenue
- £492k cost of care grant (75%) to fund inflationary uplifts above growth allocation of £1.135m (estimated at £1.783m)
- Loss of Sancroft PFI grant £236k
- Discharge to Assess funding of £700k for the scheme for the period April to August.
- -£250k internal mitigation plan – originally assumed at £1.1m (after offset of 2FTE link worker costs).

The placement forecast overspend (of £453k) is mitigated by increased income of £359k in the Better Care Fund; of which £195k represents an increase in the government grant and £164k the uncommitted increase in the protection of social care funding from health.

2.31 **Mental Health** - £200k underspend. This relates to the S75 with CNWL based on the latest forecast of £6.305m and does not assume further reduction in the forecast arising from the recovery plan given that the August/September cost reductions were offset by increased costs. Income from the CCG for block recharges is not included as this has not yet been agreed.

2.32 **Inhouse Services** - £394k underspend. This is made up of an underspend on staffing costs £240k partially offset by an assumption around increased utility

costs £123k for inhouse services. In addition, there is an estimated underspend of £277k on transport with lower adults' usage being redirected to Children's.

2.33 **Other Adults** – £378k overspend. This represents an increase in the cost of community equipment (£200k) and staffing pressures mitigated in part by the cost of care implementation grant (£178k).

2.34 The balance of the ASC Reserve is held for costs to support implementation of savings plans (£300k), ASC reforms (£500k) and one-off pressures (£1.969m)

Public Health

2.35 As at Q2 Public Health is reporting a balanced position after a planned draw down of £255k from the Public Health reserve to fund the continuation of improvement projects and increased funding for wider determinants of health.

Children's Services

2.36 As at Q2 the service is reporting a net overspend of £1.847m after a draw down from reserves and use of one-off funding.

2.37 This is an increase of £208k from the position reported at Q1. This mainly relates to increased pressures on SEN Transport £143k and various other pressures, mainly children's placements, of £65k.

2.38 The Children's Services budget has increased by £1.770m through permanent growth in the MTFs. In addition, £2.117m has been earmarked in the Children's Social Care (CSC) Reserve to support overall pressures.

2.39 The main variances are summarised in the following paragraphs.

2.40 **Children and Young People Services** – £1.384m net overspend

- **Children's Placements & Accommodation** - £2.858m net overspend. The forecast assumes that there will be additional new placements throughout the financial year of £500k. If this does not come to fruition the forecast will reduce each month
- **Frontline Staffing** – £1.010m net overspend due to staffing pressures to maintain safe caseloads and use of more expensive agency staff due to difficulties in permanent recruitment
- **Client Related Spend** – £236k net overspend signers and interpreters, and subsistence to families
- **Early Support Services** - £121k net overspend related to increased utilities costs. This is offset against the underspend in the non-pay inflation budget held corporately.
- **Other pressures** - £135k net overspend various pressures across the directorate

- **Draw down from reserves** - £2.117m draw down to partially mitigate pressures
- **Use of one-off income** - £858k to partially mitigate pressures

2.41 Education Services - £274k net overspend

- **SEN Transport** – £411k net overspend due to net growth in the number of children and routes for the 2022-23 academic year.
- **Other Education Services** – net underspend £137k mainly due to additional SLA income

2.42 **Commissioning & People Services Management** – £188k net overspend. This relates to a reduction in grant income £67k, staffing pressures in relation to the Mosaic Team and shortfall in income in the Safeguarding Team

2.43 Dedicated Schools Grant

2.44 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.

2.45 There is a projected overspend on the High Needs Block of £1.091m in 2022-23 which added to the cumulative deficit of £4.007m brought forward from previous years will take the total projected deficit at the end of March 2023 to £5.098m.

2.46 Any deficits an authority may have on its DSG account is expected to be carried forward and does not allow or require a local authority to cover this from its general reserves. This is a temporary arrangement for three years ending in March 2023.

2.47 The DfE requires local authorities to explain their plans for bringing the DSG account back into balance. A recovery plan was drafted and discussed with Schools Forum in 2021. This now needs to be updated to take account of current numbers of EHCPs and revised EHCP and financial projections. Despite the significant proposals and measures planned over the next ten years, the Deficit Management Plan shows that this will not fully 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

2.48 As at Q2 the forecast for Corporate & Technical budgets is a net overspend of £5.794m as detailed below.

Corporate Items

2.49 As at Q2 the forecast is a balanced budget.

Technical Budgets

2.50 As at Q2 the forecast is a net overspend of £4.340m. The technical budgets assume a planned draw down from the MTFS Budget Planning Reserve of £14.711m however this has been removed from the forecast at Q2. A revised financial strategy is being implemented to ensure the council manages within its budget envelope. This has been partially offset by underspends on capital financing and treasury management income.

Pay & Non-Pay Inflation Budgets

2.51 As at Q2 the pay and non-pay inflation budgets are held corporately. There is a net underspend on the non-pay inflation budget of £2.616m which is offset by energy and fuel inflation pressures forecast in the directorates.

2.52 The pay inflation budget of £2m is projected to overspend by £4.070m. The estimated cost impact of the 2022-23 pay award is £6.4m which is partially offset by reduction in NI payments of £330k part year effect in 2022-23 (£800k full year effect).

Investment Properties

2.53 As at Q2 the forecast for investment properties is a net overspend of £88k. This is due to vacant space which results in loss of rental income. This will be funded by a draw down from the Investment Properties Reserve.

2.54 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. 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.

2.55 The projected return from all but Kings House is currently on target despite COVID-19. There is vacant space in Kings House – part of the 3rd floor has been vacant since acquisition and the remainder of the 3rd floor became vacant in December 2020. This results in loss of rental receipts and the additional cost such as business rates and service charges which falls back to the council.

2.56 The annual estimated impact of vacant space at Kings House in 2022-23 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 £88k. This will be funded by a draw down from the Investment Property Reserve.

RESERVES

Table 10: Summary of Reserves 2022-23

Description	Brought Forward 01/04/22	Directorate Reserve Movements	Corporate Reserves Movements	Other Reserves movement	Balance Carry Forward 31/03/2023
CIL Harrow	-7,108,388	0		1,533,000	-5,575,388
Revenue Grant Reserve	-6,641,420	52,000			-6,589,420
Compensatory Added Year Reserve	-242,782				-242,782
PFI Schools Sinking Fund	-2,071,676	459,000			-1,612,676
Public Health Reserve	-2,674,142	255,000			-2,419,142
PFI NRC Sinking Fund	-1,823,836				-1,823,836
Legal Services Contingency	-821,239				-821,239
HRA Transformation Reserve	-542,965			475,000	-67,965
Carryforward Reserve	-1,330,981		1,330,718	263	0
Collection Fund Reserve	-4,634,745				-4,634,745
Capital Feasibilities Reserve	-500,000	85,000			-415,000
Accommodation Strategy Reserve	-652,000	652,000			0
Adults Social Care Reserve	-3,769,475	1,000,000			-2,769,475
Children's Social Care Reserve	-3,108,120	2,279,000			-829,120
Borough Election	-574,677	450,000			-124,677
Harvist Reserve Harrow Share	-34,034				-34,034
Proceeds Of Crime Reserve	-63,000				-63,000
Proceeds Of Crime Reserve Planning	-430,172				-430,172
CIL Mayor	-150,520				-150,520
Insurance Reserve	-959,318	226,000			-733,318
Public Mortuary Expansion Reserve	-500,000				-500,000
3G Pitch	-25,000	-25,000			-50,000
1 Hour Free Parking	0	284,000		-624,000	-340,000
Vehicle Fund	-1,250,478				-1,250,478
Investment Property Reserve	-977,385		88,000		-889,385
PAP Sinking Fund	-393,300				-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	-1,968,198	1,457,017			-511,181
Budget Planning Reserve MTFS gap	-22,490,358		0	623,737	-21,866,621
Capacity Build/ Transformation Reserve	-3,172,652	2,135,000		300,000	-737,652
Total Ringfenced Reserves	-69,935,490	9,309,017	1,418,718	2,308,000	-56,899,755
Headstone Manor Reserve	-287,750			287,750	0
Libraries Reserve	-150,000			150,000	0
IT Reserve	-134,000			134,000	0
Equalities Diversity & Inclusion Reserve	-157,273	102,000		55,273	0
General Fund Reserves	-10,008,000			-627,023	-10,635,023
Total Usable Reserves	-10,737,023	102,000	0	0	-10,635,023
DSG Overspend	4,006,867			1,091,000	5,097,867
Grand Total All Reserves	-76,665,646	9,411,017	1,418,718	3,399,000	-62,436,911

GRANTS

2.57 Attached at Appendix 1 is a schedule of all the revenue grants the Council expects to receive in 2022-23. The majority of these grants are received and paid out and do not impact on the bottom line for example Dedicated Schools Grant £143m which is paid out to education providers and Housing Benefit Subsidy £117m which is paid to Housing Benefit Claimants.

3.0 CAPITAL PROGRAMME

3.1 The revised capital budget for 2022-23 is £154.253m as set out at Table 11 and in more detail at Appendix 2:

Table 11: Capital Programme Budget 2022-23 Q2

Directorate	Grant Funding/CiL/S106 (A)	Harrow Borrowing (B)	TOTAL BUDGET (A+B)	Actuals	Commitments	Forecast Outturn	Forecast Variance	Slippage	Over/ Underspend after Slippage
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RESOURCES TOTAL	0	11,661	11,662	1,405	1,010	11,222	(440)	(440)	0
PLACE:									
Environment	10,607	19,044	29,651	3,524	6,693	17,380	(12,271)	(12,271)	0
Leisure & Culture	2,247	431	2,677	441	2,067	2,677	0	0	0
Inclusive Economy	2,030	1,027	3,057	479	504	1,257	(1,800)	(1,800)	(0)
Planning	928	468	1,395	158	32	1,200	(195)	0	(195)
Regeneration	0	14,747	14,747	305	964	2,479	(12,268)	(12,268)	0
Housing General Fund	2,809	7,620	10,429	1,730	395	10,399	(30)	0	(30)
PLACE TOTAL	18,620	43,336	61,957	6,636	10,656	35,392	(26,564)	(26,339)	(225)
PEOPLE:									
Adults	0	358	358	0	0	138	(220)	(220)	0
Public Health	7	0	7	6	1	7	(0)	0	(0)
Children	27,687	137	27,825	1,454	1,386	5,966	(21,858)	(21,858)	0
PEOPLE TOTAL	27,694	495	28,189	1,460	1,387	6,110	(22,078)	(22,078)	0
TOTAL GENERAL FUND	46,314	55,492	101,808	9,501	13,053	52,724	(49,082)	(48,857)	(225)
TOTAL HRA	35,317	17,128	52,446	3,210	4,098	34,454	(17,991)	(13,880)	(4,111)
TOTAL GENERAL FUND & HRA	81,632	72,621	154,253	12,712	17,151	87,178	(67,073)	(62,737)	(4,336)

3.2 As at Q2 the general fund capital programme budget in 2022-23 is £101.808m. The net forecast position on the capital budget at Q2 is £52.724m which represents 52% of the total capital programme budget. The variance of £49.082m is made up of proposed slippage of £48.857m and an underspend of £225k.

3.3 The Housing Revenue Account (HRA) capital programme budget is £52.446m. The net forecast position on the HRA capital budget at Q2 is £34.454m which represents 66% of the total HRA capital programme budget. The variance of £17.991m is made up of proposed slippage of £13.880m and a net underspend of £4.111m.

RESOURCES

- 3.4 As at Q2 the projected spend is £11.222m which represents 96% of the capital budget. The variance of £440k relates to the Digital Improvement programme replacement of Careline devices delay in delivery due to a worldwide shortage of components for this specific equipment.

PLACE

- 3.5 As at Q2 the projected spend is £35.392 which represents 57% of the capital budget. Of the variance to budget of £26.564m, a total of £26.339m of funding will be slipped to 2023-24. The underspend of £225k results from projects no longer going ahead.

Environment

- 3.6 The services forecast to spend £17.380m against a budget of £29.651m. £12.271m is forecast to be slipped to 2023-24.

- **Highway Programme** - £4.768m slippage and **Street Lighting** - £1.500m slippage. This is due to the delay in commencing the 2022-23 programme. A highway asset management strategy is being developed, meaning that any further capital investment on highways and street lighting will be subject to the approval of the strategy which is planned to go to Cabinet in February 2023
- **Wealdstone Future High Street Fund** – £5.868m slippage. The 2022-23 budget allocation including 2021-22 carried forward budget is reported as slippage. Funding was awarded from DLUHC in 2021 following the successful bid to the Future High Street Fund for the construction of a footbridge and the implementation of Intelligent High Street in Wealdstone. The project is currently put on hold, awaiting a further business case to explore other schemes that will achieve comparable infrastructure outcomes set out in the original funding bid.
- **Vehicle Procurement** - £136k slippage. The budget is originally profiled in 2023-24 to deliver the replacement of a few small vehicles. Following an assessment of vehicle condition, it is planned to keep these for longer and therefore the budget is slipped to 2023-24.

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

Leisure and Culture

- 3.8 The projected spend is £2.677m which is 100% of the total capital budget.

Inclusive Economy

3.9 The forecast spend is £1.257m against a budget of £3.057m. The remaining £1.8m is forecast to be slipped to 2023-24.

- **High Street Fund** - £1.8m slippage. This is a multiple year programme, with a number of committed projects underway. Of the total funding of £2.868m this year, £1.068m is forecast to be utilised to complete existing projects. Any spend on new projects is subject to review, therefore the remaining budget of £1.8m is reported as slippage at this stage.

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

Planning

3.11 The service forecast to spend £1.2m against a budget of £1.395m. The remaining £195k is forecast as an underspend.

- **Neighbourhood CIL** - £195k underspend. Following a review of the existing NCIL projects, a decision was made to cease a couple of mural projects in Wealdstone and Harrow Town Centre, and a park restoration project in Pinner. Therefore, these are reported as an underspend. Unused funding will be returned to the NCIL funding pot.

Regeneration

3.12 The service forecasts to spend £2.479m against a budget of £14.747m. The remaining £12.268m is forecast to be slipped to 2023-24

- **Haslem House** - at this stage the service is forecasting to spend to budget. Haslam House has completed and the sales of all 9 units expected to complete in October 2022.
- **Waxwell Lane** – spend to budget. There are some known risks to this position where an extension of time claim has been submitted by the contractor. We expect to conclude final account negotiations by Autumn 2022-23. Practical completion is expected in October 2022 with sales completion expected by the end of the financial year.
- **Accommodation Strategy** – spend to budget. This budget is allocated for fit out works for various ancillary sites. Works are underway and these are expected to be completed this year.
- **Investment in Harrow New Civic and 3 core sites** - £12.268m slippage. Following the Cabinet report in March 2022 on the update of the Harrow Strategic Development Partnership (HSDP), the viability review of various sites is underway, and the outcomes will be reported back to Cabinet. The funding of £12.268m in the Capital Programme will not be committed until

the financial implications to the Council are refreshed. Therefore, the full budget is forecast as slippage at this stage.

Housing General Fund

- 3.17 As at Q2, the service forecast to spend £10.399m against a budget of £10.428m with the remaining £30k reported as an underspend.
- 3.18 **Empty Properties Grant** - £30k underspend. Demand has reduced with landlords in London exiting the rental market as house prices are high, tax incentives have been removed and labour shortages increases work costs. The rent level offered by Harrow are no longer competitive even with the guaranteed rent and bond schemes.
- 3.19 Additional **Disabled Facilities Grant** (DFG) was carried forward at the end of 2021-22 resulting in a total budget allocation of £2.808m in 2022-23. There is a risk that not all of the budget will be spent this year and Housing Services is working closely with People Services to ensure full use of the funding is made in 2022-23.

Housing Revenue Account (HRA)

- 3.20 The HRA capital programme budget is £52.446m. As at Q2 the net forecast spend position is £34.453m which represents 66% of the total HRA capital programme budget. The variance of £17.99m is made up of proposed slippage of £13.881m and a net underspend of £4.111m.
- 3.21 The slippage of £13.881m relates the following schemes
- **Decarbonisation Programme** - £750k slippage which has been delayed due to funding proposals and partnering arrangements being established with other local authorities
 - **Two Storey Fire Doors** - £171k slippage. Delays in procurement meant that this will be delivered in 2023-24.
 - **Install Heat Pump technology** - £594k slippage which, due to issues with one site, has led to the programme not being fully delivered as planned in 2022-23.
 - **Grange Farm Phase 2** - £1.500m. This was set aside for acquisition of property within Phase 2 and is now not required to be utilised this financial year
 - **Building Council Homes For Londoners Programme** - £10.866m. Schemes have been reviewed and it is not possible to achieve start on site on some projects by 31 March 2023 resulting in this being slipped into future years.
- 3.22 The underspend of £4.111m relates to the Planned Investment Programme and is as a result of procurement delays. Of the underspend £318k has been saved

by using new technology in delivering structural works and £104k is due to a reduction in the number of properties in two schemes.

PEOPLE SERVICES

3.23 As at Q2 the projected spend is £6.110m which is 22% of the total budget.

Adult Services

3.24 As at Q2 the forecast spend is £138k which is 38% of the total budget. The remaining £220k is reported as slippage.

3.25 The slippage relates to the Assistive Technology Programme where the service is scoping more products and looking for a cohort of people who might benefit from this technology. Potential reablement projects are being investigated in terms of cost and practicality.

Public Health

3.26 As at Q2 the projected spend is £7k which represents 100% of the budget.

Children's Services

3.27 As at Q2 the projected spend is £5.966m which is 21% of the total budget. The remaining £21.858m will be slipped to future years.

3.28 Additional Basic Need Grant Funding of £14.973m was allocated to the LA in 2021-22 to enable the LA to meet its statutory duty of providing sufficient mainstream school places. However, the current projections indicate that there is not a requirement for any permanent expansion at this stage. Funding allocated for bulge classes and historical capital maintenance funding, also funded from grant, will also be slipped to future years as this is not currently required.

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

ADDITIONS AND AMENDMENTS TO THE CAPITAL PROGRAMME

3.30 Harrow Leisure Centre S106 Funding £45,325

3.31 S106 funding of £45,325 earmarked for the improvement of Harrow Leisure Centre is being applied to contribute towards the cost of renovating the wet side changing facilities. It is therefore proposed that a budget of £45,325 is added to the 2022-23 capital programme.

4.0 COUNCIL TRADING STRUCTURE UPDATE 2022-23

- 4.1 The Council's Trading Structure update is attached at Appendix 3 and summarises the financial position and provides a general update on the activities of all the Council's trading entities.
- 4.2 Sancroft Community Care Limited (SCCL), a wholly owned company of the Council has been providing residential and specialist dementia care services to Adult Social Care under contract since January 2018. The initial five years of the contract come to an end on 7 February 2023.
- 4.3 A strategic review is currently being undertaken on the future options available to the Council for SCCL and will be the subject of a future report to Cabinet.
- 4.4 The recommendation at the front of this report is seeking an extension to the contract between the Council and SCCL for the provision of residential and specialist dementia care services for up to 2 years. This will allow the Council to complete the strategic review and facilitate the implementation of the preferred option. The contract with SCCL allows under clause 35A the Council to terminate the agreement with SCCL at any time by giving 6 months written notice.

5.0 REPORTING FOR THE 2022-23 FINANCIAL YEAR

- 5.1 This is the second revenue and capital budget monitoring report for 2022-23
- 5.2 Cabinet will receive quarterly monitoring reports during the year as follows:
- Q3 Revenue & Capital Monitoring – February 2023
 - Q4/Final Revenue & Capital Monitoring – July 2023

6.0 Implications of the Recommendation

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

7.0 Performance Issues

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

As at Q2 the forecast on the revenue budget is a net overspend of £10.513m.

The projected spend on the Capital Programme is £87.178m, 57% 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 noting the report:

Risk Description	Mitigations	RAG Status
Failure to deliver the revenue budget on target	<ul style="list-style-type: none"> ▪ At Q2 there is a projected net revenue overspend of £11.513m ▪ A new financial strategy is being implemented to ensure the Council remains within its budget envelope. The expectation is that the part year effect of this strategy will reduce the forecast overspend of £11.513m which any residual overspend being drawn down from the MTFs Budget Planning Reserve 	Red
The forecast overspend will continue into the following year and have an adverse impact on financial performance in 2023/24	<ul style="list-style-type: none"> ▪ The draft 2023/24 budget is subject to a separate report on this agenda. The expenditure pressure areas from 2022/23 are reflected in the budget setting process for 2023/24. ▪ This risk remains amber due to the draft 2023/24 budget being set before the announcement of the Indicative Finance Settlement which is due w/c 19 Dec. 	Amber
Projects within the Capital Programme exceed their budget, potentially resulting in additional capital financing costs	If projects exceed their costs, Directorates would be asked to find compensatory savings elsewhere in the programme to cover the overspend. In the worst-case scenario, a council wide capital budget is held and a virement would be carried out to offset the overspend.	Green
Additions to the capital programme that may incur additional borrowing costs to the council	<ul style="list-style-type: none"> ▪ Funded by additional grants and contributions thus no additional capital financing costs will be incurred 	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.

10.1 The contract with Sancroft Community Care Limited under clause 3.1 permits the Council to extend the contract beyond its initial 5-year term by a further period or periods of up to 5 years.

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.

Under the Financial Regulations B48 Additions in year to the Capital Programme

Up to £5m – additional capital spending can be approved by Cabinet on specific projects where

- I. The expenditure is wholly covered by additional external sources; and
- II. The expenditure is in accordance with at least one of the priorities listed in the capital programme; and
- III. There are no full year revenue budget effects

The additional capital spending agreed by Cabinet in one financial year cannot exceed £20 million.

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 budget 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.

13.5 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 3.34" it is not considered that this will have a detrimental equalities impact.

14.0 Council Priorities

- A council that puts residents first
- A borough that is clean and safe
- A place where those in need are supported

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 28/11/22

Statutory Officer: Jessica Farmer

Signed on behalf of the Monitoring Officer

Date: 23/11/22

Chief Officer: Pat Flaherty

Signed off by the Chief Executive

Date: 28/11/22

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 18/11/22

Head of Internal Audit: Dawn Calvert

Signed on behalf of Head of Internal Audit

Date: 29/11/22

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:

[Final Revenue Budget 2022/23 and Medium-Term Financial Strategy 2022/23 to 2024/25 Report](#)

Call-in waived by the Chair of Overview and Scrutiny Committee - NO