



COUNCIL BUDGET - 2021/22 REVENUE AND CAPITAL MONTH 5 BUDGET MONITORING

Cabinet Member	Councillor Martin Goddard
Cabinet Portfolio	Cabinet Member for Finance
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Papers with report	Appendices A & B

HEADLINES

Summary	<p>This report provides the Council's forecast financial position and performance against the 2021/22 revenue budget and Capital Programme.</p> <p>A net in-year underspend of £368k is reported against General Fund revenue budget normal activities as of August 2021 (Month 5). Unallocated reserves are projected to total £26,469k at 31 March 2022. This headline position is largely consistent with that reported to Cabinet for June 2021 (Month 3).</p> <p>To date, COVID-19 pressures, impacting on 2021/22, of £18,777k have been identified and are being funded by specific government grants, with £21,029k available including carried forward allocations from 2020/21. The increase in reported pressures of £2,136k relate to a change of funding, linked to an increase in the flexibility of specific grants allowing the Council to fund pressures previously covered by an Earmarked Reserve with Government funding. The Council is also retaining £10,126k of its own funding in a dedicated Earmarked Reserve to supplement government support in 2021/22 and future years as required.</p> <p>The latest positions on other funds and the Capital Programme are detailed within the body of this report.</p>
Putting our Residents First	<p>This report supports the following Council objective of: <i>Strong financial management.</i></p> <p>Achieving Value for Money is an important element of the Council's Medium Term Financial Plan.</p>
Financial Cost	N/A
Relevant Select Committee	Corporate, Finance & Property
Relevant Ward(s)	All

RECOMMENDATIONS

That the Cabinet:

- 1. Note the budget monitoring position and treasury management update as at August 2021 (Month 5) as outlined in Part A of this report.**
- 2. Approve the financial recommendations set out in Part B of this report**

Reasons for recommendation

1. The reason for **Recommendation 1** is to ensure that the Council achieves its budgetary objectives, providing Cabinet with the update on performance at Month 5 against budgets approved by Council on 25 February 2021 contained within **Part A** of this report. An update on the Council's Treasury Management activities is included within this section of the report.
2. **Recommendation 2** seeks approval for the range of financial recommendations set out within **Part B** of this report, which may include approval of above establishment agency appointments, acceptance of grant funding, revisions to fees & charges and ratification of decisions taken under special urgency provisions.

Alternative options considered / risk management

3. There are no other options proposed for consideration.

Select Committee comments

4. None at this stage.

PART A: MONTHLY BUDGET MONITORING

SUMMARY

GENERAL FUND REVENUE

5. General Fund pressures totalling £18,777k are projected in relation to the impacts of the COVID-19 pandemic and the Council's response in 2021/22. With total forecast pressures of £52,152k since the pandemic began in early March 2020 including the forecast pressure for the current financial year alongside £1,883k in 2019/20 and £31,492k in 2020/21. There has been an increase of £2,136k in the COVID-19 related pressure as a result of a revised funding strategy that allows the Council to fund further pressures from specific COVID-19 grant funding which were previously covered by Earmarked Reserves. With the pandemic continuing and local authorities at the forefront of delivering support to residents, it is possible this pressure may grow by outturn dependent on the Government's recovery roadmap and programme of support offered by the Council, as such this area will continue to be closely monitored.
6. Funding through specific COVID-19 grants and the Department for Levelling Up, Housing & Communities (DLUHC) scheme to cover 75% of income losses is expected to total £21,029k by 31 August 2021 including grant money carried forward from 2020/21. This is an increase of £4,069k since Month 3, as previously ringfenced monies have been made generally available by the Government. Given that further pressures may emerge throughout the year, the Council continues to maintain an Earmarked Reserve of £10,126k to manage further demands exceeding government funding. The Council's budget strategy included a release of £3,876k from this balance to offset the medium-term pressures impacting on retained Business Rates from the pandemic, leaving £6,250k available to manage emerging or continuing pressures.
7. On the assumption that this funding strategy for COVID-19 pressures can be maintained and any new and emerging pressures from the pandemic are met via increased funding from Central Government, an underspend of £368k is projected across General Fund budgets at Month 5, with this position being driven by an underspend against Capital Financing of £239k, alongside underspends against Development and Risk Contingency of £289k, primarily related to the homelessness contingency due to increased grant income, offset by a pressure reported against Service Operating Budgets of £160k, which is mainly driven by spend on children's services including Education, SEND and Children's Social Care offset by favourable variances within golf income, grounds maintenance and CCTV staffing.
8. While movements are reported against individual portfolios and contingency items from the position at Month 5, these have not materially affected the headline monitoring position. Taking account of the budgeted £2,421k drawdown from General Balances, this will result in unallocated General Balances totalling £26,469k at 31 March 2022.
9. Within this position, £6,664k of the £10,416k savings planned for 2021/22 are banked or on track for delivery in full by 31 March 2022, with £2,766k being tracked as being at an earlier stage of implementation and £986k at risk as a result of the COVID-19 pandemic. The at risk savings relate to leisure management fee income and reflects the acute impact of the pandemic on this sector, although it is expected that in the long run this level of income will

be achievable. Where slippage in savings delivery is expected this has been factored into the reported monitoring position, and where appropriate financed from COVID-19 funding.

10. Within the Collection Fund, a pressure of £396k is reported at Month 5, a £30k favourable movement from Month 3, with the underlying variance resulting from a slower than budgeted growth in Council Tax, offset by a favourable position reported against Council Tax Support as demand begins to fall in this area as the economy starts to recover from the pandemic. Business Rates income is currently forecasting a favourable position, primarily driven by a smaller impact of the pandemic on the rating list than originally budgeted for in February 2021.

GENERAL FUND CAPITAL

11. The Council's £297,560k General Fund Capital Programme for the period 2021/22 to 2025/26 is projected to overspend by £752k at Month 5, with additional £2,129k borrowing over the life of the programme, reflecting additional forecast borrowing linked to the new leisure centre. There is a forecast overspend of £7,074k on the project following the receipt of tenders although work is continuing to see if the net cost of the project can be reduced. This pressure is partially offset by the reduced borrowing requirement following the transfer of equipment purchases from capital to revenue previously reported. The borrowing requirement will be reflected in future capital financing forecasts, which will be factored into future iterations of the MTFE as appropriate.

SCHOOLS BUDGET

12. At Month 5 the Dedicated Schools Grant position is reporting an in-year overspend of £12,656k against a budgeted overspend of £7,328k, representing a variance of £5,329k, with no movement reported from the Month 3 position. The Schools Block is reporting a pressure of £153k, with the High Needs Block reporting a £5,176k adverse variance, which represents no movement from Month 3.
13. The pressure in High Needs is due to a lack of capacity in borough, with the number of independent placements increasing since the budget was set. The budget for High Needs was increased for 2021/22 to take account of projected growth, but it is projected that the budget will be exceeded. When the £25,385k deficit brought forward from 2020/21 is taken into account, the cumulative deficit being carried forward to 2022/23 is forecast to be £38,042k. The Council is now involved in 'Safety valve' discussions with the DfE with the first meeting have been held in September 2021 and a follow up meeting set for October 2021. These discussions are aimed at resolving issues in relation to the ongoing pressures on the DSG budget. Significant work associated with these meetings is taking place and the outputs from this will be fed into future monitoring forecasts and the MTFE process.

HOUSING REVENUE ACCOUNT

14. The Housing Revenue Account is currently forecasting a favourable variance of £70k compared to the budget, a net £21k favourable movement from Month 3, which is largely driven by variances in repairs and maintenance. The 2021/22 closing HRA General Balance is forecast to be £15,253k, and therefore remain in line with business plan assumptions.
15. A minor £13k underspend is reported on HRA Capital Investment, against a programme of £231,956k over the period 2021/22 to 2025/26 incorporating delivery of new housing and renewal of the existing estate. This position is unchanged from that reported at Month 3.



FURTHER INFORMATION

General Fund Revenue Budget

16. As noted above and presented in the table below, a £368k underspend is projected across the General Fund at Month 5, with the following section of this report providing further information on an exception basis. General Fund Balances are expected to total £26,469k at 31 March 2022 as a result of the forecast position detailed above, which remains broadly consistent with the forecast reported at Month 3. The Balances and Reserves Policy approved by Cabinet and Council in February 2021 outlined a recommended range of £15,000k to £35,000k for uncommitted General Balances.

Table 1: General Fund Overview

Service	Month 5		Variance (As at Month 5) £'000	Variance (As at Month 3) £'000	Movement from Month 3 £'000
	Approved Budget	Forecast Outturn			
	£'000	£'000			
Service Operating Budgets	210,169	224,062	160	165	(5)
Corporate Operating Budgets	8,475	7,795	(239)	(239)	0
Development & Risk Contingency	17,436	3,856	(289)	(287)	(2)
Unallocated Budget Items	2,165	2,164	0	0	0
Sub-total Expenditure	238,245	237,877	(368)	(361)	(7)
Corporate Funding	(235,824)	(235,824)	0	0	0
Total Normal Activities	2,421	2,053	(368)	(361)	(7)
Exceptional Items					
COVID-19 Pressures	0	18,777	18,777	16,641	2,136
COVID-19 Funding	0	(18,777)	(18,777)	(16,641)	(2,136)
Total Net Expenditure	2,421	2,053	(368)	(361)	(7)
Balances b/fwd	(28,522)	(28,522)			
Balances c/fwd 31 March 2022	(26,101)	(26,469)			

Service Operating Budgets

17. Service Operating Budgets represent the majority of the Council's investment in day-to-day services for residents, with more volatile or demand-led areas of activity tracked separately through the Development and Risk Contingency. The impacts of COVID-19 are being reported discretely under Exceptional Items as detailed in Table 1, the position presented in Table 2 therefore represents the position reported against normal activities for the Service Operating Budgets. The salient risks and variances within this position summarised in the following paragraphs.

Table 2: Service Operating Budgets

Cabinet Member Portfolio		Approved Budget	Forecast Outturn	Variance (As at Month 5)	Variance (As at Month 3)	Movement from Month 3
		£'000	£'000	£'000	£'000	£'000
Property & Infrastructure	Expenditure	11,774	11,962	188	64	124
	Income	(5,296)	(5,490)	(194)	(63)	(131)
	Sub-Total	6,478	6,472	(6)	1	(7)
Finance	Expenditure	20,089	20,194	105	61	44
	Income	(3,369)	(3,493)	(124)	(79)	(45)
	Sub-Total	16,720	16,701	(19)	(18)	(1)
Public Safety and Transport	Expenditure	18,168	18,543	375	269	106
	Income	(16,241)	(16,658)	(417)	(309)	(108)
	Sub-Total	1,927	1,885	(42)	(40)	(2)
Corporate Services and Transformation	Expenditure	27,067	27,127	60	65	(5)
	Income	(1,604)	(1,665)	(61)	(69)	8
	Sub-Total	25,463	25,462	(1)	(4)	3
Environment, Housing & Regeneration	Expenditure	50,871	51,090	219	123	96
	Income	(20,642)	(20,993)	(351)	(240)	(111)
	Sub-Total	30,229	30,097	(132)	(117)	(15)
Families, Education and Wellbeing	Expenditure	26,004	26,419	415	449	(34)
	Income	(11,597)	(11,770)	(173)	(155)	(18)
	Sub-Total	14,407	14,649	242	294	(52)
Health and Social Care	Expenditure	165,066	165,181	115	51	64
	Income	(36,388)	(36,385)	3	(2)	5
	Sub-Total	128,678	128,796	118	49	69
Total Service Operating Budgets		223,902	224,062	160	165	(5)

18. Within the Council budget there is a Managed Vacancy Factor across the board of 4%, or £3,952k to reflect natural levels of turnover and resulting structural underspend in the workforce budgets. Current projections indicate that this will be delivered in full during 2021/22, with post-level establishment controls providing a key mechanism for managing workforce costs at the organisational level, although unanticipated turnover is expected to further improve this position over the coming months.
19. As noted in the previous monitoring report, and contrary to the Government policy of freezing the majority of public sector pay in 2021/22, an inflationary pay award of 1.5% was presented to unions for consideration and the Council earmarked £1,300k to meet this potential cost. This was rejected and subsequently increased to 1.75% by the employers' association, which if accepted would increase the cost by £700k. It is expected that the in-year impact of the increased pay award can be funded through the expected improvement in the workforce budget position, with the full cost being factored into future iterations of the MTF as appropriate.



20. As can be seen from the table above, the net £160k pressure across Service Operating Budgets represents the cumulative effect of a number of relatively minor variances which are briefly outlined below by Cabinet Portfolio:
- a. **Property & Infrastructure** – A net underspend of £6k, representing a £7k improvement on Month 3, with a £194k overachievement of income within the Repairs & Engineering Service, with a largely offsetting expenditure variance due to the activity undertaken to generate the income for this service.
 - b. **Finance** – A net underspend of £19k, an improvement of £1k on Month 3, with compensating variances on income and expenditure reflecting increased activity in support of non-General Fund functions, including the HRA regeneration projects.
 - c. **Public Safety and Transport** – a net underspend of £42k and £2k favourable movement from Month 3, with the increased grant funded activity and locally funded Environmental Health Officer capacity in respect of Brexit impacts on the trading standards and imported health functions, being offset by £125k underspends on staffing within the CCTV service.
 - d. **Corporate Services and Transformation** – a net underspend of £1k and £3k adverse movement from Month 3, with the underlying position reflecting increased recharge income within the ICT service and corresponding uplifts in expenditure.
 - e. **Environment, Housing and Regeneration** – an underspend of £132k, increased by £15k from Month 3, with a favourable outlook on planning and crematorium income being sufficient to more than mitigate the costs being incurred in insourcing an element of the planning service. The movement from Month 3 primarily relates to offsetting expenditure and income movements within Planning with additional income of £103k within this service area supporting additional non-developer funded costs.
 - f. **Families, Education and Wellbeing** – an overspend of £242k is reported as a result of additional demands on the service in respect of school place planning for both mainstream and special provision, alongside additional costs falling on the General Fund as a result of levels of demand for Education, Health and Care Plans. The favourable movement of £52k from Month 3 reflects the use of capitalisation powers against expenditure associated with the extended implementation of the SEND pathway alongside additional income driven by recharges to schools within this service area.
 - g. **Health and Social Care** – A net pressure of £118k is reported, with an adverse movement of £69k from the position at Month 3. The headline variance relates to increased demand on support for both adults and children, with the adverse movement stemming from increased staffing forecasts alongside increased spend on Section 17 preventative services within Children's Services.

Transformation

21. The Council is permitted to finance the costs associated with service transformation from Capital Receipts, with both one-off implementation costs and the support for service transformation, including the BID team, being funded from this resource. Current projections include an estimate of £2,073k for such costs, which will remain under review throughout the year and have been excluded from the reported monitoring positions. It is anticipated that these costs will be financed from a combination of Capital Receipts and Earmarked Reserves. Although this position will be reviewed if capacity becomes available within the revenue position to fund such costs.

Progress on Savings

22. The savings requirement for 2021/22 is £8,054k. In addition, there are savings of £2,362k brought forward from 2020/21, which gives an overall total of £10,416k reported below. The savings being reported as undelivered in 2020/21 (£2,362k) were directly attributable to the COVID-19 pandemic as the Council needed to redirect resources to manage the pandemic. The savings were linked to Leisure, Licencing, Digital Strategy and Fees and Charges. This value has been added to the budgeted savings agreed as part of the 2021/22 budget.

Table 3: Savings Tracker

Cabinet Member Portfolio	Blue Banked £'000	Green Delivery in progress £'000	Amber I Early stages of delivery £'000	Amber II Potential problems in delivery £'000	Red Serious problems in delivery £'000	Total £'000
Property & Infrastructure	(125)	(35)	(150)	0	0	(310)
Finance	(560)	0	(300)	0	0	(860)
Public Safety and Transport	(335)	(1,706)	(100)	0	0	(2,141)
Corporate Services and Transformation	(517)	(883)	0	0	0	(1,400)
Environment, Housing & Regeneration	(831)	(813)	(702)	0	0	(2,346)
Families, Education and Wellbeing	(250)	(109)	(364)	(986)	0	(1,709)
Health and Social Care	(250)	(250)	(1,150)	0	0	(1,650)
Total 2021/22 Savings Programme	(2,868) 28%	(3,796) 36%	(2,766) 27%	(986) 9%	0 0%	(10,416) 100%

23. As of Month 5 (August 2021) there are £2,868k savings already banked as delivered. As we approach the middle of the financial year 91% of the savings are reporting as either delivery in progress or in the early stages of delivery and these are on track and expected to progress throughout the year to be delivered in full. The savings in the early stages of delivery (Amber I) include the Licencing and Digital Strategy from the prior year, as well as current year savings including Social Care Placements, Review of Temporary Accommodation and Robotics & Automation, alongside other lower value savings included.
24. Currently there are £986k (9%) which are reporting there are potential problems in delivery (Amber II), which relates exclusively to the leisure management fee and reflects the particular impact of the COVID-19 pandemic on this sector, although in the medium term use of these services and associated income is expected to return to pre-pandemic levels and deliver this saving.



25. Where savings are at risk of not being delivered in full during 2021/22, the associated pressures have been factored into the monitoring position discussed above and offset through compensatory underspends or where appropriate use of COVID-19 grant funding. At this time, it is expected that all £10,416k will ultimately be delivered in full and therefore not impact upon future iterations of the Council's MTFF.

Corporate Operating Budgets

26. Corporate Operating budgets are reporting a £239k underspend on capital financing and funding, in line with the position at Month 3. The underspend is driven by reduced capital financing costs arising from the favourable capital outturn position for 2020/21 and a minor improvement from a review of the Council's corporate subscriptions. No variance is reported on Corporate Funding, the exact level of grant funding for the year currently reflects the Cabinet and Council approved budgets in February 2021.

Development & Risk Contingency

27. For 2021/22 £17,436k was set aside to manage uncertain elements of budgets within the Development & Risk Contingency, which included £16,613k in relation to specific risk items and £823k as General Contingency to manage unforeseen issues. Following Cabinet on 2 September, £13,291k of this funding was released into the Council's Service Operating Budgets on the basis that these values were no longer contingent, leaving £4,145k being held for specific risk items alongside the £823k of General Contingency. Exceptional COVID-19 related pressures are being funded through specific grant funding and commented on later in this report.
28. At Month 5, a net underspend of £289k is reported on Development and Risk Contingency, with £222k linked to a greater share of homelessness costs being met through new burdens funding rather than the Council's own resources and the residual £65k relates to minor movements in the cost of Social Care placements not linked to the COVID-19 pandemic. There are currently no calls on the £823k General Contingency, providing a mechanism to manage emerging non-COVID-19-related risks over the remainder of the financial year.



Exceptional Items – COVID-19 Pressures

Table 4: COVID-19 Pressure Breakdown

Service	Month 5		Variance (As at Month 5) £'000	Variance (As at Month 3) £'000	Movement from Month 3 £'000
	Approved Budget	Forecast Outturn			
	£'000	£'000			
Social Care	0	10,536	10,536	8,962	1,574
Other Expenditure	0	4,220	4,220	4,186	34
Income	0	4,021	4,021	3,493	528
Total Exceptional Items	0	18,777	18,777	16,641	2,136

29. The majority of the COVID-19 pressure is relating to Health and Social Care £10,536k, Public Safety and Transport £2,613k and Environment, Housing and Regeneration £2,355k, these three areas represent £15,504k of the £18,777k in-year pressure.
- Within Health and Social Care, the Council is forecasting a pressure of just over £10.5m, driven by £9.8m of pressures associated with direct care provision, with £6m of this value falling on Adult Social Care and £3.8m falling in Children's Social Care. In addition, both areas are seeing workforce pressures associated with the additional demand and the Council's COVID-19 response, adding a further £0.7m, with the remaining balance coming from a combination of smaller areas. The movement in this area from Month 3 relates to the Government increasing flexibility for specific COVID-19 grant funding which has allowed the Council to maximise grant funding as opposed to the previously reported position whereby these pressures were being covered by Earmarked Reserves.
 - Within Environment, Housing and Regeneration £1.1m of pressures have been identified associated with lost income, with the single largest area affected being Planning & Development. In addition, £0.4m is forecast to support the homeless during the pandemic, with a further £0.4m being required to support the impact on the Council's Waste Service. Half of the movement in this area from Month 3 is being driven by additional pressures within the Waste Service area, with the other half being spread across a number of services, including cultural and leisure services and compliance and enforcement activities.
 - Public Safety and Transport is a forecast decline in Fees and Charges income of £2.3m, the majority of this pressure relates to parking charges making up approximately £1.9m of this value.
 - The remaining balance is spread across a number of service areas and income streams impacted by the pandemic, including sports and cultural services and commercial income associated with rental income from areas such as Council owned garages. While income pressures have increased by £528k since month 3, a material amount of this increase is being covered by grant following a detailed review of the Council's claim on the specific Sales, Fees & Charges grant.
30. Included within this position is a forecast assumption that the overall pressure caused by COVID-19 will be funded by Central Government and other funding strategies. The Council has confirmed funding of £21,029k, including carried forward grants from 2020/21 (although the final figure will in part be based on actual income losses and may therefore fluctuate)



which will be sufficient to manage pressures identified to date, although there remains a risk that new and emerging issues will leave a funding gap in either the current or future years.

31. The strategy to deal with any unfunded COVID-19 costs is to utilise Earmarked Reserves totalling £10,216k. The Council's budget strategy included a release of £3,876k from this balance to offset the medium-term pressures impacting on retained Business Rates from the pandemic, with the £6,250k residual balance available to manage emerging or continuing pressures.

Collection Fund

32. A deficit of £396k is reported within the Collection Fund relating to an adverse position reported within Council Tax of £780k, offset by a favourable position within Business Rates of £384k. The pressure in Council Tax is predominantly driven by a reduction in the forecast growth of the taxbase, offset by a favourable position within Council Tax Support as the economy begins to recover from the pandemic and demand in this area reduces. The Business Rates position is primarily driven a favourable position against the Council's rating list compared the budget, with the pandemic having a reduced impact on local businesses than budgeted for in February 2021.
33. Any deficits within the Collection Fund impact on the Council's future year budgets, this position would therefore add £396k to the Council's gross saving requirement above the level set in the Council's budget strategy agreed at February 2021 Cabinet. However, given that this pressure continues to be driven by COVID-19, there may be scope to utilise an element of the COVID-19 Earmarked Reserves or any residual grant balance to meet this cost.

General Fund Capital Programme

34. As at Month 5 an under spend of £30,760k is reported on the 2021/22 General Fund Capital Programme of £102,937k, due mainly to re-phasing of project expenditure into future years. The forecast outturn variance over the life of the 2021/22 to 2025/26 programme is an overspend of £752k. General Fund Capital Receipts of £8,921k are forecast for 2021/22, and expected to achieve the budgeted target of £57,977k over five years to 2025/26. Overall, Prudential Borrowing required to support the 2021/22 to 2025/26 capital programmes is forecast to be above budget by £2,129k.

Capital Programme Overview

35. Table 5 below sets out the latest forecast outturn on General Fund capital projects. Forecasts for future years include capital projects and programmes of work approved by Cabinet and Council in February 2021.

**Table 5: General Fund Capital Programme Summary**

	Approved Budget 2021/22	Forecast 2021/22	Cost Variance 2021/22	Project Re-phasing 2021/22	Total Project Budget 2021-2026	Total Project Forecast 2021-2026	Total Project Variance 2021-2026	Move-ment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cabinet Member Portfolio								
Finance	4,433	3,991	(612)	170	10,298	7,238	(3,060)	-
Public Safety and Transport	16,871	13,984	(1,878)	(1,009)	56,432	54,554	(1,878)	(1,007)
Corporate Services & Transformation	1,572	1,358	(114)	(100)	5,828	5,258	(570)	-
Environment, Housing & Regeneration	4,763	4,053	(27)	(683)	10,548	10,521	(27)	(27)
Families, Education and Wellbeing	7,894	10,232	-	2,338	20,469	20,469	-	-
Health and Social Care	2,359	2,359	-	-	11,795	11,795	-	-
Property and Infrastructure	63,628	34,783	(787)	(28,058)	174,773	181,060	6,287	724
General Contingency	1,417	1,417	-	-	7,417	7,417	-	-
Total Capital Programme	102,937	72,177	(3,418)	(27,342)	297,560	298,312	752	(310)
Major Projects	58,094	34,218	250	(24,126)	154,387	161,711	7,324	1,761
Programme of Works	43,426	36,542	(3,668)	(3,216)	135,756	129,184	(6,572)	(2,071)
General Contingency	1,417	1,417	-	-	7,417	7,417	-	-
Total Capital Programme	102,937	72,177	(3,418)	(27,342)	297,560	298,312	752	(310)
Movement	93	(7,036)	(1,821)	(5,308)	93	(217)	(310)	

36. **Finance:** The overall under spend of £3,060k under this portfolio arises from no longer financing small equipment and furniture expenditure from capital resources, with budgets provided in revenue to support this.
37. **Public Safety and Transport:** An under recovery of £1,878k is forecast on Transport for London (TFL) grant funding, a movement of £1,007k as it is expected that the 2021/22 LIP funding award for the remainder of the year will be significantly lower than bid for and original budget assumptions. TFL funding remains significantly affected by reduced travel due to the pandemic with increased home working.
38. **Families, Education and Wellbeing:** Forecast expenditure for the year has increased as the budgeted £6m payment to the Department for Education as contribution to the rebuild and expansion of Harlington School is expected to be made in full this financial year, rather than in staged payments.
39. **Property and Infrastructure:** Following receipt of tenders for the construction of a new leisure centre in West Drayton, a forecast over spend of £5,574k on Council resources is reported based on the tender prices being significantly higher than pre-tender estimates. This is an increase of £441k from Month 3 due to reinstating structural warranty into the contract sum. A forecast over spend of £250k is reported on the works to extend the Uxbridge mortuary, as additional cost items have been uncovered on site including deeper works required on the foundations. Disabled Facilities Grants are forecast to under spend by £1,037k based on expected demand, with higher activity this year on adaptations in the HRA sector.

Capital Financing - General Fund

Table 6: Capital Financing

	Approved Budget 2021/22 £'000	Forecast 2021/22 £'000	Cost Variance £'000	Phasing Variance £'000	Total Financing Budget 2021-2026 £'000	Total Financing Forecast 2021-2026 £'000	Total Variance £'000	Move-ment
Source of Finance								
Capital Receipts	16,749	8,921		(7,828)	57,977	57,977	-	-
CIL	3,500	5,500		2,000	17,500	17,500	-	-
Prudential Borrowing	55,481	38,515	(541)	(16,425)	131,018	133,147	2,129	256
Total Council Resources	75,730	52,936	(541)	(22,253)	206,495	208,624	2,129	256
Grants & Contributions	27,207	19,241	(2,877)	(5,089)	91,065	89,688	(1,377)	(566)
Capital Programme	102,937	72,177	(3,418)	(27,342)	297,560	298,312	752	(310)
Movement	93	(7,036)	(1,821)	(5,308)	93	(217)	(310)	

40. Capital receipts before transformation financing in 2021/22 include £1,339k in sales already achieved with several more sites planned to be sold via auction by the end of the financial year. The phasing variance of £7,828k is mainly due to major disposal sites that are not expected to be completed this financial year.
41. As at the end of August 2021, a total of £3,560k Community Infrastructure Levy receipts have been invoiced. Forecast receipts for this financial year are a favourable variance of £2,000k as developer activity is increasing as the pandemic recedes, and several sizable developments are expected to be invoiced in 2021/22. The longer-term forecast for this income stream will remain under review as the economy recovers from the pandemic.
42. Forecast grants and contributions are £1,377k lower than the revised budget, due partly to the forecast under recovery of the 2021/22 TFL LIP grant compared to the original budget, which was based on pre-pandemic funding levels.
43. Prudential Borrowing is forecasting to be within budget by £16,966k in 2021/22 due mainly to forecast re-phasing of project expenditure into future years. The medium-term forecast is an adverse variance of £2,129k due mainly to the over spend on Yiewsley/West Drayton leisure centre, partly offset by the under spend on capitalised general equipment expenditure.



Schools Budget

44. The Dedicated Schools Grant (DSG) monitoring position is an in-year overspend of £12,657k at month 5, this is an increase of £5,329k on the budgeted deficit of £7,328k. This overspend is due to ongoing pressures in the cost of High Needs placements, where due to a lack of capacity in borough, the number of independent placements has increased since the budget was set. In addition, the local authority is increasingly seeing an uplift in the funding allocated to SEN placements due to a change in the level of need. The budget for High Needs was increased for 2021/22 to take account of projected growth, but it is projected that the budget will be significantly exceeded. When the £25,385k deficit brought forward from 2020/21 is taken into account, the cumulative deficit carry forward to 2022/23 is £38,042k.

Table 7: DSG Income and Expenditure 2021/22

Funding Block	Month 5		Variance		
	Revised Budget £'000	Forecast Outturn £'000	Variance (As at Month 5) £'000	Variance (As at Month 3) £'000	Change from Month 3 £'000
Dedicated Schools Grant Income	(317,131)	(317,131)	0	0	0
Schools Block	247,506	247,659	153	153	0
Early Years Block	25,997	25,997	0	0	0
Central Schools Services Block	3,296	3,296	0	0	0
High Needs Block	47,660	52,836	5,176	5,176	0
Total Funding Blocks	7,328	12,657	5,329	5,329	0
Balance Brought Forward 1 April 2021	25,358	25,358			
Balance Carried Forward 31 March 2022	32,686	38,015			

Dedicated Schools Grant Income (nil variance, no change)

45. The Early Years block will be adjusted further to reflect actual numbers accessing the free entitlement in the Spring term. If attendance rises after the January census, the DfE has confirmed that funding will be increased, up to 85% of the January 2020 census level, where a local authority can provide evidence of increased attendance during the Spring term. Adjustments will be calculated by using an average of the January 2021 census and the May 2021 count. That is, January 2021 count will be used to represent attendance for the first half of Spring term, and the May 2021 count to represent the latter half and recognise any increase in attendance to determine the final spring term top up.
46. There will be an adjustment to the Schools Block to reflect the amount recouped by the Education Skills Funding Agency (ESFA) to fund academy schools directly. This follows the academy conversion of two schools in Hillingdon on 1st September 2021.

Schools Block (£153k overspend, no change)

47. The Schools Block includes all funding paid directly to mainstream schools as part of their delegated budget share, including the funding recouped by the ESFA and paid to mainstream academies.



48. There is also a growth contingency fund which is funded from the Schools Block. Schools that are expanding, in agreement with the local authority, to meet basic need pupil population growth, receive additional funding to provide financial recompense throughout the relevant financial year to cover the cost of this agreed and planned growth.
49. Schools Forum took the decision to withhold growth contingency allocations for two schools due to insufficient projected pupil growth in September 2022 and therefore there will be an underspend relating to this allocation. Additionally, Schools Forum have agreed to backdate growth contingency to 2018/19 for one secondary school which it has been retrospectively decided met the criteria for funding. This has resulted in the overspend on the Schools block in 2021/22 which, because the Schools Block is ring-fenced, will need to be carried forward to the following financial year and included in the Growth Fund determination for 2022/23.
50. The growth contingency policy was amended prior to 2020/21 in order address the growth in secondary pupils. Schools will be funded for any Year 7 pupils which are above the Published Admission Number (PAN). £525k was set aside for this purpose, with the actual funding requirement considerably lower, which has off-set the overall overspend on the Schools block.
51. The growth contingency also funds diseconomies of scale funding for new basic need academy schools and a calculation method has now been determined for this for the two remaining years that the final basic need school is still growing. An amendment to the Growth Contingency Policy has been drafted to reflect this change for Schools Forum members to discuss at the September Schools Forum meeting.

Early Years Block (no variance, no change)

52. Two-year-old funding will be adjusted to reflect the number of children accessing the entitlement based on the May 2021 census.
53. The 3 and 4-year-old funding for both the universal and the additional free entitlement will also be adjusted following verification of the actual numbers recorded in the May 2021 census. This is likely to result in a reduction in the overall Early Years block funding allocation as the number of children accessing the additional free entitlement has decreased significantly over the past year. The projections will be revised once the full impact of the funding adjustments is known.

Central School Services Block (no variance, no change)

54. The published DSG budget allocations confirmed a 20% decrease in the Central School Services Block provided for historic commitments. This resulted in a £265k reduction in funding, though this was partly offset by £51k of additional funding for pupil growth. This reduction in funding resulted in a budget shortfall for the services funded by the Central School Services block adding to the pressure which has led to an overall deficit DSG being agreed for 2021/22.

High Needs Block (£5,176k overspend, no change)

55. There continues to be significant pressure in the High Needs Block in 2021/22, with an overspend of £5,176k being projected at month 5. The growth in the requirement to place pupils with an EHCP in independent placements due to a continuing lack of capacity in-borough and across other local authority provision continues. There is an expectation that this will become the only route that the Council will be able to take until more provision is created locally. Much of the overspend being projected is a result of additional placements already made for September 2021, along with an anticipated further increase in the number of placements throughout the remainder of the year. Whilst an element of growth in placements has been built into the projection, there may be further pressure dependent on where future placements are made.
56. There is further pressure being added to the High Needs block because of an uplift in the funding allocated to SEN placements due to a change in the level of need. The local authority is regularly seeing an increase in the complexity of need at the point of annual review which is resulting in agreement to increase the top-up funding allocation to ensure needs are being adequately met. This is contributing to the overspend being projected and there may be additional pressure in relation to this as and when further annual reviews are completed.
57. There are in-borough special schools which are currently over their commissioned place number with a requirement on the local authority to allocate more funding for these additional places. The commissioned numbers were updated at the start of the financial year, however due to changes not taking place until the start of the next academic year for academy schools, along with schools agreeing to take further additional pupils there will be a requirement to fund places over commissioned numbers.
58. The Council is now involved in 'Safety valve' discussions with the DfE with the first meeting have been held in September 2021 and a follow up meeting set for October 2021. These discussions are aimed at resolving issues in relation to the ongoing pressures on the DSG budget and the High Needs Block in particular. Significant work associated with these meetings is taking place and the outputs from this will be fed into future monitoring forecasts and the MTFP process.



Housing Revenue Account

59. The Housing Revenue Account (HRA) is currently forecasting a favourable variance of £70k compared to the budget and a favourable movement of £21k on Month 3. This excludes the potential cost pressures of COVID-19, which are estimated at £181k. The 2021/22 closing HRA General Balance is forecast to be £15,253k. The use of reserves is funding investment in new housing stock. The table below presents key variances by service area.

Table 8: Housing Revenue Account

Service	Month 5		Variance (+ adv / - fav)		
	Revised Budget	Forecast Outturn	Variance (As at Month 5)	Variance (As at Month 3)	Movement from Month 3
	£'000	£'000	£'000	£'000	£'000
Rent Income	(58,944)	(58,685)	259	0	259
Other Income	(5,528)	(5,467)	61	(47)	108
Net Income	(64,472)	(64,152)	320	(47)	367
Housing Management	15,203	15,382	179	144	35
Tenant Services	3,953	3,923	(30)	(3)	(27)
Repairs	5,654	6,170	516	512	4
Planned Maintenance	4,014	2,959	(1,055)	(655)	(400)
Capital Programme Funding	19,021	19,021	0	0	0
Interest & Investment Income	15,385	15,385	0	0	0
Development & Risk Contingency	1,260	1,260	0	0	0
Operating Costs	64,490	64,100	(390)	(2)	(388)
(Surplus) / Deficit	18	(52)	(70)	(49)	(21)
General Balance 01/04/2021	(15,201)	(15,201)	0	0	0
General Balance 31/03/2022	(15,183)	(15,253)	(70)	(49)	(21)

60. As at Month 5, the rental income is forecast to under-recover by £259k. Other income is forecast to under-recover by £61k, an adverse movement on Month 3 of £108k. Both forecasts have been updated to take account actual performance for the first 5 months of the year. This has seen a high level of voids, with an average of 1.7%, compared to a budgeted assumption of 1%. A range of management action is being undertaken to improve the position with the forecasts assuming an improved performance over the remainder of the financial year. This includes re-letting of Packet Boat House following expected completion of remedial works at the end of September, and additional income from buy back properties, decants and new builds.
61. The number of Right-To-Buy (RTB) applications received in the first five months of 2021/22 was 79 compared to 55 for the same period in 2020/21. There has been 15 RTB completions in the first five months of 2021/22 compared to 16 for the same period in 2020/21. The RTB applications submitted, offers made to tenants and sales are being kept under review during the year. As at Month 5, the 2021/22 RTB sales forecast remains at 50, in line with the budget.



62. The housing management service is forecast to overspend by £179k as at Month 5 which is an adverse movement of £35k on Month 3. This includes an increase in the forecast spend of £28k on COVID-19 related domestic violence related costs and a net increase in forecast spend on staffing of £7k.
63. Tenant services is forecast to underspend by £30k, a favourable movement of £27k on Month 3 relating to reduction in forecast spend on caretaking staff.
64. The repairs and planned maintenance budget totals £9,668k and as at Month 5 it is forecast to underspend by £539k, a net favourable movement of £396k on Month 3. This includes a minor £4k adverse movement on the repairs team running costs. There are favourable movements of £250k on external decorations due to re-phasing of the programme, and £150k on the service contracts due to the benefits of the investment in the capital works to stock planned programme. The repairs budgets, especially voids and reactive works, will be kept under review for potential pressures including demand, cost, and disrepair cases.
65. As at Month 5 the capital programme funding, interest and investment income, and the development and risk contingency budgets are forecast to breakeven.

COVID-19 cost pressures on the HRA

66. HRA COVID-19 cost pressures identified to date and will be kept under review during the year. These pressures have not been included in the Month 5 forecast position for HRA revenue and currently total £181k.

HRA Capital Expenditure

67. The HRA capital programme is set out in the table below. The 2021/22 revised budget is £91,774k and forecast expenditure is £74,217k with a net variance of £17,557k of which £17,544k is due to re-phasing and £13k due to cost under spends. A summary position is included in Table 9 below.

Table 9: HRA Capital Expenditure

	Approved Budget 2021/22	Forecast 2021/22	Cost Variance 2021/22	Project Re-Phasing 2021/22	Total Project Budget 2021-26	Total Project Forecast 2021-26	Total Project Variance 2021-26	Movement 2021-26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cabinet Member Portfolio								
Property and Infrastructure	91,774	74,217	(13)	(17,544)	231,956	231,943	(13)	0
Total HRA Capital Programme	91,774	74,217	(13)	(17,544)	231,956	231,943	(13)	0

68. There is forecast re-phasing of £17,544k due mainly to several major projects remaining in early stages and expected to complete in future years.
69. Following a re-tendering process, works are recommencing on site to complete the six-unit general needs housing development at Nelson Road, with construction works forecast to be completed in early 2022. Groundworks have started on the 5x3 bedroom shared ownership development at Moorfield Road, Cowley.



70. A cost under spend of £13k is forecast on the acquisition of flats at Abrook Court, 191 Harefield Road, Uxbridge with completion payment settled.
71. Following Cabinet approval, works on the regeneration of Hayes housing estates have commenced with £20,526k funding programmed in 2021/22 for scheme design (£3,743k) and leaseholder buy backs (£16,783k). This is forecast to be fully spent at this early stage.
72. A total budget of £2,300k is allocated for the buy-back of properties at Packet Boat House. An amount of £1,099k has recently been approved for the acquisition of eight flats from this budget.
73. The Works to Stock programme 2021/22 budget has increased by £2,920k following Cabinet approval to re-profile funding forward from future years to accelerate electrical fire safety works. The Works to Stock programme includes various workstreams, with works ongoing at numerous sites and future phases of works on some programmes being tendered. Remedial works at Packet Boat House are nearing completion and are expected to be complete by the end of September 2021.
74. Works are in progress for delivery of the re-phased remaining £3,650k Green Homes Grant Local Authority grant scheme to provide energy efficiency upgrades to low-income homes.
75. Disabled Facilities Grants are forecast to overspend based on expected demand, with higher activity this year on adaptations in the HRA sector, with this position being offset by grant funding and therefore having a net nil impact.



76. Treasury Management Update as at 31 August 2021

Table 10: Outstanding Deposits – Average Rate of Return 0.02%

Period	Actual (£m)	Actual (%)	Benchmark (%)
Call Accounts and MMF's*	36.4	56.70	
Up to 1 Month Fixed-Term Deposits	12.8	19.94	70.00
Total	49.2	76.64	70.00
Strategic Pooled Funds	15.0	23.36	30.00
Total	64.2	100.00	100.00

*Money Market Funds

77. Deposits are held with UK institutions, all of which hold a minimum A- Fitch (or lowest equivalent) long-term credit rating and AAA rated Money Market funds. UK deposits are currently held in NatWest Bank plc, Santander UK plc and the DMADF. There is also an allocation to Strategic Pooled Funds.
78. The average rate of return on day-to-day operational treasury balances is 0.02%. As part of the Council's investment strategy for 21/22, the Council continues to hold a total of £15m in three long-dated strategic pooled funds (£5m in each). The strategic pooled funds have a 3-5 year investment horizon with dividends being distributed periodically.
79. The Council aims to minimise its exposure to bail-in risk by utilising bail-in exempt instruments and institutions whenever possible. However, due to the significant amount held in instant access facilities, which is needed to manage daily cashflow, it is not possible to fully protect Council funds from bail-in risk. At the end of August, 74% of the Council's day-to-day operational treasury investments had exposure to bail-in risk compared to a June benchmark average of 67% in the Local Authority sector (latest benchmark provided quarterly by the Council's treasury advisors Arlingclose). The Council's exposure reduces to 0% once instant access facilities are excluded from the total bail-in percentage.
80. Liquidity was maintained throughout August by placing surplus funds in instant access accounts and making short-term deposits with the DMADF. Cash-flow was managed by ensuring deposit maturities with the DMADF were matched to outflows and where required, funds were withdrawn from instant access facilities. In addition, £10m of forward dated temporary borrowing reached settlement. Cash balances have remained above minimum levels due to the balances of COVID-19 grants being held by the Council before repayment.



Table 11: Outstanding Debt - Average Interest Rate on Debt: 3.25%
Average Interest Rate on Temporary Borrowing: 0.51%

	Actual (£m)	Actual (%)
General Fund		
PWLB	43.93	14.31
Long-Term Market	15.00	4.88
Temporary	80.00	26.06
HRA		
PWLB	135.07	44.00
Long-Term Market	33.00	10.75
Total	307.00	100.00

81. During August there were no scheduled PWLB or Market debt repayments, however, £15m of temporary borrowing reached maturity. Gilt yields moved down during the first half of the month, however ended the month slightly higher than it began. With the Council's long-term borrowing need and with restrictive premiums, early repayment of debt remains unfeasible.
82. There were no breaches of the Prudential Indicators or non-compliance with the Treasury Management Policy and Practices.
83. To maintain liquidity for day-to-day business operations during September, cash balances will be placed in instant access accounts and short-term deposits.

PART B: FINANCIAL RECOMMENDATIONS

That the Cabinet:

- a. Note those consultancy and agency assignments over £50k approved under delegated authority between the September 2021 and October 2021 Cabinet meetings, detailed at Appendix A.
- b. Approve the acceptance of the Private Rented Sector Minimum Energy Efficiency Standards Grant of £98,728 from the Midlands Energy Hub. The grant is part of the Private Rented Sector (PRS) Compliance and Enforcement Competition originating from the Secretary of State for Business, Energy and Industrial Strategy (“BEIS”).
- c. Approve virements totalling £5,574k comprising £3,060k from the 2021-26 General Equipment Capitalisation budget, £570k from the 2021-26 ICT Equipment Capitalisation budget and £1,944k from the 2021-26 General Capital Contingency budget to the new Yiewsley/West Drayton leisure centre project.
- d. Accept grant funding of £1,500k to be allocated to the new Yiewsley/West Drayton Leisure Centre budget.
- e. Accept a capital grant award of £2,675k and a revenue grant of £129k from the Greater London Authority in respect of the Rough Sleeping Accommodation Programme (RSAP).
- f. Approve a virement of £2,675k from the HRA Acquisitions and Internal Developments budget to the Rough Sleepers Accommodation Programme, as Council match funding.
- g. Note Transport for London grant funding awards of £356k in respect of LIPs Corridors (£146k), Crossrail Complementary Measures (£60k), Bus Priority Measures (£132k) and Cycle Training (£18k).
- h. Approve acceptance of gift funding in relation to a Planning Performance Agreement in accordance with the provisions of Section 93 of the Local Government Act 2003 for;
 - a. Unit 1 Nestle - £10,000
 - b. Crown Trading - £40,000

Reasons for recommendation

84. **Recommendation 2a** notes consultancy and agency assignments approved by the Chief Executive under authority granted by Council on 20 May 2021. Appendix A reports back on use of this delegated authority since the previous Cabinet meeting.
85. **Recommendation 2b** The Council is committed to reducing fuel poverty and encourage energy efficiency for residents. This is underpinned by Hillingdon's Climate Change Strategy and ongoing support to residents through Public Protection Initiatives. The grant receipt from the secretary of State for Business, Energy and Industrial Strategy will be used to tackle rogue landlords who do not comply with Private Rental Sector Minimum Energy Efficiency Standard (MEES) regulations. The funding will be used to ‘pump prime’ this workstream and set up a robust framework to sustain enforcement longer term. It will be used to encourage landlords to comply with the above legislation and where this is not possible to carry out enforcement.



86. **Recommendation 2c & 2d** Following receipt of tenders for the construction of the new leisure centre in West Drayton, and after an extensive value engineering exercise, the project budget is required to be increased by £7,074k. It is proposed that this increase is met by viring £3,630k uncommitted funding from the former general and ICT equipment capitalisation budgets 2021-26, and £1,944k from the general capital contingency budget 2021-26, with the remainder of £1,500k to be met from additional sources of external grant funding expected to be secured.
87. **Recommendation 2e** The GLA have confirmed a recent bid for Rough Sleepers Accommodation Programme (RSAP) funding has been successful. The capital grant of £2,675k is for the acquisition of 20 self-contained dispersed properties to provide move on accommodation for former rough sleepers, representing 50% of the total cost, with match funding to be provided by the Council within the HRA capital programme. The £129k revenue grant will cover the costs of a dedicated Tenancy Management Officer within the council's established Housing Management Service, who will support tenants in regard to daily living skills, wellbeing and inclusion. The funding will cover employment up to the end of March 2024.
88. **Recommendation 2f** The Rough Sleeper Accommodation Programme is to be 50% match funded by the Council. The total cost is £5,350k based on 20 properties at an average purchase price of £250k each, with a further £10k included for any void and repair works necessary to bring the properties up to the required standard and £7.5k per property for stamp duty. The GLA grant will meet half of these costs with the other half to be funded from the HRA Acquisitions and Developments capital budget.
89. **Recommendation 2g** Transport for London have recently confirmed an allocation of £338k to London Borough of Hillingdon from £100m London wide funding following their latest funding settlement. The funding must be committed to projects and programmes by 11 December 2021. In addition, £18k has been awarded for cycle training from a London wide allocation of £576k for the quarter October to December 2021.
90. Gift funding has been offered by developers which if accepted by Cabinet will be utilised to fund dedicated staff to support this pre-application and application work. **Recommendation 2h** seeks authority from Cabinet to approve the acceptance of £50,000k in relation to two major developments.
- a. Unit 1 Nestle - £10,000
 - b. Crown Trading - £40,000

Alternative options considered / risk management

91. There are no other options proposed for consideration.

PART B: APPENDIX A

Consultancy and agency assignments over £50k approved under delegated authority

92. The following Agency staff costing over £50k have been approved under delegated powers by the Chief Executive and are reported here for information.

Table 12: Consultancy and agency assignments

*The size of the consultancy firm supplying the agency staff

Post Title	Original Start Date	Approved From	Proposed End Date	Previous Approval £'000	Approved £'000	Total £'000	Consultancy Size*
Finance							
Finance Business Partner	09/11/2020	01/08/2021	19/12/2021	97	51	148	Large
Finance Business Partner	03/02/2020	03/08/2021	01/02/2022	190	82	272	Large
FBP - Children's Social Care	09/03/2021	14/09/2021	15/03/2022	143	82	225	Large
Pensions Accountant	30/12/2019	16/09/2021	31/12/2021	285	53	338	Large
Environment, Education & Community Services							
Homeless Resettlement Officers x2	02/08/2021	02/08/2021	03/04/2022	60	60	60	Large
Homeless PRS Floating Officers x3	02/08/2021	02/08/2021	03/04/2022	90	90	90	Large
Virtual School Officer	15/04/2019	02/08/2021	17/12/2021	104	17	121	Large
3 x Housing Options & Homeless Prevention	24/05/2019	12/07/2021	19/09/2021	345	31	376	Large
Infrastructure, Building Services & Transport							
Project Manager, Hayes Dev	04/05/2020	01/09/2021	31/12/2021	233	58	291	Large