COUNCIL BUDGET –
2021/22 REVENUE AND CAPITAL MONTH 10 BUDGET MONITORING

Cabinet Member	Councillor Martin Goddard
Cabinet Portfolio	Cabinet Member for Finance
Officer Contact	Paul Whaymand, Corporate Director of Finance
Papers with report	Appendices A & B

HEADLINES

Summary	This report provides the Council's forecast financial position and performance against the 2021/22 revenue budget and Capital Programme. A net in-year underspend of £497k is reported against General Fund revenue budget normal activities as of January 2021 (Month 10). Unallocated reserves are projected to total £26,598k at 31 March 2022. This headline position is largely consistent with that reported to Cabinet for December 2021 (Month 9), with a net improvement of £19k. COVID-19 pressures for the 2021/22 financial year are projected to total £19,227k at Month 10, £219k higher than previously projected. COVID-19 pressures have been funded through Government grants with capacity remaining to fund an element of further pressures. The latest positions on other funds and the Capital Programme are detailed within the body of this report.
Putting our Residents First	This report supports the following Council objective of: *Strong financial management.* Achieving Value for Money is an important element of the Council's Medium Term Financial Plan.
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 January 2022 (Month 10) 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 10 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 £19,227k 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 £52,602k 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 a £219k increase in projected COVID-19 pressures from the position reported at Month 9.

6. Prior year COVID-19 pressures were fully funded from external funding, with a further £20,327k of such grants confirmed for the 2021/22 financial year available to supplement £10,126k of the Council's own reserves set aside for management of the pandemic. This gives scope to fund reported pressures of £19,227k for the 2021/22 financial year. Taking account of carried forward grants and previously approved releases, this would leave a balance of £11,904k at year end.

7. Beyond the ongoing impact of the pandemic, an underspend of £497k is projected across General Fund budgets at Month 10, with this position being driven by underspends against Capital Financing of £301k and Development and Risk Contingency of £708k, primarily related to a reduced call on the waste and homelessness contingencies, offset by a pressure reported against Service Operating Budgets of £512k.

8. The main areas impacting on the pressure within Service Operating Budgets are reported pressures on Property & Estates from a backdated Business Rates assessment, additional demands in respect of school place planning for both mainstream and special provision impacting on the Education service, additional costs as a result of growing demand for the Children's & Young People's Service and vehicle hire costs and fuel inflation within Fleet management.

9. While movements are reported against individual portfolios and contingency items from the position at Month 10, 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 £26,598k at 31 March 2022.

10. Within this position, £8,426k of the £10,416k savings planned for 2021/22 are banked or on track for delivery in full by 31 March 2022, with £1,004k tracked as being at an earlier stage of implementation and £986k at risk as a result of the COVID-19 pandemic. Since Month 9, £20k of savings have been promoted from the early stages of implementation. 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.

11. Within the Collection Fund, a pressure of £531k is reported at Month 10 as a result of slower than budgeted growth in Council Tax, compounded by an adverse position reported against Council Tax Support as demand falls at a slower rate than originally forecast based on the rate of recovery across the economy from the pandemic. This represents a favourable movement of £2k from the Month 9 position following the regular review of taxbase growth and Council Tax Support demand. Variances against the Collection Fund do not directly impact upon the 2021/22 monitoring position, but instead variances up to Month 9 will be factored into the Council's budget proposals for the forthcoming year, with any variances from Month 10 to outturn not impacting until 2023/24.

GENERAL FUND CAPITAL

12. An underspend of £8,914k is reported on the Council's £300,159k 2021/22 to 2025/26 General Fund Capital Programme, with £5,582k of this underspend driven by the budget established for the St Andrew's Park museum and £2,474k reflecting reduced expenditure in light of significant reductions in Transport for London funding, alongside a number of smaller variances detailed within this report. Uncommitted contingency budgets of £5,015k have been included in this latest forecast, providing a mechanism to support further investment should this be required.

13. Taking account of the grant funded element of the Capital Programme underspend and the latest projections in respect of capital receipts and developer contributions, prudential borrowing for the 2021/22 to 2025/26 period is projected to be £4,537k lower than budgeted and total £131,018k. This reduced borrowing requirement will translate into savings against the future costs of debt servicing and repayment, which will be factored into future iterations of the MTFF as appropriate.

SCHOOLS BUDGET

14. As at Month 10, an in-year pressure of £5,329k is reported on the Schools Budget which combined with the £7,328k shortfall in funding for the year represents a £12,657k deficit for the year, with no change forecast from the Month 9 position. When the £25,386k deficit brought forward from prior years is accounted for, the cumulative deficit being carried forward into 2022/23 is £38,043k. This deficit continues to be driven by ongoing pressures in relation to High Needs placements.

15. The Council is now in the final stages of the 'Safety valve' discussions with the DfE which are aimed at resolving issues in relation to the ongoing pressures on the Schools Budget. A conclusion to this process is expected prior to the 31 March 2022 and a comprehensive update will be provided to Cabinet once available.

HOUSING REVENUE ACCOUNT

16. An underspend of £142k is reported on the Housing Revenue Account at Month 10, representing a £9k improvement on the Month 9 position, with balances projected to total

£15,343k at 31 March 2022 in line with business plan assumptions. An underspend of £1,311k is projected against the £233,320k capital programme for the period 2021/22 to 2025/26.

FURTHER INFORMATION

General Fund Revenue Budget

17. As noted above and presented in the table below, a £497k underspend is projected across the General Fund at Month 10, with the following section of this report providing further information on an exception basis. General Fund Balances are expected to total £26,598k at 31 March 2022 as a result of the forecast position detailed above, which remains broadly consistent with the forecast reported at Month 9. This position keeps balances within both the recommended range for 2021/22 and the revised range for 2022/23 of £20,000k to £39,000k as approved by Cabinet and Council in February 2022.

Table 1: General Fund Overview

Service	Month 10 Approved Budget £'000	Month 10 Forecast Outturn £'000	Variance (As at Month 10) £'000	Variance (As at Month 9) £'000	Movement from Month 9 £'000
Service Operating Budgets	224,308	224,820	512	580	(68)
Corporate Operating Budgets	7,914	7,613	(301)	(291)	(10)
Development & Risk Contingency	4,145	3,437	(708)	(767)	59
Unallocated Budget Items	1,878	1,878	0	0	0
Sub-total Expenditure	**238,245**	**237,748**	**(497)**	**(478)**	**(19)**
Corporate Funding	(235,824)	(235,824)	0	0	0
Total Normal Activities	**2,421**	**1,924**	**(497)**	**(478)**	**(19)**
Exceptional Items					
COVID-19 Pressures	0	19,227	19,227	19,008	219
COVID-19 Funding	0	(19,227)	(19,227)	(19,008)	(219)
Total Net Expenditure	**2,421**	**1,924**	**(497)**	**(478)**	**(19)**
Balances b/fwd	(28,522)	(28,522)			
Balances c/fwd 31 March 2022	**(26,101)**	**(26,598)**			

Service Operating Budgets

18. 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 £'000	Forecast Outturn £'000	Variance (As at Month 10) £'000	Variance (As at Month 9) £'000	Movement from Month 9 £'000
Property & Infrastructure	Expenditure	11,774	11,907	133	207	(74)
	Income	(5,396)	(5,151)	245	157	88
	Sub-Total	**6,378**	**6,756**	**378**	**364**	**14**
Finance	Expenditure	20,114	20,508	394	394	0
	Income	(3,369)	(3,533)	(164)	(164)	0
	Sub-Total	**16,745**	**16,975**	**230**	**230**	**0**
Public Safety and Transport	Expenditure	18,168	18,507	339	342	(3)
	Income	(16,241)	(16,712)	(471)	(441)	(30)
	Sub-Total	**1,927**	**1,795**	**(132)**	**(99)**	**(33)**
Corporate Services and Transformation	Expenditure	26,909	27,005	96	70	26
	Income	(1,604)	(1,682)	(78)	(77)	(1)
	Sub-Total	**25,305**	**25,323**	**18**	**(7)**	**25**
Environment, Housing & Regeneration	Expenditure	51,652	52,130	478	533	(55)
	Income	(21,304)	(21,732)	(428)	(431)	3
	Sub-Total	**30,348**	**30,398**	**50**	**102**	**(52)**
Families, Education and Wellbeing	Expenditure	26,039	26,002	(37)	(14)	(23)
	Income	(11,598)	(11,781)	(183)	(214)	31
	Sub-Total	**14,441**	**14,221**	**(220)**	**(228)**	**8**
Health and Social Care	Expenditure	166,034	166,392	358	384	(26)
	Income	(36,870)	(37,040)	(170)	(166)	(4)
	Sub-Total	**129,164**	**129,352**	**188**	**218**	**(30)**
Total Service Operating Budgets		**224,308**	**224,820**	**512**	**580**	**(68)**

19. Within the Council budget there is a Managed Vacancy Factor across the board of 4%, or £3,950k 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.

20. 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. The in-year impact of the expected pay award will be funded through the Earmarked Reserve created during outturn 2020/21, alongside an over achievement of the Council's budgeted Managed Vacancy Factor, with

the full cost being factored the 2022/23 budget. With two out of the three main Trade Unions now having accepted the pay award, the Council has paid employees the 2021/22 pay award in March.

21. As can be seen from the table above, the net £512k pressure across Service Operating Budgets represents the cumulative effect of a number of variances which are briefly outlined below by Cabinet Portfolio:

    a. **Property & Infrastructure** – A net overspend of £378k, representing a £14k adverse movement on Month 9, driven by a forecast reduction in lease income. The remaining variances within the portfolio are coming from a £190k overachievement of income within the Repairs & Engineering Service, with an offsetting expenditure variance due to the activity undertaken to generate the income for this service.

    b. **Finance** – A net pressure of £230k, with no movement from on the Month 9 position, with the variance being affected by delayed delivery of new vehicles necessitating higher leasing and maintenance costs in the current year. In line with previous months, the favourable outlook for income across this area relates to increased activity in support of non-General Fund functions, such as the HRA regeneration projects.

    c. **Public Safety and Transport** – a net underspend of £132k and a £33k favourable movement from Month 9 are reported, with the headline £471k overachievement of income and corresponding increase in expenditure reflecting grant and Brexit-related activities, with the Month 10 improvement being driven by an increase in grant funding for safer neighbourhoods.

    d. **Corporate Services and Transformation** – a net overspend of £18k, representing a £25k adverse movement from Month 9, with the underlying position reflecting increased costs associated with ICT system contracts and upgrades reporting a pressure of £476k, this overspend is being supressed by underspends within staffing budgets in this service area of £368k, contract expenditure is the main driver for the adverse movement in Month 10. This position is also being offset by recharge income within the ICT service for a digital connectivity project that impacts on the Housing Revenue Account (HRA), with income in this service area set to overachieve by £71k.

    e. **Environment, Housing and Regeneration** – an overspend of £50k is being reported within this portfolio, with overspends in Green Spaces of £314k driven by increases in equipment hire and tree maintenance with a further pressure within the Planning Service all largely being offset by underspends within Housing as a result of increased grant funding, and the Waste service as a result of staffing vacancies and increased income levels from work carried out across HRA sites related to site clearances. The improvement is being driven by a number of small variances, mainly across the income budgets within the Housing and Waste Services.

    f. **Families, Education and Wellbeing** – an underspend of £220k and a favourable movement of £8k is reported for this portfolio. The favourable position is driven by improved income within the Music Service as a result of a combination of fee income and grants received, alongside workforce underspends as services recruit up to full establishment. These underspends are being netted down by a pressure 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.

g. **Health and Social Care** – A net pressure of £188k is reported, with a favourable movement of £30k from the position at Month 9. The headline variance relates to increased demand on social care, predominantly within Children's & Young Peoples services, with the favourable movement being driven by revised recruitment assumptions, with minor improvement reported across a number of service areas within both Adult and Children's Social Care.

Transformation

22. 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 £3,367k for such costs and represents a decrease of £132k from the Month 9 position, 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. This position will be reviewed if capacity becomes available within the revenue position to fund such costs.

Progress on Savings

23. 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	160	0	150	0	0	310
Finance	560	300	0	0	0	860
Public Safety and Transport	385	1,656	100	0	0	2,141
Corporate Services and Transformation	887	513	0	0	0	1,400
Environment, Housing & Regeneration	1,401	705	240	0	0	2,346

Families, Education and Wellbeing	250	109	364	986	0	1,709
Health and Social Care	250	1,250	150	0	0	1,650
Total 2021/22 Savings Programme	**3,893** ***37%***	**4,533** ***44%***	**1,004** ***10%***	**986** ***9%***	**0** ***0%***	**10,416** ***100%***
Month on Month Movement	**135** ***1%***	**115** ***-1%***	**20** ***0%***	**0** ***0%***	**0** ***0%***	**0**

24. As of Month 10, there are £3,893k savings already banked, with a further £5,537k either delivery in progress or in the early stages of delivery which are expected to progress throughout the year and ultimately 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 the Green Spaces Review and Review of Children's Services, alongside other lower value savings. Since Month 9, £20k have been promoted from the early stages of delivery as implementation progresses.

25. Currently there are £986k (9%) of savings which are reporting 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.

26. 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 adversely impact upon future iterations of the Council's MTFF.

Corporate Operating Budgets

27. Corporate Operating budgets are reporting a £301k underspend on capital financing and funding, representing a favourable movement of £10k from Month 10. 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. The improvement in this area relates to a delay in the Council's borrowing requirement leading to a lower forecast spend on interest to year end. No variance is reported on Corporate Funding, with the majority of funding being in line with the approved budget in February 2021, with an increase in the Public Health Grant being redirected to fund an increase in Public Health spend.

Development & Risk Contingency

28. 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 including the £823k of General Contingency. Exceptional COVID-

19 related pressures are being funded through specific grant funding and commented on later in this report.

29. At Month 10, a net underspend of £708k is reported on Development and Risk Contingency, representing an adverse movement of £59k on the previously reported position. An underspend is reported across the Waste Service as a result of favourable movements with market prices alongside an underspend across Homelessness driven by additional grant funding in this area, with these two areas delivering an underspend against contingency of £992k. Social Care is forecasting a net pressure of £284k, predominantly driven by a pressure within Asylum, offset by a favourable position within Children with Disabilities and a minor pressure from additional support for Adults. There are currently no calls on the £823k General Contingency, £600k is forecast to be carried forward through Earmarked Reserves, retaining £223k to manage any emerging risks in the final quarter of 2021/22.

Exceptional Items – COVID-19 Pressures

Table 4: COVID-19 Pressure Breakdown

Service	Month 10		Variance (As at Month 10)	Variance (As at Month 9)	Movement from Month 9
	Approved Budget £'000	Forecast Outturn £'000	£'000	£'000	£'000
Social Care	0	11,045	11,045	10,809	236
Other Expenditure	0	4,251	4,251	4,293	(42)
Income	0	3,932	3,932	3,906	26
Total Exceptional Items	**0**	**19,227**	**19,227**	**19,008**	**219**

30. There has been a minor movement in the headline COVID-19 pressure at Month 9, with total costs of £19,227k for the 2021/22 financial year representing a £219k adverse movement from the position at Month 9. Social Care functions continues to represent the largest single area of cost pressures at £11,045k, with income losses and other expenditure pressures accounting for the remainder of this sum.

    a. Social Care functions are forecasting a pressure of £11m, driven by £10.2m of pressures associated with direct care provision, with £5.7m of this value falling on Adult Social Care and £4.5m falling in Children's Social Care, with the movement reported at Month 9 relating to demand for Children's Social Care. In addition, home to school transport pressures total £0.6m, alongside workforce pressures associated with the additional demand across all services and the Council's COVID-19 response, account for the remaining pressure in this area.

    b. Other expenditure pressures of £4.3m are driven by £1.1m of cost pressures associated with additional demand for the SEND service and home to school transport, £1m of support being provided to leisure services within the borough, £0.4m in delays within the saving programme caused by the pandemic, £0.6m for additional administrative support within the revenues and benefits function and £0.3m for additional pressures within the Council's waste services, with the remaining balance of £0.9m being smaller immaterial values spread across multiple service areas.

c. Income pressures totalling £4m are being reported, with £3m of this value relating to Fees & Charges, £2m of which relates to parking charges, £0.5m is driven by a reduction in demand for Planning & Development functions and a further £0.2m in relation to sports and recreational activities offered by the Council, with the remaining £0.3m being spread over several income streams. A further £1m of pressure is reported across the Council's commercial activities (£0.6m) and penalty income (£0.4m).

31. Included within this position is a forecast assumption that the overall pressure caused by COVID-19 will be funded through a combination of grant funding and locally set aside reserves. The Council has confirmed external funding of £23,327k, with an additional £10,216k of the Council's own balances having been earmarked to supplement these funds. Taking account of the £19,227k pressures outlined above, and the £8,282k of planned releases from this funding to manage COVID-19 driven Collection Fund deficits, this leaves £11,904k at year end and available to fund the planned release approved at February 2022 Cabinet and Council, leaving headroom of £3,646k to meet any emerging or ongoing pressures.

Collection Fund

32. A deficit of £531k is reported within the Collection Fund relating to an adverse position reported within Council Tax of £1,439k, offset by a favourable position within Business Rates of £908k. The pressure in Council Tax is predominantly driven by a reduction in the forecast growth of the taxbase, compounded by an adverse position within Council Tax Support as the economy recovers from the pandemic at a slower rate than originally budgeted for in February 2021. This represents a favourable movement of £2k from the position reported at Month 9 following the regular review of taxbase growth and Council Tax Support, with these two elements having an in-year impact but expected to recover over the medium term.

33. Any deficits within the Collection Fund impact on the Council's future year budgets, with the position reported up to Month 9 impacting on the 2022/23 saving requirement and any further updates between Month 10 and outturn impacting on 2023/24. This position therefore added £533k to the Council's gross saving requirement reported to Cabinet and Council in February 2022, with the remaining £2k favourable not forecast to impact the Council's position until 2023/24.

General Fund Capital Programme

34. As at Month 10 an underspend of £27,729k is reported on the 2021/22 General Fund Capital Programme of £76,612k, 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 under spend of £8,914k. General Fund Capital Receipts of £786k are forecast for 2021/22 after financing transformation costs, and are £1,750k below the budgeted income target of £57,977 for the five years to 2025/26. Overall, Prudential Borrowing required to support the 2021/22 to 2025/26 capital programmes is forecast to be below budget by £4,537k.

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 £'000	Forecast 2021/22 £'000	Cost Variance 2021/22 £'000	Project Re-phasing 2021/22 £'000	Total Project Budget 2021-2026 £'000	Total Project Forecast 2021-2026 £'000	Total Project Variance 2021-2026 £'000	Move-ment £'000
Cabinet Member Portfolio								
Finance	3,821	3,852	-	31	7,238	7,238	-	-
Public Safety and Transport	16,871	12,804	(2,580)	(1,487)	56,432	53,852	(2,580)	(106)
Corporate Services & Transformation	1,774	1,350	-	(424)	5,574	5,574	-	-
Environment, Housing & Regeneration	4,541	2,988	(49)	(1,504)	11,009	10,960	(49)	(3)
Families, Education and Wellbeing	11,383	10,356	-	(1,027)	21,249	21,249	-	-
Health and Social Care	2,359	2,248	(111)	-	11,795	11,684	(111)	50
Property and Infrastructure	34,904	14,326	(1,867)	(18,711)	181,847	175,673	(6,174)	(495)
General Contingency	959	959	-	-	5,015	5,015	-	
Total Capital Programme	**76,612**	**48,883**	**(4,607)**	**(23,122)**	**300,159**	**291,245**	**(8,914)**	**(554)**
Major Projects	31,396	17,193	(744)	(13,459)	161,461	156,410	(5,051)	-
Programme of Works	44,257	30,731	(3,863)	(9,663)	133,683	129,820	(3,863)	(554)
General Contingency	959	959	-	-	5,015	5,015	-	-
Total Capital Programme	**76,612**	**48,883**	**(4,607)**	**(23,122)**	**300,159**	**291,245**	**(8,914)**	**(554)**
Movement	318	(6,261)	(554)	(6,025)	318	(236)	(554)	

36. **Finance:** Forecast expenditure of £3,852k in 2021/22 relates to the replacement of fleet vehicles for which a number of orders have been placed and are expected to be received prior to the end of the financial year.

37. **Public Safety and Transport:** An under recovery of £2,474k is forecast on Transport for London (TFL) grant funding, as the 2021/22 LIP funding award for the year is 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. **Environment, Housing and Regeneration:** An under spend of £27k is forecast on private sector renewal grants based on expected demand for the year. An under spend of £22k is also reported on green spaces Section 106 projects.

39. **Families, Education and Wellbeing:** Forecast expenditure for the year includes the budgeted £6m payment to the Department for Education as contribution to the rebuild and expansion of Harlington School which has been paid. The installation of modular classrooms at Hedgewood school to increase special provision were completed in November 2021. Consultants are in the process of being appointed to progress design work to permanently replace temporary classrooms at Meadow with a new classroom block to provide 90 places, consisting of the permanent re-provision of 82 existing places and 8 additional places.

40. **Health and Social Care**: An under spend of £111k is forecast on the capitalisation of social care equipment budget of £2,359k, a movement of £50k due to an increase in the forecast. This budget is financed by disabled facilities grant.

41. **Property and Infrastructure:** A forecast over spend of £490k is reported on the works to extend the Uxbridge mortuary which are in progress. Additional cost items have been uncovered on site including deeper works required on the foundations.

42. There is a forecast over spend of £41k on the Yiewsley/West Drayton community centre project based on the draft final account which remains under negotiation with the contractor.

43. Disabled Facilities Grants are forecast to under spend by £414k based on expected demand for the year.

44. As Cabinet have previously agreed to no longer proceed with the land transfer of the former cinema building site at St Andrew's Park, the 2021-26 New Museum construction budget of £5,582k is reported as under spend.

45. Under spends on completed schemes amounting to £139k are forecast within the corporate buildings programmes (Property Works and Civic Centre Works), a favourable net movement of £14k.

46. The Schools pollution screening programme is forecast to be under spent by £216k based on commitments for the year with future phases able to be funded from future year budget allocations. This is a movement of £127k.

47. An under spend of £350k is forecast on the Sports Clubs refurbishment budget which is not expected to be committed this year.

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	7,400	786	(1,425)	(5,189)	57,977	56,227	(1,750)	(20)
CIL	3,500	6,500		3,000	17,500	17,500	-	-
Prudential Borrowing	40,935	29,884	695	(11,746)	131,018	126,481	(4,537)	(348)
Total Council Resources	**51,835**	**37,170**	**(730)**	**(13,935)**	**206,495**	**200,208**	**(6,287)**	**(368)**
Grants & Contributions	24,777	11,713	(3,877)	(9,187)	93,664	91,037	(2,627)	(186)
Capital Programme	**76,612**	**48,883**	**(4,607)**	**(23,122)**	**300,159**	**291,245**	**(8,914)**	**(554)**
Movement	318	(6,261)	(554)	(6,025)	318	(236)	(554)	

48. Capital receipts before transformation financing in 2021/22 as at end January 2022 include £1,359k in sales already achieved, with a further two more sites having received offers totalling £799k via auction in February, to give a combined increase of £312k on budgeted income targets. The reduction of £1,750k over the life of the programme is partly to do with £1,250k income for the theatre and museum site at St Andrews Park, which will now be received as Section 106 contributions and additional transformation financing costs of £500k, a movement of £20k.

49. As at the end of December 2021, a total of £6,035k Community Infrastructure Levy receipts have been achieved. Forecast receipts for this financial year are a favourable variance of £3,000k as developer activity has increased with the pandemic receding, and several sizable developments have commenced in 2021/22. The longer-term forecast for this income stream will remain under review as the economy recovers from the pandemic.

50. Forecast grants and contributions are £2,627k 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, and the under spend on private sector disabled facilities grants. The movement of £186k largely relates to the under spend on pollution screening which is budgeted to be financed from Public Health grant.

51. Prudential Borrowing is forecasting to be within budget by £4,537k over the life of the five-year programme due mainly to net cost under spends including the New Museum project.

Schools Budget

52. The Dedicated Schools Grant (DSG) monitoring position is an in-year overspend of £12,657k at month 10, 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 £25,386k deficit brought forward from 2020/21 is taken into account, the cumulative deficit carry forward to 2022/23 is £38,043k.

Table 9: DSG Income and Expenditure 2021/22

Funding Block	Month 10		Variance		
	Revised Budget £'000	Forecast Outturn £'000	Variance (As at Month 10) £'000	Variance (As at Month 9) £'000	Change from Month 9 £'000
Dedicated Schools Grant Income	(313,356)	(313,356)	0	0	0
Schools Block	247,506	247,659	153	153	0
Early Years Block	22,222	22,222	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	25,386	25,386			
Balance Carried Forward 31 March 2022	**32,714**	**38,043**			

Dedicated Schools Grant Income (nil variance, no change)

53. The Early Years block has now been adjusted to reflect actual numbers that were accessing the free entitlement in the Spring, Summer, and Autumn 2021 terms. This has resulted in a significant reduction in Early Years funding as anticipated. Given the reduction in children accessing the free entitlement it is currently projected that this funding adjustment will be covered by the reduction in payments to providers. A further adjustment will be calculated by using the January 2022 census count.

54. There has been 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)

55. 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.

56. 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.

57. 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.

58. 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.

59. 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.

Early Years Block (no variance, no change)

60. Two-year-old funding has been adjusted to reflect the number of children accessing the entitlement based on each termly census. There will be a further adjustment in relation to the Spring 2022 term.

61. The 3 and 4-year-old funding for both the universal and the additional free entitlement has now been adjusted following verification of the actual numbers recorded in each termly census. These adjustments have resulted in a significant 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. There will be a further adjustment to Early Years funding for the Spring 2022 term.

Central School Services Block (no variance, no change)

62. 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 off-set 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)

63. There continues to be significant pressure in the High Needs Block in 2021/22, with an overspend of £5,176k being projected at month 10. 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.

64. 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.

65. 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.

66. The Council has now secured a Safety Valve agreement with the DfE which secures government support for the delivery of the Council's DSG Recovery Programme and financial support towards the elimination of the cumulative deficit. The associated recommendation and supporting information is included in Part B of this Cabinet report.

Housing Revenue Account

67. The Housing Revenue Account (HRA) is currently forecasting a favourable variance of £142k compared to the budget and a minor favourable movement of £9k on Month 9. This excludes the potential cost pressures of Covid-19, which are estimated at £100k. The 2021/22 closing HRA General Balance is forecast to be £15,343k. 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 10		Variance (+ adv / - fav)		
	Revised Budget	Forecast Outturn	Variance (As at Month 10)	Variance (As at Month 9)	Movement from Month 9
	£'000	£'000	£'000	£'000	£'000
Rent Income	(58,944)	(58,730)	214	214	0
Other Income	(5,528)	(5,424)	104	104	0
Net Income	**(64,472)**	**(64,154)**	**318**	**318**	**0**
Housing Management	15,185	15,636	451	451	0
Tenant Services	3,953	3,830	(123)	(114)	(9)
Repairs	5,654	6,559	905	905	0
Planned Maintenance	4,014	2,739	(1,275)	(1,275)	0
Capital Programme Funding	19,021	18,421	(600)	(600)	0
Interest & Investment Income	15,385	15,385	0	0	0
Development & Risk Contingency	1,260	1,442	182	182	0
Operating Costs	**64,472**	**64,012**	**(460)**	**(451)**	**(9)**
(Surplus) / Deficit	**0**	**(142)**	**(142)**	**(133)**	**(9)**
General Balance 01/04/2021	(15,201)	(15,201)	0	0	0
General Balance 31/03/2022	**(15,201)**	**(15,343)**	**(142)**	**(133)**	**(9)**

68. As at Month 10, the rental income is forecast to under-recover by £214k and the other income is forecast to under-recover by £104k, a nil movement on Month 9.

69. The number of RTB applications received in the first ten months of 2021/22 was 141 compared to 144 for the same period in 2020/21.There has been 40 RTB completions in the first ten months of 2021/22 compared to 22 for the same period in 2020/21. The RTB sales forecast is 50, which is the same as the budget.

70. The housing management service is forecast to overspend by £451k as at Month 10, nil movement on Month 9.

71. Tenant services is forecast to underspend by £123k, a favourable movement of £9k on Month 7 relating to delays in recruiting staff.

72. The repairs and planned maintenance budget totals £9,668k and as at Month 10 it is forecast to underspend by £370k, nil movement on Month 9. The repairs and planned maintenance budgets continue to be monitored especially due to the pressures on demand, volume of repairs, inflation in the marketplace, disrepair and contractor labour shortages.

73. As at Month 10 the capital programme funding is forecasting a favourable variance of £600k, nil movement on Month 9.

74. The interest and investment income is forecast to break even.

75. The development and risk contingency budgets are forecast to overspend by a net £182k, nil movement on Month 9. The forecast takes into account underspends on the housing regeneration revenue costs of £573k after costs have been capitalised. The forecast also includes one-off expenditure totalling £755k for the revenue costs associated with the Packet Boat House development.

COVID-19 cost pressures on the HRA

76. COVID-19 pressures have not been included in the Month 10 forecast position for HRA revenue and total £100k. The pressures include £100k for bad debt provision. The final bad debt provision is dependent on the tenants' and leaseholders' arrears position as at 31 March 2022.

HRA Capital Expenditure

77. The HRA capital programme is set out in the table below. The 2021/22 revised budget is £71,853k and forecast expenditure is £41,452k with a net variance of £30,401k of which £29,090k is due to re-phasing and £1,311k due to cost underspends.

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	71,853	41,452	(1,311)	(29,090)	234,631	233,320	(1,311)	13
Total HRA Capital Programme	**71,853**	**41,452**	**(1,311)**	**(29,090)**	**234,631**	**233,320**	**(1,311)**	**13**

78. The 5x3 bedroom shared ownership development at Moorfield Road, Cowley is in progress and expected to be complete in August 2022. An overspend of £150k is forecast due to additional work requirements arising including utilities, the diversion of a sewer pipe and decontamination. This is a marginally adverse movement of £13k from last month.

79. Works continue at the former garage site on Nelson Road to provide 6 affordable housing units with construction expected to be complete in July 2022. There have been cost increases of £100k during the project.

80. Overall Major Projects remain £738k net under spent with favourable variances reported on final accounts for completed schemes at Acol Crescent, Willow Tree and Parkview developments totalling £1,049k. These under spends can support anticipated cost increases on the Maple and Poplar redevelopment project that has been undergoing re-tender.

81. A pilot scheme for extending existing housing stock from 3 to 4 bed properties for six properties will commence shortly following recent approval of contractors with expenditure largely falling next financial year.

82. The Rough Sleepers Accommodation Programme aims to acquire one-bedroom properties to provide move on accommodation for rough sleepers. Four properties amounting to £813k are forecast to be purchased this financial year and several other properties have been identified for making offers.

83. Bids for a developer partner for the Hayes estates regeneration programme have been received and are under consideration with appointment of a partner planned in March. Negotiations are taking place with several registered providers for the bulk purchase of properties with one exchange expected to complete during February. The 2021/22 forecast has reduced by £4,200k as the buy-back programme will continue into next financial year.

84. The Works to Stock programme 2021/22 is in various stages of progress with electrical fire safety works accelerated into this year. Works are ongoing across the housing estate under numerous workstreams.

85. Reoccupancies have commenced at Packet Boat House following the completion of remedial works. The final account has been received from the contractor which is higher than the contract sum and is yet to be agreed, although indications are that this will involve a material sum. Re-opening areas has uncovered further issues and work has been required on internal walls and steel structure. Legal proceedings with the original vendor of Packet Boat House will be pursued shortly to recover total costs including revenue impacts.

86. Phase 1 of the Green Homes Grant Local Authority Delivery scheme to provide energy efficiency upgrades to low-income homes is complete. A wide number of measures have been implemented across numerous homes within tight timescales, and the remaining unspent grant of £1,673k was returned to the Department for Business, Energy and Industrial Strategy in October 2021. The Council has successfully applied for further energy efficiency funding of £1,581k under the Social Housing Decarbonisation Fund for implementation in 2022/23.

Treasury Management Update as at 31 January 2022

Table 10: Outstanding Deposits

Period	Actual (£m)	Actual (%)	Benchmark (%)
Call Accounts and MMF's* Up to 1 Month Fixed-Term Deposits	48.9 21.3	57.39 25.00	70.00
Total	70.2	82.39	70.00
Strategic Pooled Funds	15.0	17.61	30.00
Total	85.2	100.00	100.00

*Money Market Funds

87. 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, Handelsbanken plc and the DMADF. There is also an allocation to Strategic Pooled Funds.

88. 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. When including projected dividend income on these strategic pooled funds, based on averages received during 21/22, the overall rate of return increases to 0.52%

89. 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 January, 70% of the Council's day-to-day operational treasury investments had exposure to bail-in risk compared to a December benchmark average of 66% 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.

90. Liquidity was maintained throughout January by placing surplus funds in instant access accounts and making short-term deposits in 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.

Table 11: Outstanding Debt - Average Interest Rate on Debt: 3.12%
Average Interest Rate on Temporary Borrowing: 0.42%

	Actual (£m)	Actual (%)
General Fund		
PWLB	62.77	18.79
Long-Term Market	15.00	4.49
Temporary	90.00	26.94
HRA		
PWLB	133.32	39.90
Long-Term Market	33.00	9.88
Total	**334.09**	**100.00**

91. There were no scheduled debt repayments during January. Gilt yields moved up gradually during the month. With the Council's long-term borrowing need and with restrictive premiums, early repayment of debt remains unfeasible.

92. There were no breaches of the Prudential Indicators or non-compliance with the Treasury Management Policy and Practices.

93. To maintain liquidity for day-to-day business operations during February, cash balances will be placed in instant access accounts and short-term deposits. In addition, Hillingdon will receive £10m of forward dated temporary borrowing. This borrowing had been arranged prior to the payment of DLUCH Section 31 grant being delayed until the end of March 2022.

PART B: FINANCIAL RECOMMENDATIONS

2. That the Cabinet:

a. Approves the Council's COVID-19 Additional Relief Fund scheme for passporting the Government's Business Rates support funding against Business Rates liabilities for 2021/22 as set out in Appendix B.
b. Approves the creation of a new Earmarked Reserve to fund Jubilee Celebrations, transferring £160k from other reserves at the disposal of Members.
c. 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. Prologis DC6 - £17,500
   b. Nestle Canteen - £32,000
   c. Lowdham Lodge - £60,000
   d. Bulls Bridge - £20,000
   e. Hyatt Hotel - £42,000

d. Accept a grant award of £18k from Transport for London for cycle training.
e. Accept the award of £1,581k grant funding from the Department for Business, Energy and Industrial Strategy in respect of the Social Housing Decarbonisation Fund (SHDF).
f. Agree to a grant award to Ickenham Village Hall Associated Limited for building works on a match funding basis up to a maximum of £30k.
g. Approve the acceptance of £10k grant funding from DEFRA in relation to Biodiversity Net Gain.
h. Approve the transfer to the Council of £585,000 by North West London Clinical Commissioning Group (CCG) to support hospital discharge.
i. Approve the transfer to the Council of £325,000 by North West London Clinical Commissioning Group (CCG) to support children and young people with mental health needs.
j. Approve the transfer to the Council of £575,000 by Central and North West London NHS Foundation Trust (CNWL) to commission a mental health crisis house pilot.
k. Ratify the agreement with the Department for Education relating to the Dedicated Schools Grant Safety Valve Agreement, which was signed under delegated authority by the Corporate Director of Finance, in consultation with the Leader of the Council, Cabinet Member for Finance and Cabinet Member for Families, Education & Wellbeing, as set out in Appendix A.

Reasons for recommendation

94. **Recommendation 2a** follows the Government announcement for a new discretionary relief scheme aimed at businesses impacted by the pandemic, that have not received Government support with their business rates liability, or through the Airport and Ground Operations Support Scheme run by the Department of Transport. Approving this recommendation will allow the Council to passport Hillingdon's allocation of the Government's £1.5bn funding to c2,500 Business Rates accounts.

95. Once approved the Council will apply reliefs to accounts throughout April and re-issue businesses with revised bills in May. With the level of relief varying on a sector-by-sector basis driven by the Government's assessment of economic impact from the pandemic, the Council will then open up invitations for businesses to review their sector in which they have been classified and provide evidence to support a change of sector, with this process set to run for a six-week period after the revised bills are issued. Once this process is concluded, the Council will update reliefs with any changes in June and issue final bills in July 2022. Further details are included in Appendix B.

96. **Recommendation 2b** provides a new Earmarked Reserve fund for Her Majesty The Queen's Platinum Jubilee celebrations in June.

97. **Recommendation 2c** 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 2c** seeks authority from Cabinet to approve the acceptance of £171,500k in relation to four major developments.

    a. Prologis DC6 - £17,500
    b. Nestle Canteen - £32,000
    c. Lowdham Lodge - £60,000
    d. Bulls Bridge - £20,000
    e. Hyatt Hotel - £42,000

98. **Recommendation 2d** Transport for London (TfL) have awarded a further £18k for cycle training delivery up to 31st March 2022, bringing the annual allocation to a total of £78k for Bikeability Cycle Skills and Borough Cycle Training.

99. **Recommendation 2e** The Council has been successful in a bid for Social Housing Decarbonisation Fund Wave 1 funding and has been awarded £1,581k to implement energy efficiency and heating measures to improve the energy performance of the social housing stock, with works expected to be delivered by March 2023.

100. **Recommendation 2f** Following a request for funding by the Ickenham Village Hall Association Limited, the Council agrees to provide a grant to match fund up to £30k for building works required to ensure the future of this community asset and support the positive impact the association has on the local area.

101. **Recommendation 2g** is to accept the DEFRA grant of £10k for Biodiversity Net Gain. This funding will allow for policy and guidance work to be undertaken ahead of the introduction of mandatory Biodiversity Net Gain in 2023. The Environment Act 2021 includes provisions that make the achievement of 10% biodiversity gain mandatory for developments under the Town and Country Planning Act 1990.

102. **Recommendation 2h** accepts funding of £585k from the North West London CCG to allow the Council to lead on supporting an approach to hospital discharge for the eight local authorities within the North West London CCG boundary that will aim to support local residents whilst also improving the management of financial pressures, with £250k being

spent to support Hillingdon residents and the remaining £335k to be distributed to the seven other boroughs.

103. **Recommendation 2i** accepts funding of £325k from the North West London CCG to support Children & Young People with Mental Health needs aimed at enhancing services currently on offer by the Council with a tried and tested delivery model increasing positive outcomes for children and families.

104. **Recommendation 2j** accepts funding of £575k from CNWL to commission a Mental Health Crisis House providing intensive, short-term support for people in a residential setting rather than in a hospital and forms part of Hillingdon's Adult Mental Health Transformation Delivery Plan.

105. On 17 February 2022, Cabinet authorised the Corporate Director of Finance in consultation with the Leader of the Council and Cabinet Members for Finance and Families, Education & Wellbeing to enter into a safety valve agreement with the Department for Education. Discussions have been successfully concluded and an agreement signed which secures government support for the delivery of the Council's DSG Recovery Programme and secures financial support towards elimination of the cumulative deficit on the Schools Budget with **recommendation 2k** seeking ratification of this decision through Cabinet.

106. It has not been necessary to amend the Council's 2022/23 Budget or Medium-Term Financial Forecast (MTFF) as a result of this agreement. The Council's financial contribution will be financed from new capital receipts meaning there will be no impact on the Council's General Fund balances or Earmarked Reserves. Further information on the agreement and its financial implications are outlined below in the Appendix A supporting information section below.

Alternative options considered / risk management

107. There are no other options proposed for consideration.

Appendix A - Supporting Information for Recommendation 2k - Dedicated Schools Grant Safety Valve Agreement

107. The 2014 Children's & Families Act expanded the scope of SEND provision, including an extension of the upper age limit for local authority funded support from 18 to 25, which has driven marked increases in demand across the country. This change has manifested itself locally in a 90% increase in numbers of Education Health and Care Plans (EHCPs) between 2014/15 and 2020/21.

108. Funding routed through the Dedicated Schools Grant has not kept pace with the resulting expansion of provision for SEND pupils financed through the High Needs Block, which has translated into a projected in-year deficit of £12,657k for 2021/22 and a cumulative deficit of £38,043k on the ringfenced Schools Budget. Given the statutory ringfence around this activity, this cumulative deficit does not directly impact upon the Council's wider financial position.

109. As previously reported to Cabinet, the Council has been in discussions with the Department of Education (DfE) since October 2021 on a safety valve agreement to support local initiatives to eliminate the deficit by no later than 2025/26. These discussions resulted in an agreement between the Council and DfE, which secures DfE funding towards clearing the cumulative deficit and creates access to significant additional capital funding for the delivery of additional in-borough school places.

110. The agreement documents the Council's DSG Recovery Plan Programme, which was already in development and starting to be implemented prior to the Safety Valve discussions commencing. It has been developed around an expansion of in-borough SEND school places and investment in early intervention measures, such as supporting mainstream schools to enable greater inclusion and targeted intervention for children aged 0-5. This programme is set within a Council wide workstream that will create a robust and resilient infrastructure for Education/SEND and transform the operating model based on a "One Council approach to Education". While implementation of some measures had been impacted and delayed by the pandemic, the Council is now well placed to proceed at pace as the acute impact of COVID-19 recedes.

111. Delivery of the strategic goals of the Recovery Plan will be ensured by a robust governance structure, incorporating regular reporting to key stakeholders and framed around four key objectives:

    a. Improving mainstream inclusion and reducing EHCPs,
    b. Reducing placement costs,
    c. Embedding financial sustainability; and,
    d. Embedding a new strategy and operating model.

Financial Implications:

112. This agreement will deliver the elimination of the cumulative deficit of the Dedicated Schools Grant which is projected at a peak of £44.9 million and will provide the Council with access

to funding for its related capital programme, including free school provision through the DfE, which is currently estimated at £50 million. Thus, a combined project cost of c. £94.9 million.

113. The DfE has committed to contributing £25.0m towards the legacy deficit over the five years to 2025/26 with additional capital funding secured as described in paragraph 117 below. The DfE contributions are heavily front loaded, with £11m of the £25m being paid before the end of the current financial year and the remainder spread evenly over the following four financial years.

114. The Council will make an initial contribution of £4.0m funded from reversal of historic voluntary overpayments of Minimum Revenue Provision (MRP) in 2021/22 followed by £16.0m of capital receipts from the proceeds of asset sales in the 4 years from 2022/23 to 2025/26. In order to apply capital receipts for this purpose, the Council will be granted a capitalisation direction by the Department of Levelling Up, Housing and Communities for up to £16.0m over the period 2022/23 to 2025/26.

115. Capital receipts are to be secured from planned rationalisation of the corporate estate over and above that already incorporated into the MTFF and will therefore not adversely impact the Council's need to borrow or associated future borrowing costs. Similarly, the reversal of MRP overpayments will not adversely impact upon the Council's reserve levels or ongoing revenue account, and therefore no changes to the Council's Budget Strategy are required.

116. In addition to support in clearing the historic deficit, the agreement also provides £465k grant funding from the DfE in both 2022/23 and 2023/24 to match fund the Council's investment of additional capacity into Education and SEND functions – securing a further 18 FTE staffing to implement the ambitious programme of activity. As this represents pump priming for a substantial cashable saving, the Council's share of these costs will be financed through earmarked transformation funding or capitalisation.

117. Finally, the agreement reflects the recently approved capital programme which seeks to deliver additional SEN places through a combination of Council-led projects and DfE investment in academy and free school provision over the next 5 years. An element of this funding will come via the increased formula funding being put into local government for SEN places as part of the Spending Review, but the Council will also have priority access to significant top up capital funding as a Safety Valve authority. The formula funding for 2022/23 and 2023/24 is expected to be announced by the end of March 22 and a bid to secure the first year of this top up funding has already been prepared and submitted to the DfE.

Appendix B – COVID-19 Additional Relief Fund (recommendation 2a)

Background

118. The COVID-19 pandemic has led to significant financial impacts on local and national businesses and as such, as part of the Business Rates system, many sought reductions in the Valuation Office Agency's (VOA) assessment of the Rateable Value of their business. In doing so, organisations lodged requests for a review via the 'Check, Challenge, Appeal' (CCA) process, claiming that there had been a Material Change in Circumstance (MCC) that was impacting on the value of their commercial property.

119. The Government took the decision to outlaw such requests and created the 'Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Bill', which included regulations that blocked all MCC review requests back to the beginning of the pandemic, where these requests were deemed to be linked to COVID-19, the bill received Royal Assent on 15 December 2021.

120. Prior to the Bill receiving Royal Assent, the Government announced they would make funding available to support businesses with their Business Rates liability where they had not received any pandemic related support from the Government for their liability, namely via Retail, Hospitality and Leisure Relief, which later became the Extended Retail Discount for 2021/22. As such, the Government announced a funding pot of £1.5bn would be made available for this support, this compares to £15bn provided to Retail, Hospitality and Leisure in 2020/21 and 2021/22.

121. Following the Bill receiving Royal Assent, the Government announced that the support will be in the form of a Business Rates Relief known as the COVID-19 Additional Relief Fund (CARF). At this time the Government circulated guidance to Local Authorities which set out the fundamental principles of the relief, i.e.:

    a. That the relief will be available to all businesses that had not received pandemic specific Government support for Business Rates liabilities.

    b. That organisations that had received COVID-19 related support from the Department of Transport through the Airport and Ground Operations Support Scheme (AGOSS) scheme would similarly be out of scope.

    c. That the award paid to Local Authorities would be based on the Government's assessment of the Gross Value Added (GVA) impacts of COVID-19 per sector as calculated by the Office of National Statistics (ONS). The GVA measures the economic output by sector, similar to Gross Domestic Product (GDP) and has been deemed by the Government as the best proxy to measure the financial impact of the pandemic on a sector.

    d. Hereditaments will not be entitled to the award during any period that the property is empty, unless the property is empty due to Government COVID-19 restrictions being applied.

e. The relief will be in the scope of Subsidy Control as set out by Government, with the emphasis on organisations to determine if the relief would cause them to breach these regulations.

122. Based on the above approach, the Government's calculation for the London Borough of Hillingdon's award is £12,633k, which the guidance states is the upper limit of the award. This means that should an authority exceed their allocation, the cost of which will go through the normal Business Rates retention calculation, any overspend of this amount will lead to Hillingdon being liable for 15% of the cost, with 37% being funded by the GLA and 48% by the Government.

Local Scheme

123. Following a review of the Council's rating list and consideration in the context of local knowledge, it is proposed that the Council awards CARF on the basis that follows the Government's GVA measurement per sector, applying the same percentage that the GVA data calculates for the hereditament as the core principle of award. To facilitate more timely release of funding, it is proposed that the Council auto-awards this scheme, rather than conducting an application process, this enables the Council to adhere to the Government guidelines whilst reducing the administrative burden of an application process for both the Council and local businesses.

124. However, it has been recognised that as the VOA data is unlikely to be 100% accurate in terms of the sector that each hereditament operates in, it is therefore proposed to run a process that allows businesses to request a review of the sector in which they are classified and propose an alternative. This will be conducted via an online form that will be made available to businesses following the issuing of revised bills with initial CARF allocations being granted.

125. It is proposed that this process is run for a six-week period after the revised bills are produced, meaning that after this period no further requests could be made, allowing the Council to review the evidence and agree or decline requests. To facilitate this, work is being carried out with the ICT department to create a platform that will allow for an electronic form to be distributed to local businesses for completion and submission to the Council, with a supporting electronic platform capturing returns. Once the review of evidence is finalised and outcomes are known, it is proposed that businesses that have successfully justified a transfer to an alternative sector are updated throughout June with revised reliefs, with a final billing run in July.

126. Alongside the request for the above review process, the Council will seek organisations to confirm they meet Subsidy Control guidelines and are therefore entitled to the relief on an exception basis. This will run to the same timetable as the VOA sector review process, also using an electronic form. Thus, any funds returned to the Council where the award exceeds subsidy control will be utilised to fund any changes in sector from businesses that apply via the above-mentioned process.

127. As the impact of these two processes will not be known until their conclusion, it is proposed that the Council auto-award 80% of the GVA reduction in the first instance and retain 20%

to fund any amendments required to specific accounts. Once this process is complete, the Council will then award the remaining balance to qualifying rate payers.

Local Amendments to the Award

128. Following a review of the Council's rating list, it is proposed that the following amendments are made prior to the auto-award process being run:

   a. Hereditaments that are not occupied by staff are removed from the process, this leads to the removal of Advertising Rights and Phone Kiosks on the basis that these hereditaments are largely unaffected by the pandemic, with these businesses receiving support for any offices that they may hold.

   b. Hospitals, NHS clinics, General Practitioner Surgeries and other medical related hereditaments are removed from the scheme on the grounds that it is anticipated that these organisations are supported by the NHS and/or Department of Health and Social Care.

   c. That colleges, further education and school hereditaments are removed from the scheme on the grounds that it is anticipated that these organisations are supported by the Department for Education.

   d. All hereditaments that are owned by other Government departments are out of scope as it is deemed that supporting such organisations is not in keeping with the scheme principles.

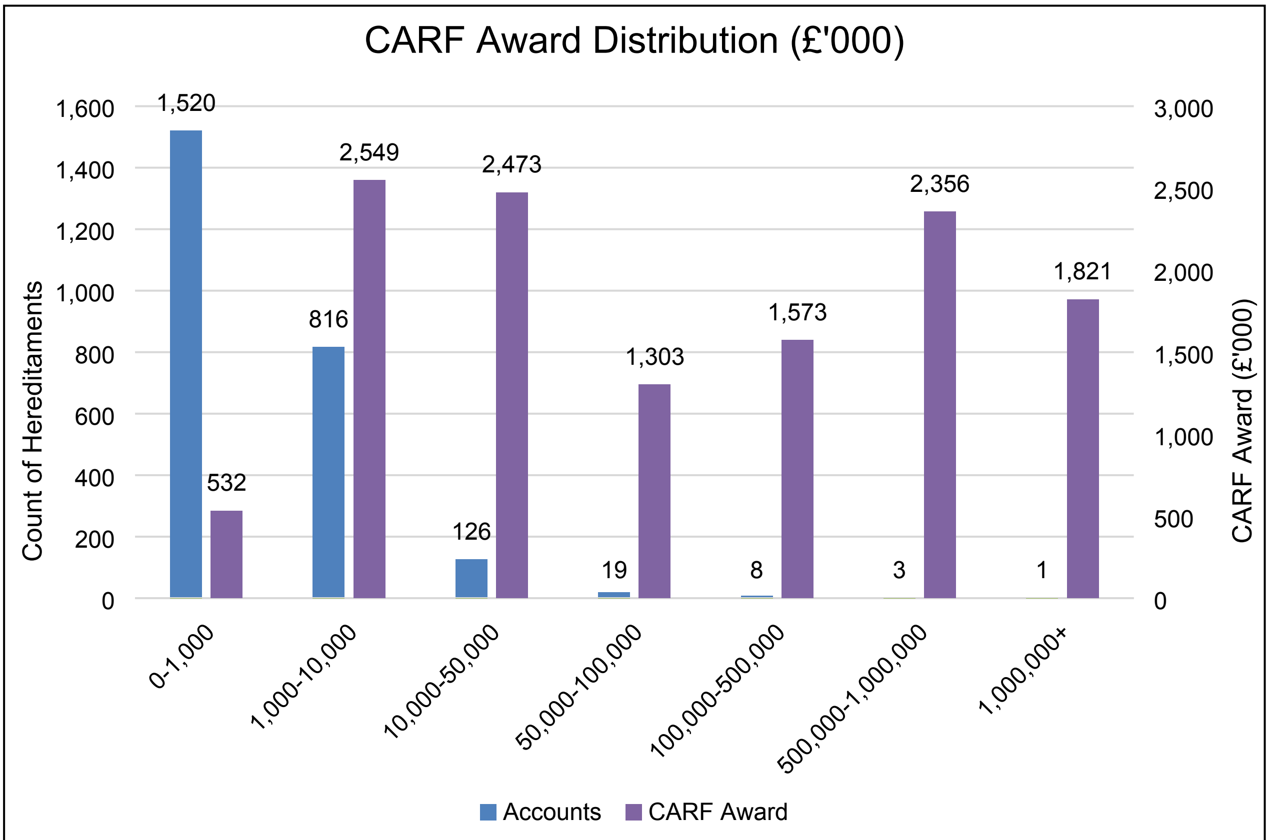
   e. Sectors with a GVA reduction of 1% or 2% are excluded on the basis that such an award is considered not have a financial impact on an organisations' financial standing at individual hereditament level. There are c470 hereditaments with a 1% GVA reduction with an average net liability of £25.4k per annum, meaning an average award of £254, with a further c75 hereditaments with a 2% GVA reduction and an average net liability of £13.6k, meaning an average award of £272. These values are therefore deemed immaterial to an organisations financial standing.

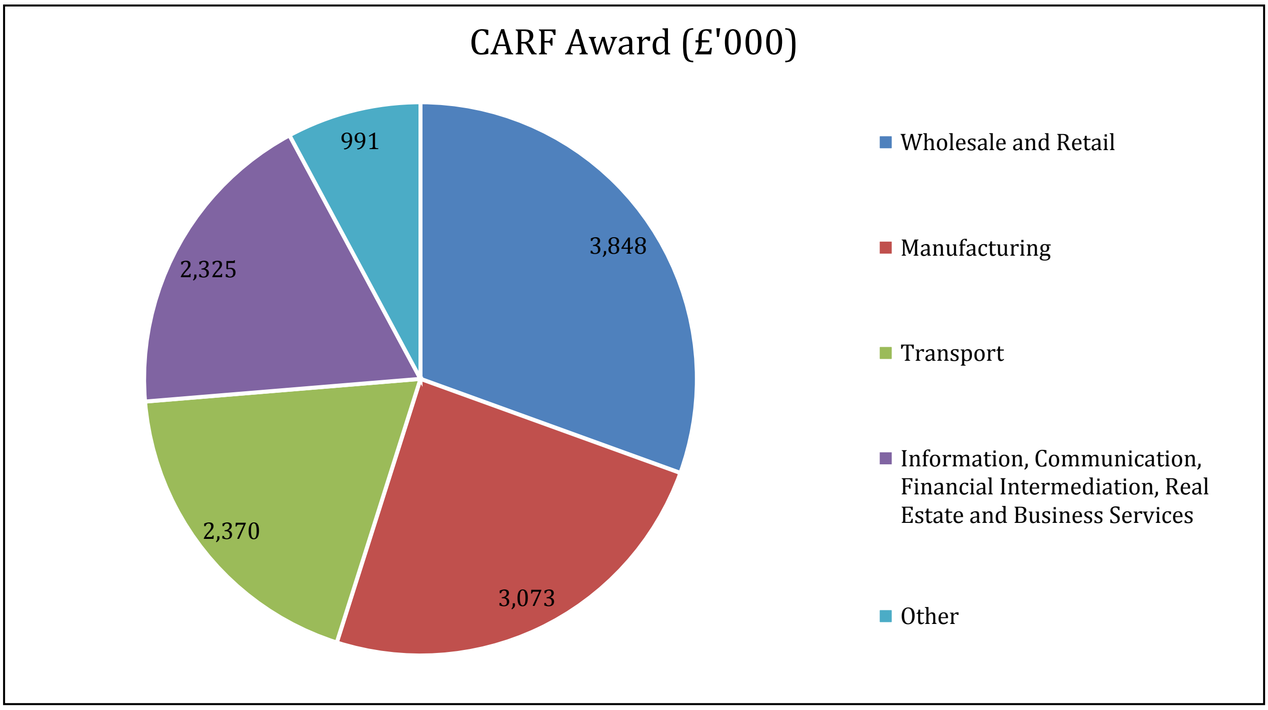
   f. Prior to undertaking the process where businesses review their sector, the Council has completed a desktop review and reassigned a number of businesses to a more relevant category, primarily on the basis of engagement with these businesses in the administration of grant schemes and other COVID-19 support.

129. Taking the above approach would see c2.5k hereditaments in scope for receiving an award out of a total 9k hereditaments in Hillingdon's rating list. The majority of the hereditaments that do not qualify for this scheme either received some form of Retail, Hospitality and Leisure Relief or they have no liability after other reliefs and discounts are applied, accounting for c4.5k hereditaments. A further c1k hereditaments are excluded as they are either empty or owned by the Council, with the Council unable to legally award itself a discretionary relief. That leaves c1k hereditaments where the GVA reduction is below 2% or the business has been excluded based on the local scheme principles. Please see table below for a full breakdown of this position:

Category	Accounts	Rateable Value (£'000)	Net Liability	Accounts with Arrears	MCC Appeal Lodged	CARF Award (£'000)
In Scope of CARF	2,493	256,876	131,083	687	68	(12,607)
Local Scheme Decisions						
Business Type Removed	511	9,312	4,143	18	6	0
LBH & Government Property	216	20,202	5,730	12	0	0
GVA <2%	562	32,854	13,966	105	20	0
Government Guidelines						
No Liability	2,684	39,812	0	1	23	0
Retail Relief	1,765	180,057	55,714	342	70	0
Empty	682	30,675	11,498	220	56	0
AGOSS	59	223,775	119,087	8	9	0
VGA Increase	22	7,609	4,024	3	1	0
Grand Total	**8,994**	**801,171**	**345,244**	**1,396**	**253**	**(12,607)**

130. This scheme allocates the vast majority of funding the Government has passported to the Council (99.8%), the remaining funds will support the sector review process. This scheme allocates £12,607k against businesses with a net liability of £131,083k and therefore offers an average relief of 9.6%, with the average award equating to £5k. The below charts set out the local scheme in banded amounts, presenting both the number of hereditaments and the total value of the award, alongside a pie chart showing the value of support going into each business sector.





Implementation

131. Following approval of the scheme, the approved reliefs will be awarded to qualifying accounts and will be updated throughout April. This timeline will allow businesses to be notified of their initial award in May, when it is proposed that a form will be released to allow businesses to request a review of their sector classification alongside a second form for businesses to advise that their relief breaches Subsidy Control rules and therefore needs to be removed. It is recommended businesses are given six-weeks to complete submissions from the date the revised bills are produced, with the first two weeks of June being set aside to review submissions and determine outcomes. This timetable will lead to 2021/22 reliefs granted impacting on the June direct debit run for those businesses that pay in this way.

132. In order for the two electronic forms to be deployed in May, along with the supporting ICT platform, work is underway in conjunction with the ICT department throughout March to ensure a successful go live date following the production of the revised bills.

133. Once this position is known and the final awards are determined, the impacts will be modelled and will be the basis of the final award at hereditament level, with this model forming the basis of the update to the NEC system to allow for final 2021/22 bills to be produced in July, meaning the final award will impact on the August direct debit run for those businesses that pay in this way.

134. This relief will put some accounts into credit which the system will automatically apply to future payments on a pro-rata basis for the year, however, the Council are currently investigating the possibility of front loading this credit into the instalments of qualifying hereditaments. It is proposed that standard processes are followed with regard to credits and that refunds are only paid where a business specifically requests a return of credit balances.