COUNCIL BUDGET –
2021/22 REVENUE AND CAPITAL MONTH 11 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 £521k is reported against General Fund revenue budget normal activities as of February 2022 (Month 11). Unallocated reserves are projected to total £26,622k at 31 March 2022. This headline position is largely consistent with that reported to Cabinet for January 2022 (Month 10), with a net improvement of £24k. COVID-19 pressures for the 2021/22 financial year are projected to total £19,133k at Month 11, £94k lower 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 February 2022 (Month 11) 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 11 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 £19,133k 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 £52,508k 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 £94k decrease in projected COVID-19 pressures from the position reported at Month 10.

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 £19,133k for the 2021/22 financial year. Taking account of carried forward grants and previously approved releases, this would leave a balance of £11,188k at year end.

7. Beyond the ongoing impact of the pandemic, an underspend of £521k is projected across General Fund budgets at Month 11, with this position being driven by underspends against Capital Financing of £307k and Development and Risk Contingency of £711k, primarily related to a reduced call on the waste and homelessness contingencies, offset by a pressure reported against Service Operating Budgets of £497k.

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. These items are either temporary in nature or where mitigating action is not possible, reflected in the Council's budget for 2022/23.

9. While movements are reported against individual portfolios and contingency items from the position at Month 11, 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 £26,622k 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. At month 11, no movement within the Council's saving programme is being reported. 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 £527k is reported at Month 11 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 £4k from the Month 10 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 £9,003k 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 £2,456k 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 or manage any emerging costs linked to inflationary pressures on construction contracts 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 £4,839k 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 11, 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 10 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 has now signed the Safety Valve agreement with the DfE, which was ratified by Cabinet on 24 March 2022, which sets out a programme of activity around early intervention and delivery of additional SEND school places intended to return the Schools Budget to balance over the medium term.

HOUSING REVENUE ACCOUNT

16. An underspend of £147k is reported on the Housing Revenue Account at Month 11, representing a £5k improvement on the Month 10 position, with balances projected to total £15,348k at 31 March 2022 in line with business plan assumptions. An underspend of £4,228k is projected against the £236,212k 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 £521k underspend is projected across the General Fund at Month 11, with the following section of this report providing further information on an exception basis. General Fund Balances are expected to total £26,622k at 31 March 2022 as a result of the forecast position detailed above, which is consistent with the forecast reported at Month 10. 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 11 Approved Budget £'000	Month 11 Forecast Outturn £'000	Variance (As at Month 11) £'000	Variance (As at Month 10) £'000	Movement from Month 10 £'000
Service Operating Budgets	224,308	224,805	497	512	(15)
Corporate Operating Budgets	7,914	7,607	(307)	(301)	(6)
Development & Risk Contingency	4,145	3,434	(711)	(708)	(3)
Unallocated Budget Items	1,878	1,878	0	0	0
Sub-total Expenditure	**238,245**	**237,724**	**(521)**	**(497)**	**(24)**
Corporate Funding	(235,824)	(235,824)	0	0	0
Total Normal Activities	**2,421**	**1,900**	**(521)**	**(497)**	**(24)**
Exceptional Items					
COVID-19 Pressures	0	19,133	19,133	19,227	(94)
COVID-19 Funding	0	(19,133)	(19,133)	(19,227)	94
Total Net Expenditure	**2,421**	**1,900**	**(521)**	**(497)**	**(24)**
Balances b/fwd	(28,522)	(28,522)			
Balances c/fwd 31 March 2022	**(26,101)**	**(26,622)**			

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 11) £'000	Variance (As at Month 11) £'000	Movement from Month 10 £'000
Property & Infrastructure	Expenditure	11,774	11,842	68	133	(65)
	Income	(5,396)	(5,076)	320	245	75
	Sub-Total	**6,378**	**6,766**	**388**	**378**	**10**
Finance	Expenditure	20,114	20,528	414	394	20
	Income	(3,369)	(3,538)	(169)	(164)	(5)
	Sub-Total	**16,745**	**16,990**	**245**	**230**	**15**
Public Safety and Transport	Expenditure	18,168	18,504	336	339	(3)
	Income	(16,241)	(16,730)	(489)	(471)	(18)
	Sub-Total	**1,927**	**1,774**	**(153)**	**(132)**	**(21)**
Corporate Services and Transformation	Expenditure	26,909	27,115	206	96	110
	Income	(1,604)	(1,645)	(41)	(78)	37
	Sub-Total	**25,305**	**25,470**	**165**	**18**	**147**
Environment, Housing & Regeneration	Expenditure	51,652	51,840	188	478	(290)
	Income	(21,304)	(21,548)	(244)	(428)	184
	Sub-Total	**30,348**	**30,292**	**(56)**	**50**	**(106)**
Families, Education and Wellbeing	Expenditure	26,039	26,112	73	(37)	110
	Income	(11,598)	(11,937)	(339)	(183)	(156)
	Sub-Total	**14,441**	**14,175**	**(266)**	**(220)**	**(46)**
Health and Social Care	Expenditure	166,137	166,466	329	358	(29)
	Income	(36,973)	(37,128)	(155)	(170)	15
	Sub-Total	**129,164**	**129,338**	**174**	**188**	**(14)**
Total Service Operating Budgets		**224,308**	**224,805**	**497**	**512**	**(15)**

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.

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 was accepted and paid in March 2022, increasing the cost by £700k. The in-year impact of the 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.

21. As can be seen from the table above, the net £497k 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 £388k, representing a £10k adverse movement on Month 10, with the movement predominantly being driven by activity within the capital team which is recharged to the Council's capital programme, hence the movement in expenditure and income netting to a £10k adverse movement. The overspend is due to a one-off backdated Business Rates liability as a result of a change applied by the Valuation Office Agency. 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 £245k is reported at Month 11, with a £15k adverse movement on the Month 10 position, the movement is being driven by higher fuel prices impacting on the running of the Council's fleet. The overall pressure is due to a combination of higher fuel prices and the 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 £153k and a £21k favourable movement from Month 10 are reported, the additional income at Month 11 is driven by increased grant funding from Transport for London for Cycle training, with a £3k minor expenditure movement being reported. The headline £489k overachievement of income and corresponding increase in expenditure largely reflects grant and Brexit-related activities.

d. **Corporate Services and Transformation** – a net overspend of £165k, representing a £147k adverse movement from Month 10, with the underlying position reflecting increased costs associated with ICT system contracts and upgrades reporting a pressure of £626k. The adverse movement relates to a contract increase that was known about at the time the Council set the 2022/23 pressures and is therefore funded going into the new year. The overspend within ICT is being supressed by underspends within staffing budgets in this service area of £369k. 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 £73k.

e. **Environment, Housing and Regeneration** – an underspend of £56k is being reported within this portfolio, an improvement of £106k from the Month 10 position. The reduction in income largely relates to reduced income from the crematorium as the number of services reduces, with £100k of the reduction in expenditure being linked to the same reduction in activity. The remaining decrease in expenditure is being driven by the Housing service, where the majority of the reduction is due to reduced demand for private sector placements. Within the overall position, overspends in Green Spaces of £381k are being 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.

f. **Families, Education and Wellbeing** – an underspend of £266k and a favourable movement of £46k is reported for this portfolio. The improvement is largely from income relating to a temporary change of use in one of the Council's theatres which was used as a pandemic testing facility, alongside workforce underspends across various services within the portfolio. These underspends continue to be netted down by 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 £174k is reported at Month 11 for the Health and Social Care portfolio representing a £14k improvement on the month 10 position. The headline variance relates to increased demand on social care, predominantly within Children's & Young Peoples services, with the favourable movement being driven a number of minor movements 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 £3,358k for such costs and represents a decrease of £9k from the Month 10 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 11 no changes are reported against the progress of savings compared to Month 10, there remains £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.

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 £307k underspend on capital financing and funding, representing a favourable movement of £6k 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 11, a net underspend of £711k is reported on Development and Risk Contingency, representing a favourable movement of £3k 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 £281k, predominantly driven by a pressure within Asylum and demand for Looked After Children services, offset by a favourable position within Children with Disabilities and a minor underspend from 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 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
Social Care	0	11,096	11,096	11,045	51
Other Expenditure	0	4,049	4,049	4,250	(201)
Income	0	3,988	3,988	3,932	56
Total Exceptional Items	**0**	**19,133**	**19,133**	**19,227**	**(94)**

30. There has been a minor movement in the headline COVID-19 pressure at Month 11, with total costs of £19,133k for the 2021/22 financial year representing a £94k favourable movement from the position at Month 10. Social Care functions continues to represent the largest single area of cost pressures at £11,096k, 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 11 relating to additional staffing pressures within 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 £4.0m 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 £0.6m 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 £11,188k at year end and available to fund the planned release approved at February 2022 Cabinet and Council, leaving headroom of £3,740k to meet any emerging or ongoing pressures.

Collection Fund

32. A deficit of £527k is reported within the Collection Fund relating to an adverse position reported within Council Tax of £1,855k, offset by a favourable position within Business Rates of £1,328k. 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 £4k from the position reported at Month 10 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 £6k favourable not forecast to impact the Council’s position until 2023/24.

General Fund Capital Programme

34. As at Month 11 an underspend of £35,817k is reported on the 2021/22 General Fund Capital Programme of £76,612k, due mainly to forecast 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 £9,003k. General Fund Capital Receipts of £920k are forecast for 2021/22 after financing transformation costs, and are £1,616k 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 £4,839k.

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	3,171	-	(650)	7,238	7,238	-	-
Public Safety and Transport	16,871	11,277	(2,642)	(2,952)	56,432	53,790	(2,642)	(62)
Corporate Services & Transformation	1,774	1,125	-	(649)	5,574	5,574	-	-
Environment, Housing & Regeneration	4,541	2,848	(77)	(1,616)	11,009	10,932	(77)	(28)
Families, Education and Wellbeing	11,383	10,591	-	(792)	21,249	21,249	-	-
Health and Social Care	2,359	2,250	(109)	-	11,795	11,686	(109)	2
Property and Infrastructure	34,904	9,533	(1,868)	(23,503)	181,847	175,672	(6,175)	(1)
General Contingency	959	-	-	(959)	5,015	5,015	-	
Total Capital Programme	**76,612**	**40,795**	**(4,696)**	**(31,121)**	**300,159**	**291,156**	**(9,003)**	**(89)**
Major Projects	31,396	14,029	(744)	(16,623)	161,461	156,410	(5,051)	-
Programme of Works	44,257	26,766	(3,952)	(13,539)	133,683	129,731	(3,952)	(89)
General Contingency	959	-	-	(959)	5,015	5,015	-	
Total Capital Programme	**76,612**	**40,795**	**(4,696)**	**(31,121)**	**300,159**	**291,156**	**(9,003)**	**(89)**
Movement	-	(8,088)	(89)	(7,999)	-	(89)	(89)	

36. **Finance:** Forecast expenditure of £3,171k in 2021/22 relates to the replacement of numerous fleet vehicles that have been delivered this year. A number of orders that have been placed are anticipated to be received early in the new financial year.

37. **Public Safety and Transport:** An under recovery of £2,456k 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. The Road Safety programme reports an under spend of £80k on uncommitted funding in year.

38. **Environment, Housing and Regeneration:** An under spend of £25k is forecast on private sector renewal grants based on commitments for the year. An under spend of £22k is also reported on green spaces Section 106 projects. Newly reported under spends on completed schemes include £18k on Chrysalis and £12k on Environmental and Recreational Initiatives.

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. Design work is in progress 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 £109k is forecast on the capitalisation of social care equipment budget of £2,359k, a movement of £2k. This budget is financed by disabled facilities grant.

41. **Property and Infrastructure:** A forecast overspend of £490k is reported on the works to extend the Uxbridge mortuary which are in progress for completion later in 2022. Additional cost items have been uncovered on site including deeper works required on the foundations.

42. There is a forecast overspend 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 underspend by £414k based on the level of uncommitted budget 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 underspend.

45. Underspends on completed schemes amounting to £116k are forecast within the corporate buildings programmes (Property Works and Civic Centre Works), an adverse net movement of £23k.

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.

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	920	(1,291)	(5,189)	57,977	56,361	(1,616)	134
CIL	3,500	6,500		3,000	17,500	17,500	-	-
Prudential Borrowing	40,935	22,226	393	(19,102)	131,018	126,179	(4,839)	(302)
Total Council Resources	**51,835**	**29,646**	**(898)**	**(21,291)**	**206,495**	**200,040**	**(6,455)**	**(168)**
Grants & Contributions	24,777	11,149	(3,798)	(9,830)	93,664	91,116	(2,548)	79
Capital Programme	**76,612**	**40,795**	**(4,696)**	**(31,121)**	**300,159**	**291,156**	**(9,003)**	**(89)**
Movement	-	(8,088)	(89)	(7,999)	-	(89)	(89)	

47. Several site sales have been completed in 2021/22 and forecast capital receipts after transformation financing are £920k, an increase of £134k now available to finance the capital programme due to a reduction in forecast transformation costs.

48. As at the end of February 2022, a total of £6,167k 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.

49. Forecast grants and contributions are £2,548k 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 £79k partly relates to Highways England funding received as contribution towards works carried out within the Highways Programme.

50. Prudential Borrowing is forecasting to be within budget by £4,839k over the life of the five-year programme due mainly to net cost under spends including the New Museum project.

Schools Budget

51. The Dedicated Schools Grant (DSG) monitoring position is an in-year overspend of £12,657k at month 11, 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. 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 11		Variance		
	Revised Budget £'000	Forecast Outturn £'000	Variance (As at Month 11) £'000	Variance (As at Month 10) £'000	Change from Month 10 £'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)

52. 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.

53. 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)

54. 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.

55. 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.

56. 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.

57. 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.

58. 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)

59. 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.

60. 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)

61. 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)

62. There continues to be significant pressure in the High Needs Block in 2021/22, with an overspend of £5,176k being projected at month 11. 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.

63. 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.

64. 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.

65. The Council has now secured a Safety Valve agreement with the DfE which includes government support for the delivery of the Council's DSG Recovery Programme and the elimination of the cumulative deficit. The Safety Valve agreement sets out a programme of activity around early intervention and delivery of additional SEND school places intended to return the Schools Budget to balance over the medium term.

Housing Revenue Account

66. The Housing Revenue Account (HRA) is currently forecasting a favourable variance of £147k compared to the budget and a minor favourable movement of £5k on Month 10. 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 £15,348k. 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 11		Variance (+ adv / - fav)		
	Revised Budget	Forecast Outturn	Variance (As at Month 11)	Variance (As at Month 10)	Movement from Month 10
	£'000	£'000	£'000	£'000	£'000
Rent Income	(58,944)	(58,730)	214	214	0
Other Income	(5,528)	(5,497)	31	104	(73)
Net Income	**(64,472)**	**(64,227)**	**245**	**318**	**(73)**
Housing Management	15,185	15,545	360	451	(91)
Tenant Services	3,953	3,816	(137)	(123)	(14)
Repairs	5,654	6,744	1,090	905	185
Planned Maintenance	4,014	2,727	(1,287)	(1,275)	(12)
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**	**64,080**	**(392)**	**(460)**	**68**
		,			
(Surplus) / Deficit	**0**	**(147)**	**(147)**	**(142)**	**(5)**
General Balance 01/04/2021	(15,201)	(15,201)	0	0	0
General Balance 31/03/2022	**(15,201)**	**(15,348)**	**(147)**	**(142)**	**(5)**

67. As at Month 11, the rental income is forecast to under-recover by £214k which is nil movement on Month 10.

68. Other income is forecast to under-recover by £31k, a favourable movement of £73k on Month 10 due to income from an insurance claim and interest on a tax refund.

69. The number of RTB applications received in the first eleven months of 2021/22 was 157 compared to 163 for the same period in 2020/21.There has been 45 RTB completions in the first eleven months of 2021/22 compared to 25 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 £360k as at Month 11, a favourable movement of £91k on Month 10 due to reductions in staffing forecasts of £54k and running costs of £37k.

71. Tenant services is forecast to underspend by £137k, a favourable movement of £14k on Month 10 relating to delays in recruiting staff.

72. The repairs and planned maintenance budget totals £9,668k and as at Month 11 it is forecast to underspend by £197k, an adverse movement of £173k on Month 10. This is due to increased forecast spend on voids as the backlog of voids is reduced with additional contractors coming on board in the final quarter of 2021/22. The impact of reducing voids will increase in available housing supply and income levels heading into 2022/23. 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 11 the capital programme funding is forecasting a favourable variance of £600k, nil movement on Month 10.

74. The interest and investment income is forecast to breakeven.

75. The development and risk contingency budgets are forecast to overspend by a net £182k, nil movement on Month 10.

COVID-19 cost pressures on the HRA

76. COVID-19 pressures have not been included in the Month 11 forecast position for HRA revenue. The current forecast pressure is £100k for increased bad debt provision with the final bad debt provision will be 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 £35,417k with a net variance of £36,436k of which £32,208k is due to re-phasing and £4,228k 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	35,417	(4,228)	(32,208)	236,212	231,984	(4,228)	(2,917)
Total HRA Capital Programme	**71,853**	**35,417**	**(4,228)**	**(32,208)**	**236,212**	**231,984**	**(4,228)**	**(2,917)**

78. Following re-tender, a contractor is in the process of appointment for the construction of 34 general needs flats at the former Maple and Poplar day centre redevelopment site. The project budget has been increased by £2,060k which reflects inflationary market changes in

construction and additional works to divert water mains. The budget increase has been funded from virements approved within the contract award Cabinet Member report, from under spends on other completed schemes and unallocated Acquisitions and Internal Developments funding.

79. The 5x3 bedroom shared ownership development at Moorfield Road, Cowley is in progress and expected to be completed 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.

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

81. A £600k pilot scheme for extending existing housing stock from 3 to 4 bed properties for six properties is under way and expected to be completed over the coming months. A further £1,400k funding is available to extend more properties following a successful outcome of the pilot scheme.

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 have been formally approved of which three are expected to complete by end of March 2022. Several other properties have been identified and are in the pipeline for approval.

83. The Packet Boat House buy back scheme reports an overall under spend of £834k as some leaseholders opted to retain their properties rather than accept the offers.

84. Following a review of Stamp Duty Land Tax (SDLT) reliefs in conjunction with the Council's tax advisers, a successful claim has been made to HMRC to reclaim previously paid SDLT on housing acquisitions. As a result, an under spend of £2,350k is reported on the Acquisitions and Internal Developments budget comprising refunds of SDLT on general buy backs and prior year major acquisitions, with a further £109k SDLT being returned on the 253 Park Road acquisition.

85. Bids for a developer partner for the Hayes estates regeneration programme have been received and the appointment of the preferred bidder was approved at Cabinet in March 2022. Negotiations are taking place with several registered providers for the bulk purchase of properties with one exchange expected to complete in March. The 2021/22 forecast has reduced by £900k as the buy-back programme will continue into next financial year.

86. 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.

87. Re-occupancies 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 of the building 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.

88. 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 and this grant was accepted at March Cabinet and is added to the 2022/23 revised budget.

Treasury Management Update as at 28 February 2022

Table 10: Outstanding Deposits

Period	Actual (£m)	Actual (%)	Benchmark (%)
Call Accounts and MMF's* Up to 1 Month Fixed-Term Deposits	39.3 31.3	45.91 36.57	70.00
Total	70.6	82.48	70.00
Strategic Pooled Funds	15.0	17.52	30.00
Total	85.6	100.00	100.00

*Money Market Funds

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

90. The average rate of return on day-to-day operational treasury balances is 0.04%. 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 0.51%

91. 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 February, 56% 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.

92. Liquidity was maintained throughout February 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: 0.44%

	Actual (£m)	Actual (%)
General Fund		
PWLB	62.77	18.24
Long-Term Market	15.00	4.36
Temporary	100.00	29.06
HRA		
PWLB	133.32	38.75
Long-Term Market	33.00	9.59
Total	**344.09**	**100.00**

93. There were no scheduled debt repayments during February. A total of £10m of forward dated temporary borrowing reached settlement and funds were received by the Council. This borrowing had been arranged prior to the payment of MHCLG Section 31 grant being delayed until the end of March 2022.

94. Gilt yields moved up about 20 base points during the month. With the Council's long-term borrowing need and with restrictive premiums, early repayment of debt remains unfeasible.

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

96. To maintain liquidity for day-to-day business operations during March, cash balances will be placed in instant access accounts and short-term deposits.

97. Opportunities to secure £15m of 15-year EIP will be monitored, if secured this would hedge against future rate rises.

PART B: FINANCIAL RECOMMENDATIONS

That the Cabinet:

a. **Accept a grant award of £77k from Network Rail for public realm works around the new Hayes & Harlington Crossrail Station.**
b. **Note the virements of £2,060k from HRA Major Project under spends (£751k) and unallocated Acquisitions and Internal Developments funding (£1,309k) to the Maple and Poplar redevelopment project.**
c. **Accept a grant of £36k from the Rewild London Fund for the Spider Park Wildlife Corridor project.**
d. **Accept a grant of £213k from Transport for London in respect of the TFL Healthy Streets programme.**
e. **Accept a grant award of £20k from Transport for London for cycle training**
f. **Accept a grant award of £71k from the Department for Levelling Up, Housing and Communities (DLUHC) to support increased local audit fees.**
g. **Considers and approves the Council's proposed Energy Rebate – Discretionary Scheme detailed below in Appendix B1**
h. **Approve the proposed revisions to the Imported Food Service (IFO) fee structure as set out in Appendix B2**

Reasons for recommendation

98. To further complement the Council's planned public realm works around the new Hayes & Harlington Crossrail Station an additional £77k grant award has been negotiated with Network Rail, with **recommendation 2a** proposing that Cabinet accept this grant award. This funding will cover the design and implementation costs to provide additional cycle parking, new paving and dedicated drop-off and disabled parking bays within Station Approach on Network Rail owned land.

99. **Recommendation 2b** is to note the recent virement approval of £2,060k obtained via the capital release process from other HRA Major Project underspends (£751k) and unallocated Acquisitions and Internal Developments funding (£1,309k) to the Maple and Poplar redevelopment project to cover the increase in the project cost following receipt of tender prices.

100. The Council has been successful in a bid to the Mayor of London's Rewild London Fund for the Spider Park Wildlife Corridor project, which will transform over 2 hectares of monotonous, amenity grassland into a species rich hay meadow, providing multiple benefits for overall biodiversity, aesthetic value and public enjoyment. The total project cost is £40.5k of which £36k is funded from the grant and £4.5k Council match funding, with **recommendation 2c** proposing to accept this grant allocation.

101. **Recommendation 2d** proposes to accept a grant award from Transport for London (TfL) for £213k of funding up to 24 June 2022 for boroughs to continue scheme design and delivery for a selection of high priority schemes that are supported by TfL based on borough Local Implementation Plan submissions. Schemes are to be committed by this date and be completed by 31 March 2023.

102. **Recommendation 2e** proposes to accept a grant from Transport for London who have awarded £20k for cycle training delivery for the first quarter of 2022/23 up to 30 June. The funding has been allocated equally across all London boroughs.

103. **Recommendation 2f** proposes to accept a £71k grant from the Department for Levelling Up, Housing and Communities (DLUHC) to support the anticipated rise in fees, driven by new requirements on auditors, including new burdens relating to the implementation of the Redmond Recommendations and the National Audit Office's Code of Audit Practice 2020.

104. **Rec 2g** The Government announcement of 3 February 2022 regarding Energy Bills Rebate includes provision for most properties in council tax band A to D to receive a £150 rebate payment. The announcement also made provision for local authorities to create a discretionary scheme principally to support some properties in band E to H. Recommendation 2g seeks approval to implement the proposed discretionary scheme set out in Appendix B1.

105. **Recommendation 2h** seeks to revise the fees and charges within the Imported Food Office (IFO). During 2021/22, the IFO has restructured its staffing establishment, following an approved BID review. The multi-faceted review, covering team structure, working patterns (including revised shift arrangements to be implemented shortly) and staff utilisation/remuneration, is expected to facilitate the development of a flexible, more resilient workforce.

106. In recent years, Brexit has presented the IFO with significant service/resourcing uncertainty in terms of the timing of the introduction of checks on good entering Heathrow from the EU (and the volume thereof), additional headcount/space requirements and the associated charging arrangements.

107. Due to the developments above and following further consideration of the service's charging structure, **recommendation 2h** seeks approval for several proposed revisions to existing fees and creation of new fees as set out in Appendix B2.

Appendix B1

Background

1. The Government has announced a package of support known as the Energy Bills Rebate to help households with rising energy bills, worth £9.1 billion in 2022-23. This includes:

   - A £200 discount on their energy bill this autumn for domestic electricity customers in Great Britain. This will be paid back automatically over the next 5 years.
   - A £150 non-repayable rebate for households in England in council tax bands A to D, known as the Council Tax Rebate.
   - £144 million of discretionary funding for billing authorities to support households who are in need but are not eligible for the Council Tax Rebate, known as the Discretionary Fund.

2. Funding paid to billing authorities for the Council Tax Rebate is to be passed on directly as one-off £150 grants to households that are eligible under the terms set out in paragraphs 10 to 18. All Council Tax Rebate grants should be paid as soon as possible from April. All payments will need to have been made by 30 September 2022. Any over-funding of grant to billing authorities will be required to be paid back to government and any under-funding will be settled with billing authorities following the reconciliation.

3. Funding paid to billing authorities for the Discretionary Fund is to be passed on directly as one-off grants to households that the billing authority chooses to support, within the guidance. Any unspent funding by 30 November 2022 will be required to be repaid to government and in the event of an overspend, no additional funding will be provided.

Operation of Non-Discretionary (Main) Scheme

4. The Government recognises that many households will need support to deal with the rising cost of household bills in 2022-23, driven by increasing energy bills. While these rising costs will affect most households across the country, they are more likely to disproportionately affect those on lower incomes, who tend to spend a higher proportion of their income on utility bills.

<u>*Qualifying rules*</u>

5. The requirement put on London Borough of Hillingdon is to provide some immediate relief for these rising costs. The Government has provided London Borough of Hillingdon with a grant funding of £11,854,650 to assist those most likely to require support, the Government expects billing authorities to provide a £150 one-off payment to a liable council taxpayer (or an occupant where the

property is exempt) where they occupy a property which meets all of the following criteria on 1 April 2022:

a) It is valued in council tax bands A to D. This includes property that is valued in band E but has an alternative valuation band of band D, as a result of the disabled band reduction scheme;
b) It is someone's sole or main residence;
c) It is a chargeable dwelling, or in exemption classes N (wholly occupied by students), S (occupants under 18), U (occupants severely mentally impaired) or W (granny annexe); and

d) The person who is liable to pay the council tax (or would be where the property is not exempt) is not a local authority, a corporate body or other body such as a housing association, the government or governmental body.

A property that meets all the criteria but has a nil council tax liability because of local Council Tax Reduction (CTR), will be eligible.

6. Where the records relating to the taxpayer(s) circumstances in respect of 1 April 2022 are later updated, the Council should take reasonable steps to pay the new charge payer or clawback payments to the previous charge payer.

7. Where the property band recorded on a valuation list is amended retrospectively to 1 April 2022, for example as a result of a successful appeal made to the Valuation Office Agency (VOA) that concluded after 1 April 2022, the Council is not required to pay or clawback payments. The exception is where a property is a new build and awaiting an official banding from the VOA. In these cases, eligibility should be determined based on the official band subsequently allocated by the VOA, where this has an effective date before or on 1 April 2022.

8. Any disputes about council tax banding are dealt with by the VOA's usual process for reviews proposals and appeals.

Communication

9. Clear and timely information about the Energy Rebate so far has been communicated with most Council taxpayers; this includes a message on the bills in band A-D which also encourages residents to sign up to Direct Debit in order to receive their payment promptly.

10. A government provided leaflet about the Energy Rebate has been sent with every paper bill. For those on paperless billing they have been signposted to a digital version.

11. There is a web page dedicated to the Energy Rebate scheme on the Council website.

Payments, where live direct debit details are held

12. Payments should be provided directly by the Council to eligible households. Only one £150 payment should be made per household, regardless of the number of occupants or liable council taxpayers.

13. For Direct Debit payers, the Energy Rebate will be paid as soon as practical in 2022/23:

    a. Include to the account holder where there jointly and severally liable parties,
    b. As far as is possible, the Council will exclude any Direct Debits from automated payments where the name on the bank details do not match a liable party,
    c. Payments will only be made after the first Direct Debit of 2022/23 has been taken and necessary checks completed. This means our initial payments will be made from mid-April 2022, and

    d. Newly provided or amended direct debt mandates will be checked to reduce the risk of mandate fraud

14. London Borough of Hillingdon currently have 66% of households setup as Direct Debit payers

Where no bank details are held

15. Although Hillingdon have an overall relatively high percentage of taxpayers paying by Direct Debit for this exercise there is a significant number in Band bands A to D who do not. Of the 79,267 properties likely to be eligible in band A to D, 30,196 (38.09%) do not pay by Direct Debit.

16. A taxpayer has the option to have their £150 credited to their Council Tax account, the Council cannot automate this, as each taxpayer will need to inform the Council of their preference.

17. The Council's partner (Liberata) will be assisting with the delivery of the Council Tax Energy rebate for both the main scheme and the bulk of the discretionary scheme.

18. A letter/email or text will be sent to those that automatically qualify pointing them to a secure online form to supply bank details for a payment to be sent by BACS .

19. Reminders will be sent to non-responders with options for vulnerable residents/ or non-bank account holders to receive payment via Post Office vouchers or via a credit to their council tax account.

20. Pre-payment checks as required by DLUHC will be made before a grant to anyone who is not a live direct debit holder.

21. The last payment of the Energy Rebate under the Non-Discretionary Scheme must be made by 30 September 2022.

Energy Rebate Discretionary Scheme

22. The Government have provided London Borough of Hillingdon funding of £1,120,350, allowing the Council to establish a scheme to support bill payers not eligible under the main scheme for properties in band A to D. The guidance states the Council can determine how best to use their Discretionary fund to support those suffering financial hardship. The Council can use the discretionary fund to offer carefully targeted 'top-up' payments to the most vulnerable households in band A-D (for example, those on means tested benefits), or to offer support exceeding £150 per household under their discretionary scheme. The Government expect that all support from the Discretionary Fund is targeted towards those most likely to be suffering hardship as a result of the rising cost of living. This is a cash limited allocation which will not be topped up, and unspent funds must be returned to the Government at the end of the scheme in November 2022.

23. There are currently 32,863 occupied propertied in band E to H.

24. The proposed scheme for Hillingdon has been designed to target low-income households and is consistent with the Government guidance outline in para 22 above. The Council's Discretionary Energy Rebate Scheme will:

    a) Provide a 'top-up' payment of £37 to households in receipt of Council Tax Reduction (CTR) in band A-D properties, giving them a total payment £187. There are currently 16,444 such properties

    b) Provide £187 Energy Grant to all those in properties E-H who are in receipt of CTR on 1 April 2022 There are currently 1,881 such properties.

    c) To pay new CTR claimants £187 during April to November 2022, it is estimated there will be approx. 288 new claims during this period. They will only be eligible if they have not already received an award.

    d) Provide £187 Energy Grant to all those in the Disabled band reduction who do not receive CTR and who's remaining band is E-G. There are currently 147 such properties, and

    e) Provide £187 Energy Grant to all those exemption classes N (wholly occupied by students) and U (occupants severely mentally impaired) in E-H. There are currently 674 such properties.

25. The above funding allocated would support 22,861 households/properties with their Energy Costs, a total spend of £1,093,760 (97.63% of the total fund).

26. The vast majority of the Discretionary fund is being used to support the households in receipt of CTR. A contingency fund of £26k (2.37%) has been set aside to support households that present themselves to the Council with having financial difficulties, this fund could afford to help 142 households in band E-H properties at a rate of £187.

Implementation

27. Following approval of the scheme, majority of the discretionary grant/payment will be awarded to the qualifying households during April and May 2022.

28. Checks and payment process will mirror that for the Non-Discretionary Scheme, to reduce the possibility of fraud.

29. The last payment of the Energy Rebate under the Non-Discretionary Scheme must be made by 30 September 2022 and following a reconciliation process, under-funding for the non-discretionary scheme will be settled by the Government. For the Discretionary Scheme, any funding unspent by 30 November 2022 will be repaid to the Government and in the event of an overspend, no additional funding will be provided. Therefore, expenditure is to be limited to the funding provided by Government.

Appendix B2 – Imported Food Office – Further Revisions to Fees and Charges

During 2021/22, the Imported Food Office (IFO) has been implementing various changes to its staffing establishment, following an approved BID review. Nationally, Environmental Health services have experienced significant recruitment difficulties over the last few years, with many councils struggling to fill their vacancies. In response to these challenges, the review of Hillingdon's IFO team has been multi-faceted, covering team structure, working patterns/shift arrangements and staff utilisation/remuneration, with the aim of developing a flexible, more resilient workforce and to enable the service to thrive.

In recent years, Brexit has presented the service with further resourcing uncertainty in terms of the timing of the introduction of checks on good entering Heathrow from the EU and the volume thereof. Under the EU free movement rules, there was no requirement to carry out controls on imports of animal products and high-risk foods from the EU. Now that the UK has exited the EU, there is a phased implementation of checks on these imports as set out below:

EU Transition dates

From 1 January 2022, importers of products of animal origin from the EU required to submit a pre-notification on DEFRA's import system, IPAFFS (Imports of Products, Animals, Food & Feed System); with a further requirement for Export Health Certificates commencing on 1 July 2022.

From 1 July 2022, certification, identity and/or physical checks introduced for:

- all animal by-products
- all meat and meat products
- all remaining high-risk food not of animal origin.

From 1 September 2022, certification, identity and/or physical checks introduced for:

- all dairy products

From 1 November 2022, certification, identity and/or physical checks introduced for:

- all remaining regulated products of animal origin (including composite and fishery products)

Non-animal products are not currently considered high-risk when they originate from the EU; therefore, limited checks will be required on these imports. Consignments of animal products will require checks. Data collated by Defra indicates that Heathrow could receive an *additional* 25,000 consignments of animal products each year (on top of the c.10,000 received presently). The IFO is currently seeking approval to create additional posts in order to manage the increased workload and is taking on expanded office space at Heathrow. In the short term, the additional costs arising are expected to be funded via grant awards from Defra and then from July 2022 onwards, by fees and charges income.

A further Brexit-related impact has recently been identified in that since the UK left the EU on 31 January 2020, VAT should have been levied at standard rates on fees raised for the issue of export certificates relating to animal and fishery products (as the work could now be undertaken by non-local authority organisations, such as vets, rendering the service open to competition). This has been confirmed by the Council's tax advisers. An adjustment to account for the backdated VAT payable will be progressed as part of the Q2 VAT return. A further increase to the existing export certificate fees (approved at February 2022 Cabinet) is required to reflect standard rate VAT (the impact of not doing so would result in potential loss of annual income estimated at c.£5k).

Due to the developments above, with increased clarity now emerging regarding post-Brexit implications and following reconsideration of the service's current charging structure, several new fees and realignment of several of the existing fees are proposed (see table below), further to those contained in Appendix C to the budget report to February 2022 Cabinet. The impact of these will be monitored closely in-year, with any budgetary realignment required as a result being addressed in future iterations of the Council's Medium Term Financial Forecast.

Type of Fee / Charge	Comments/Background for change	Current £	Proposed £
Products of animal origin			
Additional charge for POAO consignments requiring sampling (plus analytical fee charged by the laboratory)	**NEW**: Charge created in the event that a POAO consignment requires sampling (under "Intensified Controls"). Consignment must be subjected to laboratory analysis prior to being released (currently the IFO's time costs for sampling and preparing paperwork are not charged).		70.00
Non-Compliant Consignment	**NEW**: Charge created in the event of a non-compliant consignment (failed veterinary checks), including costs of discussing options with the agent and drafting consultation documents		80.00
Replacement Documents	**NEW**: Charge created to cover the costs of re-issuing documents lost by agents/importers		50.00
Out of hours Additional charges			
OOH (Monday-Friday)	**CHANGE**: OOH (Monday-Friday); additional charge per AWB (each HAWB will incur a separate charge). Presently, the OOH charge is a one-off and the agent can clear as many consignments of the same type under that one payment, putting additional pressure on IFO officers. Timings are reflective of the team's proposed new shift pattern.	£150 Up to Midnight (17:30 to 00:00).£400 After Midnight (00:00 to 08:00)	£150 Up to 22:00 (18:01 to 22:00). £400 After 22:00 (22:01 to 08:00)
OOH (Weekends)	**CHANGE**: OOH (Saturday and Sunday); additional charge per AWB (each HAWB will incur a separate charge). Presently, the OOH charge is a one-off and the agent can clear as many consignments of the same type under that one payment, putting additional pressure on IFO officers. Timings are reflective of the team's proposed new shift pattern.	£150 Up to Midnight (15:00 to 00:00).£400 After Midnight (00:00 to 08:00)	£150 Up to 22:00 (17:01 to 22:00). £400 After 22:00 (22:01 to 08:00)
Additional Charge on UK Bank Holidays	**CHANGE**: OOH (UK Bank Holidays); additional charge per AWB (each HAWB will incur a separate charge). Presently on Bank Holidays, there is no pressure on agents to present documents as they would be charged the same amount at 12:00 or 22:00 and the proposed tier structure addresses this. Timings are reflective of the team's proposed new shift pattern.	£150 Up to midnight (08:00 to 00:00).£400 After midnight (00:00 to 08:00)	£150 Up to 18:00 (08:00 to 18:00). £300 After 18:00 (18:01 to 22:00). £550 After 22:00 (22.01 to 08:00)

Products of animal origin - Catch certificate			
Bilateral Countries 21 or more Certificates	**NEW**: Charge created in the event that a consignment with more than 20 Catch Certificates is received		65.00
Third Countries 21 or more Certificates	**NEW**: Charge created in the event that a consignment with more than 20 Catch Certificates is received		95.00
Movement Control / Formal Verification	**NEW**: Charge created to recover costs of time spent undertaking formal verification and serving movement control notices		50.00
Non-Compliant Consignment	**NEW**: Charge created in the event of a non-compliant Catch Certificate (failed laboratory analysis and detained at BCP or other Hillingdon facility), including costs of discussing options with the agent and drafting consultation documents		45.00
Products of Non-Animal Origin - CHED-D			
Non-Compliant Consignment	**NEW**: Charge created in the event of a non-compliant consignment (failed laboratory analysis and detained at BCP or other Hillingdon facility), including costs of discussing options with the agent and drafting consultation documents		80.00
Replacement Documents	**NEW**: Charge created to cover the costs of re-issuing documents lost by agents/importers		50.00
Products of Non-Animal Origin - Organics			
Lack of pre-notification	**NEW**: Charge per COI		85.00
Movement Control / Formal Verification	**NEW**: Charge created to recover costs of time spent consulting with agents and inland local authorities and serving movement control notices		50.00
Non-Compliant Consignment	**NEW**: Charge created in the event of a non-compliant consignment (failed checks), including costs of discussing options with the agent, drafting consultation documents and supervising removal of organic references		120.00
Imported Food Training			
Per attendee (up to six attendees per three-day course)	**NEW**: Based on costing estimates for recent training proposals provided to the Food Standards Agency		600.00
Export Health Certificate			
Documentary check	**CHANGE**: Post-Brexit requirement to levy VAT at standard rate on fees relating to export certificates for products of animal origin	90.00	108.00
Examination of the consignment	**CHANGE**: Post-Brexit requirement to levy VAT at standard rate on fees relating to export certificates for products of animal origin	120.00	144.00
Consignments requiring sampling prior to export, per sample taken (plus analytical fee charged by the laboratory)	**NEW**: Charge created to cover costs of consignment examination at the BCP (documentary, identity and physical, including sampling). In order to export to the EU, the service will be required to sample certain consignments; the proposed charge will match that for sampling imports of PNAO		180.00