

COUNCIL BUDGET - 2022/23 REVENUE AND CAPITAL MONTH 10 BUDGET MONITORING

Cabinet Member	Councillor Martin Goddard
Cabinet Portfolio	Cabinet Member for Finance
Officer Contact	Andy Evans, Corporate Director of Finance
Papers with report	None

HEADLINES

Summary	<p>This report provides the Council's forecast financial position and performance against the 2022/23 revenue budget and Capital Programme.</p> <p>A net in-year underspend of £95k is reported against General Fund revenue budget normal activities as of January 2023 (Month 10). Unallocated reserves are projected to total £26,814k at 31 March 2023. This headline position is a favourable movement of £13k to that reported to Cabinet for December 2022 (Month 9).</p> <p>COVID-19 pressures for the 2022/23 financial year are projected to total £14,897k at Month 10, a small adverse movement of £9k, with this position being £3,606k higher than budgeted in February 2022 and therefore being funded from Earmarked Reserves held for this purpose.</p> <p>Exceptional inflationary pressures are being managed from funds set aside to manage this area of risk, with permanent provision for those inflationary pressures which have emerged being factored into the 2023/24 budget that was approved by Council on 23 February 2023.</p> <p>The latest positions on other funds and the Capital Programme are detailed within the body of this report.</p>
Putting our Residents First	<p>This report supports the following Council objective of: <i>Strong financial management.</i></p> <p>Achieving Value for Money is an important element of the Council's Medium Term Financial Plan.</p>
Financial Cost	N/A
Relevant Select Committee	Finance & Corporate Services
Relevant Ward(s)	All

RECOMMENDATIONS

That the Cabinet:

1. **Note the budget monitoring position and treasury management update as at January 2023 (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 24 February 2022 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 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 £14,897k are projected in relation to the legacy impacts of the COVID-19 pandemic and the ongoing financial impacts facing the Council in 2022/23, with £9,784k added to Service Operating Budgets to cover ongoing financial pressures from the pandemic and a further £1,507k one-off items in respect of pandemic driven Collection Fund losses in the Council's budget approved by Council in February 2022, with the remaining £3,606k being driven by new and emerging pressures relating to the ongoing impact of the pandemic on demand for, and delivery of, local services.
6. With no further Central Government funding being available to ongoing COVID-19 pressures, the Council is carrying a remaining balance of funding of £4,302k, alongside local funds of £6,868k. Including the Service Operating Budgets for pandemic related pressures of £9,784k, this gives scope to fund reported pressures of £14,897k for the 2022/23 financial year and leaves reserves at £1,651k by 31 March 2023. With £1,535k of this already committed in the Council's budget strategy, the remaining balance of £116k leaves limited headroom to manage ongoing impacts above those already factored into Service Operating Budgets.
7. As the country faces unprecedented inflationary pressures, the Council has deployed specific earmarked reserves to mitigate the in-year pressures that have been and will continue to arise throughout the year, with actual inflation rates expected to exceed the sums built into the Council's current year budget strategy. Pressures continue to be monitored in the Month 10 refresh of the Council's position, with the pay award, energy, fuel and contracted services in Social Care driving the bulk of the Council's inflationary pressures. A number of additional cost control measures are being implemented in-year to mitigate against these exceptional inflationary pressures, with an allowance for the residual requirement captured in the budget proposals for 2023/24 that were approved by Council on 23 February 2023.
8. The Council continues to work closely with suppliers of contracted services to ensure that the costs incurred by the Council reflect current market prices and that suppliers are compensated for increased costs, whilst also recognising that some increases may be temporary. The update on the energy cap announced in the Autumn Statement continues to support the Council for the remainder of the financial year, with some recent stabilisation in fuel costs helping to mitigate some of this pressure. It remains an ongoing area of risk which will continue to be closely monitored and managed.
9. With the pay award for 2022/23 now agreed, the Council can confirm that the increase is higher than anticipated when the budget was set in February 2022, albeit with this pressure now being partly offset by an in-year reduction in National Insurance contributions from the reversal of the Social Care Levy.
10. After allowing for the ongoing impact of the pandemic and the significant inflationary pressures facing the country which are to be funded from releases from Earmarked Reserves, an underspend of £95k is projected across General Fund budgets at Month 10, with this

position being driven by a favourable variance from the Council's Treasury activities offsetting pressures within Housing, Parking Services and Children's & Young People's Services. This position will result in unallocated General Balances totalling £26,814k at 31 March 2023.

11. The position reported has led to a £13k favourable movement on the position presented for Month 9, with a favourable position being reported against Property Services against the Council's own Business Rates liability from updates provided by the Valuation Office Agency (VOA), compounded by improvements within Children's court costs, with this position netted down by an adverse movement against Parking Services. Furthermore, funding for Asylum Seekers from the Home Office is continuing to fail to keep pace with increased costs in this area, however, these pressures have been funded through the use of Earmarked Reserves.
12. Within this position, £11,351k of the £13,346k savings planned for 2022/23 are banked or on track for delivery in full by 31 March 2023, with £1,995k or 15% tracked as being at an earlier stage of implementation. Where slippage in savings delivery is expected this has been factored into the reported monitoring position, with the full £13,346k savings expected to ultimately be delivered in full.
13. Within the Collection Fund, a surplus of £231k is reported at Month 10, representing an adverse movement of £206k from Month 9, with the surplus being derived from a favourable position within Business Rates from an increase in the Council's rating list above the budgeted position approved by Council in February 2022, offset by a slower than budgeted growth in Council Tax, believed to be linked to a slowing down in the construction industry due to the impacts of inflation and economic conditions on the viability of development. This position is compounded by an adverse position reported against Council Tax Support as demand falls at a slower rate than originally forecast with demand for this service likely to be further impacted by the cost-of-living crisis.
14. The Collection Fund position has high exposure to both COVID-19 legacy impacts and current economic conditions, which have the potential to significantly affect the finances of individual households and businesses, and therefore this remains an area under close review. Variances against the Collection Fund do not directly impact upon the 2022/23 monitoring position, but instead this variance up to Month 9 was factored into the Council's budget proposals for the forthcoming year approved by Council on 23 February 2023, with any variances from Month 10 to outturn not impacting until 2024/25 with resulting impacts on MTFE forecasts.

GENERAL FUND CAPITAL

15. As at Month 10 an under spend of £22,060k is reported on the 2022/23 General Fund Capital Programme of £69,422k, due mainly to re-phasing of project expenditure into future years. The forecast outturn variance over the life of the 2022/23 to 2026/27 programme is an under spend of £3,608k with Prudential Borrowing required to support the 2022/23 to 2026/27 capital programmes forecast to be under budget by £981k.

SCHOOLS BUDGET

16. The Dedicated Schools Grant (DSG) monitoring position is an in-year overspend of £6,705k at month 10, compared to the revised budgeted deficit of £5,486k, representing a pressure of £1,219k with an adverse movement of £495k from Month 9 on the High Needs block. 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 and average cost of independent placements has increased since the budget was set in combination with wider inflationary pressures across the sector. When the £23,522k deficit brought forward from 2021/22 is considered, along with the contributions resulting from Safety Valve agreement, the cumulative deficit carry forward to 2023/24 is £22,477k. This remains an area of significant activity, in terms of managing out the structural deficit on this account.

HOUSING REVENUE ACCOUNT

17. The Housing Revenue Account (HRA) is currently forecasting a favourable variance of £76k compared to the budget and a favourable movement of £8k on Month 9. The 2022/23 closing HRA General Balance is forecast to be £15,093k. The use of reserves is funding investment in new housing stock. An underspend of £9,362k is projected on the £75,131k 2022/23 HRA Capital Programme, primarily due to re-phasing of projects continuing into future years.

FURTHER INFORMATION

General Fund Revenue Budget

18. As noted above and presented in the table below, a £95k underspend is projected across the General Fund at Month 10, with the following section of this report providing further information on an exception basis. This position is predicated on the deployment of sums from Earmarked Reserves, which have been set aside for these purposes, to manage inflationary and COVID-19 pressures. In order to manage this call on reserves, a number of initiatives are underway to reduce costs and mitigate the impacts wherever possible. General Fund Balances are expected to total £26,814k at 31 March 2023 as a result of the forecast position detailed above. This position keeps balances within the recommended range 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		Variance (As at Month 10) £'000	Variance (As at Month 9) £'000	Movement from Month 9 £'000
	Approved Budget	Forecast Outturn			
	£'000	£'000			
Service Operating Budgets	254,456	254,361	(95)	(82)	(13)
General Contingency	500	500	0	0	0
Unallocated Budget Items	(3,909)	(3,909)	0	0	0
Sub-total Expenditure	251,047	250,952	(95)	(82)	(13)
Corporate Funding	(251,047)	(251,047)	0	0	0
Total Net Expenditure	0	(95)	(95)	(82)	(13)
Balances b/fwd	(26,719)	(26,719)			
Balances c/fwd 31 March 2023	(26,719)	(26,814)			

Service Operating Budgets

19. Service Operating Budgets represent the majority of the Council's investment in day-to-day services for residents. With the cessation of Government funding towards the pandemic, the Council increased Service Operating Budgets by £9,784k to fund the ongoing impacts from COVID-19, these budgeted costs are therefore reported on an exception basis within these budgets by Cabinet Portfolio below. A further £1,507k was included within the Corporate Funding budget to meet one-off reductions in the Council's funding driven by impacts on Council Tax and Business Rates from the pandemic. Any new and emerging pressures are being reported on below under the COVID-19 section of the report. 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 are summarised in the following paragraphs.

Table 2: Service Operating Budgets

Cabinet Member Portfolio		Approved Budget	Forecast Outturn	Variance (As at Month 10)	Variance (As at Month 9)	Movement from Month 9
		£'000	£'000	£'000	£'000	£'000
Property, Highways & Transport	Expenditure	19,982	19,843	(139)	6	(145)
	Income	(8,950)	(9,022)	(72)	(142)	70
	Sub-Total	11,032	10,821	(211)	(136)	(75)
Finance	Expenditure	137,262	137,353	91	94	(3)
	Income	(111,857)	(112,291)	(434)	(434)	0
	Sub-Total	25,405	25,062	(343)	(340)	(3)
Corporate Services	Expenditure	27,023	27,159	136	137	(1)
	Income	(1,633)	(1,800)	(167)	(167)	0
	Sub-Total	25,390	25,359	(31)	(30)	(1)
Residents' Services	Expenditure	64,852	67,519	2,667	2,557	110
	Income	(34,986)	(37,190)	(2,204)	(2,188)	(16)
	Sub-Total	29,866	30,329	463	369	94
Children, Families & Education	Expenditure	76,664	77,623	959	897	62
	Income	(22,615)	(23,471)	(856)	(733)	(123)
	Sub-Total	54,049	54,152	103	164	(61)
Health & Social Care	Expenditure	136,470	137,260	790	770	20
	Income	(27,756)	(28,622)	(866)	(879)	13
	Sub-Total	108,714	108,638	(76)	(109)	33
Total Service Operating Budgets		254,456	254,361	(95)	(82)	(13)

20. Within the Council budget there is a Managed Vacancy Factor across the board of 3.5%, or £4,243k 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 2022/23, with post-level establishment controls providing a key mechanism for managing workforce costs at the organisational level.
21. The Council budgeted for a pay award in 2022/23 of 2%, however, due to the exceptional inflationary environment, the agreed pay offer exceeds this sum and equates to approximately 5.9% with an allowance being in place to meet this additional uplift in the Council's workforce expenditure after factoring in the reduction in National Insurance announced as part of the Chancellor's latest measures. This increase will be funded by the Council's identified earmarked reserve for exceptional inflationary pressures above Council's approved budget.
22. As can be seen from the table above, the net £95k underspend across Service Operating Budgets represents the cumulative effect of a number of variances which are briefly outlined below by Cabinet Portfolio:
- a. **Property, Highways & Transport** – A net underspend of £211k is forecast for the portfolio, with the variance being driven by staffing underspends from a number of

vacant posts across the Operational Assets and Planning & Regeneration services, with income forecasting a £72k favourable position. The favourable £75k movement in this portfolio is driven by a £153k decrease in expenditure offset by £70k reduction in income due to nature of the property service with reductions in spend seeing corresponding movements on recharged income forecasts.

- b. **Finance** – A net underspend of £343k is reported at Month 10 with a minor £3k improvement from Month 9 driven by small updates to the position, with the subjective variances being driven by additional costs incurred by the Finance service as they deliver Government directed programmes such as the Council Tax Energy Rebate, which are offset by Government funding. The net underspend for this portfolio is being driven by the Treasury position as a result of the favourable variance within the Capital Programme at outturn 2021/22.
- c. **Corporate Services** – a net underspend of £31k is reported, with the underspend being driven by a number of small variances within the staffing position due to vacancies, with the most material being Human Resources. The movement from Month 10 is a minor adverse movement of £1k, with this being driven by a number of minor updates, with no significant movements.
- d. **Residents' Services** – a net overspend of £463k is forecast representing an adverse movement of £94k from Month 9, with the large subjective variances being driven by the Housing service where high levels of demand are being partly mitigated through a combination of increased rental income and Government support targeting homelessness and rough sleeping. The adverse movement is being driven by an increased pressure on the Parking Service as a result of increased deployment levels within the Council's enforcement contract, with a minor element of the movement being driven by further pressures on Housing services. The net overspend is being driven by the high costs of temporary accommodation in the homelessness services to meet this demand and a reduction in parking income in the early part of the financial year.
- e. **Children, Families & Education** – an overspend of £103k is being reported within this portfolio, with a favourable movement of £61k from Month 9. Additional income is being achieved from a number of sources including Government grant income for schools' attendance and exclusions and FGM support. This is being offset by increased costs, predominantly driven by additional demand for Children's Social Care, including support for safeguarding services and expenditure associated with the delivery of functions funded by the additional grant income. The subjective movements relate to additional resource being used to work on the Schools budget recovery plan offset by funding from the Department for Education to contribute towards this work. Within this portfolio, Home Office funding for Asylum Seekers is failing to keep pace with the cost of supporting this group, however, this has been partly mitigated through the use of earmarked reserve funding to support the shortfall. The favourable movement predominantly relates to updated demand for Children in Need Section 17 services with increased expenditure being offset by additional rental income.

- f. **Health & Social Care** – an underspend of £76k is reported for this portfolio, with an adverse movement of £33k from Month 9. The subjective variances are largely being driven by increased demand for Adult Social Care services, with expenditure variances related to the additional cost of direct care provision with increased income associated with contributions from Health and the associated client contributions. The movement in this area is being driven by a number of small updates to the position, with no material movements reported across these services.

Transformation

23. 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 being funded from this resource. Current projections include £5,986k for such costs, which will increase over the remaining months as work progresses on delivery of the transformation programme, with all such costs subject to a specific funding strategy. It is anticipated that these pump priming costs will be financed from a combination of Capital Receipts and Earmarked Reserves.

Progress on Savings

24. The savings requirement for 2022/23 is £10,647k, furthermore, there are savings of £2,699k brought forward from 2021/22, which gives an overall total of £13,346k reported below. The savings being reported as undelivered in 2021/22 (£2,699k) were directly attributable to the COVID-19 pandemic as the Council continued to need to redirect resources to manage the pandemic for a further year. This value has been added to the budgeted savings agreed as part of the 2022/23 budget.

Table 3: Savings Tracker

Cabinet Member Portfolio	Blue	Green	Amber I	Amber II	Red	Total
	Banked	Delivery in progress	Early stages of delivery	Potential problems in delivery	Serious problems in delivery	
	£'000	£'000	£'000	£'000	£'000	£'000
Cabinet Member for Property, Highways & Transport	(187)	(96)	(330)	0	0	(613)
Cabinet Member for Finance	(375)	(50)	(100)	0	0	(525)
Cabinet Member for Corporate Services	(446)	(1,428)	(68)	0	0	(1,942)
Cabinet Member for Residents' Services	(1,761)	(2,825)	(674)	0	0	(5,260)
Cabinet Member for Children, Families & Education	0	(1,613)	(323)	0	0	(1,936)
Cabinet Member for Health and Social Care	0	(1,696)	0	0	0	(1,696)
Cross-Cutting	(874)	0	(500)	0	0	(1,374)
Total 2022/23 Savings Programme	(3,643)	(7,708)	(1,995)	0	0	(13,346)
	27%	58%	15%	0%	0%	100%
Month on Month Movement	(150)	50	100	0	0	0
	1%	0%	-1%	0%	0%	0%

25. As of Month 10, £3,643k (27%) of the savings programme has already been banked, with a further £7,708k (58%) being reported as delivery in progress and £1,995k (15%) in the early stages of delivery which are ultimately expected to be delivered in full. No savings are being recorded under Amber II or below at Month 10.
26. Where savings are at risk of not being delivered in full during 2022/23, the associated pressures have been factored into the monitoring position discussed above and offset through compensatory underspends. At this time, it is expected that the full £13,346k will ultimately be delivered in full or replaced with alternative measures in the event of any shortfall.

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	Forecast Outturn			
	£'000	£'000			
One-Off Corporate Funding	1,507	1,507	0	0	0
Service Operating Budgets	9,784	9,784	0	0	0
New & Emerging Pressures	0	3,606	3,606	3,597	9
Total Exceptional Items	11,291	14,897	3,606	3,597	9

27. As at Month 10, the Council's budgeted COVID-19 pressures are forecast in line with the set budget, with the above table reporting new and emerging pressures of £3,606k. The below section provides an update on these reported pressures.

- a. One-Off Corporate Funding - £1,507k is built into the Council's approved budget to fund prior year losses in collection of both Business Rates and Council Tax as these funding streams have a long tail of recovery from the pandemic.
 - b. Service Operating Budgets – The Council funded an additional £9,784k of pandemic related costs within Service Operating Budgets in 2022/23, with additional demand from the pandemic forecast to continue into 2022/23 for the following services:
 - i. £4,622k for Adult Social Care
 - ii. £2,165k for Children's Social Care
 - iii. £771k for the Council Tax Reduction Scheme
 - iv. £600k for SEND Transport
 - c. Furthermore, £1,626k was added to Fees & Charges budgets in recognition that demand for some services would recover to pre-pandemic levels at a slower rate or may recover to a lower baseline.
 - d. New & Emerging Pressures – The largest element of the reported pressure is being driven by the Council's leisure centres, with an additional pressure of £1,638k as a result of a slower than budgeted recovery in footfall and demand for these services. A further £1,412k is being reported against Parking income as demand continues to be reported below budgeted levels. Children's Social Care are incurring additional costs of £273k as a result of additional demand and delays in court activity. The remaining £283k relates to smaller pressures reported across a number of service areas.
 - e. Significant capacity is being committed to containing the risk of growing pressures in key demand-led budgets, including Adults and Children's Social Care, which stem from a combination of the direct impacts of COVID-19 on clients combined with knock-on effects from pandemic-driven pressures in other public services – notably the health service and courts which result in additional client needs being presented and delays in matching support to clients' changing requirements.
28. In addition to the £9,784k of Service Operating Budgets, the Council holds £4,302k of remaining Government funding and a further £6,868k of Local Funds, taking total pandemic related resources to £20,954k. With total pressures for the year forecast at £14,897k and £4,406k being released from the local reserves to fund the increase in service operating budgets, this leaves a balance of £1,651k of funds for new and emerging pressures in 2022/23 and beyond. With £1,535k of this already committed in the Council's budget strategy, the remaining balance of £116k leaves limited headroom to manage ongoing impacts above those already factored into Service Operating Budgets.

Collection Fund

29. A surplus of £231k is reported within the Collection Fund at Month 10, translating into an adverse movement of £206k from Month 9. Within the Collection Fund, an adverse position is reported within Council Tax of £3,299k, offset by a favourable position within Business Rates of £3,530k. The pressure in Council Tax is predominantly driven by a reduction in the forecast growth of the taxbase as construction slows down, believed to be linked to inflationary pressures in the sector, compounded by an adverse position within Council Tax
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Support as the economy recovers from the pandemic at a slower rate than originally budgeted for in February 2022, with this position believed to be impacted by the cost-of-living crisis. The favourable position within Business Rates is being supported by work carried out by the Council to identify properties missing from the rating list, with a one-off increase in income reflecting backdating billing being sufficient to cover the Council Tax deficit in 2022/23.

30. 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 2023/24 saving requirement and was included in the Council's budget proposals for the new financial year approved on 23 February 2023, with any further updates between Month 10 and outturn impacting on 2024/25. This position therefore reduced the Council's gross saving requirement by £436k for 2023/24, with the adverse movement of £206k to be factored in the next update to the Council's Budget Strategy for 2024/25.

General Fund Capital Programme

31. As at Month 10 an under spend of £22,060k is reported on the 2022/23 General Fund Capital Programme of £69,422k, due mainly to re-phasing of project expenditure into future years. The forecast outturn variance over the life of the 2022/23 to 2026/27 programme is an under spend of £3,608k. General Fund Capital Receipts of £2,204k are forecast to be applied to finance programme expenditure, with Prudential Borrowing required to support the 2022/23 to 2026/27 capital programmes forecast to be under budget by £981k.

Capital Programme Overview

32. 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 2022. Projected variance against budget for the 2022/23 financial year are analysed between cost and rephasing, in the case of the latter, budget will only be rolled forward for use in future financial years with the explicit approval of Cabinet.

Table 5: General Fund Capital Programme Summary

	Approved Budget 2022/23	Forecast 2022/23	Cost Variance 2022/23	Project Re-phasing 2022/23	Total Project Budget 2022-2027	Total Project Forecast 2022-2027	Total Project Variance 2022-2027	Move-ment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cabinet Member Portfolio								
Finance	1,281	449	(850)	18	5,226	4,376	(850)	-
Residents	3,571	3,427	532	(676)	11,072	11,604	532	589
Corporate Services	1,053	641	(145)	(267)	4,461	4,316	(145)	20
Children, Families and Education	10,168	5,697	-	(4,471)	29,351	29,351	-	
Health and Social Care	2,359	2,739	380	-	11,795	12,175	380	(115)
Property, Highways and Transport	49,888	33,307	(3,000)	(13,581)	247,859	244,334	(3,525)	(98)
Contingency	1,102	1,102	-	-	7,102	7,102	-	
Total Capital Programme	69,422	47,362	(3,083)	(18,977)	316,866	313,258	(3,608)	396
Major Projects								
Major Projects	39,323	23,674	57	(15,706)	181,276	180,808	(468)	513
Programme of Works	28,997	22,586	(3,140)	(3,271)	128,488	125,348	(3,140)	(117)
General Contingency	1,102	1,102	-	-	7,102	7,102	-	
Total Capital Programme	69,422	47,362	(3,083)	(18,977)	316,866	313,258	(3,608)	396
Movement	55	(7,589)	396	(8,040)	55	451	396	

33. **Finance:** The Purchase of Vehicles programme reports an under spend of £850k this year as bulk procurement of new vehicles to replace aging stock is planned to commence in 2023/24.
34. **Residents:** An adverse variance of £649k is reported on the Hayes Town Centre improvements programme, based on the term contractor's final account for public realm works at Station Approach and Blyth Road. The original cost estimates were prepared some time ago and planned works were delayed due to the pandemic. An under spend of £117k is reported on Shopping Parades Initiatives for discontinued shop front grants. Works have commenced to renovate tennis courts sites across Hillingdon following January Cabinet approval of the £270k project which includes £181k Lawn Tennis Association grant.

35. **Corporate Services:** An underspend of £145k is reported, consisting of uncommitted funding within the Older People's Initiatives budget. Previously reported under spend of £20k within the Corporate Technology and Innovation programme is to be reallocated towards new ICT cost commitments, subject to capital release.
36. **Children, Families & Education:** The Schools SEND programme is underway on several projects to provide additional special needs places. A replacement contractor has been appointed on a pre-construction service agreement for the expansion of Harefield Academy for use as a satellite school to be managed by Meadow High School. Revised cost estimates are significantly above confirmed grant funding, however discussions are taking place with the Department for Education on available capital funding to deliver on SEND provision within the Safety Valve agreement.
37. **Health and Social Care:** The capitalisation of social care equipment budget reports an overspend of £380k due to higher demand levels and price inflation, although this has reduced by £115k due to a reduction in forecast Telecare expenditure in 2022/23. This is offset by a £631k under spend on Disabled Facilities Grant adaptations. Both budgets are financed by the Disabled Facilities Grant.
38. **Property, Highways & Transport:** Re-modelling works at News Year Green Lane Civic Amenity Site to improve materials diversion rates are expected to be £1,000k lower than the original budget estimate and a £200k grant for West London Waste Authority has been secured.
39. Works are nearing completion to extend the Uxbridge mortuary with completion expected in April 2023.
40. February Cabinet approved a virement of £76k from the general capital contingency fund to the Battle of Britain Bunker project to reflect revised project costs following tenders and approval of the main contractor. This is included in the revised budget.
41. An under recovery of £831k is forecast on Transport for London (TFL) grant funding, as the 2022/23 LIP funding award for the year is significantly lower than original budget assumptions which were based on pre-pandemic funding levels.
42. Construction works are in progress on the new West Drayton leisure centre and are currently forecast to be on budget and planned timescales. The works are expected to be completed in May 2024.
43. Following June Cabinet approval of the acquisition of land at Broadwater Lake for the new Hillingdon Water Sports and Activity Centre (HWSAC) site, the legal options agreement with the vendor has been finalised and a planning application is expected to be submitted in March, following site surveys.
44. The Civic Centre transformation project has commenced with a number of projects under various workstreams to be implemented in 2023/24.

Capital Financing - General Fund

Table 6: Capital Financing

	Approved Budget 2022/23 £'000	Forecast 2022/23 £'000	Cost Variance £'000	Phasing Variance £'000	Total Financing Budget 2022-2027 £'000	Total Financing Forecast 2022-2027 £'000	Total Variance £'000	Move-ment
Source of Finance								
Capital Receipts	13,327	2,204	(2,389)	(8,734)	81,414	78,698	(2,716)	749
CIL	8,455	9,742		1,287	24,205	24,205	-	
Prudential Borrowing	21,381	16,541	192	(5,032)	97,578	96,597	(981)	(238)
Total Council Resources	43,163	28,487	(2,197)	(12,479)	203,197	199,500	(3,697)	511
Grants & Contributions	26,259	18,875	(886)	(6,498)	113,669	113,758	89	(115)
Capital Programme	69,422	47,362	(3,083)	(18,977)	316,866	313,258	(3,608)	396
Movement	55	(7,589)	396	(8,040)	55	451	396	

45. In year receipts amount to £1,389k on five sites that have been sold or under exchange at auctions this year. Two further sites have received offers at auction in February totalling £852k. February Cabinet authorised the sale of the freehold interest of Brookfield Adult Education Centre and offers have been received. The sale is expected to be completed by the end of the financial year. These cumulative offers are reflected in the favourable movement of £749k in total capital receipts.
46. The 2022-23 Community Infrastructure Levy receipts forecast includes £4,742k carried forward from last year to support financing of the new West Drayton leisure centre project. The current year forecast amounts to £5,000k due mainly large developments commencing this year for which a demand notice has been issued and instalments due in February and March 2023. The medium-term forecast is to budget, reflecting uncertainty in the construction sector as current inflation levels may affect developer activity in the short to medium term. Forecast grants and contributions are broadly in line with the revised budget with the movement of £115k relating to the reduced social care equipment forecast, financed by Disabled Facilities Grant.

Schools Budget

47. The Dedicated Schools Grant (DSG) monitoring position is an in-year overspend of £6,705k at month 10, compared to the revised budgeted deficit of £5,486k. 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 combination with inflationary pressures across the sector. When the £23,522k deficit brought forward from 2021/22 is taken into account, along with the second payment of Safety Valve funding and local authority contribution, the cumulative deficit carry forward to 2023/24 is £22,477k.

Table 7: DSG Income and Expenditure 2022/23

Funding Block	Month 10		Variance (As at Month 10) £'000	Variance (As at Month 9) £'000	Change from Month 9 £'000
	Revised Budget £'000	Forecast Outturn £'000			
Dedicated Schools Grant Income	(323,969)	(323,969)	0	0	0
Schools Block	250,638	250,638	0	0	0
Early Years Block	22,951	22,951	0	0	0
Central Schools Services Block	3,003	3,016	13	13	0
High Needs Block	52,863	54,069	1,206	711	495
Total Funding Blocks	5,486	6,705	1,219	724	495
Balance Brought Forward 1 April 2022	23,522	23,522			
Safety Valve Funding	(3,750)	(3,750)			
Local Authority	(4,000)	(4,000)			
Balance Carried Forward 31 March 2023	21,258	22,477			

Dedicated Schools Grant Income (nil variance)

48. The Early Years block has been adjusted further to reflect actual numbers accessing the free entitlement in the Spring term. There will be further adjustment to the High Needs block allocation following confirmation of the import/export adjustment for 2022/23 which updates funding to reflect the local authority in which pupils with SEND are resident.

Schools Block (nil variance)

49. 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.
50. 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.
51. Schools Forum took the decision to backdate growth contingency for one school in 2021/22 resulting in an overspend in that year. The overspend was ring-fenced in the Schools Block with the expectation that it would be offset by an underspend in 2022/23.

52. 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). £461k was set aside for this purpose, with the actual funding requirement not known until actual numbers on roll are confirmed.

Early Years Block (nil variance)

53. Two-year-old funding was adjusted in July to reflect the number of children accessing the entitlement based on the January 2021 census. The 3 and 4-year-old funding for both the universal and the additional free entitlement has also been adjusted in July following the January 2021 census. This has resulted in an increase of £2,796k in the overall Early Years block funding allocation as the number of children accessing the additional free entitlement has increased significantly over the past year.

Central School Services Block (£13k adverse, nil movement)

54. The published DSG budget allocations confirmed a 20% decrease in the Central School Services Block provided for historic commitments. This resulted in a £170k reduction in funding, though this was partly offset by £84k 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 2022/23. The main budgetary pressure is in the Looked After Children Education Team but there was a favourable movement in Month 7, which reduced the overspend to £13k, where it remains this month.

High Needs Block (£1,206k adverse, £495k adverse movement)

55. Whilst there is a good level of confidence that both the Safety Valve conditions and High Needs block savings for the term of the Safety Valve will ultimately be delivered in full or replaced with alternative measures in the event of any shortfall, there is limited scope to contain any increase in High Needs spend, particularly in light of the significantly higher than budgeted levels of inflation for both placement costs and construction. In addition, delays in DfE construction projects to increase sufficiency of placements within the Borough is driving an increase in more costly independent placements, creating additional pressure on the high needs block, which has further continued this month and is reflected in the adverse movement of £495k shown within this area. The position will continue to be monitored as part of the Safety Valve monitoring, to forecast the impact of implemented changes as part of the grant conditions.

Maintained School Balances & Budgets

56. Maintained schools ended the 2021/22 financial year with a cumulative closing surplus balance of £14.9m (£14.5m revenue and £0.4m capital). This was a £1.6m increase from the previous year total (adjusted for the two academy converters). A review of the balances at the end of the 2021/22 financial year identified three schools which ended the year in deficit and in October Cabinet gave approved licensed deficits for 2022/23. These three schools all had applied for a licensed deficit at the start of the year having carried forward cumulative deficits from 2020/21. However, two of these schools were able to reduce the cumulative deficit with an in-year surplus achieved in 2021/22.

57. The table below summarises school revenue balances as a percentage of total revenue income plus balances brought forward from 2021/22. Analysis of the data in the table indicates that overall, the number of schools with balances over the recommended 8% (or 5% for secondary schools) is currently 54% compared to 59% in 2021/22. Since the position was previously reported, a further 1 school is projected to be in deficit, compared to the 3 licensed deficits agreed at the start of the financial year. In addition, the number of schools with balances lower than 2% has increased to 7 from the 2 schools previously reported, with the number of schools with balances greater than 20% increasing from 5 to 6.

Sector	Number of Schools in Deficit	Number with Balances < 2%	Number with Balances > 2% and < 8%	Number with Balances > 8% and < 20%	Number with Balances > 20%
Nursery	0	0	0	1	0
Primary	3	7	12	19	4
Secondary	1	0	0	1	0
Special	0	0	0	0	2
Total	4	7	12	21	6

58. The 2022/23 budgets for maintained schools continue to be reviewed, with schools RAG-rated based on their balances position. Schools that are either in deficit or have managed to set a balanced budget but with very low balances, meaning that any significant unplanned change in expenditure could result in the school being in a deficit position are rated red. These schools are being closely monitored by officers to ensure that everything possible is being done to address the situation.

Housing Revenue Account

59. The Housing Revenue Account (HRA) is currently forecasting a favourable variance of £76k compared to the budget and a favourable movement of £8k on Month 9. The 2022/23 closing HRA General Balance is forecast to be £15,093k. 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
Rental Income	(61,689)	(61,597)	92	92	0
Other Income	(6,151)	(5,933)	218	218	0
Net Income	(67,840)	(67,530)	310	310	0
Housing Management	16,488	16,895	407	405	2
Tenant Services	4,410	4,472	62	72	(10)
Repairs	6,752	7,355	603	603	0
Planned Maintenance	3,372	2,931	(441)	(441)	0
Capital Programme Funding	19,694	18,194	(1,500)	(1,500)	0
Interest & Investment Income	16,198	16,198	0	0	0
Development & Risk	1,260	1,743	483	483	0
Contingency					
Operating Costs	68,174	67,788	(386)	(378)	(8)
(Surplus) / Deficit	334	258	(76)	(68)	(8)
General Balance 01/04/2021	(15,351)	(15,351)	0	0	0
General Balance 31/03/2022	(15,017)	(15,093)	(76)	(68)	(8)

60. Rental Income is forecast to under recover by £92k and Other Income is forecast to under recover by £218k, both nil movement on Month 9. This will continue to be monitored during the year as more data becomes available.

61. The number of RTB applications received in the first ten months of 2022/23 was 110 compared to 141 for the same period in 2021/22. There has been 52 RTB completions in the first ten months of 2022/23 compared to 40 for the same period in 2021/22. The RTB applications and sales will be kept under review during the year especially given the current economic conditions. As at Month 10, the 2022/23 RTB sales forecast is 60, which is nil movement compared to Month 9.

62. The housing management service is forecast to overspend by £407k which is a minor adverse movement of £2k on Month 9.

63. Tenants' services are forecast to overspend by £62k, a favourable movement of £10k on Month 9 relating to a reduction in staffing and agency costs.

64. The repairs and planned maintenance service is forecasting an overspend at Month 10 of £162k which is nil movement on Month 9. The repairs and planned maintenance service will continue to be kept under review during the year as more actuals data becomes available, especially due to potential pressures relating to voids, day to day repairs, disrepair, and market conditions including inflation.
65. As at Month 10 the capital programme funding forecast is an underspend of £1,500k which is no change on the Month 9 position.
66. As at Month 10 the interest and investment income is forecast to breakeven. Although given current economic circumstances this will continue to be closely monitored.
67. The development and risk contingency budgets are forecast to overspend by £483k as at Month 10 which represents no change on the Month 9 position. These budgets include the bad debt provision will be kept under review in the remaining months of the year and the final provision will be based on the arrears as at 31 March 2023.

HRA Capital Expenditure

68. The HRA capital programme is set out in the table below. The 2022/23 revised budget is £75,131k and forecast expenditure is £65,769k with a total variance of £9,362k due mainly to re-phasing of projects continuing into future years.

Table 9: HRA Capital Expenditure

	Revised Budget 2022/23	Forecast 2022/23	Cost Variance 2022/23	Project Re-Phasing 2022/23	Total Project Budget 2022-27	Total Project Forecast 2022-27	Total Project Variance 2022-27	Movement 2022-27
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HRA Capital Programme								
Major Projects	55,170	49,493	(1,601)	(4,076)	306,627	303,119	(3,508)	(378)
Works to Stock programme	15,947	12,610	(924)	(2,413)	136,678	135,754	(924)	34
Green Homes Initiatives	1,514	1,166	0	(348)	22,151	22,151	0	
Major Adaptations to Property	2,500	2,500	0	0	13,936	13,936	0	
Total HRA Capital	75,131	65,769	(2,525)	(6,837)	479,392	474,960	(4,432)	(344)
Movement		(1,528)	(344)	(1,184)		(344)	(344)	

69. The 2022-23 forecast includes significant investment in housing acquisitions including buy backs of former Right to Buy properties, partly financed by external resources such as the GLA Right to Buy Back grant. The 2022-23 forecast reflects an increase in the annual acquisitions cap from 20 units to 37, resulting from the commencement on site of the Maple and Poplar redevelopment, which will provide 34 general needs flats. Works are in progress on the South block, with a revised planning permission required for the North block following design changes.
70. An under spend of £1,967k is forecast on the GLA Ringfenced and Negotiated grant Buy Back scheme partly due to several identified property sales falling through and the time limited nature of the grant to identify new acquisitions by end of March 2023. The Right to Buy Back

fund also reports an under spend of £1,679k based on the number of formally approved acquisitions at this stage of the year, with uncommitted funding unable to be carried forward into next financial year. There is residual uncommitted funding of £28k on the Rough Sleepers Accommodation Programme grant of £5,350k after fully allocating the grant to acquire 22 units (2 more than original target).

71. Works have completed and handed over at the 5x3 bedroom development at Moorfield Road, Cowley which will be provided as general needs housing. Works at the former garage site on Nelson Road to provide 6 affordable housing units are expected to be handed over in February 2023. A contract variation report has been approved by Cabinet Members to settle the final account with the contractor including a virement of £133k from unallocated Internal Developments funding, now included in the revised budget. Additional costs arose due to sewer works and contractor expense claims.
72. In January, Cabinet approved the appointment of the main contractor for the Petworth Gardens development and the allocation of £387k to the budget following tenders from the unallocated Acquisitions and Internal Developments budget. Construction works will commence on site shortly.
73. Bulk purchases of properties from several registered providers have been taking place under the £126,708k Hayes Regeneration programme, and demolitions and groundworks underway at Avondale estate.
74. The Works to Stock programme 2022/23 is in various stages of progress with works ongoing across the housing estate under numerous workstreams. There is a forecast under spend of £924k on programmes for which the budget is not expected to be committed this financial year. Works are underway on delivering Green Homes Initiatives funded by £1,581k Social Housing Decarbonisation Fund grant which is required to be spent by the June 2023 after the granting of a short extension. Agreement has been reached to deliver a lower number of units from the total grant due to rising prices.

Treasury Management Update as at 31 January 2023

Table 10: Outstanding Deposits

Period	Actual (£m)	Actual (%)
Call Accounts and MMF's*	49.9	49.85
Up to 1 Month Fixed-Term Deposits	35.2	35.16
Total	85.1	84.01
Strategic Pooled Funds	15.0	14.99
Total	100.0	100.00

*Money Market Funds

75. 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 and the DMADF. There is also an allocation to Strategic Pooled Funds.
76. The average rate of return on day-to-day operational treasury balances is 1.85%. As part of the Council's investment strategy for 22/23, 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 the previous six months income average, the overall rate of return increases to 2.06%.
77. 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, 59% of the Council's day-to-day operational treasury investments had exposure to bail-in risk compared to a December benchmark average of 60% 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.
78. 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 Total Debt: 2.95%

Average Interest Rate on Debt Excluding Temporary Borrowing: 3.11%

Average Interest Rate on Temporary Borrowing: 2.35%

	Actual (£m)	Actual (%)
General Fund		
PWLB	83.60	25.22
Long-Term Market	15.00	4.53
Temporary	70.00	21.12
HRA		
PWLB	129.82	39.17
Long-Term Market	33.00	9.96
Total	321.42	100.00

79. £10m of forward dated temporary borrowing reached settlement and funds were received by the Council.
80. Overall gilt yields moved down during January. With the Council's long-term borrowing need and with restrictive premiums, early repayment of debt remains unfeasible.
81. There were no breaches of the Prudential Indicators or non-compliance with the Treasury Management Policy and Practices.
82. To maintain liquidity for day-to-day business operations during February, cash balances will be placed in instant access accounts and short-term deposits.
83. At the beginning of January, a further £5m of temporary borrowing was secured which is due to come into London Borough of Hillingdon in February 23. Since then, the cash flow projections have been adjusted and it is unlikely any further borrowing from the original forecast will be required.

PART B: FINANCIAL RECOMMENDATIONS

That the Cabinet:

- a. Approve the introduction from April 2023 of an enhanced housing management service charge for all HRA short life properties at £9.12 pw.
- b. Approve the introduction from April 2023 of a furniture and furnishings service charge for all new HRA short life properties (bedsit £22.12pw; 1 bed 26.84pw; 2 bed £37.55pw; 3bed+ £45.68pw).
- c. Accept a grant of £400k from Central and North West London NHS Foundation Trust for extension of the Mental Health Crisis Recovery House pilot to 31 March 2024.
- d. Accept a grant of £340k from North West London Integrated Care Board to secure community support for virtual wards.
- e. Accept a grant of £300k from North West London Integrated Care Board to contribute to hospital discharge related costs incurred by Adult Social Care in 2022/23.
- f. 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. Ainscough Cranes - £32,000
 - b. 1 Vinyl Square (NMA) - £5,000
 - c. Bellmore Allotments - £32,000
 - d. Austin Road - £32,000
 - e. Avondale Drive - £40,000
- g. Agree a multi-activity Summer Holiday Programme for the provision of out of school activities in Summer 2023, with those in receipt of benefits-related free school meals eligible for free and agree to introduce a charge of £92 for a full week (equivalent to £18.40 per day), for children not currently in receipt of free school meals.
- h. Accept a grant of £16,100 from the Department for Education for the financial years 2022/23 and 2023/24, for the Professional Development Programme for Early Years Practitioners.

Reasons for recommendation

84. **Recommendations 2a and 2b** propose the introduction of new Fees and Charges to support a self-financing strategy to help sustain the tenancies of vulnerable clients from the homelessness route and provide one solution to homelessness pressures faced by the General Fund.

The number of homeless households in temporary accommodation stood at 666 at the end of December 2022, a 50% overall increase on the 445 households in temporary accommodation at the end of March 2022. Most of this increase has been in high-cost B&B accommodation. A related B&B reduction Action Plan has been developed which has a clear focus on shifting temporary accommodation supply from expensive nightly paid placements to cheaper placements, in particular using HRA short life properties.

A housing management offer has been developed to underpin a more intensive level of housing management. The provision of basic levels of furniture and furnishings would support some of the most vulnerable households the Council accommodates and would address many of the reasons for prospective short life tenants being unable to take up occupation

'straight away'. This provision would also have the potential to reduce short life void times and the time households remain in high-cost units of temporary accommodation following a short life offer.

85. The Mental Health Crisis Recovery House was established as a pilot in August 2022 as part of the Hillingdon mental health crisis pathway transformation programme. Extension until the end of 2023/24 will allow more time to fully evaluate the outcomes from the pilot and determine longer term arrangements, with **recommendation 2c** proposing to accept grant funding for the extension.
86. Virtual wards support people who would otherwise be in hospital to receive the specialist care they need in their own home or usual place of residence. If approved **recommendation 2d** will enable a provider to be secured to deliver specialist support to people primarily with heart and respiratory conditions who can then return to their usual place of residence.
87. **Recommendation 2e** proposes to accept grant funding that will contribute to addressing care home placement costs (short and long-term) incurred by Adult Social Care in 2022/23 to support the timely discharge of residents from hospital.
88. 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 2f** seeks authority from Cabinet to approve the acceptance of £141,000k in relation to the following major developments.
 - a. Ainscough Cranes - £32,000
 - b. 1 Vinyl Square (NMA) - £5,000
 - c. Bellmore Allotments - £32,000
 - d. Austin Road - £32,000
 - e. Avondale Drive - £40,000
89. **Recommendation 2g** supports the Summer Holiday Programme which will deliver affordable school holiday activities for up to 900 children in the borough across 5 weeks of the summer holiday period. 450 places will be reserved free of charge for eligible children in receipt of free school meals, with the cost of provision funded from the Governments Holiday Activity Fund, with 450 places available for fee paying children at a charge of £92 for a week's provision.
90. The proposed charge has been calculated on a full cost recovery basis and is equivalent to a cost of £18.40 per day, representing one of the lowest priced multi-activity holiday club provisions in across London. Hillingdon remains one of the only Council's directly providing holiday programmes for children. Programmes will be run across 5 weeks of the summer holiday, available from Fountain's Mill, Harlington or Ruislip Young People's Centres.
91. **Recommendation 2h** proposes to accept funding for a 3-year programme that will be run in 4 Cohorts. The funding is part of the DfE investment of £37.5 million into the Programme for the period 6 February 2023 to 31 March 2025, as part of the DfE's education recovery package, with this recommendation proposing to accept the funding allocation for 2022/23 (£4.5k) and 2023/24 (£11.6k).

This Early Years Professional Development Programme is investment from the government to provide training, qualifications, expert guidance, and targeted support to the early years sector to support the learning and development of the youngest and most disadvantaged children. The funding has been made available for the work that directly benefits Early Years Practitioners. This will develop (both directly and indirectly) a high-quality early years workforce and ensure children have the support they need to recover from COVID-19 pandemic.