COUNCIL BUDGET – 2022/23 REVENUE AND CAPITAL MONTH 11 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	This report provides the Council's forecast financial position and performance against the 2022/23 revenue budget and Capital Programme. A net in-year underspend of £109k is reported against General Fund revenue budget normal activities as of February 2023 (Month 11). Unallocated reserves are projected to total £26,828k at 31 March 2023. This headline position is a favourable movement of £14k to that reported to Cabinet for January 2023 (Month 10). COVID-19 pressures for the 2022/23 financial year are projected to total £14,926k at Month 11, a small adverse movement of £29k, with this position being £3,635k higher than budgeted in February 2022 and therefore being funded from Earmarked Reserves held for this purpose. 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. 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	Finance & Corporate Services

Relevant Ward(s)	All

RECOMMENDATIONS

That the Cabinet:

1. **Note the budget monitoring position and treasury management update as at February 2023 (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 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 £14,926k 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 £3,635k 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 support 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 £14,926k for the 2022/23 financial year and leaves reserves at £1,622k by 31 March 2023. It follows that any further adverse impacts beyond those factored into Service Operating Budgets will have to be absorbed within the General Fund Revenue account.

7. In view of the unprecedented inflationary pressures experienced during 2022/23 the Council has deployed specific earmarked reserves to mitigate the in-year pressures with actual inflation exceeding the sums built into the Council's current year budget strategy. Pressures continue to be monitored in the Month 11 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 have been 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 has continued 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. The 2022/23 pay award is higher than anticipated when the budget was set in February 2022, albeit with this pressure 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 being funded from releases from Earmarked Reserves, an underspend of £109k is projected across General Fund budgets at Month 11. This position is 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 £26,828k at 31 March 2023.

11. This represents a £14k favourable movement on the position presented for Month 10, with a favourable position being reported against expenditure on the Metropolitan Police Grant as work is underway to deliver the 2023/24 saving in the approved budget for the new financial year, with this position netted down by an adverse movement against Children's Social Care. 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, £11,451k of the £13,346k savings planned for 2022/23 are banked or on track for delivery in full by 31 March 2023, with £1,895k 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 be delivered in full.

13. Within the Collection Fund, a deficit of £42k is reported at Month 11, representing an adverse movement of £272k from Month 10, with the deficit 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 MTFF forecasts.

GENERAL FUND CAPITAL

15. As at Month 11 an underspend of £25,631k is reported on the 2022/23 General Fund Capital Programme of £69,573k, 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 underspend of £3,884k. General Fund Capital Receipts of £2,092k are forecast for 2022/23 after financing DSG safety valve agreement costs and transformation. Total capital receipts

are forecast to be £2,858k below the income target of £81,414k for the five years to 2026/27. Overall, Prudential Borrowing required to support the 2022/23 to 2026/27 capital programme is forecast to be under budget by £1,115k.

SCHOOLS BUDGET

16. The Dedicated Schools Grant (DSG) monitoring position is an in-year overspend of £7,535k at month 11, compared to the revised budgeted deficit of £5,486k, representing a pressure of £2,049k with an adverse movement of £830k from Month 10 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 and additional cost pressures on tuition services. 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 £19,657k. 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 £91k equating to a favourable movement of £15k on Month 10. The 2022/23 closing HRA General Balance is forecast to be £15,108k. 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 £109k underspend is projected across the General Fund at Month 11, 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 £26,828k 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 11		Variance (As at Month 11)	Variance (As at Month 10)	Movement from Month 10
	Approved Budget £'000	Forecast Outturn £'000	£'000	£'000	£'000
Service Operating Budgets	254,456	254,347	(109)	(95)	(14)
General Contingency	500	500	0	0	0
Unallocated Budget Items	(3,909)	(3,909)	0	0	0
Sub-total Expenditure	**251,047**	**250,938**	**(109)**	**(95)**	**(14)**
Corporate Funding	(251,047)	(251,047)	0	0	0
Total Net Expenditure	**0**	**(109)**	**(109)**	**(95)**	**(14)**
Balances b/fwd	(26,719)	(26,719)			
Balances c/fwd 31 March 2023	**(26,719)**	**(26,828)**			

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 £'000	Forecast Outturn £'000	Variance (As at Month 11) £'000	Variance (As at Month 10) £'000	Movement from Month 10 £'000
Property, Highways & Transport	Expenditure	19,982	19,897	(85)	(139)	54
	Income	(8,950)	(9,059)	(109)	(72)	(37)
	Sub-Total	**11,032**	**10,838**	**(194)**	**(211)**	**17**
Finance	Expenditure	137,262	137,357	95	91	4
	Income	(111,857)	(112,296)	(439)	(434)	(5)
	Sub-Total	**25,405**	**25,061**	**(344)**	**(343)**	**(1)**
Corporate Services	Expenditure	27,023	27,152	129	136	(7)
	Income	(1,633)	(1,808)	(175)	(167)	(8)
	Sub-Total	**25,390**	**25,344**	**(46)**	**(31)**	**(15)**
Residents' Services	Expenditure	64,851	67,433	2,582	2,667	(85)
	Income	(34,986)	(37,239)	(2,253)	(2,204)	(49)
	Sub-Total	**29,865**	**30,194**	**329**	**463**	**(134)**
Children, Families & Education	Expenditure	88,234	89,548	1,314	1,322	(8)
	Income	(22,648)	(23,380)	(732)	(856)	124
	Sub-Total	**65,586**	**66,168**	**582**	**466**	**116**
Health & Social Care	Expenditure	124,900	125,157	257	427	(170)
	Income	(27,722)	(28,415)	(693)	(866)	173
	Sub-Total	**97,178**	**96,742**	**(436)**	**(439)**	**3**
Total Service Operating Budgets		**254,456**	**254,347**	**(109)**	**(95)**	**(14)**

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. This increase will be funded by the Council's identified earmarked reserve for exceptional inflationary pressures above the Council's approved budget.

22. As can be seen from the table above, the net £109k 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 £194k 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 £109k favourable position. The adverse £17k movement in this portfolio is driven by a £54k decrease in expenditure offset by £37k 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 £344k is reported at Month 11 with a minor £1k improvement from Month 10 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 £46k 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 favourable movement of £15k, with this being driven by a number of minor updates, with no significant movements.

d. **Residents' Services** – a net overspend of £329k is forecast representing a favourable movement of £134k from Month 10, 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 favourable movement is being driven predominantly by a reduction in spend on the Metropolitan Police Grant, with this work being the beginning of the delivery of the 2023/24 saving presented in the Council's budget strategy report in February 2023. The net overspend is being driven by the high costs of temporary accommodation in the homelessness services to meet increased demand and a reduction in parking income in the early part of the financial year.

e. **Children, Families & Education** – an overspend of £582k is being reported within this portfolio, with an adverse movement of £116k from Month 10. 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 movement from Month 10 relates to a reduction in income within Youth Justice and Adult Learning due increased running costs outstripping grant and fee income. 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.

f. **Health & Social Care** – an underspend of £436k is reported for this portfolio, with an adverse movement of a minor £3k from Month 10. 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 £5,914k for such costs, 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 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
Cabinet Member for Property, Highways & Transport	(187)	(96)	(330)	0	0	(613)
Cabinet Member for Finance	(425)	(100)	0	0	0	(525)
Cabinet Member for Corporate Services	(446)	(1,428)	(68)	0	0	(1,942)
Cabinet Member for Residents' Services	(3,197)	(1,389)	(674)	0	0	(5,260)
Cabinet Member for Children, Families & Education	(34)	(1,579)	(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)
	(5,163)	**(6,288)**	**(1,895)**	**0**	**0**	**(13,346)**

Total 2022/23 Savings Programme	***39%***	***47%***	***14%***	***0%***	***0%***	***100%***
Month on Month Movement	**(1,520)** ***11%***	**1,420** ***-11%***	**100** ***0%***	**0** ***0%***	**0** ***0%***	**0** ***0%***

25. As of Month 11, £5,163k (39%) of the savings programme has already been banked, with a further £6,288k (47%) being reported as delivery in progress and £1,895k (14%) 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 11.

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 11		Variance (As at Month 11)	Variance (As at Month 10)	Movement from Month 10
	Approved Budget £'000	Forecast Outturn £'000	£'000	£'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	3,635	3,635	3,606	29
Total Exceptional Items	**11,291**	**14,926**	**3,635**	**3,606**	**29**

27. As at Month 11, 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 £3,635k. 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 £1,403k 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 £321k 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 £14,926k and £4,406k being released from the local reserves to fund the increase in service operating budgets, this leaves a balance of £1,622k 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 £87k leaves limited headroom to manage ongoing impacts above those already factored into Service Operating Budgets.

Collection Fund

29. A deficit of £42k is reported within the Collection Fund at Month 11, translating into an adverse movement of £272k from Month 10. Within the Collection Fund, an adverse position is reported within Council Tax of £3,590k, offset by a favourable position within Business Rates of £3,548k. 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 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 £478k to be factored in the next update to the Council's Budget Strategy for 2024/25.

General Fund Capital Programme

31. As at Month 11 an under spend of £25,631k is reported on the 2022/23 General Fund Capital Programme of £69,573k, 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 £3,884k. General Fund Capital Receipts of £2,092k are forecast for 2022/23 after financing DSG safety valve agreement costs and transformation. Total capital receipts are forecast to be £2,858k below the income target of £81,414k for the five years to 2026/27. Overall, Prudential Borrowing required to support the 2022/23 to 2026/27 capital programmes is forecast to be under budget by £1,115k.

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 £'000	Forecast 2022/23 £'000	Cost Variance 2022/23 £'000	Project Re-phasing 2022/23 £'000	Total Project Budget 2022-2027 £'000	Total Project Forecast 2022-2027 £'000	Total Project Variance 2022-2027 £'000	Move-ment £'000
Cabinet Member Portfolio								
Finance	1,281	361	(850)	(70)	5,226	4,376	(850)	-
Residents	3,686	3,339	532	(879)	11,187	11,719	532	-
Corporate Services	1,053	589	(153)	(311)	4,461	4,308	(153)	(8)
Children, Families and Education	10,168	4,963	-	(5,205)	29,351	29,351	-	
Health and Social Care	2,359	2,739	380	-	11,795	12,175	380	-
Property, Highways and Transport	49,924	31,951	(3,268)	(14,705)	247,895	244,102	(3,793)	(268)
Contingency	1,102	-	-	(1,102)	7,102	7,102	-	
Total Capital Programme	**69,573**	**43,942**	**(3,359)**	**(22,272)**	**317,017**	**313,133**	**(3,884)**	**(276)**
Major Projects	39,323	22,257	57	(17,123)	181,276	180,808	(468)	-
Programme of Works	29,148	21,685	(3,416)	(4,047)	128,639	125,223	(3,416)	(276)
General Contingency	1,102	-	-	(1,102)	7,102	7,102	-	
Total Capital Programme	**69,573**	**43,942**	**(3,359)**	**(22,272)**	**317,017**	**313,133**	**(3,884)**	**(276)**
Movement	151	(3,420)	(276)	(3,295)	151	(125)	(276)	

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. The impact on Council resources has been partly mitigated by £105k TFL grant funding able to be allocated towards

the existing scheme. An under spend of £117k is reported on Shopping Parades Initiatives for discontinued shop front grants.

35. 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.

36. **Corporate Services:** An underspend of £145k is reported, consisting of uncommitted funding within the Older People's Initiatives budget. A small underspend of £8k is reported on completed schemes within the Corporate Technology and Innovation programme.

37. **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, and a further contract award report to appoint the contractor for Meadow High School expansion has been approved in March 2023. 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.

38. **Health and Social Care**: The capitalisation of social care equipment budget reports an overspend of £380k due to higher demand levels and price inflation. This is offset by a £631k underspend on Disabled Facilities Grant adaptations. Both budgets are financed by the Disabled Facilities Grant.

39. **Property, Highways & Transport:** Re-modelling works at News Year Green Lane Civic Amenity Site to improve materials diversion rates will be implemented in 2023/24 following planning approval, and are expected to be £1,000k lower than the original budget estimate and a £200k grant for West London Waste Authority has been secured.

40. Works to extend the Uxbridge mortuary are now expected to complete in April 2023. Works are commencing to protect the Battle of Britain Bunker following recent approval to appoint a contractor.

41. An underspend of £993k is forecast on Transport for London (TFL) programme, 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. This is a movement of £162k relating to monies recently approved by TL to be allocated to eligible existing schemes reported under budget headings (Hayes Town Centre Initiatives £105k and Highways programme £57k)

42. Construction works are in progress on the new Platinum Jubilee leisure centre in West Drayton and are currently forecast 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	2,092	(2,501)	(8,734)	81,414	78,556	(2,858)	(142)
CIL	8,455	9,342		887	24,205	24,205	-	
Prudential Borrowing	21,381	15,058	53	(6,376)	97,578	96,463	(1,115)	(134)
Total Council Resources	**43,163**	**26,492**	**(2,448)**	**(14,223)**	**203,197**	**199,224**	**(3,973)**	**(276)**
Grants & Contributions	26,410	17,450	(911)	(8,049)	113,820	113,909	89	-
Capital Programme	**69,573**	**43,942**	**(3,359)**	**(22,272)**	**317,017**	**313,133**	**(3,884)**	**(276)**
Movement	151	(3,420)	(276)	(3,295)	151	(125)	(276)	

45. Three sites have been sold at auction in February and March and the sale of Brookfield Adult Education Centre is expected to be completed by the end of the financial year. The adverse movement of £142k relates to one identified disposal site no longer expected to be sold due to rights of way issues. The overall forecast is £2,858k lower than budget due in part to recent external valuations on numerous sites in the planned disposals programme, reflecting inflationary costs being experienced in the construction sector and resulting market slowdown.

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 has reduced by £400k to £4,600k due to risk of instalments slipping into 2023/24 for identified developments for which demand notices have been issued. Forecast grants and contributions are broadly in line with the revised budget.

Schools Budget

47. The Dedicated Schools Grant (DSG) monitoring position is an in-year overspend of £7,535k at month 11, 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 significantly since the budget was set and is a key area of review within the Safety Valve work. In addition to this, inflationary pressures across the sector have continued to increase throughout the year with costs of placements within each type of school setting, significantly higher than budgeted. When the £23,522k deficit brought forward from 2021/22 is taken into account, along with the revised Safety Valve funding for 2022/23, the cumulative deficit carry forward to 2023/24 is £19,657k.

Table 7: DSG Income and Expenditure 2022/23

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	(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	54,899	2,036	1,206	830
Total Funding Blocks	**5,486**	**7,535**	**2,049**	**1,219**	**830**
Balance Brought Forward 1 April 2022	23,522	23,522			
Safety Valve Funding	(7,750)	(11,400)			
Balance Carried Forward 31 March 2023	**21,258**	**19,657**			

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 (£2,036k adverse, £830k 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 alongside additional pressures on out of school tuition, is reflected in the adverse movement of a further £830k shown within this area. The position will continue to be monitored with the DfE as we enter the third year of the Safety Valve agreement, 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 that 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 £91k compared to the budget and a favourable movement of £15k on Month 10. The 2022/23 closing HRA General Balance is forecast to be £15,108k. 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
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	16,865	377	407	(30)
Tenant Services	4,410	4,472	62	62	0
Repairs	6,752	7,370	618	603	15
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 Contingency	1,260	1,743	483	483	0
Operating Costs	**68,174**	**67,773**	**(401)**	**(386)**	**(15)**
(Surplus) / Deficit	**334**	**243**	**(91)**	**(76)**	**(15)**
General Balance 01/04/2021	(15,351)	(15,351)	0	0	0
General Balance 31/03/2022	**(15,017)**	**(15,108)**	**(91)**	**(76)**	**(15)**

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 10.

61. The number of RTB applications received in the first eleven months of 2022/23 was 117 compared to 157 for the same period in 2021/22.There has been 56 RTB completions in the first eleven months of 2022/23 compared to 45 for the same period in 2021/22. As at Month 11 the 2022/23 RTB sales forecast is 60, which is nil movement compared to Month 10.

62. The housing management service is forecast to overspend by £377k which is a favourable movement of £30k on Month 10. This is due to a reduced forecast of £57k on downsizing homes incentives and an increase in repairs staffing of £27k.

63. Tenants' services are forecast to overspend by £62k, nil movement on Month 10.

64. The repairs and planned maintenance service is forecasting an overspend at Month 11 of £177k which is an adverse movement of £15k on Month 10 due to an increase in the pest

control forecast. The underlying pressure reflects increases in voids, disrepair cases and inflationary driven cost uplifts.

65. As at Month 11 the capital programme funding forecast is an underspend of £1,500k which is no change on the Month 10 position.

66. As at Month 11 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 11 which represents no change on the Month 10 position. These budgets include the bad debt provision which 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 £65,443k with a total variance of £9,688k due mainly to re-phasing of projects continuing into future years.

Table 9: HRA Capital Expenditure

	Revised Budget 2022/23 £'000	Forecast 2022/23 £'000	Cost Variance 2022/23 £'000	Project Re-Phasing 2022/23 £'000	Total Project Budget 2022-27 £'000	Total Project Forecast 2022-27 £'000	Total Project Variance 2022-27 £'000	Movement 2022-27 £'000
HRA Capital Programme								
Major Projects	55,170	50,709	(1,023)	(3,438)	306,627	303,697	(2,930)	578
Works to Stock programme	15,947	11,068	(929)	(3,950)	136,678	135,749	(929)	(5)
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**	**65,443**	**(1,952)**	**(7,736)**	**479,392**	**475,533**	**(3,859)**	**573**
Movement		(326)	573	(899)		573	573	

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 £1,054k 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 £20k 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 have been completed and additional costs of £78k are reported to settle an extension of time claim that has been agreed with the contractor.

72. Construction works are due to commence on site at Petworth Gardens to provide 4x4 bedroom houses, following the appointment of the main contractor.

73. Bulk purchases of properties from several registered providers have been taking place under the £126,708k Hayes Regeneration programme, and demolitions and groundworks are 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 £929k 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 28 February 2023

Table 10: Outstanding Deposits

Period	Actual (£m)	Actual (%)
Call Accounts and MMF's* Up to 1 Month Fixed-Term Deposits	37.5 23.1	49.60 30.56
Total	60.6	80.16
Strategic Pooled Funds	15.0	19.84
Total	75.6	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 2.01%. 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 2.21%.

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 February, 62% 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 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 Total Debt: 3.01%
Average Interest Rate on Debt Excluding Temporary Borrowing: 3.11%
Average Interest Rate on Temporary Borrowing: 2.69%

	Actual (£m)	Actual (%)
General Fund		
PWLB	83.60	24.85
Long-Term Market	15.00	4.46
Temporary	75.00	22.29
HRA		
PWLB	129.82	38.59
Long-Term Market	33.00	9.81
Total	**336.42**	**100.00**

79. A £5m temporary loan repayment was made during February. In addition, £10m of forward dated temporary borrowing reached settlement and funds were received by the Council.

80. Overall gilt yields moved up during February, partly due to the increase in base rate of 0.50% from 3.50% to 4.00% at the MPC meeting on 1st February. 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 March, cash balances will be placed in instant access accounts and short-term deposits.

83. Cash flow projections continue to indicate further borrowing it is unlikely to be required for the remainder of 22/23.

PART B: FINANCIAL RECOMMENDATIONS

2. **That the Cabinet:**

   a. **Agree a realignment of the permit arrangements for the Ruislip Lido RL3 Parking Management Scheme to mirror those of the RL4 Scheme, as set out in the report.**

   b. **Ratify an Emergency Contract Decision taken by the Interim Chief Executive, with the agreement of the Leader of the Council, on 27 March 2023 to agree to a single tender action direct award contract with Allianz Insurance plc via Alford Burton (Insurance Broker) for the building's insurance for Council leaseholder residential properties for a period of one year from 1 April 2023 to 31 March 2024 at the cost of £919,413.76.**

   c. **Accept £95k grant funding from the Department for Environment, Food, and Rural Affairs (Defra) for costs associated with the delivery of new post-Brexit port health authority functions at the Heathrow Imported Food Office.**

Reasons for recommendation

1. Currently, parking permit and visitor voucher charges are levied to residents of households located within the Ruislip Lido RL3 Parking Management Scheme, a weekend seasonal scheme. When the Ruislip Lido RL4 weekend seasonal scheme was established last year to combat parking problems around the Lido, it was introduced at no cost to residents for permits or visitor vouchers. To ensure consistency, **recommendation 2a** proposes to extend the same arrangements to RL3 residents. It is anticipated that there will be a loss of income of c.£900 should the proposal be endorsed. The associated advertising cost for a notice of variation in the Uxbridge Gazette addressing the proposed change is estimated at £800. These financial impacts will be managed within existing Parking Services budgets.

2. On 27 March 2023, the Chief Executive, with the written agreement of the Leader of the Council, invoked use of the Emergency Contract Delegation in the Constitution to ensure the Council had buildings insurance cover in place for its leaseholder housing properties, following the current provider withdrawing its insurance from the market by 1 April at short notice to the Council. The decision was to award this to a new provider for a one-year period, which as such, did not require formal leaseholder consultation. The Cabinet should note that the cost of the premium is recovered in full through leaseholder charges. This emergency decision enabled the Council to avoid significant financial risk for either Leaseholders or the Council in its capacity as Freeholder. The decision is reported to Cabinet under **recommendation 2b** to ratify for public record, as per the provisions in the Constitution.

3. **Recommendation 2c** proposes to accept grant funding offered by Defra which, if accepted by Cabinet, will be utilised to fund the costs of environmental health and veterinary resources required at the Heathrow Imported Food Office in readiness for the implementation of new port health authority requirements for EU imports, including supporting agencies managing biosecurity risks at the border until new controls are in place.