

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 06/09/2021

Subject: 2020/21 Revenue Outturn Report

Report of: Councillor Max Schmid, Cabinet Member for Finance and Commercial Services

Responsible

Director: Emily Hill – Director of Finance

SUMMARY

The 2020/21 General Fund outturn is an underspend of £0.301m. Significant Covid-19 funding was applied during the year to fund expenditure incurred in delivering the council's Covid response and income losses experienced during the year. Financial risks continue in 2021/22 as Covid restrictions ease with the potential release of pent up demand and the uncertain impact of the pandemic on economic recovery.

The Housing Revenue Account (HRA) outturn will require a draw down from HRA general balances of £7.020m. Whilst this is £0.904m less than budgeted, the HRA continues to experience significant financial pressures which need to be addressed.

Funding for the Dedicated Schools Grant (DSG) High Needs Block (HNB) continues to be under pressure, although the situation is improving considerably in line with the council's DSG recovery plan. For 2020/21 the cumulative HNB DSG overspend is £16.679m. This is £3.111m better than the previous year. The deficit will further reduce in 2021/22 following the council securing additional Government funding and continuing to manage its DSG recovery plan.

General balances and earmarked reserves increased by £17.5m in 2020/21. The 2020/21 budget included new contributions to reserves of £7.2m and smoothing adjustments regarding prior year business rates have contributed £6m. The most significant movement in reserves is an increase of £44.7m in restricted reserves that relate to the Covid-19 pandemic. The majority of this relates to government funding for the council's share of the additional business rate reliefs granted in 2020/21 to be charged against the general fund in future years due to the statutory accounting arrangements for the collection fund. These funds are therefore not available to the council more generally but to meet known liabilities in future years.

RECOMMENDATIONS

1. To note the General Fund underspend of £0.301m and that this be added to the Council's general balance.

2. To note that the draw down from the Housing Revenue Account general balance was £0.904m less than budgeted.
3. To note the in-year reduction in the Dedicated Schools Grant High Needs Block cumulative overspend of £3.111m.

Wards Affected: All

Our Priorities	Summary of how this report aligns to the H&F Priorities
Being ruthlessly financially efficient	We need to always confirm that spend fits our council's priorities; challenge how much needs to be spent; and achieve results within agreed budgets. Finance is everyone's business and every penny counts.

Financial Impact

This report is financial in nature and those implications are contained within.

Legal Implications

There are no legal implications for this report.

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Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

GENERAL FUND

1. As set out in Table 1 there was a year-end underspend against departmental budgets of £0.301 million in 2020/21. The main departmental variances are set out in Appendices 1 to 7.

Table 1 – General Fund outturn 2020/21 (underspends in brackets)

Department	Revised budget £m	Gross variance £m
Children's Services	55.898	(0.024)
The Economy Department	(39.667)	(0.148)
The Environment Department	74.732	(1.251)
Controlled Parking Account	(14.883)	1.197
Finance	3.467	(0.183)
Resources	4.517	(0.366)
Social Care	58.350	(0.097)
Centrally Managed Budgets	2.729	0.571
Total	145.143	(0.301)

2. The council's response to the Covid-19 pandemic has resulted in additional expenditure and income loss of £41.8m of which £36.2m has been funded through government grant. The departmental impact is summarised within Appendices 1 to 7. In addition a £1.1m loss is estimated regarding council tax collection in 2020/21. Under local authority accounting regulations this loss will be spread over 3 years from 2021/22 onwards. The council will offset this against government Covid grant funding carried forward.

HOUSING REVENUE ACCOUNT

3. The draw down from the Housing Revenue Account general balance was is **£0.904m** less than budgeted. The main variances are detailed in Appendix 8. The outturn includes Covid costs and income losses of £0.245m for which no government grant support has been received.

Table 3: Housing Revenue Account forecast outturn

Housing Revenue Account (General Reserve)	£m
Balance as at 31 March 2020	(24.607)
Less: Budgeted appropriation from balances	7.924
Add: underspend	(0.904)
Balance as at 31st March 2021	(17.587)

DEDICATED SCHOOLS GRANT (DSG)

4. Dedicated schools grant (DSG) is paid in support of local authority schools' and is the main source of income for the schools' budget. It is split between central expenditure and the individual schools' budget (ISB) in conjunction with the local schools' forum.
6. The cumulative balances for the High Needs Block, Early Years and schools block are set out in Table 4. Funding for the Dedicated Schools Grant (DSG) High Needs Block (HNB) continues to be under pressure, although the situation is improving considerably. The cumulative deficit has reduced by £3.111m in 2020/21 in line with the Council's DSG recovery plan and agreement to obtain additional government funding.

Table 4: Dedicated Schools Grant – Cumulative Balance

	2020/21 opening balance £m	In-year movement £m	2020/21 closing balance £m
Early Years (surplus)	0.065	1.353	1.418
Schools (surplus)	0.605	0.150	0.755
High Needs (deficit)	(19.790)	3.111	(16.679)

GENERAL FUND RESERVES

7. The latest reserves position is set out in Table 5.

Table 5 – Movement in General Fund reserves

	2020/21 opening balance £m	In-year movement £m	2020/21 closing balance £m
General balance	19.0	0.3	19.3
Earmarked reserves	28.8	17.2	46.0
Total general balances and earmarked reserves	47.8	17.5	65.3
Restricted reserves	9.5	(0.2)	9.3
Covid-19 response and recovery reserve	6.2	44.7	50.9
Dedicated Schools Grant (restated)	19.1	(0.3)	18.8
Total	82.6	61.7	144.3
Revenue developer contributions (section 106 and community infrastructure levy)	16.6	29.4	46.0

8. General balances and earmarked reserves have increased by £17.5m in 2020/21. This includes budgeted new contributions of £7.2m to ensure financial

resilience and smoothing adjustments regarding prior year business rates of £6m.

9. Balances of £18.8m are carried forward regarding Dedicated Schools Grant. This includes the surplus of £2.173m regarding the Early years and Schools block. £16.679m is also carried forward regarding the outstanding High Needs Block (HNB) deficit. The accounting treatment regarding the historic DSG HNB deficit has been updated in 2020/21 (following a change in statutory accounting). The figures presented in Table 5 are therefore restated on a like for like basis.
10. The Covid-19 reserve has increased by £44.7m albeit this is not new money for the council to spend. £41m of the increase relates to the council's share of business rates reliefs issued in 2020/21. These funds are therefore not available to the council more generally but to meet known collection fund liabilities that will be charged against this reserve as they become due. In addition the reserve includes £3.9m carried forward in respect of business grants that are payable to local businesses in 2021/22 in line with the government's grant conditions.
11. The balance of unapplied developer revenue contributions has increased by £29.4m. These have strict conditions and should be spent only in line with the relevant S106 agreement.
12. The figures for reserves and balances continue to be reviewed. A full update on the reserves strategy and action will be provided as part of the 2021/22 month 6 corporate revenue monitor report.

REASONS FOR DECISION

13. To report the revenue expenditure position and comply with Financial Regulations.

EQUALITIES IMPLICATIONS

14. As required by Section 149 of the Equality Act 2010, the Council has considered its obligations regarding the Public-Sector Equality Duty and it is not anticipated that there will be any direct negative impact on groups with protected characteristics, as defined by the Act, from the adjustments to the budgets required because of this report.

RISK MANAGEMENT IMPLICATIONS

15. The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.

Implications completed by: David Hughes, Director of Audit, Fraud, Risk and Insurance, telephone 020 8753 2587.

List of Appendices:

Appendix	Title
Appendix 1	Children's Services
Appendix 2	The Economy Department
Appendix 3	The Environment Department
Appendix 3a	Controlled Parking Account
Appendix 4	Finance
Appendix 5	Resources
Appendix 6	Social Care
Appendix 7	Centrally Managed Budgets
Appendix 8	Housing Revenue Account

APPENDIX 1: CHILDREN'S SERVICES
BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2020/21 £000s	Year End Net Variance £000s	Explanation of Major Variances (over £100,000)
Children and Young People's Services	33,065	(1,530)	Underspend on placements due to additional income received for Staying-put and Asylum Seekers, a lower level of new entrants to care and work done by the service to enable more young people to remain safely at home through effective and improved support to prevent entry to care. Improved tracking and monitoring arrangements to achieve early permanence for children have also resulted in children spending less time in care. Costs have also been reduced through an increase in semi-independent block contract provision, reducing the need for more costly spot purchased placements.
Children's Commissioning	4,892	655	An in-year overspend on the Family Support framework contracts had agreed funding from reserves of £750,000 by Cabinet decision. However at outturn most of this overspend has been mitigated from departmental underspends with only £190,300 required funding from reserves.
Children's Performance & Improvement	2,310	22	
Director of Children's Services	1,333	561	2020/21 Children's Services savings were loaded here and have been redistributed across the service in 2021/22 as Covid-19 delayed delivery which is not being progressed.
Education	7,129	264	The Haven residential unit for children with disabilities overspent. Budget growth as part of the 2021/22 medium term financial strategy means The Haven is not expected to overspend from 2021/22.
School Funding	7,169	3	
Total	55,898	(24)	

Covid-19	£000s
Underlying variance	(24)
Additional Covid costs/ losses	2,877
Additional Covid funding	(2,877)
Net Variance (after accounting for Covid-19)	(24)
The Covid-19 spend and funding related to expenditure with respect to specific targeted grant funding (mainly in relation to free school meals and holiday activities) in addition to expenditure incurred by services in their direct response and service adaptations with respect to the Covid-19 pandemic.	

APPENDIX 2: THE ECONOMY DEPARTMENT
BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2020/21 £000s	Year End Net Variance £000s	Explanation of Major Variances (over £100,000)
Housing Solutions	8,239	320	Improved income collection for Private Sector Leasing rents produced an underspend of (£593,000) on the bad debt provision, offset by an overspend on cost avoidance payments of £794,000 and £149,000 on running costs including legal and repairs expenditure. Because of departmental underspends in other areas the Temporary Accommodation reserve was not used to fund any of the additional cost avoidance payments.
Economic Development, Learning & Skills	(2,499)	(89)	Higher than budgeted rental income from the business units at the Townmead and Sullivan estates and underspends on other activities.
Planning	(52,527)	(391)	Variance due to staffing vacancies arising from recruitment delays (£301,000), unexpected grant income of (£230,000) offset by an overspend of £140,000 on exceptional costs for legal and other specialist advice on some specific applications.
Operations	4,063	8	
Place	122	(7)	
Regeneration & Development	2,882	11	
Head of Finance	53	0	
Total	(39,667)	(148)	

Covid-19	£000s
Underlying variance	(148)
Additional Covid-19 costs/ losses	3,757
Additional Covid-19 funding	(3,757)
Net Variance (after accounting for Covid-19)	(148)

Covid-19	£000s
<p>The Covid-19 spend includes the cost of provision of accommodation to rough sleepers and clients needing to self-isolate (partially offset by housing benefits received) of £1,200,000; the costs of staff supporting the Council's response to Covid-19 of £157,000 (Economic Development, Learning & Skills) and £291,000 (Facilities Management); and income loss of £2,100,000.</p> <p>This is funded from specific Covid-19 grants (£674,000), Covid-19 income loss grant (£2.1m) and unringfenced Covid-19 grant (£974,000).</p>	

**APPENDIX 3: THE ENVIRONMENT DEPARTMENT
BUDGET REVENUE MONITORING REPORT OUTTURN**

Departmental Division	Revised Budget 2020/21 £000s	Net Year End Variance £000s	Explanation of Major Variances (over £100,000)
Public Realm	40,342	(286)	Additional income from utility services (lower traffic activity in the pandemic allowed more infrastructure work to be completed) and strong management of external service contracts. These savings were partly utilised to fund the Climate Change Team.
Safer Neighbourhoods & Regulatory Services	8,089	(106)	Underspends on Regulatory Services and Technical Services allowed the funding of additional expenditure on Community Safety Services (mainly CCTV) and maintaining level of Noise & Nuisance Services.
Leisure Sports & Culture	9,642	(786)	Variances include unbudgeted one off income and lower operational costs on employees and premises across all services including Events, Sport and Library Services.
Residents Services	16,659	(73)	
Total	74,732	(1,251)	

Covid-19	£000s
Underlying Variation	(1,251)
Additional Covid-19 costs/ losses	6,738
Additional Covid-19 funding	(6,738)
Net Variance (after accounting for Covid-19)	(1,251)
<p>There were additional pandemic social distancing enforcement measures accounting for most of the expenditure pressures.</p> <p>The Department provides a wide range of fee charging services to our residents, businesses and visitors (eg commercial waste, building control, registrars, licensing, bereavement); the impact of the pandemic on income impact represented 25% of all expected income.</p>	

APPENDIX 3A: CONTROLLED PARKING ACCOUNT
BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2020/21 £000s	Year End Net Variance £000s	Explanation of Major Variances (over £100,000)
Income	(22,774)	1,223	Variance mainly due to government income compensation scheme not covering all Covid-19 income losses due to lockdown measures.
Expenditure	7,891	(26)	
Total	(14,883)	1,197	

Covid-19	£000s
Underlying variance	(3,944)
Additional Covid-19 costs/ losses	14,613
Additional Covid-19 Funding	(9,472)
Net Variance (after accounting for Covid-19)	1,197
The Covid-19 losses and funding was entirely based around lost income due to reduced parking levels due to lockdown measures. The government income compensation scheme did not fully reimburse these losses.	

APPENDIX 4: FINANCE
BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2020/21 £000s	Year End Net Variance £000s	Explanation of Major Variances (over £100,000)
Assurance, Programmes & Analytics	172	148	Additional Business Intelligence staffing costs to meet increased organisational demand for analytics, particularly in children's social care. This overspend is partially mitigated by vacancies held within the Corporate Programme Management Office.
Audit, Fraud, Risk and Insurance	91	(81)	
Chief Executives Office	626	(103)	Underspend due to vacancies.
Finance	2,500	(88)	
Managed Services	78	(59)	
Total	3,467	(183)	

Covid-19	£000s
Underlying variance	(183)
Additional Covid-19 costs/ losses	266
Additional Covid-19 funding	(266)
Net Variance (after accounting for Covid-19)	(183)
<p>The Covid-19 spend within Assurance, Programmes & Analytics was Business Intelligence staffing costs incurred to support central government data returns and establishment of the CAN/Shielding support teams, funded by Test and Trace Grant.</p>	

APPENDIX 5: RESOURCES
BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2020/21 £000s	Year End Net Variance £000s	Explanation of Major Variances (over £100k)
Director of Resources	51	0	
Legal Services	(453)	(16)	
Democratic services, Coroners & Mortuaries	3,273	(274)	The council's share of Wave 1 and Wave 2 pan-London mortality management provision cost, in response to the pandemic, for this financial year is £0.530m. Underspends on staffing across Committee services and Coroners & Mortuaries, plus additional income generated from work for Kingston Hospital.
Digital Services	(45)	(188)	There were Covid related digital costs of £0.177m (additional device purchases and increased network resilience costs). There have been renegotiations with suppliers on several key business applications, cost reductions from decommissioning of network servers and a decrease in print volumes due to Covid-19. The service has underspent on salaries in part due to transferring agency staff onto fixed term contracts.
Communications and Communities	1,175	98	
Transformation, Talent and Inclusion	110	(13)	
Procurement	44	(16)	
Leader's Office	362	43	
Total	4,517	(366)	

Covid-19	£000s
Underlying variance	(366)
Additional Covid-19 costs/ losses	937
Additional Covid-19 funding	(937)
Net Variance (after accounting for Covid-19)	(366)
Covid-19 spend related to: 1. Democratic services, Coroners & Mortuaries - Emergency Mortuary costs with contributions to pan-London mortality management provision	

Covid-19**£000s**

2. Digital Services - Additional hardware requirements across council and for CAN/Shielding support teams

3. Communications and Communities - Banners & Signage.

4. Additional hours for Leader's Office redeployed to CAN

Specific funding of £12,000 Reopening High Streets Safely Grant was used to fund eligible activity.

**APPENDIX 6: SOCIAL CARE
BUDGET REVENUE MONITORING REPORT OUTTURN**

Departmental Division	Revised Budget 2020/21 £000s	Year End Net Variance £000s	Explanation of Major Variances (over £100k)
Quality, Safety & Performance	20,683	(643)	Underspend mainly due to the full year effect of 21 net reductions in Placements costs of (£510,00) in care homes and 8 fewer residents receiving Direct Payments of (£355,000). An overspend in home care of £962,000 due to the full year effect of home care packages and increases in price, is partly offset by costs of (£725,00) for Home First recharged to the Hospital discharge Covid-19 funding.
LD, MH & In House Services	22,275	637	The main pressures are in Learning Disabilities services due the very high care needs of people who have a Learning Disability, a full year effect of new or returning people and higher market costs with an overspend comprising of Placements of £464,00 and Home Care £869,000. There were some offsetting underspends in day care services of (£95,000). In Mental Health services there was a small underspend of (£6,000,000). The In house services have outturned with an underspend that resulted from a different model of day care provision of (£224,000) and reduction in Provider services costs of (£311,000) as alternatives service delivery models have been delivered during Covid-19.
Commissioning	6,227	60	
Public Health	26	0	The Public Health (PH) grants for the financial year was £22,275,000. This funding has been allocated to improve Public Health outcomes for residents and the outturn spend was £22,077,000 with the balance of £198,000, allocated to PH reserves which can be used in future years.
Resources	5,675	(69)	
Social Care Directorate (includes	3,464	(82)	

Departmental Division	Revised Budget 2020/21 £000s	Year End Net Variance £000s	Explanation of Major Variances (over £100k)
COVID)			
Total	58,350	(97)	

Covid-19	£000s
Underlying variance	(97)
Additional Covid-19 costs/ losses	8,058
Additional Covid-19 funding	(8,058)
Net Variance (after accounting for Covid-19)	(97)
<p>Spend was on a range of measures with additional support to care market providers and residents during the pandemic and as part of the Winter plan.</p> <p>The department has used the following grants to provide support on Infection Control measures of (£1,627,000), increase Workforce Capacity of (£456,000), ensure Rapid testing was being undertaken of (£168,000) and the timely Hospital Discharge arrangements were in place to support care costs of (£2,906,000) paid via CCG HDP fund. The remaining care support has been funded from the LA un-ringfenced emergency Covid-19 government funding (£2,436,000) and the MHCLG income compensation grant due the Care Act easement of (£465,000).</p>	

APPENDIX 7: CENTRALLY MANAGED BUDGETS
BUDGET REVENUE MONITORING REPORT OUTURN

Departmental Division	Revised Budget 2020/21 £000s	Year End Net Variance £000s	Explanation of Major Variances (over £100,000)
Corporate & Democratic Core	2,254	189	Bank charges were £181,000 over budget as more financial activity was conducted online with electronic payments during the Covid-19 restrictions.
Housing Benefits	(408)	(8)	
Levies Summary	1,545	(21)	
Net Cost of Borrowing	2,841	(187)	Due to reductions in interest payments which has been partially offset by lower interest receivable on balances.
Other Corporate Items	(9,665)	598	The adverse variance relates largely to commercial activities relating to advertising. This is a result of the challenging economic climate caused by Covid-19 combined with commercial income falling outside the Covid-19 income loss compensation scheme.
Pensions & redundancy	5,868	0	
COVID 19	294	0	
Total	2,729	571	

Covid-19	£000s
Underlying variance	571
Additional Covid-19 costs/ losses	4,592
Additional Covid-19 funding	(4,592)
Net Variance (after accounting for Covid-19)	571
A number of Covid-19 expenditure areas were included within Centrally Managed budgets where these related specifically to Covid-19 programmes and were not led by departments. This included the Contain Outbreak Management Fund, Community Mass Testing and transfer payments to assist people with financial difficulties due to self-isolation. These were all funded from the relevant Covid-19 funding streams for these activities.	

**APPENDIX 8: HOUSING REVENUE ACCOUNT
BUDGET REVENUE MONITORING REPORT OUTURN**

Departmental Division	Revised Budget 2020/21 £000s	Year End Net Variance £000s	Explanation of Major Variances (over £100k)
Housing Income	77,474	(1,182)	An underspend on the bad debt provision was due to better than expected income collection performance (£915,000) and an increase in commercial rental income (£267,000).
Finance & Resources	5,841	(1,779)	This is due mainly to the release of a provision for risk.
Housing Management	6,533	352	The overspend is mainly due to the unbudgeted costs of the Careline service of £380,000 and Covid-19 related cleaning of sheltered housing communal areas of £140,000 offset by staffing and premises related underspends (£168,000).
Property & Compliance	9,150	(567)	The underspend is mainly due to delays on mechanical and engineering repairs and maintenance caused by Covid-19 related access restrictions.
Void & Repairs	11,147	567	The overspend is mainly a result of increased volumes of disrepair compensation claims and the associated legal costs.
Long Term Repairs Model	0	2,555	This relates to the increased costs associated with the procurement of new repairs and maintenance contracts as part of the long-term repairs model.
Safer Neighbourhoods	712	(90)	
Place	11,168	(238)	The underspend is mainly due to delays in the recruitment of staff.
Regeneration & Development	2,061	(240)	This mainly relates to lower than budgeted spend on staffing and feasibility costs.
Operations	4,074	(63)	
Capital Charges	27,083	(766)	This is due to an increased depreciation charge of £310,000 due to a revaluation of the Council's housing stock, a reduction in interest payable on HRA debt of (£865,000) due to a revision to the borrowing

Departmental Division	Revised Budget 2020/21 £000s	Year End Net Variance £000s	Explanation of Major Variances (over £100k)
			strategy to take advantage of lower interest rates and a reduction in the interest payable on internal borrowing from the General Fund (£210,000).
Corporate Support Service Recharges	7,630	544	This is due to the additional cost of corporate recharges following a mid-year review.
Appropriation from HRA General Reserve	7,924	(907)	

Covid-19	£000s
Underlying variance	(1,152)
Additional Covid-19 costs/ losses	245
Additional Covid-19 funding	0
Net Variance (after accounting for Covid-19)	(907)
Government grants to support local authorities in mitigating the financial impact of Covid-19 were not made available to Housing Revenue Account due to the statutory ringfence. Covid-19 costs mainly related to protecting tenants and residents on housing estates and enhanced cleaning of sheltered housing units.	