

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 05/09/2022

Subject: 2021/22 Provisional Revenue Outturn Report

Report of: Councillor Rowan Ree, Cabinet Member for Finance and Reform

Responsible Director: Sukvinder Kalsi, Director of Finance

SUMMARY

The 2021/22 General Fund outturn, subject to audit, is a £6.7m underspend. This compares to a forecast underspend of £5.6m at month 9. The Housing Revenue Account (HRA) outturn requires a draw down from HRA general balances of £2.0m. This is £2.4m less than originally budgeted. The HRA continues to experience significant financial pressures.

General balances and earmarked reserves, excluding the movement in Covid reserves, increased by £11.2m in 2021/22. The increase includes the addition of the 2021/22 General Fund underspend of £6.7m and the release of £4.8m from the Dedicated Schools Grant (DSG) High Needs Block (HNB) deficit reserve in accordance with the Council's DSG recovery plan.

RECOMMENDATIONS

1. To note the General Fund underspend of £6.7m.
2. To note that the draw down from the Housing Revenue Account general balance of £2.0m which was £2.4m less than budgeted.
3. To note the in-year reduction in the Dedicated Schools Grant High Needs Block cumulative overspend of £4.9m and remaining cumulative deficit of £11.8m.

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 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.

Andrew Lord (Head of Strategic Planning and Investment), 10 June 2022 and verified by Sukvinder Kalsi, Director of Finance, 24 August 2022

Legal Implications

There are no legal implications for this report.

Adesuwa Omoregie. Assistant Director, Legal Services, 24 June 2022

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 of £6.750 million in 2021/22. The main departmental variances are set out in Appendices 1 to 7 along with an update on the financial impact of Covid.

Table 1 – General Fund outturn 2021/22
(underspends in brackets)

Department	Revised budget £m	Gross variance £m
Children's Services	59.137	(0.929)
The Economy Department	11.740	(1.278)
The Environment Department	76.791	(0.067)
Controlled Parking Account	(26.653)	(3.378)
Finance	5.976	(0.556)
Resources	8.036	(0.166)
Social Care	61.032	(0.016)
Centrally Managed Budgets	49.185	(0.360)
Total	245.244	(6.750)

HOUSING REVENUE ACCOUNT

2. The Housing Revenue Account made a draw down from balances of £1.997m in 2021/22. This was £2.376m less than budgeted. The main variances are detailed in Appendix 8.

Table 2: Provisional Housing Revenue Account outturn

Housing Revenue Account (General Reserve)	£m
Balance as at 31 March 2021	(17.563)
Less: Budgeted appropriation from balances	4.373
Add: underspend	(2.376)
Balance as at 31st March 2022	(15.566)

DEDICATED SCHOOLS GRANT (DSG)

3. 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.

4. The cumulative balances for the High Needs Block (HNB), Early Years and Schools Block are set out in Table 3. In accordance with the Council's DSG HNB safety valve recovery plan, agreed with the Department for Education (DfE), the cumulative deficit reduced by £4.859m in 2021/22. This has freed up council reserves that can be used for other purposes.

Table 3: Dedicated Schools Grant – Cumulative Balance

	2021/22 opening balance £m	In-year movement £m	2021/22 closing balance £m
Early Years (surplus)	1.418	(1.184)	0.234
Schools (surplus)	0.755	(0.690)	0.065
High Needs (deficit)	(16.679)	4.859	(11.820)

GENERAL FUND RESERVES

5. The year-end reserves position is set out in Table 4.

Table 4 – Movement in General Fund reserves

	2021/22 opening balance £m	In-year movement £m	2021/22 closing balance £m
General balance	19.3	1.1	20.4
Earmarked and restricted reserves	57.4	10.1	67.5
Total general balances and earmarked reserves	76.7	11.2	87.9
Covid response and recovery reserve	51.4	(21.5)	29.9
Dedicated Schools Grant (high needs block)	16.7	(4.9)	11.8
Revenue developer contributions (section 106 and community infrastructure levy)	46.0	0.7	46.7
Total	190.8	(14.5)	176.3

6. General balances and earmarked reserves increased in 2021/22 by £11.2m from £76.7m to £87.9m. The increase includes the addition of the 2021/22 General Fund underspend of £6.7m and the reallocation of £4.9m from the DSG HNB deficit reserve.
7. The Covid response and recovery reserve reduced by £21.5m to £29.9m. A £39m reduction was anticipated regarding business rate reliefs awarded in 2020/21. New rate reliefs were granted in 2021/22 with the Hammersmith & Fulham share estimated at £21m. This lost income has been funded through grant and is carried forward within the Covid response and recovery reserve to 2022/23. Under the business rates system the cost of these reliefs will be charged against the reserve in 2022/23.

8. The balance of unapplied developer revenue contributions has increased by £0.7m to £46.7m.
9. A full update on the reserves strategy and action will be provided as part of the 2022/23 month 6 corporate revenue monitor report.

EQUALITIES IMPLICATIONS

10. 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

11. 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 2021/22 £000s	Year End Net Variance £000s	Explanation of Major Variances (over £100,000)
Children and Young People's Services	32,760	(917)	Underspend on placement budget for Looked After Children and Care Leavers. Ongoing work to ensure young people are in the most suitable placement has seen a decrease in placement numbers and expenditure through 2021/22 financial year.
Children's Commissioning	5,748	(242)	£114,000 underspend on commissioning staffing as a result of restructure and vacancies held in year. Further minor underspends including one off contract savings and additional funding contributions received.
Children's Performance & Improvement	2,755	(159)	Staffing underspend resulting from part year vacancies held pending recruitment.
Children's Services Department Budgets	1,638	20	
Education	11,453	369	£315,000 overspend on Travel Care and Support with respect to young people receiving statutory home to school travel assistance. Expenditure reflects the growth in the cohort following the start of the 2021/22 academic year.
School Funding	4,783	0	
Total	59,137	(929)	

Covid Funding

General Covid funding of £551,000 has been drawn down in 2021/22 to support demand and staffing pressures around front line social work and service delivery.

APPENDIX 2: THE ECONOMY DEPARTMENT

BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2021/22	Year End Net Variance	Explanation of Major Variances (over £100,000)
	£000s	£000s	
Housing Solutions	8,362	(945)	Lower than budgeted client numbers in Private Sector Leased temporary accommodation schemes (£268,000), lower usage of provision for bad debt due to excellent income collection performance (£405,000) and lower number and size of cost avoidance payments (£272000).
Economic Development, Learning & Skills	4,277	(0)	
Planning	1,822	5	
Operations	(3,081)	(340)	Reimbursement of rental costs following the termination of the lease at 145 King Street (£180,000), higher than expected staff capitalisation (£70,000) and delays in recruitment (£85,000).
Place	73	(14)	
Regeneration & Development	232	12	
Head of Finance (GP)	57	4	
Total	11,740	(1,278)	

Covid Funding

Specific Covid grants of £6,945,000 and general Covid funding of £600,000 have been applied in 2021/22. The Covid spend includes the cost of provision of accommodation to rough sleepers and clients needing to self-isolate partially offset by housing benefits received of £148,000; the costs of supporting the response to Covid of £6,782,000 (Economic Development, Learning & Skills) and £409,000 (Facilities Management); and income loss of £206,000.

APPENDIX 3: THE ENVIRONMENT DEPARTMENT

BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2021/22	Net Year End Variance	Explanation of Major Variances (over £100,000)
	£000s	£000s	
Public Realm	41,475	(92)	Waste disposal levy less than budgeted (-£106,000)
Safer Neighbourhoods & Regulatory Services	12,343	61	CCTV overspend due mostly to unbudgeted CCTV software upgrade and income underachievement (+£257,000), Technical Services staffing and supplies and services underspend (-£84,000), other (-£112,000)
Leisure Sports & Culture	7,705	8	
Resident Services	15,267	(44)	Early delivery of Resident Experience Access Programme savings for the external contact centre (-£100,000)
Total	76,791	(67)	

Covid Funding

The outturn incorporates Covid related costs and loss of income of £2,208,000 and the use of Covid funding of £1,780,000. The net cost of £428,000, arising from a lack of business rates and council tax enforcement income, has been partially offset by other Covid related underspends (such as reduced demand for accessible transport) and has been absorbed within existing budgets.

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

Departmental Division	Revised Budget 2021/22 000s	Year End Net Variance £'000s	Explanation of Major Variances (over £100,000)
Income	(40,474)	(3,928)	Increase in Pay and Display income and increased Suspension and Traffic Order revenues post Covid.
Expenditure	13,821	550	Increased costs relating to clearing backlog of Penalty Charge Notice debt registrations.
Total	(26,653)	(3,378)	

Covid Funding

There was a £798,000 reduction in income in the first quarter due to Covid and £202,000 of this loss was funded from Covid grant (compensation for lost fees and charges).

APPENDIX 4: FINANCE

BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2021/22 £000s	Year End Net Variance 000s	Explanation of Major Variances (over £100,000)
Assurance, Programmes & Analytics	1,359	(304)	Staffing vacancies across the division due to difficult to recruit positions.
Audit, Fraud ,Risk and Insurance	1,000	(48)	
Chief Executives Office	556	(66)	
Finance	3,224	(374)	A review of potential duplicate payments being made to suppliers across the council has led to a successful recovery and unbudgeted income.
Managed Services	2,000	0	
Procurement and Commercial	(2,163)	238	The impact of the Covid pandemic has led to a fall in expected income from advertising. A number of our sites are on a profit share basis and resulted income budget not being met.
Non-controllable items	(3,888)	0	
Total	5,976	(556)	

Covid Funding

The outturn incorporates Covid funding of £101,000 which was used to support public health initiatives for testing and contract tracing. There was a further loss of £114,000 regarding advertising income that has been absorbed within the departmental outturn.

APPENDIX 5: RESOURCES

BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2021/22	Year End Net Variance	Explanation of Major Variances (over £100,000)
	£000s	£000s	
Director of Resources	(126)	(0)	
Legal Services	215	16	
Democratic services, Coroners & Mortuaries	2,433	(219)	Additional one-off income arising from the backlog of registration services, vacancies across the division.
Digital Services	11,958	(21)	
Communications and Communities	656	94	
Transformation, Talent and Inclusion	2,632	(98)	
Leader's Office	268	63	
Non-controllable items	(10,000)	(1)	
Total	8,036	(166)	

Covid Funding

Covid costs of £675,000 have been absorbed within the outturn relating to Pan-London shared costs for excess death mortality management, additional costs to support reducing digital exclusion during the pandemic, and to support remote and hybrid working.

APPENDIX 6: SOCIAL CARE

BUDGET REVENUE MONITORING REPORT OUTTURN

Departmental Division	Revised Budget 2021/22 £000s	Year End Net Variance £000s	Explanation of Major Variances (over £100,000)
Independent Living, Quality, Performance & Safeguarding	22,941	(331)	Underspend was achieved despite the ongoing impact of Covid. The financial pressures included those arising from the policy of discharging residents as early as possible from hospital and preventing residents from unnecessary admission into hospital. This increased home care costs and there was a net increase of 12% in the number of residents receiving home care. The department has continued to mitigate the impact on the care market providers for ongoing costs from Covid with a package of measures to support providers including additional support during the winter. The main variances were additional spend of £1.494m due to the Hospital Discharge programme and further increases in price offset by additional Health income of £975,000 for Home First reimbursement of costs, and underspends of £188,000 through the transfer of resident costs to Health following continuing health care assessments.
Specialist Support and Independent Living	24,962	(208)	Budget pressures for Learning Disabilities services due to the very high care needs of residents, the full year cost effect of new or returning people and higher market costs. There was an overspend of £509,000 on Home Care and £111,000 on home care placements. This was partially offset by an underspend of £95,000 in day care services. Overall in Mental Health there was an underspend of £76,000 which was a good achievement given the earlier year forecast. The In-house services underspent by £590,000 from a different model of day care provision and a saving in staffing costs of £67,000.
Commissioning	5,139	(248)	The underspend arose mainly from service re-provision for third sector organisations due to the on-going impact of Covid (£93,000) and the allocation of staff cost to Covid funding (£97,000).
Public Health	251	0	Public health is funded from ring-fenced public

Departmental Division	Revised Budget 2021/22	Year End Net Variance	Explanation of Major Variances (over £100,000)
	£000s	£000s	
			health grant. The grant for 2021/22 was £22.622m of which £22.140m was applied in-year. The unspent balance of £482,000 has been added to the balance of £192,000 brought forward from previous years so that a total of £680,000 will carry forward for use in future years.
Resources	5,538	(14)	
Social Care Directorate	644	(66)	
ASC Covid	1,557	0	
Year-end adjustments	0	550	Transfer of Better Care Fund grant back to the balance sheet to fund nursing care placement pressures, due to transfers from Health to Social Care.
Year-end adjustments	0	301	Increase in the bad debt provision for residential care.
Total	61,032	(16)	

Covid Funding

Adults Social Care spent £8.2m on a range of Covid measures with additional support to care market providers and residents during the continued pandemic and as part of the Winter plan. The department has utilised the following grants to provide support on Infection Control and Rapid testing measures of (£1.551m), increase Workforce Recruitment & Retention of (£1.770m), reducing measures on the Omicron infection of (£0.230m) and the timely Hospital Discharge arrangements were in place to support care costs of (£3.093m) paid via the CCG Hospital Discharge Programme fund. The remaining care support costs have been funded from general Covid funding (£1.442m) and the income loss grant due to the Care Act easement (£0.114m).

BUDGET REVENUE MONITORING REPORT OUTURN

Departmental Division	Revised Budget 2021/22	Year End Net Variance	Explanation of Major Variances (over £100,000)
	£000s	£000s	
Corporate & Democratic Core	2,953	30	
Housing Benefits	(382)	137	Covid had a negative impact on housing benefit overpayment collection rates.
Levies	1,560	(6)	
Net Cost of Borrowing	3,715	(506)	Improved investment income returns were achieved on cash balances due to interest rate rises.
Other Corporate Items	32,080	352	Land charge income was below budget by £41,000. Increased costs of £65,000 were incurred on the apprenticeship levy in line with the increase in the increases to the pay bill. An adjustment of £216,000 was required following review of the Housing Revenue Account for the amenities recharge.
Pensions & redundancy	9,230	(367)	There were underspends regarding payments to the pension fund for historic redundancy decisions (£138,000) and an underspend on the redundancy contingency (£229,000).
Covid	29	0	
Total	49,185	(361)	

Covid Funding

A number of Covid expenditure areas were included within Centrally Managed Budgets including Contain Outbreak Management Fund, Community Mass Testing and transfer payments to assist people with financial difficulties due to self-isolation. In total £3.568m was funded from relevant Covid grant streams.

APPENDIX 8: HOUSING REVENUE ACCOUNT

BUDGET REVENUE MONITORING REPORT OUTURN

Departmental Division	Revised Budget 2021/22	Year End Net Variance	Explanation of Major Variances (over £100,000)
	£'000s	£'000s	
Housing Income	(79,148)	39	
Finance & Resources	12,982	(695)	Lower than expected use of a provision for risk/ contingency
Housing Management	7,232	144	Overspend against the decants budget
Property & Compliance	10,518	(365)	Higher than expected capitalisation of mechanical and engineering repairs and maintenance works
Void & Repairs	9,828	(131)	Higher than expected capitalisation of repairs and maintenance works offset by increased cost of disrepairs
H&F Maintenance (DLO)	3,153	162	Overspend relates mainly to essential roofing repairs
Safer Neighbourhoods	782	0	
Place	8,321	(543)	The underspend is mainly due to additional income from estate amenities charges, lower levels of resident involvement activities due to ongoing Covid restrictions and the allocation of one-off income from community hall hire.
Regeneration & Development	2,274	(535)	Underspends on feasibility studies and higher than expected staff time spent on capital schemes.
Operations	3,896	(48)	
Capital Charges	17,508	168	Increased depreciation charges offset by lower than budgeted debt servicing costs.
Corporate Support Service Recharges	0	(571)	Reduced corporate recharges following a mid-year review of costs.
Total	(2,655)	(2,376)	