

Performance and Finance Scrutiny Sub-Committee AGENDA

DATE: Monday 29 July 2019

TIME: 7.30 pm

VENUE: Committee Room 5, Harrow Civic Centre, Station Road, Harrow, HA1 2XY

MEMBERSHIP (Quorum 3)

Chair: Councillor Kiran Ramchandani

Councillors:

Ghazanfar Ali
Honey Jamie

Nitesh Hirani
Pritesh Patel

Reserve Members:

- | | |
|------------------|-------------------|
| 1. Dean Gilligan | 1. Ameet Jogia |
| 2. Ajay Maru | 2. Amir Moshenson |
| 3. David Perry | |

Contact: Alison Atherton, Senior Professional - Democratic Services.
Tel: 020 8424 1266 E-mail: alison.atherton@harrow.gov.uk

Useful Information

Meeting details:

This meeting is open to the press and public.

Directions to the Civic Centre can be found at:
<http://www.harrow.gov.uk/site/scripts/location.php>.

Filming / recording of meetings

The Council will audio record Public and Councillor Questions. The audio recording will be placed on the Council's website.

Please note that proceedings at this meeting may be photographed, recorded or filmed. If you choose to attend, you will be deemed to have consented to being photographed, recorded and/or filmed.

When present in the meeting room, silent mode should be enabled for all mobile devices.

Meeting access / special requirements.

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An induction loop system for people with hearing difficulties is available. Please ask at the Security Desk on the Middlesex Floor.

Agenda publication date: Friday 19 July 2019

AGENDA - PART I

1. ATTENDANCE BY RESERVE MEMBERS

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

- (i) to take the place of an ordinary Member for whom they are a reserve;
- (ii) where the ordinary Member will be absent for the whole of the meeting; and
- (iii) the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
- (iv) if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

2. APPOINTMENT OF VICE-CHAIR

To consider the appointment of a Vice-Chair to the Performance & Finance Scrutiny Sub-Committee for the Municipal Year 2019/2020.

3. DECLARATIONS OF INTEREST

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

- (a) all Members of the Sub-Committee;
- (b) all other Members present.

4. MINUTES (Pages 5 - 10)

That the minutes of the meeting held on 27 March 2019 be taken as read and signed as a correct record.

5. PUBLIC QUESTIONS *

To receive any public questions received in accordance with Committee Procedure Rule 17 (Part 4B of the Constitution).

Questions will be asked in the order in which they were received. There will be a time limit of 15 minutes for the asking and answering of public questions.

[The deadline for receipt of public questions is 3.00 pm, Wednesday 24 July 2019. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

6. PETITIONS

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

7. REFERENCES FROM COUNCIL AND OTHER COMMITTEES/PANELS

To receive any references from Council and/or other Committees or Panels.

8. INFORMATION REPORT - REVENUE AND CAPITAL OUTTURN, SAVINGS UPDATE AND BUDGET STRATEGY (Pages 11 - 134)

Report of the Director of Finance

9. ANY OTHER BUSINESS

Which cannot otherwise be dealt with.

AGENDA - PART II

Nil

*** DATA PROTECTION ACT NOTICE**

The Council will audio record item 5 (Public Questions) and will place the audio recording on the Council's website, which will be accessible to all.

[**Note:** The questions and answers will not be reproduced in the minutes.]

PERFORMANCE AND FINANCE SCRUTINY SUB-COMMITTEE MINUTES

27 MARCH 2019

Chair: * Councillor Ghazanfar Ali

Councillors: † Jeff Anderson * Ajay Maru
* Nitesh Hirani * Pritesh Patel

* Denotes Member present
† Denotes apologies received

19. Attendance by Reserve Members

RESOLVED: To note that there were no Reserve Members in attendance.

20. Declarations of Interest

RESOLVED: To note that there were no declarations of interest made by Members.

21. Minutes

RESOLVED: That the minutes of the meeting held on 13 December 2018 be taken as read and signed as a correct record, subject to the following comments:

Councillor Patel informed the Group that he had still not received a breakdown of figures from the Director of Finance, on page 7, about:

- (1) the Rayners Lane Triangle project to see if it was partly crowd funded; and

- (2) the breakdown of the £400k which was allocated for the development of unmanned aerial vehicles to support a range of Council services.

22. Public Questions and Petitions

RESOLVED: To note that there were none.

23. References from Council and Other Committees/Panels

RESOLVED: To note that there were none.

RESOLVED ITEMS

24. Annual Equalities Report 2018/19

The Divisional Director, Strategic Commissioning presented the Annual Equalities Report 2018/19. He explained that it outlined progress against the Council's three equality objectives and was reviewed every four years – the next one would be at the end of the forthcoming financial year. An officer advised that the priorities for the next report cycle would be determined at the Corporate Priorities Group meeting at the end of 2019.

Members asked the following questions and officers provided the following responses:

Page 27: 'Harrow Council has the second highest proportion of in-work Housing Benefit households in the country, reflecting the number of low-paid jobs available in the borough.' – Are these recipients working inside the borough or outside it?

The Divisional Director, Strategic Commissioning advised that the data was based on household income and it was not therefore possible to tell if these people worked in the borough. However, previous studies had shown that there was in-work poverty in Harrow.

Page 28: 'In 2011, the census showed that 14.6% of residents in Harrow had a limiting long-term illness or disability. This was an increase of 13.2% (+4000) since 2001. Harrow's rate is now higher than the average for London (14.2%).' – What type(s) of sickness did people have as this could determine what type of resourcing needed to be put into place?

The Director of Public Health stated that these figures referred to census data and not to a local data set. The census question was: 'Do you have an illness/disability that limits your daily life?' Respondents would have answered yes for a variety of conditions such as: ageing, mental illness, infirmity, learning disabilities, sensory impairments and other issues due to ongoing illness (including those that were self-diagnosed). The Director of Public Health confirmed that Harrow and Leicester had the highest rates of diabetes

in the UK and that this was an ongoing challenge. However, other chronic conditions were not as prevalent in the borough.

Page 30: what was the definition of child poverty that was used to compile the data?

The Director of Public Health clarified that it was the central Government definition which related to low income households in receipt of benefits.

Page 31: *'At 10%, Harrow has the second lowest proportion of social housing of any of the London boroughs'*. The Council's current regeneration strategy will deliver a number of new 2 bedroom flats but the report stated that there is a demand for larger properties. How will the Council reconcile this shortfall and should it consider building larger family homes?

The Divisional Director, Strategic Commissioning stated that he did not have detailed figures regarding the number and size of homes to be delivered by the Regeneration Plan. He added that private developers would be obliged to adhere to planning policy.

The Director of Public Health also advised that some of the current overcrowding in the borough was due to people living in extended families because numbers of affordable first-time homes were lacking, as opposed to the availability of larger properties.

The Divisional Director, Strategic Commissioning undertook to ensure that this query was fed back to those responsible for the Regeneration Plan.

Page 22: *'Natural change showed 2,177 more births than deaths. International migration to Harrow decreased in 2016-17 with a net gain of 3,035 people into Harrow, lower than the previous year's level which showed a net gain of 3,831 people into Harrow.'* – Do we have a forecast for future population trends in the next few years to help with the planning of service provision?

The Divisional Director, Strategic Commissioning explained that the Greater London Authority (GLA) predicted the level of development based on the house building targets set by the Mayor of London in the London Plan. The target was an estimated figure and subject to numerous factors affecting population loss and gain. The Director of Public Health stated that the population of Harrow was expected to be 259,000 by 2030 (approximately 11,000 more than present), but it was not possible to tell what proportion of this would be elderly given that population forecasting was frequently based on different models and variables. She undertook to send a link to the information online to Members after the meeting.

Page 23: *'9.6% of Harrow's working age population classified themselves as disabled, a total of 23,900 people.'* – What were the metrics for staff

undertaking the Equality Matters training and what is the plan to increase uptake? The statistics showed that new starters are completing this but existing staff are not.

The Divisional Director, Strategic Commissioning stated that the majority of existing staff had already completed this training and were required to complete refresher training every two years. Three years ago there was a drive to encourage all staff to undertake the training which resulted in a bulge in the figures at the time. Since then, there had been regular communications in place to remind staff to undertake the training as part of the broader improvement plan. The officer explained that efforts were underway to provide laptops to staff at the depot and that classroom training would also be considered for shift-workers.

RESOLVED: that the report be noted.

25. Update on the Health Visiting Scrutiny Review

The Director of Public Health presented an Update on the Health Visiting Scrutiny Review Recommendations. She confirmed that actions against the recommendations in her paper were all on track with key progress being made on a new combined contract for health visiting and school nursing (0-19) which was awarded to Central and North West London (CNWL) in July 2018, where feedback had been positive so far. By October 2018, all previous staffing issues had been resolved and all inductions (including equality training) were completed. More recently, the Council won a bid to help target Romanian women who had some of the highest rates of smoking during pregnancy.

The Director for Public Health also went through the performance graph on page 68 and explained that the key performance indicators (KPIs) were mandated by the Department of Health. She informed the Sub-Committee that statistics on children who had a 12 month review would appear to drop due to availability of data because of long-term sickness of a staff member in the team, but that this would be resolved by May 2019. There was also an anticipated delay in the National Child Measuring Programme due to the recruitment of new staff.

Members asked the following questions and received the following responses:

What health support is given for home schooled pupils and what types of health conditions do they face?

The Director of Public Health advised that parents may opt to home-school their children due to a severe disability, terminal conditions or parental choice, but that the exact numbers were unknown as the data was held by the Children and Families section. However, where known home schooled

children were given access to the same school nurse advice as pupils in mainstream schools.

Dental disease among children in Harrow was at 33% – what facilities are available in school to tackle this?

The Director of Public Health explained that the public health team had taken the opportunity to change the model for oral health promotion when NHS England retendered their contract for community dentistry – the previous contract having been inherited by the local authority. The new programme was developed in collaboration with Public Health England (PHE) and Queen Mary Westfield College, University of London, and it provided training and resources to school nurses, health visitors, early years staff in both children centres and private nurseries and childminders. As a result, oral hygiene was now regarded as everyone's responsibility rather than the sole responsibility of a single health promoter. Due to the success of this initiative, Harrow Council would be joining a PHE campaign in May/June 2019 to promote Harrow's achievements as an example of what could be done in neighbouring boroughs. Additionally, money from the Government's Sugar Tax was distributed back to the Council's Healthy Pupil Capital Fund where work is underway to install water fountains in schools and Affinity Water would be providing refillable water bottles to show pupils the link between protecting the environment and healthy living. A launch date for this would be confirmed soon and the Director of Public Health would email invitations to Members of the Group.

Members were also advised that dental health was only monitored every two years by a national dental survey in children under 5 but that earlier indications of success were to be measured using Clinical Commissioning Group (CCG) data on tooth extractions under general anaesthetic in children and attendances at Accident & Emergency for dental pain. The latest survey results would be released at the end of 2019 and were expected to provide more details about dental health in Harrow - where additional sampling had taken place to identify groups in the population with higher rates of dental disease. Separately, work was also being done to promote visits to the dentist by younger children so that they could build positive associations with this health service.

How much income had Harrow received from the Sugar Tax?

The Director of Public Health confirmed that a one-off payment of approximately £180k had been received for Community Schools in Harrow and that voluntary aided and private schools received their funds directly. Surplus funds remained and would be used to fund healthy food schemes such as school gardens.

What work is being done to tackle obesity in schools?

The Director of Public Health explained that the work done on preventing tooth decay was helping to tackle obesity as it was linked to the issue of sugary foods. There had also been a session at Glebe Primary School, attended by the Mayor of London, where demonstrations of sugar content in food took place and the concept of a 'daily mile' (through walking or running) was promoted. Most schools participated in this scheme and results had shown that it led to good behaviour and improved concentration among pupils. The national 'Food Smart' app, which used barcodes on food packaging to identify fat/sugar content, would also assist young people in making better dietary choices.

Have there been any cases of female genital mutilation (FGM) in Harrow?

There were very few cases of children at possible risk of FGM being referred to the MASH (Multi Agency Safeguarding Hub). Most cases in Harrow were generally identified in women at maternity units. The Local Safeguarding Children's Board (LSCB), health professionals, schools and some voluntary sector groups are part of a project group looking into FGM including audits to identify additional data available. Nationally, there had only been one successful prosecution in an FGM case in the UK. Schools had raised awareness by distributing 'FGM information cards' to girls which outlined contact details of where they can access support or require help to tackle this.

RESOLVED: that the report be noted.

(Note: The meeting, having commenced at 7.30 pm, closed at 8.27 pm).

(Signed) COUNCILLOR GHAZANFAR ALI
Chair



**REPORT FOR: PERFORMANCE AND
FINANCE SCRUTINY
SUB-COMMITTEE**

Date of Meeting: 29 July 2019

Subject: INFORMATION REPORT
Revenue and Capital Outturn 2018/19 –
report to Cabinet 20 June 2019.

**2019/20 Savings Update at P2 (31 May
2019)** – report to Cabinet 11 July 2019.

**2 Year Budget Strategy – 2020/21 to
2021/22-** report to Cabinet 11 July 2019.

Responsible Officer: Dawn Calvert, Director of Finance

**Scrutiny Lead
Member area:** Councillor Honey Jamie - Resources
Councillor Kanti Rabadia - Resources

Exempt: No

Wards affected: All

Enclosures: Revenue and Capital Outturn 2018/19 report
and appendices 1 to 6.

2019/20 Savings Update at P2 (31 May
2019) and 1 appendix.

2 Year Budget Strategy – 2020/21 to
2021/22.

Section 1 – Summary and Recommendations

This covering report includes 3 reports which have been considered at Cabinet meetings in June and July 2019 and are for further consideration by this meeting. The reports are:

- Revenue and Capital Outturn 2018/19
- 2019/20 Savings Update at P2 (31 May 2019)
- 2 Year Budget Strategy – 2020/21 to 2021/22

Recommendations:

To note the reports and to make any recommendations the sub-committee wishes for consideration by Cabinet or officers.

Section 2 – Report

Introductory paragraph

The Council undertakes regular monitoring of the Council's revenue and capital budgets, with reports being presented to Cabinet on a quarterly basis throughout the year and with the year-end outturn being reported in June following the end of the financial year.

The first report is the Revenue and Capital Outturn report which shows the final outturn for the financial year 2018/19 as reported to Cabinet in June 2019, at the time of sending this report to Cabinet, appendix 5 was classed as confidential but was later published. The second report attached sets out the progress on achieving the savings that are included in the 2019/20 revenue budget.

The third report titled 2 Year Budget Strategy – 2020/21 to 2021/22 was approved at the July Cabinet meeting. This report sets out the options to reduce the 2020/21 to 2021/22 budget gap and the key themes being explored to support the 2 year Budget Strategy 2020/21 to 2021/22.

Financial Implications

These are contained within the attached reports.

Performance Issues

These are contained within the attached reports.

Environmental Impact

There are no direct impacts.

Risk Management Implications

These are contained within the attached reports.

Equalities implications / Public Sector Equality Duty

Was an Equality Impact Assessment carried out? No

Council Priorities

The Council's vision 'Working Together to Make a Difference for Harrow' is supported by five priorities:

- Building A Better Harrow
- Supporting Those In Need
- Protecting Vital Public Services
- Delivering A Strong Local Economy For All
- Modernising Harrow Council

Section 3 - Statutory Officer Clearance

| | | |
|--------------------|-------------------------------------|--|
| Name: Dawn Calvert | <input checked="" type="checkbox"/> | on behalf of the* Chief Financial Officer |
| Date: 16/07/2019 | | |

| | |
|-----------------------------------|-----------|
| Ward Councillors notified: | NO |
|-----------------------------------|-----------|

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels Head of Strategic Finance and Business (Deputy S151)
e-mail: Sharon.daniels@harrow.gov.uk

Background Papers: None.

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REPORT FOR: CABINET

| | |
|-------------------------------------|---|
| Date of meeting: | 20 June 2019 |
| Subject: | Revenue and Capital Outturn 2018/19 |
| Key Decision: | Yes |
| Responsible Officer: | Dawn Calvert, Director of Finance |
| Portfolio Holder: | Councillor Adam Swersky, Portfolio Holder for Finance and Resources |
| Exempt: | No, except for Appendix 5, which is exempt on the grounds that it contains “exempt information” under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) |
| Decision subject to Call-in: | Yes |
| Wards affected: | All wards |
| Enclosures: | Appendix 1 - Revenue Carry Forward Schedule 2018/19 Appendix 2 - Capital Receipts Flexibility Strategy 2018/19 Appendix 3 - Movement in Reserves 2018/19 Appendix 4 - 2018/19 MTFs Savings Tracker Appendix 5 - Commercialisation Update 2018/19 Qtr 4 Appendix 6 - Capital Outturn and Funding 2018/19 |

Section 1 – Summary and Recommendations

This report sets out the Council's revenue and capital outturn position for 2018/19.

Recommendations:

1. That Cabinet notes the revenue and capital outturn position for 2018/19 as summarised in paragraphs 1 to 1.2.
2. That Cabinet notes the movement between reserves as summarised in table 4, paragraphs 2.31 to 2.44.
3. That Cabinet notes the revenue carry forwards as summarised in table 5, paragraph 2.45, that have been approved under delegated authority by the Director of Finance.
4. That Cabinet notes the slippages on the Capital Programme, summarised in tables 9 and 10 that have been approved under delegated authority by the Director of Finance for carry forward into 2019/20.
5. That Cabinet note the Quarter 4 Commercialisation Update as specified in Appendix 5 (Part II report).

Reason (for recommendation)

To report the final position for the financial year 2018/19

Section 2 – Report

EXECUTIVE SUMMARY

- 1.0 The revenue outturn position for the Council's General Fund at the end of the financial year 2018/19 year shows a balanced position after transfer to reserves. The Council has been working towards a planned underspend of at least (£2.2m) to support the 2019/20 budget. Through robust financial management the planned underspend has been achieved and increased to (£3.110m).
- 1.1 The balanced budget position assumes total revenue budget carry forward of £2.385m, which is added to reserves in 2018/19 for use in 2019/20.
- 1.2 Total spend on the Capital Programme for the year is £57.783m against a budget of £217.565m, giving a variance of £159.782m. The variance of £159.782m is made up of total slippage of £93.616m which will be carried forward into 2019/20 and underspends of £66.166m. Of this under spend; £1m will be set aside as Council Wide Capital Budget in 2019/20 and the balance of £65.166m will be removed from the programme.

2.0 REVENUE OUTTURN

The Council's net position after a net Directorate overspend of £3.429m and Corporate adjustments is an (£8.603m) underspend. Of this, (£4.279m) relates to the 2018/19 Business Rate Pool income and additional sec 31 grant which is built into the 2019/20 budget. The balance of (£1.214m) is additional income, received at the end of the financial years from the Business Rate Pool as a result of additional business rate growth across London over and above that estimated. This leaves a net underspend of (£3.110m). The (£2.2m) planned underspend is transferred into the Business Planning Reserve and will be applied to support the 2019/20 budget. The additional underspend of (£0.910m) is transferred into the Commercialisation Reserve.

2.1 Table 1 below sets out the Summary Revenue Outturn position

Table 1: Revenue Outturn 2018/19 Summary

| Approved Budget as at Feb 2018 | Directorate | Revised Budget £000 | Outturn £000 | Outturn Variance £000 | Carry Forward £000 | Outturn Variance after carry forward £000 |
|--------------------------------|---|------------------------|-----------------|--------------------------|-----------------------|--|
| 21,172 | Resources and Commercial | 17,647 | 16,366 | (1,281) | 1,080 | (201) |
| 28,363 | Commissioning, Environment and Culture | 34,362 | 35,331 | 969 | 175 | 1,144 |
| 8134 | Housing | 8,193 | 8,014 | (179) | 28 | (151) |
| 1,919 | Regeneration, Enterprise and Planning | 2,229 | 1,950 | (279) | 120 | (159) |
| 38,416 | Community Total | 44,784 | 45,295 | 511 | 323 | 834 |
| 64,545 | Adults | 65,245 | 69,642 | 4,397 | - | 4,397 |
| (1,048) | Public Health | (1,704) | (1,955) | (251) | - | (251) |
| 41,514 | Children's | 42,321 | 40,828 | (1,493) | 143 | (1,350) |
| 105,011 | People Total | 105,862 | 108,515 | 2,653 | 143 | 2,796 |
| 164,599 | Total Directorates | 168,293 | 170,176 | 1,883 | 1,546 | 3,429 |
| | One-off Income | | (174) | (174) | - | (174) |
| | One-Off Social Care Grant | | (1,576) | (1,576) | - | (1,576) |
| 5,616 | Corporate Items | 6,162 | 4,446 | (1,716) | - | (1,716) |
| 1,248 | Corporate Contingency | 1,248 | - | (1,248) | - | (1,248) |
| 154 | Technical and Corporate Adjustments | (4,086) | (13,743) | (9,657) | 839 | (8,818) |
| (2,700) | Use of Capital Receipts | (2,700) | (1,200) | 1,500 | - | 1,500 |
| | Sub Total | 168,917 | 157,929 | (10,988) | 2,385 | (8,603) |
| | 2018/19 NNDR Pool Income Built into 2019/20 Budget Transferred to Reserve | - | 4,279 | 4,279 | - | 4,279 |
| | Estimated Additional Pool Income in 2018/19 Transferred to Reserves | - | 1,214 | 1,214 | - | 1,214 |
| 168,917 | Total Budget Requirement | 168,917 | 163,422 | (5,495) | 2,385 | (3,110) |
| | Contribution to Reserves | - | 3,110 | 3,110 | - | 3,110 |
| | Planned Underspend | - | (2,200) | (2,200) | - | (2,200) |
| | Additional Underspend | - | (910) | (910) | - | (910) |

Directorates' Outturn

2.2 The outturn for the Directorates is a net over spend of £3.429m after taking into consideration carry forwards of £1.546m. The position for each directorate is summarised as follows:

Resources

2.3 The outturn position for Resources is an under spend of (£0.201m) after allowing for a carry forward of £1.080m. The key reasons for the under spend are detailed below:

- The Management Team is showing a net (£0.101m) underspend which represents the savings realised on the delayed recruitment to the Corporate Director of Resources position.
- The Finance division is reporting a net (£0.200m) underspend, which largely relates to reduced insurance premiums for the authority and a number of other minor variances. This underspend is after allowing for a transfer into an Investment Property Reserve of £0.200m to cover any potential income shortfalls from investment properties.
- Human Resources are reporting a net (£0.149m) under spend, which largely relates to a lower level of spend on Learning and Development and Organisational Development.
- Legal and Governance are reporting an overall net (£0.882m) under spend due to a higher than anticipated demand for Land Charges, Registration and Legal Services and a small underspend in Members' Allowances. The underspend is after allowing for a transfer into reserves of £0.716m to cover any potential shortfalls in income from the existing shared service arrangements with other Local Authorities.
- The Procurement and Commercialisation service is reporting a net (£0.140m) under spend which relates to savings on staff costs and efficiencies.
- Other under spends across the services of (£0.073m).

2.4 The above are partly offset by a number of over spends:

- The Business Support division is reporting a net overspend of £0.162m which results from increased amounts of outbound post and the initial set up costs of the new hybrid mail process.
- Customers Services are reporting a net £0.890m over spend which mainly relates to the write off back to revenue of £2.7m for a Corporate IT Capital project.
- The Strategic Commissioning division is reporting a net overspend of £0.292m due to unachieved MTFs savings targets combined with the

increased income target in relation to Communication services and Commissioned work.

The recommended carry forward requests of £1.080m are set out in Appendix 1

Community

- 2.5 The outturn position for Community is an over spend of £0.834m after taking into consideration £0.323m carry forward and the establishment of a vehicle Fund reserve to smooth the cost impact of vehicles maintenance contract over the medium term.
- 2.6 There is an adverse variance of £0.487m in **Environment & Culture**, which is attributable to a number of factors. The key reasons for the over spend are detailed below:
- Public Protection £0.220m: The adverse variance is mainly due to a shortfall in Licensing Income of £0.150m and Health & Safety SLA income of £0.050m as a result of a reduced take-up from schools.
 - Waste Management £0.147m: There is an unachieved MTFS saving of £0.075m profiled in 18/19 for the route optimisation of Food Waste collection. Although the initiatives in relation to food waste collection are being progressed as part of Waste Review, the saving planned to be achieved in the latter part of the financial year was offset by the additional costs from other proposed changes within the review. Staffing cost was overspent by £0.075m due to the use of agency staff and overtime payments. There was also an underachievement of income from sale of recyclable materials but this was mitigated by the under spend on waste disposal.
 - Street & Grounds £0.033m: The adverse variance is due to the underachieved grounds maintenance Service Level of Agreement (SLA) income of £0.094m, partly mitigated by an under spend in supplies & services budget.
 - Divisional Director (£0.030m): The favourable variance is due to an under spend in staff training and recruitment budget.
 - Culture Service over spend by £0.117m: This is due to the unachieved 2017/18 MTFS in relation to the redevelopment of Harrow Leisure Centre £0.100m and libraries budget shortfall. The Museum Service had an adverse variance of £0.049m due to income shortfall in facilities hire. The full year impact of the new charges implemented for all new bookings at the Great Barn since July 18 and a marketing strategy for the Great Barn developed and implemented during the year are expected to be realised in 2019/20. The adverse variance in the Museum Service is mitigated by an over achievement of income in Harrow Arts Centre and the Music Services.
- 2.7 There is an adverse variance of £0.657m in **Commissioning & Commercial Services**, which is made-up of the followings:
- Business and Commercial £0.065m: Overspend on third party payments for the delivery of commercial projects.

- Catering Services £0.141m: Underachievement of income of £0.013m and overspend on agency staff cost of £0.109m.
- Parking Services £0.193m: Overspend on staffing costs of £0.230m, due to one-off payment in relation to severance and the use of agency staff for sickness cover, is partially mitigated by a higher than budget forecast parking income of £0.037m.
- Facilities Management £0.831m: Overspend on corporate cleaning and building maintenance budget of £0.438m, due partly to the impact of early termination of the cleaning contract that resulted in additional costs following the services returned in-house. Schools Cleaning SLA account's total adverse variance was £0.625m which consists of an unachievable income target of £0.305m and a deficit of £0.320m. These are partially offset by an over recovery of rent and underspend on premises related costs at the depot.
- Transport £0.081m: Unbudgeted third party payment relating to bus routes review and overspend on agency staff costs.
- These pressures are partly mitigated by an overachievement of income in Network Management for Street works Permit (£0.177m) and rent income in Corporate Estates (£0.044m), underspend on staff costs in Community Engagement due mainly to vacant posts (£0.116m), and the benefit of capitalisation of appropriate costs including Highway Improvement Works cira (£0.317m).

2.8 There is a favourable variance of (£0.159m) in **Regeneration, Enterprise and Planning**, attributable to an under spend on staffing and a net overachievement of planning income.

2.9 The revenue costs of the Regeneration Programme (£1.282m) are funded from capacity already set aside and £1.7m of this capacity remains available for 2019/20.

2.10 **Housing General Fund** shows an under spend of (£0.151m) due mainly to an over achievement of MTFS savings associated with the Property Acquisition Programme. As a result there has been no requirement to draw down on the Flexible Homelessness Support Grant for 2018/19 which will be carried forward to 2019-20.

2.11 The recommended carry forward requests of £0.323m are set out in Appendix 1.

People Services

2.12 People Services is reporting a gross over spend of £2.796m after taking into consideration a carry forward of £0.143m. This is reduced to an over spend of £1.220m after one off Social Care grant income of £1.576m.

2.13 The net over spend of £1.220m is made up of an over spend of £2.821m on Adults, an under spend of (£0.251m) on Public Health Service and an under spend of (£1.350m) in Children's Services as detailed below.

Adult Services

2.14 Adult Services is reporting a gross over spend of £4.397m which is reduced to £2.821m after applying one off Social Care grant income of (£1.576m):

- There is an over spend of £2.360m on adult social care which is due to:
 - Adult placement cost over spend of £3.838m accounting for increased complexities and an increase in discharges from hospital into adult social care.
 - £0.098m is the children and young adults with disabilities overspend.
 - The over spend has been reduced by one off grant income of (£1.576m).
- Other Adults – an over spend of £0.103m is due to the following;
 - £0.122m in relation to Mental Health services managed by Central North West London (CNWL).
 - Increased staffing costs of £0.072m as a result of transitioning to the new structure.
 - £0.123m is due to contractual arrangements in relation to mental health accommodation services, including Look Ahead of £0.060m.
 - A lower level of equipment charged to revenue (£0.214m) resulting in an under spend.
- Strategic Management – an over spend of £0.383m - This variation represents costs in relation to transformation projects not drawn down from the transformation reserve.
- In-house provisions are underspent by (£0.024m).

Children's Services

2.15 The under spend for the division is (£1.350m), after accounting for a carry forward of £0.143m. Of this (£1.350m) under spend, £0.450m was already earmarked to contribute towards corporate management actions.

2.16 The main variances in the 2018/19 Children's services outturn are listed in table 2 below:

Table 2: Children's Services Variance

| Service Area | Variance £'000 |
|--|---------------------------|
| Frontline Staffing & Resources | 340 |
| School Standards & Effectiveness | 157 |
| SEN Transport | 298 |
| Capital Programme & PFI | 311 |
| Placements & Accommodation | - 1,432 |
| External Legal Services | - 345 |
| Early Support Services | - 321 |
| Section 17 & Client Related Spend | - 49 |
| In year management actions & other variances | - 309 |
| Net Underspend 2018-19 | - 1,350 |

2.17 The main areas of under spend are:

- Children's Placement and Accommodation (£1.432m) under spend.
Since the start of the financial year there has been a projected underspend on this budget as a result of the full year effect of reductions and planned actions undertaken in 2017/18 to reduce the commitment on this budget.

In 2018/19 the placement costs have continued to reduce throughout the financial year mainly to a fewer number of children needing services. The rate of children looked after per 10,000 of the child population in Harrow is currently one of the lowest in London. This has been achieved partly through the work of the Keeping Families Together service which aims to prevent young people from coming into care or stepping young people down from care where it is safe to do so. There are regular resource tracking and monitoring panels to ensure the level of accommodation and cost continues to be appropriate for the young person's needs. This includes targeted actions to reduce the average cost of service provision through negotiation with providers. In addition, the overall cost reduction of accommodation for unaccompanied asylum seeking children has been achieved through maximising the young people placed within block contract services and council properties.

- External Legal Services (£0.345m) under spend
The expenditure relates to external legal fees for care proceedings including counsel, court fees, experts and assessments. The underspend is due to an increase in the number of Public Law Outline (PLO) pre proceedings work to ensure that as much work has been carried out as possible before or instead of the beginning of care proceedings as well as carrying out any necessary assessments and work with the family which may either delay or incur additional costs once the care proceedings have begun. In addition to this the reduction in the number of children looked after will result in fewer court proceedings.
- Early Support Services (£0.321m) under spend
The under spend of (£0.321m) is mainly because of difficulties in recruiting qualified staff into vacant roles despite a number of recruitment drives during the course of the year. However, a number of key management posts have now

been recruited to and recruitment will continue to ensure all remaining essential posts are filled.

- Section 17 and Client Related Spend (£0.049m) under spend
Expenditure relates to families being supported by the Council because they have no recourse to public funds (NRPF) and also provides support and subsistence payments to children in need. Regular tracking & monitoring enables decisions for families to be made in a timely way to enable access to benefits.
- In Year Management Actions and Other Variances (£0.309m) underspend
This is made up of other management actions in relation to one off income.

2.18 The above under spend is reduced by the following over spends:

- Frontline Staffing and Resources £0.340m over spend
The main pressure is as a result of agency staff covering vacant posts, sickness and maternity together with 'as and when' required staff carrying out supervised contact. There have also been additional pressures on non salary costs relating to severance following a reorganisation; recruitment fees, staff expenses, training and IT/phone equipment charges.
- School Standards & Effectiveness of £0.157m over spend
This being due to one off severance costs as a result of a restructure to move the service from a traded service to a statutory service, shortfall in income and agency staffing costs to cover vacant posts.
- SEN Transport £0.298m overspend
SEN Transport provides home to school and home to further education settings for children and young people in education with Education Health and Care Plans (EHCPs). The outturn position has been mainly due to increase in service demand. In particular there has been a marked increase in the number of young people eligible for transport in the post 16 and post 19 phases, the latter of which results in transport being provided for a cohort of young people who previously did not receive a service. There has also been increase in agency staffing costs to cover driver vacancies.
- Capital Programme & Schools Private Finance Initiative £0.311m
This is as a result of a contribution to the PFI sinking fund to ensure the PFI contract is affordable in future years and a provision for external legal and technical advisors to resolve the outstanding capital programme contractual issues.

2.19 The recommended carry forward requests of £0.143m are set out in Appendix 1.

Dedicated Schools Grant (DSG)

2.20 The Dedicated Schools Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual school budgets in maintained schools, academies and free schools in Harrow. It also funds Early Years nursery free entitlement places for 2, 3 and 4 year olds in maintained council nursery classes and private, voluntary and independent (PVI) nurseries as well as provision for pupils with High Needs including those with Education Health & Care Plans (EHCPs) in special schools and

special provision and mainstream schools in Harrow and out of borough. The DSG is split into blocks: schools block, early years block and high needs block. The summary of the budget is detailed in table 3 below:

Table 3: Dedicated Schools Grant (DSG) Budget

| Block | 2018-19 Budget | 2018-19 Outturn | Final Variance | To/From Reserve | Variance to LA |
|-----------------------|----------------|-----------------|----------------|-----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Central | 1,196 | 1,182 | -14 | 14 | 0 |
| Early Years | 17,498 | 17,475 | -543 | 543 | 0 |
| High Needs | 30,576 | 31,563 | 986 | -986 | 0 |
| Schools - Delegated | 38 | 32 | -6 | 6 | 0 |
| Schools - Growth Fund | 2,467 | 1,961 | -357 | 357 | 0 |
| Schools - ISB | 89,929 | 89,912 | -17 | 17 | 0 |
| Grand Total | 141,704 | 142,125 | 49 | -49 | 0 |

2.21 Explanation of the main areas of under spend are detailed below:

- **Schools Block**
 In 2018-19 the government introduced a new National Funding Formula (NFF) for Schools, High Needs and the Central Schools Services Block. For the Schools Block this means that LAs are funded on the basis of the total of the national funding formula for all schools, academies and free schools in its area. However the final formula for distribution is determined by each Council following consultation with schools and Schools Forums. This funding is distributed to mainstream schools, academies and free schools in Harrow.
- **Early Years Block**
 Funding for Early Years relates to free 15 hour nursery entitlement for all 3 and 4 year olds in maintained nurseries and nursery classes as well as private, voluntary and independent providers (PVI). From September 2017 this was extended to 30 hour nursery entitlement for eligible 3 and 4 year olds. It also funds free 15 hour nursery entitlement for disadvantage 2 year olds. Funding is distributed to providers via a formula for 3 and 4 year olds which calculates a universal hourly rate based on participation, deprivation as determined by the child's postcode and quality and flexibility of provision. Funding for 2 year olds is distributed to providers via a fixed hourly rate based on participation. There is an overall underspend of £0.543m due to fewer claims for funding from providers and additional funding allocated in year as a result of updated pupil numbers on the January 2018 census.
- **High Needs Block**
 High Needs funding is designed to support a continuum of provision for pupils and students with special educational needs (SEN), learning difficulties and disabilities, from their early years to age 25. The following are funded from the High Needs Block:
 - Harrow special schools & special academies
 - Additional resourced provision in Harrow mainstream schools & academies
 - Places in out of borough special schools and independent special schools

- Education Health & Care Plans (EHCPs) in mainstream schools & academies
- Post 16 SEN expenditure including Further Education settings
- SEN Support services and support for inclusion
- Alternative provision including Pupil Referral Units and Education Other than at school

The High Needs Block budget is £30.576m after recoupment of place funding for academies/free schools and post 16 institutions and including the 0.5% transfer from the Schools Block agreed for 2018-19 and the additional High Needs funding announced by the Government in December 2018 (£0.606m in 2018-19 and 2019-20). The final outturn is an over spend by £0.986m.

- In 2018-19 the High Needs Block budget has been calculated using the new High Needs National Funding Formula which came into effect from April 2018. The High Needs Block National Funding Formula in 2018-19 has generated funding which is £2.9m lower than the actual budget allocated to High Needs in 2017-18. This is partially due to the fact that the 50% of the overall allocation is based on previous years' HNB allocations, rather than the actual spending on HNB. In 2018-19 this will be funded by an historical contingency managed by Schools Forum.
- There are significant pressures across London boroughs on the DSG attributed to in the main by a shortfall within the High Needs Block. In 2019-20 there is also predicted to be a shortfall in this budget. The LA has a statutory duty to make provision for children and young people with Special Educational Needs and Disabilities. It is recognised that the number of children and young people who require and are entitled to these services, as well as the price of those services, are increasing at a rate that outstrips the funding made available under current formulas.
- In 2019-20, there will be an over spend on this budget which will be carried forward into the next or subsequent years. A 3 year recovery plan will be required by the DfE. Plans are continuing to be developed to discover ways to be more efficient on spending on services for children and young people with Special Educational Needs and Disabilities, in particular focusing on increasing certain provision within the borough and thereby reducing the council's reliance on expensive out-of-borough provision.
- For Harrow there has been an increase in the HNB budget since 2013 of £5.128m (21%) compared with an increase in HNB spend of £8.090m (34%) over the same period and increase in Education Health and Care Plans from 1,168 January 2014 to nearly 1,700 October 2018 (46%).

2.22 A recent survey showed that London boroughs had a total shortfall of £78m in 2017-18 compared with high needs allocations, with 32 out of 33 boroughs reporting a shortfall. 29 boroughs had a shortfall of over 1% of their high needs allocations. With allocations only increasing by 2.3% in 2018-19, and transfers of resources between DSG blocks now capped at 0.5%, councils will be increasingly reliant on using reserves and general funding to meet this shortfall, as well as carrying forward DSG deficits.

Growth Fund

- 2.23 £1.565m was earmarked for schools taking expansion classes from September 2018. Included in this budget was also a contingency for additional bulge classes in other year groups. The underspend relates to clawback of bulge class funding where the bulge has moved out the top of the school and additional in year bulge classes that were not required this financial year.

Public Health

- 2.24 Public Health is reporting an under spend of (£0.251m) after making a contribution to the specific public health reserve of £0.425m. The in-year underspend reflecting the main a lower level of expenditure in relation to sexual health services representing the full year effect of the contract re-procured during 2017/18, and enables an increase in the funding of the wider determinants of health.

CORPORATE ITEMS

Corporate Items

- 2.25 Corporate items underspent by (£1.716m) as follows:
- (£0.058m) under spend against the £0.400m budget to fund the Apprenticeship levy.
 - (£0.768m) write back on the Good Received Invoice Received suspense account.
 - (£0.307m) is due to the 2018/19 Employer's contribution adjustment which is a result of over recovery of pension contributions.
 - (£0.085m) is the net reduction in subscription charges paid in the year.
 - (£0.041m) underspend on external audit fees.
 - Other under spends on corporate items including Pension Augmentation (£0.457m).

Contingency

- 2.26 There has been no call on the (£1.248m) contingency for unforeseen items this year.

Technical and Corporate Adjustments

- 2.27 The variance of (£8.818m) on Technical and Corporate Adjustments after allowing for a carry forward of £0.839m is a detailed as follows:
- Net under spend of (£1.033m) against inflation provisions not drawn down.
 - Underspend of (£0.056m) increases in NNDR revaluations.

- Underspend of (£0.526m) against a revenue contingency set aside for unforeseen circumstances not utilised.
- (£0.264m) under spend against the provision for litigation was less than budgeted for.

2.28 Additional grant income of (£6.197m) was received after the budget was set:

- (£4.279m) funding from the 2018/19 Business Rate Pool and additional one-off Section 31 funding, which is built into 2019/20 budget.
- Based on the revised number from the London Pool Pilot in March 2019, Harrow has received an additional (£1.214m) in respect Business Rate Pool and Section 31 funding.
- (£0.599m) Levy Account Surplus that was announced in December 2018 as part of the 2019/20 financial settlement.
- (£0.105m) of grant received from Central Government to fund the local authority's preparation for the EU exit.

2.29 There has been a net underspend of (£0.742m) on capital financing due to slippages and underspends against the Capital Programme. This underspend is after allowing for a transfer of a £4m voluntary MRP provision into the revenue account, which has been transferred into the Transformation Reserve.

Capital Receipts Flexibility 2018/19

2.30 The budget assumed applying £2.7m of capital receipts to Capital Flexibilities. The value actually applied was £1.200m, creating capacity for of £1.5m to be applied in future years. A detailed breakdown of the £1.200m applied is included in Appendix 2.

RESERVES

2.31 The main reserves are set out in the following table, supported by narrative. A more detailed analysis of the movement in reserves is set out in Appendix 3.

Table 4: Movement In Main Reserves

| Description | Balance Brought Forward 01/04/2018 | Draw Down From Reserves | Addition To Reserves | Balance Carry Forward 31/03/2019 |
|---|------------------------------------|-------------------------|----------------------|----------------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| CIL Harrow Reserve | -5,887 | 343 | -3,405 | -8,948 |
| Business Risk (GF Transformation Reserve) | 0 | | -7,526 | -7,526 |
| Budget Planning Reserve | -6,184 | | -645 | -6,829 |
| Revenue Grant Reserve | -3,131 | 1,347 | -3,156 | -4,940 |
| Business Rates Pool Reserve | 0 | | -4,279 | -4,279 |
| Capacity Building Reserve | -1,198 | 937 | -4,000 | -4,261 |
| PFI Schools Sinking Fund Reserve | -2,372 | | | -2,372 |
| Public Health Reserve | -2,202 | 500 | -425 | -2,127 |
| MTFS Implementation Reserves | -2,441 | 374 | | -2,067 |
| PFI NRC Sinking Fund Reserve | -1,503 | | -49 | -1,551 |
| Legal Services Contingency | -500 | 0 | -716 | -1,216 |
| Commercialisation Reserve | -355 | | -910 | -1,265 |
| HRA Transformation Reserve | -500 | 7 | | -493 |
| Priority Initiatives (TPIF) Reserve | -1,826 | 1,826 | | 0 |
| Insurance Reserve | -500 | 1,000 | -500 | 0 |
| Projects in progress (c/fwds) | -454 | 454 | -2,384 | -2,384 |
| General Fund Balances | 10,008 | 0 | 0 | 10,008 |

- 2.32 **CIL Harrow Reserve** – The **Community Infrastructure Levy** is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. Harrow has £5.887m in the reserve as at 31st March 2019, £3.405m has been added during the year and £0.343m drawn down, giving a closing balance of £8.948m. This will be used to fund Capital Programmes in future.
- 2.33 **Business Risk/GF Transformation Reserve** – Established to cover potential shortfall/risk of achieving sufficient savings to cover future year budget gaps.
- 2.34 **Budget Planning Reserve** – The balance at the beginning of the year was £6.184m. £0.910m has been added to this reserve, which leaves a balance of £6.829m at 31st of March 2019.
- 2.35 **Revenue Grant Reserve** – This reserve holds revenue grants to be used for specific purposes or which may be subject to claw back if conditions of the grant are not met. The net contribution to this reserve in 2018/19 is £1.809m, bringing the total to £4.940m as at 31st March 2019.
- 2.36 **Business Rate Pool Reserve** – This reserve of £4.279m relates to the funding from the 2018/19 Business Rates Pool and additional one-off Section 31 funding. The full value is built into the 2019/20 budget.

- 2.37 **Capacity Building Reserve** – This reserve was set up at the end of last year 31st of March 2018 with a sum of £1.198m. £0.937m has been draw down in year and £4m added which leaves a balance of £4.261m. The 4m is ear marked for organisational transformation costs.
- 2.38 **Public Health Reserve** – This reserve relates to unspent government grant paid in relation to the delivery of public health responsibilities. The conditions which apply to the use of the ring-fenced grant also apply to unspent balances, with the Department of Health reserving the right to reduce future year allocations where underspends are considered material.
- 2.39 **MTFS Implementation Reserve** – This reserve is earmarked to facilitate the achievement of MTFS savings. The balance at the start of the year was £2.441m, £0.373m has been drawn down in the year to fund redundancy and pension strain costs, which leaves a balance of £2.067m at 31st of March 2019.
- 2.40 **Legal Services Contingency** – this reserve is a contingency to cover any possible income shortfalls from the legal shared services arrangement with other local Authorities.
- 2.41 **Commercialisation Reserve** – The balance at the beginning of the year was £0.355m. £0.910m has been added to this reserve to support future commercialisation.
- 2.42 **HRA Transformation Reserve** – The reserve balance of £0.493m will be used to fund any redundancy and pension strain implications from the proposed restructure and for the implementation of the new housing ICT system approved by Cabinet on 11th April 2019.
- 2.43 **Priority Initiatives Reserve** - The balance at 1 April 2018 was £1.826m. During the year £0.402m was drawn down from the reserve to fund both revenue and capital expenditure, and the balance of £1.424m has been transferred to the Budget Planning Reserve to support the future budget.
- 2.44 **Insurance Reserve** – The insurance reserve was established as an additional one off sum to supplement the annual insurance provision if it was needed. Based on the last few years, it is felt that the provision in the budget is adequate and this reserve has now been transferred into the Business Risk Reserve.
- 2.45 **Projects in Progress (c/fwds)** – This reserve holds the revenue carry forward requests from the 2018/19 outturn process. The carry forward requests are summarised below in table 5 and detailed in Appendix 1

Table 5: Summary of Revenue Carry Forwards

| Directorate | Council Funding | Grant Funding | Total |
|--------------|-----------------|---------------|--------------|
| | £000 | £000 | £000 |
| Resources | 694 | 386 | 1,080 |
| Community | | 323 | 323 |
| People | | 143 | 143 |
| Corporate | 839 | | 839 |
| Total | 1,533 | 852 | 2,385 |

GENERAL FUND BALANCES

2.46 General Fund balances remain at £10.008m. The 3 years MTFS 2019/20 to 2021/22 assumes no use of general fund balances.

MTFS Implementation Tracker

2.47 The 2018/19 budget includes approved MTFS savings of £8.801m. The actual achievement of savings is summarised in table 6 below and shown in detail in Appendix 4:

Table 6: Summary of MTFS Tracker

| | Resources | People | Community | Regeneration | Final Outturn | % Split |
|--------------|--------------|--------------|--------------|--------------|---------------|-------------|
| | £000 | £000 | £000 | £000 | £000 | |
| Red | 369 | 340 | 314 | 0 | 1,023 | 12% |
| Amber | 0 | 433 | 300 | 0 | 733 | 18% |
| Green | 1,936 | 2,366 | 2,693 | 50 | 7,045 | 80% |
| Total | 2,305 | 3,139 | 3,307 | 50 | 8,801 | 100% |

2.48 Of the £8.801m of savings in 2018/19, a total of £1.023m are been categorised as red savings which means they were not achieved in 2018/19. Some of these savings are red as the implementation was delayed and, although not achieved in 2018/19, will be progressed in 2019/20.

Analysis of the Red Savings

2.49 Within the **Resources** directorate £0.369m savings classified as red:

- The Strategic Commissioning savings RES_SC01 and RES_SC_02 of £0.013m and £0.107m respectively which relate to Income from Communications were not achieved. Proposals will be brought forward to create a sustainable position for Communications in the future.
- Saving reference RES15 for £0.151m for restructuring of the commercial, contracts and procurement division's function. The saving was not delivered due to the cessation of shared service arrangement with Brent. However, the budget has been realigned across the directorate to mitigate this.

- Special Responsibility saving RES 18.19 06 of £0.058m was not achieved. The new administration has confirmed that the number of cabinet members will not change.
- Member meetings, member self-service, change to standards regime saving RES 18.19 05 of £0.040m was not achieved due to associated risks.

2.50 In **Community** directorate £0.314m of savings were classified as red:

- There is one red saving in Community of £0.239m which relates to Income from expansion of Central Depot with savings reference COM. Additional income from the depot is not possible until after the new depot which provides extra office and parking spaces has been built.
- £0.075m savings for Route Optimisation of food waste collection savings (COM_S12), now unachieved.

2.51 **People Services** savings of £0.340m are rated as red as follows:

2.52 Children's Services – The net saving of £0.100m which was intended to be a reduction in SEN assessment and review service is now classified as red. Given the rise in demand in the number of young people with SEN, the remainder of this saving is no longer considered achievable. This will be mitigated in other areas of the directorate.

2.53 In Adult services, 2 red savings totalling £0.240m are detailed:

- Wiseworks commercialisation opportunity savings (PA_3) of £0.056m is categorised as red. The shortfall in delivery of 2018/19 income targets together with further increased income requirement has not been achieved.
- The Milmans Community tender saving reference PA_4 of £0.184m has not been achieved in 2018/19 as the community model was unsuccessful. These savings have been expected to be mitigated in full through the achievement of rental income (£0.128m in a full year) and maximisation of capacity at NRC's enabling externally funded placements to be supported through in house provision.

Analysis of the Amber Savings

2.54 The amber rating indicates that a saving was partially achieved in the year but not fully achieved. The £0.733m of amber savings (in Table 7) have been further analysed in table 7 to show how much was achieved (green) and the amount of unachieved savings (Red).

Table 7: Analysis of 2018/19 Amber Savings

| | People | Community | Percentage Split |
|--------------|------------|------------|------------------|
| | £000 | £000 | |
| Amber | 433 | 300 | |
| Red | 110 | 195 | 25% |
| Green | 323 | 105 | 75% |
| Total | 433 | 300 | 100% |

2.55 **Community** - Of the £0.300m savings categorised as amber in Community, the following savings of £0.195m has been re-categorised as red:

- Phase 2 of Environment & Culture Review - Regulatory Services £0.200m. The delay in the commencement of the enforcement review meant that the saving was not fully achieved in 18/19. Out of the £0.200m target, £0.050m was achieved through additional licensing income and the remaining £0.150m was unachieved in 18/19.
- £0.045m relates to the Housing Related procurement savings which result in a one-off non achievement of £0.045m.

2.56 **People** – The total savings of £0.433m classified as amber is made up of £0.110m red savings and £0.323m green savings. The red savings of £0.110m which are all in Adults is detailed as follows;

- £0.050 of the Restructure of Adult Social Care savings PA01 has been classified as red, driven by transition of the new structure which will be fully delivered in 2019/20.
- Of the floating support contract savings of £0.200m, £0.060m was expected to be achieved following contract award, however this has been challenging to operationalise and dialogue is on-going with the providers in relation to the contractual arrangements. It is anticipated that this will be resolved during 2019/20.

HOUSING REVENUE ACCOUNT (HRA)

2.57 Results for the HRA show a surplus of £0.198m against a budgeted deficit of £1.099m, this surplus is due to lower depreciation charges, unutilised Revenue Contribution to Capital Outlay (RCCO) due to slippage in the capital programme, lower provision for bad debts, unutilised contingencies and increased capitalisation for the Homes-4- Harrow programme, partially offset by pressures on repairs. This surplus has been transferred to earmarked reserves to support the new build programme and to offset the impacts of welfare reforms.

2.58 A summary of the HRA position is set out in table 8 below:

Table 8: Summary of HRA Position

| | Outturn 2017-18 '£000 | Budget '£000 | 2018-19 outturn '£000 | Variance '£000 |
|--------------------------------|-----------------------------|-----------------|-----------------------------|-------------------|
| HRA revenue balances | | | | |
| Balance b/fwd | -6,894 | -6,272 | -7,474 | -1,202 |
| Net (surplus) deficit | -580 | 1,099 | -198 | -1,297 |
| Transfer to earmarked reserves | 0 | 0 | 198 | 198 |
| Balance c/fwd, pre-audit | -7,474 | -5,173 | -7,474 | -2,301 |

Commercialisation update

2.59 The Commercialisation Update 2018/19 (Qtr. 4) is included as Appendix 5.

3.0 CAPITAL

3.1 Total spend on the Capital Programme for the year is £57.783m, which is 27% of the approved budget of £217.565m. The variance of £159.782m comprises slippage of £93.616m and an under spend of £65.166m.

3.2 £59.363m of the under spend relates to a planned reduction of the Regeneration capital programme that was reported to Cabinet in December 2018. After allowing for the Regeneration, the remaining underspend of £5.803m is attributable to other services. £4.603m relates to the HRA and £1.200m relates to the General Fund.

3.3 The £1.200m underspend on the general fund is after allowing for £1m to be set aside as a Council Wide Capital Budget in 2019/20. Further detail on the under spends and slippage is explained below. This net underspend will reduce borrowing costs and be taken into account as part of the 2020/21 budget setting process.

Table 9: Summary of Capital Outturn

| Directorate | Total Budget £'000 | Actual £'000 | Variance £'000 | Slippage £'000 | Under spend after slippage £'000 | LBH £'000 | External £'000 |
|--|-----------------------|-----------------|-------------------|-------------------|-------------------------------------|-----------------|-------------------|
| Total General Fund | 196,225 | 50,691 | - 145,535 | - 83,432 | - 62,103 | - 62,064 | - 38 |
| Council Wide Capital Projects | | | | | 1,000 | 1,000 | |
| Total General Fund after Council Wide Capital budget adjustment | 196,225 | 50,691 | - 145,535 | - 83,432 | - 61,103 | - 61,064 | - 38 |
| Total HRA | 21,339 | 7,092 | - 14,247 | - 10,184 | - 4,063 | - 4,063 | - |
| Total General Fund and HRA | 217,565 | 57,783 | - 159,782 | - 93,616 | - 65,166 | - 65,128 | - 38 |

3.4 The slippage identified in Table 10 below and detailed in Appendix 6 has been approved under delegated authority as carry forwards by the Chief Finance Officer.

Table 10: Capital Outturn and Funding 2018/19

| Directorate | Original Programme | CFWD's 17/18 | Adjustments | External | LBH | Total Budget | Actual | Variance | Slippage | Under spend |
|-------------------------------------|--------------------|---------------|---------------|---------------|----------------|----------------|---------------|-----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| People | 7,870 | 18,435 | 580 | 12,274 | 14,612 | 26,885 | 5,690 | -21,195 | -19,569 | -1,626 |
| Community Resources | 113,722 | 13,714 | 21,724 | 6,479 | 142,680 | 149,160 | 35,198 | -113,962 | -53,541 | -60,421 |
| Corporate | 3,738 | 14,751 | 1,691 | 69 | 20,111 | 20,180 | 9,802 | -10,378 | -10,321 | -57 |
| | | | | | | | | | | 1,000 |
| TOTAL GENERAL FUND | 125,330 | 46,900 | 23,995 | 18,822 | 177,403 | 196,226 | 50,691 | -145,535 | -83,432 | -61,103 |
| HRA | 2,739 | 18,600 | 0 | 0 | 21,339 | 21,339 | 7,092 | -14,247 | -10,184 | -4,063 |
| TOTAL GENERAL FUND & HRA | 128,069 | 65,500 | 23,995 | 18,822 | 198,742 | 217,565 | 57,783 | -159,782 | -93,616 | -65,166 |
| TOTAL CAPITAL PROGRAMME | 128,069 | 65,500 | 23,995 | 18,822 | 198,742 | 217,565 | 57,783 | -159,782 | -93,616 | -65,166 |
| NOTE: | | | | | | | | | | |
| General Fund Funding: | | | | | | | | | | |
| Grant | 8,079 | 8,524 | 1,227 | 17,830 | 0 | 17,830 | 13,063 | -4,767 | -9,588 | -4,821 |
| Section 106 | 904 | 18 | 71 | 993 | 0 | 993 | 97 | -896 | -896 | 0 |
| RCCO and MRR | 0 | 0 | 0 | 0 | 0 | 0 | 459 | 459 | 0 | -459 |
| Borrowing (LBH) | 116,347 | 38,358 | 22,698 | 0 | 177,403 | 177,403 | 37,071 | -140,332 | -72,948 | 66,384 |
| TOTAL GENERAL FUND | 125,330 | 46,900 | 23,995 | 18,822 | 177,403 | 196,226 | 50,691 | -145,535 | -83,432 | 61,103 |
| HRA Funding: | | | | | | | | | | |
| Revenue (MRR) | 2,739 | 5,144 | 0 | 0 | 7,883 | 7,883 | 3,993 | -3,890 | -3,450 | 440 |
| Affordable Housing (Sec 106) | 0 | 240 | 0 | 0 | 240 | 240 | 240 | 0 | 0 | 0 |
| Main Programme | 2,739 | 5,384 | 0 | 0 | 8,123 | 8,123 | 4,233 | -3,890 | -3,450 | 440 |
| Affordable Housing (Sec 106) | 0 | 155 | 0 | 0 | 155 | 155 | 0 | -155 | -155 | 0 |
| Grant | 0 | 2,954 | 0 | 0 | 2,954 | 2,954 | 0 | -2,954 | -2,954 | 0 |
| Capital Receipt - Right to buy | 0 | 4,202 | 0 | 0 | 4,202 | 4,202 | 1,120 | -3,082 | -1,679 | 1,403 |
| Capital Receipt - Others | 0 | 1,946 | 0 | 0 | 1,946 | 1,946 | 0 | -1,946 | -1,946 | 0 |
| Borrowing | 0 | 3,176 | 0 | 0 | 3,176 | 3,176 | 0 | -3,176 | 0 | 3,176 |
| Revenue (MRR) | 0 | 783 | 0 | 0 | 783 | 783 | 1,738 | 955 | 0 | -955 |
| Affordable Housing | 0 | 13,216 | | | 13,216 | 13,216 | 2,858 | -10,358 | -6,734 | 3,624 |
| TOTAL HRA | 2,739 | 18,600 | 0 | 0 | 21,339 | 21,339 | 7,091 | -14,247 | -10,184 | 4,063 |
| Total Capital Programme | 128,069 | 65,500 | 23,995 | 18,822 | 198,742 | 217,565 | 57,783 | -159,782 | -93,616 | 65,166 |

DIRECTORATE PERFORMANCE ON CAPITAL

3.5 The capital programme by directorate is included in Appendix 6 showing performance against the latest approved budget for each programme line. Set out below is narrative to explain the capital outturn and the major variances:

Resources

3.6 The directorate spent £9.802m against a budget of £20.180m, a 49% spend and a variance of £10.378m which will all be slipped to 2019/20. There are no revenue implications as a result of this slippage. The key reasons for slippage are listed below:

- Devolved Application (£2.315m) expenditure has been re-profiled to better reflect millstone delivery. The bulk of the work will be delivered in 2019/20.
- The on-going refresh and enhancement of ICT (£3.607m), the expenditure has been re-profiled to reflect delays in commissioning piece of work through 2018/19. The project must be delivered by 2019/20.
- ABAVUS (£1.099m), the slippage reflects planned expenditure in the second year (2019/20) of project delivery.
- SAP financial Ledger and System Control (£0.572m) will be slipped into 2019/20 in relation to the project to replace the current Enterprise Resource and Planning (ERP) system in 2019/20.
- Other Council Wide under spend (£1.9m) will be slipped into 2019/20.
- The remainder relates to numbers of smaller amounts which will be used to complete projects in 2019/20.

Community

3.7 The net position for the Community Directorate is an outturn of £35.198m against the budget of £149.160m, a 24% spend. The variance is £113.962m, £53.541m will be slipped to 2019/20 while £60.421m which relates mainly to the Regeneration main programme and Empty Property Grant is an under spend and the budget will be removed.

Commissioning, Environmental Services

3.8 The services spent £28.601m against a budget of £55.243m, a total variance of £26.642m, £26.529m is requested to be slipped into 2019/20 while £0.113m is the under spend that will be removed from the programme. The slippages relates mainly to the following projects. There is no revenue implication of these capital slippages.

- Depot redevelopment (£11.500m). The construction was delayed due to the re-submission of planning application due to the addition of additional floors on the development.
- Vehicle procurement (£13.500m). Due to lead in time, some vehicles on order are to be delivered in 2019/20.
- CCTV Infrastructure (£0.550m). This is a two year project. The procurement process is underway for the appointment of a suitable contractor for implementation in 2019/20.

- Redevelopment of Vernon Lodge (£0.400m). This is a multiple year's project. Determination of the planning application was awaited as at year-end.
- Playground Improvement (£0.300m). The procurement was concluded and contract signed in March, and therefore the installation will take place in 2019/20.
- The remainder of the slippages (£0.279m) relates to smaller projects which are anticipated to be completed in 2019/20.
- The (£0.113m) underspend relates to the external funding re-aligning.

Culture

3.9 The services spent £1.062m against a budget of £2.026m. The variance is £0.964m, £0.978m is requested to be slipped into 2019/20 and £0.014m represents an over spend on the Harrow Art Centre roof work project.

3.10 The slippage relates mainly to the following projects. There is no revenue implication of these capital slippages.

- Bannister Sports Centre (£0.850m). The project is S106 funded. A funding application to the Football Foundation has been submitted to secure match funding for the installation of a 3G pitch and pavilion works. The outcome of the application is awaited, before the project is implemented in 2019/20.
- Libraries projects (£0.072m). Delays in completing priority health and safety works at Kenton Library due to the requirement for a listed building consent.
- New Central Library (£0.054m). This is a multiple year project with physical works on the fit out expected during 2019/20.

Housing General Fund

3.11 The service spent £2.473m against a budget of £18.688m, a 13% spend.

3.12 The variance is £16.215m; £15.258m will be slipped to 2019/20 while £0.957m is no longer needed.

3.13 The main items of slippage are detailed below;

Additional Property Purchase Acquisition Programme

3.14 £15m slippage relates to acquisition of additional properties under the Council's Property Acquisition Programme. Following a review of the performance of the first 100 properties approval has been granted to proceed with the additional properties which have resulted in the full budget being carried forward to be progressed in 2019/20. Although this has resulted in a temporary reduction in the supply of temporary accommodation, this initiative will assist the Council in alleviating General Fund homelessness pressures in accordance with the approved MTFs.

Other Housing General Fund projects

3.15 In 2018/19 £2.473m was spent against a budget of £3.688m. Of this variance of £1.215m, £0.258m of the variance has been slipped to 2019/20, with a net underspend of (£0.957m) on Empty Property Grants and improvement Grant. Within the under spend, £0.746m relates to budget set aside for Compulsory Purchase Order not now proceeding. There are no related revenue implications.

Regeneration, Enterprise and Planning

3.16 The net variance for the Regeneration, Enterprise and Planning Directorate is an outturn of £3.062m against the budget of £73.202m, a variance of £70.140m. (£10.776m of slippage and £59.364m underspend).

Enterprise and Planning

3.17 The service spent £0.760m against a budget of £1.785m. £1.023m is requested to be slipped into 2019/20 and relates to the following projects.

- Wealdstone Square (£0.300m). The project is in its implementation stage with construction work underway and completion expected in 2019/20.
- Mobile Technology (Adults Learning) (£0.050m). The service is in discussion with the GLA to utilise the funding for a virtual learning centre, however this is subject to final agreement.
- Neighbourhood CIL (£0.661m). This sum represents the unspent notional allocation in 18/19 capital programme.
- Lyon Road (£0.013m). This is an externally funded multiple year project with anticipated completion in 2020/21.

3.18 In 2018/19, the main regeneration programme spent £2.302m against a budget of £71.418m. Of the variance of £69.116m, £9.753m has been slipped to 2019/20 whilst £59.364m is underspent as a result of a revised capital programme set for 2 years from 2019/20 which accurately reflects current activity. This was reported to Cabinet in December 2018. There are no revenue implications as a result of this slippage.

People Services

3.19 The net position for People's Service is an outturn of £5.690m against the budget of £26.885m, a 19% spend, with a variance of £21.195m. £19.569m of which is slippage and £1.626m is an under spend.

Children's Service

3.20 The final outturn in 2018/19 for the schools capital programme is a total spend of £5.048m against a total budget of £25.573m. This represented expenditure of 20% against the budget. £19.243m of the variance has been slipped to 2019/20 and there is a net underspend on the capital programme of £1.282m.

SLIPPAGE

3.21 The reported slippage for 2018/19 is £19.243m. There are no revenue implications as a result of this slippage. The majority of these items are set out as follows;

- The majority of slippage relates to SEP2 primary, secondary & SEN schemes of £6.116m due to the ongoing contractual issues.

- £6.275m relates to funding set aside for secondary expansions. As reported to Cabinet in July 2018 the projections for Year 7 places continue to show a lower trajectory of increase than the 2015 projections. With the current number of places available there will be a shortfall of 2 forms of entry in 2021/22 and peaks at up to 5 forms of entry in 2022/23. However, at this time there are a higher number of Year 7 places than required which is resulting in vacancies being concentrated in a small number of schools. It is proposed to slip the funding to 2020-21 and ensure that the situation is monitored and that once there is greater clarity about changes on the borough boundaries that a local solution to meet the growing need is developed with the High Schools.
- Special Educational Needs provision slippage totals £3.495m. Funding has been included in the capital programme to support additional in-borough SEND provision will be delivered in line with the SEND Strategy reported to Cabinet in February 2019.
- £2.625m relates to funding set aside for secondary expansions. As reported to Cabinet in June 2017 the projections for Year 7 places continue to show a lower trajectory of increase than the 2015 projections. With the current number of places available there will be a shortfall of 4 to 5 forms of entry in 2022/23. This reduces to 3-5 forms of entry in 2027/28. However, at this time there are a higher number of Year 7 places than required which is resulting in vacancies being concentrated in a small number of schools. It is proposed to slip the funding to 2019-20 and ensure that the situation is monitored and that once there is greater clarity about changes on the borough boundaries that a local solution to meet the growing need is developed with the High Schools.
- The remainder of the slippage is for IT and funding for bulge classes and amalgamations which were not needed this financial year.

Secondary Expansion Programme 1 and 2 including Secondary and SEN

- 3.22 Engie (formerly Keepmoat), the Council's Framework Partner was commissioned to deliver the majority of the Phase 1 (SEP1) and Phase 2 (SEP2) construction projects. The projects in SEP1 and SEP2 have reached Project Completion and the schools are occupying their new accommodation. The directorate is working to resolve a number of building defects with Engie post completion. There are on-going contractual issues with Engie and the council has appointed Legal and Commercial advisers to secure resolution.

Adult Services

- 3.23 The service spent £0.604m against a budget of £1.138m, a 53% spend, with a variance of £0.535m, £0.191m relating to slippage and a £0.344m net under spends. The slippage relates to the following:

- Integrated Health Model £0.085m slippage, whilst this project has been finalised, the under spend is being carried forward to enable flexibility to support the Adult Social Care transformation programme during 2019/20 should this be necessary.

- House Residential £0.106m - plans for improvements in place, the majority of which relate to Mailman's for roof and floor works which were being developed during 2018/19 together with other remodelling as appropriate to maximise service delivery.
- The net underspend of £0.344m relates to Project Infinity which is no longer required given that the project ceased in April 2019.

Public Health

- 3.24 The service had been given Healthy Pupils Capital Fund ring fenced grant of £0.174m for the Water Fountain Project of which £0.039m has been spent with the balance £0.135m slipped into 2019/20 for expenditure committed.

Housing Revenue Account

- 3.25 HRA spent £7.092m against a budget of £21.339m, including Homes-4-Harrow, a spend of 33%. £10.184m will be slipped to 2019/20 leaving a £4.063m under spends against the programme.

- 3.26 The main items of slippage is detailed below:

- 3.27 With regard to Homes-4-Harrow, £6.114m slippage relates to Grange Farm which now has planning permission and is moving into the procurement phase, and £0.620m relates to the phase 1 of the Infill programme, which is required to complete the scheme. Financing for all schemes in the HRA is being reviewed as part of the planned HRA Business Plan refresh which will be reported to Cabinet.

- 3.28 £3.450m slippage relates to the main Planned Investment programme which prioritises health and safety and compliance works. Of this balance £1.110m has been identified to fund the Housing IT replacement system and set up a client contingency for the New Council House Building programme.

- 3.29 The under spend relates to the following:

- Phase 2 of the Infill program (£3,625m) - This programme did not commence in 2018/19 due to the withdrawal of borrowing approval by MHCLG. Separate budget provision has been identified in 2019/20; hence this budget is no longer required.
- Planned investment programme, (£0.438m). The costs for works came in lower than expected which have resulted in this underspend.

4.0 TIMETABLE FOR PREPARATION OF DRAFT STATEMENT AND EXTERNAL AUDIT REVIEW.

- 4.1 All Local Authorities must now have their draft statutory Statement of Accounts published by 31st May each year and the audit opinion issued by 31st July. The Accounts were published by the 31st May deadline and the audit is in progress.

5.0 IMPLICATIONS OF THE RECOMMENDATIONS

The recommendations are asking the Cabinet mainly to:

- To note the revenue and capital outturn position for the 2018/19

- To note the movement between reserves
- To note the revenue carry forwards
- To note the slippages on the Capital Programme
- To note the Quarter 4 Commercialisation Update as specified in Appendix 5.

These recommendations do not affect the Council's staffing / workforce and have no equalities, procurement, data protection or community safety impact.

6.0 Ward Councillors' comments

7.0 PERFORMANCE ISSUES

Financial performance is considered quarterly to Cabinet.

8.0 ENVIRONMENTAL IMPACT

There is no direct environmental impact

9.0 DATA PROTECTION IMPLICATION

There are no data protection implications

10.0 RISK MANAGEMENT IMPLICATIONS

The Key financial risks are managed through the risk management strategy. There is one significant financial risk currently included on the Corporate Risk Register:

Risk 1 - Inability to provide services within budget. This risk is currently rated at B1, High Likelihood/Catastrophic Impact.

11.0 PROCUREMENT IMPLICATIONS

There are no procurement implications arising from this report

12.0 LEGAL IMPLICATIONS

Section 151 of the Local Government Act 1972 states that, "without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs"

Section 28 of the Local government Act 2003 imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against budget calculations.

Under B66 of the Financial Regulations, a year-end balance is the amount by which actual income and expenditure varies from the final budget, normally identified down to budget manager level. Unspent balances will not be carried forward, except with the permission of the CFO. Unspent balances will only be considered for carry forward where;

- There is an unspent ring fenced grant and grant must be repaid if it is not spent on its intended purpose.
- Funding has been allocated to a specific project and the project is not yet complete, and both the directorate and the Council in total are not overspent.
- External funding has been received for a specific project which is not yet complete.

13.0 FINANCIAL IMPLICATIONS

Financial implications are contained within the body of the report.

14.0 EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY

There is no direct equalities impact.

The MTFS savings have had equality impact assessments completed on them where required and these have been published with the budget setting report.

15.0 CORPORATE PRIORITIES

The Council’s Outturn Report for 2018/19 has been prepared in line with the Council’s vision:

Working Together to Make a Difference for Harrow

- Making a difference for the vulnerable
- Making a difference for communities
- Making a difference for local businesses
- Making a difference for families

Section 3 - Statutory Officer Clearance

| | | |
|---------------------|-------------------------------------|--------------------------------------|
| Name: Dawn Calvert | <input checked="" type="checkbox"/> | Director of Finance |
| Date: 7/06/2019 | | |
| Name: Chris Cuckney | <input checked="" type="checkbox"/> | on behalf of the Monitoring Officer |
| Date: 11/06/2019 | | |
| Name: Nimesh Mehta | <input checked="" type="checkbox"/> | on behalf of the Head of Procurement |
| Date: 23/05/2019 | | |

| | | |
|-----------------------|-------------------------------------|--------------------|
| Name: Charlie Stewart | <input checked="" type="checkbox"/> | Corporate Director |
| Date: 11/06/2019 | | |

| | |
|-----------------------------------|-----|
| Ward Councillors notified: | NO |
| EqIA carried out: | NO |
| EqIA cleared by: | N/A |

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels (Sharon.daniels@harrow.gov.uk)

Background Papers:

| | |
|---|--|
| Call-In Waived by the Chair of Overview and Scrutiny Committee | NOT APPLICABLE <i>[Call –in applies]</i> |
|---|--|

Revenue Budget Carry Forward from 2018/19 to 2019/20

Appendix 1

| Services | Description | Council Funding '£000 | Grant Funding '£000 | Total '£000 | Reason for Carry Forward & Consequences of not carrying forward |
|------------------------------|--|-----------------------|---------------------|-------------|--|
| Resources Directorate | | | | | |
| Customer Services | Revenues | 14 | | 14 | This relates to Business improvement levies collected on behalf of the Harrow Bid Company and not yet invoiced by them. This will be invoiced in 2019/20 and returned to the company post April. |
| Customer Services | Access Harrow savings | 215 | | 215 | This funding is intended to cover one-off implementation costs necessary to enable budget savings in Access Harrow in 2019/20 and 2020/21. |
| Customer Services | BTP IT contract | 190 | | 190 | This funding is intended to part fund the next phase of the Rainmaker project in 2019/20. |
| Customer Services | Delivery of Middleware replacement project | 224 | | 224 | This funding is intended to cover the cost of the following milestone payments of the contract with Sopra Steria to deliver the Middleware replacement project. If the funding is not available the project cannot be delivered and contractual agreements with the third party cannot be met. |
| Customer Services | BTP client team | 51 | | 51 | This funding is to cover cost of delivering the software interface strategy - contractual commitment with Sopra Steria. If the funding is not available the project cannot be delivered and contractual agreements with the third party cannot be met. |
| Strategic Commissioning | Community premises grant | | 140 | 140 | Grant income to be spent on the community as per grant recommendation. Part of this will be distributed on the due date to other west London Authorities. If the funding is not available, the projects are not delivered and there is a reputational risk to the Council. |

Revenue Budget Carry Forward from 2018/19 to 2019/20

Appendix 1

| Services | Description | Council Funding '£000 | Grant Funding '£000 | Total '£000 | Reason for Carry Forward & Consequences of not carrying forward |
|------------------------------------|---|-----------------------|---------------------|--------------|--|
| Strategic Commissioning | MHCLG Domestic Abuse Grant | | 55 | 55 | Delay in recruitment of suitable staff resulted in delays of the grant funded project which now, with the full complement of staff will be delivered in 2019/20. Condition of the grant award will not be able to be met if grant is not carried forward |
| Strategic Commissioning | MHCLG Controlling Migration Fund Grant | | 152 | 152 | Delay to project being mobilised due to late announcement of funding. Project will not be able to deliver if grant is not carried forward, putting us in breach of the grant agreement |
| Strategic Commissioning | MOPAC Early Intervention Youth Fund Grant | | 32 | 32 | Delay to project mobilisation meant recruitment to project roles was delayed. The project will not be able to deliver and we will be in breach of our grant agreement if grant is not carried forward |
| Strategic Commissioning | MOPAC Battle of the Bands grant | | 7 | 7 | Events targeting the violence are taking place in spring time so grant funding needs to be carried forward to enable payments to be made in 19/20. |
| Total Resources Directorate | | 694 | 386 | 1,080 | |
| Community Directorate | | | | | |

Revenue Budget Carry Forward from 2018/19 to 2019/20

Appendix 1

| Services | Description | Council Funding '£000 | Grant Funding '£000 | Total '£000 | Reason for Carry Forward & Consequences of not carrying forward |
|----------------------------|---|-----------------------|---------------------|-------------|---|
| Commissioning & Commercial | <p>Local Authorities Parks Improvement Funding On 17 February 19, the Secretary of State for the MHCLG announced £9.7m funding to be allocated directly to all local authorities with the expectation the award be used to undertake remedial work and renovation of existing parks to enhance the green space available to their local communities.</p> | | 43 | 43 | <p>The notification of the funding award was made on 14th March 19, which leaves insufficient time to procure and deliver the works on parks as specified in the grant offer letter. A plan is being prepared to utilise the funding in the first quarter of 19/20. MHCLG expects local authorities to issue a monitoring form three months from the date of the award allocation to inform their evaluation of the programme. The Ministry will be disappointed if this grant is not put towards the specified criteria. They hope that the monitoring regime in place will confirm that this grant has been spent on the purpose we have set out. They may take this into consideration if local authorities do not spend this money for its intended purpose, including when they make regeneration funding decisions in future. Other teams within the Ministry will be notified.</p> |

Revenue Budget Carry Forward from 2018/19 to 2019/20

Appendix 1

| Services | Description | Council Funding '£000 | Grant Funding '£000 | Total '£000 | Reason for Carry Forward & Consequences of not carrying forward |
|----------------------------|---|-----------------------|---------------------|-------------|--|
| Commissioning & Commercial | High Street Community Clean Up Funding The funding was provided by MHCLG in March 19 to support the works with existing community groups to undertake community led street and town centre cleans. | | 40 | 40 | The notification of the funding award was made on 18th March 19, which leaves insufficient time to procure and deliver all the works as specified in the grant offer letter. A delivery plan is in place to which utilises the funding as a part of the Great British spring clean and in supporting community groups to clean their high street. There has been some use of the funding used in 18/19 but due to the short timescale the majority will be utilised in 19/20. MHCLG expects local authorities to submit the monitoring form by 31st May 2019. The Ministry will be disappointed if this grant is not put towards working with communities on making our high streets and town centres look their best. They hope that the monitoring regime in place will confirm that this grant has been spent on the purpose we have set out. They may take this into consideration if local authorities do not spend this money for its intended purpose, including when they make regeneration funding decisions in future. Other teams within the Ministry will be notified. |
| Commissioning & Commercial | Environment Agency - North Harrow (CDA062) Flood Alleviation Scheme Total project total is £780k over a number of years, of which £100k is allocated to undertake the project. | | 12 | 12 | Balance remaining of EA FDGiA funding grant required for completing business case development |
| Commissioning & Commercial | Environment Agency - London Road to Whitchurch Lane (CDA074) Flood Alleviation Scheme Total project total is £780k over a number of years, of which £80k is allocated to undertake the project. | | 80 | 80 | Balance remaining of EA FDGiA funding grant required for completing business case development |

Revenue Budget Carry Forward from 2018/19 to 2019/20

Appendix 1

| Services | Description | Council Funding '£000 | Grant Funding '£000 | Total '£000 | Reason for Carry Forward & Consequences of not carrying forward |
|-------------------------------------|---|-----------------------|---------------------|-------------|---|
| Regeneration, Enterprise & Planning | Raising Ambition Harrow JCP DWP grant to support unemployed into work | | 72 | 72 | Funding is exclusively for purpose, must be repaid if not used in accordance with contract. If the fund is not carried forward then the project will not be delivered and money will be clawed back. Reputational risk. |
| Housing Needs | H-CLIC New Burdens Fund RDEL (2018-19) | | 11 | 11 | To pay for development work to provide extra H-CLIC data in 19-20 |
| Housing Needs | PRS Access Fund S31 Grand Determination | | 18 | 18 | To pay for cost of insurance bonds in a new Southwark sponsored scheme in 19-20 |
| Regeneration, Enterprise & Planning | Grant from Heat Network Delivery Unit (HNDU) (former Department of Energy and Climate Change) | | 48 | 48 | Work on potential heat network serving the main Council regeneration sites was put on hold as part of the broader review of the Regeneration programme. Consequently the work proposed to be undertaken using this grant was not progressed in 2018/19. Corporate Director (Community) has requested briefing as to what it would take (including cost) to restart / complete the work, so grant likely to be spent on 2019/20. Grant condition requires it to be spent on heat network investigations. |
| Total Community Directorate | | 0 | 323 | 323 | |
| People Directorate | | | | | |
| Children's | Together with Families Grant from MHCLG | | 43 | 43 | Multi Year Project grant funding from MHCLG to carry out supporting work to keep families together. The aim is to prevent young people from coming into care or stepping young people down from care where it is safe to do so. The unspent grant is required to be carried forward to 2019/20 |

Revenue Budget Carry Forward from 2018/19 to 2019/20

Appendix 1

| Services | Description | Council Funding '£000 | Grant Funding '£000 | Total '£000 | Reason for Carry Forward & Consequences of not carrying forward |
|---------------------------------|------------------------|-----------------------|---------------------|--------------|---|
| Children's | Childrens Capital Team | | 100 | 100 | A provision for on going external legal and technical advisors to resolve the outstanding capital programme contractual issues. |
| Total People Directorate | | 0 | 143 | 143 | |
| Corporate | | 839 | | 839 | One-off Corporate Funding identified for Manifesto Commitments |
| Total People Directorate | | 839 | 0 | 839 | |
| Grand Total | | 1,533 | 852 | 2,385 | |

| Reference | Description Funding | Category of expenditure | Amount |
|----------------------------------|--|---|------------------|
| | | | £000 |
| Resources | | | |
| Service LEAN & Automation Review | A six month LEAN and Automation review to identify service improvements and cashable savings within Adult Social Care, Childrens' Service and Public Realm. | Staffing cost | 115,000 |
| Sourcing Strategy for ICT | Recommend operating model for future ICT provision and plan for transitioning Develop business case for improving flexibility and reducing costs through disaggregated ICT delivery | Consultancy | 100,000 |
| Total Resources | | | 215,000 |
| Community | | | |
| Project Management Office | A Project Management office is set up to provide project management support for the delivery of the following projects: 1. Implementation of Waste Review and exploration of alternative models for future service delivery for Environmental Services. 2. Deliver Environmental Services Improvement Plan 3. Housing Transformation Programme 4. Planning IT system re-procurement Cultural Services - Explore options and undertake marketing works | Staffing cost and other 3rd party expenditure | 210,251 |
| Regeneration Revenue Cost | Regeneration - Costs relating to a long term regeneration strategy for the borough. | Staffing and other implementation costs | 317,749 |
| Community Total | | | 528,000 |
| People | | | |
| Transformation Project | Supporting the transformation of Adult Social Care and implementing a new social care pathway. | Staffing cost | 457,000 |
| People Total | | | 457,000 |
| Grand Total | | | 1,200,000 |

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Earmarked Reserves Summary 2018/19

Appendix 3

| Description | Balance Brought Forward 01/04/2018 | Draw Down From Reserves | Addition To Reserves | Balance Carry Forward 31/03/2019 |
|---|------------------------------------|-------------------------|-----------------------|----------------------------------|
| | £ | £ | £ | £ |
| CIL Harrow Reserve | -5,886,569.00 | 343,445.00 | -3,405,196.51 | -8,948,320.51 |
| Business Risk (GF Transformation Reserve) | 0.00 | | -7,526,000.00 | -7,526,000.00 |
| Budget Planning Reserve | -6,184,000.00 | | -644,689.12 | -6,828,689.12 |
| Revenue Grant Reserve | -3,131,481.89 | 1,347,182.75 | -3,156,112.00 | -4,940,411.14 |
| Business Rates Pool Reserve | 0.00 | | -4,279,000.00 | -4,279,000.00 |
| Capacity Building Reserve | -1,198,000.00 | 937,251.00 | -4,000,000.00 | -4,260,749.00 |
| Projects in progress (c/fwds) | -453,564.54 | 453,564.54 | -2,384,138.62 | -2,384,138.62 |
| PFI Schools Sinking Fund Reserve | -2,371,578.76 | | | -2,371,578.76 |
| Public Health Reserve | -2,202,250.00 | 500,000.00 | -425,000.00 | -2,127,250.00 |
| MTFS Implementation Reserves | -2,440,767.90 | 373,579.00 | | -2,067,188.90 |
| PFI NRC Sinking Fund Reserve | -1,502,614.00 | | -48,736.00 | -1,551,350.00 |
| Legal Services Contingency | -500,000.00 | 0.00 | -716,339.00 | -1,216,339.00 |
| Commercialisation Reserve | -354,620.00 | | -910,000.00 | -1,264,620.00 |
| HRA Transformation Reserve | -500,000.00 | 7,000.00 | | -493,000.00 |
| Legal Expansion Reserve | -418,639.00 | 0.00 | 0.00 | -418,639.00 |
| Compensatory Added Years Reserve | -482,782.37 | 80,000.00 | | -402,782.37 |
| Proceeds Of Crime Act Reserve | -285,000.00 | | | -285,000.00 |
| CIL Mayor Reserve | -268,396.00 | | -9,416.19 | -277,812.19 |
| Libraries Reserve | -250,000.00 | | | -250,000.00 |
| Headstone Manor Restoration Reserve | -240,750.00 | | | -240,750.00 |
| Vehicles Fund Reserve | 0.00 | | -201,477.61 | -201,477.61 |
| Investment Property Reserve | 0.00 | | -200,000.00 | -200,000.00 |
| HRA Hardship Fund | 0.00 | | -172,513.19 | -172,513.19 |
| Borough Elections Reserve | -397,860.00 | 361,042.00 | -100,000.00 | -136,818.00 |
| IT Reserve | -145,000.00 | 25,000.00 | | -120,000.00 |
| HRA Regeneration Reserve | 0.00 | | -25,000.00 | -25,000.00 |
| Harvist Reserve Harrow Share | -34,930.70 | 16,140.62 | | -18,790.08 |
| Priority Initiatives (TPIF) Reserve | -1,826,305.00 | 1,826,305.00 | | 0.00 |
| RCCO Schools Contribution Reserve | -46,796.93 | 46,796.93 | | 0.00 |
| Insurance Reserve | -500,000.00 | 1,000,000.00 | -500,000.00 | 0.00 |
| Personal Injury Reserve | -110,147.12 | 110,147.12 | | 0.00 |
| Total | -31,732,053.21 | 7,427,453.96 | -28,703,618.24 | -53,008,217.49 |

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2018-19 MTFS Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|--------------------------|--|---------|---------|---------|-------|------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| Resources | | | | | | | | |
| RES_01 | Customer Services and IT | Increase Helpline Income Developing a robust multi-channel marketing plan to build the brand and promote the Helpline service to generated additional income through the existing service. | 100 | 100 | | 200 | Green | Savings achieved |
| Res 18.19 01 | Customer Services | Review of Postal Process - the post room will sort inbound post but services will need to collect from the Post Room. The post room will frank and send post out but services will be responsible for delivering mail to post room. | 20 | 30 | | 50 | Green | Savings achieved |
| RES_HR01 | HR | Shared HR Service with Buckinghamshire County Council - Business Case Under Development | 110 | | | 110 | Green | Savings achieved |

2018-19 MTFs Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-------------------------------------|--|---------|---------|---------|-------|------------|--|
| | | | £000 | £000 | £000 | £000 | | |
| RES_CP01 | Commercial, Contracts & Procurement | Selling services through shared procurement arrangements. | 29 | 0 | | 29 | Green | Savings achieved |
| RES15 | Procurement | Restructuring of the Commercial, Contracts and Procurement Division's function. | 151 | | | 151 | Red | Third year of the savings, this was not achievable, now offset by underspend elsewhere |
| RES_16 | Strategic Commissioning | VCS funding - This saving reduces community grants and transfer funding from the emergency relief fund, to support the information and advice strategy as the December cabinet report. | 57 | 50 | | 107 | Green | Savings achieved |
| RES_SC01 | Strategic Commissioning | Income from Communications Through Gain Share Model | 13 | | | 13 | Red | Income from Communications were not be achieved. Proposals will be brought forward to create a sustainable position for Communications in the future |
| RES_SC03 | Strategic Commissioning | Alternative Funding of domestic violence budget | 61 | | | 61 | Green | Savings achieved |

2018-19 MTFS Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-------------------------|---|---------|---------|---------|-------|------------|--|
| | | | £000 | £000 | £000 | £000 | | |
| RES_SC04 | Strategic Commissioning | Proposed savings in Health watch Funding | 50 | | | 50 | Green | Savings achieved |
| RES_SC02 | Strategic Commissioning | Additional Income from Communications Provider and Further Savings | 107 | | | 107 | Red | Income from Communications were not be achieved. Proposals will be brought forward to create a sustainable position for Communications in the future |
| RES_SC02 | Strategic Commissioning | The previous tender of the Communications Service aimed to deliver a programme of reductions in spend phased of a number of financial years. With the service recently being brought back in house, it requires all available funding to keep up with demand. | | | | (57) | Red | Saving reversed as part of 2018/19 budget setting process so there is no impact on the 2018/19 budget. |

2018-19 MTFs Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-------------------------|--|---------|---------|---------|-------|------------|--|
| | | | £000 | £000 | £000 | £000 | | |
| RES_SC05 | Strategic Commissioning | SIMS Team Contribution to Overheads and Additional Income | 20 | | | 20 | Green | Savings achieved |
| RES_SC06 | Strategic Commissioning | Commissioning Capacity in the Council | 50 | | | 50 | Green | Savings achieved |
| Res 18.19 06 | Strategic Commissioning | Special Responsibilities Allowance | 58 | | | 58 | Red | New administration has confirmed the cabinet and the size of the cabinet has not been reduced. |
| Res 18.19 07 | Strategic Commissioning | Restructure of the Policy team | 25 | | | 25 | Green | Savings achieved |
| RES_LG04 | Legal & Governance | Expansion of the Legal Practice | 210 | | | 210 | Green | Savings achieved |
| Res 18.19 05 | Legal | Member meetings, member self service, change to standards regime | 40 | | | 40 | Red | Savings not achievable, not advisable due to recent judicial review of the processes in another council. |
| RES12 | Legal & Dem Services | Reduction in Legal cost, in the initial instance by growing the business | 144 | | | 144 | Green | Savings achieved |

2018-19 MTFs Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-----------------------|--|--------------|------------|----------|--------------|------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| RES_F02 | Finance & Assurance | Improved Treasury investment return from increased Risk appetite (Primarily lending for longer and to institutions with lower credit ratings) | 625 | | | 625 | Green | Savings achieved |
| RES_F04 | Finance & Assurance | Investment Portfolio | 350 | | | 350 | Green | Savings achieved |
| Res 18.19 04 | Finance | Insurance Tender Efficiencies. The following Insurance Policies were re-tendered and savings of £35k per annum will be realised from 01/04/17. | 35 | | | 35 | Green | Savings achieved |
| Res 18.19 03 | Finance | Reduced contribution to the Insurance Fund - Harrow Council primarily self insures and makes an annual contribution from the general fund to the Insurance Fund. The annual contribution currently stands at £1,132,143. Due to tighter management of insurance claims, it is estimated that the contribution can be reduced by a further £50k. No implementation costs. | 50 | | | 50 | Green | Savings achieved |
| | | sub - Resources Total | 2,305 | 180 | - | 2,428 | | |
| | | Resources Total | 2,305 | 180 | - | 2,428 | | |

2018-19 MTFS Savings Tracker

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|------------------------|-----------------------|--|---------|---------|---------|-------|------------|---|
| | | | £000 | £000 | £000 | £000 | | |
| People Services | | | | | | | | |
| Adults | | | | | | | | |
| PA_3 | Adults | Wiseworks - commercialisation opportunities and to be self financing by end of MTFS period | 56 | | | 56 | <u>Red</u> | Savings not achieved. MTFS shortfall has been mitigated in full across th internally provided services. |
| PA_4 | Adults | Milmans Community tender | 184 | | | 184 | <u>Red</u> | Community model (starting with Kenmore) was unsuccessful. These savings have been mitigated in full through achievement of rental income (£125k in a full year) and maximisation of capacity at NRC's enabling externally funded placements to be supported through in house provision together with increased delivery of savings through the promoting independence team to ensure full achievement of savings. |

2018-19 MTFs Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-----------------------|---|---------|---------|---------|-------|------------|--|
| | | | £000 | £000 | £000 | £000 | | |
| PA01 | Adult Social Care | Restructure of Adult Social Care Management Deletion of up to 7 management posts within Adult social care, whilst maintaining the number of staff required to support the delivery of care and Resilient Communities. | 233 | - | - | 233 | Amber | Senior management structure was put in place by 17th Sept (excluding DASS), this has deliver majority of planned savings. Any shortfall in savings (current year only) have been mitigated. |
| PA02 | Adult Social Care | Housing Provision with Floating Support A new modernised and flexible approach to supported living for vulnerable adults. Responding to the LGA Adults Finance Review which noted potential opportunities to be explored around housing options, given the number. | 50 | - | - | 50 | Green | Savings achieved |
| PA03 | Adult Social Care | Review of Floating Support Contracts Savings through supporting people in appropriate housing rather than high cost placements. | 200 | - | - | 200 | Amber | Delay of one month in retendered floating support and two months for mental health accommodation arising from an extended procurement process. Challenges with contractual arrangements with one of the providers has resulted in a shortfall of approximately £60k. |
| PA04 | Adult Social Care | Retendering of Care Act Contracts to deliver efficiencies in contract cost | 40 | - | - | 40 | Green | Savings achieved |
| PA05 | Adult Social Care | Adult Services - Home In Harrow | 719 | 1,251 | - | 1,970 | Green | Savings achieved |

2018-19 MTFs Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------------|-------------------------|---|--------------|--------------|----------|--------------|--------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| | | Total Adult | 1,482 | 1,251 | - | 2,733 | | |
| Children's Services | | | | | | | | |
| PC12 | Children & Young People | Review of posts in Quality Assurance & Improvement Service | 223 | | | 223 | <u>Green</u> | Savings achieved |
| PC12 | Children & Young People | These savings were based on a reduction in the number of Looked After Children. The post affected is vacant, was deleted in 17.18 | (185) | | | (185) | <u>Green</u> | Savings achieved |
| PC15 | Children & Young People | Review of posts in MASH | 100 | | | 100 | <u>Green</u> | Savings achieved |
| PC15 | Children & Young People | These savings were based on a reduction in the number of Looked After Children | (86) | | | (86) | <u>Green</u> | Savings achieved |
| PC28 | Cross Service | Non-pay inflation | 150 | 150 | | 300 | <u>Green</u> | Savings achieved |

2018-19 MTFs Savings Tracker

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-----------------------|---|---------|---------|---------|-------|------------|---|
| | | | £000 | £000 | £000 | £000 | | |
| PC42 | Special Needs Service | Review of Special Needs Service £1,164m ('Reversal of Savings - Special Educational Needs Placements In respect of PC41 approved February 2016. New funding regulations mean there will no longer be flexibility to further charge these costs to grant £651k) | 513 | | | 513 | Red | Net saving was intended to be reduction in SEN assessment & review service. Given the rise in demand in the number of young people with SEN the remainder of this saving has not been achieved. This has been mitigated in other areas of the directorate |
| PC42 | Special Needs Service | Demand has continued to rise in the number of young people with Special Educational Needs, in particular for post 16 provision up to age 25, as well as an increase in complexity of growth. | (413) | | | (413) | Red | Net saving was intended to be reduction in SEN assessment & review service. Given the rise in demand in the number of young people with SEN the remainder of this saving has not been achieved. This has been mitigated in other areas of the directorate |

2018-19 MTFS Savings Tracker

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| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|--------------------------|--|------------|------------|----------|------------|------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| PC03 | Commissioning & Strategy | Delete Capital Team The majority of the capital schemes for the School Expansion Programme have been completed or are near completion. Beyond 2017-18 there will be small numbers of rolling maintenance programmes which could be managed by the CDU in Regen. Any specific schools projects beyond that can be commissioned from the CDU and funded by capital as a capital project fee. This savings proposal deletes the revenue budget associated with the administration & project support. Project management has historically been capitalised. Estimated redundancy costs £40k unless staff can be transferred into CDU. | 91 | | | 91 | Green | Savings achieved |
| | | Total Children's Services | 393 | 150 | - | 543 | | |
| | | | 393 | 150 | | 543 | | |
| Public Health | | | | | | | | |
| PH_01 | PH | Wider Health Improvement - bring forward approved 2018/19 savings in relation to wider determinants of health to 2017/18. Warmer Homes £50k retained until 2018/19. | (96) | | | (96) | Green | Savings achieved |

2018-19 MTFS Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-----------------------|---|--------------|--------------|----------|--------------|------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| PH_02 | PH | Wider Health Improvement - breast feeding - saving scheduled for 2018/19 to allow service to develop alternative model. | 65 | | | 65 | Green | Savings achieved |
| PH_11 | PH | Drug and Alcohol - reduction in service (contract related costs. Employee costs included in PH_12) | 1,500 | | | 1,500 | Green | Savings achieved |
| PH_11 | PH | Drug and Alcohol - reduction in saving | (1,000) | | | (1,000) | Green | Savings achieved |
| PH_12 | PH | Reduction to service - staffing reductions | 795 | | | 795 | Green | Savings achieved |
| | | Total Public Health | 1,264 | - | | 1,264 | | |
| | | People Services Total | 3,139 | 1,401 | - | 4,540 | | |

2018-19 MTFS Savings Tracker

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|------------------------------|----------------------------|---|---------|---------|---------|-------|------------|---|
| | | | £000 | £000 | £000 | £000 | | |
| Community | | | | | | | | |
| Community and Culture | | | | | | | | |
| COM | Commissioning & Commercial | Income from expansion of Central Depot | 239 | 246 | 681 | 1,166 | Red | <p>Additional income from the depot is not possible until after the new depot which provides extra office and parking spaces has been built.</p> <p>The MTFS target was originally set to offset against the capital financing cost associated with the depot redevelopment work. This is mitigated in other areas within the division.</p> |

2018-19 MTFS Savings Tracker

Appendix 4

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| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-----------------------|---|---------|---------|---------|-------|------------|--|
| | | | £000 | £000 | £000 | £000 | | |
| COM_S08 | Environment & Culture | Phase 2 of Environment & Culture Review - Regulatory Services Review of Enforcement functions across the Division and the Council. Revised approach to prioritise commercial / cost recovery generating work and health and safety issues and to undertake all other services at minimum standards meeting the minimum level of Food Standards Agency and other regimes. | 200 | | | 200 | Amber | Plans are put in place to maximise licensing activities. The introduction of borough wide PSPO to address environmental issues and new enforcement powers under the Housing and Planning Act 2016 ensures that enforcement actions can be effectively undertaken. A review of Public Protection is also underway. All these are expected to contribute to partially achieving the saving target. |
| COM_S12 | Environment & Culture | Route Optimisation on food waste collection | 150 | | | 150 | Red | Saving target of £150k for the route optimisation of Food Waste collection was unachieved. Although the initiatives in relation to food waste collection are being progressed as part of Waste Review, the saving in the latter part of the financial year was offset by the additional costs from other proposed changes within the review. |

2018-19 MTFS Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|--------------------------|--|---------|---------|---------|-------|------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| COM_S12 | Environment & Culture | Route Optimisation on food waste collection This saving is predicated on the availability of a food waste transfer facility in a closer proximity. The latest update from West London Waste Authority is that the new facility is unlikely to be ready and in operation until Oct 2018, which means route optimisation is delayed to achieve cost efficiencies. | (75) | 75 | | - | Red | See above |
| CE_5 | Directorate Wide | Reduction of supplies & services budget | 50 | | | 50 | Green | Savings achieved |
| CE_8 | ESD - Technical Services | Staff efficiency once Towards Excellence fully embedded - Deletion of 2 posts. | 34 | | | 34 | Green | Savings achieved |

2018-19 MTFS Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|------------------------|---|---------|---------|---------|-------|------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| E&E_18 | Directorate wide | Staff Efficiencies following the merger of the Business & Service Development and Commissioning Services Divisions - Delete one performance management officer post and a cemetery superintendent post as of 31 March 2015. In addition, further efficiencies to be achieved in Environmental Services Delivery and Commissioning Divisions in 17/18. | 50 | | | 50 | Green | Savings achieved |
| CE_12 | Commissioning Services | Project Phoenix - Commercialisation projects | 1,525 | | | 1,525 | Green | Savings achieved |
| CE_15 | Commissioning Services | Highways Services - Reduction in revenue budget for reactive maintenance due to accelerated capital investment from 2014/15. | 20 | | | 20 | Green | Savings achieved |
| CE_16 | Commissioning Services | Staff efficiencies in Parking and Network Teams - reduction in team leader and inspector posts. Staff consultation completed in June 15. The reduction in posts will be phased over the next 2 years to ensure minimal impact on service level. | 20 | | | 20 | Green | Savings achieved |

2018-19 MTFS Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|---|---|---------|---------|---------|-------|------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| CE_17 | Commissioning Services | General efficiencies across the Division (Policy, Community Engagement, Facilities Management and Contracts Management) - including removal of some supplies & services budget. | 80 | | | 80 | Green | Savings achieved |
| CE_18 | Commissioning Services | Income Generation - Facilities Management Service Level Agreements (SLAs) and Energy SLAs to schools. | 20 | | | 20 | Green | Savings achieved |
| E&E_06 | Commissioning Services - Facilities Mgt | Reduction in Facilities Management costs - reduce the controllable budget by 20% in the first 2 years through re-structuring and changing ways of service delivery and a further 5% over Years 3 & 4 through additional efficiencies post re-structuring. Consultation with staff already underway and it is proposed to delete 8 posts, 3 of these are currently vacant. | 22 | | | 22 | Green | Savings achieved |
| E&E_09 | Commissioning Services - Highways | Highways Contract - Extend the scope of the Highways Contract to include scheme design and / or inspection services when the contract is re-procured (current contract will expire in 16/17). | 120 | | | 120 | Green | Savings achieved |

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Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|--|---|---------|---------|---------|-------|------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| E&E_10 | Commissioning Services - Highways | Review salary capitalisation of highway programme & TfL funded projects | 50 | | | 50 | Green | Savings achieved |
| E&E_12 | Commissioning Services - Street Lighting | Changes in Street Lighting Policy to include variable lighting solutions. | 12 | | | 12 | Green | Savings achieved |
| E&E_14 | Commissioning Services - Winter Gritting | Reduction in winter gritting budgets - renegotiation of winter gritting contract - adopt a risk sharing approach and move away from the current fixed pricing for the service | 10 | | | 10 | Green | Savings achieved |

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| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|---|---|---------|---------|---------|-------|------------|---|
| | | | £000 | £000 | £000 | £000 | | |
| CC_2 | Environment & Culture | <p>Library Strategy Phase 2 - delivery of network of libraries and library regeneration</p> <p>The original saving relates to the relocation of Gayton Library and Wealdstone Library. The new town centre library that replaces Gayton Library will be built by the developer as part of the redevelopment of 51 College Road. The latest timescale suggests that the new library will become operational no later than March 2020. Therefore the saving relating to Gayton Library (£159k) needs to be re-profiled to 2020/21 at the earliest.</p> <p>Wealdstone Library is likely to remain in Wealdstone Centre, and therefore the saving of £50k will not be achieved.</p> | | | 159 | 159 | Purple | Future year saving. It is anticipated to be achieved from rental saving once the new town centre library is open. |
| COM18.19_S01 | Commissioning & Commercial Division - Parking | Parking review - General efficiency review. Changes include the proposed Virtual Permits system. | 205 | | | 205 | Green | Savings achieved |

2018-19 MTFS Savings Tracker

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|--|---|---------|---------|---------|-------|------------|--|
| | | | £000 | £000 | £000 | £000 | | |
| COM18.19_S03 | Environment & Culture - Waste Services | Changes to the Household Recycle & Reuse Centre (HRRC) at Forward Drive 1. Restrict access for non residents to HRRC by introducing a charging regime for non residents. 2. Introduce charges for non household waste (e.g. building waste) deposited at HRRC by residents / non residents 3. Upgrade trade waste controls | | 20 | | 20 | Purple | Future year saving. Access restriction to the CA site already in place since Nov 2017. Any reduction in disposal costs for waste deposited at CA site will be reflected in 19/20 levy. |
| COM18.19_S04 | Environment & Culture - Harrow Arts Centre | Reduce subsidy to the arts centre | 150 | 150 | 137 | 437 | Green | Savings achieved |

2018-19 MTFS Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|---|---|--------------|--------------|------------|--------------|------------|--|
| | | | £000 | £000 | £000 | £000 | | |
| COM18.19_S05 | Environment & Culture - Waste Services | Waste Services Review - implementing waste management strategy to include the following: 1. Introduction of food / dry recycling in Flats 2. Review collection regime and resources Total target saving of £500k, subject to detailed proposals to be developed as part of Waste Review and requisite Cabinet approval. One-off implementation costs anticipated and estimated at £150k, leading to a net saving of £350k in 19/20 and £150k in 20/21. | | 500 | | 500 | Purple | Future year saving. Waste Review is already underway to scope work and identify saving opportunities. |
| COM18.19_S07 | Commissioning & Commercial - Contracts Management | Savings from contract re-procurement | | 250 | | 250 | Purple | Future year saving. It is anticipated to be achieved through a number of major procurements being undertaken in 18/19. |
| COM18.19_S10 | Commissioning & Commercial Division | Phoenix projects - Indicative net saving from the commercialisation of CCTV operations, subject to a business case. | | 200 | | 200 | Purple | Future year saving. A business case will be developed in 18/19. |
| | | Total Commissioning, Environment & Culture | 2,882 | 1,441 | 977 | 5,300 | | |
| | | | | | | - | | |

2018-19 MTFS Savings Tracker

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-----------------------|---|---------|---------|---------|-------|--------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| Housing | | | | | | - | | |
| COM_G05.3 | Housing | Homelessness - Extension of Property Purchase Initiative (Additional 50 homes) - Purchase of a further 50 homes for use as TA to reduce pressure on B&B. | 469 | 225 | | 694 | <u>Green</u> | Savings achieved |

2018-19 MTFS Savings Tracker

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-----------------------|---|---------|---------|---------|-------|------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| COM_G05.3 | Housing | Reversal - 'Homelessness - Extension of Property Purchase Initiative (Additional 50 homes) -The initiatives were included in the MTFS on the basis there would be a net saving against the B & B accommodation budget as a result of moving residents from B & B accommodation into the 150 homes. The savings against the B & B budget were originally intended to cover the capital financing costs incurred to purchase the properties and still make a positive contribution to the MTFS. However as a result of increased demand across the housing needs budget and the impact of the Homelessness Reduction Act, achieving a net saving against the B & B accommodation budget is no longer viable. In terms of the 50 homes, a gross saving of £948k is included in the MTFS. Capital financing costs are assumed at £573k leaving a net contribution to the MTFS of £375k | (274) | 153 | | (121) | Green | Savings achieved |

2018-19 MTFS Savings Tracker

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-----------------------|--|---------|---------|---------|-------|--------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| CH_9 | HGF | Property purchase initiative - net benefit to Council of proposals to purchase 100 homes, per Cabinet report appendix. Homelessness savings are part of the equation. | (2) | 42 | | 40 | <u>Green</u> | Savings achieved |
| CH_9 | HGF | Additional income - 'Property purchase initiative - net benefit to Council of proposals to purchase 100 homes, per Cabinet report appendix. Homelessness savings are part of the equation. | 355 | (4) | | 351 | <u>Green</u> | Savings achieved |

2018-19 MTFs Savings Tracker

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-----------------------|--|---------|---------|---------|-------|------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| CH_9 | HGF | Reversal - 'Property purchase initiative - proposal to purchase 100 homes. - The initiatives were included in the MTFs on the basis there would be a net saving against the B & B accommodation budget as a result of moving residents from B & B accommodation into the 150 homes. The savings against the B & B budget were originally intended to cover the capital financing costs incurred to purchase the properties and still make a positive contribution to the MTFs. However as a result of increased demand across the housing needs budget and the impact of the Homelessness Reduction Act, achieving a net saving against the B & B accommodation budget is no longer viable. In terms of the 100 homes a gross saving of £1.192m is built into the MTFs. £435k of this can be achieved through additional rental income leaving £757k non achievable which is now being reversed out of the budget, £736k in 2018/19 and £21k in 2019/20. | (223) | (21) | | (244) | Green | Savings achieved |

2018-19 MTFS Savings Tracker

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-----------------------|--|---------|---------|---------|---------|------------|---|
| | | | £000 | £000 | £000 | £000 | | |
| COM18.19_S08 | Housing | Housing Related Support Procurement | 100 | | | 100 | Amber | Half of the savings savings achieved, and half were not achieved due to late contract start date, there is no ongoing impact. |
| | | Total Housing | 425 | 395 | - | 820 | | |
| | | Community Total | 3,307 | 1,836 | 977 | 5,353 | | |
| PO 03 | Pan Organisation | Regeneration - Indicative net income realised from a long term regeneration strategy for the borough, to be formalised following consultation launched in early 2015. | 2,000 | 0 | | 2,000 | Green | Savings achieved |
| PO 03 | Pan Organisation | Reversal - Regeneration indicative net income realised from a long term regeneration strategy for the borough. . The Regeneration Programme is on going and key schemes are either in planning or about to be submitted but the income will not be realised by 2018/19 as originally anticipated. As a de-risking strategy to the MTFS, it is prudent to remove this income stream which will be re-instated into the budget as and when realised. | (2,000) | 0 | | (2,000) | Green | Savings achieved |

2018-19 MTFS Savings Tracker

Appendix 4

| Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction INTERNAL | 2018/19 | 2019/20 | 2020/21 | Total | Rag rating | Comment |
|----------------------|-----------------------|---|--------------|--------------|------------|---------------|------------|------------------|
| | | | £000 | £000 | £000 | £000 | | |
| REP18.19_S01 | Development Control | Additional Planning/Development Management Income - Review of pre-application fees - Income from Proceeds of Crime work relating to planning enforcement | 25 | | | 25 | Green | Savings achieved |
| REP18.19_S02 | Building Control | Additional Building Control Income by - working for development partners outside the Borough (such as for Redrow in Luton) - sales of specialist services (such as Fire Officer). | 25 | | | 25 | Green | Savings achieved |
| | | Net Savings Regeneration | 50 | - | - | (300) | | |
| | | Total Net Savings | 8,801 | 3,417 | 977 | 12,021 | | |

Appendix 5 - Commercial Update 2018/19, Quarter 4

Introduction

1. As at Quarter 4 2018/19, the councils commercial structure consists of five separate legal entities set out in the table below and is presented as a flow chart at the end of this report.

Table 1: Harrow Council Commercial Structure

| Name | Legal Structure | Date Started Trading |
|---|-------------------------------|-----------------------------|
| Concilium Group Limited (Holding Company) | UK Limited Company | November 2015 |
| Concilium Business Services Limited | UK Limited Company | November 2015 |
| Sancroft Community Care Limited | UK Limited Company | January 2018 |
| Concilium Assets LLP | Limited Liability Partnership | January 2019 |
| HB Public Law Limited | UK Limited Company | April 2015 |

2. These entities have been set up to provide a financial benefit to the council whilst enabling it to undertake specific commercial activities. Harrow Council therefore either directly or indirectly holds a 100% controlling interest in each of the five trading entities, through a commercial group holding structure.

Background

3. Concilium Group Ltd. is a wholly owned commercial subsidiary of the council, set up with the dual purpose of consolidating the financials of further subsidiaries and to act as a the minority partner in a council controlled Limited Liability partnership (Concilium Assets LLP). In effect, this is in effect a council owned holding company.
4. Concillium Business Services Ltd (trading as Smart Lettings) is a wholly owned subsidiary of Concillium Group Ltd. with the principal aim of providing private lettings, property management, property administration and tenant referencing services. Its principal source of revenue comes from the property management of 100 homes, managed on behalf of Harrow Council.
5. Sancroft Community Care Ltd. Is another wholly owned subsidiary of Concilium Group Ltd. and was set up to take over the operation of the 50 bed residential care home for the elderly. 45 of these beds are block contracted with the London Borough of Harrow under a five year contract.
6. Concilium Assets LLP (The LLP) is a Limited Liability Partnership owned 95% by Harrow and 5% by Concilium Group Ltd. and was set up to enable direct private rental sector (PRS) property investment activities. 53 PRS units on Gayton Road shall be transferred to the LLP in early 2019 for rent to the private market.

7. The formation of HB Public Law Ltd. was formally approved by cabinet on 13th November 2014 (began trading in 2015) and is set up as a council owned legal practice under an alternative business structure (ABS) agreement. This was in order to be able to carry out legal work which the shared service is prevented from undertaking by professional conduct rules. The practice is supported by a practice management team, a business support team and a finance team, with access to a dedicated legal library and comprehensive online legal research materials.

Financial Implications

8. The accounting year end for all of these entities is the 31st March in line with the council's year end; this report references both financial years ended 31st March 2018 and 2019.
9. Audited financial reports for the year ended 31st March 2018 (The last full financial year) have been published for Concilium Group Limited and Concilium Business Services Limited whilst Concilium Assets LLP was yet to begin trading and Sancroft Community Care Limited had very minimal pre-trading transactions. The most recent published financial results have therefore been summarised as followed.

Table 2: Commercial Full Year Position, 31st March 2018

| <i>Negative/(Positive)</i> | Concilium Group Ltd. | Concilium Business Services Ltd. | Aggregate position |
|---|-----------------------------|---|---------------------------|
| Income | 0 | (76,581) | (76,581) |
| Administrative Expenditure | 360 | 248,463 | 248,823 |
| Finance Costs | 0 | 19,168* | 19,168 |
| (Net Profit)/Loss | 360 | 191,050 | 191,410 |
| Retained Earnings c/f as at 31 st March 2018 | 5,282 | 420,605 | 425,887 |

*The finance costs incurred by Concilium Business Services Ltd. represent income to the council by means of interest payable on the start up loan. This totals £28,416k over the past three financial years. A decision has recently been made to write off this loan.

10. The aggregate forecast financial position of Concilium Group Limited, Concilium Business Services Limited and Sancroft Community Care Limited is summarised in Table 3 as at 31st March 2019.

Table 3: Commercial Full Year Forecast to 31st March 2019

| <i>Negative/(Positive)</i> | Concilium Business Services Ltd | Concilium Group Ltd | Sancroft Community Care Ltd | Aggregate Position |
|----------------------------|--|----------------------------|------------------------------------|---------------------------|
| Income | (110,000) | | (2,227,564) | (2,337,564) |
| Administrative Expenditure | 165,000 | 500 | 2,273,228 | 2,438,728 |
| Finance Costs | 28,416 | | | 28,416 |
| (Net Profit)/Loss* | 83,416 | 500 | 45,664 | 129,580 |
| Retained Earnings c/f* | 504,021 | 5,782 | 40,664 | 550,467 |

*This is forecast because figures are subject to change after the final accounts are finalised and audited

Concilium Business Services Ltd.

11. Concilium Business Services Ltd has undergone a strategic change of direction and this will be presented separately as a standalone Appendix to July's P2 savings tracker report. This shall include all details and justifications along with plans, financials and recommendations.

Sancroft Community Care Ltd.

12. The latest financial information is available for Sancroft Community Care Ltd as at the end of its first year of trading. A financial summary of Sancroft's performance against its business plan (budget) is presented as follows in Table 4.

Table 4: Sancroft Forecast Annual Position as at 31st March 2019

| <i>Negative/(Positive)</i> | Full year Forecast* | Annual Budget | Forecast Budget Variance |
|----------------------------|---------------------|---------------|--------------------------|
| Total Income | (2,227,564) | (2,317,054) | 89,490 |
| Total Expenditure | 2,273,228 | 2,202,032 | 71,196 |
| (Net Profit)/Loss | 45,664 | (115,022) | 160,686 |

*The first financial year end is 31st March 2019, accounts are yet to be audited so outlined as forecast as could be subject to change.

Concilium Assets LLP

13. Concilium Assets LLP has had its first year of trading extended for commercial reasons and its prior year shortened. Dormant accounts were therefore filed for the 9 months ended 31st December 2018 and for accounting purposes the LLP has been trading since 1st January 2019 and will prepare accounts to the 15 months ended 31st March 2020.

14. The indicative business plan for Concilium Assets LLP is to be presented at September cabinet. It will inform the financial benefits due and the MTFs will be updated accordingly.

15. The aggregate forecast financial position of Concilium Group Limited, Concilium Business Services Limited and Sancroft Community Care Limited is summarised in Table 4 as at 31st March 2019.

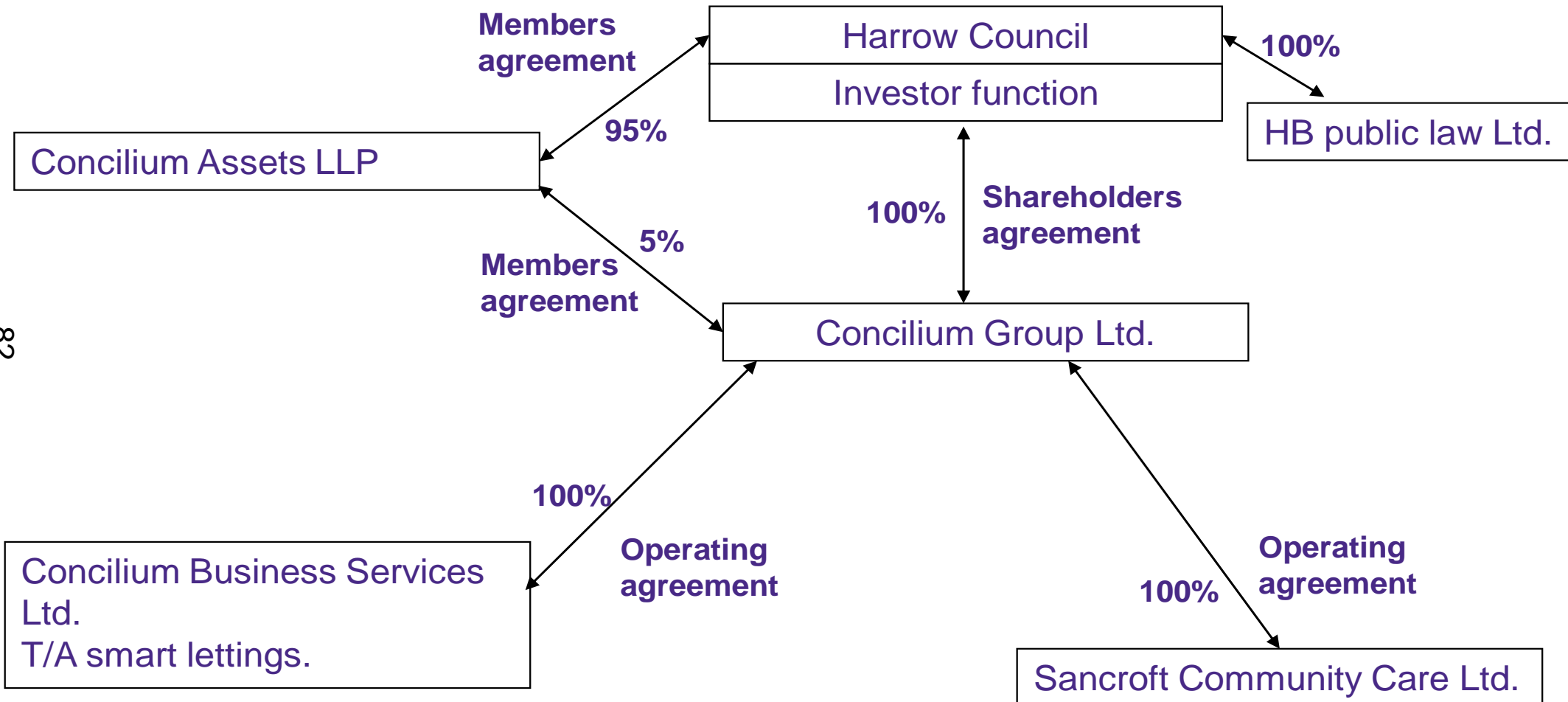
Funding Arrangements

16. Concilium Business Services has received a start-up loan of £184,000 which was fully drawn down. Concilium Assets LLP has been granted a start-up loan of £175,000 and has drawn down £50,000 to date.

17. Following arrangements to transfer responsibility back to the authority, the loan given to Concilium Business Services Ltd along with other council creditors was written off in 2018/19.

18. A cash flow loan of £40,000 was advanced to HB Public Law Ltd in 2015 on commercial terms. To date £27,000 of capital and £7,354 interest has been repaid to Harrow. In 2018-19 the company has so far recorded a gross profit of £3,794 on a turnover of £15,027.

Harrow Council Commercial Structure



| Project Definition | Original Programme | 17/18 Carry Forwards | Changes in Q1-Q4 | 2018/19 Revised Budget | Outturn | Variance | Slippage to 2019/20 | (Over/underspend) | LBH | External /HRA | Reason for variance |
|--|--------------------|----------------------|------------------|------------------------|------------|--------------|---------------------|-------------------|--------------|---------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| MOSAIC Implementation - Adults & Children's Services | - | - | - | - | 36 | 36 | | 36 | 36 | | Original implementation was delayed resulting in a delay in the delivery of the group work configuration. This increased charges associated with contracted resources that led to additional costs for implementation. This will be funded from an underspend in the Children's IT Development Budget. |
| Capital Strategic Reviews | - | - | - | - | 6 | 6 | | 6 | 6 | | Bedford Hse Reconfiguration |
| Integrated Health Model | - | 85 | - | 85 | - | - 85 | -85 | - | - | | Budget no longer required. As a result, further digital purse and WLA options now being reconsidered. No capital funding exists for these potential alternative projects hence this is been slipped to 2019/20. |
| Project Infinity | 100 | 370 | - | 470 | 101 | - 369 | | - 369 | - 369 | | Project Infinity ceased 15.04.19. Therefore no further spend on this project. |
| In-House Residential | 100 | 100 | - 40 | 160 | 54 | - 106 | - 106 | - | | | £50,000 unallocated is earmarked for a project to enhance facilities for Wiseworks, pending approval of a business case, £1232 relates to works awaiting completion at Bedford House, with this sum required for completion. Budget required for works to replace the roof at Millmans. A tender process has been completed and a contractor identified. The budget is required to be carried forward in order to allow these works to be undertaken. |
| Sancroft Care Home | - | 355 | 60 | 415 | 407 | - 9 | | - 9 | - 9 | | Underspend |
| Mentis Pilot | - | 8 | - | 8 | 1 | - 9 | | - 9 | - 9 | | |
| Total Adults | 200 | 918 | 20 | 1,138 | 604 | - 535 | - 191 | - 344 | - 344 | - | |
| Healthy Pupil Capital Fund | - | - | 174 | 174 | 39 | - 135 | - 135 | - | | | Required to complete project - funding from grant for water fountain project, |
| Total Public Health | - | - | 174 | 174 | 39 | - 135 | - 135 | - | - | | |
| School Amalgamation | - | 420 | - 218 | 203 | 20 | - 183 | - 183 | - | | | 2 schools amalgamated April 2019, two more due to amalgamate FY 2019-20 |

| Project Definition | Original Programme | 17/18 Carry Forwards | Changes in Q1-Q4 | 2018/19 Revised Budget | Outturn | Variance | Slippage to 2019/20 | (Over/underspend) | LBH | External /HRA | Reason for variance |
|--|--------------------|----------------------|------------------|------------------------|--------------|-----------------|---------------------|-------------------|----------------|---------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Bulge Classes | 150 | 252 | - | 402 | - | - 402 | - 402 | - | | | Earmarked for in year bulge class work. Dependent on pupil numbers. Possibly required for secondary school place pressures Sept 19 |
| Schools Capital Maintenance | 1,350 | 2,488 | 306 | 4,144 | 1,887 | - 2,257 | - 2,257 | - | | | Required to support resolution of SEP2. Delay in undertaking replacement of fire doors and glazing at Kenmore school due to issues at manufacturer; remaining budget required for identified works that would be best undertaken during the summer holidays. |
| Devolved Formula Non VA Schools | - | 53 | - | 53 | - | - 53 | - 53 | - | | | Ringfenced to schools |
| Secondary Expansions | 3,650 | 4,348 | - | 7,998 | 15 | - 7,983 | - 7,983 | - | | | Earmarked for secondary expansion likely required Sept 20/21 |
| SEN Provision | 2,520 | 2,796 | - | 5,316 | 244 | - 5,072 | - 5,072 | - | | | Earmarked for SEN expansion as part of High Needs Strategy |
| Schools Expansion Programme - Phase 2 | - | 2,848 | - | 2,848 | 17 | - 2,831 | - 2,831 | - | | | SEP2 final accounts not yet resolved. In a legal process |
| Schools Expansion Programme - Phase 3 | - | 3,627 | - | 3,627 | 2,370 | - 1,257 | - 1,257 | - 1,257 | - 1,257 | | The underspend is due to contractor provisions and contingencies for unforeseen risks which did not materialise |
| Pinner Wood Ground Stabilisation Works | - | - | 298 | 298 | 298 | - | - | - | | | |
| Childrens IT Development | - | 684 | - | 684 | 196 | - 487 | -463 | - 24 | - 24 | | Budget required for continued development of MOSAIC to support Adults Service transformation programme & ensure tight financial grip across People services as well as refresh of tools for the trade hardware across People Services as majority of laptops etc do not support Windows 10 |
| Total School and Children | 7,670 | 17,517 | 387 | 25,573 | 5,048 | - 20,525 | - 19,244 | - 1,282 | - 1,282 | - | |
| TOTAL PEOPLE | 7,870 | 18,435 | 580 | 26,886 | 5,690 | - 21,195 | - 19,569 | - 1,626 | - 1,626 | - | |
| Environment | | | | | | | | | | | |
| Carbon Reduction Programme | 100 | - | - 20 | 80 | 33 | - 47 | - | - 47 | - 47 | | The capital budgets was under spend. |
| Carbon Reduction - Schools | - | - | - | - | - | - | - | - | | | |

| Project Definition | Original Programme | 17/18 Carry Forwards | Changes in Q1-Q4 | 2018/19 Revised Budget | Outturn | Variance | Slippage to 2019/20 | (Over/underspend) | LBH | External /HRA | Reason for variance |
|--|--------------------|----------------------|------------------|------------------------|---------|----------|---------------------|-------------------|------|---------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Car Parks Infrastructure | 15 | - | - | 15 | 15 | - | - | - | | | |
| City Farm/Pinner Park Farm | - | 89 | - | 89 | 48 | - 41 | - 41 | - | | | Multiple year project, with scheme due to be completed April 2019. Carry forward required to allow for completion of scheme |
| Corporate Accommodation Maintenance | 155 | - | - | 155 | 179 | 24 | 24 | - | | | Negative carry forward |
| Harrow On Hill Station | 3,000 | - | - 3,000 | - | - | - | - | - | | | |
| High Priority Plan Maintenance Corporate Property | 600 | - 27 | - | 573 | 538 | - 35 | - | - 35 | - 35 | | The capital budgets for building related planned maintenance were underspend. |
| Highway Drainage Improvements & Flood Defence Infrastructure | 500 | - | - | 500 | 500 | 0 | | 0 | 0 | | |
| Highway Improvement Programme | 7,100 | - 121 | 809 | 7,788 | 7,796 | 8 | | 8 | 8 | | |
| Parking Management Programme | 300 | - 17 | - | 283 | 280 | - 2 | | - 2 | - 2 | | |
| Waste and Recycling | 150 | - | - | 150 | 150 | 0 | | 0 | 0 | | |
| Section 106 Schemes for Highways | - | - | 71 | 71 | 20 | - 50 | - 50 | - | | | Developer contributions - works funded from section 106 agreements. Unused funds due to developer works in College road / William Carey Way overrunning in 2018/19 and preventing Council works from proceeding, works to be organised in 2019/20. Legal agreement only allows funds to be used for the stated purpose associated with the planning permission. |
| Street Lighting Improvement Programme | 1,500 | 50 | - | 1,550 | 1,549 | - 1 | | - 1 | - 1 | | |
| TfL Principal Roads | - | - | - | - | 11 | 11 | | 11 | | 11 | This is the residual cost from 17/18 LIP incurred in 18/19, for which the full expenditure was met by TfL grant and financial claims made during 18/19. As no matching budget is added in SAP, it looks as if this was an overspend. However this is not the case. |
| TfL Transport Capital | 1,000 | - | 384 | 1,384 | 1,336 | - 48 | | - 48 | | - 48 | A notional budget allocation was originally included in the capital programme based on TfL notification of the indicative funding allocation for 18/19. This is often adjusted throughout the year as further funding approvals are provided by TfL. The £48k represents an unallocated capital budget in the programme in 18/19 as this is the amount over and above the 18/19 actual funding from TfL, and therefore it is not a real underspend. |

| Project Definition | Original Programme | 17/18 Carry Forwards | Changes in Q1-Q4 | 2018/19 Revised Budget | Outturn | Variance | Slippage to 2019/20 | (Over/underspend) | LBH | External /HRA | Reason for variance |
|---|--------------------|----------------------|------------------|------------------------|---------|----------|---------------------|-------------------|------|---------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Trade Waste | 100 | - 23 | - | 77 | 64 | - 13 | - 13 | - | | | Carry forward relates to outstanding delivery of stock from supplier. PO already raised during 18/19, however delivery did not take place by March. Therefore the budget carry forward is required to fulfill the existing commitments. The increase in customer base following successful marketing effort means that there is a demand for the service and the need to ensure sufficient availability of trade waste bins for commercial customers and new developments. This will be met from the 19/20 capital allocation. |
| Harrow Green Grid | 150 | 12 | - | 162 | 120 | - 42 | - 42 | - | | | The outstanding work relates to new tar spray and chip footpath, Coxwell gravel path and reinforced grass hexopath. Work was originally commissioned to Highway contractor, Kier, but was not completed before its contract ended Mar 19. |
| CCTV cameras and equipment at the depot | 150 | - | - | 150 | 142 | - 8 | 0 | - 8 | - 8 | | Underspend. No outstanding commitments against 18/19 budget |
| CCTV Infrastructure | 800 | - | - | 800 | 247 | - 553 | - 553 | - | | | Multiple year project, with procurement process underway for appointment of suitable contractor. Carry forward is required to allow for completion of the scheme to upgrade CCTV borough wide |
| Parks Infrastructure | 506 | - | - | 506 | 700 | 194 | 194 | - | | | This is a negative carry forward, therefore shown as negative slippage. |
| Parks Litter Bins | 49 | - | - | 49 | 49 | 0 | | 0 | 0 | | |
| Green Gym | 38 | - | - | 38 | 46 | 8 | | 8 | 8 | | |
| Parks Playground Improvement | - | - | 545 | 545 | 219 | - 326 | - 326 | - | | | Procurement process concluded and contract signed in March. Budget required to be carry forward to allow for the full implementation of playground improvements as set out in the approved Business Case; failure to do so will result in an inability to complete planned works and result in the loss of play facilities across the borough |

| Project Definition | Original Programme | 17/18 Carry Forwards | Changes in Q1-Q4 | 2018/19 Revised Budget | Outturn | Variance | Slippage to 2019/20 | (Over/underspend) | LBH | External /HRA | Reason for variance |
|--|--------------------|----------------------|------------------|------------------------|---------------|-----------------|---------------------|-------------------|-------------|---------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Street Litter Bins | 300 | - | - | 300 | 260 | - 40 | - 40 | - | | | 18/19 budget is part of a 3 year scheme to implement replacement and new stock across the borough, with the overall cost being based on the purchase, installation and associated works to deliver the number of bins set out in the Cabinet report where this scheme and budget were approved. The carry forward is required to ensure we are able to complete the outstanding installation of some bins from 18/19 programme and to ensure full roll out of on street litter bins to enhance street scene and meet the requirements set out in the agreed business case. |
| Redevelopment of Rayners Lane Toilet Block | 170 | - | - | 170 | 21 | - 149 | - 149 | - | | | Conclusion of design delayed by requirement to undertake unforeseen excavations of basement area and additional trial holes. Planning application has been submitted and determination expected early 19/20. Failure to carry forward budget will prevent the redevelopment of the asset and lead to abortive design and planning costs. |
| Redevelopment of Vernon Lodge & Atkins House | 775 | 707 | 518 | 2,000 | 1,569 | - 431 | - 431 | - | | | |
| Vehicle Procurement | - | - | 22,314 | 22,314 | 8,798 | - 13,516 | - 13,516 | - | | | Multiple year scheme with full budget released in year 1 to allow for procurement of vehicles to commence. Failure to carry forward will result in a failure to undertake the revised procurement strategy for the Councils fleet of vehicles and ultimately lead to increased costs. |
| Depot Redevelopment | 13,110 | 2,209 | - | 15,319 | 3,842 | - 11,477 | - 11,477 | - | | | Multiple year project. Scheme required to go back through planning due to the addition of additional floors on the development. Failure to carry forward the budget will result in failure to complete the scheme |
| Headstone Manor - Park for People Project | 75 | - | 102 | 177 | 68 | - 109 | - 109 | - | | | Multiple year projects funded from HLF, GLA, BCIL and S106 developer contribution. The unspent sum needs to be carried forward to 19/20 to complete the project. |
| Total Environment & Commissioning | 30,643 | 2,878 | 21,722 | 55,244 | 28,601 | - 26,642 | - 26,529 | - 113 | - 76 | - 37 | |
| Culture | | | | | | | | | | | |

| Project Definition | Original Programme | 17/18 Carry Forwards | Changes in Q1-Q4 | 2018/19 Revised Budget | Outturn | Variance | Slippage to 2019/20 | (Over/underspend) | LBH | External /HRA | Reason for variance |
|--|--------------------|----------------------|------------------|------------------------|--------------|--------------|---------------------|-------------------|-----------|---------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Sec 106 Banister Sport Pitch | 904 | 18 | - | 922 | 76 | - 846 | - 846 | - | | | Multiple year projects. Currently awaiting outcome from Football Foundation funding application to provide the match funding for the installation of 3G pitch and pavillion works. |
| Harrow Arts Centre - Roof repairs | - | 281 | - | 281 | 296 | 14 | | 14 | 14 | | Scheme overspend |
| HAC / Harrow Museum - IT reconnection | | 29 | - | 29 | 23 | - 6 | - 6 | | | | This is the final amount due upon project completion. As there is still outstanding work to be completed by Sopra Steria, this sum needs to be carried forward to pay for the final invoice. |
| Central Library Refit/Refurb | 800 | 44 | - 650 | 194 | 141 | - 54 | - 54 | - | | | Multiple year projects with physical works on the fit out expected during 19/20. |
| Libraries and Leisure Capital Infrastructure | 460 | 99 | 40 | 599 | 526 | - 72 | - 72 | - | - | | Delays in completing priority health and safety works at Kenton Library as listed building consent required. Also at Kenton Library, there is a delay in installing new front door as part of the refurbishment due to issues sourcing the required materials to meet listed building requirements. The new door is required to complete the refurbishment of the library and for building compliance reasons. |
| Total Culture | 2,164 | 472 | - 610 | 2,026 | 1,062 | - 964 | - 978 | 14 | 14 | - | |
| | | | | | | | | | | | |
| Housing | | | | | | | | | | | |
| Disabled Facilities Grants | 2,030 | - | 452 | 2,482 | 2,330 | - 151 | - 151 | - | | | Required to complete backlog of adaptations. If carry fwd not approved applications from private residents which have been previously deferred will be further delayed resulting in potential breach of Council's statutory obligations. |

| Project Definition | Original Programme | 17/18 Carry Forwards | Changes in Q1-Q4 | 2018/19 Revised Budget | Outturn | Variance | Slippage to 2019/20 | (Over/underspend) | LBH | External /HRA | Reason for variance |
|---|--------------------|----------------------|------------------|------------------------|--------------|-----------------|---------------------|-------------------|--------------|---------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Empty Property Grant | 933 | 158 | - | 1,091 | 101 | - 990 | - 85 | - 905 | - 905 | | Grants for private landlords in exchange for nomination rights to reduce homelessness pressure. Budget holder estimates 31 cases can complete in 2019-20 costing £367k (ave £11.8k grant per landlord); £187k approved base budget therefore carry fwd requested £85k, partly funded from external grants, with balance being funded from FHSG held separately, subject to criteria being met. £746k earmarked for CPO now not proceeding. <i>Phased release of budget in 2019-20 subject to satisfactory financial modelling.</i> |
| Improvement grant | 52 | - | - | 52 | - | - 52 | 0 | - 52 | - 52 | | Discretionary grants not required |
| Housing Property Purchase - 100 Homes | - | 63 | - | 63 | 42 | - 21 | - 21 | - | | | Carry fwd request comprises : £716k not spent on Kitchens & Bathrooms to fund mandatory replacement IT system for Housing Services and set up a client contingency for the HRA New Build programme, £923k to year procurement for compliance works (Cabinet approved), balance is mainly for fire door safety compliance. Remaining underspend due to lower than expected works costs. If carry fwd not approved, no funding available for replacement Housing IT system and H&S works will not be carried out |
| Housing Property Purchase - 50 Homes | 6,000 | 9,000 | - | 15,000 | - | - 15,000 | -15000 | - | | | The budget approved for spend 2019-20 at 21st Feb Cabinet; funded 30% from retained right to buy receipts, balance funded from General Fund borrowing. Properties will initially be used for homeless to alleviate General Fund revenue pressures. if carry forward is not approved, capacity for mitigation of homelessness will be depleted. <i>Phased release of budget in 2019-20 subject to satisfactory financial modelling.</i> |
| Total Housing | 9,015 | 9,221 | 452 | 18,688 | 2,473 | - 16,215 | - 15,258 | - 957 | - 957 | - | |
| Neighbourhood CIL Schemes | 800 | - | - 139 | 661 | - | - 661 | - 661 | - | | | Notional NCIL allocated to capital programme. Unallocated sum to be carried forward to 19/20 |
| Mobile Technology in Community Learning | 20 | 30 | - | 50 | - | - 50 | - 50 | - | | | The project is funded from the GLA and Adults Education budget (external funding). The service is in discussion with the GLA to utilise the funding for a virtual learning centre, however this is subject to final agreement. Therefore the budget needs to be carried forward to 19/20. |

| Project Definition | Original Programme | 17/18 Carry Forwards | Changes in Q1-Q4 | 2018/19 Revised Budget | Outturn | Variance | Slippage to 2019/20 | (Over/underspend) | LBH | External /HRA | Reason for variance |
|---------------------------------|--------------------|----------------------|------------------|------------------------|---------|----------|---------------------|-------------------|----------|---------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Lyon Rd Pop Restaurant & Square | 84 | - | - | 84 | 71 | - 13 | - 13 | - | | | This is a 3-year projects over the period from 18/19 to 20/21, and is funded from GLA (Good Growth Fund), BCIL and S106 funding. |
| Trinity Square | - | 691 | 299 | 990 | 689 | - 301 | - 299 | - 2 | | - 2 | Slippage needed to complete project in 2019/20 |
| Haslam House Redevelopment | - | - | 2,422 | 2,422 | 47 | - 2,374 | - 837 | - 1,538 | - 1,538 | | Haslam House was due to start on site sept 2018, following an un-successful tender process where the quality threshold was not met by any bidder, a direct award is now being pursued resulting in a slippage of scheme . Completion of scheme is now expected in June 2020.Carry forward required to complete scheme. |
| Waxwell Lane | - | - | 6,207 | 6,207 | 254 | - 5,953 | - 391 | - 5,562 | - 5,562 | | Current project delay due to frameworks not providing sufficient contractors for tender, thus not providing good VFM.Tender delayed as a result, going out to market , combining demolition and construction stages to produce more attractive package to the market.Awaiting tender returns-scheme slipped.It is proposed that contract award of this scheme will take place in Aug/Sep 2019 with an estimated completion on site of March 2021. Carry forward required to complete scheme. |
| Vaughan Road | - | - | 8,460 | 8,460 | - | - 8,460 | - | - 8,460 | - 8,460 | | Scheme on hold-alternative development proposals for this site still under review. |
| Roxeth Library | - | - | 1,306 | 1,306 | - | - 1,306 | - | - 1,306 | - 1,306 | | Scheme not being taken forward, budget no longer required. |
| Poets Corner | - | - | 16,329 | 16,329 | 190 | - 16,138 | - 235 | - 15,904 | - 15,904 | | Change in direction of travel still being concluded-slippage |
| Byron Quarter | - | - | 5,943 | 5,943 | 67 | - 5,876 | - | - 5,876 | - 5,876 | | Direction of travel being reviewed -variance treated as underspend until review completed. |
| Gayton Rd | - | - | 4,023 | 4,023 | 1,291 | - 2,732 | - 2,732 | - | - | | All treated as slippage-affordable units completed ,PRS to complete early 2019/20-Commercial unit strategy being worked up |
| New Civic | - | - | 26,414 | 26,414 | 590 | - 25,824 | - 5,365 | - 20,459 | - 20,459 | | Direction of travel still being concluded, hence slippage |
| Greenhill Way | - | - | 121 | 121 | - | - 121 | - | - 121 | - 121 | | Scheme not being taken forward, budget no longer required. |
| Other Regeneration | - | - | 194 | 194 | - 52 | - 246 | - 194 | - 52 | - 52 | | Legacy cost been allocated to the right projects |

| Project Definition | Original Programme | 17/18 Carry Forwards | Changes in Q1-Q4 | 2018/19 Revised Budget | Outturn | Variance | Slippage to 2019/20 | (Over/underspend) | LBH | External /HRA | Reason for variance |
|--|--------------------|----------------------|------------------|------------------------|---------------|------------------|---------------------|-------------------|-----------------|---------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Regeneration Programme | 70,996 | 422 | - 71,418 | - | 86 | - 86 | | - 86 | - 86 | | Legacy cost been allocated to the right projects |
| TOTAL Regeneration | 71,900 | 1,143 | 160 | 73,203 | 3,062 | - 70,140 | - 10,776 | - 59,364 | - 59,363 | - 2 | |
| Total Community | 113,722 | 13,714 | 21,724 | 149,159 | 35,198 | - 113,962 | - 53,541 | - 60,420 | - 60,382 | - 38 | |
| Capital cost of transition and transformation of ICT service | 38 | 443 | 416 | 897 | 515 | - 381 | - 381 | - | | | Committed expenditure is for T12 Projects Milestones 9 and 10 of Middleware Replacement Project - yet to be completed |
| ICT Infrastructure & Corporate Applications | - | 75 | - | 75 | - | - 75 | - 75 | - | | | Committed expenditure for SD200182588 - Policy Compliance Software and Implementation, yet to be completed |
| IT Corporate System Refresh | - | 164 | - | 164 | 164 | - | - | - | | | |
| Ongoing refresh & enhancement of ICT | 3,000 | 3,589 | - 1,895 | 4,694 | 1,087 | - 3,607 | - 3,607 | - | | | Majority of the slippage £3.1m relates to committed expenditure for the Windows 10 / Office 365 project that is needed to upgrade the current IT system, the remainder will cover projects that were not complete in the FY 2018/19 and funds to be used for the unexpected refresh activity identified by Sopra Steria |
| Devolved Applications refresh | 700 | 1,382 | 1,478 | 3,561 | 1,246 | - 2,315 | - 2,315 | - | | | Projects under the Devolved Applications refresh program result in system enhancements or the refresh of key business solutions. Funds are being carried forward to cover future upgrades in 2019/20 of customer portal £1.8m (digital account replacement project) and complete around 10 existing projects in progress. |
| SAP: Financial Leger/Systems Control Imp | - | 585 | - | 585 | 14 | - 572 | - 572 | - | | | Projects not complete and PO rolled over into 2019/20, funding required for ERP replacement |
| Waste Collector | - | 66 | - | 66 | 41 | - 25 | - 25 | - | | | Budget is needed in 2019/20. |
| ABAVUS | - | - | 1,542 | 1,542 | 442 | - 1,099 | - 1,099 | - | | | The project is on-going and is expected to be completed in 2019/20 (by end of July 2019), so the budget needs to be carried forward to pay Sopra Steria and other suppliers. |
| LAA Performance Reward Grant | - | 86 | - | 86 | - | - 86 | - 86 | - | | | Partly used for for notice boards |
| Other Schemes (Council wide) | - | 3,770 | - 1,840 | 1,930 | - | - 1,930 | - 1,930 | - | | | Retained for Schools |

| Project Definition | Original Programme | 17/18 Carry Forwards | Changes in Q1-Q4 | 2018/19 Revised Budget | Outturn | Variance | Slippage to 2019/20 | (Over/underspend) | LBH | External /HRA | Reason for variance |
|--|--------------------|----------------------|------------------|------------------------|---------------|------------------|---------------------|-------------------|-----------------|---------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| IER Grant | - | - | 18 | 18 | 18 | - 0 | | - 0 | | | |
| FM Minor Work | - | 66 | 72 | 138 | 82 | - 56 | - | - 56 | - 56 | | Budget not require |
| Property Investment | - | 4,425 | 1,900 | 6,325 | 6,194 | - 131 | - 131 | - | | | to cover legal and professional cost and retain for Kings House. |
| HR Shared Service | - | 100 | - | 100 | - | - 100 | - 100 | - | | | Project started and part of the funding is committed , the remainder will be necessary to use whn HR service returns in house |
| TOTAL RESOURCES | 3,738 | 14,751 | 1,691 | 20,181 | 9,802 | - 10,378 | - 10,322 | - 56 | - 56 | - | |
| TOTAL GENERAL FUND | 125,330 | 46,900 | 23,995 | 196,225 | 50,691 | - 145,535 | - 83,432 | - 62,103 | - 62,064 | - 38 | |
| Corporate | | | | | | | | | | | |
| Council Wide Capital Budget | | | | | | | | 1,000.00 | 1000 | | Budget set aside for Council wide projects in 2019/20 |
| Total after General Fund Adjustment | 125,330 | 46,900 | 23,995 | 196,225 | 50,691 | - 145,535 | - 83,432 | - 61,103 | - 61,064 | - 38 | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| Housing Programme | 2,739 | 2,793 | 2,591 | 8,123 | 4,234 | -3,889 | -3,450 | -439 | -439 | | Underspend due to economies achieved in windows & doors and enveloping programmes. Carry forward required for statutory health & safety works, mandatory upgrade of Housing IT system and client contingency for Home-4-Harrow programme. |
| Grange Farm Redevelopment | 0 | 5,400 | 1,288 | 6,688 | 574 | -6,114 | -6,114 | 0 | | | Funding already approved by Cabinet in Feb 2019 for delivery of Grange Farm regeneration Phase 1. Scheme would not proceed without the carry forward and this would force significant decapitalisation in the HRA with significant negative impact on revenue position as well as serious reputational damage alongside additional costs to repair and maintain homes due for demolition. |
| Affordable Housing - Infill Phase 1 | 0 | 4,309 | - 1,354 | 2,955 | 2,284 | -671 | -620 | -51 | -51 | | Carry forward required to complete remaining properties as part of phase 1 of new build programme, remainder not required. |

| Project Definition | Original Programme | 17/18 Carry Forwards | Changes in Q1-Q4 | 2018/19 Revised Budget | Outturn | Variance | Slippage to 2019/20 | (Over/underspend) | LBH | External /HRA | Reason for variance |
|-------------------------------------|--------------------|----------------------|------------------|------------------------|---------------|------------------|---------------------|-------------------|-----------------|---------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | |
| Affordable Housing - Infill Phase 2 | 0 | 6,099 | - 2,525 | 3,574 | 0 | -3,574 | | -3,574 | -3,574 | | Underspend relates to phase 2 which has not started in 2018-19; separate budget provision in 2019-20 therefore no carry fwd required. If carry fwd not approved remaining properties will not be completed resulting in decapitalisation and loss of rental income. |
| TOTAL HRA | 2,739 | 18,600 | - 0 | 21,339 | 7,092 | - 14,247 | - 10,184 | - 4,063 | - 4,063 | - | |
| Total General Fund and HRA | 128,069 | 65,500 | 23,995 | 217,565 | 57,783 | - 159,782 | - 93,616 | - 65,166 | - 65,128 | - 38 | - |

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REPORT FOR: CABINET

| | |
|-------------------------------------|---|
| Date of Meeting: | 11 July 2019 |
| Subject: | 2019/20 Savings Update at P2 (31 May 2019). |
| Key Decision: | Yes |
| Responsible Officer: | Dawn Calvert, Director of Finance |
| Portfolio Holder: | Councillor Adam Swersky, Portfolio Holder for Finance and Resources |
| Exempt: | No |
| Decision subject to Call-in: | Yes |
| Wards affected: | All |
| Enclosures: | Appendix 1 2019/20 Savings Tracker |

Section 1 – Summary and Recommendations

1. That Cabinet note the progress on achieving the 2019/20 savings as at Period 2 (end of May 2019).
2. That Cabinet approves the proposed amendments to the Capital Programme as set out at paragraphs 3.1 to 3.7.
3. That Cabinet approves the proposed virement that is within the 2019/20 HRA Capital Programme as set out in paragraphs 3.8 to 3.10.
4. That Cabinet approves the alteration of the shareholder agreement to allow just one director, the 'finance director', of Concilium Business Services Ltd (paragraph 5.2).

5. Delegate to the Director of Finance to make arrangements for a loan, at a commercial rate, to the LLP capped at £250k and governed by a loan agreement (paragraph 5.3).

Reason: (For recommendations)

To update Cabinet members on the progress in achieving the savings built into 2019/20 budget and for Cabinet to agree amendments to the 2019/20 Capital Programme.

Section 2 – Report

1.0 Introductory paragraph

- 1.1 Cabinet will receive its first report on revenue and capital budget monitoring in September for Quarter 1 (to the end of June). The 2019/20 budget includes gross savings of £5.9m. Due to the importance of the achievement of these savings, it is prudent to report on progress earlier than September 2019 and hence this savings update report to Cabinet in July.

2.0 Savings Tracker 2019/20

- 2.1 Appendix 1 details a list of the £5.9m savings and each saving has been rated green, amber and red in terms of delivery. The definitions used to support the RAG ratings are detailed in table 1 below:

Table 1: Savings Definition

| | |
|---|---|
| Green - Low or no risk to delivery of savings | Clear delivery plans in place |
| | Project running to timescale |
| Amber - Medium/some risk to delivery | Potential for slippage but project will be delivered as originally intended but not within timescale, so saving will not be fully realised. |
| Red - High risk to delivering forecast savings | Project may have started but will deliver no savings in the current financial year |
| | Project cannot be delivered but underspends found else where to mitigate savings. |

- 2.2 Table 2 below shows the summarised position for each directorate:

Table 2: Savings Tracker 2019/20 – Directorate Summary

| | Resources | People | Community | Final Outturn | % Split |
|--------------|------------------|---------------|------------------|----------------------|----------------|
| | £000 | £000 | £000 | £000 | |
| Red | 0 | 0 | -501 | -501 | 8% |
| Amber | -30 | -2,082 | -730 | -2,842 | 48% |
| Green | -793 | -150 | -1,660 | -2,603 | 44% |
| Total | -823 | -2,232 | -2,891 | -5,946 | 100% |

2.3 The 8% of savings rated as red relates to 2 savings totalling £0.501m, which fall within the Community directorate and an explanation is provided below:

- Income generation from the expansion of Central Depot saving COM of £0.246m - Income is expected to be realised through the provision of extra office and parking spaces. This saving will not be achieved in 2019/20. The scheme had to obtain planning consent again following Cabinet approval of additional floors on the development last year. This results in a delay in completing the construction work. Mitigations are being identified to meet the saving target within the directorate.
- Saving COM 18.19_G02 of £0.255m which relates to the partial reversal of £0.720m growth that was allocated to the directorate in 2018/19 to fund additional pressure in Waste Service arising from the increasing number of new housing development in the borough. This savings will not be achieved in 2019/20 as a reduction in budget level will adversely impact on the capacity to deliver frontline services and reduce service standards. This will be met from corporate contingency in 2019/20.

2.4 There are 7 savings totalling £2.842m categorised as amber, £2.082m of these amber savings are within the People Directorate and detailed as follows:

- Adult social care service savings (PA05) Home In Harrow - The Medium Term Financial Strategy (MTFS) saving of £1.251m represents three savings projects and are reported net of implementation costs: Reviews (£0.895m), Harrow is Home (£0.400m), Telecare (£0.151m) less implementation costs (£0.195m). The telecare savings of £0.151m largely reflects cost avoidance and as a result the Resilient Harrow board have agreed to add this target to the reviews target.
- Projects have commenced, reviews are being undertaken and identification of alternative care settings under the core and cluster model is underway. There may be some risk in fully achieving the reviews target as care must be provided to assess need under the Care Act 2014. The Resilient Harrow board will

be tracking the delivery of savings targets on a monthly basis enabling this to be reported as part of the corporate forecast outturn position.

- Children's placement, accommodation and other client related savings PC01 of £0.831m. This saving will be monitored throughout the year to ensure that it is achieved as there is risk of fluctuations in demand for statutory services.

2.5 In Community there are 4 savings totalling £0.730m that are rated amber:

- Reduction of subsidy to the art centre savings COM18.19_S04 of £0.150m. The saving is expected to be achieved through additional hire income from the increase in room lettings facilities. There is a budget allocation in the 2019/20 capital programme, funded from Good Growth Fund and Community Infrastructure Levy, to deliver the improvement works on derelict buildings to provide the additional capacity. However, there has been a delay in progressing the capital works on the site as part of the delivery of a masterplan for the site. It is also identified that additional capital funding will be required to deliver all proposed works included in the GLA funding bid based on the revised cost estimates for the project. Options are being considered to address this. The completion of Studio Theatre conversion is scheduled by the end of Dec 19, which will enable a part-year rent income in 19/20. Mitigations have been identified to achieve part of this saving through the projected increase in income from performances and existing room hire. These will deliver a saving of around £80k, leaving £70k still to be found.
- Savings from contract re-procurement COM18.19_S10 of £0.250m. Re-procurement of major contracts has taken place in 2018/19 which had secured about £0.200m contracts saving in 2019/20. Any further procurement works during 2019/20 may help to achieve the remaining sum.
- Project Phoenix saving from CCTV Commercialisation COM18.19_S10 of £0.200m. The service is currently preparing the contract documentation in readiness for the procurement of CCTV infrastructure including a new alarm receiving centre (ARC), which is expected to help generate additional income through the use of technology to commercialise the CCTV service. The new ARC is not expected to be ready until about January 2020 due to planning requirements. Other options will be explored to achieve this MTFs target.
- Redevelopment of the Vernon Lodge Homelessness Hostel and the Atkins House site COM_19.20S04 of £0.130m. The saving profiled in 19/20 relates only to Atkins House site and is expected to be achieved through providing capacity to generate

rent income. The income was originally anticipated for the end of May but this will now be delayed as the installation of a new gas main is required. The work is now scheduled to take place towards the end of June and therefore the units are anticipated to be ready for occupation from August 19. Part year net income of around £90k is projected for 19/20. Mitigations are to be identified for the remainder of the saving target.

- 2.6 In Resources, the review of postal service saving RES18.19-01 of £0.030m is classified as amber. The achievement of the saving is on track, however the risk exists as this is a demand led service and it is uncertain what will be the take up of the newly established hybrid mail delivery by directorates. This can impact directly the overall postal cost. Work is ongoing to assess and monitor where mail can be sent out electronically in order to reduce postal costs to ensure that the MTFs saving is met.
- 2.7 To the extent that any of the savings are not fully achievable, directorates will work to contain any shortfall within current resources within their own directorates.

3.0 Amendments to 2019/20 Capital Programme

- 3.1 A S106 developer's contribution of £10k will be used to provide a loading bay in Pinner Road and a car club bay in Roxborough Road in 2019/20. It is therefore requested that £10k be added to the highway programme in 2019/20.
- 3.2 The Council's advertising contractor has agreed to provide a one-off financial contribution for the replacement of community notice boards across the borough. It is requested that £25k be added to the park infrastructure programme in 2019/20.
- 3.3 Sport England has awarded a funding of £47k as part of their Places to Ride Programme for the delivery of a cycling hub at Kenton Recreation Ground. A match funding of £58k is also secured from London Marathon Trust to complete the project. It is therefore requested that £105k be added to the park infrastructure programme in 2019/20.
- 3.4 The Football Foundation has approved a capital grant offer of up to £407k (52% of the project costs), subject to planning permission, towards the new floodlit 3G football pitch at Bannister Sports Centre. The remaining costs are to be met from S106 funding. It is therefore requested that £407k be added to the Bannister Sports Centre project in 2019/20.
- 3.5 Addition to the Children's Capital Programme £866k in 2019/20
- 3.6 Local authorities must ensure there are sufficient good school places for all pupils, including those with Special Educational Needs (SEN) and disabilities. In 2018/19 the Government announced capital funding

of £2.295m to help local authorities create new school places and improve existing facilities for children and young people with SEN and disabilities, in consultation with parents and providers. Local authorities can use it as they see fit to improve special provision for children and young people with education, health and care (EHC) plans. This funding can be invested in mainstream schools and academies, special units, special schools and academies, early year's settings, and further education colleges, or to make other provision for children and young people aged from 0 to 25. This funding has already been added to the capital programme.

- 3.7 Subsequently a further £865,920 was announced to be paid in 2019/20. The projects and expenditure will be linked to the SEND Strategy approved by Cabinet in February 2019 to implement a phased expansion programme of SEND provision in Harrow in order to reduce the number of out of borough placements and create a pathway of SEND provision from Early Years to Post 16.
- 3.8 A review of the HRA Capital programme requires the virement of £1.274m capital budgets to ensure sufficient resources are in place to expedite priority schemes. Structural and underpinning works will be increased by £147k, client contingency to support the Council's house building programme created of £536k, New Housing IT system budget £574k and £17k for Health & Safety works.
- 3.9 These will be funded entirely by compensating reductions in HRA internal, external and other works of £479k, £394k and £401k respectively which will result in no adverse operational issues and no overall change in expenditure.
- 3.10 These adjustments will result in no additional expenditure and will be financed entirely from HRA capital resources with no additional borrowing requirement.

4.0 Reporting for the 2019/20 Financial Year

Cabinet will receive quarterly monitoring reports during the year as follows:

- Quarter 1 September 2019
- Quarter 2 December 2019
- Quarter 3 February 2020
- Outturn report June 2020

5.0 Commercial Update

Concilium Business Services Ltd

- 5.1 Concilium Business Services Ltd (CBS Ltd) is trading as Smart Lettings.

5.2 Following the recommendation presented to Cabinet in December 2018 (Section 5) to transfer all of Smart Letting's functions back to the council, the direction of travel has since changed for both legal and commercial reasons. Instead, the lettings shop was closed on the 28th February 2019 and is currently being marketed for re-let, its activities as a property manager and lettings agent have ceased and its permanent staff have been TUPE transferred back to the council. Its trading name "Smart Lettings" is no longer being used and the underlying company "Concilium Business Services Ltd" is thus remaining active as a holding vehicle for six properties previously owned by Harrow corporate estates. These properties are currently occupied by overseas social workers and caretakers and are currently being actively managed by the council. 95% of all rents collected by Concilium Business Services Ltd. are to be transferred back to Harrow Council. Due to the substantial reduction in its activities and the change of business, Cabinet is recommended to approve the alteration of the shareholder agreement to allow just one director, the finance director' of CBS Ltd.

Concilium Assets LLP

5.3 In November 2018, Cabinet approved Concilium Assets LLP as the Council's Private Rented Stock (PRS) investment vehicle to operate the 53 Gayton Road PRS units. Cabinet agreed a commercial loan facility of £175k. At the time of writing this report, the lease arrangements between the Council and the LLP are being finalised to enable the properties to be rented to tenants. Once finalised, the LLP Business Plan can be completed and brought to Cabinet in September for approval. Due to upfront investment the LLP require a further loan facility, at a commercial rate, up to £250k. There is evidence of strong demand from the market and it is estimated that the loans will be repaid back to the Council, with interest, by the end of financial year 2020/21. Cabinet is recommended to delegate to the Director of Finance to make arrangements for the loan, at a commercial rate, to the LLP capped at £250k and governed by a loan agreement.

6.0 Implications of the Recommendation

Implications of recommendation are set out in the body of this report.

7.0 Performance Issues

Financial performance of the 2019/20 budget will be reported to Cabinet regularly throughout the year. This is the first of such reports.

8.0 Environmental Implications

There is no direct environmental impact.

9.0 Risk Management Implications

Risks included on Directorate risk registers? Yes

10.0 Procurement Implications

There are no procurement implications arising from this report

11.0 Legal Implications

Section 151 of the Local Government Act 1972 states that without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 28 of the Local government Act 2003 imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against budget calculations.

Additions in year to the Capital Programme:

Up to £5 million - Additional capital spending can be approved by Cabinet on specific projects where:-

- the expenditure is wholly covered by additional external sources; and
- the expenditure is in accordance with at least one of the priorities listed in the capital programme; and
- there are no full year revenue budget effects

The additional capital spending agreed by Cabinet in one financial year cannot exceed £20 million.

11.0 Financial Implications

Financial matters are integral to this report.

The additional loan facility to Concilium Assets LLP, capped at £250k, will be arranged as part of the standard Treasury Management facility. The current Treasury Management Strategy Statement sets the loan limit to the LLP at £175k. The statement will be revised as part of the mid year review process which is reported to December Cabinet.

12.0 Equalities implications / Public Sector Equality Duty

Equality assessments were undertaken for proposals where relevant, in relation to both the proposals listed as part of the MTFs process and an overall equality assessment was undertaken on the MTFs. It is not considered that this report will have any further equality implications.

Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed. Consideration of the duties should precede the decision. It is important that Cabinet has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010.

13.0 Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

This report deals with the Revenue monitoring which is key to delivering the Council's new priorities:

- Making a difference for the vulnerable
- Making a difference for communities
- Making a difference for local business's
- Making a difference for families

Section 3 - Statutory Officer Clearance

| | | |
|--------------------|-------------------------------------|-----------------------|
| Name: Dawn Calvert | <input checked="" type="checkbox"/> | Director of Financial |
| Date: 4.06.2019 | | |

| | | |
|------------------|-------------------------------------|--|
| Name: Hugh Peart | <input checked="" type="checkbox"/> | on behalf of the Monitoring Officer |
| Date: 3.7.2019 | | |

| | | |
|--------------------|-------------------------------------|---------------------|
| Name: Nimesh Mehta | <input checked="" type="checkbox"/> | Head of Procurement |
| Date: 7.6.2019 | | |

| | | |
|-----------------------|-------------------------------------|--------------------|
| Name: Charlie Stewart | <input checked="" type="checkbox"/> | Corporate Director |
| Date: 3.7.2019 | | |

| | |
|-----------------------------------|----|
| Ward Councillors notified: | NO |
| EqIA carried out: | NO |
| EqIA cleared by: | |

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Interim Head of Strategic and Technical Finance (Deputy S151), Telephone 020 8424 1332, Sharon Daniels@harrow.gov.uk

Background Papers:

- **MTFS 2019/20 to 2021/22**
- **2019/20 Budget Report**

| | |
|---|-----------------------|
| Call-In Waived by the Chair of Overview and Scrutiny Committee | NOT APPLICABLE |
|---|-----------------------|

| Summary Savings and Growth 2019/20 to 2021/22 | | | | | | | | Appendix 1 | |
|---|----------------------|--------------------------|---|---------|---------|---------|-------|------------|---|
| Item No | Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction | 2019-20 | 2020-21 | 2021-22 | Total | Rag Rating | Comment (Comment relates to 2019/20 savings only) |
| | | | | £000 | £000 | £000 | £000 | | |
| Resources Directorate | | | | | | | | | |
| 1 | RES_01 | Customer Services and IT | Increase Helpline Income Developing a robust multi-channel marketing plan to build the brand and promote the Helpline service to generated additional income through the existing service. | (100) | | | (100) | Green | On track now that £231k DFG funding has been agreed for Careline throughout 2019/20 |
| 2 | Res 18.19 01 | Customer Services | Review of Postal Process - the post room will sort in bound post but services will need to collect from the Post Room. The post room will frank and send post out but services will be responsible for delivering mail to post room. | (30) | | | (30) | Amber | The achievement of the savings is on track, however the risk exists as this is a demand led service and it is uncertain what will be the take up of the newly established hybrid mail delivery by directorates. This can impact directly the overall postal cost. Work is ongoing to assess and monitor where mail can be sent out electronically in order to reduce postal costs to ensure that the MTFS saving is met |
| 3 | RES_16 | Strategic Commissioning | VCS funding - This saving reduces community grants and transfer funding from the emergency relief fund, to support the information and advice strategy as the December cabinet report. | (50) | | | (50) | Green | Savings have been achieved |

| Summary Savings and Growth 2019/20 to 2021/22 | | | | | | | | Appendix 1 | |
|---|----------------------|--------------------------------------|--|---------|---------|---------|-------|------------|--|
| Item No | Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction | 2019-20 | 2020-21 | 2021-22 | Total | Rag Rating | Comment (Comment relates to 2019/20 savings only) |
| | | | | £000 | £000 | £000 | £000 | | |
| 4 | RES 2019-20 S1-4 | Customer Services | Reduction in Customer Channels (A) - closing telephony & email channels across Council Tax, Housing Benefits, Planning & Building Control and only accepting on-line applications following the release of new on-line services by April 2019. | (75) | (135) | | (210) | Green | Telephone lines for Education & School Admissions have been closed. Business analysis and technical solutions are underway to close Public Realm lines from 1st October. |
| 5 | RES 2019-20 S1-5 | Customer Services | Reduction in Customer Channels (B) - closing telephony & email channels across Council Tax, Housing Benefits, Planning, Building Control, Education, Parking & Switchboard and only accepting on-line applications following the release of new on-line services by April 2019/20. | | (175) | (175) | (350) | Purple | Future year's savings |
| 6 | RES 2019-20 S1-6 | Business Support | Review of Business Support for Children's Services - Lean review of Children's Services and associated business support. | (80) | (20) | | (100) | Green | Reduction in staffing made following Lean review of service |
| 7 | RES 2019-20 S1-9 | Technology & Transformation Services | Printing Savings: ongoing reductions in print volumes have permanently reduced costs and savings can be taken. This has been increased from £30k to £70k following resolution of other pressures on contract indexation | (70) | | | (70) | Green | Savings have been achieved |
| 9 | RES 2019-20 S1-13 | Legal | Additional Legal Hours, Growth of £530k was added to the budget for 2019/20 in connection with additional usage of legal services within Harrow Council. Only 50% of this growth is required in 2019/20 and the remaining 50% can be fully removed in 2020/21. | (265) | (265) | | (530) | Green | The savings for the Financial Year 2019/20 have been achieved. The following year may be at risk. To be reviewed later in the year. |

| Summary Savings and Growth 2019/20 to 2021/22 | | | | | | | | Appendix 1 | |
|---|----------------------|-----------------------|---|-----------------|-----------------|-----------------|----------------|------------|---|
| Item No | Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction | 2019-20 £000 | 2020-21 £000 | 2021-22 £000 | Total £000 | Rag Rating | Comment (Comment relates to 2019/20 savings only) |
| 13 | PA05 | Adult Social Care | Adult Services - Home In Harrow | (1,251) | 0 | | (1,251) | Amber | The MTFS saving of £1.251m represents three savings projects and are reported net of implementation costs: Reviews (£895k), Harrow is Home (£400k), Telecare (£151k) less implementation costs (£195k). The telecare savings of £151k largely reflects cost avoidance and as a result the Resilient Harrow board have agreed to add this target to the reviews target. Projects have commenced, reviews are being undertaken and identification of alternative care settings under the core and cluster model is underway. There may be some risks in fully achieving the reviews target as care must be provided to assessed need under the Care Act. The Resilient Harrow board will be tracking the delivery of savings targets on a monthly basis enabling this to be reported as part of the corporate forecast outturn position |
| | | | Adult Services total | (1,251) | - | - | (1,251) | | |
| 14 | PC28 | Cross Service | Non-pay inflation | (150) | | | (150) | Green | Savings have been achieved |

| Summary Savings and Growth 2019/20 to 2021/22 | | | | | | | | Appendix 1 | |
|---|----------------------|----------------------------------|--|-----------------|-----------------|-----------------|----------------|------------|---|
| Item No | Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction | 2019-20 £000 | 2020-21 £000 | 2021-22 £000 | Total £000 | Rag Rating | Comment (Comment relates to 2019/20 savings only) |
| 15 | PC01 | Children & Young People Services | Children's Placements & Accommodation and other client related spend. Continued reduction of cost of placements through frequent tracking panels and step down through Keeping Families Together (KFT), as well as reduction in requirement for placements through KFT prevention of care and reunification. This includes other client related spend and associated legal costs | (831) | | | (831) | Amber | Savings will be monitored throughout the year to ensure achieved as is at risk of fluctuations in demand for statutory services |
| | | | Children's Services total | (981) | - | - | (981) | | |
| | | | People total | (2,232) | - | - | (2,232) | | |
| Community | | | | | | | | | |
| 16 | COM | Commissioning & Commercial | Income from expansion of Central Depot | (246) | (681) | | (927) | Red | The saving targets were included in the 17/18 MTFS to reflect the repayment of capital financing costs of the capital investment of £24m in relation to depot redevelopment. Additional income from the depot expansion is not achievable until after the new depot which provides extra office and parking spaces has been built. The scheme had to obtain planning consent again following Cabinet approval of additional floors on the development during 18/19. This results in a delay in completing the construction work. Mitigations are being identified to meet the saving target within the directorate. |

| Summary Savings and Growth 2019/20 to 2021/22 | | | | | | | | Appendix 1 | |
|---|----------------------|----------------------------|---|---------|---------|---------|-------|------------|--|
| Item No | Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction | 2019-20 | 2020-21 | 2021-22 | Total | Rag Rating | Comment (Comment relates to 2019/20 savings only) |
| | | | | £000 | £000 | £000 | £000 | | |
| 17 | COM_19.20S05 | Commissioning & Commercial | Redevelopment of Central Depot (Additional areas) Further maximisation of the use of the depot site to deliver additional areas for commercial income generation, following Cabinet approval of the increase in capital programme for the site in July 18. | - | (473) | - | (473) | Purple | Future year's savings. This is expected to be achieved from commercial lettings relating to the additional floors of offices and car parking. |
| 18 | COM_S12 | Environment & Culture | Route Optimisation on food waste collection | (75) | | | (75) | Green | Route optimised to incorporate the new food waste collection service for flats into existing rounds. |
| 19 | CC_2 | Environment & Culture | Library Strategy Phase 2 - delivery of network of libraries and library regeneration The original saving relates to the relocation of Gayton Library and Wealdstone Library. The new town centre library that replaces Gayton Library will be built by the developer as part of the redevelopment of 51 College Road. The latest timescale suggests that the new library will become operational no later than March 2020. Therefore the saving relating to Gayton Library (£159k) needs to be re-profiled to 2020/21 at the earliest. | | (159) | | (159) | Purple | Future year's savings |

| Summary Savings and Growth 2019/20 to 2021/22 | | | | | | | | Appendix 1 | |
|---|----------------------|--|---|-----------------|-----------------|-----------------|---------------|------------|--|
| Item No | Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction | 2019-20 £000 | 2020-21 £000 | 2021-22 £000 | Total £000 | Rag Rating | Comment (Comment relates to 2019/20 savings only) |
| 20 | COM18.19_S03 | Environment & Culture - Waste Services | Changes to the Household Recycle & Reuse Centre (HRRC) at Forward Drive 1. Restrict access for non-residents to HRRC by introducing a charging regime for non-residents. 2. Introduce charges for non-household waste (e.g. building waste) deposited at HRRC by residents / non residents 3. Upgrade trade waste controls | (20) | | | (20) | Green | Changes to the Household Recycle & Reuse Centre (HRRC) at Forward Drive have been implemented. The impact of the changes will be monitored through waste tonnage brought to the HRRC. |
| 21 | COM18.19_S04 | Environment & Culture - Harrow Arts Centre | Reduce subsidy to the arts centre | (150) | (137) | | (287) | Amber | The saving is expected to be achieved through additional hire income from the increase in room lettings facilities. There is a budget allocation in the 2019/20 capital programme to refurbish derelict buildings and complete new build to provide the additional capacity. There has been a delay in progressing the capital works on the site as part of the delivery of a masterplan for the site. It is also identified that additional capital funding will be required to deliver all proposed works included in the GLA funding bid. Options are being considered to address this. The completion of Studio Theatre conversion is scheduled by the end of Dec 19, which will enable a part-year rent income in 19/20. Mitigations have been identified to achieve part of this saving through the projected increase in income from performances and existing room hire. These will deliver a saving of around £80k, leaving £70k still to be found. |

| Summary Savings and Growth 2019/20 to 2021/22 | | | | | | | | Appendix 1 | |
|---|----------------------|---|---|---------|---------|---------|-------|------------|--|
| Item No | Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction | 2019-20 | 2020-21 | 2021-22 | Total | Rag Rating | Comment (Comment relates to 2019/20 savings only) |
| | | | | £000 | £000 | £000 | £000 | | |
| 22 | COM18.19_S05 | Environment & Culture - Waste Services | <p>Waste Services Review - implementing waste management strategy to include the following:</p> <ol style="list-style-type: none"> 1. Introduction of food / dry recycling in Flats 2. Review collection regime and resources <p>Total target saving of £500k is subject to detailed proposals to be developed as part of Waste Review and requisite Cabinet approval. One-off implementation costs anticipated and estimated at £150k, leading to a net saving of £350k in 19/20 and £150k in 20/21.</p> | (500) | | | (500) | Green | <p>Waste services review completed. New staffing structure is being implemented, it is expected that the restructure will achieve £300k savings.</p> <p>The introduction of new food waste collection service in flats is expected to increase recycling, resulting in savings in disposal costs. Waste disposal tonnage will be continually monitored throughout the financial year.</p> |
| 23 | COM18.19_S07 | Commissioning & Commercial - Contracts Management | Savings from contract re-procurement | (250) | | | (250) | Amber | Reprocurement of major contracts have taken place in 2018/19 which had secured about £200k in 2019/20. The remainder is yet to be identified. |
| 24 | COM18.19_S10 | Commissioning & Commercial Division | Phoenix projects - Indicative net saving from the commercialisation of CCTV operations, subject to a business case. | (200) | | | (200) | Amber | The service is currently preparing the contract documentation in readiness for the procurement of CCTV infrastructure including a new alarm receiving centre (ARC), which is expected to help generate additional income through the use of technology to commercialise the CCTV service. The new ARC is not expected to be ready until about January 2020 due to planning requirements. Other options will be explored to achieve this MTFS target. |

| Summary Savings and Growth 2019/20 to 2021/22 | | | | | | | | Appendix 1 | |
|---|----------------------|------------------------|--|---------|---------|---------|-------|------------|--|
| Item No | Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction | 2019-20 | 2020-21 | 2021-22 | Total | Rag Rating | Comment (Comment relates to 2019/20 savings only) |
| | | | | £000 | £000 | £000 | £000 | | |
| 25 | COM_19.20S01 | Libraries | <p>Review of Libraries Service</p> <p>Review of operational arrangements to revise opening hours of libraries to meet public demand.</p> | (50) | (50) | | (100) | Green | Restructure completed. The new structure is being implemented. |
| 26 | COM_19.20S02 | Development Management | <p>Increase in Planning fees Income</p> <p>Following a 20% national fees increase in early 2018, the income for planning applications is anticipated to increase if the number of applications remains at a similar level. However, this needs to be balanced against the additional costs of running the planning service. For 19/20, the income is supplemented by strategic development coming forward and greater use of planning performance agreements to manage the planning process. In light of this, it is possible to make a one-off contribution to the MTFs in 19/20 and the projected net additional income is reduced to £50k in 20/21.</p> | (100) | 50 | | (50) | Green | There is a number of planning performance agreement activities in the pipeline to give confidence that this target will be achieved. |
| 27 | COM_19.20S03 | Development Management | Commercialisation of Building Control Service, subject to a business case. | (20) | | | (20) | Green | This is anticipated to be met from on-going consultancy activities. |

| Summary Savings and Growth 2019/20 to 2021/22 | | | | | | | | Appendix 1 | |
|---|----------------------|----------------------------|--|----------------|----------------|----------------|----------------|------------|---|
| Item No | Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction | 2019-20 | 2020-21 | 2021-22 | Total | Rag Rating | Comment (Comment relates to 2019/20 savings only) |
| | | | | £000 | £000 | £000 | £000 | | |
| 27 | COM_19.20S04 | Commissioning & Commercial | Redevelopment of the Vernon Lodge Homelessness Hostel and the Atkins House Site The maximisation of the assets to increase the homelessness provision at Vernon Lodge while providing capacity to generate additional income at both Vernon Lodge and Atkins House following Cabinet approval of the redevelopment work in July 18. Gross savings. | (130) | (80) | (643) | (853) | Amber | The income profiled to 2019-20 relates only to Atkins House Site. The income from Atkins House was originally anticipated for the end of May but this will now be delayed as a new gas main is required. The gas main work is now scheduled to take place towards the end of June and therefore the units are anticipated to be ready for occupation from August 19. Part year net income of around £90k is projected for 19/20. Mitigations are to be identified for the remainder of the saving target. |
| 28 | | Commissioning & Commercial | Additional Financing Income : Banister (25k) Harrow Weald Toilet (£11k) Probation Centre (£275k) Drones (unmanned aerials) (£92k) | | | (403) | (403) | Purple | Future year's savings |
| 29 | COM 18.19_G02 | Commissioning & Commercial | The growth in population and households in the borough over the last few years has placed additional pressures on Waste Services. The additional workload arising from the increasing number of new housing developments can no longer be absorbed within the existing number of waste rounds. £720k growth was allocated in 2018.19; this £255k is the partial reversal of this growth. | (255) | | | (255) | Red | A reduction in the level of budget in Waste Services will adversely impact on the capacity to deliver frontline services and reduce service standards. This will be met from Corporate contingency in 19/20. |
| | | | Community and Culture | (1,996) | (1,530) | (1,046) | (4,572) | | |

| Summary Savings and Growth 2019/20 to 2021/22 | | | | | | | | Appendix 1 | |
|---|----------------------|-----------------------|--|---------|---------|---------|-------|------------|---|
| Item No | Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction | 2019-20 | 2020-21 | 2021-22 | Total | Rag Rating | Comment (Comment relates to 2019/20 savings only) |
| | | | | £000 | £000 | £000 | £000 | | |
| 31 | COM_G05.3 | Housing | Homelessness - Extension of Property Purchase Initiative (Additional 50 homes) - Purchase of a further 50 homes for use as TA to reduce pressure on B&B. | (225) | | | (225) | Green | |
| 32 | COM_G05.3 | Housing | Reversal - 'Homelessness - Extension of Property Purchase Initiative (Additional 50 homes) -The initiatives were included in the MTFS on the basis there would be a net saving against the B & B accommodation budget as a result of moving residents from B & B accommodation into the 150 homes. The savings against the B & B budget were originally intended to cover the capital financing costs incurred to purchase the properties and still make a positive contribution to the MTFS. However as a result of increased demand across the housing needs budget and the impact of the Homelessness Reduction Act, achieving a net saving against the B & B accommodation budget is no longer viable. In terms of the 50 homes, a gross saving of £948k is included in the MTFS. Capital financing costs are assumed at £573k leaving a net contribution to the MTFS of £375k | (153) | | | (153) | Green | <u>Additional properties</u> : All MTFS savings reversed out leaving £573k additional income and B&B costs avoided, fully offset by equal and opposite interest cost held centrally; approval granted to proceed in phases. |
| 33 | CH_9 | HGF | Property purchase initiative - net benefit to Council of proposals to purchase 100 homes, per Cabinet report appendix. Homelessness savings are part of the equation. | (42) | | | (42) | Green | |

| Summary Savings and Growth 2019/20 to 2021/22 | | | | | | | | Appendix 1 | |
|---|----------------------|-----------------------|--|---------|---------|---------|-------|------------|--|
| Item No | Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction | 2019-20 | 2020-21 | 2021-22 | Total | Rag Rating | Comment (Comment relates to 2019/20 savings only) |
| | | | | £000 | £000 | £000 | £000 | | |
| 34 | CH_9 | HGF | Additional income - 'Property purchase initiative - net benefit to Council of proposals to purchase 100 homes, per Cabinet report appendix. Homelessness savings are part of the equation. | 4 | | | 4 | Green | |
| 35 | CH_9 | HGF | Reversal - 'Property purchase initiative - proposal to purchase 100 homes. - The initiatives were included in the MTFS on the basis there would be a net saving against the B & B accommodation budget as a result of moving residents from B & B accommodation into the 150 homes. The savings against the B & B budget were originally intended to cover the capital financing costs incurred to purchase the properties and still make a positive contribution to the MTFS. However as a result of increased demand across the housing needs budget and the impact of the Homelessness Reduction Act, achieving a net saving against the B & B accommodation budget is no longer viable. In terms of the 100 homes a gross saving of £1.192m is built into the MTFS. £435k of this can be achieved through additional rental income leaving £757k non achievable which is now being reversed out of the budget, £736k in 2018/19 and £21k in 2019/20. | 21 | | | 21 | Green | First 100 properties : Overachievement of MTFS savings 2018-19 indicates programme is on track for achievement of remaining savings in 2019-20. Financial modelling to be revised as part of Qtr 1 monitoring and this will be reported as part of in year monitoring. |

| Summary Savings and Growth 2019/20 to 2021/22 | | | | | | | | Appendix 1 | |
|---|----------------------|-----------------------|---|----------------|----------------|----------------|-----------------|------------|---|
| Item No | Unique Reference No. | Specific Service Area | Headline Description re: saving / reduction | 2019-20 | 2020-21 | 2021-22 | Total | Rag Rating | Comment (Comment relates to 2019/20 savings only) |
| | | | | £000 | £000 | £000 | £000 | | |
| 36 | | HGF | Gayton Road Income | (500) | | | (500) | Green | 72 units will continue to be used as temporary accommodation in the short term thereby mitigating homelessness pressures on General Fund; HRA Capital receipt expected to reduce borrowing exposure on General Fund assuming units are transferred. |
| | | | Housing Total | (895) | - | - | (895) | | |
| | | | Community Total | (2,891) | (1,530) | (1,046) | (5,467) | | |
| | | | Total Savings | (5,946) | (2,125) | (2,947) | (11,018) | | |

| | |
|--|---|
| Green - Low or no risk to delivery of savings | Clear delivery plans in place |
| | Project running to timescale |
| Amber - Medium/some risk to delivery | Potential for slippage but project will be delivered as originally intended but not within timescale, so saving will not be fully realised. |
| Red - High risk to delivering forecast savings | Project may have started but will deliver no savings in the current financial year |
| | Project cannot be delivered but underspends found elsewhere to mitigate savings. |

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REPORT FOR: CABINET

| | |
|-------------------------------------|--|
| Date of Meeting: | 11 July 2019 |
| Subject: | 2 Year Budget Strategy – 2020/21 to 2021/22 |
| Key Decision: | Yes |
| Responsible Officer: | Sean Harriss, Chief Executive Dawn Calvert, Director of Finance |
| Portfolio Holder: | Councillor Graham Henson, Leader of the Council Councillor Adam Swersky, Portfolio Holder for Finance and Resources |
| Exempt: | No |
| Decision subject to Call-in: | Yes |
| Wards affected: | All |
| Enclosures: | None |

Section 1 – Summary and Recommendations

This report sets out the Council's Budget Strategy over the 2 year period, 2020/21 to 2021/22.

Recommendation

Cabinet is asked to:

- (a) Note the actions and options in Stage 1 and Stage 2 to reduce the 2020/21 to 2021/22 budget gap (paragraph 1.3.3)

(b) Note the key themes being explored to support the 2 year Budget Strategy 2020/21 to 2021/22 (paragraph 1.3.3)

(c) Recommend the addition of £100m to the Capital Programme, for long term commercial investment, to Council for approval (paragraph 5.5)

(d) Note the action to refresh the Investment Property Strategy and engage external professional advice to support the commercial investment (paragraph 5.6)

Reasons

(a) To ensure the Council manages within the challenging financial environment it faces and achieves financial sustainability over the medium term.

Section 2 – Report

1.1 Background

1.1.1 The Government continues to reduce its funding to Local Government as part of its nationwide austerity programme. In their publication 'Local Government Funding – Moving the conversation' (June 2018) the Local Government Association shared a number of their key statistics including:

- New analysis indicates that local services face a funding gap of £7.8 billion by 2025 of which £6.6 billion relates to Adult Social Care and Children's Services.
- By 2020, local authorities will have faced a reduction to core funding from Central Government of nearly £16 billion over the preceding decade.

1.1.2 This nationwide picture has translated itself into a budget gap of circa £128m for Harrow Council to manage over the 7 years, 2013/14 to 2019/20, as detailed in table 1 below:

Table 1: Summary of Key Financial Changes 2013/14 to 2019/20

| | Reduction in RSG | Demand Led Growth | Technical Savings | Savings | Additional Revenue from Council Tax | Business Rates |
|--------------|---------------------|-------------------------|----------------------|------------|---|-------------------|
| | £'m | £'m | £'m | £'m | £'m | £'m |
| 2013/14 | 52.1 | 10 | 10 | -22 | -1.8 | 14.7 |
| 2014/15 | 42.6 | 5.5 | -2.1 | -10 | -1.9 | 14.5 |
| 2015/16 | 32 | 7.7 | 5.9 | -20.6 | -3.4 | 14 |
| 2016/17 | 21.9 | 4.7 | 9.5 | -16.6 | -6.8 | 13.2 |
| 2017/18 | 13 | 10.7 | -0.6 | -10.2 | -7.3 | 14.4 |
| 2018/19 | 7.3 | 9.8 | 1.7 | -7.4 | -5.3 | 14.4 |
| 2019/20 | 1.6 | 7.4 | -4 | -5.2 | -8.5 | 14.4 |
| Total | 50.5 | 55.8 | 20.4 | -92 | -35 | |

The table shows:

- The Council has seen the Revenue Support Grant, its main source of funding from central government, reduce by 97% over the 7 years, reducing the grant to £1.566m (£1.6m).
- Over and above the RSG, the Council receives no additional funding to meet demographic and inflationary pressures. Therefore growth of £55.8m has had to be provided to fund the continued pressures on front line services, mainly adults and children's social care and homelessness. Technical growth of £20m has had to be provided to fund inflationary pressures (pay and non pay) and the cost of capital investment in initiatives including highways maintenance and the acquisition of properties to alleviate homelessness.
- These three factors have taken the total budget shortfall to find over the seven years to £128m to achieve a balanced budget.
- Savings and efficiencies of £92m have been achieved but the profiling of these savings, and how the quantum has reduced in recent years, demonstrates the challenges of finding sustainable savings year on year.
- Council Tax has been increased largely in line with referendum limits (2.99% in 18/19 and 19/20). In addition, Council Tax has been increased by an additional 5.5% over the three years 2017/18 to 2019/20 in respect of the Adult Social Care precept.
- Business Rates have remained largely static, the Borough has been adversely affected by permitted development allowing office space to be converted to residential and not benefitting from large areas of land available for business development.

The Council has received, and continues to receive one off funding, including:

- Transitional Grant (£712k in 2016/17 and £699k in 2017/18)
- Winter Pressures funding for Adults Social Care (£968k in 2018/19)
- Adult Social Care support grant (£606k in 2018/19)
- Adult and Children's Social Care (£2.627m in 2019/20)
- Improved Better Care Fund (£4.643m in 2018/19, £5.467m in 2019/20)
- London Business Rates Pilot Pool (£3.5m in 2019/20, £1.8m in 20/21)

Whilst this funding is well received the short term temporary nature of the income means that it can only be treat as a one off. The fact that it cannot be considered over the medium and long term does not assist the challenges of budget planning and achieving financial sustainability. (To note: The Improved Better Care Fund is built into the Medium Term Financial Strategy (MTFS) permanently. Due to the high value of the fund, assuming no funding in 2020/21 would create significant volatility to budget planning.)

1.1.3 Despite all reasonable actions, including council tax increases, significant savings, and efficiencies and generating income, it still remains a considerable challenge for the Council to balance its budget going forward in light of continued demand pressures facing the Council. In February 2019 full Council approved the Medium Term Financial Strategy (MTFS) 2019/20 to 2021/22. Despite achieving a balanced budget for 2019/20, there remains a budget gap of £26.140m for 2020/21 and 2021/22.

1.1.4 Harrow Council does not have large cash reserves. Its General Fund balances stand at £10m and remain within the lower quartile when benchmarked with other local authorities and the Council has consistently taken the view that spending them is not a responsible way to offset lost revenue. The Council does exercise robust financial management and has not overspent its revenue budget for the last 7 years. The Council has not shied away from implementing in year spending controls if early indications suggest a balanced budget position is not on track. Such actions have helped to prevent a draw down on the Council's limited cash balances.

1.2 Future Uncertainty

1.2.1 The Council's drive for financial sustainability is not assisted by considerable uncertainty around funding and service direction:

- A Comprehensive Spending Review (CSR) and Fair Funding Review are planned for 2019/20. The CSR will set the overall quantum of central government funding to local government and the Fair Funding Review will reset the needs base line which will determine how the overall quantum is distributed. There is much speculation that the on going negotiations on Brexit will

adversely impact upon the timings of the CSR and Fair Funding and the most likely scenario is that the Council's 2020/21 funding settlement will be a roll forward from 2019/20. This situation does nothing to address the low funding baseline for the Council. In 2019/20 the Council's core spending power per head was estimated to be £170 lower than the London average and £75 lower than the rest of England average.

- The Adult Social Care Green paper has been subject to many delays. As people are living longer and the population ages Central Government recognises the need to reach a long term sustainable solution to providing the care older people need. A confirmed date for the release of the green paper remains unknown and the Council remains subject to temporary injections of funding, which whilst appreciated, cannot be used to underpin longer term planning and decision making.
- Business Rates are currently subject to reform with central government intending to allow local government, as a whole, to retain all or a significant proportion of its rates collected. Prior to 2018/19 Councils retained 30% of their business rates collected. From 2018/19 Harrow has been part of the London Business Rates Pool allowing the council to receive a proportion of the collective growth in London. Initially the pool was for 1 year only but has been extended for a second. The Council has benefitted financially from the pool (£5.4m in 2018/19 and an estimated £1.8m in 2019/20). However once again the funding is temporary and not confirmed until after the end of the financial year to which it relates making it difficult to build into longer term planning.
- Schools are funded by the ring fenced Dedicated Schools Grant (DSG) which sits outside of the General Fund. Within the DSG is the High Needs Block (HNB) which funds provision for pupils with high needs placed in special schools and special provision in mainstream schools in Harrow and out of Borough. A recent survey showed that London Borough's had a total shortfall of £78m in 2017/18 compared with high needs allocations with many now estimating having to apply reserves to meet the pressures. In December 2018 central government announced additional funding for local authorities with Harrow receiving £606k for both 2018/19 and 2019/20. Despite this support for the first time Harrow has had to set a £3.3m deficit budget for its HNB in 2019/20 and future central government support is unknown at this point.

1.3 2 Year Budget Strategy 2020/21 to 2021/22

The Strategy

1.3.1 To meet its statutory requirements, the Council must set a balanced revenue budget for the forthcoming financial year. It is essential to look to the medium term and the council also produce's a 3 year MTFS which is refreshed annually. Funding uncertainties make it increasingly difficult to set a balanced budget over the medium term when what is going to happen from one year to the next remains largely unknown. The Council's current 3 years MTFS identifies a budget gap of £26.140m for year 2 and 3. Looking forward this budget gap will not be addressed on an annual basis (£16.795m in 2020/21 and £9.3m in 2021/22) but as a two year strategy to ensure:

- Those plans / initiatives that require less lead in time can be realised as early as possible in the process
- This will provide space for those plans / initiatives requiring a longer lead in time to be fully worked through, including consultation and equality impact assessment, before final inclusion in the MTFS
- A robust plan for the use of reserves specifically ear marked to support the 2 year strategy

1.3.2 The over arching principle underlining the approach is to develop stages which exhaust all opportunities to reduce expenditure and or generate income to protect frontline services from impact, a reduction of which is considered a last resort. If the strategy does not achieve sustainability, the last resort savings could potentially include further library closures, higher caseloads for spcial workers, lower frequencies of street cleaning and reductions in early intervention and preventative services.

1.3.3 Clearing the budget gap solely through increasing Council Tax would require an increase of circa 20%. Since setting the final budget and MTFS in February of this year there has been focused attention on managing the budget gap and associated risks. These will be explained in three stages:

Stage 1 – Reducing the quantum of the budget gap

Stage 2 – Options on future Council Tax increases

Stage 3 - A 2 year budget strategy based on 4 key themes

Stage 1 – Reducing the quantum of the budget gap

The identified budget gap of £26.140m can be reduced to £21.1m by:

- Evidence based assumptions on future increases in the Council Tax base (increase in the number of band D equivalent properties) not currently built into the MTFS
- Maintaining high collection rates for Council Tax and Business Rates
- Income realisation from the letting of the 53 units at Gayton Road for market rent

- Assuming Council Tax will be increased at the referendum level of 1.99% in 2021/22 which is not built into the current MTFS

The uncertainties described in this report could potentially impact on the quantum of the budget gap, either in a positive or negative way. The quantum of the budget gap remains under constant review.

Stage 2 – Options on future Council Tax Increases

Following stage 1, the MTFS assumes a Council Tax increase up to the referendum level of 1.99% in 2020/21 and 2021/22. A 1% increase in Council Tax generates approximately £1.250m. In recent years central government has allowed councils flexibility in terms of increasing annual rates without requiring a referendum:

- Adult Social Care Precept – over the three years up to 2019/20 the flexibility to increase Council Tax by a maximum of 6%. Harrow levied 5.5%.
- Additional 1% Council Tax (over and above the core increase of 1.99%) in 2018/19 and 2019/20 which Harrow applied in full.

The understanding is that the fiscal calculations of central government assume an increase in Council Tax of 5% per annum for the next two years. For Harrow this would generate approximately £7.5m in on going revenue to support core services hence reducing the budget gap to £13.6m. The Administration can make a choice on what it does in respect of Council Tax increases moving forward. Central Government announcements on Council Tax are normally received in November or December around the time of the provisional local government financial settlement.

Stage 3 – A 2 Year Budget Strategy based on 4 key themes

Following stage 2, the budget gap has the potential to be reduced to £13.6m. In terms of the 2 year budget strategy this has been rounded up to £15m to provide for an element of choice.

The over arching principle underlining the strategy is to develop themes which exhaust all opportunities to reduce expenditure and or generate income to protect frontline services from impact. The strategy is centered on 4 key themes:

- Corporate and Technical (£2m to £4m)
- Commercial Investment and Income (£2m to £3m)
- Service Efficiency and Savings (£2m to £3m)
- Transformation Programme (£3m to £5m)

Corporate and Technical (£2m to £4m)

This theme will review all corporate budgets (for example inflation, specific provisions and pan organisation expenditure) with a view to achieving efficiencies. The Councils treasury management function will be reviewed to ensure activities are done at the most optimum cost / return for the Council. Due to its nature, this theme is likely to realise

the majority of early savings and all opportunities, when worked through, will be reported and implemented immediately.

Long Term Commercial Investment and Income (£2m to £3m)

The Council has undertaken a limited number of Commercial investment opportunities to generate a net return to the general fund. In December 2015, the Council approved its Investment Property Strategy. Since 2015 the Council has purchased 4 investment opportunities costing £17m and generating an annual return in the budget. The Strategy will be reviewed and the opportunities for further commercial investments will be identified paying due regard to the statutory requirements of the Prudential Code, the Council's current exposure to debt and risk and mitigations.

The Council has achieved success at selling services to generate a return. Further opportunities will be explored paying attention to targets already built into the MTFS and the risk that income streams can be subject to volatility.

Service Efficiency and Savings (£2m to £3m) Transformation Programme (£3m to £5m)

There is likely to be a considerable overlap between these two themes therefore they are considered together. The Transformation Plan is being put together on the basis of how to modernise the Council, introduce new technology and re-design how services and functions operate. Areas currently being explored included technology, digital access, how the Council works, people development and management and centralisation of services. These themes are in their infancy and will more than likely be the plans and initiatives that will require the longest lead in time.

Resourcing Implications

- 1.3.4 The delivery of the strategy is dependent upon:
- The delivery of the 2019/20 budget to ensure no adverse impact on future years.
 - Holding sufficient financial resilience to mitigate the risks inherent in stages 1 and 2.
 - Funding to support the 2 year Budget Strategy, especially the transformation elements to delivery future efficiencies
 - Funding to support the budget if the 2 year strategy slips or there is an adverse impact outside of the Council's control.
- 1.3.5 The 2018/19 outturn report, that was presented to Cabinet in June, detailed a number of reserves (one off) that are ear marked to provide financial capacity to support the delivery of the budget strategy and to mitigate risk that is inherent in some of the assumptions being made to reduce the budget , especially assumptions around Council Tax:
- **Business Risk (GF Transformation Reserve) - £7.526m.** This reserve is ear marked to fund the risk around the assumption of being able to increase Council Tax by 5% per annum for the

next two years (stage 2). If central government do not allow an increase over and above 1.99% or the Administration does not wish to increase to 5%, the reserve will provide temporary support to the budget whilst alternative proposals are being worked on. If the Council Tax is increased by 5% in either one or both years of the strategy, this ear marked reserve will not be required and can be applied elsewhere.

- **Budget Planning Reserve - £2.629m.** The reserve balance is £6.829m of which £4.2m is committed to the 2019/20 budget. The remaining balance of £2.629m is ear marked for 'budget smoothing'. For example if sufficient plans and initiatives are not identified to balance the 2020/21 budget, this reserve can be drawn down to achieve a balanced position. It is recognised that this is only a temporary solution and potentially pushes the gap into future years and this will be monitored very carefully. It also provides space for those initiatives requiring a longer lead in time to be developed.
- **Capacity Building Reserve - £4.261m.** A small balance of £261k is ear marked for previously agreed plans leaving £4m to support the transformation theme to deliver £3m to £5m per annum. Use of this funding will include growing capacity to deliver the strategy and transformation and investment in IT.
- **Commercialisation Reserve - £1.265m.** This has been boosted to support commercial risk.

1.3.6 The actions required to manage the budget gap need to be permanent reductions or income generation.

1.3 Options considered

1.3.1. This report has detailed a number of options to reduce the reported 2 year budget gap of £26.140m. The report introduces the key themes supporting the 2 Year Budget Strategy. As the work progresses on this strategy all suitable options will be explored with the results being reported to Cabinet as appropriate.

2. IMPLICATIONS OF THE RECOMMENDATIONS

2.1 Cabinet are being asked to note the actions and options to reduce the budget gap and the key themes supporting the 2 year Budget Strategy. Cabinet are being asked to recommend to Council the addition of £100m to the Capital Programme for long term commercial investments to generate a financial return. The details of which are detailed in the financial implications section.

3. PROCUREMENT IMPLICATIONS

- 3.1. There are no procurement implications arising from this report.

4. LEGAL IMPLICATIONS

- 4.1 Local authorities have broadly drawn powers allowing them to invest and to borrow, in each case either for purposes relevant to the performance of any of their functions or generally for the prudent management of their financial affairs (s1 and s12 of the Local Government Act 2003). They may also acquire property by agreement located either inside or outside of their borough for the purposes of any of their functions, including their investment functions, or otherwise for the benefit, improvement or development of their area (s120 of the Local Government Act 1972). Lastly, they may also take any action (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions, which would again include their investment functions (s111 of the Local Government Act 1972).
35. The council will need to ensure that in exercising its investment and borrowing functions to expand its property portfolio, that any actions are reasonable and proportionate and for proper purposes consistent with the Council's prudential regime and its investment strategy. Investment decisions also need to be taken mindful at all times the council's fiduciary duties to ensure the sound management of the public finances.
- 4.2 Legal due diligence will be required on all property acquisitions, to include a review of title and ownership, and searches and enquiries of the vendor, in order to ascertain relevant liabilities and restrictions connected with the subject property. The results of the legal enquiries, and any associated risks, should be considered prior to any decision to enter into contract.
- 4.3 On any sale of an investment property the Council will be required to obtain best consideration in accordance with s123 of the Local Government Act 1972. Usually this will be achieved by placing the property onto the open market or otherwise, in respect of a sale agreed off market, demonstrating by way of professional valuation that it is achieving no less than market value for the property.

5. FINANCIAL IMPLICATIONS

- 5.1 The strategy to undertake long term commercial investments to generate a return to support core services will require capital funding from the Public Works Loans Board. In line with the Investment Property Strategy (December 2015 Cabinet) a gross yield of 7.5% must be achieved. After accounting for capital financing costs and other

associated revenue costs a minimum net return of 1.75% will be generated.

- 5.2 Council borrowing falls within the Prudential Code. The framework established by the Code is to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Code are to ensure, within the framework, that the capital investment plans of Local Authorities are affordable, prudent and sustainable.
- 5.3 The Ministry of Housing, Communities and Local Government (MHCLG) issued statutory guidance on Local Government Investments issued under section 15(1) (a) of the Local Government Act 2003 effective from 1 April 2018. Within the guidance investments made by local authorities are classified into one of two main categories:
- Investments held for treasury management purposes
 - Other investments

In respect of other investments, the guidance makes reference to proportionality and the extent to which funding service expenditure is dependent upon achieving the expected net profit. The returns from a long term commercial investment fund are being considered as one strand of a strategy to achieve financial sustainability, they are not being considered as the only strand. The council is required to disclose in its Capital Strategy (a new requirement from 01 April 2019) its exposure to commercial investment. The Council's Capital Strategy, approved by Council in February 2019, set out the Council's previous 4 commercial investments and updates to the Capital Strategy will include new investments.

- 5.4 Paying due regard to the Code and current debt levels (£446m as at June 2019) a long term commercial investment allocation of £100m is considered prudent and proportionate and will not over expose the Council to commercial risk. Based on a net return of 1.75% this will deliver an income stream of £1.75m per annum to support core services. By increasing long term commercial investments by £100m, the net revenue contribution from such activities increases to just under 2% of the Council's revenue budget which is still considered proportionate.
- 5.5 In accordance with Financial Regulations, this report requests that Cabinet recommend to Council for approval to add £100m to the Capital Programme. The additional £100m will be added to the Capital Programme on a cost neutral basis, ie. The cost of capital financing is equal to the revenue return generated hence cost neutral on the revenue budget. The estimated income stream of £1.75m will be added to the revenue budget during the annual refresh process prior to the draft budget being brought to Cabinet in December.
- 5.6 To support the long term commercial investment fund the current Investment Property Strategy will be refreshed and external professional investment advice will be engaged to support the refresh,

the identification and subsequent management of commercial investments entered into. The cost of this external support will be procured in line with Contract Procedure Rules and initial costs will be funded from the Commercialisation Reserve.

- 5.7 If further actions identified to support the budget gap require a separate Cabinet decision, such decisions will be brought as timely as possible. Otherwise all actions will be built into the draft budget and MTFS brought to Cabinet in December.

6. PERFORMANCE ISSUES

- 6.1 The first reporting of financial performance against the 2019/20 budget is a separate report elsewhere on this agenda. A savings target of £5.946m is included in the 19/20 budget. As at the end of P2 (May) 46% of savings are rated green, 46% amber and only 8% as red. The majority of the amber savings relate to social care savings. Plans are in place but it is very early on in the financial year to assess if plans are delivering as expected. Performance will be tracked monthly. Due to a history of delivering a balanced budget and not shying away from implementing in-year spending controls if performance is not on track, no unmanageable adverse impacts from 2019/20 are expected into 2020/21 at this stage.

7. ENVIRONMENTAL IMPACT

- 7.1 There are no direct environmental impacts.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1 The 2 Year Budget Strategy is based on 4 key themes to help mitigate the risk if one theme does not deliver as currently estimated.
- 8.2 Budget management is included on the Corporate Risk Register incorporated into the risk 'inability to deliver the Council's MTFS leading to a dereliction of duties resulting in government intervention / an inability to pay Council debts.' As at Qtr 1 2019/20 the risk was rated as C2 – medium likelihood / critical impact. The Corporate Risk Register is updated quarterly.

9. EQUALITIES IMPLICATIONS/PUBLIC SECTOR EQUALITY DUTY

- 9.1 Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing

duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed. Consideration of the duties should precede the decision. It is important that Cabinet has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- (c) Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) Tackle prejudice, and
- (b) Promote understanding.

Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race,
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

9.2 There is no direct equalities impact.

10. CORPORATE PRIORITIES

The Council's vision 'Working Together to Make a Difference for Harrow' is supported by five priorities:

- Building A Better Harrow
- Supporting Those In Need
- Protecting Vital Public Services
- Delivering A Strong Local Economy For All
- Modernising Harrow Council

Section 3 - Statutory Officer Clearance

| | | |
|-----------------------------------|-------------------------------------|--|
| Name: Dawn Calvert | <input type="checkbox"/> | Chief Financial Officer |
| Date: 01 July 2019 | | |
| Name: Jessica Farmer | <input checked="" type="checkbox"/> | on behalf of the * Monitoring Officer |
| Date: 01 July 2019 | | |
| Name: Nimesh Mehta | <input type="checkbox"/> | Head of Procurement |
| Date: 28 May 2019 | | |
| Name: Charlie Stewart | <input type="checkbox"/> | Corporate Director - Resources |
| Date: 01 July 2019 | | |
| Ward Councillors notified: | No | |
| EqIA carried out: | No | |
| EqIA cleared by: | N/A | |

Section 4 - Contact Details and Background Papers

Contact: Dawn Calvert - Director of Finance,
dawn.calvert@harrow.gov.uk, tel: 0208 420 9269

Background Papers: none

**Call-In Waived by the
Chair of Overview and
Scrutiny Committee**

YES/ NO / NOT APPLICABLE*

*(for completion by Democratic
Services staff only)*

