

# REPORT FOR: CABINET

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<b>Date of Meeting:</b>	12 December 2013
<b>Subject:</b>	Revenue and Capital Monitoring for Quarter 2 as at 30 September 2013
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Simon George, Director of Finance and Assurance
<b>Portfolio Holder:</b>	Councillor Tony Ferrari, Portfolio Holder for Finance
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	No, as the decision is for noting only
<b>Enclosures:</b>	Appendix 1 - Revenue Directorates Summary Appendix 2 - MTFS Tracker Appendix 3 - Debt Management

## Section 1 – Summary and Recommendations

This report sets out the Council's revenue and capital monitoring position as at 30 September 2013:

### Recommendations:

1. To note the revenue and capital forecast outturn position at the end of Quarter 2 (September 2013);
2. To note the Capital virement detailed in paragraphs 49 to 50.

### Reason (for recommendation)

To ensure that Cabinet is updated on the forecast revenue and capital financial position for 2013/14 and budget virements are agreed in line with Financial Regulations.

## Section 2 – Report

### Introduction

1. The 2013-14 quarter 2 revenue financial monitoring is reporting a pressure to the revenue outturn position of £1.88m overspend. This represents an adverse variance of 1.0% against the approved budget of £181.06m as summarised in the table below. This is an improvement of £0.32m since quarter 1.

<b>Directorate</b>	<b>Quarter 2 Revenue Variance £m</b>	<b>Quarter 1 Revenue Variance £m</b>	<b>Change £m</b>
Resources	(0.18)	0.25	(0.43)
Environment and Enterprise	0.80	0.72	0.08
Community, Health & Wellbeing	1.18	0.66	0.52
Children and Families	0.81	0.57	0.24
<b>Directorate Subtotal</b>	<b>2.61</b>	<b>2.20</b>	<b>0.41</b>
Corporate/Below the Line	(0.73)	0.00	(0.73)
<b>General Fund Total</b>	<b>1.88</b>	<b>2.20</b>	<b>(0.32)</b>

2. The main areas of the £1.88m variance are summarised below :-
  - Resources directorate – Customer services & legal savings behind schedule offset by savings on the Harrow Help scheme and pension augmentation costs
  - Environment and Enterprise directorate – Public realm services savings delayed due to the pause of the PRISM restructure, partially offset by additional parking income
  - Community, Health & Wellbeing – Vacancy, agency & procurement savings plans still being developed and the delayed decision on the outsourcing of library services
  - Children and Families – The Teachers’ Centre is facing pressure on achieving income targets and Targeted Services is experiencing additional demand for placements & referrals
3. Due to the challenging financial environment and the risks around service demands & delivery, directorates face a challenging time to manage and contain existing and emerging issues. Management teams continue to take actions to mitigate these pressures which are monitored and reported in a timely way.

### Directorates’ Position

4. The Quarter 2 forecast shows a potential net budget overspend of £2.61m on directorate budgets, and £1.88m overall after accounting for corporate items.

### **RESOURCES–UNDER SPEND OF £0.18M**

5. At quarter 2, a forecast under spend of £181k is anticipated, a reduction of £431k from the quarter 1 forecast. The key reasons for this are;

- Under spend on Customer Services due to lower than anticipated take up on the Harrow Help Scheme (£231k).
- Finance and Assurance under spend as a result of monthly pension augmentation payments being less than budgeted for (£100k).
- HRD & Shared Services under spend as a result of delay in developing a corporate financial management learning and development programme. Approval for carry forward to 2014-15 will be sought (£50k).
- Legal & Governance overspend of £50k due to a delay in establishing an expanded practice resulting in the budgeted income not being realised in the current year (£100k), Mayoralty (£50k) offset by over recovery of Land charges income by £100k. £50k start-up costs to expand the practice to another borough were funded from MTFS implementation

## **ENVIRONMENT AND ENTERPRISE – OVERSPEND £0.80M**

6. At Quarter 2, Environment & Enterprise are reporting a projected overspend of £800k, over the total net controllable budget of £23.6m. This is an increase of £80k from the quarter 1 forecast.
7. The key reasons for this increase are;
  - £139k increase in the shortfall of planning and building fee income.
  - £100k increase in property services costs in relation to MTFS savings associated with minimum standard cleaning due to contract being re-tendered and no savings materialising.
  - £47k increase in Community safety costs associated with the additional staffing costs to achieve parking income.
8. These increases are offset by;
  - £100k Directorate management overspend reported at Quarter 1 will be funded by one-off carry forwards from 2012-13 year end.
  - £105k Transformation monies in relation to opening & locking gates (£70k) and dog waste collection (£35k) have been agreed. At Q1, these were reported as overspends.
9. Unachieved MTFS savings [red rated] of £3,480k have been partly offset by additional forecast parking revenue £1,297k, vacancies held circa £500k and overachieved income including rents £99k, capital recharges £506k, recoverable expenses £85k and licences £90k.
10. The budgets are being robustly monitored by the service and other opportunities are being explored in order to reduce the forecast further by the end of the financial year.

## **COMMUNITY, HEALTH AND WELLBEING – OVERSPEND £1.18M**

### **Adult Services**

11. Adults Services are reporting a projected overspend of £154k against a net controllable budget of £56.235m. This is an increase on quarter 1 of £14k. Pressures of £0.5m have been identified around the achievement of the MTFS savings for Day Care and Residential Strategic Reviews, although the savings will be achieved in full over the two year period.
12. There are still concerns about the values of the NHS transfer grant to be negotiated with the CCG.
13. A significant part of the pressures in year are being alleviated by the early achievement of the 14-15 Supporting People savings, together with a review of income on the Placement budget. The service is achieving a virtually balanced budget except for the late savings allocation. Those in relation to vacancy management and agency are proving difficult to achieve.

14. The majority of Adults budgets are demand led and Harrow Council has a statutory duty to meet vulnerable adults' needs. It is therefore challenging to strike a balance between safeguarding adults against harm and abuse and balancing the budgets at the same time however.

### Community And Culture

15. Community and Culture are reporting a projected overspend of £780k against a total net controllable budget of £4.437m. A significant part of the forecast overspend is due to the delayed decision making for outsourcing Library and Leisure services. The estimated impact of this is £545k in 2013/14.

16. A request for an allocation from the Council's general contingency will be made later in the year when the figure can be finalised following confirmation of the start date of the new contract. Other material pressures relate to; unachievable MTFS income targets at Harrow Arts Centre (£110k), unachievable MTFS savings against employee budgets across the Directorate (£113k), of which £52k relates to late corporate savings.

### Housing General Fund

17. The Housing General fund is reporting a projected overspend of £9k against a total net controllable budget of £3,898k.

18. B&B net expenditure is expected to be lower than budget despite a number of families reaching 101 as at 24 Sep 2013. The additional resources required for the procurement of Private Sector Lease agreements has been addressed following the realignment of £340k from B&B budgets agreed at period 04.

19. Additional risks have been identified but not included in forecast outturn. There remains uncertainty around the impact of the Welfare Reforms and the situation continues to be monitored

20. Due to welfare reform, landlords are now very nervous about housing benefit dependant households, and there is increasing competition between councils who are offering large incentive payments. We have now reached the point where we must now also offer more generous financial packages as the only way for us to effectively procure sufficient properties to stabilise and then reduce B&B use.

### Housing Revenue Account

21. The forecast surplus for the year at quarter 2 is £633k which is £177k more than the budget. This is due mainly to lower than expected spend on the external decorations programme which will be delivered as part of the wider enveloping capital scheme.

	Revised Budget	Forecast Outturn	Quarter 2 Variance	Quarter 2 Variance	Quarter 1 Variance
	£000	£000	£000	%	£000
<b>Balance b/f</b>	<b>-3,469</b>	<b>-3,175</b>	294	-8	294
(Surplus)/ Deficit	-456	-633	-177	39	189
<b>Balance c/f</b>	<b>-3,925</b>	<b>-3,808</b>	117	-3	483

### Public Health

22. It is likely that there will be larger than anticipated balances at the end of the financial year. Expenditure to date is lower than anticipated, largely due to delays in providers submitting

invoices for payment as a result of contract finalisation but also staff vacancies, delays in commencing some of the investment projects, together with prudent assumptions made around contingencies and liabilities to avoid over committing the grant.

23. These balances will be carried forward within specific Public Health reserves and will enable the funding of expenditure committed in 2013/14 and provide capacity for additional one-off projects to be delivered (subject to the relevant approvals).

24. NHS England have recently announced the extension of the ring-fenced grant for a further year to 31st March 2016. A risk of approx. £115k remains around the payment of the legacy invoices – it is assumed that these will be funded nationally or by the CCG, although further guidance is awaited.

### **Transformation**

25. (£229k) overspend - principally reflecting the additional procurement savings across the division notionally held in this area. A number of projects are underway which it is hoped will enable this saving to be achieved but this will be monitored and reduced when the programme has been quantified with more certainty.

### **CHILDREN & FAMILIES - OVERSPEND £0.81M**

26. As at period 6 the Children and Families Directorate is forecasting to be overspent by £815k on Council funded areas. The main areas of pressure are Childrens' Placements £217k, Social Worker Staffing £111k, Teachers Centre shortfall of income £250k, Special Needs Transport £66k and Children with Disabilities clients and staffing £173k. The main movements from the previous period are increases in pressures in Special Needs Transport of £66k, Children with Disabilities of £63k and Childrens' Placements of £66k.

### **CORPORATE BUDGETS**

#### **Interest and Finance Charges**

27. We are currently estimating a £0.730m under spend largely attributable to savings on minimum revenue provision. This is a result of the slippage that occurred on the 2012-13 capital programme.

#### **Central Contingency**

28. The 2013/14 Central Contingency is £3.17m and is set aside to fund unforeseen pressures arising in-year. To date directorates have identified potential draw downs of £960k from the contingency.

#### **Levies.**

29. These are forecast to be on budget.

### **MTFS Implementation Tracker**

30. The 2013-14 budget includes approved MTFS net savings of £22.8m.

31. Appendix 2 attached lists the position on implementation against all of the savings and growth included in 2013-14. Red rated savings items (those unlikely to be delivered in-year) in 2013-14 total £5.574m. The table below summarises the position across directorates for the savings items included.

SAVINGS TRACKER SUMMARY					
	Resources	Environment & Enterprise	Community, Health and Wellbeing	Children & Families	Total
	£000	£000	£000	£000	£000
Red	81	3,480	1,711	302	5,574
Amber	1,821	925	1,285	478	4,509
Green	2,602	3,085	3,711	2,381	11,779
<b>Total</b>	<b>4,504</b>	<b>7,490</b>	<b>6,707</b>	<b>3,161</b>	<b>21,862</b>

32. A number of the savings rated red, but not all, have an ongoing impact in 2014-15. The MTFS refresh process will have addressed a number of these issues.

33. Officers continue to work to deliver the MTFS savings.

### **Inflation and Corporate Items**

34. The April 2013 pay award of 1% has been implemented and an inflation allocation of £925k has been made to service directorates.

### **Carry Forwards and Earmarked Reserves**

35. The cabinet approved 2012-13 carry-forwards of £3.268m have been included within individual directorate budgets.

36. Earmarked reserve balances including the Local Authority Area (LAA) Grant £339k and the Housing Benefit PFI grant £41k have been included within the directorate's budgets.

37. The balance on the Transformation and Priority Initiatives Fund (TPIF) brought forward from 2012-13 was £1.117m. The following draw downs against the fund have been approved:

- £100k Welfare Reform
- £100k Reversal of wilderness parks saving
- £80k Rapid response cleansing and volunteer support service
- £50k Neighbourhood champions scheme
- £60k Rapid response parks maintenance service
- £90k Community engagement recycling support team
- £75k Beat sweeper support to secondary shopping areas
- £70k Opening and locking gates in parks and cemeteries
- £35k Dog waste collection

In addition the following commitments had previously been made:

- £300k Circles of Support
- £154k Filling potholes

This leaves a balance of £3k on the fund.

### **Reserves and Provisions**

38. The Council must hold adequate provisions and reserves balances against known and anticipated events and in respect of its statutory duties as appropriate. General non earmarked balances stand at £8.646m. All the provisions are reviewed on a quarterly basis. As at

quarter 2 the Council has adequate provisions in respect of Insurance, Litigation and Employment cases.

### **Grants**

39. The balance on unringfenced grant has been increased by £168k due to additional Education grant to be received in 2013-14 and this has been included within the directorate's budgets.

### **Debt Management**

40. The latest position on Council Tax, NNDR and Housing Benefits bad debts provisions is included within Appendix 3.

### **Capital Programme**

41. The 2013/14 capital programme agreed by Council in February 2013, adjusted for slippage from 2012/13 outturn and other budget movements totals £80.2m at Quarter 2. The revised budget as at Quarter 2 period includes £30.4m slippage from 2012/13 and additional grant funded expenditure of £0.6m.

	£m	%
Total capital budget for the year	80.2	
Total spend forecast in the year	61.2	76
Variance against the budget	(19.0)	(24)

The main reasons for variances are as follows:

### **Children and Families (6.77m)**

42. The programme is being reprofiled in line with the additional grant funding made available by DfE for the School expansion programme.

### **Community, Health and Wellbeing (£2.05m)**

43. The largest element of this is slippage at Headstone Manor while the Heritage Lottery funding is confirmed (£850k). MOSAIC implementation has been delayed due to delays in the release of software by the supplier (£350k). Slippage is occurring on a number of other projects within the directorate.

### **Resources (£1.64m)**

44. Spend is slipping to 2014-15 on a number of IT and BTP projects. Some projects, e.g. Mobile and Flexible working had delayed starts, pending approval, SAP improvements has been delayed due to a change freezes while SAP is upgraded. The Waste hardware refresh has been deferred as the equipment does not need to be replaced yet.

### **Environment and Enterprise (£1.30m)**

45. Harrow Card is no longer progressing (£460k). Pinner Park Farm has slippage of (£460k) and the Carbon Reduction Programme (175k). High Priority Plan Maintenance Corporate Property has a saving of (£72k) as a result of escalating costs at the Harrow Arts Centre leading to the work being stopped.

### **Housing revenue Account (0.611m)**

46. The variance reflects a number of minor unders and overs within the housing programme.

## Below the Line Items (£6.6m)

47. The underspend of (£6.6m) represents budget not being required in respect of land acquisitions (£4.5m), potential BTP projects not being developed (£1.6m) and funding for the school expansion programme not being required from Harrow resources (£0.5m) as grant funding has been obtained from the DfE.

The table on the next page shows the totals by directorate.

## Capital Programme

Directorate	Original Programme	CFWD's	Adjustments	TOTAL BUDGET	Forecast	Forecast Variance	CFWD's
Community, Health & Wellbeing	3,545	2,543	1,961	8,048	5,998	-2,050	2,050
Children & Families	6,404	11,997	4,811	23,212	16,440	-6,772	6,772
Environment & Enterprise	13,798	7,007	-348	20,456	19,154	-1,303	681
Resources	5,390	8,059	0	13,449	11,814	-1,635	1,635
<b>TOTAL GENERAL FUND</b>	<b>29,137</b>	<b>29,605</b>	<b>6,424</b>	<b>65,166</b>	<b>53,406</b>	<b>-11,760</b>	<b>11,138</b>
HRA	7,634	757	0	8,390	7,779	-611	0
<b>TOTAL GENERAL FUND &amp; HRA</b>	<b>36,770</b>	<b>30,362</b>	<b>6,424</b>	<b>73,556</b>	<b>61,185</b>	<b>-12,371</b>	<b>11,138</b>
BELOW THE LINE ITEMS	12,411	0	-5,818	6,593	0	-6,593	0
<b>TOTAL CAPITAL PROGRAMME</b>	<b>49,181</b>	<b>30,362</b>	<b>607</b>	<b>80,149</b>	<b>61,185</b>	<b>-18,964</b>	<b>11,138</b>
<b>NOTE:</b> General Fund Funding:							
Grant	-8,747	-14,076	-4,961	-27,784	-21,356	6,428	-6,400
Section 106		-427	-12	-439	-432	7	-8
RCCO		-63	-47	-110	-47	63	-65
Capital Receipt	-12,000	0		-12,000	-2,575	0	0
Borrowing	-8,390	-15,039	-1,404	-24,833	-28,996	5,262	-4,666
<b>TOTAL GENERAL FUND</b>	<b>-29,137</b>	<b>-29,605</b>	<b>-6,424</b>	<b>-65,166</b>	<b>-53,406</b>	<b>11,760</b>	<b>-11,138</b>
HRA Funding:							
Grant		-42		-42	-42	0	0
DRF	-7,633	-715		-8,348	-7,737	611	0
<b>TOTAL HRA</b>	<b>-7,633</b>	<b>-757</b>	<b>0</b>	<b>-8,390</b>	<b>-7,779</b>	<b>611</b>	<b>0</b>

48. At this stage it is anticipated there will be no need to call on below the line items.



## Virement

49. The following virement has been approved under delegated authority within the HRA capital programme:

Transfer from	External decorations	-£133,510
Transfer to	Cyclical maintenance	+£133,510

50. The reason for the virement is to ensure adequate funding for cyclical programme in 2013-14. External decorations are being delivered as part of the wider enveloping programme within HRA Capital schemes.

## Legal Implications

51. There are none directly related to this report.

## Financial Implications

52. Financial matters are integral to the report.

## Performance Issues

53. Good financial performance is essential to achieving a balanced budget. The financial performance is integrated with the strategic performance of the Council through quarterly Improvement Boards for each Directorate where the financial position is considered at the same time as performance against key projects, service KPIs (including customer data and complaints) and workforce. Monitoring of finance and performance is reported regularly to the Corporate Strategic Board and Cabinet and is also considered by the Council's Performance and Finance Scrutiny Sub- Committee.

54. The overall projected percentage variance from the general fund revenue budget is 1.0% overspent, £1.876m. Further detail at service level is shown in appendix 1.

55. MTFs Implementation. Appendix 2 details progress on the investment and savings items approved as part of the 2013-14 budget. The overall position on savings is that 54% of the savings are RAG rated as green, 21% RAG rated amber and 25% RAG rated red.

56. There is a performance target of 90% of the approved capital programme for 2013-14 being spent in year. The current projection is for spend excluding below the line items to be 83% of budget. Actual to date is 19%, with a further 15% of purchase orders raised.

57. Council Tax Collection. The collection rate is slightly below the target profile at 56.76% against a profile of 57%. This is a worse position by 0.8% than the same time last year when 57.56% was achieved. This reflects non or under payments by the 12,000 working age recipients of council tax support, who previously did not pay Council Tax. The position is being monitored and recovery action taken as appropriate.

58. Business Rates Collection. The collection rate is -2.62% below profile at 58.38%. Payments have been delayed in relation to the properties included within the leisure and libraries contract. This is pending finalisation of the charitable status of the new taxpayer and mandatory relief granted.

## Environmental Impact

59. There are none directly related to this report.

### **Risk Management Implications**

60. The risks to the council and how they are being managed are set out in the report:

Risks included on Directorate risk registers? Yes

### **Equalities Implications**

61. There are no direct equalities impacts arising from the decisions within this report.

### **Corporate Priorities**

62. This report deals with Revenue and Capital monitoring which is key to delivering the Council's corporate priorities.

### **Section 3 - Statutory Officer Clearance**

Name: Simon George

Chief Financial Officer

Date: 2 December 2013

Name: Jessica Farmer

on behalf of the  
Monitoring Officer

Date: 18 November 2013

## Section 4 – Performance Officer Clearance

Name: Alex Dewsnap

on behalf of the  
Divisional Director Strategic  
Commissioning

Date: 30 November 2013

## Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker

on behalf of the  
Corporate Director  
(Environment & Enterprise)

Date: 13 November 2013

## Section 6 - Contact Details and Background Papers

Contact: Dawn Calvert: dawn.calvert@harrow.gov.uk

Background Papers: [Agenda for Cabinet on Thursday 14 February 2013, 7.30 pm](#)  
[Agenda for Cabinet on Thursday 12 September 2012, 6.30pm](#)

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

**NOT APPLICABLE**

*[Call –in does not apply to decisions  
that are for noting only]*

## Appendix 1: Revenue Directorates Summary

	Revised Budget	Forecast Outturn	Quarter 2 Variance	Variance	Quarter 1 variance
	£000	£000	£000	%	£000
<b>Resources</b>					
<b>Controllable Budget</b>					
Director of Resources	944	1,051	106	11.3%	(13)
Customer Services	5,607	5,405	(202)	(3.6%)	71
Finance & Assurance	5,051	5,019	(32)	(0.6%)	(15)
HRD & Shared Services	(1,780)	(1,813)	(33)	1.9%	9
Legal & Governance	1,360	1,410	50	3.7%	151
Procurement	(77)	(64)	13	(16.3%)	90
Strategic Commissioning	1,567	1,483	(84)	(5.3%)	(43)
<b>Total Controllable Budget</b>	<b>12,672</b>	<b>12,491</b>	<b>(181)</b>	<b>(1.4%)</b>	<b>250</b>
Uncontrollable Budget	17,439	17,439	0	0.0%	0
<b>Total Directorate Budget</b>	<b>30,111</b>	<b>29,930</b>	<b>(181)</b>	<b>(0.6%)</b>	<b>250</b>
<b>Environment and Enterprise</b>					
<b>Controllable Budget</b>					
Directorate Management	594	594	0	0.0%	100
Community Safety	(4,084)	(4,956)	(872)	(21.4%)	(919)
Property & Infrastructure	8,722	8,716	(6)	(0.1%)	(162)
Public Realm Services	17,896	19,303	1,407	7.9%	1,562
Enterprise	451	722	271	60.1%	139
<b>Total Controllable Budget</b>	<b>23,579</b>	<b>24,379</b>	<b>800</b>	<b>3.4%</b>	<b>720</b>
Uncontrollable Budget	14,944	14,944	0	0.0%	0
<b>Total Directorate Budget</b>	<b>38,523</b>	<b>39,323</b>	<b>800</b>	<b>2.1%</b>	<b>720</b>
<b>Community, Health and Wellbeing</b>					
<b>Controllable Budget</b>					
Adult Services	56,235	56,389	154	0.3%	140
Community and Culture	4,347	5,127	780	17.9%	380
Housing General Fund	3,898	3,907	9	0.2%	-93
Public Health	626	626	0	0.0%	0
Transformation	192	421	229	119.3%	228
<b>Total Controllable Budget</b>	<b>65,298</b>	<b>66,470</b>	<b>1,172</b>	<b>1.8%</b>	<b>655</b>
Uncontrollable Budget	13,137	13,137	0	0.0%	0
<b>Total Directorate Budget</b>	<b>78,435</b>	<b>79,607</b>	<b>1,172</b>	<b>1.5%</b>	<b>655</b>
<b>Children and Families</b>					
<b>Controllable Budget</b>					
Management & Business Support	3,526	3,526	0	0.0%	0
Early Intervention Services	5,160	5,132	(28)	(0.5%)	0
Targeted Services	16,503	16,831	328	2.0%	262
Commissioning & Schools	2,857	3,133	276	9.7%	250
Special Needs	7,925	8,164	239	3.0%	60
Schools	37	37	0	0.0%	0
<b>Total Controllable Budget</b>	<b>36,008</b>	<b>36,823</b>	<b>815</b>	<b>2.3%</b>	<b>572</b>
Uncontrollable Budget	10,047	10,047	0	0.0%	0
<b>Total Directorate Budget</b>	<b>46,055</b>	<b>46,870</b>	<b>815</b>	<b>1.8%</b>	<b>572</b>
<b>Total Directorate Budgets</b>	<b>193,124</b>	<b>195,730</b>	<b>2,606</b>	<b>1.3%</b>	<b>2,197</b>
Corporate Items	-11511	-12241	-730	0%	0
<b>Total Budget Requirement</b>	<b>181,613</b>	<b>183,489</b>	<b>1,876</b>	<b>1.0%</b>	<b>2,197</b>