

# REPORT FOR: **CABINET**

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<b>Date of Meeting:</b>	14 July 2015
<b>Subject:</b>	2015-16 to 2018-19 Medium Term Financial Strategy Progress Update
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Dawn Calvert, Interim Director of Finance
<b>Portfolio Holder:</b>	Councillor Sachin Shah, Portfolio Holder for Finance and Major Contracts
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 Medium Term Financial Strategy Savings

## **Section 1 – Summary and Recommendations**

This report sets out the progress on achieving the savings included in the Medium Term Financial Strategy (MTFS) approved by Council in February 2015, and requests Cabinet to approve and note movements on the capital programme.

### **Recommendations:**

Cabinet is requested to:

1. Note the progress on achieving the MTFS savings as at Period 2 (end of May 2015).

2. To approve the reprofiling of the Street Lighting capital programme detailed in paragraph 2.1.
3. To approve the additions to the capital programme of s106 funding detailed in paragraph 2.2.
4. To note the position on the school expansion programme in paragraphs 2.3 to 2.9, and the virements approved under delegated authority at paragraph 2.9 and 2.10.
5. To approve the additions to the capital programme of Housing General Fund grant funding detailed in paragraphs 2.15 and 2.16.

**Reason:** To update Cabinet members on the progress in achieving the MTFs savings agreed at February 2015 Council. To realign the Schools and Street lighting capital budgets and to add in additional spend on Housing and Environment capital schemes funded by grant and s106 contributions.

## Section 2 – Report

### 1.0 Introduction

- 1.1 Cabinet is due to receive its first report on revenue budget monitoring in September for Quarter 1 (to the end of June). There are substantial savings of £18.72m gross, included in the 2015/16 budget, approved in February 2015 and including those approved in February 2014 for implementation in 2015/16, and it is desirable to report on progress in achieving savings earlier than September. This report outlines progress on the savings included in the MTFs as at period 2.

### Savings Tracker 2015/16

- 1.2 Appendix 1 shows a list of the individual red, amber, green and blue rated savings in the MTFs. The definitions used in this report are:

Red	Agreed saving not achievable
Amber	Saving only partially achieved or risks remaining
Green	Achievement of saving on track
Blue	Achieved and banked

The table below shows the summary position for each directorate:

**Table 1: Savings Tracker 2015/16 – Directorate Summary**

	Resources	Environment & Enterprise	Community, Health & Wellbeing	Children & Families	Business Support	Pan Organisation	Total
	£000	£000	£000	£000	£000	£000	£000
Red	0	0	626	0	0	0	626
Amber	186	2,030	1,755	1,184	730	0	5,885
Green	1,125	547	2,993	30	90	0	4,785
Blue	2,612	2,105	211	997	0	1,500	7,424
<b>Total</b>	<b>3,923</b>	<b>4,682</b>	<b>5,585</b>	<b>2,211</b>	<b>820</b>	<b>1,500</b>	<b>18,720</b>

- 1.3 There are 7 savings in 2015/16 totalling £0.626m that are currently rated red, not achievable.
- 1.4 On 4 June the Chancellor announced in year budget reductions for 2015/16 of £3bn from government departments. Although the local government settlement is not being re-opened, reductions of £200m that are to be made by the Department of Health will be targeted at Public Health budgets that are devolved to local authorities.
- 1.5 The reduction of £200m represents a 7.14% reduction in the overall Public Health Grant budget of £2.801bn in 2015/16. The Department of Health have said a consultation will now be held with local authorities to decide the best way of delivering the savings that need to be made. While the figure for Harrow is not known a pro rata calculation suggests that the grant loss will be of the order of £0.65m.
- 1.6 There are 7 Public Health savings totalling £0.626m, which create flexibility within the grant to enable wider council public health outcomes to be charged to the grant. In practice, this grant flexibility is now expected to be fully offset by a grant reduction, resulting in a pressure in delivering the MTFs savings.
- 1.7 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.

#### **Reporting on 2015-16 Financial Year**

- 1.8 Cabinet will receive quarterly monitoring reports during the year as follows:
  - Quarter 1 September 2015
  - Quarter 2 December 2015
  - Quarter 3 February 2016
  - Outturn report June 2016

## **2.0 Capital Programme**

### **Street lighting**

- 2.1 There is a budget allocation of £1.5m per year in the current approved capital programme for the replacement of aged and deteriorating lighting columns as well as investment in new lighting technology to support Climate Change strategy. Cabinet in 2012 agreed a policy to dim street lights across the borough. It is proposed that the budget of £1.5m allocated for 2016/17 is brought forward to accelerate the programme in order to expedite the replacement of lighting infrastructure that can accommodate the dimming regime. A programme of £3m in this financial year will fund the full replacement of a minimum of 2,600 columns. This would provide the benefits of reduced utilities and maintenance costs for the future, contributing towards the street lighting MTFs savings E&E\_12 and E&E\_13 in appendix 1.

## **Section 106 Funded Schemes**

2.2 Developer contributions have been secured via Section 106 agreements to improve various environmental infrastructures across the borough. Section 106 funding is usually time limited and can only be spent specifically in accordance with the agreements. It is recommended that £265k of Section 106 funding is released as a capital allocation for use on implementing the following schemes.

- £40k on a footway parking scheme in Camrose Avenue in the area close to the entrance to Krishna Avanti School
- £55k on the Wealdstone CPZ scheme and upgrading bus stops
- £170k on the improvement of parks infrastructure including Centenary Park

## **Schools Expansion Programme (SEP)**

### **Current SEP2, Secondary and Special Educational Needs Programme overview**

2.3 The Schools Capital programme budget to 2018-19 totals £124.944m. This provides for four phases of primary school expansions, secondary expansion and new Special Educational Needs provision and expansions.

2.4 A number of SEP2 schemes will be delayed and could incur additional costs to the programme to ensure places are available in September 2015. In addition, the Cost Consultants have highlighted increased costs in relation to the SEP2 programme which are currently under review and challenge and any financial implications as a result of this review will be reported to Cabinet in September 2015. There is also a delay to the Priority School Building Programme (PSBP) school projects delivered by the Education Funding Agency (EFA) for which there will be costs allocated to Harrow Council to provide interim accommodation for agreed expansions. The level of funding is not yet known, but any related costs may also be required to be funded in addition to the programme.

### **Vaughan School**

2.5 Vaughan Primary School is part of the government's Priority School Building Programme, to rebuild those schools in the worst condition. The programme is delivered and funded by the EFA.

2.6 On 20 June 2012, Cabinet agreed to permanently expand the school from September 2013 as part of the School Expansion Programme phase 1 (SEP1) and the Council commenced the design proposals for the redevelopment of the school as an expanded three form entry school.

2.7 At the time Vaughan Primary School was accepted into the PSBP the Council had secured planning permission for the development combining new build and refurbishment. To avoid delay and to deliver the expanded school by the end of 2015, an agreement was reached in September 2013 between the Council and the EFA that the Council would make a top-up payment to the EFA's capital programme to avoid delays which may be caused by a further a planning application. The agreement would cover any additional costs over and above those expected to deliver a school under the PSBP, for example,

additional floor area, increase in specification to the external façade, other changes to the specification which would not be standard practice in PSBP schools.

- 2.8 The EFA has procured a contractor to deliver this project and the final account from the EFA totals £1.138m for the Harrow top-up. The EFA provided a breakdown of the costs and this final figure is the outcome of officer review and challenge from the original EFA figure that was c£500k higher. The EFA have requested that this figure is paid in two instalments for them to commence the project. Starting this project is essential because the EFA are already behind in their anticipated delivery timescale. In view of the history of this rebuild and expansion project that pre-dates PSBP, this top-up figure represents value for money to the council overall for the expansion of this school as part of the PSBP rebuild.
- 2.9 The current approved capital programme includes a top-up budget of £700k for Vaughan Primary School. A virement was sought under delegation transferring £438k from the School Expansion Programme Contingency totalling £1.802m to fund this increase. The virement has been approved by the Chief Financial Officer with counter signature from the Portfolio Holder for Finance and Major Contracts. This was approved at the beginning of July 2015 in order to ensure funds were available before final agreement with the EFA was made.

### **Primary Expansion Programme**

- 2.10 Until the free schools are definitely established, the existing capital programme assumes none of the primary free schools are delivered (St Jerome's, Harrow View and a New School for Harrow). If the free schools are delivered, the need for Phase 4 expansions in the capital programme would be reviewed. As this phase is uncommitted at present, a virement has been agreed under delegated authority by the Chief Financial Officer and the Portfolio Holder for Finance and Major Contracts of £420k being the year one SEP 4 programme costs to the secondary programme to fund feasibility and scoping works in the summer to look at expansion of a number of existing secondary schools.
- 2.11 Phase 3 allows for 6 school expansions. As at May 2015, 5 schemes have been approved and feasibility & scoping works are currently underway. The budget allows for £2.5m per scheme plus a 5% programme contingency. Detailed costings are being carried out but early indications suggest that the budget available may be lower than the programme's requirement. A peer review of the schemes has been undertaken and the Cost Consultants have been tasked with robustly challenging the designs and figures. An update of affordability of these schemes will be provided to Cabinet in September 2015. At this point in the process there is a strong indication that the estimates for three of the Phase 3 schemes are above the £2.5m allocated.
- 2.12 The sixth scheme allowed for in Phase 3 is currently uncommitted in the light of the free school programme and the need to review this year's update of the school roll projections. There is a total £2.625m allocated to this scheme.

## **Basic Need allocations 2015-16 to 2017-18**

2.13 In the April SEP quarterly update Cabinet Report it was suggested that the additional £19.670m received from the new Basic Need Allocations is used to offset Council borrowing previously agreed for SEP3 and SEP4. The current capital programme is being reviewed and any additional growth bids or re-profiling will be considered as part of the MTFs process of which the first draft will go to Cabinet in December 2015. In addition, the current SEP 2 and SEP 3 schemes are being reviewed.

2.14 However, it is proposed that a decision about the use of the additional Basic Need funding should be considered and delayed to September 2015 in the context of:

- the affordability of the Phase 2 and Phase 3 projects;
- Potential cost implications of PSBP1 delivery arising through slippage by the EFA;
- Potential cost implications of free school projects

## **Empty Property Grants**

2.15 Additional grants have been received from the GLA and West London housing Partnership of £120k. It is recommended that this additional funding is added to the 2015/16 capital programme.

2.16 £14k of Empty Property Grant and Better Homes Grant, previously paid out to private sector landlords, has been repaid to the Council where the landlords have been unable to fulfil their nomination rights to the Council. It is recommended that the £14k is added to the 2015/16 programme.

## **Capital Programme Reporting**

3.0 The format of the capital programme reporting is currently being reviewed with a view to making the report clearer in terms of movements in the budget. The first report to Cabinet in the new format will be in September as part of Quarter 1 monitoring.

## **3.0 Options considered**

3.1 None

## **4.0 Legal Implications**

4.1 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.

4.2 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.

## **5.0 Financial Implications**

5.1 Financial matters are integral to this report.

## **6.0 Performance Issues**

6.1 Good financial monitoring is essential to ensuring that there are adequate and appropriately directed resources to support delivery and achievement of Council vision and priorities as set out in the Corporate Plan. In addition, adherence to the Prudential Framework ensures capital expenditure plans remain affordable in the longer term and that capital resources are maximised.

6.2 As at period 2, 3% by value of the total of £18.720m of savings built into the 2015/16 budget are RAG rated red, 31% amber, 26% green and 40% blue.

6.3 Financial performance is considered quarterly at Cabinet.

## **7.0 Environmental Impact**

7.1 There are none directly related to this report.

## **8.0 Risk Management Implications**

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

8.2 Risks included on Directorate risk registers? Yes

## **9.0 Equalities implications**

9.1 Was an Equality Impact Assessment carried out? No

9.2 EqIAs were undertaken for proposals where relevant in relation to the proposals listed as part of the MTFS process and an overall EqIA was undertaken on the MTFS.

## **10.0 Council Priorities**

10.1 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

Chief Financial Officer

Date: 1 July 2015

Name: Jessica Farmer

on behalf of the  
Monitoring Officer

Date: 1 July 2015

**Ward Councillors notified:**

**NO**

**EqIA carried out:**

**NO**

### Section 4 - Contact Details and Background Papers

**Contact:** Steve Tingle (steve.tingle@harrow.gov.uk)

**Background Papers:**

[Report to Cabinet 19 February 2015: Final Revenue Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19](#)

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

**NOT APPLICABLE**

*[Call-in applies]*