Harrow COUNCIL LONDON

REPORT FOR:	**CABINET**
Date of Meeting:	17 September 2015
Subject:	Revenue and Capital Monitoring for Quarter 1 as at 30 June 2015
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Sachin Shah, Portfolio Holder for Finance and Major Contracts
Exempt:	Appendix 5 to this report is exempt under paragraph 3 of Schedule 12a of the Local Government Act 1972 as it includes information relating to the financial and business affairs of the Council and its contractors
Decision subject to Call-in:	Yes, except where the decision is reserved to Council
Wards affected:	All
Enclosures:	Appendix 1 - Revenue Summary (Directorates) as at 30 June 2015 Appendix 2 – MTFS 2015/16 to 2018/19 Savings Tracker Appendix 3 - Debt Management 2015/16 Appendix 4 – Capital Programme as at 30 June 2015 Appendix 5 – School expansion programme update (Part 2).

Section 1 – Summary and Recommendations

This report sets out the Council's revenue and capital monitoring position as at Quarter 1 2015/16 (30 June 2015).

Recommendations:

1. That Cabinet note the revenue and capital forecast positions detailed in this report as at Quarter 1 2015/16.
2. That cabinet notes the virements set out in paragraphs 103 and 104 that have taken place in the quarter.
3. That Cabinet approve the virement to the capital programme as set out in paragraph 105, transferring £5.465m of funding from the School Expansion Programme phase 3 to phase 4.
4. That cabinet note the additions to the capital programme set out at paragraphs 107,108 and 110 that have been recommended to Council for approval.
5. That Cabinet recommends to Council the addition to the capital programme set out at paragraph 107 in respect of Grange Farm Regeneration.
6. That Cabinet approves the additions to the capital programme of externally funded spend in paragraphs 106 and 109, in respect of an energy efficiency project at Roxeth Primary School and Stanmore Marsh.

Reason: (For recommendation)

To report the 2015/16 forecast financial position as at 30 June 2015.

Section 2 – Report

INTRODUCTION

1. The net forecast position at Quarter 1 on Revenue is for a forecast overspend of £4.799m on Directorate budgets which reduces to 3.551m after assumed contingency use of £1.248m. The net forecast position on capital at Quarter 1 is for an underspend of £11.340m, comprising of slippage of £9.750m and underspends of £1.590m.

REVENUE MONITORING

2. The Quarter 1 forecast indicates a potential net budget overspend of £4.799m on Directorate budgets, which reduces to £3.551m after the assumed use of the entire contingency of £1.248m.

3. Cabinet agreed in year savings of £2.468m in July for implementation with immediate effect. The savings were agreed to contribute £1m each to reserves for Welfare Reform/ Homelessness and for Commercialisation and £468k to the MTFS implementation reserve. The variances now reported allow for these savings being achieved in

full. Table 1 below summarises the Quarter 1 revenue position and Appendix 1 provides more detail:

Table 1: Revenue Monitoring – Quarter 1 2015/16

	Revised Budget	Forecast Outturn	Quarter 1 Variance	Variance
	£000	**£000**	**£000**	**%**
Resources	19,563	19,501	(62)	(0.3%)
Environment and Enterprise	34,792	35,695	903	2.6%
Community, Health and Wellbeing	74,507	77,467	2,960	4.0%
Children and Families	44,047	44,472	425	1.0%
Business Support	2,122	2,695	573	27.0%
Total Directorate Budgets	**175,031**	**179,830**	**4,799**	**2.7%**
Corporate Items	(7,650)	(8,898)	(1,248)	16.3%
Total Budget	**167,381**	**170,932**	**3,551**	**2.1%**
Housing Revenue Account	(567)	(710)	(143)	

RESOURCES

4. The forecast net under spend at Quarter 1 for Resources is £62k. The reasons are detailed below:

5. A new initiative by the Department of works and Pensions, Real Time Information Bulk Data exercise (RTI), which matches benefits claims to HMRC earnings data. This has resulted in a higher than normal increase in the raising of Housing Benefit overpayment debts which unfortunately is increasing the overpayments figures and adding pressure to the bad debt provision of £250k.

6. The Occupational Health MTFS saving of £100k will only be partly met due to the Government's fit for work scheme being delayed until October 2015, this will result in a budget pressure of £50k.

The overspends above are offset by underspends as follows:

7. Additional administrative grant for the Real Time Information Bulk Data exercise (RTI) (£30k)

8. Land Registry MTFS growth that is not required this year due to a delay in the implementation of the service transfer from local authorities (£225k).

9. Unapplied supplies and services inflation (£72k).

10. Other underspends in Director of Resources of (£35k)

ENVIRONMENT AND ENTERPRISE

11. At Quarter 1 Environment & Enterprise are reporting a projected overspend of £0.903m as detailed below:

12. In the main, the overspend relates to an amber rated MTFS saving associated with the changes of garden and food waste collection system. This MTFS saving is amber whilst it is being implemented / rolled out and leads to an income pressure of £0.890m this year..

13. The other significant overspend relates to route optimisation. The saving built into the MTFS £0.600m in total. A full review of waste collection routes was undertaken, and revised routes were implemented in January 2015. The review, however, confirms that the actual efficiencies are less than those assumed in the original model as part of PRISM project. This has led to an unachieved saving of £353k, which is being mitigated by other forecast underspend within the directorate.

14. Of the £4.682m 15/16 MTFS savings, there is one red rated saving which relates to the review of car parking charges to deal with capacity issues (£375k). Following further considerations, it is considered more appropriate not to proceed with the review of car parking charges at this time. However an operational review of the service has been implemented to ensure that compensating savings are found in other areas of parking services.

COMMUNITY, HEALTH AND WELLBEING

15. The Community, Health and Wellbeing Directorate is forecasting an overspend of £2.960m at Quarter 1 as detailed below:

ADULT SERVICES

16. Adults are reporting a projected overspend of £0.634m at Quarter 1 as detailed below:

17. The majority of Adults budgets are demand led and the 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 simultaneously balancing the budgets.

18. There are a number of pressures across the directorate and the key variations are detailed below:

19. £323k overspend relates to Continuing Health Care cases which are offset by compensatory savings of £128k (largely reflecting unfilled vacant posts).

20. £210k relates to the Deprivation of Liberty Safeguards (DoLS) resulting in statutory requirements to carry out DoLS assessments by specific timescales and increased threshold for assessments. This is being closely monitored and significant variances will be reported.

21. Mental Health S75- Central and North West London NHS Foundation (CNWL) is forecasting £458k overspend at Quarter 1, with £229k

reflecting the Council's 50% risk share. This is an increased pressure when compared to the overspend of £138k in 2014/15 reflecting the full year effect of Harrow Clinical Commissioning Groups (CCG) closure of Roxbourne.

22. In addition to this forecast pressure there are a number of risks which may influence the forecast outturn position, which are detailed below and will be referenced in future.

23. Accident & Emergency- Health continue to seek early discharge from hospital to alleviate pressures in the Acute sector, this in turn directly increases costs in the Adults social care budget, the impact of which is reflected in the purchasing budget. If the CCG reduce or withdraw the funding for those intermediate care beds, this will put a further pressure on the Adults purchasing budget. The CCG continues to review the allocation for these interim beds.

24. There has in recent months been an increased number of frail older people in their 80s and over who need complex and substantial care packages and placements.

25. The NHS Better Care Fund for 2015/16 of £5.411m, the s75 agreement is being finalised and anticipates funding for the period April to September being received in October and monthly thereafter.

26. Care Act – Adults Directorate has been allocated £1.223m in15/6 towards the implementation of the Care Bill. At present the full implications remain unquantified and there is a risk that costs relating to the Care Act could exceed the grant given. Given the recent announcement to delay the introduction of the care cap until April 2020, the DoH is expected to announce how the implementation grant may be affected and the CSR is expected to advise the position with regard to any ongoing funding in this respect. There is a significant risk of grant being clawed back with a resulting budget pressure. This will therefore need to be closely monitored to advise the impact on the social care budget.

27. Ordinary Residency (OR) - there are a number of cases (27) where the OR status is being challenged and which is expected to lead to additional in year expenditure (not anticipated as part of the growth assumptions) and a further amount in relation to backdating arrangements which have been highlighted as a litigation risk. This could be in the region of £0.5m to £1.5m with an on-going cost of £0.681m and is not reflected in the forecast above.

COMMUNITY AND CULTURE

28. Community and Culture are forecasting a projected overspend of £284k against a total net budget of £5.084m. The overspend largely relates to forecast partial/non achievement of MTFS savings (Arts and Heritage £100k and £0.500m against libraries).

29. MTFS savings against libraries has been made on the basis of closing 4 libraries. The timescales over the closing of the libraries have slipped, and on-going negotiations with the contractor regarding the level of the saving have led to delays in realising the saving. The cost of the delays

is forecast to be £264k, which will be mitigated by a reduction in the book and repairs and maintenance funds of £70k to give a net overspend of £194k.

30. The remaining pressure of £100k relates to forecast non achievement of MTFS savings in Arts & Heritage service. This represents additional staff costs (covering sickness) and uncertainty over income forecast to year end due to lower levels of enquiries around the longer term bookings.

HOUSING GENERAL FUND

31. The reported pressure at Quarter 1 is £2.002m, and mainly comprises:

32. Bed & Breakfast accommodation ("B&B") - £1.343m pressure. In 2014/15 the average number of households in B&B was 142 at an average cost of £219.88, net of Housing Benefit ("HB"). This number was 153 at the end of the financial year.

33. As at 28 June the number of households in B&B stood at 187 and the budget holder estimates the year end position to be in excess of 300, giving rise to an average of 250 households for 2015/16, at an average cost of £182.70 per week net of Housing Benefit. This equates to estimated net expenditure of £2.375m against a budget of £1.032m yielding a pressure of £1.343m.

34. Private Sector Leasing ("PSL") - £101k pressure. In 2014/15 the average number of households in PSL was 277 yielding a surplus of £58.65 per week per household, net of housing benefit.

35. As at 28 June the number of households in PSL stood at 293, although this number is expected to stand at 400 at the end of the financial year assuming three new agreements are acquired every week and the majority of agreements coming to an end are extended. This produces an average of 336 PSL agreements at any one time and although the current average surplus generated is £46.20 the forecast assumes this will reduce to £35.00 per week given the higher rent payments required to private landlords. These assumptions indicate an estimated surplus of £0.611m against a budget of £0.712m yielding a pressure of £101k.

36. Discretionary Housing Payments ("DHP") - £0.500m pressure. In 2014/15 £1.138m was allocated to the service which was insufficient. The allocation for 2015/16 has been reduced by some 40% to £0.677m. A process of prioritising DHP payments benefitting the General Fund has been agreed with Revenues & Benefits section with payments to Council tenants funded from the HRA. A pressure is expected despite this.

37. Bad Debt provision – £56k pressure. Provision for bad debts at close 2014/15 was £358k. Write offs of £13k have since been approved in respect of charges for utilities from 2009 at Anmer Lodge as the contractor has gone into liquidation. The financial circumstances of the majority of households in temporary accommodation require a regular review of debtors. This now indicates a further contribution of £106k is required against a budget of £50k.

38. Other, Housing Needs - £88k pressure. Relates mainly to salaries pressures to cover additional workload in respect of prevention.

39. Housing Partnerships - £86k capacity. Reduced spend on GF salaries as spend charged direct to HRA as result of regeneration projects - to be reviewed at year end and increased recharge to capital reflecting officer time allocation.

40. The budgets for B&B and PSL include savings of £175k relating to increased charges which were implemented from October 2014 for PSL and January 2015 for B&B. The increases amounted to the maximum which could be funded from HB thereby not costing extra to the service user. Under current HB regulations, any further increase would result in no additional income for the Council as the additional income would have to be returned to the Government. No additional increase is therefore proposed for 2015/16.

41. The private rental market has seen rents increase significantly over the past few months as more tenants are chasing a relatively inelastic supply. This, combined with the continuing impact of Welfare Reforms, has seen an increase in demand for temporary accommodation. This has resulted in London Councils having to increase incentive payments and rental payments to private landlords in order to procure sufficient accommodation to meet their statutory homelessness duties.

42. Although the Housing Service continues to explore and implement new initiatives with the aim of reducing expenditure on B&B the upward trend in number of homeless families, combined with the 40% reduction in DHP funding, means that even after the growth approved as part of the 2015/16 budget, a significant pressure exists 2015/16.

HOUSING REVENUE ACCOUNT

43. The forecast outturn shows a favourable variation of £143k resulting mainly from reduced depreciation charges of £337k relating to dwellings which are subject to redevelopment together with lower than expected interest payments. These are partly offset by increased cost estimates in respect of the Affordable Housing programme. Under current regulations valuation losses for HRA non-dwellings in excess of balances on the revaluation reserve are charged to revenue thereby having a direct impact on financial resources. Council Valuers are in the process of assessing the value of HRA non dwellings and the estimated impact will be reported when available.

44. Recent announcements by the Government in the Summer Budget indicate average HRA rents will be required to reduce by 1% from 2016-17 per annum for five years. Pending further details, an initial review indicates this will have an extremely significant impact on the financial resources available to the HRA resulting in the delay or complete cessation of key initiatives including new build projects, capital investment in existing stock and service improvement together with possible staff reductions. Responses to these proposals are being formulated together with an action plan to mitigate their impact.

Quarter 1	Original budget	Revised Budget	YTD Actual	Forecast outturn	Variation
	£000	£000	£000	£000	£000
Balance b/fwd (pre audit)	-4,395	-4,395		-4,585	-190
Net (surplus) deficit	-567	-567	922	-710	-143
Balance c/fwd	-4,962	-4,962		-5,295	-333

PUBLIC HEALTH

45. The budgets for 2015/16 reflect the commissioning intentions agreed by Cabinet in December.

46. A £184k underspend is being reported at Quarter 1 against the Public Health Grant. Of this underspend, £100k reflects cabinet agreed in-year savings of expenditure to be funded from the grant. The remaining £84k must be contributed to a reserve, giving a net general fund impact of nil.

47. The Government announced on 4th June 2015 a reduction in the Department of Health non-NHS funding of £200m. This is expected to result in an in year reduction of £0.650m on the previously notified grant allocation of £9.146m. The 2015/16 budget process created capacity of £0.627m in the grant against which wider public health outcomes could be charged, however this capacity will simply mitigate the grant reduction now expected. Achievement of the MTFS will require further capacity to be identified on an ongoing basis, in addition to the member requirement to contribute £100k on a one-off basis towards an in year target of £2m.

48. A specific Public Health reserve of £0.908m was held at the end of 2014/15. This included £0.508m approved as carry forwards against specific projects. In light of the in year grant reduction and to maximise delivery of the MTFS where possible, this is being reviewed to identify any projects which can be ceased. Consideration is also being given to whether it is possible to reduce the level of balances to be held for any contingent liabilities, redundancies arising from any restructures and as a GUM reserve pending the outcome of the collaborative commissioning process from April 2017, from £400k to £250k. This will be reflected in future reports as appropriate.

TRANSFORMATION

49. Transformation is reporting a projected overspend of £40k against a total net budget of £209k. To achieve the proposed savings the post room function was transferred into Business Support on 1/4/15. This overspend is due to the delayed delivery of anticipated savings across the Business Support Service. Alternative savings are being identified to compensate.

CHILDREN AND FAMILIES
As at Quarter 1 As at Quarter 1 the total forecast overspend for the Directorate is £1.291m, which reduces to £425k after the use of a one off Children's Social Care reserve of £0.866m.

The majority of Children's budgets are demand led and the Council has a statutory duty to meet vulnerable children's needs. It is therefore challenging to balance the budget.

There are several areas of pressure:

- Special Needs Transport £482k pressures. Special Needs Transport underwent a significant review in 2014-15 with a view to achieving a further £570k savings target. It was only possible to meet approximately half of this savings target due in the main to contract prices being higher than anticipated. This contributes to part of the overspend. The remainder is due to demand, particularly for transport from home to colleges as the SEND reforms that extends special educational provision to age 25 years has led to an increased number of young adults with complex needs continuing in education .
- Children with Disabilities Service staffing £75k pressures to manage caseloads, which is currently under review, and client costs of £272k due to demand and a single young person with high and extraordinary needs. There are currently 136 children being supported through Direct Payments, 137 families being supported through Section 17 and 38 children receiving home care packages.
- Children and Young People's Service staffing £396k pressure as a result of agency and interims covering vacancies and sickness and additional staff to manage caseloads.
- Children and Young People's client spend £434k due to demand. The majority of spend relates to families and young people who have no recourse to public funds. A review is underway of these cases to minimise costs. In addition to the changes with the benefits system, there has also been an increase in the number of Unaccompanied Asylum Seeking Children (UASC). We are part of a national rota and are allocated children from the Home Office in Croydon. There has been a recent fourfold increase in UASC referrals. There is grant money from central government for UASC placements but this does not always cover the full costs. Therefore there could be further pressures on this budget by the end of the financial year.

These pressures are partially mitigated by:
- Use of one off children's social care reserve of £0.866m
- Non-frontline staff vacancies and a number of centrally held management actions of £368k

BUSINESS SUPPORT
50. Business Support is forecasting an overspend of £0.573m. Staff savings are not on track to be achieved within the current structure.

The Central Scanning project is running late and is currently delayed pending Capita providing support, this will impact on savings.

CORPORATE BUDGETS

Interest and Finance Charges

51. These are currently forecast to be on budget.

Central Contingency

52. The Central Contingency for unforeseen items in 2015/16 is £1.248m. There have been no formal drawdowns against the contingency, however the General Fund is currently forecast to overspend by £4.799m before use of contingency. It is therefore assumed that the contingency will be fully utilised to mitigate the position.

Gas and Electricity Inflation

53. £350k has been provided against increases in price. There has been no allocation to date but any call against this provision will not be established until near the year end when winter bills are available.

Contingencies and Reserves

54. The contingencies are there to cover unavoidable inflation pressures for the pay award and above a standard 1.3% increase on energy together with other unforeseen items and spending pressures and to cover areas of risk and uncertainty. There are also specific reserves for the implementation costs of the MTFS, carry forwards, Business risks, the Transformation and Priority Initiatives Fund (TPIF).

55. In June Cabinet approved carry-forwards of £1.598m which are now included within individual directorate budgets. There is also £195k in respect of grants brought forward from earlier years that will be drawn down as utilised. The main grant is Planning Development Grant.

56. The balance on the Transformation and Priority Initiatives Fund (TPIF) brought forward from 2014/15 is £3.819m. There have been drawdowns of £205k in relation to Circles of Support and £14k North Harrow library and £33k in respect of a volunteering co-ordinator, meeting the administration’s priorities to support the vulnerable and ensuring that resident engagement lies at the heart of everything that we do. This leaves a balance of £3.567m in the fund at Quarter 1.

57. The balance on the Business Risk reserve brought forward from 2014/15 was £2.109m. This is intended to cover a number of commercial risks that were identified and there have been no drawdowns so far this year.

58. The balance on the MTFS Implementation reserve brought forward from 2014/15 was £2.804m. A further £486k was added to the reserve from the in-year savings agreed at July Cabinet, to make £3.290m in total. There have been drawdowns of £473k in Quarter 1, £430k on implementation costs for garden waste and £43k severance costs leaving a balance of £2.817m.

59. The Standing up for those in need reserve was created at June cabinet with a balance of £0.800m. A further £1m was added in July from the

in-year savings approved by cabinet, making a total of £1.8m to work with vulnerable residents to protect them from the government's welfare reforms and the on-going homelessness crisis.

60. The Rapid Response reserve was created in June as part of the outturn report with a balance of £75k. There have been no drawdowns so far.

61. The commercialisation reserve was created from the in-year savings approved at July cabinet with a balance of £1m. There have been no drawdowns in the first quarter. Anticipated savings of £5m on commercialisation projects within the council have been identified so far.

Table 4 Contingencies and Earmarked Reserves

	Unforseen Contingency	Energy Inflation	Rapid Response	IT Implementation	Standing up for those in neeed	Commercialisation	TPIF	Carry Fwd	Business Risk Reserve	MTFS Implementation
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at start of Year	1248	350	0	0			3,819	195	2,109	2,750
Addition June Cabinet Outturn			75	2,854	800			1,598		54
Addition July Cabinet					1,000	1,000				486
Draw down *	(1,248)						(252)	(1,598)		(473)
Balance	**0**	**350**	**75**	**2,854**	**1,800**	**1,000**	**3,567**	**195**	**2,109**	**2,817**
* contingency draw down assumed use										

Reserves and Provisions

62. The Council must hold adequate provisions and reserve balances to cover known and anticipated events and in respect of its statutory duties as appropriate. General non earmarked balances stand at £10m. All the provisions are reviewed on a quarterly basis. As at Quarter 1 the Council has adequate provisions in respect of Insurance, Litigation and Employment cases.

Debt Management

63. The latest position on Council Tax, Business Rates and Housing Benefits bad debts provisions is included within Appendix 3.

MTFS IMPLEMENTATION TRACKER

64. The 2015/16 budget includes approved MTFS savings of £18.720m. The progress on implementation is summarised below in table 5 below and shown in more detail in Appendix 2:

Table 5 RAG Rating of 2015/16 Savings

	Resources	Environment & Enterprise	Community, Health & Wellbeing	Children & Families	Business Support	Pan Organisation	Total
	£000	£000	£000	£000	£000	£000	£000
Red	50	375	100	0	0	0	525
Amber	136	1,645	2,281	1,184	820	0	6,066
Green	1,125	557	2,949	30	0	0	4,661
Blue	2,612	2,105	255	997	0	1,500	7,468
Total	3,923	4,682	5,585	2,211	820	1,500	18,720

CAPITAL PROGRAMME

Capital Programme Forecast at Quarter 1

65. The 2015/16 capital programme agreed by Council in February 2015 totalled £88.911m. Adjusted for slippage at the 2014/15 outturn the programme now totals £139.547m at Quarter 1.

66. The forecast variance on General Fund at Quarter 1 is £11.340m, comprising of slippage of £9.750m and underspends of £1.590m.

67. The forecast variance on the HRA is £326k, which is all underspends.

68. Tables 5 and 6 below summarise the capital forecast position and Appendix 4 shows the capital programme in more detail:

Table 5 Summary of forecast by directorate

Directorate	Original Programme	CFWD's	Virement	Other Adjust-ments	External	LBH	TOTAL BUDGET	Forecast Spend	Forecast Variance	Slippage	Underspend after slippage
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Community, Health & Wellbeing	3,444	6,572	0	0	3,573	6,443	10,016	5,552	-4,463	2,967	-1,496
Children & Families	31,622	30,294	0	0	54,948	6,968	61,916	61,917	1	-1	0
Environmrnt & Enterprise	15,936	2,985	2,100	0	5,480	15,542	21,021	18,618	-2,403	2,403	0
Resources	14,503	8,544	-2,100	0	141	20,806	20,947	16,473	-4,474	4,380	-94
Regeneration	1,750	0	0	0	0	1,750	1,750	1,750	0	0	0
TOTAL GENERAL FUND	**67,255**	**48,395**	**0**	**0**	**64,142**	**51,508**	**115,650**	**104,311**	**-11,340**	**9,750**	**-1,590**
Housing Revenue Account	21,656	2,241	0	0	923	22,974	23,897	23,571	-326	0	-326
TOTAL GENERAL FUND & HRA	**88,911**	**50,636**	**0**	**0**	**65,065**	**74,482**	**139,547**	**127,882**	**-11,666**	**9,750**	**-1,916**

Table 6 Analysis of Outturn variance

Directorate	Outturn variance	Split of outurn variance by funding		Slippage	Slippage by funding		Underspend after slippage
		Grant/sec106	LBH		Grant /Sec 106/ HRA	LBH	
	£000	£000	£000	£000	£000	£000	£000
Community, Health & Wellbeing	-4463	-2450	-2013	-2967	-1874	-1093	-1496
Children & Families	0	0	0	0	0	0	0
Environmrnt & Enterprise	-2,403	-2,000	-403	-2,403	-2,000	-403	0
Resources	-4474	0	-4474	-4380	0	-4380	-94
Regeneration	0	0	0	0	0	0	0
TOTAL GENERAL FUND	-11340	-4450	-6890	-9750	-3874	-5876	-1590
Housing Revenue Account	-326	0	-326	0	0	0	-326
TOTAL GENERAL FUND & HRA	**-11,666**	**-4,450**	**-7,216**	**-9,750**	**-3,874**	**-5,876**	**-1,916**

Children and Families

69. The current forecast spend at Quarter 1 is £61.917m which is 100% of the approved budget. The following paragraphs outline the progress on the schools programme.

School Expansion Programme (SEP) 1 and 2

70. The latest forecast provided by the cost consultants for SEP2 and some overhanging SEP1 projects has been received for July 2015. This is a fast moving programme operating across 18 school sites and there are a number of issues in the programme arising daily. They include items omitted/excluded from the Agreed Maximum Price (AMP) schedules, delays leading to additional costs including Plan B options

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74. for works not completed by September 2015 and a number of external unforeseen factors such as UK Power. Although the Council expects Keepmoat to meet the costs for delays and providing temporary mobile units, any additional costs that fall to the Council as a result of these delays will create pressure on the programme budget which is also exposed to other cost increases. There is on-going work on the project cost forecasts. All the projects are live and the accounts need clarifying and agreeing with Keepmoat before the final position is confirmed. It is anticipated the worst case scenario forecast figures will not all come to fruition and that the programme will still be affordable within the budget. However, the programme is continually changing and therefore there is still a risk to this budget.

Primary Expansion Programme

75. Until the free schools are definitely established, the existing capital programme assumes none of the primary free schools are delivered. If the

free schools are delivered, the need for Phase 4 expansions in the capital programme would be reviewed.

Phase 3

76. Phase 3 allows for 6 primary school expansions. As at May 2015, 4 schemes have been approved and feasibility & scoping works are currently underway. Detailed costings have been carried out and anticipated scheme costs provided by the technical advisors. All SEP3 schools are on very confined sites within heavily residential areas. Consequently this brings additional challenges to the building programme with enhanced planning requirements mainly around traffic and the size and type of building planning will allow. Furthermore, due to works having to be carried out whilst schools are in occupation means the building process will be longer which impacts on project costs. The current construction market in the UK and in particular in London is extremely buoyant with many construction firms working to capacity and will full order books. Because of this the cost of construction related materials, labour and professional services are at a premium. This means the current SEP3 budget needs to rise to keep pace with the rising costs of the London construction market. The details of these schemes are attached at PART 2 Appendix 5

Phase 4

77. There are currently 4 primary expansion programme budgets approved in the capital programme. As stated above, if the free schools are delivered, there may not need to be a phase 4 of the primary expansion programme. There is currently £10.080m assigned to these schemes between 2016-17 and 2018-19 and a virement of £5.465m from this programme over the life of the programme into SEP3 is requested in advance of contracts being awarded.

Quarter 1 forecast

78. As at Quarter 1 the directorate is predicting to spend the total capital programme by 31st March 2016. SEP1, SEP2, secondary and SEN expansion programmes, which form over 75% of the total 2015-16 budget are all due to deliver places by September 2015. Whilst there are some delays to some of these schemes, it is anticipated that the final accounts will be settled by March 2016. Any costs associated with delays are anticipated to be funded within the current capital programme. Contracts for the SEP3 budget of £10m are anticipated to be awarded in early autumn with a view to spending the total in year budget by 31st March 2015. However, a more up to date position will be reported in Q2 once the contracts have been awarded. The remaining programmes are rolling programmes and are anticipated to be spent by 31st March 2016.

Basic Need allocations 2017-18 and additional funding 2015-17

79. On 12 February 2015, the Department for Education announced the latest Basic Need allocations. In addition to the 2017-18 new allocation, the Government has allocated "top up" funding in 2015-16 and 2016-17 to distribute £300 million held back for those local authorities with unexpected increases in forecast pupils. Local authorities which have reported an increase in their forecast of total pupil numbers for academic year 2017-18 of at least 2% and 250 pupils receive a portion of this funding in 2015-16 and 2016-17, to reflect their unexpected increase in need. Harrow is one of only four London boroughs to successfully receive top up funding in these years and an increase in allocations over future years, totalling £19.6m, over and above the current capital programme. This funding is not yet

included in the capital programme. This additional funding will be considered as part of the capital programme review to be presented to Cabinet in December 2015.

Community, Health and Wellbeing

80. The directorate variance is £4.463m of which £2.967m is slippage and £1.496m underspend.

The following schemes in the programme will be slipped for the following reasons:

81. Banister Sports Centre Improvement – a decision is still pending on the sale of land on Kodak site, no further plans can be made until this happens and the s106 secured, and there is no revenue impact. £1.004m.

82. MOSAIC Implementation - Once new IT provider has started, it will be possible to firm up spend projections, however as this is not due to take place until later in the financial year, only 50% is forecast to be spent by year end (£305k)

83. Remodelling and Refurbishment of Adult Residential and day Care properties – There is limited programme planned for Remodelling and Refurbishment this year, therefore slippage of (£322k) – The revenue implication of this is a risk of additional maintenance cost on ageing buildings.

84. Safeguarding Quality Assurance Quadrants (QAQ) - Planned programme of spend in year relates to server upgrade, this is dependent on work load of the new IT contractor and therefore it is estimated that there will be slippage of (£98k). No direct revenue implication.

85. Empty Property Grant - Grant payments to private residents in return for nomination right to house homeless persons in these properties as opposed to more expensive Bed & Breakfast accommodation, traditionally underspent, results in lower number of properties becoming available thereby increasing pressure on General Fund (£45k).

86. Reform Of Social Housing – Planned programme of spend relating to IT upgrade of systems again partly dependant on work load of the new IT contractor and therefore estimated slippage of £400k. No direct revenue implication.

87. Integrated Health Model – Planned spend on N3 connections. Connections relate to integration between Adult Social care and the NHS, reviewing of service team needs. As the project is in its early stages, it is anticipated that the majority of the budget will be slipped into future financial years (£492k). No quantifiable revenue implication,

although greater co-ordination between NHS and Adult Services may bring efficiencies.

88. Market Shaping & Development – Relates to Care Act duty and collation of business intelligence for providers through IT. Planned programme of work for the year is £100k and the remaining £150k is to be slipped. There is no direct revenue implication.

89. Maintenance of Adults Properties – This budget is unlikely to be spent in year and the entire budget of £150k is currently forecast to be slipped. This is effectively a contingency budget. No further revenue implication is forecast, as underspend against budget has already been forecast against remodelling and refurbishment of residential and day care properties.

In addition to the slippage above the following schemes are underspending;

90. Carer's Service charges (£200k) this is to be discontinued as work is no longer required against this project.

91. Green Deal Community Funding - Grant payments to private residents for warmer homes and energy saving insulation, grant funded from the Department of Energy and Climate Change, the initiative is not now going to proceed and the grant monies are to be returned to the grant provider. No incremental staff resources were allocated therefore there is no revenue impact to curtailment of the scheme (£1.296m).

Resources

92. As at Quarter 1 the forecast spend is £16.473m, 81% of the 2015/16 Resource's directorate capital budget.

93. The forecast under spend is £4.474m of which £4.380m will be slipped to 2016-17 and £94k is no longer needed. The main items of slippage are detailed below:

94. West London Waste Authority (WLWA) loan. The expected payment to WLWA in respect of a loan for infrastructure is currently projected to slip by £297k, based on the latest payment profile supplied by WLWA. The revenue implication is a minor interest loss on the loan of around £2k.

95. Mobile & Flexible working. Accommodation, Power supplies working Peripherals budget will all be spent, other Council capital budgets for project teams, standing groups needed to deliver SharePoint will require further research, as a result of this £391k will be slipped. The direct revenue implication is a saving on the support payment that would have been paid from completion; it is currently projected as £132k one-off in 2015/16.

96. Transition and Transformation of IT service. £3.692m of the budget will be slipped to 2015/16 to reflect the current profile of implementation. There is no quantifiable revenue implication.

97. There is a net underspend across the directorate of £94k as detailed below:

98. Ongoing refresh and enhancement of ICT. £63k of the budget allocated to waste vehicle in-cab refresh and for Tablets is anticipated to underspend. In addition £50k allocated to the refresh of scanners is anticipated to underspend as a result of outsourcing the service.

The above underspends are partially offset by:

99. ICT Infrastructure and Corporate Applications. An additional £32k will need to be spent on Laptops as result of theft in civic 7 which is partly mitigated by a £12k underspend on corporate applications.

100. It is not possible at the moment to accurately assess the level of ICT programme that can be delivered by the new ICT contractor Sopra Steria until September when discussions will begin to quantify the level of work that can be deliver in 15/16 which will have a direct impact on the capital outturn.

Environment & Enterprise

101. As at Quarter 1 the forecast is £18.618m, 89% of the 2015/16 Environment & Enterprise's capital budget.

102. The forecast under spend is £2.403m and will all be slipped to 2016/17.

103. The main item of slippage and reasons are detailed below:

104. Harrow on the Hill Station project - £2m. This project is assumed to be largely funded by TfL with a contribution from the Council of £3.1m over the life of the project. Some preliminary works were completed in 14/15. The scheme is currently under discussion with the TfL, and therefore it is anticipated that the budget profiled for this year will be slipped.

105. Pinner Park Farm - £403k. On-going negotiations are being held with the current tenants of the Pinner Park Farm, the outcomes of which will provide the direction on how the project will shape going forward. These changes mean that the delivery of the project is likely to be slipped to 16/17 and therefore 75% of the budget is re-profiled.

Housing Revenue Account

106. As at Quarter 1 the spend forecast is £23.571m, 99% of the 2015/16 HRA's latest capital Budget. The forecast under spend of £326k will no longer be needed. This project is in relation to investment in Council owned housing stock - financed entirely from HRA, underspend/slippage will have no revenue impact on HRA as majority of financing is by way of a pre-determined charge to revenue which transfers resources to earmarked capital reserves.

Virements

107. June and July cabinets approved the following virements to the capital programme in 2015/16:

Environment & Enterprise Highways Programme	£2.100m
Minor works responsive capital programme	£0.500m
IT Capital budget	-£2.600m
Secondary Expansions	£420k
Schools Expansion Programme Phase 4	-£420k

108. The following capital virement has been approved in the quarter under delegated authority by the Director of Finance and portfolio holder for Finance and Major contracts:

BTP – Public realm	£134k
Carbon Reduction Programme	-£134k

109. It is recommended that the virement below is approved as set out in paragraph 72.

School expansion programme phase 3	£5.465m
School expansion programme phase 4	-£5.465m

Additions to the Capital Programme

110. The Council has successfully secured an interest free loan of £32K under Energy Efficiency Loan Scheme from Salix Finance Ltd for the improvement works at Roxeth Primary School. The School will be responsible for the repayment of the loan over a period of 8 years through the financial savings that result from the energy efficiency measures. Cabinet is recommended to include the £32k cost of the works as an addition to the capital programme.

111. June Cabinet approved a report on Grange Farm Regeneration. In order to undertake the project an addition to the HRA capital budget of £6.102m is required as set out in that report. It is recommended that Council approve this addition.

112. July Cabinet received a report on a Property Purchase Initiative designed to mitigate homelessness costs by acquiring properties for temporary accommodation. The report recommended to Council the addition of £30m to the General Fund capital programme, split £7.5m in 2015/16, £15m in 2016-17 and the final £7.5m in 2017-18.

113. The Council has successfully secured £175K of funding from the Big Green Fund from the GLA for the Stanmore Marsh project, which is match funded with £99 k existing Harrow Capital (Flood Defence project), £225k S106 funding and a contribution of £7k from Harrow Heritage Trust. Total costs of the project are estimated at £506K, with a net increase in capital budget of £407K. Stanmore Marsh is the continuation of works that are completed upstream and works that are in progress in this catchment. Planning for this project dates back to 2007 with long term aims of improving water quality, more diverse flora, fauna, ecology, wildlife and habitat. It is recommended that the capital programme is increased by the £407k of external funding being received. No additional Council resources are being allocated to the project.

114. Elsewhere on this agenda, cabinet is receiving reports on regeneration and the redevelopment of the Gayton road site. These reports contain recommendations to Council for the following additions to the capital programme:

a. Regeneration Programme delivery. This report is recommending that £1.150m is brought forward to 2015/16 from 2016/17 and the reallocation of this funding and £0.750m of 2015/16 funding to a number of regeneration projects. There is also a recommendation to Council to add the cost of site assembly for the Wealdstone re-development in to the 2015/16 capital programme as detailed in a part II appendix.

b. Gayton Road. This report recommends to Council an addition to the current year capital programme of £15m for the acquisition of social affordable and private housing.

Legal Implications

115. 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.

116. Under Allocation of Responsibilities in the Constitution, Council is responsible for all decisions, which are expected to result in variations to agreed revenue or capital budgets. Cabinet must agree, or delegate agreement for all virements between budgets as set by the Financial Regulations.

Equalities

117. 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:

118. 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.

119. 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.

120. 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.

121. 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.

122. 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:

a) Age

b) Disability

c) Gender reassignment

d) Pregnancy and maternity

e) Race,

f) Religion or belief

g) Sex

h) Sexual orientation

i) Marriage and Civil partnership

Financial Implications

123. Financial matters are integral to the report.

Performance Issues

124. Good financial performance is essential to achieving a balanced budget. The financial performance is integrated with the strategic performance of the Council through quarterly Directorate Improvement Boards which consider the financial position alongside performance including 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.

125. The overall projected percentage variance from the revenue budget is currently forecast to be an overspend of 2.1%.

126. For the 2015/16 savings built into the MTFS, the overall position is that 40% of the savings are RAG rated as blue (achieved and banked), 25% green (achievement of saving on track), 32% amber (saving only partially achieved or risks remaining) and 3% red (agreed saving not achievable).

127. There is a performance target of 90% of the approved capital programme for 2015/16 being spent in year. The current projection is for spend to be 92% of budget.

128. Council Tax Collection: The collection rate for Quarter 1 is 30.05% against a profile target of 30.00%

129. Business Rates Collection: The collection rate for Quarter 1 is a collection rate of 33.41% against a profile target of 33.00%.

Environmental Impact

130. There are none directly related to this report

Risk Management Implications

131. The risks to the Council and how they are being managed are set out in the report.

132. Risks are included on the Directorate risk registers.

Equalities implications / Public Sector Equality Duty

133. A full equalities impact assessment was completed on the 2015/16 budget when the budget was set by Full Council. Equalities implications are taken into account by individual directorates whilst running services and making decisions to vire money. A full equality impact assessment will be completed on the budget for 2016/17.

Council Priorities

134. The Council's vision is:

Working Together to Make a Difference for Harrow

135. The Council’s priorities are:

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

136. This report deals with Revenue and Capital monitoring which is key to delivering the infrastructure to deliver the Council’s priorities.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert Date: 4 September 2015	x	Chief Financial Officer
Name: Linda Cohen Date: 7 September 2015	x	on behalf of the Monitoring Officer

Ward Councillors notified:	**NO, as it impacts on all Wards** .
EqIA carried out: **EqIA cleared by:**	**NO** Information for noting only

Section 6 - Contact Details and Background Papers

Contact:
Steve Tingle (steve.tingle@harrow.gov.uk), Senior Financial Advisor Tel: 020 8420 9384

Background Papers:
Cabinet February 19 2015:Final Revenue Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19
Cabinet February 19 2015:Capital Programme 2015/16 to 2018/19
Cabinet June 2015: Revenue and Capital Outturn 2014-15

Call-In Waived by the Chairman of Overview and Scrutiny Committee	**NOT APPLICABLE** [Call-in applies, except where the decision is reserved to Council]

				Appendix 1
Revenue Summary(Directorates) as at 30 June 2015				
	Revised Budget	**Forecast Outturn**	**Quarter 1 Variance**	**Variance**
	£000	**£000**	**£000**	**%**
Resources				
Controllable Budget				
Customer Services	24,011	24,229	218	0.9%
Director of Resources	921	587	(334)	(36.3%)
HRD & Shared Services	1,778	1,831	53	3.0%
Legal & Governance	3,188	3,209	21	0.7%
Procurement	864	901	37	4.3%
Strategic Commissioning	2,176	2,136	(40)	(1.8%)
Assurance	733	748	15	2.0%
Finance	3,849	3,817	(32)	(0.8%)
Total Controllable Budget	**37,520**	**37,458**	**(62)**	**(0.2%)**
Uncontrollable Budget	(17,957)	(17,957)	0	0.0%
Total Directorate Budget	**19,563**	**19,501**	**(62)**	**(0.3%)**
Environment and Enterprise				
Controllable Budget				
Commissioning Services	(632)	(632)	0	0.0%
Directorate Management	705	485	(220)	(31.2%)
Corporate Estate	(459)	(572)	(113)	24.6%
Economic Development & Research	1,709	1,695	(14)	(0.8%)
Planning	445	445	0	0.0%
Environmental Service Delivery	19,001	20,251	1,250	6.6%
Total Controllable Budget	**20,769**	**21,672**	**903**	**4.3%**
Uncontrollable Budget	14,023	14,023	0	0.0%
Total Directorate Budget	**34,792**	**35,695**	**903**	**2.6%**
Community, Health and Wellbeing				
Controllable Budget				
Adult Services	54,292	54,926	634	1.2%
Community and Culture	3,045	3,329	284	9.3%
Housing General Fund	4,225	6,227	2,002	47.4%
Public Health	0	0	0	#DIV/0!
Transformation	209	249	40	19.1%
Total Controllable Budget	**61,771**	**64,731**	**2,960**	**4.8%**
Uncontrollable Budget	12,736	12,736	0	0.0%
Total Directorate Budget	**74,507**	**77,467**	**2,960**	**4.0%**
Children and Families				
Controllable Budget				
Management & Business Support	1,579	1,283	(296)	(18.7%)
Children & Young People's Services	21,446	22,312	866	4.0%
Commissioning & Schools	1,530	1,422	(108)	(7.1%)
Special Needs	7,677	8,506	829	10.8%
Schools	(9)	(9)	0	0.0%
Total Controllable Budget	**32,223**	**33,514**	**1,291**	**4.0%**
One off Children's Social Care Reserve	**866**	**0**	**(866)**	(100.0%)
Uncontrollable Budget	10,958	10,958	0	0.0%
Total Directorate Budget	**44,047**	**44,472**	**425**	**1.0%**
Business Support	2,122	2,695	573	**27.0%**
Total Directorate Budgets	**175,031**	**179,830**	**4,799**	**2.7%**
Corporate Items	(7,650)	(8,898)	(1,248)	16.3%
Total Budget Requirement	**167,381**	**170,932**	**3,551**	**2.1%**