
REPORT FOR: CABINET

Date of meeting:	16 June 2016
Subject:	Revenue and Capital Outturn 2015-16
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 - Revenue Carry forward Schedule Appendix 2 – Capital Monitoring Appendix 3 – Reserves Movements 2015/16 Appendix 4 – HRA Revenue Outturn

Section 1 – Summary and Recommendations

This report sets out the Council's revenue and capital outturn position for 2015/16.

Recommendations:

1. That Cabinet notes the revenue and capital outturn position for 2015/16
2. That Cabinet approves the contributions to reserves outlined in paragraphs 21, 24 and 26.

3. That Cabinet approves the revenue carry forwards of £1.793m outlined at paragraphs 27 and 28 and detailed in Appendix 1, that have been agreed by the Director of Finance in accordance with the Financial Regulations.
4. That Cabinet approves the debt write off and lease surrender as set out in paragraph 8.
5. That Cabinet approves the Housing Revenue Account debt write off outlined in paragraph 31
6. That Cabinet approves the carry forwards on the capital programme outlined in table 4 (paragraph 32) and set out at Appendix 2 that have been agreed by the Director of Finance in accordance with the Financial Regulations.
7. That Cabinet note the reduction in the capital programme outlined in paragraph 34.
8. That Cabinet note the virement changes in quarter 4 2015/16 to the Capital Programme outlined in paragraph 35.
9. That Cabinet approve the virements in the 2016/17 capital programme detailed in paragraph 36.
10. That Cabinet approve the addition to the 2016/17 capital programme of £150k as set out in paragraph 37.
11. That Cabinet approve converting a £1m loan to a grant in the 2016/17 capital programme as set out at paragraph 47.
12. That Cabinet notes the timetable for accounts completion and external audit review as outlined in paragraphs 54 and 55.

Reason (for recommendation)

To report the financial position as at 31 March 2016.

Section 2 – Report

EXECUTIVE SUMMARY

1. 2015/16 has remained a very challenging financial environment. The budget includes gross savings of £18.720m and demand pressures on the front line directorates continues. The revenue outturn position of the Council at the end of the financial year 2015/16 year is showing a balanced position after transfers to and from reserves. The Directorates spend shows a net overspend of £0.889m after one off draw downs from reserves of £1.647m (£1m in relation to the Welfare Reform Reserve and £0.647m from the Children’s Social Care Reserve). After allowing for revenue carry forwards of £1.793m, the net Directorate overspend increases to £2.682m. However, there was an underspend of £3.557m in the Corporate budgets and the general contingency which results in a net overall underspend of £0.875m.
2. It is recommended that the net under spend of £0.875m is used to increase reserves as follows:
 - MTFs Implementation Reserve £0.375m
 - Insurance Reserve £0.500m

In addition the carry forward sum of £1.793m is added to reserves and will be allocated out to Directorates in 2016/17.

3. The recommended contributions to reserves will support the Council moving forward to deliver agreed services in the challenging financial environment facing local government. £0.350m of the £0.375m going into the MTFs Implementation Reserve will be used as a one off contribution to fund the cost of retaining the Bridge day care service in 2016/17. Following consultation, the Bridge will remain open. The £500k contribution into the insurance reserve is required as it was necessary to draw down the original £500k which was in the reserve for 2015/16. The addition of £500k will therefore reinstate the reserve to its original level.
4. All outturn positions detailed in this report are provisional until agreed by Cabinet and are subject to minor technical changes, prior to the finalisation of the Statement of Accounts.
5. Total spend on the capital programme for the year is £93.2m against a budget of £156.9m, giving a variance of £63.7m. The variance of £63.7m is made up of total slippage of £58m which will be carried forward into 2016/17 and underspends of £5.7m. With regard to the underspend of £5.7m, only £457k of this was an underspend which led to a reduction in the amount of borrowing required (see paragraph 33 for more detail). More detail on the Capital variances is included in table 4, including the split between the general fund and the HRA.

REVENUE OUTTURN

6. The revenue outturn on General Fund for the Council after transfers to ear marked reserves for the financial year 2015/16 is nil against the approved budget of £167.381m, and there is no addition or reduction to general reserves.

Table 1 Revenue Outturn 2015/16 Summary

Original Budget £000	Directorate	Latest Budget £000	Provisional Outturn £000	2015/16			
				Outturn Variance £000	%	Carry Fwd £000	Variance adj for Carry Fwd £000
24,044	Resources	21,166	20,889	-277	-1.3	105	-172
43,683	Community	44,248	45,005	757	1.7	153	910
104,487	People	104,647	104,584	-63	-0.1	1,360	1,297
1,281	Regeneration	1,992	1,810	-182	-9.1	175	-7
2,122	Business Support	2,184	2,838	654	29.9	0	654
175,617	Sub Total Directorate	174,237	175,126	889	0.5	1,793	2,682
1,320	Inflation and Corporate Items	6,674	5,259	-1,415			-1,415
1,248	Contingency	1,248	0	-1,248			-1,248
-4,155	Capital Financing and Interest	-4,155	-4,124	31			31
-1,588	Interest on Balances	-1,588	-1,757	-169			-169
-5,061	Grants	-6,843	-7,667	-824			-824
0	Carry Forwards from 2014/15	-1,598	-1,598	0			0
0	Reserves Contribution	-594	-526	68			68
167,381	Sub Total	167,381	164,713	-2,668	1.6	1,793	-875
	Contribution to Reserves						
	IT implementation reserve		-1,000	-1,000			
	Welfare Reform Reserve		1,000	1,000			

	MTFS Implementation Reserve		375	375			
	Insurance Reserve		500	500			
	Carry Forwards to 2016/17		1,793	1,793			
167,381	Total Budget Requirement	167,381	167,381	0			

Directorates' Position

The outturn for the Directorates is a net over spend of £0.889m. The net overspend of £0.889m is net of the carry forward of £1.793m. If the carry forwards are excluded the overspend increases to £2.682m. The position for each directorate is summarised below:

Resources

7. The outturn position for Resources is an under spend of £277k. After allowing for the recommended carry forwards of £105k, the net underspend of £277k will be £172k. The key reasons for the variance are detailed below:

- Human Resources - £271k underspend – this is made up of savings on National Insurance accruing to the council from salary sacrifice, unfilled vacancies and the operational budget that was not applied in 15/16.
- Strategic Commissioning - £215k underspend – there were staff vacancies as a result of 16/17 MTFS savings across the division and additional income from the SIMS team together with a one off accrual that did not materialise.
- In the Legal and Governance directorate, over recovery of income by £160k due to a consistently buoyant property market and the Home Office clearing a backlog of nationality applications which Harrow then processed.
- Due to the delay in the implementation of the transfer of Land Charges income to central government, this has resulted in an underspend of £356k as the growth previously allocated to match the loss of income has not been needed.
- In Finance and Assurance there was an underspend of £24k resulting from a vacancy within the Insurance team. For the insurance provision, the actuary has revalued insurance liabilities upwards by £500k. To mitigate this the insurance reserve of £500k has been drawn down. This report recommends this reserve is re-instated to support future insurance activity going forward.
- In Procurement, CIP accreditation and West London Alliance membership fees resulted in an overspend of £73k.
- There was a an adverse variance in Customer Services of £755k as a result of not drawing down £1.4m from the IT implementation reserve as previously planned, if this was to be drawn down the directorate would have underspend by £645k. The underspend is as a result of additional summon cost income, lower than anticipated take up of the Harrow Help Fund and a reduction to bad debt provision as a result of a significant bad debt write off exercise carried out in previous year.

The recommended carry forward requests of £0.172m are set out at Appendix 1.

Community

8. The outturn position for Community is an over spend of £0.757m. The overspend is increased of £0.901m after allowing for the recommended carry forward requests of £153k. The key reasons for the variance are detailed below:
- Additional income and one-off under spends – additional rents from corporate estates (£290k; of which £100k is one off), additional income from cemeteries (£0.820m; of which £0.659m is one off) and £163k unspent contingency budget and delays in the project implementation costs of Towards Excellence (£47k).
 - Offsetting these underspends are pressures associated with the changes of garden and food waste collection system (£0.8m), unachieved legacy saving targets in relation to PRISM transformation project (£353k), a shortfall on room hire income at Harrow Arts centre (£187k) and a partial non achievement of MTFS savings relating to the closure of four libraries (£56k).
 - Housing General Fund services are over spent by £0.689m, after assuming £1m draw down from the Welfare Reform Reserve, to mitigate the extraordinary growth in the demand for Bed & Breakfast accommodation driven by increasing rents in the Private Rented Sector combined with the impact of Government's on-going Welfare Reforms. The worsening position means there is a real risk of a significant over spend in 2016-17.

The recommended carry forward requests of £153k are set out at Appendix 1.

9. In addition, approval is sought to write off an outstanding debt in relation to Harrow Arts Centre. JAMS Kitchen occupies premises at Harrow Arts Centre on a 15 year lease. There are currently arrears of rent and service charge of £31k. As part of the proposed transfer of the Arts & Heritage Services to Cultura London, options have been explored by Corporate Estates team to terminate the lease with JAMS Kitchen early. It is recommended that the Council accepts JAMS Kitchen's voluntarily surrender of the lease, providing vacant possession of the premises with immediate effect to meet the timescales of the transfer of the services to Cultura London. The terms of the lease surrender are that JAMS Kitchen is not required to pay the arrears of rent and service charge. Cabinet approval is therefore being sought to write off the outstanding debt in respect of JAMS Kitchen in exchange for the surrender of the lease.

People Services

10. The People's directorate is reporting an under spend of £63k. The net underspend of £63k is made up of an underspend of £1.35m on Public Health, an overspend of £1.246m on Adults and an overspend of £41k on Adults Transformation. The People's Directorate net under spend of £63k becomes an overspend of £1.297m after accounting for requested carry forwards of £1.360m. £10k is in relation to Adult Services and £1.350m in relation to Public Health which this report recommends as set out in Appendix 1. The key reasons for the variances are detailed below:
- Public Health is reporting an underspend of £1.35m. The £1.35m underspend is in relation to grant income from Health Education England that is being

administered by Harrow Public Health and therefore needs to be carried forward. After allowing for the carry forward, the outturn position is balanced, despite absorbing an in year grant reduction of £0.664m. In addition the public Health Reserve includes £203k for expenditure associated with projects committed in 2015/16, which need to be continued in 2016/17 and also enables a balance of £695k to be held for contingent liabilities, redundancies arising from any future restructures and as a reserve for genitourinary medicine pending the outcome of the collaborative commissioning process from April 2017.

- Adult Services is reporting an overspend of £1.246m. This is in relation to the Ordinary Residents payment made to a neighbouring Authority, which was a one-off backdated element of cost associated with 17 residents, and a risk that was reported during the year and which materialised at year end following negotiation. Without these backdated costs, adult services would have reported a balanced position. However there are underlying pressures of £1.9m in relation to social care placements (£781k of which represents in year costs relating to ordinary residents cases), Deprivation of Liberty Safeguards (DoLS - £306k representing statutory requirements not funded by grant), Mental Health s75 with Central North West London Hospitals Trust (CNWL - £294k representing the Council's 50% risk share). These pressures are offset on a one-off basis in 2015-16 only by the Care Act grant of £1.368m, together with underspends on staffing across the directorate (largely reflecting the delay in recruiting to vacant posts of £0.9m) and other non-staffing budgets (£296k).
- Transformation – an overspend of £41k arising from the delayed delivery of anticipated savings across Business Support service, which impacted on the Transformation Budget.

Children's Services

11. At outturn the overspend for the Directorate is £0.647m, which reduces to a balanced position after an equivalent draw down from the Children's Social Care Reserve.

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.

The total headline pressures are £3.531m. The main areas of overspend totalling £2.874m were as follows:

- **Special Needs Transport £0.612m overspend.** Special Needs Transport underwent a significant review in 2014/15 with a view to achieving a further £0.570m savings target. It was only possible to meet approximately half of this savings target due in 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 £411k** - staffing costs were £60k overspent relating to caseload management and client costs were £351k overspent due to demand including a single young person with high and extraordinary needs.
- **Placements £483k overspend** mainly resulting from an increase in the number of children in high cost residential placements. During November 2015 and December 2015, the directorate made 4 additional placements of young people in out of borough high cost residential placements. These placements have been needed in response to significant risks relating to child sexual exploitation and gangs involvement. The duration of these placements will be tightly managed. In addition an extra-ordinary panel has been scheduled to review all the high cost residential placements to ensure that these placements are ended safely as soon as possible to reduce the costs, and ensure that they are best value.
- **Children and Young People's Service staffing £0.779m overspend** as a result of agency and interims covering vacancies and sickness and additional staff to manage caseloads.
- **No Recourse to Public Funds (NRPF) overspend £0.589m** due to families being supported by the Council. The welfare reforms, along with stricter enforcement of Asylum Legislation are the main causal factors for this demand, which is unpredictable in terms of volume and costs. The exit routes for ceasing funding are dependent on variable factors, many of which cannot be controlled by the Council. A bespoke worker has been recruited to focus specifically on these families to help reduce costs and mitigate the financial pressures on this budget. This has resulted in some overall reduction in costs in the last quarter, due to the worker being able to help 3 families find lasting solutions with no further cost to the Council. This post has paid for itself; and it will mitigate against rising costs in the future. However the trend is likely to be of increased costs.

These overspends were offset by:

- Use of one off children's social care reserve of £0.647m.
- Non-frontline staff vacancies and a number of centrally held management actions of £2.884m including demographic growth £413k, flexible use of grants £0.955m, additional partner agency income £0.641m, 2016/17 savings achieved early £227k, adoption grant not anticipated £114k and various other in year management actions totalling £534k. Of these mitigating actions £2.032m were one off.

Regeneration, Enterprise and Planning

12. The outturn position for Regeneration, Enterprise and Planning division is an under spend of £182k, which reduces to £7k after allowing for the recommended carry forward requests of £175k. The key reasons for the variance are detailed below:

- Additional income and one-off under spends – under spend on economic development salaries (£86k) relating in the main to funds secured to provide subsidies for the apprentices employed and unused planning grant income (£108k) for which a carry forward is requested.

The recommended carry forward requests of £175k are set out at Appendix 1.

Business Support

13. The outturn position for Business Support is an overspend of £654k. The key reason relates to staffing costs. However, there are plans being developed to mitigate this in 2016/17, through the outsourcing of scanning and indexing, a review of postage and printing costs and a staffing restructure.

INFLATION AND CORPORATE ITEMS

14. The net underspend for 2015/16 for inflation and corporate items is £1.4m. There are a number of items that make up this underspend. £350k Utility Inflation Contingency not drawn down in year £200k write back on the Good Received /Invoice Received suspense account, £70k in relation to subscription charges, £77k in lower External Audit fees and £700k in relation to corporate provisions not required.

CONTINGENCY

15. There have been no calls on the contingency for unforeseen items therefore an under spend of £1.248m is contributing to the overall underspend position. This contingency stands at £1.248m in 2016/17.

CAPITAL FINANCING AND INTEREST

16. The net underspend of £138k is as a result of higher investment income than budgeted. Although it is not coming through as an underspend in 2015/16, the slippage in the capital programme has resulted in a reduced cost in capital financing costs in relation to the amount of minimum revenue provision (MRP) charges. There is no underspend in 2015/16, as the MRP charges made in 2015/16 were maintained at the budgeted level. By maintaining charges at the budgeted level, it enables flexibility in future years, where it will then be possible to apply the over provision made in 2015/16 to future years MRP requirements.

GRANTS

17. Additional grant income of £824k was received during 2015/16 which contributes towards the underspend. The main items were, £600k for section 31 grant, £97k of Education Support Grant and £104k of new burdens funding in relation to search fees.

RESERVES

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

Table 2: Main movement in Reserves

Movement in Reserves 2015/16				
	Balance b/f 1.4.15	Drawdown	Contribution	Balance c/f 31.3.16
	£	£	£	£
Revenue grant reserve	346,125	-47,000	1,005,386	1,304,511
Revenue carry forwards	1,598,000	-1,598,000	1,793,000	1,793,000
Business Risk	2,109,000			2,109,000
MTFS Implementation cost	2,804,287	-2,692,534	844,796	956,549
TPIF	3,818,750	-629,822		3,188,928
Insurance reserve	500,000	-500,000	500,000	500,000
IT reserve	2,854,000	-1,000,000		1,854,000
Welfare Reform Reserve	0	-1,000,000	2,000,000	1,000,000
General Fund Balances	10,008,000	0	0	10,008,000

19. **Revenue Grant Reserve** – This reserve contains revenue grants to be used for specific purposes or which may be subject to claw back if conditions of the grant are not met. The opening balance was £346k, with a £47k draw down in year and additions of £1.005m in year to bring the total to be carried forward to £1.304m. The £1.304m closing balance relates to the following grants:

- £51k – Preventing Possession
- £110k – Anti Fraud Grant
- £138k – Planning Delivery Grant
- £288k – Troubled family grant
- £717k – New Homes Bonus grant

20. **Business Risk Reserve** - This reserve was established as part of the 2012/13 outturn to provide for a number of unquantifiable business risks. £2.109m was available at the start of 2015/16 with no drawdowns in the year.

21. **Medium Term Financial Strategy Implementation Reserve** – This reserve was established to facilitate the achievement of MTFS savings. The balance at the start of the year was £2.804m, to which £0.470m has been added in-year from early MTFS savings. £2.693m has been drawn down in the year, which would leave a balance of £0.581m, however it is recommended that the £375k underspend from 2015/16 is added to the reserve (£350k of this will be used to fund the Bridge day care centre for 2016/17), which brings the closing balance to £0.956m. Of the £2.693m of draw downs, the main items were as follows:

- Severance costs £1.691m
- Project Minerva £192k
- Voluntary Sector £331k
- Garden Waste project £430k

In addition, as part of the budget setting for 2016/17, a sum of £2.954m was added to the MTFS implementation reserve. In the main this will be required to fund future severance costs as a result of staff savings being made over the next 3 years.

22. **Transformation and Priority Initiatives Fund** - The balance at 1 April 2015 was £3.819m. During the year £0.630m was drawn down from the reserve, which leaves a balance of £3.189m. There were a number of draw downs totalling the £0.630m but the main items that were funded are as follows:

- Grass verge maintenance £60k
- Arts Centre £165k
- Improving the street scene £80k
- Project Infinity £87k

23. **Insurance reserve** – the insurance reserve stood at £500k at the start of the year, however it was necessary to draw down the reserve as the provision required to be made was £564k in excess of the budget provision. It is therefore recommended that the insurance reserve be reinstated and that £500k of the underspend is used to reinstate the reserve.

24. Is it recommended to add back £500k back into the Insurance Reserve.

25. **IT Implementation Reserve** - this reserve was established as a result of Cabinet agreeing to fund £2.854m of transformation and transition costs arising from the ICT Procurement award of contract in March 2015. During 2015/16, a draw down was forecast within the Resources budget of £1.4m to fund ICT transformation costs, however due to underspends elsewhere in the Resources budget, it was not necessary to draw anything down. However, it is recommended that £1m of the £1.4m is transferred to the Welfare Reform Reserve for homelessness pressures in 2016/17.

26. **Welfare Reform Reserve** - this reserve was established during 2015/16 with the addition of £1m which has been added in-year from early MTFS savings. £1m has been drawn down in year to cover the homelessness costs in the Housing General Fund as previously reported in Budget monitoring reports to Cabinet. This pressure will continue in 2016/17.

It is recommended to add £1m back into the reserve and the funding will come from the IT implementation reserve as set out in paragraph 25.

REVENUE CARRY FORWARDS

27. Carry forward requests were received, mainly in relation to projects not completed and government grants not yet spent. The carry forward requests are summarised below and listed in appendix 1:-

Table 3 Summary of Revenue Carry Forwards

	Council Funding	Grant Funding	Total
	£000	£000	£000
Resources	87	18	105
Community	137	16	153
People	-	1,360	1,360
Regeneration	34	159	175

Carry Fwd Total	258	1,517	1,793
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28. It is recommended that £1.793m is added to reserves in respect of these carry forwards. Carry Forward requests have been agreed in line with the criteria set out in the Financial Regulations.

GENERAL RESERVES

29. Harrow's level of General Reserves is towards the lower end of what is considered prudent at £10.008m, but is considered adequate given the level of earmarked reserves. It is not recommended to increase the level at this point.

HOUSING REVENUE ACCOUNT (HRA)

30. The HRA has a surplus of £2.248m against a budgeted surplus of £0.601m. The main contributing factors are increased capitalisation of costs associated with the Homes-4-Harrow scheme, underspends in operating expenditure and reduced contributions to the bad debt provision. The outturn also includes reduced depreciation charges which result in only a transfer of resources to the Major Repairs Reserve which is used to finance capital expenditure. A more detailed analysis of the HRA Outturn position is set out at Appendix 4.
31. The reported outturn for the Housing Revenue Account includes a contribution to the provision for bad & doubtful debts of £13k. This is after allowing for the write off of £55k HRA debt owed by tenants but which is not recoverable. The Council maintains a dialogue with tenants using all means available followed by formal correspondence offering repayment plans. Where this is unsuccessful, preparations for legal proceedings are put in place and ultimately eviction as a last resort. The majority of write offs in 2015/16 relate to former tenants who have left no forwarding address. Although checks are made with Revenues and Benefits and Experian, there is often no alternative but to write off. Approval of Cabinet is sought to write off this irrecoverable debt.

CAPITAL

32. Total spend on the capital programme for the year is £93.2m (£79.6m General Fund and £13.6m HRA), which compares to an approved budget of £156.9m (£126.7m General Fund and £30.2m HRA). The total spend of £93.2m was 59% of the approved budget. The variance of £63.8m comprises of slippage of £41.4m General Fund and £16.7m HRA with underspends of £5.7m General Fund. The summary position and funding of the programme is shown in table 4. The slippage identified in Table 4 and detailed in Appendix 2 has been agreed as carry forwards by the Chief Finance Officer in accordance with Financial Regulations.

Table 4 Capital Outturn 2015/16 Summary

Directorate	Original Programme	CFWD's	Adjustments	External	LBH	Total Budget	Actual	Variance	Slippage	Under spend
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Community	17,508	5,627	10,113	7,030	26,193	33,248	23,185	-10,063	8,490	-1,573
People	32,946	32,972	1,000	62,608	4,311	66,919	47,411	-19,508	19,295	-213
Resources	14,503	9,796	-2,216	18	22,065	22,083	7,819	-14,264	10,344	-3,920
Regeneration	2,248	0	2,225	198	4,275	4,473	1,208	-3,265	3,265	0
TOTAL GENERAL FUND	67,205	48,395	11,122	69,854	56,843	126,722	79,623	-47,099	41,394	-5,707
HRA	21,656	2,241	6,342	1,021	29,218	30,239	13,554	-16,685	16,685	0
TOTAL GENERAL FUND & HRA	88,861	50,636	17,464	70,875	86,061	156,961	93,177	-63,784	58,079	-5,707

33. The net underspend set out in Table 4 is £5.7m. However, the net usable underspend is only £457k as set out in the table below. Of the £5.7m, £5.25m relates to capital that was funded from grants, section 106 or relates to budget adjustments where a budget has already been increased in 2016/17. This leaves a net balance of £457k which is the genuine underspend in the capital programme for 2015/16. This £457k underspend has led to savings in treasury management as the Council's cash balances have remained higher due to the reduced amount of capital expenditure.

Table 5: Analysis of £5.7m underspend

	Section 106 with no budget	Grant funded	Budget transferred to 2016/17 - not usable	Sub total Unusable capital funding	Usable underspend	Offset against unbudgeted Expenditure	Net usable LBH underspend	Total Underspend analysed
	£000	£000	£000	£000	£000	£000	£000	£000
Resources								
<i>Resources sub total</i>	0	0	-3666	-3666	-391	136	-255	-3921
Community				0				
<i>Community sub total</i>	-183	0	0	-183	-616	616	0	-183
Housing				0			0	
<i>Housing sub total</i>	0	-1351	0	-1351	-64	24	-40	-1391
Adult				0				
<i>Adult sub total</i>	0	-50	0	-50	-163	0	-163	-213
Total	-183	-1401	-3666	-5250	-1233	776	-457	-5708

34. Reductions in the Capital Programme

The following reduction has been made to the Capital Programme in the Community Capital Programme.

Table 6: Reductions in Capital Programme 2015/16

Item	£000
The £2m budget (assumed to be TfL funding) for Harrow on the Hill Station was re-profiled to 16/17 due to the fact that we knew there wouldn't be funding provided by TfL in 15/16.	- 2,000

35. Virements in the Capital Programme

The following virements have been approved under delegated authority by the Director of Finance and the Portfolio Holder for Finance and Major Contracts for the Schools Capital Programme.

Table 7: Virements in the Capital Programme 2015/16

Item	£000
Amalgamation works at Stanburn school anticipated to cost in the region of £200k. Transfer £163k leftover on the Stanburn SEP1 expansion programme to the amalgamation budget	163
Amalgamation works at Stanburn school, the remaining shortfall of £37k to be vired from the capital maintenance line of the capital programme	37
Weald Rise school. Being rebuilt by the EFA under the Priority Schools Building Programme and as part of this the Council has requested that the school is rebuilt by an expanded 1FE. Since the EFA do not fund expansions, Harrow is meeting the additional cost. The original estimated cost was £2.189m and this has been built into the existing capital programme which went to Cabinet in September 2015. The final costs have come out higher due to an increase in contractor costs. The increase is £87k. A virement is approved to vire the additional £87k from the currently uncommitted SEP4 line in the capital programme.	87

36. As part of the outturn 3 further virements are requested to adjust the slippage carried into 2016-17 as follows:

- 1) Transfer £41,534 from capital maintenance to fund minor project overspends in respect of final accounts for :
 - a. SEN £32,460
 - b. SEP1 £9,074
- 2) Move the remaining budgets from the currently uncommitted SEP4 primary school expansion programme (as this is anticipated to be delivered from the Free School programme), into SEP2 (which includes Secondary and SEN budgets), in order to fund future spending requirements.

37. **Addition to 2016/17 Capital Programme**

Table 8: Additions to the Capital Programme

Item	£000
Section 106 funding to improve traffic flows on the highway surrounding Kodak site	50
Section 106 (Bentley Priory)	100

A proportion of S106 funding for the Kodak site (Phase 1B) has been received from the developer recently. £50k is allocated for the improvement of traffic flows on the highways surrounding the area. It is anticipated that this work will be carried out during 2016/17 and therefore it is requested that the capital budget (all S106 funded) under Highways is increased by £50k.

In addition, S106 funding (Bentley Priory) of £100k has now been released to refurbish the derelict former council depot to provide a weatherproof and secured building with facilities suitable for school visits to the site. It is anticipated that the project will be complete in 18 months. The funding profile over 2016/17 and 2017/18 will be confirmed in accordance with the project timetable and key milestones. It is therefore requested at this stage that the capital budget (all S106 funded) under Green Grid is increased by £100k in 2016/17.

DIRECTORATE PERFORMANCE ON CAPITAL

38. The capital programme by directorate is included at Appendix 2 showing performance against the latest approved budget for each programme line. Set out below is narrative to explain the capital outturn and the major variances:

RESOURCES

39. The directorate spent £7.8m against a budget of £22m, a 35.5% spend. £10.3m of the variance has slipped to 2016/17 with underspend of £3.9m. The key reason for slippage has been Capita delivery issues, although the new IT provider Sopros Steria has now taken over from Capital, the backlog of projects that was not finished by Capita is yet to be completed.

40. There has been slippage of £2.2m on the loan to West London Waste Authority due to delays in the progress of their investment programme.
41. The £3.9m underspend includes £3.7m in relation to Transition and Transformation budgets.. This £3.7m is shown as an underspend, but the 2016/17 budget was increased by the same amount as part of the Capital Programme report agreed by Cabinet in February 2016. The budget was realigned to represent the true spending plans and so this £3.6m which is shown as an underspend in 2015/16 will be spent in 2016/17, so is cost neutral across the 2 financial years.

COMMUNITY DIRECTORATE

42. The net variance for the Community Directorate (which includes Cultural Services and Housing) is an outturn of £23.2m against the budget of £33.2m, a variance of £10m. (£8.4m of slippage and £1.6m underspend).

Commissioning and Environmental Services

43. The services spent £19m against a budget of £19.6m, a spent of 97%. £453k of the variance has been slipped to 2016/17.
44. The capital funding was spent to invest in the Boroughs infrastructure and improve the place, both for residents and staff. Some of these improvements have led to the generation of additional income, particularly from disused parks buildings that were brought back into use. Others, such as the rationalisation of accommodation have yielded savings both on maintenance and utilities. Likewise, investment on the highways network including additional capital on street lighting to accelerate the replacement of old lamp columns will reduce both reactive maintenance and electricity costs in the future. Some projects contributed significantly to social regeneration by making available more facilities for community use.
45. Some of the key projects and outcomes were:
 - Highways: Re-surfaced 22.5 km of Harrow's 460km road network and carried out 2,000 repairs to carriageways including potholes related work. Reconstructed 22,129 linear meters of footways and carried out 3,500 repairs to footways to improve safety to residents and visitors.
 - Street Lights: Replaced around 2,150 lighting columns with LED technology to improve safety and energy efficiency
 - Parking Management Programme: All schemes agreed at TARSAP in February 2015 were implemented. These include the introduction of new CPZ zones in Headstone Lane Station area and Whitmore Road area.
 - Green Gym: Installation of 6 new green gyms to improve community access to healthy activities and promote physical exercises.
 - Trees: Planted over 200 street trees to green the environment.
 - Parks Buildings: Improvements made to a number of buildings including
 - The disused building in Centenary Park was refurbished to provide a new nursery and hence generates a rent income for the Council

- changing rooms within parks were refurbished including Roxbourne Recreation Ground, Roxeth Recreation Ground, Kenton Recreation Ground and West Harrow to provide better facilities for visitors and users.
- Refurbishment work at Headstone Manor pavilion
- Food waste: New food waste bins and kitchen caddies were provided to residents as part of the roll out of the separate food and garden waste collection, which has resulted in increased recycling of food waste.

Cultural Services

46. The service spent £1.336m against a budget of £2.544m, a 50% spend. £1.224m of the variance has been slipped to 2016/17. Headstone Manor project is ongoing, and the Great Barn work has been completed in 15/16. The site will be used as for holding events and weddings, providing an income stream going forward.
47. Within the Community and Culture Capital programme, there is a £1m loan in 2016/17 to be provided to Cultura London which would contribute towards the £3.8m cost of a new extension to the Elliott Hall to replace the existing Hall, and provide a cinema at the Arts Centre. £2.8m of external funding is required to be raised by the Trust and therefore, in order to facilitate the project it is recommended that Cabinet agrees to replace the original £1m loan with a £1m capital grant. This will have no effect on the Capital Programme and the revenue implications will be covered within the MTFs. There will be a further update to Cabinet in July on the progress of the transfer of Arts and Heritage services.

Housing General Fund

48. The service spent £1.688m against a budget of £3.594m, a 47% spend. £509k of the variance has been slipped to 2016/17. Improvement Grants and Disabled Facilities Grants were substantially spent. Expenditure on Green Deal Communities relates to a grant to a private resident for energy saving improvements. The rest of the scheme is abortive and unutilised grant of £1.352m has been returned to the Department of Energy & Climate Change (DECC). Unspent Empty Property Grants, aimed at releasing empty properties held by private landlords for Council use, are expected to be carried forward.

Property Purchase Initiative

49. £1.193m was spent against a budget of £7.5m, a 16% spend. The full variance of £6.307m has been slipped to 2016/17. Two properties have been purchased to 31 March 2016, with a number of exchanges also made, one of which was an office to residential conversion containing 14 dwellings. Further properties are in the process of being identified for purchase and negotiations are in progress.

PEOPLE DIRECTORATE

Children & Families

50. The final outturn in 2015-16 for the schools capital programme was a spend of £46.969m against a total budget of £62.916m. This represented expenditure of 75% against the budget. This is slightly lower than the figure of 84% reported at Q3. The main reasons for the slippage are as follows:

The main reasons for the slippages are as follows:

Capital maintenance £1.012m

Condition and measure surveys have been carried out across the whole school estate and when this is finalised it will provide a programme of work against which this budget will be committed

Primary Expansion 2, Secondary & Special Educational Needs £3.178m

The majority of the school expansion programme has been carried out by Keepmoat, the Council's Framework Partner, under Phase 1 (SEP1) and Phase 2 (SEP2). This is a complex programme and at the height of the programme there were 29 live sites. Unfortunately, there have been delays and challenges across the SEP1&2 programmes which have inevitably impacted adversely on schools and the completion of the programme. Most of the SEP1&2 projects in the current programme are now reaching Project Completion. The Children's Capital Project Team are working to resolve a number of building issues which have come to light during the 12 months defects liability period and are liaising with Keepmoat on these issues to seek an urgent resolution. Keepmoat will continue to have direct liability for building defects during the defects liability period and beyond should the defect be found to be a major issue. Harrow's Technical Advisors MACE and T&T are currently reviewing the SEP1&2 final accounts.

Primary Expansion 3 £9.016m

Planning applications for three of the school expansion projects were approved by Planning Committee in February 2016. The fourth project is on a slightly later timeline. However, the completion of these projects is still planned to be by Summer 2017. Within the programmes, there will be appropriate accommodation for the additional intakes of pupils in September 2016. This may require provision of temporary accommodation for a few weeks.

School Expansion Programme overview

- 26 additional permanent Reception forms of entry have been created through the expansion of existing schools, which is over half of Harrow's primary schools;
- six additional permanent Year 7 forms of entry have been created through the expansion of two existing schools;
- six schools have opened additional special educational needs places.

Adult Services

51. The service spent £452k against a budget of £4.003m, a 11.3% spend. £3.351m of the £3.531m variance has been slipped to 2016/17 with an underspend on the programme of £200k. There have been delays on a number of schemes within the programme resulting in slippage. The most significant ones are:
- a. Mosaic £0.606m. Delivery is planned in 2016/17. Discussions with taken place with new IT provider as to how the asset will be delivered.
 - b. Remodelling and refurbishment of Adult Residential Care and Day Care services £0.508m. Budget is to be slipped into 2016/17 whilst a review of deliverables and asset development is reviewed.
 - c. Safeguarding Quality Assurance Quadrants (QAQ) £168k. Deployment of new IT solutions for reporting of social care information have slipped owing to delays in the delivery of the Mosaic Implementation Project. Monies to be slipped in order to support delivery in 2016/17.

- d. Reform of Social Care Funding £0.800m. Development of assets through WLA has slipped.

Regeneration, Enterprise and Planning

52. The division has embarked on a major regeneration programme which will see a new civic centre and some 5,500 new homes within the Heart of Harrow Opportunity Area and will provide a major impetus for business development, creating around 3,000 new jobs overall.

The division spent £1.209m against a budget of £4.473m, a 27% spend. £3.265m of the variance has been slipped to 2016/17.

Some of key projects and outcomes were:

- Harrow Deal: an online platform for local businesses to promote their businesses and offer discounts to Harrow residents
- Station Road (High Street Fund): Improvement to the public realm, creating an identity for the Station Road corridor and engaging businesses and their employees to achieve a sense of ownership, relevance and sustainability. The project is on-going into 16/17.
- Regeneration Programme: Master planning work has commenced at various sites. A design team has been appointed for Station Road Quarter to take forward the scheme. A PRS pilot scheme at Haslam House started in 15/16 and is planned to be completed during 16/17

Housing Revenue Account

53. HRA spent £13.554m against a budget of £30.239m, including Homes-4-Harrow, a spend of 44.8%. £4.950m of the variance has been slipped to 2016/17. A further £11.735m, shown as underspend was included in the 2016/17 programme approved by Cabinet in February. With regard to Homes-4-Harrow, demolition notices have been served for the Council's Grange Farm Estate and right to buy applications have been suspended to enable the regeneration of the estate to proceed. The scheme is in the design phase with the planning application due to be submitted June 2016. Properties are being brought back from leaseholders. A second tender has been issued for the Council's Infill programme which is aimed at developing under-utilised pockets of Council land in and around the Borough and further planning applications submitted and permissions obtained.

TIMETABLE FOR ACCOUNTS COMPLETION AND EXTERNAL AUDIT REVIEW

54. For the 2017/18 financial year, all Local Authorities must produce their draft Statement of Accounts by 31st May (currently 30th June) and have the accounts audited by 31st July (currently 30th September). In preparation for this, Harrow is having a "dry run" at the early closure of accounts for 2015/16, before the legislation becomes mandatory. Work is progressing on the production of the 2015/16 Statement of Accounts and Pension Fund Accounts with an expected completion date of early June, which will be a good achievement for this practice run.
55. The draft accounts will be considered by the Governance, Audit, Risk Management and Standards Committee (GARMS) at their July meeting. The external auditors will start the audit on Monday 4th July. The final accounts will be considered by the (GARMS) on 8th September 2016 and must be signed off by the Council and the Auditor by the end of September 2016.

LEGAL IMPLICATIONS

56. 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”
57. 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.

FINANCIAL IMPLICATIONS

58. Financial matters are integral to the report.

PERFORMANCE

59. Good financial monitoring is essential to ensuring that there are adequate and appropriately directed resources to support delivery and achievement of Council priorities and targets 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.
60. Financial performance is considered quarterly at Cabinet.

RISK MANAGEMENT IMPLICATIONS

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

Risks included on Directorate risk registers? Yes

EQUALITIES IMPLICATIONS

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

CORPORATE PRIORITIES

The Council’s vision is:

Working Together to Make a Difference for Harrow

The administrations priorities are:

Making a difference for the vulnerable

Making a difference for communities

Making a difference for local businesses

Making a difference for families

The robust stewardship of funds to ensure expenditure is contained within budget.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date: 6 June 2016		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 6 June 2016		

Ward Councillors notified:	NO
EqlA carried out:	NO
EqlA cleared by:	N/A

Section 4 - Contact Details and Background Papers

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

Back ground Papers:

[Capital Programme 2016/17 to 2019/20](#)

[Revenue and Capital Monitoring for Quarter 3 as at 31 December 2015](#)

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