Harrow COUNCIL
LONDON

REPORT FOR: CABINET

Date of Meeting:	15 September 2016
Subject:	2016/17 Revenue and Capital Monitoring for Quarter 1 as at 30 June 2016
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 Summary (Directorates) as at 30 June 2016 Appendix 2 – MTFS 2016/17 to 2019/20 Savings Tracker. Appendix 3- Debt Management 2016/17 Appendix 4- Capital Programme as at 30 June 2016

Section 1 – Summary and Recommendations

This report sets out the Council's revenue and capital monitoring position as at Quarter 1 2016/17 (30 June 2016).

Recommendations:

1. That Cabinet note the revenue and capital forecast positions detailed in this report as at Quarter 1 2016/17.
2. That Cabinet approve the virements to 2016/17 Capital Programme as outline in Paragraph 3.16
3. That Cabinet note the future amendment to Capital Programme as outlined in paragraph 3.41 and 3.42
4. That Cabinet note the proposed reduction to the 2016/17 Capital Programme as outlines in paragraph 3.32 and 3.46.

Reason: (For recommendation)
To report the 2016/17 forecast financial position as at 30 June 2016 and to seek approval for budget adjustments which require Cabinet approval under the Financial Regulations.

Section 2 – Report

1. INTRODUCTION

2. The net forecast position at Quarter 1 on revenue is an estimated pressure of £6.334m on directorate budgets, after mitigating actions of £1.859m have been allowed for. This reduces to £3.793m after the assumed use of the central contingency budget £1.329m, use of Welfare reform reserve (£1m) and an unallocated inflation of £212k.

3. The capital programme is reporting a spend of £155.638m against a budget of £186.833m. This represents a total forecast spend of 83%. In terms of general fund capital, there is a forecast of £17.997m underspend of which £17.997m is requested for slippage into 2017/18 and £786k can be removed from the capital programme. For the HRS, an underspend of £12.412m is forecast which is no longer required.

2. REVENUE MONITORING

2.1 It is crucial to balance the 2016/17 budget while doing everything possible to protect frontline services. To achieve this, a plan is being put in place to be as lean and efficient as possible. Specifically, this will include the implementation of spending controls, a review of non-essential spend, the improved use of assets, and a range of other efficiency and effectiveness initiatives.

2.2 A summary of the quarter 1 monitoring is shown in table below:

Table 1: Revenue Monitoring – Quarter 1 2016/17

Directorate	Revised Budget	Forecast Outturn Before Mitigations	Quarter 1 Variance	One off income/ earmarked reserves	Quarter1 Variance After Mitigations	Variance
	£000	£000	£000	£000	£000	%
Resources and Commercial	20,180	19,939	(241)		(241)	-1%
Business Support	1,373	2,064	691		691	50%
Community	40,967	43,772	2,805		2,805	7%
People	98,264	103,202	4,938	(1,859)	3,079	5%
Regeneration	2,220	2,220	-		-	0%
Total Directorates	**163,004**	**171,197**	**8,193**	**(1,859)**	**6,334**	5%
Corporate Items	(1,346)	(2,558)	(1,212)		(1,212)	90%
Corporate Contingency	3,329	2,000	(1,329)		(1,329)	-40%
Total Budget Requirement	**164,987**	**170,639**	**5,652**	**- 1,859**	**3,793**	3%

Resources & Commercial

	Q1 Variance £'000
Resources	-241
Business Support	691
Total	450

2.3 At quarter 1, Resources is forecasting to underspend by £241k, The main reasons for the underspend is:

2.4 Customer Services is projecting an under spend of £455k. This is due to potential service credits in relation to the Council's IT contract (£366k), the Harrow Help Initiative is forecasting to under spend by £96k and Blue Badges is forecasting to under spend by £10k. These fully offset a £18k over spend from litigation costs linked to Project Minerva.

2.5 The Director of Resources budget is projecting an underspend of £27k.

2.6 The Shared HR Service with Buckinghamshire County Council went live on 1st August 2016 and all the MTFS savings are built in to the fees and charges for the Shared Service. The saving of £153k is partly due to part year savings from the Shared Service's new ways of working.

Legal and Governance is forecast to come within budget. The Members support budget is anticipated to be less than budgeted by £20k. This underspend, along with an assumed small surplus on shared service working arrangements, will fully offset pressures on the Mayoralty budget and additional costs pressures on the elections team as a result of supporting two elections in one year and the referendum.

2.7 Strategic Commissioning is forecasting to over spend by £151k. This is due to a proportion of the 'Commissioning Capacity in the council' saving of £87k not being achieved, (with the majority of this saving having been delivered), £25k pressure against MTFS 'Income from Communications through Gain Share Model' where stretch targets are challenging, and £25k advertising pressure in the Community Directorate.

There is a further pressure due to £39k funding from the Mayor's Office for Policing and Crime (MOPAC) related to activity in 2013/14 which was not invoiced for, and a £16k pressure in the Community Resilience budget.

These are partly offset by a £11k staffing under spend in Strategy and Commissioning, £8k savings in Community Premises with the balance being due to more than budgeted income from SIMs service provided to schools. The service is exploring opportunities to mitigate the pressure.

2.8 Finance is overspending by £99k due to staffing pressure due to agency staff covering substantive posts whilst the recruitment is on-going and covering for sickness absence. The service is looking for ways to reduce this pressure.

2.9 Procurement and Commercialisation is reporting an over spend of £141k, which is due to MTFS Pan Organisation saving being partly delivered this year leaving a potential £100k pressure, and a £41k over spend as a result of fees payable to the West London Alliance.

Business Support.

2.10 Business Support is forecasting an over spend of £691k. It is anticipated that under spend of £241k in Resources will bring this down to a £450k position. The over spend is as a result of a delay in the implementation of the MTFS savings target of £650k relating to 'Business Support Review', and increased demand in the Children's Services team.

Community Directorate

At Quarter 1 the Community Directorate is forecasting an overspend of £2.805m.

Item	Q1 Variance £'000
Commissioning & Corporate Estate	- 500
Environment and Culture	842
Directorate Management	- 92
Housing General Fund	2,555
Total	2,805

2.11 In the main, the net overspend relates to homelessness which is expected to be in the region of £2.5m in 2016-17 due to the combined impact of a shortage of affordable accommodation in London, rapidly increasing rents in the private rented sector and the Government's welfare reforms placing increased pressures on household incomes. Taken together these factors continue to drive extraordinary growth in the number of families becoming homeless across London. Other pressures within Housing include the review of Watkins House, however mitigating actions are being undertaken to contain these.

2.12 Environment's overspend relates to an amber rated MTFS saving associated with the changes of garden and food waste collection system. There is a forecast pressure of £1.4m on this MTFS saving relating to an income shortfall of £0.6m against the original target for garden waste, additional operational costs of £0.8m due to more crews deployed than anticipated as a result of on-going IT issues, and additional Access Harrow staffing. Management actions are being undertaken to address this pressure and these include route optimisation, the review of administrative support and recycling campaigns.

2.13 A pressure of £442k relating to the amber rated MTFS savings associated with the transfer of the Arts and Heritage service to Cultura is reported at Period 3. The transfer was originally planned to take place at the beginning of the financial year, however delays in agreeing terms of transition has now meant that the handover date has been pushed back for several months. Final negotiations are being undertaken, the outcome of which will help inform the total actual additional costs being incurred by the Council in 16/17. The pressure will increase if the transfer date is further delayed the Directorate is unlikely to be able to contain further additional costs associated with this within its budgets.

2.14 The over spends have been partially offset by a one-off saving of £0.67m identified as part of the 16/17 WLWA levy arrangements, and forecast overachievement of income of £0.830m, consisting of one off £0.5m income from Parking as a result of a change in accounting policy, £142k from Breakspear Crematorium and £188k additional income from HRA.

<u>Housing Revenue Account</u>

2.15 Quarter 1 forecasts are broadly in line with budget assumptions which include 1% reduction in non-sheltered dwelling rents. Revenue expenditure on Homes-4-Harrow is assumed to be in line with budget until capitalisation assumptions have been finalised to ensure compliance with regulations, and depreciation has is assumed to be a lower level, as permitted by DCLG transitional measures, which provides greater manoeuvrability for HRA revenue resources

2.16 Reforms of HRA and Welfare, including Pay to Stay and Forced Sale of high value Council properties, are expected in to be implemented in 2017-18 together with extension of rent reduction to sheltered housing. These challenges are being addressed by the Housing Management Team.

A summary of the HRA position is provided below which includes estimated balances.

HRA revenue balances	**Outturn 2015-16**	**Revised Budget**	**Forecast outturn**	**Variance**
	£000	£000	£000	£000
Balance b/fwd	(4,584)	(5,296)	(6,736)	(1,440)
Net (surplus) deficit	(2,152)	(190)	(34)	156
Balance c/fwd, pre-audit	(6,736)	(5,486)	(6,770)	(1,284)

People Directorate

2.17 The People's Directorate is forecasting an over spend of £3.079m at Quarter 1. This is after one off planned management actions and use of Children's Social Care Reserve (£218k) totalling £1.859m.

	Q1 Variance	One-off income/earmarked reserves	Q1 net Variance
	£000	£'000	£000
Adults	1,831		1,831
Public Health	-351		-351
Children	3,458	-1,859	1,599
Total	4,938	-1,859	3,079

Adult Services

2.18 At Quarter 1, Adults Directorate is forecast to overspend by £1.831m.

Managing the outturn position at this level is proving extremely challenging and is a delicate balance between keeping vulnerable residents safe whilst managing this within a reduced financial envelope. The introduction of the National Living Wage, coupled with year on year price freezes add further price and supply pressures to external care provision.

2.19 In addition, unforeseen delays in the delivery of the approved MTFS for 2016/17 mean that further mitigation needs to be identified to fund any cost pressures which inevitably arise.

2.20 No variations are assumed in relation to the Bridge MTFS saving which will be funded from the 2015-16 outturn in 2016/17 and managed within the budget setting process for 2017/18 onwards.

2.21 The combination of these issues, result in a service where capacity is stretched, and delivering legal duties as well as managing the financial position, is a real tension. The key variations across the directorate are detailed below:

<u>Overspends</u> – these represent on-going pressures;

2.22 £3.005m overspend relates to social care placement pressures, although this is reduced by mitigation of £1.285m. Whilst the precept was levied in April, this new funding essentially mitigated the underlying pressures. There are a number of risks associated with this position which include;

- That the forecast around placement costs, including transition cases, may change;
- That the supply of externally provided care will reduce, as a result of decisions taken around inflationary uplifts;
- That costs associated with prevention, such as support for respite, may be reduced, potentially resulting in the council being required to fund packages of care which would otherwise be met by lower cost payments.
- That the level of current and historic debt with regard to client contributions for care will continue to age and require an increase in the bad debt provision above the £100k currently assumed.

2.23 £220k overspend relating 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 represents an increase of £50k although caseloads

are being managed to minimise the level of expenditure incurred to mitigate the overall financial position.

2.24 £230k overspend in relation to Mental Health – this reflects the Council's 50% risk share relating to the S75 agreement with Central North West London Hospitals Trust (CNWL) where an overspend of £460k is currently being forecast. Whilst action is being taken to mitigate the position where possible, it is likely that the final outturn position will rise.

2.25 £355k on Kenmore Neighbourhood Resource Centre – a number of challenges associated with the progress around the community tender have resulted in delays in delivering the planned cost reductions. It is not possible to mitigate this shortfall given the level of current mitigation that has already been identified to manage the position.

2.26 £286k overspend in relation to wider pressures including MTFS delays.

2.27 The forecast assumes that these pressures will be mitigated.

Mitigations

2.28 A significant level of mitigation is required to bring the expenditure back in line with the forecast outturn position, including stopping expenditure on non-essential spend. This level of mitigation may prove challenging if pressures continue to rise.

Children's Services

2.29 As at Quarter 1 the total forecast overspend for the Directorate is £3.458m, which reduces to £1.599m after the use of a one off Children's Social Care reserve and Management Planned action of £1.859m.

2.30 The headline pressures total £3.955m which reduces to £3.458m after netting off centrally held management actions totalling £497k. The main pressures tallying £3.955m are:

2.31 **Special Needs Transport £1.116m overspend**

Special Needs Transport underwent a significant review in 2014/15 with a view to achieving a £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. There has also been an increase in 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.

There is a revised travel assistance policy (also on this Cabinet agenda). Subject to approval, any savings resulting from the application of this policy will be factored into future forecasts as and when they materialise. There is the potential to make financial savings but it is not possible to predict the exact amount as the population and complexities of those accessing Travel Assistance changes and will impact on this.

2.32 **Children's Placements £0.673m overspend**

The overspend mainly results from an increase in the number of children in high cost residential placements. A number of 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 response to the 2016/17 MTFS savings targets for placements two placement challenge panels have already taken place, reviewing the top 20 high cost placements. As a result of these panels savings of around £220k have already been achieved with a further 9 residential placements earmarked for potential savings. A notional target of £170k against these placements has been allocated as a management action which would further reduce this pressure. The main areas of pressure totalling £2.589m are as follows:

2.33 **Children and Young People's Service staffing £1.485m overspend**

Approximately £1.2 million of this pressure results from around 24 FTE supernumerary staff being employed, the majority of which to tackle a large backlog of casework and increased demand. The volume of referrals from the police to the Multi Agency Safeguarding Hub have gone up by 37%, many of these referrals are about domestic abuse and risk. In addition the volume of referrals linked to homelessness have gone up significantly and means that children are particularly vulnerable in temporary housing. The number of children on child protection plans have gone up by 20% and this includes all forms of child abuse especially neglect. The remainder of the pressure mainly results from agency cover for sickness and maternity. A notional target of £170k against the staffing budgets has been allocated as a management action which would further reduce this pressure. The breakdown is shown in Table 3 below:

CYP staffing variances to budget

Description	Children's Access Service	Quality Assurance	CYP Mgt	Children in Need	Placements Service	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Permanent Staff	-24	-63		-124	-173	**-384**
Agency covering vacancies	135			180	58	**373**
Agency covering sick/maternity		39	47	91	119	**296**
Supernumerary	691	87		228	177	**1,183**
As & When Required	-23	0		7	33	**17**
Total	**779**	**63**	**47**	**382**	**214**	**1,485**
Budget FTE	32.5	13.6	8	56	45	**155.1**
Forecast FTE	45.5	15.6	8	60.4	49.5	**179**

2.34 **Families with No Recourse to Public Funds £0.589m overspend**

These are families being supported by the Council because they have no recourse to public funds (NRPF). 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. 1.5 FTE bespoke workers have been recruited to focus specifically on these families to help reduce costs and mitigate the financial pressures on this budget. These workers are currently supporting a total of 10 cases. 6 cases have been successfully closed which has mitigated what would have been an even greater pressure. Two fraudulent cases have been identified and this may result in reduced costs in the course of the year.

2.35 Other pressure within Children Services of £92k.

These pressures are partially offset by:

- Use of one off children's earmarked reserves of £1.519m.
- An on-going centrally held management action of £497k.
- Additional management actions of £340k against CYP staffing and placements.

2.36 **Dedicated Schools Grants**

The total notified DSG budget at Q1 is £130.272m. The total assumed DSG budget for 2016-17 is £130.772m, assuming a further in year allocation for Early Years places in respect adjustments for the January 2016 and January 2017 census. This includes a deficit of £2.069m funded from the schools brought forward contingency.

Dedicated Schools Grant	**2016-17 Budget £'000**	**2016-17 Forecast £'000**	**Variance to Budget**
Early Years Block	11,392	11,392	0
High Needs Block	29,555	30,999	1,444
Central Services	738	738	0
Growth Fund	3,054	2,911	-143
Schools Budgets (excl academies)	88,102	88,102	0
Formula Deficit	-2,069	-2,069	0
Grand Total	**130,772**	**132,073**	**1,301**

2.37 **Early Years Block**

In 2016-17 the initial Early Years Block is £11.392m which includes an assumption of growth of £500k in funding to take account of increased children participating taken from the January 2016 and January 2017 censuses. Until the final claims for Summer Term funding have been processed, at this stage in the year it assumed the Early Years Block will balance to budget. However there are risks to this.

2.38 **High Needs Block**

The High Needs Block budget is £29.55m and is currently forecasting to overspend by £1.444m. The overview of the High Needs Block is shown below:

Service Area	**Budget**	**Forecast**	**Variance**
	£'000	**£'000**	**£'000**
Independent & NMSS Day & Residential Provision	£6,530	£6,962	£432
Independent Specialist Provision	£638	£762	£124

Out of Borough Placements	£941	£550	-£390
FE Colleges	£1,598	£1,636	£38
Other LA Special Schools	£1,565	£1,764	£199
Early Years SEN Provision	£0	£236	£236
EOTAS & Alternative Provision	£0	£206	£206
Harrow Maintained Special Schools	£9,093	£9,093	£0
PFI Special Schools	£449	£449	£0
Sensory Teams	£1,002	£1,091	£90
SEN Transport	£187	£187	£0
Therapy	£678	£701	£23
Harrow Academies Costed Statements	£1,722	£1,820	£98
Harrow Academies ARMs Units	£384	£384	£0
Harrow Academies Special Schools	£996	£996	£0
Harrow Schools Costed Statements	£2,397	£2,784	£388
Harrow Schools ARMs Units	£1,374	£1,374	£0
Totals	**£29,555**	**£30,999**	**£1,444**

Public Health

2.39 The 2016/17 budget process created capacity of £0.184m in the grant against which wider public health outcomes could be charged. Further capacity of £167k has been identified; largely from reducing spend on wider health improvement together with the funding allocated by members to fund specific projects in areas of cuts, to mitigate the wider Council financial position. The underspend shown represents this capacity and offsets wider outcomes for which expenditure has been incurred across the Council.

2.39 Key programme areas are now supported by reprocured contracts and the forecast is therefore assumed to be on budget reflecting actual contract values. The demand led nature of sexual health services potentially reflects the greatest financial risk, however to date the activity is not indicating rising pressures which would lead to variations.

Regeneration, Enterprise and Planning Services

2.40 At Period 3, Regeneration, Enterprise & Planning are reporting a balanced budget.

CORPORATE BUDGETS

2.41 Corporate budgets are forecast to underspend by £212k which is unallocated pay inflation.

Contingencies and Reserves

Central Contingency

2.42 The Central Contingency for unforeseen items in 2016/17 is £1.329m. This will be used in full to mitigate directorate pressures.

Contingencies and Reserves

2.43 The contingencies are there to cover unavoidable pressures together with other unforeseen items and spending pressures and to cover areas of risk and uncertainty. There are also a number of specific reserves for a variety of purposes as identified in table 4 below.

2.44 The main changes are the assumed drawdowns as listed in the table below:

Table 2 Contingencies and Earmarked Reserves

	Unforeseen Contingency	Budget Planning	Rapid Respons e	Standing up for those in need	IT impl/ Transf	Welfare Reform / Homeless ness	Children Social Care Reserve	Public health	Com merc ialisa tion	TPIF	Carry Fwd	Busines s Risk	MTFS Implement ation cost
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at Start of Year	1,329	2,000	75	800	1,454	0	218	898	520	3,189	0	2,109	582
Provided as part of 16.17 budget build	0												
Added to at year end					400	1,000					-£1,794		2,954
Applied at Quarter 1													
Carried Fwd to Directorate											1,794		
Amount Applied by Children							-218						
Amount Applied to balance Directorate Overspend Centrally	(1,329)	0	0			(1,000)							
The Bridge													(350)
Harrow Help Line												(80)	
Available after commitment	**0**	**2,000**	**75**	**800**	**1,854**	**0**	**0**	**898**	**520**	**3,189**	**0**	**2,029**	**3,186**

MTFS SAVINGS TRACKER

2.45 The 2016/17 budget includes approved MTFS savings of £17.553m. The progress on implementation is summarised below in table 3 below and shown in more detail in Appendix 2. As at the end of June, Quarter 1, 36% of savings have already been banked (blue savings), 59% of savings (green and amber) are on track or partially achieved, with 5% of savings being declared as red.

Table 3 MTFS Tracker

Summary 2016/17 Savings

	Resources	Community	People	Regeneration	Pan Organisation	Total
	£000	£000	£000	£000	£000	£000
Red	0	0	885	0	0	885
Amber	1,748	2,586	3,168	30	220	7,752
Green	258	1,612	729	50	0	2,649
Blue	2,558	776	2,923	10	0	6,267
Purple	0	0	0	0	0	0
Total	4,564	4,974	7,705	90	220	17,553

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

3. CAPITAL PROGRAMME

Capital Programme Forecast at Quarter 1

3.1 The 2016/17 capital programme agreed by Council in February 2015 totalled £127.033m. After allowing for agreed slippage from 2015/16 (£58m) outturn and other approved amendments, the programme now totals £186.833m at Quarter1.

3.2 The forecast spend at Quarter 1 is £155.638m, 83% of the total capital programme.

3.3 The forecast variance on the General Fund at Qtr 1 is an underspend of £18.783m (13%) of which £17.997m is requested for slippage into 17/18 and £0.786m can be removed from the Capital Programme.

3.4 The forecast variance on the HRA at Quarter 1 is £12.412m, which is all underspends.

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

Table 4 Summary of forecast by directorate

Directorate	Original Programme	CFWD's	Virement	Other Adjustment (Additional)	External	LBH	TOTAL BUDGET	Forecast Spend	Forecast Variance	Slippage	Underspend after slippage
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PEOPLE	**17,920**	**19,287**	**0**	**3,615**	**33,701**	**7,121**	**40,822**	**35,050**	**-5,773**	**5,145**	**-628**
Adult	*1,750*	*3,340*	*0*	*0*	*810*	*4,279*	*5,090*	*2,811*	*-2,278*	*0*	*-2,278*
Schools and Children	*16,170*	*15,948*	*0*	*3,615*	*32,891*	*2,841*	*35,733*	*32,239*	*-3,494*	*5,145*	*1,651*
COMMUNITY	**38,980**	**8,439**	**0**	**-1,832**	**9,042**	**36,544**	**45,587**	**40,646**	**-4,941**	**4,782**	**-159**
Enviroment and Commision	*15,520*	*401*	*0*	*-1,832*	*2,618*	*11,471*	*14,089*	*14,089*	*0*	*0*	*0*
Housing	*16,970*	*6,814*	*0*	*0*	*800*	*22,984*	*23,784*	*19,843*	*-3,941*	*3,782*	*-159*
Culture	*5,624*	*0*	*0*	*0*	*5,624*	*2,090*	*7,714*	*6,714*	*-1,000*	*1,000*	*0*
RESOURCES	**20,525**	**10,343**	**0**	**0**	**2,159**	**28,709**	**30,868**	**22,798**	**-8,070**	**8,070**	**0**
REGENERATION	**19,058**	**3,264**	**0**	**0**	**37**	**22,285**	**22,322**	**22,322**	**0**	**0**	**0**
CROSS CUTTING	**5,000**	**0**	**0**	**0**	**0**	**5,000**	**5,000**	**5,000**	**0**	**0**	**0**
TOTAL GENERAL FUND	**101,483**	**41,333**	**0**	**1,783**	**44,939**	**99,660**	**144,599**	**125,816**	**-18,783**	**17,997**	**-786**
TOTAL HRA	**25,550**	**16,684**	**0**	**0**	**1,565**	**40,669**	**42,234**	**29,822**	**-12,412**	**0**	**-12,412**
TOTAL GENERAL FUND & HRA	**127,033**	**58,017**	**0**	**1,783**	**46,504**	**140,329**	**186,833**	**155,638**	**-31,195**	**17,997**	**-13,198**

Table 5 Analysis of Forecast Outturn variance

Directorate	Outturn variance	Split of outturn variance by funding		Slippage	Slippage by funding		Underspend after slippage	Split of Underspend after slippage	
		Grant/sec106	LBH		Grant /Sec 106	LBH		Grant	LBH
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PEOPLE	**-5,772**	**-2,907**	**-2,865**	**-5,145**	**-4,620**	**-525**	**-627**	**1,456**	**-2,083**
Adult	*-2,278*	*-191*	*-2,087*	*0*	*0*	*0*	*-2,278*	*-191*	*-2,087*
Schools and Children	*-3,494*	*-2,716*	*-778*	*-5,145*	*-4,620*	*-525*	*1,651*	*1,647*	*4*
COMMUNITY	**-4,941**	**0**	**-4,941**	**-4,782**	**0**	**-4,782**	**-159**	**0**	**-159**
Commisioning	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Culture	*-1,000*	*0*	*-1,000*	*-1,000*	*0*	*-1,000*	*0*	*0*	*0*
Housing	*-3,941*	*0*	*-3,941*	*-3,782*	*0*	*-3,782*	*-159*	*0*	*-159*
RESOURCES	**-8070**	**0**	**-8070**	**-8070**	**0**	**-8070**	**0**	**0**	**0**
REGENERATION	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
CROSS CUTTING	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL GENERAL	**-18,783**	**-2,907**	**-15,876**	**-17,997**	**-4,620**	**-13,377**	**-786**	**1,456**	**-2,242**
TOTAL HRA	**-12,412**	**-1,565**	**-10,847**	**0**	**0**	**0**	**-12,412**	**-1,565**	**-10,847**
TOTAL	**-31,195**	**-4,472**	**-26,723**	**-17,997**	**-4,620**	**-13,377**	**-13,198**	**-109**	**-13,089**

RESOURCES DIRECTORATE

3.6 As at Quarter 1the forecast spend is £22.798m, 74% of the 2016/17 Resource's directorate capital budget. The forecast under spend is £8.070m which will all be slipped to 2017-18.

3.7 The main items of slippage are detailed below:

3.8 The Human Resources ICT system, to enable the shared service arrangement between Harrow and Buckinghamshire including HR case work, employees relations, payroll and HR administration will underspend by an estimated £30k this is based on the estimated level of work that is required to be carried out this year in relation to the transition. It is assumed that the remaining £70k will be slipped to 2017-18.

3.9 Property Investment Portfolio – Plans are underway to purchase properties this year however it is been estimated that only £7m of the £15m budget will be spent this year and the remaining £8m will be slipped to 2017/18. The implication of this slippage is the possibility of not achieving £700k future MTFS savings in 2017/18 and 2018/19 respectively.

COMMUNITY DIRECTORATE

3.10 As at Quarter 1 the forecast is £40.646m, 85% of the total budget.

3.11 The forecast under spend is £4.941m of which £4.782m will be slipped to 2017-18 and £0.159m is no longer needed. The main items of slippage and underspend are detailed below:

Environment & Commissioning

3.12 At Quarter 1 the whole capital programme of £14.089m is the expected to be spent this year.

3.13 At the end of Quarter 1, Environment & Commissioning spent and/or committed £5.7m (36%) of total budget of £16.089m (which includes the £5m for cross cutting investment in infrastructure). This has exceeded the profiled budget at this time of the year, indicating that effective project delivery planning allows capital projects to be commenced and implemented at the front end of the financial year. The investment will improve the borough's infrastructure and make significant contributions towards the delivery of the administration's priorities. As part of Project Phoenix, a number of capital projects e.g. improvement of parks infrastructure and trade waste containers will generate on-going revenue streams to support the Council's ambition on commercialisation.

3.14 The Services forecast to spend all the budgets allocated in this year's programme.

3.15 Some budget adjustments are required to bring the programme up to date, and these are detailed below.

Virement

Cross Cutting Investment in Infrastructure

3.16 In the overall 16/17 capital programme, there is a budget of £5m for cross cutting investment in infrastructure. Infrastructure improvement projects have been identified by Community Directorate and therefore it is proposed to allocate this budget to the following projects.

- Highway Infrastructure (£3.503m) – Additional capital investment to deliver area based infrastructure improvement including carriageways resurfacing, footways reconstruction and other street scene improvements e.g. replacement of road signs within the vicinity of the areas.
- Street Lighting (£1.1m) – Invest to save projects to de-illuminate street furniture and to introduce a Central Management System that provides smart drivers and telecells into existing LED luminaires to facilitate remote control/monitoring of individual assets.
- Parks Building refurbishment (£397k) – As part of utilisation of assets under Project Phoenix to generate revenue from leasing arrangements, the capital investment will be utilised on the creation of 3 cafes in parks.

Item	From	To
	£'000	£'000
Cross Cutting Investment in Infrastructure	-5,000	
Highway Infrastructure		3,503
Street Lighting		1,100
Parks Building refurbishment		397
Total	-5,000	5,000

Culture

3.17 At Quarter 1 the forecast is £6.714m.

3.18 The forecast under spend is £1m and will be slipped to 2017-18.

3.19 At this stage, the capital grant of £1m to Cultura London is forecast to slip to 17/18 on the basis that the Council will only start to reimburse capital expenditure incurred by Cultura London in relation to the extension work to Elliot Hall after all necessary funding has been raised for the project and planning permission obtained.

3.20 The responsibility for delivering the capital work lies with Cultura London as part of the transfer of the Arts & Heritage services. The capital grant of £1m represents a contribution to the project which has an assumed total cost of £3.8m. Any delay in the construction of the new cinema and ancillary facilities will need to be managed within Cultura London's business plan, and will not have an adverse impact on the Council's revenue position other than some savings on capital financing costs for this £1m until such time when Cultura London starts to claim against the grant.

3.21 Some budget adjustments are required to bring the programme up to date, and these are detailed below

Bannister Sports Centre (S106)

3.22 A S106 funding of £1m has recently been received as part of Kodak site redevelopment, for improvements at Bannister Sports Centre to compensate for the loss of playing pitches. The intention is to use this funding as match funding for other external funding applications. Feasibility studies and the development of building plans will be required before progressing to construction works, and it is anticipated that the majority of S106 funding will not be spent until 2018/19. It is therefore proposed that the budget is re-profiled as follows: £50k in 2016/17; £50k in 2017/18 and £904k in 2018/19 respectively.

	2016/17	2017/18	2018/19
	£'000	**£'000**	**£'000**
Current Budget	1000	0	0
realigmment require	-950	50	900
Budget after re-alingment	50	50	900

Housing General Fund

3.23 At Quarter 1 the forecast is £19.843m.

3.24 The forecast under spend is £3.941m of which £3.782m will be slipped to 2017-18 and £0.159m is no longer needed

3.25 Disabled Facilities Grants of £1.531m are expected to be spent in full.

3.26 Spend on Empty Property Grants is expected to be £290k below budget, of which £132k is expected to be carried over to financial year 2017-18 leaving an underspend of £159k. The implication of this underspend is that fewer grants being given to private landlords to alleviate homelessness pressures.

3.27 Housing Property Purchase (100 Homes For the Housing Property Purchase (100 homes), the forecast reflects purchase of 7 properties from 1st April 2016 to 20th July and assumes the acquisition of 4 properties per month from Aug – March. The unspent budget is expected to be carried forward to the next financial year which will have the effect of providing fewer properties to alleviate homelessness costs.

PEOPLE

3.28 At Quarter 1 the forecast spend is £35.050m, 86% of the 2016/17 People's directorate capital budget.

3.29 The forecast under spend is £5.773m of which £5.145m will be slipped to 2017-18 and £627k is no longer needed. The main items of slippage are detailed below:

Adults

3.30 At Quarter 1 the forecast spent is £2.811m, 55% of the approved capital programme.

3.31 The directorate variance of £2.278m will no longer be required.

3.32 Following a thorough review of all the schemes within the programme this year, the following schemes set out below has been identified as either no longer required or will underspend. This underspend will not impact front line service delivery to the vulnerable residents of Harrow.

Item	£'000
Adults Personal Social Services - Community Capacity Grant	0.130
Capital Strategic Reviews	0.508
Quality Outcome for People With Dementia	0.150
Reform Of Social Care Funding	0.800
Market Shaping And Development	0.250
Integrated Health Model	0.322
Safeguarding Quality Assurance Quadrants (QAQ)	0.118

Schools

3.33 As at Quarter 1 the forecast spend is £32.239m 90% of the approved budget.

3.34 The budget for the school expansion programme through to 2019-20 is £142.577m. There has been significant pressures identified primarily in Phase 2 (SEP2) of the programme. As the programme has commenced and contractors have been on site, there have been a number of items identified as being omitted from the Agreed Maximum Price schedules or additional risks that have come to fruition that have meant that over the life of the programme the projected costs have increased. In addition, the construction costs within the industry have risen reflecting the growth in the market.

SEP1 and SEP2

3.35 The Council employs cost consultants to provide valuations of the works carried out by the contractors. The current forecasts indicate a pressure of £2m, however, this does not take account of outstanding works or works to repair defects. Cabinet in June 2016 approved merger of the uncommitted SEP4 programme budgets, anticipated to be delivered by the Free School Programme, and the SEP2 programme budgets and, if this forecast comes to fruition, there will be sufficient funding to meeting this pressure. However, the account valuations provided by the contractor vary significantly to those provided by the council's cost consultants and this would be a further significant pressure, and may require council borrowing to fund

3.36 The forecasts continue to be monitored and updated as projects are completed and the accounts clarified and agreed with the contractors. Work is being undertaken with Legal Services to support the process of closing the programme with Keepmoat. For the purposes of this budget monitoring report, the forecast for SEP2 is shown within budget.

SEP3

3.37 The forecasts provided by the council's cost consultants include the three schemes which have been approved by planning, as well as the two schemes at Welldon Park junior site and the Stag Lane schools which are still subject to planning approval. The current forecasts indicate that the costs of SEP3 would exceed the budget by £3.126m.

3.38 There is an overall SEP3 contingency for the 5 schemes totalling £1.48m which would partially mitigate this but would leave a pressure of approx. £1.6m. The Welldon Park junior and Stag Lane schools schemes are still going through the value engineering process and where possible costs will be driven down. However, these two schemes are subject to planning approval and any further works or redesigns required to meet any additional planning conditions could put further financial pressure on this programme. Any pressure on this programme will result in an overspend which would have to be funded from Council borrowing

3.39 There is an overall SEP3 contingency for the 5 schemes totalling £1.48m which would partially mitigate this but would leave a pressure of approx. £1.6m. The Welldon Park junior and Stag Lane schools schemes are still going through the value engineering process and where possible costs will be driven down. However, these two schemes are subject to planning approval and any further works or redesigns required to meet any additional planning conditions could put further financial pressure on this programme. Any pressure on this programme will result in an overspend which would have to be funded from Council borrowing.

Slippages

3.40 The position with the school projections reported to Cabinet in July 2016, indicate that the demand for secondary school places is lower than previously expected and there will be a shortfall at a later stage than anticipated, from 2022. It is therefore proposed to slip £525k of Secondary provision funding into 2017-18. In addition £4.620m of SEN funding will also be slipped into 2017-18 as this programme is still at the scoping stage.

Realignment

3.41 Within the Schools Capital programme to 2018/19 there is funding identified for secondary and SEN provision expansions to a value of

£24.15m which is funded from a mixture of grant funding £10.62m and borrowing £13.53m. In this context, rather than increase the value of the Schools Capital programme overall, at this stage, it is proposed that £1.6m from the secondary school expansion programme in 2018/19 be brought forward to SEP 3 in this year to address the projected shortfall. This virement is requested in advance to be applied in 2017/18, however It is necessary to seek approval for this addition in order that the final costed designs can be signed off and proceed with the correct level of funding in place.

3.42 The Schools Capital Programme will be reviewed as part of the MTFS process for 2017-18. The spend profile and forecast for secondary expansions will be amended in the context of the current projections and other pupil projection information. The borrowing requirement for the secondary expansion programme will need to be increased by the amount of the virement and this will increase the value of the Schools Capital Programme but this is likely to be beyond 2019-20.

Secondary School Expansion			
	2016/17	2017/18	Total
	£'000	**£'000**	**£'000**
Current Budget	525	5,250	13,650
re-aligmment require	-	- 1,600	- 1,600
Budget after re-alingment	**525**	**3,650**	**12,050**

Secondary School Expansion Phase 3			
	2016/17	2017/18	Total
	£'000	**£'000**	**£'000**
Current Budget	18,658	1,580	20,238
re-aligmment require	1,600	-	1,600
Budget after re-alingment	**20,258**	**1,580**	**21,838**

REGENERATION

3.43 The Division forecast to spend £22.322m (or 100%) on this year's budget allocation.

3.44 At Quarter 1, forecast expenditure is expected to be in line with budget, although this position will be kept under review.

HOUSING REVENUE ACCOUNT

3.45 As at Quarter 1 the spend forecast is £29.822m, 71% of the 2016/17 HRA's latest capital Budget

3.46 The forecast under spend is £12.412m which will no longer be required.

Following Cabinet's approval of the capital carry forward 16 June 2016 and subsequent realignment of the HRA Capital programme on 14 July 2016, a reduction in the overall HRA capital programme of £12.412m is required, £11.8m relates to 2015/16 carry forward budget that is also included in 2016/17 Capital Programme and £0.612m is an underspend in 2016/17 Capital Programme. These adjustments to capital programme will not have any wider impact on delivery of the approved programme of works, which already has sufficient budget provision.

4. Legal Implication

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

4.2 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.

4.3 Under the Council’s Financial Regulations (B48), additions of up to £500k to the capital programme can be made by Cabinet in respect of specific projects where.

a. the expenditure is wholly covered by additional external sources;

b. the expenditure is in accordance with at least one of the priorities listed in the capital programme; and

c. there are no significant full year revenue budget effects

This provision is subject to an overall limit of £2.5m in any one financial year.

5. Equalities

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

5.2 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.

5.3 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.

5.4 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.

5.5 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.

5.6 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

5.7 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

6. Financial Implications

Financial matters are integral to the report.

7. Performance Issues

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.

The overall projected percentage variance from the revenue budget is currently forecast to be an overspend of 7%.

For the 2016/17 savings built into the MTFS, the overall position is that 36% of the savings are RAG rated as blue (achieved and banked), 15% green (achievement of saving on track), 44% amber (saving only partially achieved or risks remaining) and 5% red (agreed saving not achievable).

Council Tax Collection: The collection rate for Quarter 1 is 30.14% against a profile target of 30.25%

Business Rates Collection: The collection rate for Quarter 1 is a collection rate of 32.53% against a profile target of 33.00%.

8.0 Environmental Impact

There are none directly related to this report

9.0 Risk Management Implications

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

Risks are included on the Directorate risk registers

10. Equalities implications / Public Sector Equality Duty

A full equalities impact assessment was completed on the 2016/17 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 2017/18.

11. Council Priorities

The Council's vision is:

Working Together to Make a Difference for Harrow

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

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: 5 September 2016	x	Chief Financial Officer
Name: Jessica Farmer Date: 5 September 2016	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 4 - Contact Details and Background Papers

Contact: Sharon Daniels (sharon.daniels@harrow.gov.uk), Deputy sec151 officer Tel: 020 8424 1332

Background Papers: Cabinet February 18 2016:Capital Programme 2016/17 to 2019/20

Call-In Waived by the Chairman of Overview and Scrutiny Committee	**NOT APPLICABLE** [Call-in applies]

Appendix 1

Revenue Summary	Revised Budget	Forecast Outturn	Period 3 Variance	Variance	Mitigation	Variance at P3 After Mitigation
	£000	£000	£000	%	£000	£000
Resources						
Controllable Budget						
Customer Services	24,272	23,817	(455)	(1.9%)		(455)
Director of Resources	538	511	(27)	(5.0%)		(27)
HRD & Shared Services	1,780	1,627	(153)	(8.6%)		(153)
Legal & Governance	2,782	2,782	0	0.0%		0
Procurement	556	697	141	25.4%		141
Strategic Commissioning	2,167	2,318	151	7.0%		151
Assurance	562	565	3	0.5%		3
Finance	3,298	3,397	99	3.0%		99
Total Controllable Budget	**35,955**	**35,714**	**(241)**	**(0.7%)**	**0**	**(241)**
Uncontrollable Budget	(15,775)	(15,775)	0	0.0%		0
Total Directorate Budget	**20,180**	**19,939**	**(241)**	**(1.2%)**	**0**	**(241)**
Business Support						
Business Support	2,332	3,023	691	29.6%		691
Uncontrollable Budget	(959)	(959)	0	0.0%		0
Total Business Support	**1,373**	**2,064**	**691**	50.3%	**0**	**691**
Community						
Controllable Budget						
Commissioning & Corporate Estate	(1,293)	(1,793)	(500)	38.7%	0	(500)
Enviroment & Culture	19,371	20,213	842	4.3%	0	842
Directorate Management	404	312	(92)	(22.8%)	0	(92)
Housing General Fund	3,649	6,204	2,555	70.0%	0	2,555
Total Controllable Budget	**22,131**	**24,936**	**2,805**	**12.7%**	**0**	**2,805**
Uncontrollable Budget	18,836	18,836	0	0.0%		0
Total Directorate Budget	**40,967**	**43,772**	**2,805**	**6.8%**	**0**	**2,805**
People						
Controllable Budget						
Adult Services	55,130	56,961	1,831	3.3%	0	1,831
Public Health	736	385	(351)	0.0%		(351)
Children & Families	26,541	29,999	3,458	13.0%	(340)	3,118
Total Controllable Budget	**82,407**	**87,345**	**4,938**	**6.0%**	**(340)**	**4,598**
One-off Earemark Reserve	0	0	0	0.0%	(1,519)	(1,519)
Uncontrollable Budget	15,857	15,857	0	0.0%		0
Total Directorate Budget	**98,264**	**103,202**	**4,938**	**5.0%**	**(1,859)**	**3,079**
Regeneration						
Economic Development & Research	695	695	0	0.0%		0
Planning	370	370	0	0.0%		0
Total Controllable Budget	**1,065**	**1,065**	**0**	**0.0%**	**0**	**0**
Uncontrollable Budget	1,155	1,155	0	0.0%		0
Total Directorate Budget	**2,220**	**2,220**	**0**	**0.0%**	**0**	**0**
Total Directorate Budgets	**163,004**	**171,197**	8,193	5.0%	**0**	**450**
Corporate Items	(1,346)	(2,558)	(1,212)	90.0%		(1,212)
Corporate contingency	3,329	2,000	(1,329)	(39.9%)		(1,329)
Total Budget Requirement	**164,987**	**170,639**	**5,652**	**3.4%**	**(1,859)**	**3,793**