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**REPORT FOR: CABINET**

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<b>Date of Meeting:</b>	14 September 2017
<b>Subject:</b>	Revenue and Capital Monitoring 2017/18 – Quarter 1 as at 30 <sup>th</sup> June 2017
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance
<b>Portfolio Holder:</b>	Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
<b>Exempt:</b>	No, except for Appendix 5, which is exempt on the grounds that it contains “exempt information” under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1 Revenue Budget Summary (Divisional) as at 30 <sup>th</sup> June 2017.  Appendix 2 MTFS 2017/18 to 2019/20 Savings Tracker.

Appendix 3 Draw Down from  
/Contribution to Reserves.

Appendix 4 Capital Programme as at  
30 June 2017.

Appendix 5 Concilium Business  
Services Performance  
Report (Exempt – Part II)

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

This report sets out the Council's revenue monitoring position as at Quarter 1 2017/18 (30<sup>th</sup> June 2017).

### **Recommendations:**

1. Cabinet note the revenue forecast position detailed in this report as at Quarter 1 2017/18.
2. Cabinet approve the proposed additions to the capital programme as outlined in paragraphs 3.26 to 3.30.
3. Cabinet approve the proposed reduction to the capital programme as outlined in paragraphs 3.31.
4. Cabinet approve the proposed virement to the capital programme as outlined in paragraph 3.32.
5. Cabinet note the quarter 1 performance report from Concilium Business Service as specified in Appendix 5 (Part II report).

### **Reason: (For recommendation)**

To report the 2017/18 forecast financial position as at 30<sup>th</sup> June 2017 and seek the approval for capital programme adjustments which require Cabinet approval in accordance with Financial Regulations.

## **Section 2 – Report**

### **1.0 INTRODUCTION**

- 1.1 The net forecast position as at Quarter 1 (30<sup>th</sup> June 2017) on the revenue budget is showing a balanced position. Resources and Commercial, Community, Adults, Public Health and Regeneration are all forecasting a balanced budget position. The Children's division is forecasting demand pressures estimated at £3.6m, a reduction of £549k from period 2. These are fully mitigated through the receipt of additional income notified after budget setting, corporate items and the implementation of a spending control freeze across the organisation.
- 1.2 The capital programme is reporting a forecast spend of £135.959m against a budget of £222.795m. This represents a total forecast spend of 61%. In terms of general fund capital, there is a forecast underspends of (£75.3m) of which £57.898m is requested for slippage into 2018/19, £1m is to be reallocated to other projects and £16.425m can be removed from the Capital Programme. For the Housing Revenue Account, an underspend of (£11.513m) is forecast which is requested for slippage into 2018/19.

(Please note, all number in brackets relates to income/underspends)

### **2.0 REVENUE MONITORING**

- 2.1 The revenue forecast position at Quarter 1 (30<sup>th</sup> June 2017) is showing a balanced position after a draw down from reserves of £2.484m, as detailed in appendix 3, the use of Corporate budgets of £2.235m and £1.325m of spending controls. The forecast by division is detailed in appendix 1.
- 2.2 Assumed in the balanced position above is the use of £3.039m of capital receipts flexibilities generated from assets disposals. This would be applied under the capital receipt flexibilities granted to Local Authorities by central government to support on-going revenue savings, transformation costs and long terms cost reductions. As the authority has a MTFS including such initiatives, appropriate costs incurred will be funded from the capital receipts flexibilities initiative.
- 2.3 A summary of the Quarter 1 monitoring is shown in table 1 below:

**Table 1: Revenue Monitoring – as at 30<sup>th</sup> June 2017**

Directorate	Revised Budget	Outturn	Period 3 Variance	Draw Down from Reserve	Period 3 Variance After Draw Down from Reserve	Period 2 Variance After Draw Down from Reserve	Movement Between P2 and P3
	£000	£000	£000	£000	£000	£000	£000
Resources and Commercial	23,024	23,133	109	(109)	-	(44)	44
<b>Resources Total</b>	<b>23,024</b>	<b>23,133</b>	<b>109</b>	<b>(109)</b>	<b>-</b>	<b>(44)</b>	<b>44</b>
Community and Culture	36,545	37,102	557	(557)	-	-	-
<b>Community Total</b>	<b>36,545</b>	<b>37,102</b>	<b>557</b>	<b>(557)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Adult	64,654	65,034	380	(380)	-	-	-
Children	37,614	41,515	3,901	(341)	3,560	4,109	(549)
Public Health	1,295	1,295	-	-	-	-	-
<b>People Total</b>	<b>103,563</b>	<b>107,844</b>	<b>4,281</b>	<b>(721)</b>	<b>3,560</b>	<b>4,109</b>	<b>(549)</b>
Planning and Enterprise	2,080	2,160	80	(80)	-	-	-
Regeneration	(350)	667	1,017	(1,017)	-	-	-
<b>Regeneration Total</b>	<b>1,730</b>	<b>2,827</b>	<b>1,097</b>	<b>(1,097)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Directorates</b>	<b>164,862</b>	<b>170,906</b>	<b>6,044</b>	<b>(2,484)</b>	<b>3,560</b>	<b>4,065</b>	<b>(505)</b>
Corporate Items	5,610	5,610	-	-	-	-	-
Corporate contingency	1,248	1,248	-	-	-	-	-
Technical and Corporate adjustment Budget	(3,877)	(5,278)	(1,401)	-	(1,401)	(1,703)	302
Use of Capital Receipt	(3,039)	(3,039)	-	-	-	-	-
Other Income	-	(834)	(834)	-	(834)	(863)	29
one-off Spending Controls Freeze	-	(1,325)	(1,325)	-	(1,325)	(1,499)	174
<b>Total Budget Requirement</b>	<b>164,804</b>	<b>167,288</b>	<b>2,484</b>	<b>(2,484)</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **RESOURCES AND COMMERCIAL**

**Table 2: Resources & Commercial Variance**

Quarter 1 Variance £000	Period 2 Variance	Movement between Quarter 1 and Period 2
-	(44)	44

- 2.4 At Quarter 1 Resources is forecasting a balanced budget for the 2017/18 financial year. This is after an assumed draw down from reserves of (£109k) as detailed in appendix 3. This balanced position represents a deficit movement £44k from period 2.
- 2.5 Legal and Governance – The service is managing a budget pressure of £251k which is due to an increase in the number of hours that is needed in order to meet the legal requirement of the directorates. Legal services together with the other directorates are working towards reducing these hours.

### ***Spending Control Freeze***

- 2.6 The Resources & Commercial directorate is working towards identifying a number of in-year items to contribute towards the requested spending freeze across the Council. Proposed items

include underspends of budgets from current vacant staff posts, overachievement of income and contract efficiency savings.

## **COMMUNITY DIRECTORATE**

- 2.7 At Quarter 1, the Community Directorate is reporting a balanced budget after an assumed draw from reserves of (£557k) as detailed in appendix 3.
- 2.8 Within Environment & Culture, there is an unachieved MTFS in relation to the redevelopment of Harrow Leisure Centre **£100k**.
- 2.9 There were unexpected costs in relation to responding to emergency repairs arising from a flooding at the Civic Centre in April £50k.
- 2.10 Housing General Fund forecast a balanced position. The Council has been awarded £1.675m Flexible Homelessness Support Grant (FHSG) to offset the reduction in Housing Benefit income and enable the Council to start the process of moving from Private Sector Leased (PSL) temporary accommodation, to using Assured Short hold Tenancies (AST) in the Private Rented Sector in line with Government requirements. This sum will be ring-fenced to offset the income loss within Housing Needs.
- 2.11 Currently the Flexible Homeless Support Grant (FHSG) has only been allocated for two years; the 2018/19 allocation is £1.985m.

## ***SPENDING CONTROL FREEZE***

- 2.12 The Community Directorate continues to explore new income opportunities by increasing utilisation of assets. This includes renting out any empty properties, taking over the management of a café and performance space, and undertaking rent reviews as part of lease renewals. All of these will be undertaken with the aim of generating additional income, the exact amount of which will be subject to the timing of new leases / lease review, rent negotiations and/or business cases. In addition, the directorate will carry out efficiency reviews on its services to achieve cost savings. It is anticipated that these actions in coming months will yield a total estimated saving of £455k, which will be used to contribute towards the Council's overall financial position.

## **PEOPLE'S DIRECTORATE**

- 2.13 At Quarter 1 the People's Directorate is forecasting an over spend of £3.560m, this forecast includes assumed draw down from reserves of (£721k) as set out in appendix 3. The directorate's forecast represents a favourable movement of (£549k) when compared with period 2

**Table 3: People's Directorate Variance**

	<b>Quarter 1 Variance</b>	<b>Period 2 Variance</b>	<b>Movement between P2 and Quarter 1 after Spending Control Freeze</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adults	-	-	-
Public Health	-	-	-
Children	3,560	4,109	(549)
<b>Total</b>	<b>3,560</b>	<b>4,109</b>	<b>(549)</b>

## ADULT SERVICES

- 2.14 Adults Services are reporting a balanced position. This balanced position is achieved after assuming a drawdown from reserves of (£380k) as detailed in appendix 3 to this report.
- 2.15 Whilst the service received MTFs growth, together with the announcement of the improved Better Care Fund funding, the front line demand led service continues to face cost pressures in relation to the provision of services, arising largely from increasing complexities and also the interface with health.
- 2.16 The service is working towards containing these pressures within the approved budget; however this continues to be challenging. The Adult Social Care grant of £3.6m will be committed in line with the grant conditions and is expected to enable a balanced position by 31<sup>st</sup> March 2018.
- 2.17 Within Adult Social Care, purchasing pressures are continuing to rise (forecast overspend of £1.7m), especially relating to the increased weeks of care required for residential and nursing placements. In particular, a number of new trends since the budget was set in February, are emerging that carry increased financial challenge, such as:
- The complexities existing between residential and nursing care have shifted resulting in increased placements in nursing care and increased weekly costs of residential placements.
  - An increasing trend towards dementia in younger adults, resulting in a longer financial commitment than previously anticipated.
  - A 21% increase in the number of discharges from hospital into adult social care.
  - Continuing pressure against increasing demands on the Deprivation of Liberties (DoLs) service.
- 2.18 Pressures of £408k in relation to placement costs for children with disability (within the all age disability pathway have been transferred from children's services).
- 2.19 Delays (including those associated with planning and building related issues) associated with the achievement of MTFs savings in relation

to in-house provided services in the region of £1.123m, including £0.9m in relation to the Sancroft Phoenix project, increase the pressure to be mitigated. These pressures are expected to be mitigated.

- 2.20 The Clinical Commission Group have indicated an intention to reduce the funding in relation to the protection of social care (a Better Care Fund condition). Any reduction to the assumed funding of £6.558m within the 2017/18 budgets will require mitigation.

#### PUBLIC HEALTH

- 2.21 Overall the 2017/18 forecast outturn position for Public Health is a balanced budget.

#### ***SPENDING CONTROL FREEZE (Adults and Public Health)***

- 2.22 The directorate is also reporting a one-off contribution to the Spending Control Freeze of (£320k). It is been proposed that in Adult Services this will be achieved by reducing expenditure across the training budgets (mandatory training will continue to be provided which is consistent with the practice in 2016/17) and within the hospital team. Within Public Health the reduced expenditure reflects the early achievement of the 2017/18 MTFs saving in relation to drug and alcohol services, together with a reduction in committed spend for obesity services.

#### CHILDREN'S SERVICES

- 2.23 As at Quarter 1 the headline pressure for the directorate is £4.511m which reduces to a net forecast overspend for the directorate of £3.560m after the use of one off management actions and drawdowns from reserves totalling (£0.951m).
- 2.24 This represents a reduction in overspend of £0.549m from the position reported at Period 2. The reduction results from additional one off management actions to mitigate the overall overspend

**Table 4: Children's variance**

	Period 3 Variance	Period 2 Variance	Movement between P2 and P3
	£'000	£'000	£'000
Children	3,560	4,109	(549)
<b>Total</b>	<b>3,560</b>	<b>4,109</b>	<b>(549)</b>

- 2.25 In 2017/18 £2.9m of growth was included in the budget to support increased demand in children's services. Of this, £1m was for SEN Transport which is anticipated to be within budget this financial year. The remaining £1.9m was for social care staffing and children's placements & accommodation. However, since the budget was set in

February, there has been a further increase in demand, in particular, for more costly children's placements and accommodation.

2.26 The headline pressures of £4.511m are as follows:

2.27 **Children's Placements and Accommodation £3.260m overspend**

-There is an overall reduction of £62k from the overspend reported at Period 2. As part of the service's planned actions 4 young person's placements packages have been reduced, resulting in a reduction in weekly costs. This totals approximately £209k in 2017/18. However 5 new young people were accommodated in in house and external fostering placements which has partially offset the reduction in costs.

2.28 In order to mitigate and monitor the spend on children's placements a schedule of panels has been drawn up to scrutinize and reduce costs. These panels, chaired by the Divisional Director, include;

- Weekly Access to Resources Panel – no new spends are permitted without exploring alternatives.
- A monthly themed panel focussing on high cost areas such as semi-independent and leaving care costs.
- A monthly tracking panel to ensure that placements are ended in a timely manner.
- Revised Tri-Partite Panel to ensure that health contributions are maximised.

2.29 **Children and Young People's Service Frontline Teams £0.560m overspend**

- The majority of the overspend relates to staffing and a breakdown of variances is shown in Table 5 below. The main pressure is as a result of agency staff covering vacant posts, sickness and maternity as well as a super numerate team manager and 'as and when' required staff carrying out supervised contact. In addition to this there is a one off cost for overseas social worker recruitment estimated at £50k and anticipated pressures of £150k relating to IT & mobile phone equipment and other non-staffing costs particularly driven by the recent growth in social care staff numbers.

2.30 Agency costs will be reduced during the course of the year with the arrival of social workers from India, and the permanent recruitment of social workers who complete the front-line and step-up programmes.

2.31 The reported overspend in the Front Door Team has reduced by £30k since Period 2 mainly resulting from a reduction in cost pressures relating to agency staff. This reduction is an indication that planned management actions are now delivering real cost reductions.



**Table 5: CYP staffing variances to budget**

Description	Front Door	Quality Assurance	CYP Mgt	Children in Need	Corp Parent	YOT	Total
	£'000	£'000	£'000	£'000	£'000		£'000
Permanent Staff	(126)			(99)	(111)	(23)	<b>(359)</b>
Agency vacancies	147			142	34		<b>323</b>
Agency sick/maternity	31			38	16		<b>85</b>
Supernumerary	92				26	93	<b>211</b>
As & When	(8)				108		<b>100</b>
<b>Total</b>	<b>136</b>	<b>0</b>	<b>0</b>	<b>81</b>	<b>73</b>	<b>70</b>	<b>360</b>
Budget FTE	42.5	14.1	11.0	58.0	49.0	12.5	<b>187.1</b>
Forecast FTE	43.0	14.1	11.0	58.2	47.9	14.2	<b>188.4</b>

**2.32 Families with No Recourse to Public Funds £74k 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 22 cases, 5 cases have been successfully closed since April 2017.

2.33 A funding bid is being constructed to purchase the premium service from the Home Office. This will mean the co-location of an Immigration & Enforcement Officer who will fast-track all asylum related processes and background checks. This will reduce the amount of time that families are being funded through no recourse to public funds.

2.34 **Departmental Legal Costs £103k overspend -** There is an estimated overspend on disbursements related to barristers, experts and other expenses in relation to care proceedings. The processes for allocating legal costs including the number of hours for legal advice are being analysed, along with the breakdown of disbursements. This analysis will be presented to CSB to make recommendations about priorities for use of in house legal resources across the council.

2.35 **Signers and Interpreters Fees £90k overspend -** The provision of an Interpretation and Translation service is a demonstrable component of the Council's commitment to equality of opportunity, enabling access to information and services.

2.36 **Capital Team £170k overspend -** There are anticipated costs for external legal services and external commercial and technical advice

services in relation to continued efforts to close the accounts for School Expansion Programme phase 2 (SEP2).

- 2.37 **Commissioning Team £248k overspend** - This pressure results from redundancy and residual staffing costs of 3 members of staff who are expected to leave in September as part of the MTFs saving in this area which has been delayed in its implementation.
- 2.38 **Other small overspends £6k.**
- 2.39 The above pressure of £4.511m is reduced to £3.560m by one off management actions of (£610k) and draw down from reserves of (£341k) which is mainly for redundancy payment.
- 2.40 The Children's forecast excludes the costs associated with Pinner Wood School. In June, Cabinet were updated on the cost estimates for Pinner Wood School and the proposed funding. The estimated revenue cost of £1.840m will be funded by £1.248m from the revenue contingency for unforeseen items and £592k from the corporate budget. In addition £2.860m was estimated as the capital cost, this will be funded from the 2016/17 Capital Programme underspend.

### **REGENERATION, ENTERPRISE AND PLANNING**

- 2.41 At Period 3, Regeneration, Enterprise & Planning are reporting a balanced budget.
- 2.42 Regeneration activity, estimated at £1.017m, will be funded from the capacity within the Minimum Revenue Provision (MRP).
- 2.43 £3.4m [net] of Community Infrastructure Levy (S106) monies has been received at Quarter 1. The net unspent income will be transferred to reserves at year end.

### ***SPENDING CONTROL FREEZE***

- 2.44 Following the review of Building Control fees earlier this year, additional income may be achievable subject to the number of applications being at a similar level as pre-Brexit time. The income can be volatile and will require regular monitoring as part of monthly forecast. At this stage, it is anticipated that an additional income of £25k may be achieved in 2017/18. In addition, a recharge of planning officers' time against CIL administrative fee is considered possible but this will be subject to the actual time legitimately spent on CIL related work. It is estimated that a one-off recharge of £50k can be achieved from this in 2017/18.

### **HOUSING REVENUE ACCOUNT**

- 2.45 As at Quarter 1 there is a forecast pressure of £314k in the HRA, an improvement against period 2 of £318k due mainly to capacities identified on staffing and operating costs. The pressure is due mainly

to on-going repairs expenditure required to meet legislative requirements and discharge mandatory health & safety obligations.

- 2.46 The £314k pressure also includes £200k interest payments to Department for Community and Local Government on retained Right to Buy receipts expected to be repaid to Government under terms of the retention agreement.
- 2.47 The costs of compulsory upgrade of IT systems have been reflected although additional pressures in this area are possible; an impact assessment is in progress. Reforms of HRA and Welfare, including rent reduction, borrowing cap and high value voids levy from 2018-19 continue to present significant challenges which are being addressed by the Housing Management Team.
- 2.48 A summary of the HRA position is provided below which includes estimated balances;

**Table 6: HRA Variance**

Period 3 Variance	Period 2 Variance	Movement between P2 and P3
£'000	£'000	£'000
314	318	(4)

### **CORPORATE BUDGETS**

- 2.49 Corporate budgets are forecast to underspend by (£1.401m). This underspend includes unallocated inflation budgets, other contingencies and grants. The council has also received one off income of (£834k) after the budget was set in February 2017.

### ***SPENDING CONTROL FREEZE***

- 2.50 In Period 2, a balanced position was reported after proposing a £1.5m spending control and Spending Freeze contribution across the Directorates.
- 2.51 Further work has now been done on this proposal; a total of (£1.325m) has been identified across the directorates as the amount that directorates are able to contribute towards the spending controls and Children's services position has improved by (£549k).
- 2.52 Table 7 below shows the breakdown of the £1.325m by directorate.

**Table 7: Spending Control Freeze**

Directorate	Contribution to Spending control Freeze
	£000
Resources and Commercial	(475)
Community and Culture	(455)
Adult	(160)
Public Health	(160)
<b>People Total</b>	<b>(320)</b>
Planning and Enterprise	(75)
<b>Total Directorates</b>	<b>(1,325)</b>

**CONTINGENCIES AND RESERVES**

- 2.53 The contingencies exist to cover unavoidable pressures together with other unforeseen items and spending pressures and to cover areas of risk and uncertainty.

The contingency for unforeseen items of £1.248m is assumed to be used in full for Pinner Wood School.

- 2.54 There are also a number of specific reserves for a variety of purposes as identified in table 8 below:

**Table 8: Contingencies and Earmarked Reserves**

	Budget Planning	Rapid Response	Standing up for those in need	IT Impl./Trans.	Commercialisation	TPIF	Carry Fwd	Business Risk	MTFS Implementation cost	CIL Harrow and Mayor
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at Start of Year	2,000	75	800	678	405	2,534	2,336	2,109	2,857	6,289
Total Earmark Reserve Balance	2,000	75	800	678	405	2,534	2,336	2,109	2,857	6,289
<b>Total Applied/ To Be Applied</b>	<b>(1,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(405)</b>	<b>(1,482)</b>	<b>(2,336)</b>	<b>0</b>	<b>(845)</b>	<b>(5,600)</b>
<b>Balance Carryforward</b>	<b>1,000</b>	<b>75</b>	<b>800</b>	<b>678</b>	<b>0</b>	<b>1,052</b>	<b>0</b>	<b>2,109</b>	<b>2,012</b>	<b>689</b>

**MTFS IMPLEMENTATION TRACKER**

- 2.55 The 2017/18 budget includes approved MTFS savings of £10.242m. The progress on implementation is summarised in table 9 below and shown in more detail in Appendix 2.

- 2.56 As at the end of Quarter 1, 13% of savings have already been banked (blue savings), 74% of savings (green and amber) are on track or partially achieved, with 13% of savings being declared as red.

**Table 9: RAG Rating of 2017/18 Savings**

	Resources	People	Community	Regeneration	Pan Organisation	Total at Period 3	Total at Period 2	Movement between P2 and P3	Percentage Split
	£000	£000	£000	£000	£000	£000	£000	£000	
Red	57	871	100	0	350	1,378	1,378	0	13%
Amber	195	845	1,223	100		2,363	2,307	56	23%
Green	1,282	1,197	2,693	47	0	5,219	5,275	-56	51%
Blue	307	925	50	0	0	1,282	1,282	0	13%
Purple	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1,841</b>	<b>3,838</b>	<b>4,066</b>	<b>147</b>	<b>350</b>	<b>10,242</b>	<b>10,242</b>	<b>0</b>	<b>100%</b>

<b>Red</b>	Agreed savings not achievable
<b>Amber</b>	Saving only partially achieved or risk remaining
<b>Green</b>	Achievement of Savings on track
<b>Blue</b>	Achieved and banked

2.57 Total savings of £56k below has moved from Green to Amber:

- CH\_9 Property Purchase savings of £31k
- CH\_3 Supporting People savings of £25k

### 3. CAPITAL PROGRAMME

#### Capital Programme Forecast at Quarter 1

- 3.1 The 2017/18 capital programme agreed by Council in February 2017 totalled £143.863m. After allowing for agreed slippage of £76.691m from 2016/17 outturn and other approved amendments, the programme now totals £222.795m at Quarter1.
- 3.2 The forecast spend at Quarter 1 is £135.959m, 61% of the total capital programme.
- 3.3 The forecast variance on the General Fund at Quarter 1 is an underspend of £75.323m (40%) of which £57.898m is requested for slippage into 2018/19, £1m reallocated to other projects and £16.425m can be removed from the Capital Programme.
- 3.4 The forecast variance on the Housing Revenue Account budget of £32.457m at Quarter 1 is £11.513m, which will all be slipped into 2018/19.
- 3.5 Tables 10 and 11 below summarise the capital forecast position and Appendix 4 shows the capital programme in more detail.

**Table 10: Summary of Capital forecast by Directorate**

Directorate	Original Programme	CFWD's	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
<b>PEOPLE</b>	<b>17,315</b>	<b>20,534</b>	<b>1,452</b>	<b>19,286</b>	<b>20,015</b>	<b>39,301</b>	<b>29,106</b>	<b>-10,194</b>	<b>5,769</b>	<b>-4,425</b>
<i>Adult</i>	7,450	891	1,452	1,516	8,276	9,793	9,793	0	0	0
<i>Schools and Children</i>	9,865	19,643	0	17,769	11,739	29,508	19,314	-10,194	5,769	-4,425
<b>COMMUNITY</b>	<b>55,231</b>	<b>4,837</b>	<b>789</b>	<b>19,595</b>	<b>41,262</b>	<b>60,857</b>	<b>38,659</b>	<b>-22,198</b>	<b>9,198</b>	<b>-13,000</b>
<i>Environment and Commission</i>	33,675	-297	729	17,079	17,028	34,107	22,107	-12,000	0	-12,000
<i>Housing</i>	19,080	3,948	0	1,180	21,848	23,028	13,830	-9,198	9,198	0
<i>Culture</i>	1,336	0	60	1,336	2,386	3,722	2,722	-1,000	0	-1,000
<b>RESOURCES</b>	<b>9,949</b>	<b>23,589</b>	<b>0</b>	<b>0</b>	<b>33,538</b>	<b>33,538</b>	<b>26,937</b>	<b>-6,601</b>	<b>6,601</b>	<b>0</b>
<b>REGENERATION</b>	<b>46,130</b>	<b>10,513</b>	<b>0</b>	<b>872</b>	<b>55,771</b>	<b>56,643</b>	<b>20,313</b>	<b>-36,330</b>	<b>36,330</b>	<b>0</b>
<b>TOTAL GENERAL FUND</b>	<b>128,625</b>	<b>59,473</b>	<b>2,241</b>	<b>39,752</b>	<b>150,586</b>	<b>190,339</b>	<b>115,015</b>	<b>-75,323</b>	<b>57,898</b>	<b>-17,425</b>
<b>TOTAL HRA</b>	<b>15,238</b>	<b>17,219</b>	<b>0</b>	<b>1,481</b>	<b>30,976</b>	<b>32,457</b>	<b>20,944</b>	<b>-11,513</b>	<b>11,513</b>	<b>0</b>
<b>TOTAL GENERAL FUND &amp; HRA</b>	<b>143,863</b>	<b>76,691</b>	<b>2,241</b>	<b>41,233</b>	<b>181,562</b>	<b>222,795</b>	<b>135,959</b>	<b>-86,836</b>	<b>69,411</b>	<b>-17,425</b>

**Table 11 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
<b>PEOPLE</b>	<b>-10,194</b>	<b>-5,423</b>	<b>-4,771</b>	<b>-5,769</b>	<b>-997</b>	<b>-4,771</b>	<b>-4,425</b>	<b>-4,425</b>	<b>0</b>
<i>Adult</i>	0	0	0	0	0	0	0	0	0
<i>Schools and children</i>	-10,194	-5,423	-4,771	-5,769	-997	-4,771	-4,425	-4,425	0
<b>COMMUNITY</b>	<b>-22,198</b>	<b>-12,000</b>	<b>-10,198</b>	<b>-9,198</b>	<b>0</b>	<b>-9,198</b>	<b>-13,000</b>	<b>0</b>	<b>-13,000</b>
<i>Environment and commissioning</i>	-12,000	-12,000	0	0	0	0	-12,000	0	-12,000
<i>Culture</i>	-1,000	0	-1,000	0	0	0	-1,000	0	-1,000
<i>Housing</i>	-9,198	0	-9,198	-9,198	0	-9,198	0	0	0
<b>RESOURCES</b>	<b>-6,601</b>	<b>0</b>	<b>-6,601</b>	<b>-6,601</b>	<b>0</b>	<b>-6,601</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REGENERATION</b>	<b>-36,330</b>	<b>0</b>	<b>-36,330</b>	<b>-36,330</b>	<b>0</b>	<b>-36,330</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL GENERAL FUND</b>	<b>-75,323</b>	<b>-17,423</b>	<b>-57,900</b>	<b>-57,898</b>	<b>-997</b>	<b>-56,901</b>	<b>-17,425</b>	<b>-4,425</b>	<b>-13,000</b>
<b>TOTAL HRA</b>	<b>-11,513</b>	<b>0</b>	<b>-11,513</b>	<b>-11,513</b>	<b>0</b>	<b>-11,513</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>-86,836</b>	<b>-17,423</b>	<b>-69,413</b>	<b>-69,411</b>	<b>-997</b>	<b>-68,414</b>	<b>-17,425</b>	<b>-4,425</b>	<b>-13,000</b>

## **RESOURCES DIRECTORATE**

As at Quarter 1 the forecast spend is £26.937m, 80% of the 2017/18 Resource's directorate capital budget. Plans are underway to purchase further properties this year however it is been estimated that only £7.998m of the £14.599m budget will be spent this year and the remaining £6.601m will be slipped to 2018/19.

## **COMMUNITY DIECTORATE**

- 3.6 As at Quarter 1 the forecast is £38.659m, 63% of the total budget.
- 3.7 The forecast under spend is £22.198m of which £9.198m will be slipped to 2018-19 and £13m is no longer needed. The main items of slippage and underspend are detailed below:

### **Environment & Commissioning**

- 3.8 At Quarter 1, the service forecast to spend £22.107m this year. Within this year's budget, there is an assumed £12m TfL funding for the step-free access project at Harrow on the Hill Station. It is anticipated that TfL will deliver the project directly and therefore it is requested that the assumed budget is removed from the capital programme.

### **Culture**

- 3.9 At Quarter 1 the forecast spend is £2.722m.
- 3.10 The forecast under spend of £1m relates to Harrow Art Centre roof repair project. It is proposed that this budget is be reallocated to other projects.

### **Housing General Fund**

- 3.11 At Quarter 1 the outturn forecast for Housing General Fund is £13.830m
- 3.12 The forecast under spend is £9.198m of which will all be slipped to 2018-19.
- 3.13 Empty Property Grants is expected to slip £198k into next year this is due to a lower uptake of grant been offered by the council. The implication of this will be less property to combat homelessness; housing service is working with local landlords to complete the awarded grant.
- 3.14 Housing Property Purchase reflects the completion of 100 property acquisitions; the budget of £9m for the additional 50 properties is assumed to slip to 2018-19 pending completion of the review of programme.

## PEOPLE

- 3.15 At Quarter 1 the forecast spend is £29.106m, 74% of the 2017/18 People's directorate capital budget.
- 3.16 The forecast under spend is £10.194m of which £5.769m will be slipped to 2018/19 and £4.425m is no longer needed.

## **ADULTS**

- 3.17 At Quarter 1 the forecast spent is £9.793m this represents 100% of the approved capital programme.

## **SCHOOLS**

- 3.18 The approved capital programme in 2017-18 for Children's Services totals £29.508m. The projected expenditure this year is £19.314m which represents 65% of the total capital budget.
- 3.19 **School Expansion Programme (SEP) 1 and 2 (including some SEN and Secondary)** - Keepmoat, the Council's Framework Partner was commissioned to deliver the majority of the Phase 1 (SEP1) and Phase 2 (SEP2) construction projects. The projects in SEP1 and SEP2 have reached Project Completion and the schools are occupying their new accommodation.
- 3.20 The Children's Capital Project Team is working to resolve a number of building defects with Keepmoat post completion. There are on-going contractual issues with Keepmoat and the council has appointed Legal and Commercial advisers to secure resolution. For the purposes of budget monitoring these programmes are forecast to budget but there is a risk to the capital programme that the final outturn is higher than the budget
- 3.21 **SEP 3** - Following procurement processes, Arcadis were appointed as Technical Advisers and Willmott Dixon as the single supplier from the SCAPE framework for the SEP3 projects. The SCAPE framework is local authority owned and specialises in school construction. There are four school expansions over five school sites. Three of the projects are completed, one is on site with a completion planned for Autumn 2017 and the final scheme will be submitted for planning approval in the Autumn for completion by Autumn 2018. In addition, Weald Rise is being rebuilt by the Priority Schools Building Programme (PSBP) and the LA is providing a top up to expand the school to 4 forms of entry.

## **Slippage**

- 3.22 The majority of the slippage relates to new SEN and Secondary provision. As reported to Cabinet in June 2017 the projections for Year 7 places continue to show a lower trajectory of increase than the 2015 projections. With the current number of places available there will be a shortfall of 4 to 5 forms of entry in 2022/23. This reduces to 3-5 forms of entry in 2027/28. However, at this time there are a higher number of Year 7 places than required which is



resulting in vacancies being concentrated in a small number of schools. It is proposed to slip the funding to 2019-20 and ensure that the situation is monitored and that once there is greater clarity about changes on the borough boundaries that a local solution to meet the growing need is developed with the High Schools.

- 3.23 In relation to SEN provision, to meet the increasing need for places for children and young people with severe and complex needs with autism a free school proposal is being developed by three special school headteachers in Harrow for submission in the next wave of applications expected in the Autumn. However, further work on analysing the needs of pupils with SEND and spend will be undertaken to inform future provision needs and any capital programme requirements. It is therefore proposed to slip this funding into next financial year once the scope of provision required is established and the outcome of the free school bid is known.

### **Underspends**

- 3.24 SEN Provision £4.2m -The original budget for new SEN provision was set at £10.5m and included an assumption of external funding in 2018-19 of £6m from the Government's capital Basic Need grant. However the LA did not receive an allocation of funding in 2018-19. It is therefore proposed to reduce the capital programme by £6m over 2017-18 and 2018-19. The remainder of the budget is proposed to slip into 2018-19 as per the paragraph above. This is not committed to a particular scheme and forms part of the scoping for SEN provision as set out in paragraph 3.30.
- 3.25 Schemes at Marlborough and Whitmore partially funded by schools at net nil cost to the council. The original budget was estimated and as both schemes have now concluded the budget of £225k needs to be reduced to reflect the final outturn. This is offset by a reduction in the level of funding received from the school.

## **AMENDMENTS TO THE CAPITAL PROGRAMME**

### **Additions to the capital programme**

- 3.26 Additional funding of £360k has been confirmed by TfL, as part of 17/18 Local Implementation Plan, for implementing further bus priority schemes. The budget in the capital programme will therefore need to be increased by this sum to reflect the funding award.
- 3.27 The Council has successfully secured Salix interest-free loan funding under Energy Efficiency Loan Scheme for a couple of schools to deliver lighting improvement works. The total value of these works is £69k, of which one school will provide a lump sum contribution of £19k and the rest will be met from Salix funding. The schools will be responsible for the repayment of the Salix loan over eight years. An addition to the Community's capital programme is required to accommodate the Carbon Reduction project.

- 3.28 S106 funding (received from the development of Valley Centre) is to be applied to provide sports facilities at Harrow Leisure Centre. This will include the purchase of a range of equipment to enable the provision of additional activities for young people. It is therefore proposed to increase the Leisure & Libraries Infrastructure capital programme by £8k and the expenditure will be met by S106 funding
- 3.29 Cabinet is requested to increase the budget for Disabled Facilities Grants, currently £2,030k, by £500k to £2,530k to enable adaptations for private households to be carried out in financial year 2017-18 which will support the achievement of approved MTFS revenue savings. This is fully funded by external fund received as part of the Better Care Funding arrangement.
- 3.30 An addition to the Children's capital programme is required to facilitate upgrade works at The Firs Short Break Residential Centre totalling £32k. This will be funded by external funding

**Reduction to the capital programme**

- 3.31 In the current capital programme, there is an assumed TfL funding of £12m and £8m in 17/18 and 18/19 respectively for the step-free access project at Harrow on the Hill Station. It is anticipated that TfL will deliver the project directly, with the Council providing a capital grant as a financial contribution towards the project. It is therefore proposed that the TfL element of the funding is removed from the capital programme as the Council will not receive this funding from TfL.

**Capital budget virement**

- 3.32 As part of the 2017/18 capital programme, £1.470m budget was allocated for the repair of Harrow Art Centre roof. However the actual cost of repair is now been projected at £470k. It is proposed that the underspend of £1m be added to the £5.8m budget that was reported at outturn as the budget that can be reallocated to alternative projects.

**CONCILIUM BUSINESS SERVICES**

- 3.33 The Quarter 1 forecast currently shows that Concilium Business Services is on target to achieve the business plan. A refresh of the forecast and longer term business plan will be presented in the Q2 report to cabinet in December 2017.

## **4. Legal Implications**

- 4.1 Section 151 of the Local Government Act 1972 states that without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 28 of the Local Government Act 2003 imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against budget calculations.
- 4.2 Under the Council's Financial Regulation B48 Additions in year to the Capital Programme up to £500,000 additional capital spending can be approved by Cabinet on specific projects where the expenditure is wholly covered by additional external sources; and the expenditure is in accordance with at least one of the priorities listed in the capital programme; and there are no significant full year revenue budget effects. The additional capital spending agreed by Cabinet in one financial year cannot exceed £2.5million.

## **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 2017/18 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 2018/19.

## **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 Revenue forecast position at Quarter 1 is showing a balanced position.

For the 2017/18 savings built into the MTFs, the overall position as at Q1 is that 13% of the savings are RAG rated as blue (achieved and banked), 51% green (achievement of saving on track), 23% amber (saving only partially achieved or risks remaining) and 13% red (agreed saving not achievable).

The Capital Programme is projecting a spend of 60% as at quarter 1.

## **8. 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

## **9. 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  Chief Financial Officer

Date: 4 September 2017

Name: Mathew Adams  on behalf of the  
Monitoring Officer

Date: 4 September 2017

**Ward Councillors notified:** NO, as it impacts on  
all Wards

**EqIA carried out:** NO Not applicable  
**EqIA cleared by:**

### Section 4 - Contact Details and Background Papers

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

**Background Papers:** [..\..\..\BUDGET\Budget 2017-18\February Cabinet\Final report\Final Report Appendices for Daksha\V4 Final Budget Report 070217.doc](#)  
[G:\1 Public\Capital programme\2017-18 to 2019-20\February Cabinet\Final February Cabinet\Final version Capital Programme Feb 2017 Cabinet.docx](#)  
[G:\1 Public\Capital programme\2017-18 to 2019-20\February Cabinet\Final February Cabinet\Appendix 1 - 16.17 Capital Programme restated V4 18.01.17.xlsx](#)

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

**NOT APPLICABLE**

*[Call-in applies]*

# Revenue Summary

# Appendix 1

	Revised Budget	Outturn	Period 3 Variance	Drawdown From Reserve	Period 3 Variance After Draw Down from Reserves and Spending Control Freeze Contribution	Period 2 Variance After Contribution to and draw down from Reserve	Budget Movement between P2 and P3
	£000	£000	£000	£000	£000	£000	
<b>Resources</b>							
<b>Controllable Budget</b>							
Customer Services	23,901	23,789	● (112)		(112)	(68)	(44)
Business Support	3,597	3,604	● 7		7	(8)	15
Director of Resources	795	795	● 0		0	0	0
Assurance	558	535	● (23)		(23)	4	(27)
HRD & Shared Services	1,103	1,134	● 31		31	21	10
Procurement & Commercial	322	458	● 136		136	125	11
Legal & Governance	2,465	2,471	● 6		6	6	0
Strategic Commissioning	2,191	2,295	● 104	● (109)	(5)	(45)	40
Finance	3,207	3,167	● (40)	● 0	(40)	(79)	39
Contribution to spending Freez			● 0		0	0	0
<b>Total Controllable Budget</b>	<b>38,139</b>	<b>38,248</b>	<b>109</b>	<b>(109)</b>	<b>0</b>	<b>(44)</b>	<b>44</b>
Uncontrollable Budget	(15,115)	(15,115)	● 0		0	0	0
<b>Total Directorate Budget</b>	<b>23,024</b>	<b>23,133</b>	<b>109</b>	<b>(109)</b>	<b>0</b>	<b>(44)</b>	<b>44</b>
							0
<b>Community</b>							0
<b>Controllable Budget</b>							0
Commissioning & Corporate Estate	(2,987)	(2,706)	● 281	(281)	0	0	0
Environment & Culture	20,338	20,614	● 276	(276)	0	0	0
Directorate Management	227	227	● 0		0	0	0
Housing General Fund	4,476	6,151	● 1,675		1,675	1,675	0
Flexible Homelessness support grant		(1,675)	● (1,675)		(1,675)	(1,675)	0
Contribution to spending Freez			● 0		0	0	0
<b>Total Controllable Budget</b>	<b>22,054</b>	<b>22,611</b>	<b>557</b>	<b>(557)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Uncontrollable Budget	14,491	14,491	● 0		0	0	0
<b>Total Directorate Budget</b>	<b>36,545</b>	<b>37,102</b>	<b>557</b>	<b>(557)</b>	<b>0</b>	<b>0</b>	<b>0</b>
							0
<b>People</b>							0
<b>Controllable Budget</b>							0
Adult Services	58,197	58,577	● 380	(380)	0	0	0
Public Health	476	476	● 0		0	0	0
Children & Families	29,080	32,981	● 3,901	(341)	3,560	4,109	(549)
Contribution to spending Freez			● 0		0	0	0
<b>Total Controllable Budget</b>	<b>87,753</b>	<b>92,034</b>	<b>4,281</b>	<b>(721)</b>	<b>3,560</b>	<b>4,109</b>	<b>(549)</b>
Uncontrollable Budget	15,810	15,810	● 0		0	0	0
<b>Total Directorate Budget</b>	<b>103,563</b>	<b>107,844</b>	<b>4,281</b>	<b>(721)</b>	<b>3,560</b>	<b>4,109</b>	<b>(549)</b>
							0
<b>Regeneration</b>							0
Economic Development & Research	613	693	● 80	(80)	0	0	0
Planning	384	384	● 0		0	0	0
Regeneration Programme	(350)	667	● 1,017	(1,017)	0	0	0
Sec 106	0	0	● 0		0	0	0
Contribution to spending Freez			● 0		0	0	0
<b>Total Controllable Budget</b>	<b>647</b>	<b>1,744</b>	<b>1,097</b>	<b>(1,097)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Uncontrollable Budget	1,083	1,083	● 0		0	0	0
<b>Total Directorate Budget</b>	<b>1,730</b>	<b>2,827</b>	<b>1,097</b>	<b>(1,097)</b>	<b>0</b>	<b>0</b>	<b>0</b>
							0
<b>Total Directorate Budgets</b>	<b>164,862</b>	<b>170,906</b>	<b>6,044</b>	<b>(2,484)</b>	<b>3,560</b>	<b>4,065</b>	<b>(505)</b>
							0
Corporate Items Including Levies	5,610	5,610	● 0		0	0	0
Corporate Contingency	1,248	1,248	● 0		0	0	0
Reserves and Provisions Including Other Grants	(3,877)	(5,278)	● (1,401)		(1,401)	(1,703)	302
Use of Capital Receipts	(3,039)	(3,039)	● 0		0	0	0
Other Income		(834)	● (834)		(834)	(863)	29
Spending Controls Freez		(1,325)	● (1,325)		(1,325)	(1,499)	174
<b>Total Budget Requirement</b>	<b>164,804</b>	<b>167,288</b>	<b>2,484</b>	<b>(2,484)</b>	<b>0</b>	<b>0</b>	<b>0</b>