
REPORT FOR: CABINET

Date of Meeting:	15 February 2018
Subject:	Revenue and Capital Monitoring 2017/18 – Quarter 3 as at 31 st December 2017
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
Exempt:	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
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 Revenue Budget Summary (Divisional) as at 31 st December 2017. Appendix 2 Savings Tracker 2017/18 to 2019/20

Savings Tracker.

Appendix 3 Draw Down from Reserves.

Appendix 4 Capital Programme as at 31st December 2017.

Appendix 5 Quarter 3 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 3 2017/18 (31st December 2017).

Recommendations:

1. Cabinet to note the revenue forecast position detailed in this report as at Quarter 3 2017/18.
2. Cabinet to approve debt write offs totalling £138k as specified in paragraph 2.30 to 2.32
3. Cabinet to approve additions to the Capital Programme as specified in paragraph 3.38 to 3.39
4. Cabinet to note one re-profiling within the capital programme as specified in paragraph 3.40
5. Cabinet note the Quarter 3 performance reports 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 31st December 2017 and seek Cabinet approval for capital programme adjustments and debts write offs which require Cabinet approval in accordance with Financial Regulations.

Section 2 – Report

1. INTRODUCTION

- 1.1 The net forecast position as at Quarter 3 (31st December 2017) on the revenue budget is showing a balanced position after a one-off contribution to reserves of £1.648m, which will be set aside for used against the 2019/20 budget. The directorates are reporting an over spend of £3.791m, a reduction in forecast overspend of (£0.089m) when compared to Quarter 2.
- 1.2 The Resources and Commercial directorate is forecasting an under spend of (£0.250m) mainly on income generation and efficiencies. The Children’s division is forecasting net demand pressures estimated at £2.8m, a reduction of £0.221m from Quarter 2. Adult services are forecasting a purchasing pressure of £0.439m in line with Quarter 2. The Community directorate are reporting a forecast pressure of £0.822m, an increase in forecast of £0.394m when compared to Q2 due to unachievable property acquisition savings.
- 1.3 The £3.791m overspends 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 which has resulted in a net underspend of (£1.648m).
- 1.4 The capital programme is reporting a forecast spend of £101.962m against a budget of £198.231m. This represents a total forecast spend of 51%, a reduction of 32% in the forecast when compared to Quarter 2. In terms of general fund capital, there is a net forecast variance of (£77.113m) of which £38.767m is requested for slippage into 2018/19 and (£38.346m) can be removed from the Capital Programme. For the Housing Revenue Account, a variance of (£19.155m) is forecast of which £17.192m is requested for slippage into 2018/19 and (£1.964m) can be removed from the Capital Programme.

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

2. REVENUE MONITORING

- 2.1 The revenue forecast position at Quarter 3 (31st December 2017) is showing an under spend of (£1.648m) after a draw down from reserves of £2.815m, an underspend on Corporate budgets of £3.310m, income of £0.834m received after the budget was set in February and £1.295m of spending controls. The (£1.648m) underspend will be used as a one-off contribution to the 2019/20 budget. The forecast by division is detailed in Appendix 1.
- 2.2 A summary of the Quarter 3 monitoring is shown in table 1 below:

Table 1: Revenue Monitoring – as at 31st December 2017

Directorate	Revised Budget	Outturn	Quarter 3 Variance	Draw Down from Reserves	Quarter 3 Variance	Quarter 2 variance	Budget Movement between Q2 and Q3
	£000	£000	£000	£000	£000	£000	£000
Resources and Commercial	23,024	23,183	159	(409)	(250)	12	(262)
Resources Total	23,024	23,183	159	(409)	(250)	12	(262)
Community and Culture	36,636	38,114	1,478	(656)	822	428	394
Community Total	36,636	38,114	1,478	(656)	822	428	394
Adults	64,542	65,436	894	(455)	439	439	-
Public Health	1,295	1,295	-	-	-	-	-
Children's	37,726	40,873	3,147	(367)	2,780	3,001	(221)
People Total	103,563	107,604	4,041	(822)	3,219	3,440	(221)
Planning and Enterprise	2,080	2,190	110	(110)	-	-	-
Regeneration	(350)	468	818	(818)	-	-	-
Regeneration Total	1,730	2,658	928	(928)	-	-	-
Total Directorates	164,953	171,559	6,606	(2,815)	3,791	3,880	(89)
Corporate Items	5,610	5,610	-	-	-	-	-
Corporate contingency	1,248	1,248	-	-	-	-	-
Technical and Corporate adjustment Budget	(3,968)	(7,278)	(3,310)	-	(3,310)	(1,721)	(1,589)
Use of Capital Receipts	(3,039)	(3,039)	-	-	-	-	-
Other Income	-	(834)	(834)	-	(834)	(834)	-
Spending Controls Freeze	-	(1,295)	(1,295)	-	(1,295)	(1,325)	30
Total Budget Requirement	164,804	165,971	1,167	(2,815)	(1,648)	-	(1,648)
Contribution to 2019/20 budget	-	1,648	1,648	-	1,648	-	1,648
Total Budget Requirement after one-off contribution to 2019/20 budget	164,804	167,619	2,815	(2,815)	-	-	-

RESOURCES AND COMMERCIAL

Table 2: Resources & Commercial Variance

Quarter 3 Variance £000	Quarter 2 Variance	Movement between Quarter 3 and Quarter 2
(250)	12	(262)

- 2.3 At Quarter 3, Resources Directorate is forecasting an under spend of (£0.250m) for the 2017/18 financial year.
- 2.4 The net movement of (£0.262m) in Q3 from the overspend position of £12k in Q2 relates mainly to the Legal and Governance division reporting an increase in externally generated income of (£0.139m) and the Finance division reporting (£0.137m) decreased costs primarily as a result of reduction in insurance premiums. The net balance of £0.013m relates to minor variances within the directorate.

COMMUNITY DIRECTORATE

Table 3: Community Variance

	Quarter 3 Variance	Quarter 2 variance	Movement between Quarter 3 and Quarter 2
	£'000	£'000	£'000
Commissioning & Commercial Services	0	0	0
Environment & Culture	522	428	94
Directorate Management	0	0	0
Housing General Fund	300	0	300
Total	822	428	394

2.5 At Quarter 3, the Community Directorate is reporting an overspend of £0.822m.

- Waste services over spend of **£0.250m** on agency staffing costs as a result of cover for sickness absence. A fixed term dedicated HR resource is being used to tackle the level of sickness. One of the key areas also being reviewed is the current level of agency staff deployed. There is a national shortage of LGV drivers and recruiting to the posts is difficult. Recruitments to the vacant driver and loader posts are underway.
- Clean & Green team over spend of **£0.130m** on agency staffing costs.
- Additional costs of **£0.149m** were incurred to provide interim cover and project management support during the restructuring process in Environment & Culture division.
- Estimated counsel costs of **£0.050m** for a legal case relating to food safety which involved a manslaughter charge against a defendant.
- Housing General Fund forecasts a pressure of **£0.300m** due mainly to unachievable B&B savings of £0.445m and £0.068m for the first 100 Homes and the subsequent 50 Homes of the Property Acquisition Programme. This has been partially offset by a favorable variation in the net rents from the first 100 Homes of £0.213m.
- These overspends have been partly offset by an increase in income of (**£0.100m**) mainly in relation to Parks & cemeteries.

- 2.6 The adverse variance of £0.394m is due to the additional £0.050m legal cost and unachievable savings for the Property Acquisition Programme as detailed above.

PEOPLE'S DIRECTORATE

Table 4: People's Directorate Variance

	Quarter 3 Variance	Quarter 2 Variance	Movement between Quarter 3 and Quarter 2
	£'000	£'000	£'000
Adults	439	439	-
Public Health	-	-	-
Children	2,780	3,001	(221)
Total	3,219	3,440	(221)

- 2.7 At Quarter 3 the People's Directorate is forecasting an over spend of £3.219m, this forecast includes assumed draw down from reserves of (£0.822m) as set out in appendix 3. The directorate's forecast represents a favourable movement of (£0.221m) when compared with Quarter 2.

ADULT SERVICES

- 2.8 Adults Services are reporting an overspend of £0.439m (an overspend of £4.9m before identified mitigation including use of the Adult Social Care grant) which is in line with the Quarter 2 forecast. The headline pressure within Adult services is detailed as follows:
- The forecast outturn position indicates continuing pressures (over and above the allocation of the £4.6m MTFS growth which mitigated underlying pressures brought forward from 2016/17) and relates largely to increasing purchasing pressures (including the all age disability service) and delivery of MTFS savings. However these are expected to be partially mitigated by action plans and use of the ASC grant as detailed above.
 - Whilst the service received MTFS growth, together with the announcement of the Improved Better Care Fund funding, the front line demand led services continue to face cost pressures in relation to the provision of services, arising largely from increasing complexities and also the interface with health.
 - Within Adult Social Care, purchasing pressures forecast an underlying overspend of £2.9m (including costs associated with Children and Young Adults with Disabilities), together with an overspend of £0.345m in relation to Mental Health services managed by Central and North West London (CNWL) under s75 arrangements. These pressures continue to reflect

increasing complexities and increases in the discharges from hospital into adult social care.

- The Better Care Fund (BCF) has been agreed for 2017/18, with the funding in relation to the protection of social care (a BCF condition) reduced from the budgeted figure of £6.558m down to £6.106m by the Clinical Commission Group. This reduction has been mitigated by the Adult Social Care (ASC) grant.
- Within internally provided services there are underlying pressures in the region of £1.025m. These pressures arise from delays (including those associated with planning and building related issues) associated with the achievement of MTFS savings, including £0.900m in relation to the Sancroft Phoenix project. These pressures are expected to be partially mitigated.
- The ASC grant of £3.6m is fully committed and will mitigate purchasing pressures (including funding the agreed inflationary uplift), shortfall in delivering the MTFS savings in relation to Sancroft and the reduced contribution from health in relation to the protection of social care within the Better Care Fund.

PUBLIC HEALTH

- 2.9 Overall the 2017/18 forecast outturn position for Public Health is a balanced budget, after the one-off contribution towards the Spending Control Freeze. This balanced position assumes that the statutory provision in relation to demand led sexual health services will be within budget. The new 5 year integrated contract with London North West Hospitals Trust (LNWHT) commenced on 1st August 2017. As a result activity is now charged based on the type of services provided (rather than a price for a first or follow up attendance) and data is awaited in relation to this activity to enable trends to be established and a robust forecast provided.

CHILDREN'S SERVICES

Table 5: Children's Variance

Quarter 3 Variance	Quarter 2 Variance	Movement between Quarter 3 and Quarter2
£'000	£'000	£'000
2,780	3,001	(221)

- 2.10 As at Quarter 3 the headline pressure for the division is £3.676m which reduces to a net forecast overspend of £2.780m after the use of one off management actions totalling (£0.529m) and draw down from reserve for redundancy costs of (£0.367m). This represents a reduction in overspend of (£0.221m) from the position reported at Quarter 2. The main reductions are:-

- **£0.183k Reduction in children's placements spend** as a result of planned actions. In particular there have been significant reductions to the numbers of children in residential, external fostering and semi-independent placements.
- **£67k Anticipated reduced requirement for secure placements** as this budget is demand led and there are now only 3 months of the financial year remaining.
- **£161k Additional income for Asylum seekers** Following confirmation by the Home Office and verification of eligible cases. The above reductions are partially offset by
- **£100k Additional pressure in legal costs** - This increase results from an increase in the number and complexity of care proceedings including judicial reviews for age assessments.
- **£45k Increased advisor capacity** required to support the resolution of the Schools Expansion Programme dispute.
- **£30k additional staffing costs** in relation to the Indian Social Worker recruitment linked to changes in Government regulations
- **£0.015k Other small increases across the directorate.**

2.11 The headline pressures of £3.309m before one off management action of £0.529m are as follows:

- **Children's Placements and Accommodation £2.211m overspend** - There is an overall reduction of £0.411m from the overspend reported at Quarter 2. As part of the service's planned actions, there has been reductions of 2 children in residential placements, 2 in mother and baby placements and 3 in semi-independent placements since quarter 2.
- **Children and Young People's Service Frontline Teams £0.441m overspend** -as a result of agency staff covering vacant posts, sickness and maternity together with '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 £0.080m and anticipated pressures of £0.150m relating to IT & mobile phone equipment
- Agency costs continue to be reduced during the remainder of the year with the continued arrival of social workers from India, and the permanent recruitment of social workers who complete the front-line and step-up programmes. A total of 11 social workers have already arrived from India. A further 5 are anticipated to arrive in February 2018 which would further reduce costs.
- **Families with No Recourse to Public Funds £0.074m 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 20 cases, 12 cases have been successfully closed since April 2017.

- A premium service from the Home Office involving the co-location of an Immigration & Enforcement Officer for 3 days per week is in place. This will fast-track all asylum related processes and background checks. This post started in July. A number of asylum seeking young people have already moved on to the National Asylum Seeking Service as a direct result of the work undertaken by this post holder. The screening processes around NRPF at the front door have prevented cases coming into the NRPF Service, reducing the need for on-going payments.
- **Departmental Legal Costs £0.203m overspend**
- **Signers and Interpreters Fees £0.090m overspend**
- **Capital Team £0.221m 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).
- **Commissioning Team £0.030m overspend**
- **Harrow School Improvement Partnership £0.179m overspend.**
- **Other small underspend £0.010m.**
- **Early Support Service under spend £0.130m**
- These pressures are partially offset by one off management actions totalling (£0.529m).

2.12 DEDICATED SCHOOLS GRANT (DSG)

The total notified DSG budget at Q3 is £135.374m. This is a reduction from the figure reported at Q2 of £1.116m as a result of the conversion of Earlsmead school to academy status. The EFA therefore recoups the funds from the LA to delegate to the academy directly.

2.13 Early Years Block

In 2017/18 the initial Early Years Block is £15.046m. This will be adjusted to take account of the January 2018 census for participating 2, 3 & 4 year olds. The overall block is forecast to balance to budget. However there are a number of assumptions built into the forecast including take-up for the newly established SEN Inclusion Fund and

participation in the extension of the free entitlement for eligible 3&4 year olds from 15 hours to 30 hours from September.

2.14 High Needs Block

The High Needs Block budget is £30.979m and is currently forecasting to overspend by £0.045m. It is made up of a number of service areas covering staffing, funding to schools, academies, independent & non maintained school sector and further education institutes and is considered to cover educational provision for young people aged 0-25 years in line with the SEND reforms.

2.15 De-delegated and central budgets.

De-delegated and central budgets including Education Services Grant are forecast to balance to budget.

2.16 Growth Fund

The growth fund has been primarily established for Additional Class Funding for planned increases in Planned Admission Number (PAN) for the Primary Expansion Programme. In addition, funds have been added for expansion funding for schools extending the age range, in year bulge classes in the second year and funding for schools with varying rolls. At this time it is not anticipated that any additional bulge classes will be opened this financial year therefore these budgets have been released to cover an increase in NNDR costs due to revaluations of several schools in the schools expansion programme. Overall there is a balancing underspend of £0.045m to balance out the pressure on the HNB.

REGENERATION, ENTERPRISE AND PLANNING

- At Quarter 3, Regeneration, Enterprise & Planning are reporting a balanced budget which is consistent with Quarter 2 forecast.
- Regeneration activity, estimated at £0.818m, will be funded from the capacity already set aside.
- £5.247m [net] of Community Infrastructure Levy (CIL) and S106 money has been received at Quarter 3. The net unspent income will be transferred to CIL reserves at year end.
- Some salary and operating costs in Economic Development are assumed to be met from external funding, which is subject to a successful claim to ESF and the outcome of which will not be known until later part of the financial year.

HOUSING REVENUE ACCOUNT

Table 6: HRA Variance

Quarter 3 Variance £'000	Quarter 2 Variance £'000	Movement between Quarter 3 and Quarter 2 £'000
(870)	(837)	(33)

- 2.18 As at Quarter 3 there is a forecast capacity of (£0.870m) in the HRA, an improvement against quarter 2 of (£0.033m)
- 2.19 A summary of the HRA position is provided below which includes estimated balances
- Included in the forecast position of (£0.870m) is the £0.200m interest payments to the Department for Community and Local Government on retained Right to Buy receipts expected to be repaid to Government under terms of the retention agreement.
 - 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.

CORPORATE BUDGETS

- 2.20 Corporate budgets are forecast to underspend by (£3.310m). This underspend includes unallocated inflation budgets, other contingencies and grants. The council has also received one off income of (£0.834m) after the budget was set in February 2017.

SPENDING CONTROL FREEZE

- 2.21 In Month 2, a balanced position was reported after proposing a £1.5m spending control and Spending Freeze contribution across the Directorates.
- 2.22 Further work was done on this proposal in Q2 and a total of (£1.325m) has been identified across the directorates as the amount that directorates are able to contribute towards the spending controls. At Q3 the (£1.325m) has now been revised down slightly to (£1.295m) due to budget pressure within the Housing division.
- 2.23 Table 8 below shows the breakdown of the (£1.295m) by directorate.

Table 7: Spending Control Freeze

Directorate	Contribution to Spending control Freeze
	£000
Spending control freeze included in the Budget Monitoring Report at period 2	1,499
Resources and Commercial	(475)
Community and Culture	(425)
Adult	(159)
Public Health	(161)
People Total	(320)
Planning and Enterprise	(75)
Total Directorates	(1,295)

CAPITAL FLEXIBILITY

- 2.24 Included in the forecast balanced position that is been reported at Quarter 3 is the use of £3.093m fund realised from assets disposal under the capital receipts flexibility (CRF) scheme that was introduced by the central government in 2016/17.

CONTINGENCIES AND RESERVES

- 2.25 The contingencies exist to cover unavoidable pressures together with other unforeseen items and spending pressures and to cover areas such as risk, health and safety, equality impacts and uncertainty.
- 2.26 The contingency for unforeseen items of £1.248m has been used in full for Pinner Wood School.
- 2.27 There are also a number of earmarked 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
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Balance at Start of Year April -17	2,000	75	800	678	405	2,534	2,336	2,109	2,857	6,133
Estimated total to be drawn down in 2017/18 as at Period 9	(1,000)				(405)	(943)	(2,336)		(799)	-4800
Estimated total to be applied in 17/18 and future years.		0	0	0		(1,364)		0		4,137
Available after commitment in 2017/18	1,000	75	800	678	0	227	0	2,109	2,058	5,470

MTFS IMPLEMENTATION TRACKER

2.28 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.

2.29 As at the end of Quarter 3, 13% of savings have already been banked (blue savings), 71% of savings (green and amber) are on track or partially achieved, with 16% of savings being declared as red. There are no changes to the savings tracker between Q3 and Q2.

Table 9: RAG Rating of 2017/18 Savings

	Resources	People	Community	Regeneration	Pan Organisation	Quarter 3	Quarter 2	Movement between Q3 and Q2	Percentage Split
	£000	£000	£000	£000	£000	£000	£000	£000	
Red	57	871	354	0	350	1,632	1,632	0	16%
Amber	195	914	944	100		2,153	2,153	0	21%
Green	1,282	1,128	2,718	47	0	5,175	5,175	0	50%
Blue	307	925	50	0	0	1,282	1,282	0	13%
Purple	0	0	0	0	0	0	0	0	0
Total	1,841	3,838	4,066	147	350	10,242	10,242	0	100%

Red	Agreed savings not achievable
Amber	Savings only partially achieved or risk remaining
Green	Achievement of savings on track
Blue	Savings achieved and banked

Debt Write-off

2.30 Cabinet is requested to write off debt of £138,125 in relation to three historic adult social care debts which are not considered recoverable and which have been fully provided for within the Adults bad debt provision.

- 2.31 These debts relate to the payment of care. In two of the cases, the debts were expected to be discharged through property transactions (these were complex cases including joint ownership and trusts). The third case related to the payment of benefits to a family member who was not responsible for care costs.
- 2.32 The service users died over the period 2011 to 2014. In recent years efforts have been made to recover these outstanding amounts, however given the age of the debt and the length of time which has passed since the service users death, these are no longer considered recoverable.

3. CAPITAL PROGRAMME

- 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 including the 25% reduction to Capital programme in Quarter 2, the programme now totals £198.231m at Quarter 3.
- 3.2 The forecast spend at Quarter 3 is £101.962m, 51% of the total capitals programme.
- 3.3 The forecast variance on the General Fund at Quarter 3 is a variance of (£77.113m) (47%) of which £38.767m is requested for slippage into 2018/19, and (£38.346m) can be removed from the Capital Programme.
- 3.4 The forecast variance on the Housing Revenue Account budget of £32.457m at Quarter 3 is an under spend of (£19.155m), of which £17.192m is requested for slippage into 2018/19 and (£1.964m) can be removed from the Capital Programme.
- 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	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	17,315	20,534	0	-4,441	14,892	18,515	33,407	23,462	-9,945	9,868	-77
<i>Adult</i>	7,450	891	0	-48	1,516	6,776	8,293	7,420	-873	796	-77
<i>Schools and Children</i>	9,865	19,643	0	-4,393	13,376	11,739	25,115	16,042	-9,072	9,072	0
COMMUNITY	55,231	4,837	-898	-10,766	8,171	40,233	48,403	35,244	-13,159	12,890	-269
<i>Environment and Commission</i>	33,675	-297	0	-11,202	5,148	17,028	22,176	17,964	-4,212	4,075	-137
<i>Housing</i>	19,080	3,948	0	369	1,680	21,717	23,397	14,450	-8,947	8,815	-131
<i>Culture</i>	2,476	1,186	-898	67	1,343	1,488	2,831	2,831	0	0	0
RESOURCES	9,949	23,589	898	-7,116	0	27,320	27,320	11,989	-15,331	15,331	0
REGENERATION	46,130	10,513	0	0	872	55,771	56,643	17,966	-38,677	677	-38,000
TOTAL GENERAL FUND	128,625	59,473	0	-22,324	23,935	141,839	165,774	88,661	-77,113	38,767	-38,346
TOTAL HRA	15,238	17,219	0	0	1,481	30,976	32,457	13,301	-19,155	17,192	-1,964
TOTAL GENERAL FUND & HRA	143,863	76,691	0	-22,324	25,416	172,815	198,231	101,962	-96,269	55,959	-40,310

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
PEOPLE	-9,945	-1,931	-8,014	-9,868	-1,882	-7,986	-77	-49	-28
<i>Adult</i>	-873	-64	-809	-796	-15	-781	-77	-49	-28
<i>Schools and children</i>	-9,072	-1,867	-7,205	-9,072	-1,867	-7,205			0
COMMUNITY	-13,159	-100	-13,059	-12,890	0	-12,890	-269	-100	-169
<i>Environment and commissioning</i>	-4,213	-100	-4,113	-4,075	0	-4,075	-138	-100	-38
<i>Culture</i>	0	0		0	0	0	0	0	0
<i>Housing</i>	-8,946	0	-8,946	-8,815	0	-8,815	-131	0	-131
RESOURCES	-15,332	0	-15,332	-15,332	0	-15,332	0	0	0
REGENERATION	-38,677	-677	-38,000	-677	-677	0	-38,000	0	-38,000
TOTAL GENERAL FUND	-77,113	-2,708	-74,404	-38,767	-2,559	-36,208	-38,346	-149	-38,196
TOTAL HRA	-19,155	0	-19,155	-17,192	0	-17,192	-1,964	0	-1,964
TOTAL	-96,268	-2,708	-93,559	-55,959	-2,559	-53,400	-40,310	-149	-40,160

RESOURCES DIRECTORATE

3.6 As at Quarter 3 the Resources Directorate is forecasting overall spend of £11.989m, which is 44% of the approved £27.320m capital budget in 2017/18. The forecast variance totals (£15.331m) which will all be slipped to 2018/19. The main items of slippage and underspend are detailed as follows:

- Property Investment Portfolio – out of £9.598m budget one property was acquired in 2017/18, the remaining £4.694m will be slipped to next year whilst the search for another appropriate investment property continues. The revenue implication of this is that the 2018/19 MTFs saving could slip depending on when the final purchase takes place.
- Small Schemes (Council wide) – £6.630m, this budget is carried forward to next year and intended to be used as and when small priority schemes across the Council are identified in the future. There are no revenue implications of slipping this budget to 2019/19.
- ICT Transformation, Refreshment and Enhancement projects – out of £9.152m 2017/18 budget £3.262m will be carried forward to next year. This is required in 2018/19 to fund contractual milestones and commitments made for Middleware and to fund the digital platform replacement programme. There are no revenue implications of slipping this budget to 2018/19.
- SAP Financial Ledger programme – the slippage of £0.520m will be required in 2018/19 to fund BW upgrade, Portal and potential purchase of Winshuttle licences. There are no revenue implications on slipping this budget to 2018/19.
- The balance of £0.225m relates to minor slippages on other schemes.

COMMUNITY DIRECTORATE

3.7 As at Quarter 3 the forecast is £35.244m, 73% of the total budget.

3.8 The forecast variance is (£13.159m) of which £12.890m will be slipped to 2018/19 and £0.269m is no longer needed. The main items of slippage and underspend are detailed below:

Commissioning and Environment & Culture

3.9 At Quarter 3, the service is forecasting to spend £20.795m (83%) in 17/18, a budget slippage of (£4.075m) and an under spend of (£0.137m).

3.10 Depot Redevelopment is a 3 year project with a capital budget of £5.26m profiled in 17/18. Originally the phasing of the scheme was based around prioritising the movement of buses from the former

driving centre to allow for the redevelopment of that site to commence. To achieve this, the multi storey car-park (and associated demolition works of existing units) at the depot would have been required as part of the first phase of the scheme. As the pressure to free up the former driving centre has been removed, it has allowed the re-phasing of the depot scheme to simplify the programme and minimise disruption to site users. In light of this, the costs of the construction of the multi-storey car park and the demolition of existing offices to facilitate this are not anticipated until 18/19. It is therefore proposed that £3.35m of the budget is slipped to 18/19 leaving £1.91m in the 17/18 programme to cover the costs for this financial year. Revenue savings built into budget to cover the capital financing costs. These will be re-profiled in line with capital spend.

- 3.11 A capital budget of £0.725m is provided primarily for the replacement of the roof and roof lights at Vernon Lodge. The work is currently put on hold pending a decision on a wider project. Although the roof is coming to the end of its life, the building is currently watertight. Should this position change before a decision is taken on the wider project, the capital budget will be used to undertake targeted repairs to the roof to prevent water ingress into the building. It is forecast that £0.725m will be slipped to 18/19. There are no revenue impacts of slipping this budget to 2018/19.
- 3.12 The forecast underspend relates to Green Grid project (£0.038m) as part of the contribution to the council wide capital reduction exercise, and Local Implementation Plan (£0.099m). Projects classified as capital within 17/18 Local Implementation Plan have a total budget of £2.21m, which is fully funded by Transport for London. The latest budget in the capital programme has been overstated by £0.099m. There are no revenue impacts of slipping this budget to 2018/19.

Housing General Fund

- 3.13 At Quarter 3 the outturn forecast for Housing General Fund is £14.450m
- 3.14 The forecast variance is (£8.947m) of which £8.815m will be slipped to 2018/19 and £0.131m budget is no longer needed.
- 3.15 Budget of £8.815m is for the 50 additional properties under the property acquisition programme it is assumed that this budget will be slip to 2018/19. The implication of this is the non achievement of the associated B&B savings assumed in the MTFs which has been addressed through the MTFs re-refresh.
- 3.16 Empty Property Grants is expected to under spend £0.131m; this will result in fewer private rented dwellings becoming available to accommodate homeless households adversely impacting homelessness expenditure. EPG spend is restricted by availability of suitable properties and completion of works, together with delays in securing funding from private land lords.

PEOPLE

- 3.17 At Quarter 3 the forecast spend is £23.462m, 70% of the 2017/18 People's directorate capital budget.
- 3.18 The forecast under variance of (£9.945m) which will be slipped to 2018/19 and £0.077m budget is no longer required.

ADULTS

- 3.19 At Quarter 3 the forecast spent is £7.420m this represents 89% of the approved capital programme.
- 3.20 The forecast variance is (£0.873m), of which £0.796m will be slipped to 2018/19, with £0.077m no longer required.
- 3.21 The secure NHS network connection (N3) under the Integrated Health Model Implementation project will slip £0.241m into 2018/19. This relates to improvement of business processes (not linked to MTFS savings).
- 3.22 Project Infinity anticipated spending £0.0130m by year-end 2017/2018, requiring £0.370m to be slipped into 2018-19 to fund further commercial and interface development. New funding of £0.100m is planned in 2018/2019 resulting in a total budget of £0.470m. The impact of this activity will maximise the commercial income potential and improve business processes and would allow, subject to relevant scrutiny in relation to on-going income streams, MTFS savings (taken out of the budget as a prudent measure to de-risk the financial position) to be reinstated.
- 3.23 Expenditure on the Mentis Pilot will not be required at the level originally anticipated for 2017/18. As a result, the unspent provision of £0.241m will be slipped into 2018/19 to fund any additional further capital works which may be considered necessary to support delivery of the MTFS savings of £0.184m. There will be no revenue implication as a result of the £0.241m budget that is been slipped to 2018/19. However following further analysis of the business case, the original MTFS proposal in 2018/19 to generate income from intermediate care beds is no longer considered achievable. Alternative plans are being developed to achieve this saving although it is not clear at this stage whether capital funding will be required.

SCHOOLS

- 3.24 The approved capital programme in 2017/18 for Children's Services totals £25.115m. The projected expenditure this year is £16.042m which represents 64% of the total capital budget.
- 3.25 **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.

- 3.26 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.
- 3.27 **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. Four of the projects are completed and the final scheme is scheduled to commence in February 2018. The majority of this project will therefore slip into 2018/19. 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

- 3.28 The total slippage is (£9.072m). Of this, £3.150m relates to funding set aside for secondary expansions. 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. There are no revenue implications from this slippage
- 3.29 SEP3 slippage totals £3.9m. This is the final project in SEP3 and relates to Welldon Park Junior School. Work is anticipated to start on site in February 2018 and completed by October/November 2018. The slippage does not impact on the school as the expanded year groups are still working through the infant school which is on a different site. There are no revenue implications from this slippage.
- 3.30 Special Educational Needs provision slippage totals £1.320m. Funding has been included in the capital programme to support additional in-borough SEN provision which is currently being reviewed and scoped. The outcome of the review will inform any decisions about future provision but will not be spent until 2018/19. There are no revenue implications from this slippage
- 3.31 The remainder of the slippage is for IT and funding for bulge classes which are not anticipated to be needed this financial year. There are no revenue implications from this slippage

REGENERATION

- 3.32 At Quarter 3, the forecast spent is £17.966m; this represents 32% of the £56.643m approved capital programme.
- 3.33 The forecast variance is (£38.677m) of which £0.677m will be slipped to 2018/19 and £38m is no longer needed.
- 3.34 The forecast variance of £38m that is no longer required is due to the revision of the Regeneration programme as detailed in the Capital Programme report elsewhere on the agenda. The £55.8m 2017/18 budget is forecast to spend £17.7m, with the revised regeneration programme being re phased over the periods 2018/19 to 2020/21 resulting in a reduction in the overall capital requirement.

Housing Revenue Account

- 3.35 At Quarter 3, outturn forecast for Housing Revenue Account is £13.301m resulting in forecast variance (£19.155m) of which £17.192m will be slipped into 2018/19 and £1.964m will be removed from the programme.
- 3.36 The HRA main planned investment programme is slipping £1.930m to 2018/19 and under spending by £1.964m. The implication of the £1.964m underspend is that some improvement schemes affecting Council tenants will be delayed although priority is given to mandatory Health & Safety works and statutory works; the slippage relates to contractually committed expenditure which will all be spent in 2018/19. As the expenditure is funded mainly from HRA capital reserves and not borrowing there is no revenue impact.
- 3.37 The remaining slippage of £15.261m relates to the Grange Farm Regeneration scheme £5.250m, and Infill New Build scheme £10.011m, arising from delays in planning and procurement. This will result in delays in providing new houses in Council's HRA to replace those lost through right to buys and delivery of regenerated Grange Farm Estate resulting in lower than expected net rental income.

AMENDMENTS TO THE CAPITAL PROGRAMME

Additions to the capital programme

- 3.38 The Headstone Manor restoration project is now complete and the capital element of the costs is forecast to overspend by £0.459m in 17/18, this is because additional works has been carried out. The level of spend is still within the overall funding envelope for the project. It is proposed that £0.317m budget be added to the capital programme

and £0.142m be brought forward from 2018/19 to 2017/18 capital programme. These are all externally funded.

- 3.39 The Council has successfully secured a capital grant of £0.025m from the GLA for the purchase of IT equipment to support the delivery of community learning and skills focused education. The grant is profiled as £0.015m in 17/18 and £0.010m in 18/19. Match funding from Harrow of £0.025m is to be provided for this project, via the external funding from Skills Funding Agency, that the Service obtains annually to meet its costs. It is therefore proposed that this new project is added to the current capital programme as follows:

Table 12: Addition to Capital programme

	2017/18			2018/19		
	Gross Value	External Funding	Net Value	Gross Value	External Funding	Net Value
Mobile technology in Community Learning	30,000	-30,000	0	20,000	-20,000	0

Re-profile to the Capital Programme

- 3.40 A total CIL funding of £4.8m is allocated to Highway Programme over 2 years in the capital programme. The projects have been included in the programme of work and are well underway. It is proposed that the £2.4m originally set for 18/19 is re-profiled to 17/18 to allow additional highway infrastructure improvement works to be completed in this financial year.

4. CONCILIUM BUSINESS SERVICES

- 4.1 The Quarter 3 forecast currently shows that Concilium Business Services is close to target in achieving the business plan.

5. Legal Implications

- 5.1 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.
- 5.2 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.

- 5.3 Debt write offs are covered under the Council's Financial Regulations D22 debts of more than £0.025m need Cabinet approval.

6. Equalities

- 6.1 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:
- 6.2 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.
- 6.3 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:
- 2.5 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.
- 6.4 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.
- 6.5 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.

6.6 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

6.7 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.

7. Financial Implications

Financial matters are integral to the report.

8. 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 3 is a balanced position.

For the 2017/18 savings built into the MTFs, the overall position as at Q3 is that 13% of the savings are RAG rated as blue (achieved and banked), 50% green (achievement of saving on track), 21% amber (saving only partially achieved or risks remaining) and 16% red (agreed saving not achievable).

The Capital Programme is projecting a spend of 51% as at quarter 3.

9. 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. 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	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 5 February 2018		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 19 January 2018		

Ward Councillors notified:	NO, as it impacts on all Wards
EqIA carried out:	NO
EqIA cleared by:	Not applicable

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels (sharon.daniels@harrow.gov.uk),
Deputy Section151 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 <i>[Call-in applies]</i>
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Revenue Summary

Appendix 1

	Revised Budget	Outturn	Quarter 3 Variance	Drawdown From Reserve	Quarter 3 Variance	Quarter 2 Variance	Budget Movement between Q3 and Q2
	£000	£000	£000	£000	£000	£000	
Resources							
Controllable Budget							
Customer Services	23,611	23,473	● (138)		(138)	(221)	83
Business Support	3,597	3,604	● 7		7	17	(10)
Director of Resources	1,270	1,264	● (6)		(6)	(1)	(5)
Assurance	558	557	● (1)		(1)	14	(15)
HRD & Shared Services	1,068	1,102	● 34		34	73	(39)
Procurement & Commercial	322	393	● 71		71	81	(10)
Legal & Governance	2,390	2,333	● (57)		(57)	81	(138)
Strategic Commissioning	2,166	2,558	● 392	● (409)	(17)	(26)	9
Finance	3,157	3,014	● (143)	● 0	(143)	(6)	(137)
Contribution to spending Freez			● 0		0	0	0
Total Controllable Budget	38,139	38,298	159	(409)	(250)	12	(262)
Uncontrollable Budget	(15,115)	(15,115)	● 0		0	0	0
Total Directorate Budget	23,024	23,183	159	(409)	(250)	12	(262)
Community							
Controllable Budget							
Commissioning & Corporate Estate	(3,410)	(3,089)	● 321	(321)	0	0	0
Environment & Culture	20,900	21,757	● 857	(335)	522	428	94
Directorate Management	179	179	● 0		0	0	0
Housing General Fund	4,476	4,776	● 300		300	0	300
Total Controllable Budget	22,145	23,623	1,478	(656)	822	428	394
Uncontrollable Budget	14,491	14,491	● 0		0	0	0
Total Directorate Budget	36,636	38,114	1,478	(656)	822	428	394
People							
Controllable Budget							
Adult Services	58,085	58,979	● 894	(455)	439	439	0
Public Health	476	476	● 0		0	0	0
Children & Families	29,192	32,868	● 3,676	(367)	3,309	3,177	132
Management control		(529)	● (529)		(529)	(176)	(353)
Total Controllable Budget	87,753	91,794	4,041	(822)	3,219	3,440	(221)
Uncontrollable Budget	15,810	15,810	● 0		0	0	0
Total Directorate Budget	103,563	107,604	4,041	(822)	3,219	3,440	(221)
Regeneration							
Economic Development & Research	613	693	● 80	(80)	0	0	0
Planning	384	414	● 30	(30)	0	0	0
Regeneration Programme	(350)	468	● 818	(818)	0	0	0
Sec 106		0	● 0		0	0	0
Total Controllable Budget	647	1,575	928	(928)	0	0	0
Uncontrollable Budget	1,083	1,083	● 0		0	0	0
Total Directorate Budget	1,730	2,658	928	(928)	0	0	0
Total Directorate Budgets	164,953	171,559	6,606	(2,815)	3,791	3,880	(89)
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	(3,968)	(7,278)	● (3,310)		(3,310)	(1,721)	(1,589)
Use of Capital Receipts	(3,039)	(3,039)	● 0		0	0	0
Other Income		(834)	● (834)	● 0	(834)	(834)	0
Spending Controls Freez		(1,295)	● (1,295)		(1,295)	(1,325)	30
Total Budget Requirement	164,804	165,971	1,167	(2,815)	(1,648)	0	(1,648)
Contribution to 2019/20 budget		1,648	1,648	0	1,648	0	
Total Budget Requirement after one-off contribution to 2019/20 budget	164,804	167,619	2,815	(2,815)	0	0	(1,648)