
REPORT FOR: CABINET

Date of meeting:	12 July 2018
Subject:	2018-19 Revenue Monitoring as at 31 st May 2018
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All wards
Enclosures:	Appendix 1 - Revenue Budget Summary as at 31 May 2018 Appendix 2 – 2018-19 MTFS Savings Tracker Appendix 3 - Draw Down from Reserves

Section 1 – Summary and Recommendations

This report sets out the Council's revenue monitoring position as at Month 2 2018/19 (31 May 2018) and progress on achieving the 2018/19 savings included in the Medium Term Financial Strategy (MTFS) approved by Council in February 2018.

Recommendations:

1. That Cabinet notes the revenue forecast positions set out at paragraphs 1.1 to 1.2.
2. That Cabinet note the progress on achieving the 2018/19 savings set out at paragraph 1.3.

3. That Cabinet approves the proposed addition to capital programme as set out at paragraph 4.1.

Reason (for recommendation)

To report the 2018/19 forecast financial position as at 31 May 2018 and update Cabinet members on the progress in achieving the 2018/19 MTFs savings agreed by Cabinet in February 2018.

Section 2 – Report

1.0 INTRODUCTION

1.1 This is the first monitoring report of the year and covers the revenue position as at 31st May 2018. The next monitoring report will be presented to cabinet in September 2018 and will cover both Revenue and Capital monitoring as at 30th June 2018 (Quarter 1).

1.2 The net forecast position as at Month 2 (31st May 2018) on the revenue budget is an overspend position of £1.684m after the planned use of reserves which are largely applied to fund one-off projects and contribution to spending controls across the directorates of £1.1m. The forecast position at month 2 is summarised below:

	£m
• Adult service overspends	2.521
• Environment and Culture overspend	0.263
• 18/19 Contribution to spending control	<u>(1.100)</u>
	<u>1.684</u>

1.3 There are substantial savings of £9.179m (gross) included in the 2018/19 budget. This report outlines progress on the MTFs savings as at Month 2. In summary, 75% of the savings are rated as already banked, 15% are rated Amber (savings partially achieved or risk remaining), while 10% of the savings are rated red (savings not achievable).

2.0 REVENUE MONITORING

2.1 The Revenue forecast position at Month 2 (as at 31st May 2018) is showing an overspend position of £1.684m which is after allowing for a draw down from reserves of £1.608m as detailed in appendix 3 and £1.1m of spending controls across the directorates. The summary of the forecast by division is detailed in appendix 1.

2.2 Table 1 below set out summary of the Month 2 monitoring position:

Table 1: Revenue Monitoring – as at 31st May 2018 (Month 2)

Directorate	Revised Budget	Forecast Outturn	Month 2 Variance	Draw Down From Reserves	Revised Month 2 Variance
	£000	£000	£000	£000	£000
Resources and Commercial	16,346	16,463	117	(117)	-
Resources Total	16,346	16,463	117	(117)	-
Commissioning, Environment and Culture	32,614	33,481	867	(604)	263
Housing	8,113	8,113	-	-	
Regeneration, Enterprise and Planning	2,002	2,757	755	(755)	-
Community Total	42,729	44,351	1,622	(1,359)	263
Adults	64,294	66,947	2,653	(132)	2,521
Public Health	(1,704)	(1,704)	-	-	-
Children's	42,851	42,851	-	-	-
People Total	105,441	108,094	2,653	(132)	2,521
Total Directorates	164,516	168,908	4,392	(1,608)	2,784
Corporate Items	5,760	5,760	-	-	-
Corporate Contingency	1,774	1,774	-		-
Technical and Corporate Adjustment	(433)	(433)	-		-
Use of Capital Receipts	(2,700)	(2,700)	-		-
Spending Control		(1,100)	(1,100)		(1,100)
Total Budget Requirement	168,917	172,209	3,292	(1,608)	1,684

Resources and Commercial

2.3 At Month 2, the Resources and Commercial Directorate is forecasting a balanced position for the 2018/19 financial year. This is after an assumed draw down from reserves of (£0.117m) as detailed in appendix 3.

Community

2.4 At Month 2, the Community Directorate is forecasting an overspend of £0.263m overall. This is after allowing for a total of (£1.359m) draw down from reserves as detailed in appendix 3.

Table 2: Community Directorate variance

	Month 2 £000
Commissioning and Commercial	-
Environment and Culture	263
Housing General Fund	-
Regeneration, Enterprise and Planning	-
Total	263

- 2.5 **Commissioning & Commercial Services** forecasts a balanced position.
- 2.6 Forecast pressure of **£263k** is reported in **Environment & Culture** due to the cost pressure of the dry recycling disposal contract. The gate fee per tonne has increased significantly since February 18 due to unfavourable market prices for dry recyclables.
- 2.7 **Housing General Fund** forecasts a balanced position. This assumes potential pressures are fully neutralised by the potential capacities and grant income. Flexible Homeless Support Grant and New Burdens Funding of £1.985m and £0.167m are expected in 2018/19 with a further £1.449m unutilised grant brought forward from 17/18 bringing total grant funding of £3.602m.
- 2.8 **Regeneration, Enterprise and Planning** forecasts a balanced outturn on the basis that the revenue costs of regeneration activity (estimated at £755k) are funded from the capacity already set aside.

People Services

- 2.9 The People's Directorate is forecasting an over spend of £2.521m at Month 2, the forecast includes assumed draw down from reserves of (£0.132m) as set out in appendix 3.

Table 3: People's Directorate Variance

	Period 2 £000
Adult	2.521
Public Health	-
Children	-
Total	2.521

Adult Services

- 2.10 The period 2 Adults forecast is projecting a net overspend of £2.521m relating to adult social care placements, offset by wider divisional underspends. This assumes that MTFs savings will be fully delivered, with a further £0.6m of mitigating actions associated with assessment of need within the placement budget.
- 2.11 The growth of £5.825m in the 2018-19 adults budget assumed £2.786m for underlying pressures and £3.038m for new placements.

2.12 Further to the budget setting, the increasing requirement to meet social care need has resulted in the growth estimates being revised which results in the overspend now being reported. This is an early indication of the likely year end position; however, the assumptions made within this forecast will be reviewed on a regular basis and as a result will be subject to change as the year progresses.

2.13 The key factors in arriving at the overspend are:

- An increase in the number of weeks of care provided in residential/nursing and supported accommodation settings of 1,176 weeks.
- Increases in average weekly costs within residential settings - £16 per week for supported accommodation and £21 per week across residential and nursing.
- An increase in the costs of care in the community, reflecting a number of factors:
 - a lower level of personal budgets offset by an increase in the number of commissioned home care packages
 - an average increase of £20 per week for cash personal budgets.
- Cost increases represent both the market pressure and increased complexity of care

Children's Services

2.14 In 2018/19 the directorate received budget growth of £2.9m in response to a significant increase in the number of young people and families and complexity of need in 2016/17.

2.15 The forecast for the directorate is a balanced position in Month 2.

HOUSING REVENUE ACCOUNT

2.16 Period 2 forecasts an underspend of £0.103m due mainly to the impact of ongoing service reviews aimed at reducing expenditure and increasing income to stabilise HRA position resulting from ongoing impact of Government reforms including rent reduction, borrowing cap and welfare reforms. Depreciation charges are expected to be higher than budget which partially offsets these cost reductions although this results in a transfer of resources between reserves only and no additional financial cost. The approved budget assumes revenue cost reductions and increased income of £1.9m per annum by March 2021.

2.17 If this is not achieved the HRA will be at risk of becoming unviable which is not legally permitted. Restrictions on borrowing have required a reduction in planned investment scheme to ensure only statutory and essential health & safety works are carried out.

2.18 Although, phase 1 of the Grange Farm Regeneration scheme, (which has secured planning consent and external HIF funding), will be proceeding, a review of the HRA Business Plan is underway to ensure capacity exists to complete the Infill programme and initiate a wider spectrum of new build schemes to reverse sustained stock depletion from right to buys. A key component of this review will be bidding for additional borrowing capacity, grant and flexibilities in use of retained right to buy receipts from Greater London Authority.

2.19 Given the extremely challenging financial circumstances the HRA is in no position to absorb further costs from the General Fund and must reduce both revenue and capital expenditure to remain viable. Extensive consultation will also be required with tenants and leaseholders to as part of the service reviews where increases in fees and charges are proposed.

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

Table 4: Housing Revenue Account Variance

HRA revenue balances	Outturn 2017/18 £'000	Budget £'000	YTD Actual £'000	Forecast outturn £'000	Variance £'000
Balance b/fwd, pre-audit	-6,892	-7,531		-7,474	57
Net (surplus) deficit	-582	1,099	1,949	995	-103
Balance c/fwd	-7,474	-6,432		-6,479	-46

CORPORATE BUDGETS

2.21 Corporate budgets including the central contingency are forecast to balance as at Month 2.

CONTINGENCIES AND RESERVES

2.22 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. The Central Contingency is forecast as being fully utilised at this early stage in the year, but this will be kept under review as we continue through the year.

2.23 There are also a number of earmarked reserves for a variety of purposes as identified in table 5 below:

Table 5: Contingencies and Earmarked Reserves

	Budget Planning and Capacity	Commercialisation	TPIF	Carry Fwd	MTFS Implementation cost	CIL Harrow and Mayor
	£000	£000	£000	£000	£000	£'000
Balance at Start of Year April -18	7,382	355	1,826	469	2,441	6,155
Estimated to be drawn down in 2018/19 as at month 2	0	0	(701)	0	0	0
Estimated to be drawn down in 2018/19 and future years	0	0	(96)	(469)	0	0
Available after commitment in 2018/19	7,382	355	1,029	0	2,441	6,155

SPENDING CONTROL FREEZE

2.24 The overspend position of £1.684m in month 2 assumed a one-off contribution to spending controls across the directorates of £1.1m. The forecast position reported by Directorates assumed these contributions will be made.

2.25 Table 6 below shows the breakdown of the £1.1m by directorate.

Table 6: Contribution to Spending Control

Directorate	Contribution to Spending control
	£000
Resources and Commercial	(450)
<i>Community and Culture</i>	<i>(75)</i>
<i>Planning and Enterprise</i>	<i>(75)</i>
Community Total	(150)
<i>Children</i>	<i>(250)</i>
<i>Public Health</i>	<i>(250)</i>
People Total	(500)
Total Directorates	(1,100)

National Non Domestic Rates (NNDR)

2.26 As a first step towards 100% Business rates retention Harrow joined the 100% business rates retention pilot proposal for 2018/19 covering all London Boroughs. Harrow will receive a proportion of the collective growth in London arising from the pool and the no detriment clause agreed by central Government guarantees that no Council could be worse off than it would have been had the pilot not been put in place. Currently, Central government have committed to the pool for the period of 1 year only. Full implementation of 100% retention will require primary legislation although the latest indication is that rather than 100%, it could be a 75% scheme.

2.27 At the time of preparing the 2018/19 budget, no indicative figures were available for potential growth from the pilot pool therefore, as a prudent measure; no benefit was built into the final budget. Early indications are that Harrow could benefit from an estimated £3.8m of one off income in 2018/19. However, this is dependant on Business rate growth estimates from all London Boroughs and then actual growth achieved by 31/03/19. London Council's have requested an update of business rates growth estimates by the end of July to compare against original estimates. Any income from the pilot will improve the in year position but the working assumption is that this income will be used against the 2019/20 budget. This assumption is to mitigate the risk of having to pay back to the pool any estimated growth monies received in year if the estimated growth does not materialise in full. Further updates will be reported in subsequent quarterly budget monitoring updates to Cabinet in September, December and February.

3.0 SAVINGS TRACKER

3.1 The 2018/19 budget includes approved MTFS savings of £9.179m.

3.2 Appendix 2 shows a list of the individual red, amber, green and blue rated savings in the MTFS. The definitions used to classify savings rating in this report are detailed in table 7 below:

Table 7: Savings Definition

Green - Low or no risk to delivery of	Clear delivery plans in place
	Project running to timescale
Amber - Medium/some risk to delivery	Potential for slippage but project will be delivered as originally intended but not within timescale, so saving will not be fully realised.
Red - High risk to delivering forecast savings	Project may have started but will deliver no savings in the current financial year
	Project cannot be delivered but underspends found else where to mitigate savings.
Purple	Future year's savings

Table 8 below shows the summarised position for each directorate as at month 2;

Table 8: Savings Tracker 2017/18 – Directorate Summary

	Resources	People	Community	Regeneration	Period 2	Percentage Split
	£000	£000	£000	£000	£000	
Red	369	340	239	0	948	10%
Amber	130	1,202	0	0	1,332	15%
Green	1,806	1,597	3,446	50	6,899	75%
Purple	0	0	0	0	0	0
Total	2,305	3,139	3,685	50	9,179	100%

3.3 The total gross savings for 2018/19 is £9.179m. As at Period 2, 75% of the 2018/19 savings are rated green (Clear delivery plans in place and running to timescale), this is a significant improvement when compared to this time last year's percentage of 65%. 15% are rated as amber (Potential for slippage but project will be delivered as originally intended but not within timescale, so saving will not be fully realised), whilst 10% are rated as red (Project may have started but will deliver no savings in the current financial year, Project cannot be delivered but underspends found else where to mitigate savings). The 10% of savings rated as red relates to 9 savings totalling £0.948m, as follows:

Resources

3.4 There are four savings totalling £0.329m that are rated red in Resources, these savings are detailed as follows:

- Saving reference RES15 for £0.151m for restructuring of the commercial, contracts and procurement division's function. The saving will not be delivered due to the cessation of shared service arrangement with Brent. However, the saving will be mitigated by realigning the overall directorate's budget.
- The Strategic Commissioning savings RES_SC01 and RES_SC_02 of £0.013m and £0.107m respectively which relate to Income from Communications, will not be achieved. Proposals will be brought forward to create a sustainable position for Communications during 2019/20 budget process. Any pressure that arises as a result of not achieving this saving will be managed across the directorate.

- Special Responsibility Saving RES 18.19 06 of £0.058m will not be achieved. The new administration has confirmed the number of cabinet members will not change.
- Member meetings, member self-service, change to standards regime saving RES 18.19 05 will not be achieved due to risk of the legal challenge and recent judicial review of the processes in another council.

These savings are being mitigated by reductions in other budgets across the Directorate.

Community

- 3.5 There is one red saving in Community of £0.239m which relates to Income from expansion of Central Depot with savings reference COM. Additional income from the depot is not possible until after the new depot which provides extra office and parking spaces has been built. The saving will be mitigated in other areas within the directorate this year.

People Services

- 3.6 Three savings totalling £0.340m are classified as red in People's Directorate and detailed as follows:
- **In Children's**, the net saving of £0.100m which was intended to be a reduction in SEN assessment and review service is now classified as red. Given the rise in demand in the number of young people with SEN, the remainder of this saving is no longer considered achievable. This will be mitigated in other areas of the directorate.
 - Wiseworks commercialisation opportunity savings (PA_3) of £0.056m is categorised as red. The shortfall in delivery of 2018/19 income targets together with further increased income requirement unlikely to be achieved. However this is expected to be mitigated in full across the internally provided services.
 - The Milmans Community tender saving ref PA_4 will not be achieved in 2018/19 as the community model is unsuccessful. These savings are expected to be mitigated in full through the achievement of rental income (£128k in a full year) and maximisation of capacity at NRC's enabling externally funded placements to be supported through in house provision.

4.0 AMENDMENT TO THE CAPITAL PROGRAMME

Addition to the Capital Programme

- 4.1 External grant to support Council's Disabled Facilities Grant (DFG) programme has increased by £226k than assumed in the approved budget therefore an increase in the DFG budget of the same amount is requested from £2.030m to £2.256m for 2018-19 a £226 K increase. This will support the achievement of MTFs Telecare savings held in the Resources Directorate with no additional borrowing requirement.

5.0 REPORTING FOR THE 2018/19 FINANCIAL YEAR

5.1 Cabinet will receive quarterly monitoring reports during the year as follows:

- Quarter 1 - September 2018
- Quarter 2 - December 2018
- Quarter 3 - February 2019
- Outturn report - June 2019

6.0 IMPLICATIONS OF THE RECOMMENDATIONS

The recommendations are asking the Cabinet mainly to:

- To note the revenue position for 2018/19
- To note the movement between reserves
- To agree an addition to the Capital Programme

These recommendations do not affect the Council's staffing / workforce and have no equalities, procurement, data protection or community safety impact.

7.0 PROCUREMENT IMPLICATIONS

There are no procurement implications arising from this report

8.0 LEGAL IMPLICATIONS

8.1 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.

8.2 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 £2.5 million.

9.0 FINANCIAL IMPLICATIONS

Financial implications are contained within the body of the report.

10.0 PERFORMANCE ISSUES

Good financial monitoring is essential to ensuring that there are adequate and appropriately directed resources to support delivery and achievement of Council priorities and targets as set out in the Corporate Plan. In addition, adherence to the Prudential Framework ensures capital expenditure plans remain affordable in the longer term and that capital resources are maximized.

The forecast position at month 2 is showing an overspend position of £1.684m.

For the 2018/19 savings built into the MTFS, the overall position is that 75% of the savings are RAG rated as Green (Clear delivery plans in place and project running to timescale), 15% amber (Potential for slippage, project will be delivered as originally intended but not within timescale, so saving will not be fully realise) and 10% red (Project may have started but will deliver no savings in the current financial year).

11.0 ENVIRONMENTAL IMPACT

There is no direct environmental impact

12.0 RISK MANAGEMENT IMPLICATIONS

The Key financial risks are managed through the risk management strategy. There are two significant financial risks currently included on the Corporate Risk Register:

Risk 2 – Failure to deliver a 3 year MTFS. This risk is currently rated at B2, high likelihood and critical impact.

Risk 26 – There are insufficient financial reserves. This risk is currently rated at D2, low likelihood and critical impact.

The Corporate Risk Register, reported quarterly to the Corporate Strategic Board and the GARMS.

13.0 EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY

The MTFS savings have had equality impact assessments completed on them where required and these have been published with the budget setting report.

[..\..\BUDGET\Budget 2018-19\February Budget Report\Final Report\Report and Appendices for Daksha\V3 Final Budget Report 2018-19 track changes 070218.doc](#)

14.0 CORPORATE PRIORITIES

The Month 2 Budget monitoring Report has been prepared in line with the Council's vision:

Working Together to Make a Difference for Harrow

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

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date: 29 th June 2018		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 29 th June 2018		

Section 3 – Procurement Officer Clearance

Name: Nimesh Mehta	<input checked="" type="checkbox"/>	Head of Procurement
Date: 26 th June 2018		

Ward Councillors notified:	NO – affects all wards
EqlA carried out:	NO
EqlA cleared by:	N/A

Section 4 - Contact Details and Background Papers

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

Background Papers: None

Call-In Waived by the Chair of Overview and Scrutiny Committee	NO <i>[Call –in applies]</i>
---	---------------------------------

Revenue Forecast Summary by Directorate

Appendix 1

	Revised Budget	Outturn	Period 2 Variance	Drawdown From Reserves	Period 2 Variance
	£000	£000	£000	£000	£000
Resources					
Controllable Budget					
Customer Services	23,795	23,704	● (91)	● 0	(91)
Business Support	3,464	3,464	● 0	● 0	0
Director of Resources	869	869	● 0	● 0	0
Assurance	583	629	● 46	● (45)	1
HRD & Shared Services	993	992	● (1)	● 0	(1)
Procurement & Commercial	293	234	● (59)	● 0	(59)
Legal & Governance	1,953	1,864	● (89)	● 0	(89)
Strategic Commissioning	1,865	2,176	● 311	● (72)	239
Finance	2,322	2,322	● 0	● 0	0
Contribution to spending Freez			● 0		0
Total Controllable Budget	36,137	36,254	117	(117)	0
Uncontrollable Budget	(19,791)	(19,791)	● 0		0
Total Directorate Budget	16,346	16,463	117	(117)	0
Community					
Controllable Budget					
Commissioning & Corporate Estate	(5,794)	(5,535)	● 259	(222)	37
Environment & Culture	20,734	21,342	● 608	(382)	226
Directorate Management	179	179	● 0	0	0
Housing General Fund	4,569	4,569	● 0	0	0
Regeneration, Enterprise and Planning	862	1,617	● 755	(755)	0
Total Controllable Budget	20,550	22,172	1,622	(1,359)	263
Uncontrollable Budget	22,179	22,179	● 0		0
Total Directorate Budget	42,729	44,351	1,622	(1,359)	263
People					
Controllable Budget					
Adult Services	57,707	60,360	● 2,653	(132)	2,521
Public Health	(1,814)	(1,814)	● 0	0	0
Children & Families	32,027	32,027	● 0	0	0
Total Controllable Budget	87,920	90,573	2,653	0	2,521
Uncontrollable Budget	17,521	17,521	● 0		0
Total Directorate Budget	105,441	108,094	2,653	(132)	2,521
Total Directorate Budgets	164,516	168,908	4,392	(1,608)	2,784
Corporate Items	5,760	5,760	● 0		0
Corporate Contingency	1,774	1,774	● 0		0
Technical and Corporate Adjustment	(433)	(433)	● 0		0
Use of Capital Receipts	(2,700)	(2,700)	● 0		0
Spending Controls Freeze		(1,100)	● (1,100)		(1,100)
Total Budget Requirement	168,917	172,209	3,292	(1,608)	1,684