
REPORT FOR: CABINET

Date of meeting:	21 June 2018
Subject:	Revenue and Capital Outturn 2017/18
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 wards
Enclosures:	Appendix 1 - Revenue Carry forward Schedule Appendix 2 - Capital Receipts Flexibility Strategy Appendix 3 - Movements in Reserve 2017/18 Appendix 4 - 2017-18 MTFS Savings Tracker Appendix 5 - Concilium Business Services Performance Report Appendix 6 - Capital Outturn and Funding

Section 1 – Summary and Recommendations

This report sets out the Council’s revenue and capital outturn position for 2017/18

Recommendations:

1. That Cabinet notes the revenue and capital outturn position for 2017/18 as detailed in paragraphs 1.0 to 1.3.
2. That Cabinet approves debt write offs totalling £61,381 as specified in paragraphs 2.15.
3. That Cabinet notes the movement between reserves outlined in paragraphs 2.26 to 2.35.
4. That Cabinet notes the revenue carry forwards outlined at paragraphs 2.34 to 2.35 and detailed in Appendix 1 that have been approved under delegated authority by the Director of Finance.
5. That Cabinet notes the carry forwards on the capital programme outlined in table 8 and set out at Appendix 6 that have been approved under delegated authority by the Director of Finance.
6. That Cabinet notes the timetable for preparation of the Statement of Accounts, Pension Fund Account and External Audit Review as outlined in paragraphs 4.1.

Reason (for recommendation)

To report the financial position as at 31 March 2018

Section 2 – Report

1.0 EXECUTIVE SUMMARY

- 1.1 The revenue outturn position for the Council’s General Fund at the end of the financial year 2017/18 year shows a balanced position after transfers to and from reserves. The outturn position is summarised below:

	£m
• Overspend on Directorates	4.278
• Corporate Items	(2.325)
• Corporate Contingency	(0.274)
• Technical and Corporate Adjustment	(5.354)
• One off Income	(0.824)
• Reduction in Capital Receipts Flexibility	<u>1.301</u>
• Net underspend applied as follows:	<u>(3.198)</u>
• Contribution to 2019/20 Budget	2.000
• Capacity to support delivery of the MTFS	<u>1.198</u>
	0

- 1.2 The balanced budget position assumes a revenue budget carry forward of £0.469m, which is added to reserves in 2017/18 for use in 2018/19.
- 1.3 Total spend on the capital programme for the year is £94.131m (47%) against a budget of £201.252m, giving a variance of £107.121m. The variance of £107.122m is made up of total slippage of £65.5m which will be carried forward into 2018/19 and underspends of £41.621m which are no longer required and will be removed from the programme. More detail is included in table, including the split between the general fund and the HRA.

2.0 REVENUE OUTTURN

2.1 The Directorates are reporting a net overspend of £4.278m which is offset by (£7.476m) of under spends in corporate budgets and additional income. This leaves a net underspend of £3.198m which will be transferred into the Budget Planning Contingency and earmarked as follows:

- Contribution towards 2019/20 budget £2m
- Capacity to support delivery of MTFS £1.198m

Table 1 below sets out the Summary Revenue Outturn position:

Table 1: Revenue Outturn 2017/18 Summary

Directorate	Revised Budget	Outturn	Outturn variance	Carry Forward	Outturn variance after carry forward
	£000	£000	£000	£000	£000
Resources and Commercial	21,923	20,975	(948)	315	(633)
Resources Total	21,923	20,975	(948)	315	(633)
Community	37,913	39,513	1,600	-	1,600
Community Total	37,913	39,513	1,600	-	1,600
Adults	64,706	65,138	432		432
Public Health	1,288	1,288	-		-
Children's	37,614	39,208	1,594	46	1,640
People Total	103,608	105,634	2,026	46	2,072
Planning and Enterprise	2,046	2,117	71	108	179
Regeneration	(350)	710	1,060		1,060
Regeneration Total	1,696	2,827	1,131	108	1,239
Total Directorates	165,140	168,949	3,809	469	4,278
Corporate Items	6,016	3,691	(2,325)		(2,325)
Corporate Contingency	1,248	974	(274)		(274)
Technical and Corporate Adjustment	(4,561)	(9,915)	(5,354)		(5,354)
Use of Capital Receipts	(3,039)	(1,738)	1,301		1,301
Other Income		(824)	(824)		(824)
Total Budget Requirement	164,804	161,137	(3,667)	469	(3,198)
Contribution to 2019/20 Budget and Capacity Funding	-	3,198	3,198		3,198
Carry Forward		469	469		
Total Budget Requirement After One-Off Contribution to 2019/20 Budget	164,804	164,804	-		-

Directorates' Outturn

2.2 The outturn for the Directorates is a net over spend of £4.278m after taking into consideration a carry forward of £0.469m. The position for each directorate is summarised as follows:

Resources

2.3 The outturn position for Resources is an under spend of (£0.633m) after allowing for a carry forward of £0.315m. The key reasons for the under spend are detailed below:

- The Director of Resources is showing a net (£0.480m) underspend which represents the in year spending freeze across the Resources directorate as their contribution to their spending control target of £0.500m.
- The Finance division is reporting a net (£0.167m) underspend, which relates mainly to reduce insurance premiums for the authority and a number of other minor variances.
- Legal and Governance are reporting an overall net (£0.171m) underspend that is due to higher than budgeted income from the legal practice.
- Other under spends across the services of (£0.039m).

The above are partly offset by over spends as detailed:

- The Business Support division is reporting a net overspend of £0.111m which results from temporarily diverting resources to undertake a lean review of the service for longer term benefit and additional spend on agency staff.
- The Strategic Commissioning division is reporting a net overspend of £0.114m mainly due to unachieved MTFS savings targets combined with the increased income target in relation to Communication services. In addition Community Resilience reported underachieved income resulting from Schools not subscribing to the service.

The recommended carry forward requests of £0.315m are set out in Appendix 1

Community

2.4 The outturn position for Community is an over spend of £1.6m. However, £0.143m is funded from capacity already set aside corporately to fund the loss of parking income as a result of regeneration. This leaves a balance of £1.457m detailed below:

- **Libraries and Leisure service** is over spent by £0.442m. The Libraries Service was provided by Carillion until January 2018. The net cost impact arising from the company's liquidation is £0.140m due to the outstanding unpaid sum relating to rent and service charges due from Carillion, for which a 100% bad debt provision is made. There are a couple of unbudgeted costs relating to the contract indexation price increases during the contract period £0.09m and a backdated rent cost of £0.120m for Gayton Library following a rent re-

negotiation. The MTFs saving in Leisure Service £0.100m is unachieved due to the delay in the redevelopment of the Harrow leisure centre.

- In **Public Protection**, there is an income shortfall of £0.337m as the number of licensable activities is less than anticipated. There is an unfunded counsel cost of £0.030m in relation to the prosecution of a food safety manslaughter case.
- **Museum Service** is over spent by £0.148m due to additional agency staffing and operating costs, primarily premises related.
- **Waste Services** have experienced a high level of sickness absence during 2017/18. Additional properties, as a result of new housing developments and increasing number of HMOs, have led to the need to introduce waste collections over the weekend. Additional agency staff was therefore used to complete collections rounds and cover for sickness absence, resulting in an over spend of £0.582m.
- In **Clean & Green**, there is a one-off overspend on agency staff of £0.130m due to operational issues and an under achievement of grounds maintenance income of £0.173m.
- During the re-structure of the **Environment & Culture division**, there was an interim cover for two vacant Heads of Service positions and project management support, resulting in a one-off cost of £0.124m.

These overspend are partially offset by:

- (£0.402m) under spend on waste disposal costs.
- Over achievement of income in Cemeteries (£0.060m) and the Arts Centre (£0.063m)

People Services

2.5 People Services is reporting an over spend of £2.072m after taking into consideration a carry forward of £0.046m. The net over spend of £2.072m is made up of an over spend of £0.432m on Adults and an over spend of £1.640m in Children's Services. The key reasons for the over spends are detailed below:

Adult Services

2.6 Adult Services is reporting an over spend of £0.432m. The key reasons for the over spend are detailed below:

- £2.996m in relation to Adult Social Care. This relates in the main to:
 - £1.621m relates to the increased cost of adult placement costs reflecting increasing complexities and increases in the discharges from hospital into adult social care, together with an increased requirement to fund aged debt of £0.382m.
 - £0.604m relates to children and young adults with disabilities.

- £0.565m in relation to Mental Health services managed by Central North West London (CNWL).
- £0.452m reduction in the level of funding for the 2017/18 Better Care Fund (BCF) in relation to the protection of social care (a BCF condition). The 2017/18 budget assumed that the BCF funding would be consistent with 2016/17 levels as assured by the CCG, however following negotiations the CCG were unable to continue this level of funding and as a result the agreed position reflected a reduction to that budgeted.
- There is £0.932m over spend on in-house provided services. These pressures arise from delays (including those associated with planning and building related issues) associated with the achievement of MTFs savings, including the Sancroft Phoenix project. This MTFs shortfall has been partially mitigated across the division.

The overspend above is partly offset by the following underspends:

- (£3.628m) representing the improved better care grant, announced after budget setting to fund adult social care and used for the purposes of meeting adult social care needs, reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready and stabilising the social care provider market.
- (£0.022m) Safeguarding quality assurance - underspend includes holding posts vacant to mitigate wider pressure.
- (£0.298m) Strategic Management – this relates to the impact of spending control reductions across the division held centrally to mitigate wider pressures, and includes not recruiting to a Head of Service post.

Children's Services

2.7 The over spend for the division is £1.640m, after accounting for a carry forward of £0.046m.

2.8 This is made up of a headline pressure of £2.643m partially offset by one off management actions and additional sources of external funding of (£1.003m) which are not anticipated to reoccur in future years. This is a significantly improved position from the projected net overspend reported at the start of the financial year of £4.1m. This is due to significant management actions and budget oversight which has taken place throughout the year. These are covered in more detail in the following sections:

2.9 The main areas of over spend are detailed below:

- **Children's Placement and Accommodation £1.835m overspend.** There is an overall reduction of £1.487m from the overspend reported at Month 2 in May 2017. This is due to an overall net reduction of young people in accommodation by 35. Nearly a third of the reduction comes from residential children's homes which are the most expensive type of accommodation as well as a reduction in semi-independent and leaving care placements. In house fostering placements have remained consistent and this is one of the most cost effective provisions.

A significant amount of work has been undertaken in order to mitigate and monitor spend on children's placements including the introduction of a number of weekly, monthly and quarterly access to resources and themed tracking and monitoring panels chaired by the Divisional Director.

In addition, the Keeping Families Together Service is now in place, and demonstrating evidence of preventing young people coming into care, whilst also helping some young people to step-down into more cost-effective accommodation.

All of these actions continue to enable the directorate to develop a culture whereby cost management is seen as an integral part of care planning for all practitioners and managers within the division.

- **Children and Young People's Service Frontline Teams £0.177m overspend.** The main pressure is as a result of agency staff covering vacant posts, sickness and maternity together with 'as and when' required staff carrying out supervised contact. This is a reduction from the pressure reported at the start of the year of £0.205m.

Agency costs have been reduced due to the recruitment of 18 social workers from India who joined at various stages of the year as well as the permanent recruitment of social workers who completed the front-line and step-up programmes.

Whilst the reduction in overspend has been significantly reduced throughout the year it is anticipated that there will always be a pressure on staffing since the full establishment is required to be filled in order to safely maintain service delivery. However this will be kept to a minimum through continued recruitment of permanent staff to vacant posts.

- **Capital Team £0.228m overspend.** The overspend relates to 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).
- **Harrow School Improvement Partnership £0.226m overspend.** There has been shortfall of income in the Harrow School Improvement Partnership which is required to generate external funding, primarily from schools, to recover the full cost of running the service. As a result of this the model for School Improvement has been redesigned and the new structure comes into place in August 2018.
- **Signers and Interpreters Fees £0.075m overspend.**

2.10 The above is partly offset by under spends listed below:

- **Families with No Recourse to Public Funds and Section 17 (£0.206m) underspend.** Expenditure relates to 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.

This budget also provides support and subsistence payments to children in need. The total expenditure on these families was £0.727m. This is a reduction of £0.280m from the pressure reported at the start of the year.

- **Departmental Legal Costs (£0.082m) underspend.** At the start of the year the directorate reported a projected overspend in relation to disbursements for barristers, experts, court fees and other expenses in relation to care proceedings, of £0.103m. This has reduced by £0.185m by the end of the financial year due to an increase in the number of Public Law Outline (PLO) pre proceedings work by 30%. This is in order to ensure that as much work has been carried out as possible before or instead of the beginning of care proceedings as well as carrying out any necessary assessments and work with the family which may either delay or incur additional costs once the care proceedings have begun.
- **SEN Transport (£0.039m) underspends.**
- **External funding and additional management actions (£0.560m) underspend.** These pressures are partially offset by one off management actions totalling £0.160m. In addition to this £0.400m of additional external income has been received including the Controlling Migration Fund grant and the recently announced grant relating to building capacity for unaccompanied asylum seeking children. Both of these are offsetting expenditure already being incurred by the LA.

2.11 The recommended carry forward for People Services of £0.046m which relates to the SEND Reform Grant in Children's Services is set out in Appendix 1.

Public Health

2.12 Public Health is reporting a balanced position at year end.

2.13 Across the directorate there were lower levels of spend on wider health improvement as a result of the cessation of planned projects and a lower level of spend in relation to statutory demand led open access sexual health services, which enabled an increase in the public health reserve of £1.079m. As the grant is ring fenced, this lower level of expenditure enabled a contribution towards the specific public health reserve of £1.079m which will enable additional resources to deliver public health outcomes in future years.

2.14 The shared public health service with Barnet ceased on 31st March 2018.

Debt Write Off

2.15 Cabinet is requested to write off debt of a historic adult social care debt of £61,381 which is not considered recoverable and which has been fully provided for within the Adults bad debt provision. This debt relates to the payment of care, which was expected to be recovered through access to funds through the courts and property transactions. The service user died in 2011 and despite efforts to assess contributions following probate this debt remains unpaid. Given the age of the debt and the length of time which has passed since the death of the service user, the debt is no longer considered recoverable.

Regeneration, Enterprise and Planning

2.16 The outturn position for the Regeneration, Enterprise and Planning division shows a variance of £1.239m after taking into consideration a carry forward of £0.108m. However, £1.060m of Regeneration activity is funded from the capacity already set aside corporately which leaves a balance of £0.179m. The key reason for the net over spend is detailed below:

- Net overspend of £0.179m in Planning services due to additional agency staff costs to cover vacancies.

2.17 The recommended carry forward requests of £0.108m are set out at Appendix 1

CORPORATE ITEMS

Corporate Items

2.18 The net underspend on corporate items is (£2.325m) as detailed below;

- (£0.152m) is the underspend against the £0.400m set aside for the Apprenticeship levy.
- (£1.425m) of bad debt provision relating to housing benefit overpayments within the Housing Benefit Service which is no longer required. The bad debt provision now stands at 78% of £10.4m debt.
- (£0.435m) write back on the Good Received /Invoice Received suspense account.
- (£0.107m) is due to 2017/18 Employer's contribution adjustment which is a result of over recovery of pension contributions.
- (£0.156m) reduction in subscription charges paid in the year.
- Other minor underspend on corporate item of (£0.050m).

Contingency

2.19 Of the £1.248m contingency for unforeseen items, £0.974m was used, leaving an under spend of (£0.274m).

Technical and Corporate Adjustments

2.20 The variance of (£5.354m) on Technical and Corporate Adjustments is detailed:

- (£1.518m) relates to the utility Inflation and other inflation provisions against which no draw downs were made.
- The budget set aside for increase in NNDR as a result of revaluation was underspent by (£0.348m).

- (£0.526m) relates to a further revenue contingency budget set aside for unforeseen circumstances which was not utilised in 2017/18.
- (£0.877m) relates to a contingency held in respect of reductions to the public health grant which did not materialise in 2017/18.
- (£0.235m) relates to an underspend as the amount of provision required in respect of litigation was less than that assumed in the budget.
- Additional grant income of (£2.4m) was received during 2017/18, which mainly relates to Section 31 grant to reimburse councils for exemptions and reliefs given to small businesses in respect of Business rates, which could not have been budgeted for at the start of the year.
- There has been a net underspend of (£0.497m) on capital financing, this is mainly as a result of delay in spend on the Capital Programme.

2.21 The above under spend is offset by £1m as a result of not drawing down the £1m from the budget planning reserve.

Capital Receipts Flexibility 2017/18

2.22 In the Spending Review 2015, it was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects. This flexibility was initially being offered to the sector for the three financial years 2016/17 to 2018/19, but this has now been extended for a further 3 years. Qualifying expenditure is expenditure on any project that is designed to generate on-going revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

2.23 The budget assumed using £3.039m of capital flexibilities. The sum actually applied was £1.738m, allowing flexibility of £1.3m to be carried forward and applied in future years

2.24 The actual sum identified as qualifying expenditure in 2017/18 was £1.738m compared to the £3.039m in the budget as detailed in Appendix 2 attached.

Other Income

2.25 (£0.824m) of additional income was received after the 2017/18 budget was set and held centrally.

RESERVES

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

Table 2: Movement In Main Reserves

Earmarked Reserves Summary				Appendix 3
	Balance b/f 1/4/17	Draw down from reserves	Addition to reserves	Balance c/f 31/03/18
Revenue grant reserve	908,632.17	-508,681.28	2,731,531.00	3,131,481.89
Projects in progress (c/fwds)	2,336,000.00	-2,336,000.00	453,564.54	453,564.54
Business Risk	2,109,000.00	-2,109,000.00		0.00
MTFS Implementation cost	2,856,704.90	-415,937.00		2,440,767.90
Priority Initiatives (TPIF)	2,534,409.00	-1,508,104.00	800,000.00	1,826,305.00
PFI Schools Sinking Fund	2,512,969.76	-141,391.00		2,371,578.76
PFI NRC Sinking Fund	1,414,035.00		88,579.00	1,502,614.00
Commercialisation Reserve	404,620.00	-50,000.00		354,620.00
Budget Planning and Capacity Reserve	2,000,000.00		5,382,000.00	7,382,000.00
CIL Harrow	6,132,569.00	-4,800,000.00	4,554,000.00	5,886,569.00
CIL Mayor	155,396.00		113,000.00	268,396.00
				0.00
General Fund Balance	10,008,000.00	0.00	0.00	10,008,000.00

2.27 Revenue Grant Reserve – This reserve contains revenue grants to be used for specific purposes or which may be subject to claw back if conditions of the grant are not met. The net contribution to this reserve in 2017/18 is £2.223m.

2.28 Business Risk Reserve - This reserve was established as part of the 2012/13 outturn to provide for a number of identified business risks. There have been no drawdowns during the year and the balance of £2.109m has been transferred to the Budget planning reserve.

2.29 Medium Term Financial Strategy Implementation Reserve (MTFS) – This reserve is earmarked to facilitate the achievement of MTFS savings. The balance at the start of the year was £2.857m, £0.416m has been drawn down in the year to fund redundancy and pension strain costs, which leaves a balance of £2.441m

2.30 Transformation and Priority Initiatives Fund (TPIF) - The balance at 1 April 2017 was £2.534m. During the year £1.508m was drawn down from the reserve to fund both revenue and capital expenditure, and the balance of £0.800m on the Standing Up For Those In Need reserve have been transferred to this reserve, which leaves a balance of £1.826m. Draw downs totalled £1.508m and the main items are detailed below;

- Awards for Major Projects (AMP) - £0.427m
- Making Harrow Clean Again - £0.300m
- Improving the street scene (Fly tipping) - £0.244m
- Fighting Domestic Violence - £0.113m
- CA Site Traffic Management - £0.077m

- Sancroft project - £0.120m
- Combating Street Trading - £0.027m
- Food Strategy - £0.080m

2.31 **Commercialisation Reserve** – The balance at the beginning of the year was £0.405m. During the year £0.050m was drawn down for Project Infinity which leaves a balance of £0.355m.

2.32 **Budget Planning Reserve** – The balance at the beginning of the year 1 April 2017 was £2m. It was assumed that £1m would be drawn down into the 2017/18 budget which is now no longer required. The 2017/18 (£3.198m) under spend has been added to this reserve. The Rapid Response Reserve (£0.075m) and Business Risk Reserve (£2.109m) have been consolidated into this reserve bringing the closing balance to £7.382m.

2.33 **Harrow and Mayor CIL Reserve** – The **Community Infrastructure Levy** is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. Harrow has £6.288m in the reserve as at 31st March 2017, £4.667m has been added during the year and £4.800m drawn down, giving a closing balance of £6.155m.

2.34 **Revenue Carry forward requests** - were received, mainly in relation to projects not completed and government grants not yet spent. The carry forward requests are summarised below and listed in Appendix 1.

Table 3 Summary of Revenue Carry Forwards

	Council Funding	Grant Funding	Total
	£'000	£'000	£'000
Resources	255	60	315
People Services	-	46	46
Regeneration	-	108	108
Carry Forward Total	255	214	469

2.35 Carry Forward requests have been agreed in line with the criteria set out in the Financial Regulations.

GENERAL RESERVES

2.36 General Fund balances remain at £10.059m. The 3 years MTFs 2018/19 to 2020/21 assumes no use of reserves.

MTFS Implementation Tracker

2.37 The 2017/18 budget includes approved MTFS savings of £10.241m. The actual achievement of savings is summarised in table 4 below and shown in more detail in Appendix 4:

Table 4 Summary of MTFS Tracker

	Resources	People	Community	Regeneration	Pan Organisation	Final outturn	Percentage
	£000	£000	£000	£000	£000	£000	
Red	82	1,365	389	100	350	2,286	22%
Amber	0	420	909	0	0	1,329	13%
Green	1,452	1,128	2,718	47	0	5,344	52%
Blue	307	925	50	0	0	1,282	13%
Total	1,841	3,838	4,066	147	350	10,241	100%

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

2.38 Of the £10.241m of savings in 2017/18, a total of £2.286m are been categorised as red savings which means they were not achieved in 2017/18. Some of these savings are red as the implementation was delayed and, although not achieved in 2017/18, will be progressed in 2018/19. Others relate to savings which have been reversed out as part of the 2018/19 budget setting process.

Analysis of the Red Savings

2.39 Resources directorate £0.082m savings classified as red are detailed as follows:

- A saving of £0.057m from retendering of the Communication service was not achieved as the demand for the service in the organisation did not reduce as expected. The saving has been reversed as part of the 2018/19 budget setting.
- A saving of £0.025m in Communications from additional income will be difficult to achieve in 2018/19. Any pressure will be managed through the Resources Directorate, and proposals will be brought forward to create a sustainable position for Communications during 2018.

2.40 In **Community** the red savings of £0.389m relates to the following:

- Extension of Property Purchase 50 Homes £0.254m – a gross saving of £948k is included in the MTFS. Capital financing costs are assumed at £573k leaving a net contribution to the MTFS of £375k. This net contribution is now being reversed out of the budget over 2018/19 and 2019/20. The £15m capital budget for the purchase of the 50 homes remains in the Capital Programme. The updated MTFS assumes that, when the 50 homes are purchased, all capital financing costs will be met from savings on bed and breakfast accommodation budgets within the Housing Division to ensure the

second tranche of the property purchase initiative is cost neutral to the revised MTFS.

- Redevelopment of Harrow Leisure Centre £0.100m - The redevelopment of Harrow Leisure Centre will not now be completed until 2020/21 at the earliest. In 2018/19, the savings target will be mitigated elsewhere within the service for example, the installation of new soft play area in Harrow leisure centre to generate income.
- Efficiencies arising from Selective Licensing £0.035m – The roll out of the selective licensing scheme to other wards were delayed. However South Harrow scheme is now live.

2.41 The red savings in Regeneration Enterprise & Planning division of £0.100m is in relation to the Planning Fees. The new fees were only implemented in January 2018. It is anticipated that this will contribute to achieving this saving target in 2018/19.

2.42 **People Services** savings of £1.365m are rated as red.

2.43 In **Adult services**, the red savings of £1.365m are detailed as follows:

- Commissioning £0.187m – a delay in implementing the saving in 2017/18 resulted in a shortfall, however this has been implemented and the saving will be delivered in full in 2018/19.
- Wiseworks £0.069m – the additional commercial income was not fully achieved in 2017/18 and the ongoing shortfall, and further MTFS savings will be mitigated in 2018/19.
- Milmans Community Tender £0.175m – the community model was unsuccessful. These savings were mitigated in part during 2017/18 and there are plans to mitigate the 2018/19 MTFS savings through commercial rental income and maximisation of day centre occupancy in 2018/19 and beyond.
- Sancroft savings of £0.334m - these savings were superseded by a local authority trading company operating from Sancroft under project Phoenix. The ongoing shortfall is expected to be mitigated in part by the extension of the building to enable increased LA placements at lower costs and potentially increased trading profits.
- Transport £0.200m – savings anticipated to be delivered following the implementation of the community model which was unsuccessful with the savings realigned as part of the 2017/18 budget build. Approved future year MTFS savings have been reversed as part of the 2018/19 approved budget.
- Shared Lives commercialisation through selling model to neighbouring borough of £0.150m – this level of commercial income could not be achieved, with the saving being realigned as part of the 2017/18 budget build on an ongoing basis.

- Bedford House £0.250m - delays in the planning, procurement and building process resulted in a shortfall in 2017/18, however as the works have now been finalised these savings are expected to be fully delivered in 2018/19.

2.44 The **Pan Organisation** saving of £0.350m has not been achieved, and has been reversed out of the MTFS.

Analysis of the Amber Savings

2.45 The amber rating indicates that a saving was partially achieved in the year but not fully achieved. The £1.329m of amber savings (in Table 4) have been further analysed to show how much was achieved (green) and the amount of unachieved savings (Red).

Table 5: Analysis of 2017/18 Amber Savings

	People	Community	Final outturn	Percentage Split
		£000	£000	
Amber	420	909	1,329	
Red	35	571	606	46%
Green	385	338	723	54%
Total	420	909	1329	100%

2.46 **Community** - of the £0.909m of amber savings, £0.571m were not achieved in year as follows:

- Of the £0.108m Library Strategy Phase 2 saving, £0.058m was not achieved, this relates to the re-provision and commercialisation of libraries, which is delayed. The 2018/19 saving is to be re-profiled to align with the timescale of the re-provision of Central Library, as part of 2018/19 MTFS.
- In Housing, of the Property Purchase Initiative (100 Homes) savings of £0.801m, £0.513m will not be achieved and this has been reversed as part of the 2018/19 budget setting.

2.47 **Adults** - Of the £0.420m Voluntary sector saving, £0.035m was not achieved due to a month delay in implementing the cessation of voluntary sector contracts, however the saving will be delivered in full in 2018/19.

HOUSING REVENUE ACCOUNT (HRA)

2.48 Results for the HRA show a surplus of £1.082m against a budgeted deficit of £1,488k, £0.500m of this surplus has been transferred in to a new HRA Transformation Reserve which will be set aside to support redundancy and restructuring costs to ensure full achievement of cost reductions required in the HRA Business Plan. This results in a surplus of £0.582m. The surplus has arise mainly as a result of £0.880m planned cost reductions in repairs and estate services as well as unplanned underspends including recharges from General Fund for grounds maintenance, utilities, and bad debt provisions.

2.49 A summary of the HRA position is set out in table 6 below.

Table 6: Summary of HRA Position

HRA revenue balances £'000	Outturn 2016-17	Revised Budget	Outturn 2017-18	Variance
Balance b/fwd	-6,737	-6,245	-6,892	-647
Net (surplus) deficit	-155	1,488	-582	-2,070
Balance c/fwd	-6,892	-4,757	-7,474	-2,717

Concilium Business Services

2.50 The Quarter 3 performance of Concilium Business Services was reported to Cabinet in February 2018. Any profits generated from trading companies can be used to support the general fund, subject to agreement with the respective Board of Directors. Any retained losses must be held against Council reserves in light of potential realisation. The Quarter 4 performance of the Company is set out in Confidential Appendix 5.

3.0 CAPITAL

3.1 Total spend on the capital programme for the year is £94.131m, which is 47% of the approved budget of £201.252m. The variance of £107.122m comprises slippage of £65.5m and an underspend of £41.621m as set out in table 7.

Table 7: Summary of Capital Outturn

Directorate	TOTAL BUDGET	Actuals	Variance	Slippage	Underspend after slippage
	£'000	£'000	£'000	£'000	£'000
TOTAL GENERAL FUND	168,795	82,254	-86,541	46,900	-39,641
TOTAL HRA	32,457	11,877	-20,580	18,600	-1,980
TOTAL GENERAL FUND & HRA	201,252	94,131	-107,121	65,500	-41,621

The slippage identified in Table 8 below and detailed in Appendix 6 has been approved under delegated authority as carry forwards by the Chief Finance Officer.

Table 8: Capital Outturn and Funding 2017/18

Directorate	Original Programme	CFWD's	Adjustments	External	LBH	Total Budget	Actual	Variance	Slippage	Under spend
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Community	55,231	4,837	-8,673	11,162	40,233	51,395	39,158	-12,237	12,571	334
People	17,315	20,534	-1,581	14,892	21,375	36,267	18,098	-18,169	18,435	266
Resources	9,949	23,589	-9,078	32	24,428	24,460	9,743	-14,717	14,751	34
Regeneration	46,130	10,513	30	902	55,771	56,673	15,255	-41,418	1,143	-40,275
TOTAL GENERAL FUND	128,625	59,473	-19,302	26,988	141,807	168,795	82,254	-86,541	46,900	-39,641
HRA	15,238	17,219	0	0	32,457	32,457	11,877	-20,580	18,600	-1,980
TOTAL GENERAL FUND & HRA	143,863	76,691	-19,302	26,988	174,264	201,252	94,131	-107,121	65,500	-41,621
TOTAL CAPITAL PROGRAMME	143,863	76,691	-19,302	26,988	174,264	201,252	94,131	-107,121	65,500	-41,621
NOTE:										
General Fund Funding:										
Grant	-14,252	-19,439	12,504	-21,187	0	-21,187	13,309	-7,878	-9,571	-1,693
Section 106/20/CIL	-3,256	-40	-2,437	-5,732	0	-5,732	5,056	-676	-18	658
RCCO	0	0	-69	-69	0	-69	487	418	0	-418
Capital Receipt	0	0	0	0	0	0	6,403	6,403	30	-6,373
Borrowing	-111,117	-39,994	9,304		-141,807	-141,807	56,999	-84,808	-37,341	47,467
TOTAL GENERAL FUND	-128,625	-59,473	19,302	-26,988	-141,807	-168,795	82,254	-86,541	-46,900	39,641
HRA Funding:										
Revenue (MVR)	-9,039	-3,254	0		-12,293	-12,293	7,221	-5,072	-2,792	2,280
Grant		0	0		0	0		0	0	0
Contribution	-100	0	0		-100	-100	400	300	0	-300
Main Programme	-9,139	-3,254	0	0	-12,393	-12,393	7,621	-4,772	-2,792	1,980
Affordable Housing (Sec 106)	-1,260	1,046	0		-214	-214	0	-214	-214	0
Contribution		0	0		0	0	0	0	0	0
Capital Receipt - Right to buy	-1,824	-15,850	0		-17,674	-17,674	1,734	-15,940	-15,940	0
Capital Receipt - Others		0	0		0	0	0	0	0	0
Borrowing	-2,176	0	0		-2,176	-2,176	1,477	-699	-699	0
Revenue (MRR)	-839	839	0		0	0	1,045	1,045	1,045	0
Affordable Housing	-6,099	-13,965	0	0	-20,064	-20,064	4,256	-15,808	-15,808	0
TOTAL HRA	-15,238	-17,219	0	0	-32,457	-32,457	11,877	-20,580	-18,600	1,980
TOTAL CAPITAL PROGRAMME	-143,863	-76,692	19,302	-26,988	-174,264	-201,252	94,131	-107,121	-65,500	41,621

DIRECTORATE OUTTURN

3.2 The capital programme by directorate is included in Appendix 6 showing performance against the latest approved budget for each programme line. Set out below is narrative to explain the capital outturn and the major variances:

Resources

3.3 The directorate spent £9.743m against a budget of £24.460m, a 40% spend and a variance of £14.717m, £14.751m will be slipped to 2018/19 while £0.034m budget is the net overspend which is fully funded by grant. There are no revenue implications as a result of this slippage. The key reasons for slippage are listed below

- Property Investment Portfolio – £5.174m of the £9.599m budget has been spent in 2017/18 and the remaining (£4.425m) will be slipped to 2018/19 whilst the search for appropriate investment opportunities continues.
- The majority of the slippage relates to the on-going refresh and enhancement of ICT (£3.589m), devolved application refresh (£1.382m), SAP financial Ledger and System Control (£0.585m) and the enhancement of the ICT (£0.443m) to fund the on-going transformation of ICT within the authority. A number of projects included in the transformation programme such as Middleware Replacement, Enterprise Portfolio Assessment and Microsoft Exchange Upgrade have been delayed resulting in related capital payments moving into subsequent financial years.
- The general fund underspend of £6.847m in 2016/17 was carried forward into 2017/18 and fully reallocated to several other projects, £3.088m has been spent on these projects to date, and the remaining budget of £3.770m will be carried forward to be used for the rest of the projects in 2018/19.

Community

3.4 The net position for the Community Directorate is an outturn of £39.158m against the budget of £51.395m, a 76% spend. The variance is £12.237m (£12.571m of slippage and a net overspend of £0.334m within the Housing General Fund).

Commissioning, Environmental and Cultural Services

3.5 The services spent £24.062m against a budget of £27.866m, £3.350m is requested to be slipped into 2018/19 and relates mainly to the following projects. There is no revenue implication of these capital slippages.

- Depot redevelopment (£2.2m). There was a delay in achieving planning permission on demolition and new build works due to an objection from LB Hillingdon, with full planning permission subsequently not received until February 18. However the completion date remains in line with the original timetable.
- Redevelopment of Vernon Lodge (£0.710m). The scope of works to Vernon Lodge has been extended to incorporate the wider redevelopment of the site, with this project held back pending agreement of the wider development proposals.

- Harrow Arts Centre roof work (£0.281m). Delay in implementing the scheme due to clarifications around the extent of works required to weatherproof the listed building, exacerbated by further delays due to adverse weather conditions and gaining approval on proposal materials. The work is anticipated to be completed in early 2018.
- Other smaller projects (£0.159m) mainly due to the delay in completion by 3rd party contractors

Housing General Fund

3.6 The service spent £14.725m against a budget of £23.529m, a 63% spend. This includes the property purchase initiative spent of £11.473m and spends on the remaining Housing General Fund projects was £3.252m.

Property Purchase Initiative for temporary accommodation

3.7 £11.473m was spent against a budget of £20.012m, a 57% spend and a variance of £8.539m. The £20.012m budget is split as £11.012m for the first tranche of 100 homes and £9m for the second tranche of 50 homes.

3.8 Net variance of £8.539m is made up of slippage of £9m for the 50 homes which needs to be carried forward into 2018/19 and a £461k adverse variance for the first 100 homes. The first 100 properties have now all been acquired. The £461k variance has arisen as there was an estimated saving of £3m made to the budget for the first 100 homes in 2016/17 as the estimated final cost at the time was felt more likely to be nearer to £27m than £30m. However, the final saving was £2.539m as opposed to £3m, giving the £461k variance in 2017/18.

3.9 Other Housing General Fund projects - against a budget of £3.516m, a 92% spend. Of this variance of £0.265m, £0.158m of the variance has been slipped to 2018/19, with a net underspend of (£0.107m) on Empty Property Grants and improvement Grant.

3.10 Slippage relates mainly to second phase of the Property Acquisition Programme being reviewed and therefore not being progressed in 2017/18. The revenue estimates for 2018/19 assume the additional Property Acquisition Programme properties for use as temporary accommodation. If this scheme does not progress this could result in higher revenue spend in 2018/19 on the more expensive temporary and emergency accommodation solutions like Bed & Breakfast if alternative cheaper temporary accommodation supply is not brought forward.

People Services

3.11 The net position for People's Service is an outturn of £18.098m against the budget of £36.267m, a 50% spend, with a variance of £18.169m. (£18.435m of slippage and £0.266m overspend relating mostly to capital projects is fully funded by external funding).

Children's Service

3.12 The final outturn in 2017/18 for the schools capital programme is spend of £10.928m against a total budget of £27.975m. This represented expenditure of 39% against the budget. £17.517m of the variance has been slipped to 2018/19.

SLIPPAGE

3.13 The reported slippage for 2017/18 is £17.517m. There are no revenue implications as a result of this slippage. The majority of these items are set out as follows;

- £2.625m 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.
- The majority of slippage relates to SEP2 (including secondary and SEN) of £6.363m due to the ongoing contractual issues.
- SEP3 slippage totals £3.627m. 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.
- Special Educational Needs provision slippage totals £0.975m. 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.
- The remainder of the slippage is for IT and funding for bulge classes were not needed this financial year.

Secondary Expansion Programme 1 and 2 including Secondary and SEN

3.14 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. 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.

Secondary Expansion Programme 3

3.15 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.

Adult Services

3.16 The service spent £7.170m against a budget of £8.293m, a 86% spend, with a variance of £1.123m (£0.918m relating to slippage and a £0.204 net underspend). The slippage relates to the following;

- Project Infinity (£370k) – funding for ongoing development work including interface, licence and migration of data from OCC.
- Integrated Health Model (£85k) carry forward represents funding for Continuation of N3 work to achieve 90% + NHS Number identifier for Adults and Children's, together with Mosaic implementation of GP access and hospital discharge.
- House Residential (£100k) - plans for improvements in place, the majority of which relate to Milman for roof and floor works together with other remodelling as appropriate to maximise rental income to achieve MTFs savings.
- Sancroft (£355k) – balance of funding required for extension to premises anticipated during 2018-19.
- The net underspend of £0.204m relates to the Mentis Pilot project that is no longer going forward.

Regeneration, Enterprise and Planning

3.17 The net variance for the Regeneration, Enterprise and Planning Directorate is an outturn of £15.255m against the budget of £56.673m, a variance of £41.418m. (£1.143m of slippage and £40.275m underspend).

3.18 The division has continued the major regeneration programme and associated Town Centre improvements in line with the Regeneration Strategy agreed in December 2014. In 2017/18, the main regen programme spent £15.074m against a budget of £55.771m, a 27% spend. £0.422m of the variance has been slipped to 2018/19. There are no revenue implications as a result of this slippage. As a result of the Commercial & Financial Review of the Regeneration programme in 2017/18, a revised programme capital budget was agreed by Council in February 2018 and it is this revised budget that will be taken forward.

3.19 Other budget slippage includes £0.690m on the Trinity square project and £0.030m on the mobile technology in the community project. There is no revenue implication; there is an agreement from the GLA that the funding for Trinity square can be carried forward into 2018/19. The external funding for mobile technology is for 2017/18 academic year and therefore will be spent in quarter 1 and 2 of 2018/19.

Housing Revenue Account

3.20 HRA spent £11.877m against a budget of £32.457m, including Homes-4-Harrow, a spend of 37%. £18.6m will be carried forward to 2018-19 leaving a £1.980m underspends against the planned investment programme. Of the £18.6m of slippage

£2.793m will be carried forward for the main planned investment programme with £15.808m carried forward in respect of the Homes-4-Harrow programme.

3.21 With regard to Homes-4-Harrow, planning objections for the Grange Farm Estate regeneration scheme have been successfully resolved. The Council's Infill programme, aimed at developing under-utilised pockets of Council land in and around the Borough is in build phase and properties have started to become available. Financing for all schemes in the HRA is being reviewed as part of the planned HRA Business Plan refresh which will be reported to Cabinet.

3.22 Slippage in new build housing, resulting mainly from by planning and procurement issues. This is not expected to have significant revenue implications as the HRA budget has already taken account of the revised delivery programme in terms of when the increased rental income to the HRA will occur. Slippage for the main planned investment programme is the result of prioritisation of statutory and health & safety works and is not expected to have any significant revenue implications.

4.0 TIMETABLE FOR PREPARATION OF DRAFT STATEMENT AND EXTERNAL AUDIT REVIEW.

4.1 All Local Authorities must now have their draft statutory Statement of Accounts published by 31st May each year (previously 30th June) and the audit opinion issued by 31st July (previously 30th September). The Finance Team are on track to produce the 2017/18 accounts within the new timescales.

5.0 IMPLICATIONS OF THE RECOMMENDATIONS

The recommendations are asking the Cabinet mainly to:

- To note the revenue and capital outturn position for the 2017/18
- To note the movement between reserves
- To note the revenue carry forwards
- To note the timetable for preparation of the capital programme.

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

6.0 PROCUREMENT IMPLICATIONS

There are no procurement implications arising from this report

7.0 LEGAL IMPLICATIONS

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.

Under B66 of the Financial Regulations, a year-end balance is the amount by which actual income and expenditure varies from the final budget, normally identified down to budget manager level. Unspent balances will not be carried forward, except with the permission of the CFO. Unspent balances will only be considered for carry forward where;

- There is an unspent ring fenced grant and grant must be repaid if it is not spent on its intended purpose.
- Funding has been allocated to a specific project and the project is not yet complete, and both the directorate and the Council in total are not overspent.
- External funding has been received for a specific project which is not yet complete.

8.0 FINANCIAL IMPLICATIONS

Financial implications are contained within the body of the report.

9.0 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.

Financial performance is considered quarterly at Cabinet.

10.0 ENVIRONMENTAL IMPACT

There is no direct environmental impact

11.0 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.

12.0 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

13.0 CORPORATE PRIORITIES

The Council's Outturn Report for 2017/18 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: 8.06.2018		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 22.05.2018		
Name: Nimesh Mehta	<input checked="" type="checkbox"/>	on behalf of the Head of Procurement
Date: 07.06.2018		

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

Section 4 - Contact Details and Background Papers

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

Background Papers:

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

NOT APPLICABLE

[Call –in applies]