
REPORT FOR: CABINET

Date of meeting:	13 September 2018
Subject:	2018-19 Revenue and Capital Monitoring as at 30 June 2018
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Resources
Exempt:	No, except for Appendices 5 and 6, which are exempt on the grounds that they contain “exempt information” under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that they contain 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 as at 30 th June 2018. Appendix 2 - Draw Down From Reserves And Cross Division Adjustments. Appendix 3 - 2018-19 MTFS Savings Tracker. Appendix 4 - Capital Programme as at 30 th June 2018. Appendix 5 - Quarter 1 Concilium Business Services Performance Report. (Exempt/Part II) Appendix 6 – Quarter 1 Sancroft Community Care Performance Report.(Exempt/Part II)

Section 1 – Summary and Recommendations

This report sets out the Council's forecast financial position as at 30th June 2018, and seeks Cabinet approval for capital programme adjustments in accordance with Financial Regulations.

Recommendations: That Cabinet

1. note the revenue and capital forecast positions set out at paragraphs 1.1 to 1.2
2. approve virements in the 2018/19 Capital Programme detailed paragraphs 3.33 to 3.35.
3. approves the proposed addition to capital programme as set out at paragraph 3.36 to 3.37.
4. note the Quarter 1 performance reports from Concilium Business Service as specified in Appendix 5 (Part II report).
5. note the Quarter 1 performance reports from Sancroft Community Care specified in Appendix 6 (Part II report).

Reason: (For recommendation)

To report the 2018/19 forecast financial position as at 30 June 2018 and seek Cabinet approval for capital programme adjustments in accordance with Financial Regulations.

Section 2 – Report

1.0 INTRODUCTION

- 1.1 The net forecast position as at quarter 1 (30th June 2018) on the revenue budget is an overspend of £1.453m 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 quarter 1 is summarised below:

	£m
• Resources and Commercial Directorate underspend	(0.235)
• Environment and Culture overspend	0.267
• Adult services overspend	2.521
• 18/19 Contribution to spending control	<u>(1.100)</u>
	<u>1.453</u>

- 1.2 The capital programme is reporting a forecast spend of £163.468m against a budget of £191.201m. This represents a total forecast spend of 85%. In terms of general fund capital, there is a net forecast variance of (£16.678m) of which £12.912m is requested for slippage into 2019/20, (£3m) will be allocated to other projects and (£0.767m) can be removed from the Capital Programme. For the Housing Revenue Account, a variance of (£11.055m) is forecast of which £10.655m is requested for slippage into 2019/20 and (£0.400m) can be removed from the Capital Programme.

2.0 REVENUE MONITORING

2.1 The Revenue forecast position at Quarter 1 (as at 30th June 2018) is showing an overspend of £1.453m which is after allowing for a draw down from reserves and cross division adjustments of £3.749m as detailed in appendix 2 and £1.1m of spending controls. The summary of the forecast by division is detailed in appendix 1.

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

Table 1: Revenue monitoring – as at 30th June 2018 (Quarter 1)

Directorate	Budget	Forecast Outturn	Month 3 Variance	Draw Down From Reserves & cross division adjustments	Revised Month 3 Variance	Period 2 Variance	Movement between P2 and P3
	£000	£000	£000	£000	£000	£000	£000
Resources and Commercial	17,364	17,220	(144)	(91)	(235)	-	(235)
Resources Total	17,364	17,220	(144)	(91)	(235)	-	(235)
Commissioning, Environment and Culture	33,824	35,186	1,362	(1,095)	267	263	4
Housing	8,112	9,441	1,329	(1,329)			-
Regeneration, Enterprise and Planning	2,095	3,197	1,102	(1,102)	-	-	-
Community Total	44,031	47,824	3,793	(3,526)	267	263	4
Adults	64,673	67,326	2,653	(132)	2,521	2,521	-
Public Health	(1,704)	(1,704)	-	-	-	-	-
Children's	42,894	42,894	-	-	-	-	-
People Total	105,863	108,516	2,653	(132)	2,521	2,521	-
Total Directorates	167,258	173,560	6,302	(3,749)	2,553	2,784	(231)
Corporate Items	5,760	5,760	-	-	-	-	-
Corporate Contingency	1,248	1,248	-		-	-	-
Technical and Corporate Adjustment	(2,649)	(2,649)	-		-	-	-
Use of Capital Receipts	(2,700)	(2,700)	-		-	-	-
Spending Control		(1,100)	(1,100)		(1,100)	(1,100)	-
Total Budget Requirement	168,917	174,119	5,202	(3,749)	1,453	1,684	(231)

Resources and Commercial

2.3 At Quarter 1, the Resources and Commercial Directorate is forecasting to underspend by (0.235m), an improvement from the balanced position reported in month 2.

Table 2: Resources Directorate variance

Quarter 1 Variance £'000	Month 2 Variance £'000	Movement between Quarter 1 and Month 2 Variance £'000
-	(235)	(235)

2.4 The net movement of (£0.235m) in Quarter 1 from the balanced position in month 2 relates mainly to the Legal and Governance division reporting an increase in externally generated income of (£0.143m), (£47k) in relation to the reduction in various service contracts within the Business Transformation Partnership team and the Procurement division reporting (£41k) reduction in cost due mainly to delayed recruitment.

Community

2.5 At Quarter 1, the Community Directorate is forecasting an overspend of £0.267m overall. This is broadly in line with what was reported in month 2.

Table 3: Community Directorate variance

	Quarter 1 Variance £'000	Month 2 Variance £'000	Movement between Quarter 1 and Month 2 Variance £'000
Commissioning and Commercial	-		-
Environment and Culture	267	263	4
Housing General Fund	-	-	-
Regeneration, Enterprise and Planning	-	-	-
Total	267	263	4

2.6 **Commissioning & Commercial Services** forecasts a neutral position.

2.7 Cost pressure from the dry recycling disposal contract of **£161k**. The gate fee per tonne has increased significantly since February 18 due to unfavourable market prices for dry recyclables. However, the gate fee could fluctuate materially throughout the year, as such, forecast cost pressure could increase or decrease subject to market prices.

2.8 Forecast income shortfall in Museum of **£0.130m**. A Portfolio Holder Report to increase fees and charges for the Great Barn has been approved and the new charges will be implemented for all new bookings by the end of July 2018. A

marketing strategy for the Great Barn has been developed and is now being implemented. Consultation on a proposed new Museum events team staffing structure has started. The income shortfall is mitigated by a forecast over achievement of Events/Admission income in the Harrow Arts Centre (**£26k**).

- 2.9 **Housing General Fund** forecasts a balanced position. The budget assumes a saving of £0.573m against the homelessness budget as a result of purchasing an additional 50 properties for temporary accommodation. The business case is being finalised for this initiative before final approval is given to proceed with the purchase. As the budget assumes £0.573m of borrowing costs to fund the properties, there is no cost pressure to the delay of this initiative.
- 2.10 The homelessness budget is forecasting a balanced budget as a result of a draw down (£0.761m) from the Flexible Homelessness Support Grant.
- 2.11 In respect of ongoing pressures, Homelessness Reduction Act (HRA17) will place increased financial pressures on the Homelessness function as a result of new requirements which came into effect from April 2018. The service are looking to introduce a new product for landlords to discharge their homelessness duty, called Help2Let Fully managed Service, which is currently under consultation with landlords and when adopted will help prevent homelessness and reduce the use of more expensive forms of temporary accommodation.
- 2.12 Flexible Homelessness Support Grant and New Burdens Funding of £1.985m and £0.167m respectively expected in 2018/19 with a further £1.449m unutilised grant brought forward from 17/18 bringing total grant funding of £3.602m, part of which will be used in 2018/19 to fund prevention work.
- 2.13 **Regeneration, Enterprise and Planning** forecasts a neutral outturn on the basis that the revenue costs of regeneration activity (estimated at £1.102m) are funded from the capacity already set aside.

People Services

- 2.14 The People's Directorate is forecasting an over spend of £2.521m at Quarter 1. This is broadly in line with what was reported in Month 2.

Table 4: People's Directorate Variance

	Quarter 1 Variance £'000	Month 2 Variance £'000	Movement between Quarter 1 and Month 2 Variance £'000
Adult	2.521	2.521	-
Public Health	-	-	-
Children	-	-	-
Total	2.521	-	-

Adult Services

2.15 The Quarter 1 Adults forecast is projecting a net overspend of £2.521m relating to adult social care placements. This is broadly in line with what was reported in month 2. The forecast assumes that the MTFs will be fully delivered, with a further £0.6m of mitigating actions associated with assessment of need within the placement budget £25k of which has been achieved since month 2.

2.16 Whilst there has been an adverse shift of £0.490m since month 2, the position continues to assume that all of the MTFs will be delivered (currently £0.780m of £1.482m has been achieved) and that the overspend at 31st March 2019 will not increase beyond the £2.521m reported at month 2. As a result, the mitigating actions have been increased by £0.490m to just over £1m, this is expected to be delivered through commissioning a third party to carry out reviews with a view to reducing cost.

2.17 The key movements are detailed below:

2.18 An increased forecast of **£90k** in relation to costs associated with Mental Health placements managed by Central North West London (CNWL). Further work is required by CNWL to confirm that this forecast is robust and that the assumed savings plan of £0.235m can be achieved.

2.19 An increased forecast of **£0.100m** in relation to the costs of day care provision at Kenmore. Work is underway to establish whether capacity at the day centres can be maximised to mitigate this pressure by a reduction in external placement costs.

2.20 An increased forecast of **£0.330m** in relation to adult social care placements is detailed as follows:

- Forecast costs in long term care (residential / nursing) have reduced by (£0.110m). This movement since month 2 represents achieved reductions in expenditure of £85k (MTFS and budgeted assumptions) and a lower level of new placements than forecast. The new vision supports keeping residents in the community for as long as possible, resulting in this reduction which is offset by an increase in community costs detailed below.
- Forecast costs in the community have increased by £0.440m. And includes achieved reductions in expenditure (£0.165m) (MTFS and budgeted assumptions), of the movement £147k can be explained by reductions in income (some of which will be the wider changes to benefits affecting available income) and a lower level of residential placements.
- Future placement assumptions are maintained at 6 per week (reducing to 5 per week at the beginning of September reflecting the anticipated impact of the new structure).

2.21 Other underspends across the service of **(£30k)**.

- 2.22 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.
- 2.23 The forecast for the directorate is a headline pressure of £0.755m offset by underspends and management actions of £0.755m reducing the net position to a balanced budget.
- 2.24 The main pressures are:
- 2.25 **SEN Transport £0.169m Overspend** - SEN Transport provides home to school and home to further education settings for children and young people in education with Education Health and Care Plans (EHCPs). At this early stage in the year it is anticipated that there will be a pressure on this budget due to an increase in the number of young people eligible for transport particularly in the post 16 and post 19 phases, the latter of which results in transport being provided for a cohort of young people who previously did not receive a service. Work will continue to be undertaken this year to ensure that transport requirements are subject to annual review, routes are shared with other LAs where possible, and the most cost effective type of transport is used.
- 2.26 **Alexandra Avenue Premises Costs £45k overspend** - The lease for the floor space occupied by Special Education Need (SEN) and Children Young Adult Disability officers at Alexandra Avenue Health Centre has increased by £45k which is a combination of inflation and additional service charges. This is currently being disputed but remains a risk.
- 2.27 There has been an increase in request for Education Health & Care Plan (EHCPs) assessments from 156 in 2013-14 (pre SEND Reforms) to 217 in 2016-17, an increase of 37%. Since September 2017 to June 2018 there have been 243 new assessment requests. In 2012 there were 1,158 statements/EHCP compared with 1,477 in 2016. Significantly, in 2012 there were just 97 plans for post 16 and in 2016 this had risen to 339 (of which 40 are Post 20).
- 2.28 **SEN Assessment Service & Educational Psychology £92k** - In the short term 2 additional SEN caseworkers and one part time educational psychology will be employed to manage the current demand for assessments and casework as well as to provide capacity so that the SEND strategy can be driven forward, delivered and embedded in the operational practice. These posts are over and above establishment.
- 2.29 In the short term 2 additional SEN caseworkers and one part time educational psychology will be employed to manage the current demand for assessments and casework as well as to provide capacity so that the SEND strategy can be driven forward, delivered and embedded in the operational practice. These posts are over and above establishment.
- 2.30 **Capital Programme Dispute Resolution £0.100m 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).
- 2.31 **Frontline Teams Staffing & Other Costs £0.328m 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. Agency costs should be kept to a minimum due to the permanent recruitment of overseas social workers as well as social workers who completed the front-line and step-up programmes. However 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 meaning cover will always be required for long term sick and maternity leave. In addition to this there is a pressure on non-staffing costs particularly in relation to recruitment fees, staff expenses and IT/phone equipment and charges.

2.32 The pressures above are offset by the following underspends:

2.33 **Children's Placements & Accommodation £0.393m underspend** - The forecast is projecting an underspend of £393k which is the full year effect of a number of reductions and planned actions that were undertaken in 2017-18 primarily in relation to returning children home from care or stepping down into more cost effective placements where it is safe to do so. The forecast in 2018-19 allows for some capacity for growth in the number of young people or complexity of placement requirements. This is calculated based on placements which started and finished in-year in 2017-18 and assumes the same activity will reoccur in 2018-19. As the months progress if this growth is not materialising then it is possible that this forecast will reduce further.

2.34 **Section 17 and No Recourse to Public Funds (NRPF) £70k underspend** Expenditure relates to families being supported by the Council because they have no recourse to public funds (NRPF) and also provides support and subsistence payments to children in need. The underspend has been achieved by the recruitment of 1FTE bespoke worker focus specifically on these families to help reduce costs and mitigate the financial pressures on this budget. This is supported by a premium service from the Home Office involving the co-location of an Immigration & Enforcement Officer for 3 days per week. This officer is able to fast-track all asylum related processes and background checks.

2.35 **Departmental Legal Costs £0.210m underspend** - The expenditure relates to external legal fees for care proceedings including counsel, court fees, experts and assessments. The underspend is 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.

2.36 **Other Management Actions £82k underspend**

HOUSING REVENUE ACCOUNT

2.37 As at Quarter 1, the HRA forecasts pressure of £0.328m, a deterioration against period 2 of £432k, due mainly to lower than expected rental income from new build units, offset by additional management fee income from Gayton Road units; and higher than expected depreciation charges which result in a transfer of resources from revenue to capital reserves, hence no overall financial impact on HRA.

2.38 Service reviews, aimed at reducing expenditure and increasing income, are ongoing to stabilise the HRA position as a result of the impact of ongoing Government reforms including rent reduction, borrowing cap and welfare reforms. Approved budget

assumes revenue cost reductions and increased income of £1.9m per annum by March 2021.

- 2.39 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.
- 2.40 Although, phase 1 of Grange Farm Regeneration scheme, which has secured the planning consent and external HIF funding, will be proceeding, a review of 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.
- 2.41 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. Given the extremely challenging financial circumstances any further traffic between General Fund and HRA will have to be scrutinised as both revenue and capital accounts must be stabilised for the HRA to remain viable.
- 2.42 Extensive consultation will also be required with tenants and leaseholders as part of the service reviews where increases in fees and charges are proposed. A summary of the HRA position is provided below which includes estimated balances on the revenue and additional transformation reserve which has been set up to support improvements in the HRA.

Table 5: Housing Revenue Account Variance

HRA revenue balances	Budget £'000	Forecast outturn £'000	Variance £'000
Balance b/fwd, pre-audit	-7,531	-7,474	57
Net (surplus) deficit	1,099	1,427	328
Balance c/fwd	-6,432	-6,047	385

CORPORATE BUDGETS

- 2.43 Corporate budgets including the central contingency are forecast to balance as at Quarter 1.

CONTINGENCIES AND RESERVES

- 2.44 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 been held to offset pressures in 2019/20.
- 2.45 There are also a number of earmarked reserves for a variety of purposes and the main ones highlighted in table 6 below:

Table 6: Earmarked Reserves

	Budget Planning and Capacity	TPIF	Carry Forward	MTFS Implementation cost	CIL Harrow and Mayor
	£000	£000	£000	£000	£'000
Balance at Start of Year April -18	7,382	1,826	469	2,441	6,155
Estimated to be drawn down in 2018/19 as at Quarter 1	0	(573)	(469)	0	TBC
Estimated to be drawn down in 2018/19 and future years	0	0	0	0	TBC
Available after commitment in 2018/19	7,382	1,253	0	2,441	6,155

SPENDING CONTROL FREEZE

2.46 The overspend position of £1.453m in Quarter 1 assumed a one-off contribution to spending controls across the directorates of £1.1m.

2.47 Table 7 below shows the breakdown of the £1.1m by directorate.

Table 7: Contribution to Spending Control

Directorate	Contribution to Spending control	Comment
	£000	
Resources and Commercial	(450)	Reduction in Insurance Fund (£150k) Revs & Bens bad debt provision not required (£250k)
<i>Community and Culture</i>	<i>(75)</i>	New Homes Bonus – LEP Programme. Surplus after
<i>Planning and Enterprise</i>	<i>(75)</i>	CIL – Planning Officer time charged against CIL admin
Community Total	(150)	
<i>Children</i>	<i>(250)</i>	Children’s – flexible use of grant carried forward from 17/18 (£250k)
<i>Public Health</i>	<i>(250)</i>	An increase in the funding of the wider determinants of health funded by any in year underspend or the PH reserve.
People Total	(500)	
Total Directorates	(1,100)	

National Non Domestic Rates (NNDR)

2.48 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.

2.49 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 £3m 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 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 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.

MTFS IMPLEMENTATION TRACKER

2.50 The 2018/19 budget includes approved MTFS savings of £8.801m.

2.51 Appendix 3 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 8 below:

Table 8: 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

2.52 Table 9 below shows the summarised position for each directorate as at quarter 1:

Table 9: Savings Tracker 2018/19 – Directorate Summary

	Resources	People	Community	Regeneration	Total at Quarter 1 (P3)	Period 2	Movement	Percentage Split
	£000	£000	£000	£000	£000	£000		
Red	369	340	239	0	948	948	0	11%
Amber	130	1,202	0	0	1,332	1,332	0	15%
Green	1,806	1,597	3,068	50	6,521	6,899	-378	74%
Purple	0	0	0	0	0	0	0	0
Total	2,305	3,139	3,307	50	8,801	9,179	-378	100%

2.53 As at quarter 1, 74% of the 2018/19 savings are rated green (Clear delivery plans in place and running to timescale), 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 11% 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 elsewhere to mitigate savings).

2.54 The £0.378m movement in green savings between month 2 and 3 is the additional 50 homes savings reversal (COM_G05.3) relating to 2019/20 that was presented in error as a 2018/19 reversal.

Capital Programme

3.0 The 2018/19 capital programme agreed by Council in February 2018 totalled £128.069m. After allowing for agreed slippage of £65.500m from 2017/18 outturn and other approved amendments the programme now totals £191.201m at Quarter 1.

3.1 The forecast spend at Quarter 1 is £163.468m, 85% of the total capitals programme. The forecast variance on the General Fund at Quarter 1 is a variance of (£16.678m) (10%), of which £12.912m is requested for slippage into 2019/20, (£3m) will be allocate to other projects and (£0.767m) can be removed from the Capital Programme.

3.2 The forecast variance on the Housing Revenue Account budget of £21.339m at Quarter 1 is a variance of (£11.055m), of which £10.655m is requested for slippage into 2019/20 and (£0.400m) can be removed from the Capital Programme.

3.3 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	Recycled underspend	Underspend (Budget no longer needed)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RESOURCES	3,738	14,751	40	32	51	18,510	18,561	18,561	0	0		0
COMMUNITY												
<i>Environment and Commisio</i>	30,643	2,920	-62	-2,400	1,075	30,026	31,101	28,101	-3,000	0	-3,000	0
<i>Culture</i>	2,164	430	42	0	922	1,714	2,636	1,384	-1,252	1,252	0	0
<i>Housing</i>	9,015	9,221	0	0	1,180	17,056	18,236	17,469	-767	0	0	-767
Total Community	41,822	12,571	-20	-2,400	3,177	48,796	51,973	46,955	-5,018	1,252	-3,000	-767
PEOPLE												
<i>Adults</i>	200	918	20	0	0	1,138	1,138	1,138	0	0	0	0
<i>Schools and Children</i>	7,670	17,517	0	0	12,012	13,175	25,187	13,527	-11,660	11,660	0	0
Total Peoples	7,870	18,435	20	0	12,012	14,313	26,325	14,665	-11,660	11,660	0	0
REGENERATION	71,900	1,143	-40	0	1,585	71,418	73,003	73,003	0	0		0
TOTAL GENERAL FUND	125,330	46,900	0	-2,368	16,825	153,037	169,862	153,184	-16,678	12,912	-3,000	-767
TOTAL HRA	2,739	18,600	0	0	0	21,339	21,339	10,284	-11,055	10,655	0	-400
TOTAL GENERAL FUND & HRA	128,069	65,500	0	-2,368	16,825	174,376	191,201	163,468	-27,734	23,567	-3,000	-1,167

Table 11: Analysis of Forecast Outturn Variance

Directorate	Outturn variance	Split of outturn variance by funding		Slippage	Slippage by funding		Underspend after slippage	Recycled underspend	Split of Underspend (Budget no longer needed)	
		Grant/sec106	LBH		Grant/Sec 106	LBH			Grant	LBH
		£'000	£'000		£'000	£'000			£'000	£'000
RESOURCES	0	0	0	0	0	0	0	0	0	0
COMMUNITY										
<i>Environment and commisioning</i>	-3,000	0	-3,000	0	0	0	-3,000	-3,000	0	0
<i>Culture</i>	-1,252	-652	-600	-1,252	-652	-600	0		0	0
<i>Housing</i>	-767	0	-767	0	0	0	-767		0	-767
Total Community	-5,019	-652	-4,367	-1,252	-652	-600	-3,767	-3,000	0	-767
PEOPLE										
<i>Adults</i>	0	0	0	0	0	0	0		0	0
<i>Schools and children</i>	-11,660	-2,799	-8,861	-11,660	-2,799	-8,861	0		0	0
Total Peoples	-11,660	-2,799	-8,861	-11,660	-2,799	-8,861	0	0	0	0
REGENERATION	0	0	0	0	0	0	0	0	0	0
TOTAL GENERAL FUND	-16,679	-3,451	-13,228	-12,912	-3,451	-9,462	-3,767	-3,000	0	-767
TOTAL HRA	-11,055	0	-11,055	-10,655	0	-10,655	-400	0	0	-400
TOTAL	-27,734	-3,451	-24,283	-23,567	-3,451	-20,117	-4,167	-3,000	0	-1,167

RESOURCES DIRECTORATE

- 3.4 As at Quarter 1 the Resources Directorate is forecasting overall spend of £18.561m, which is 100% of the approved £18.561m capital budget in 2018/19.

COMMUNITY DIRECTORATE

- 3.5 As at Quarter 1 the forecast is £46.955m, 90% of the total budget.
- 3.6 The forecast variance is (£5.018m) of which £1.252m will be slipped to 2019/20; £3m reallocated to other projects within the Council and £0.767m can be removed from the capital programme. The main items of slippage and underspend are detailed below:

Commissioning and Environment & Culture

- 3.7 At Quarter 1, the service is forecasting to spend £29.485m (87%) in 2018/19, a budget slippage of (£1.252m) and an under spend of (£3m). There is no revenue implication of these capital slippages and underspend.
- 3.8 There is a total budget of £1.8m allocated to the new Central Library fit out works over 2 years. Of the £0.8m allocated in 18/19, £0.6m is expected to be slipped into 2019/20. The latest timeline for the handover of the “shell & core” library by the housing developer is estimated to be May 19. Therefore the refurbishment work is now planned for 2019/20. The procurement of the design will however take place in this financial year and the estimated spend is £0.2m.
- 3.9 The Bannister Sports Centre project is S106 funded. There is a total budget of £0.904m in 2018/19. It is planned to utilise the funding for the installation of a new 3G pitch and improvement works at Harrow Weald Recreation. A funding application to the Football Foundation is being prepared to try to maximise the funding available for these works. The decision by Football Foundation is anticipated in January 19. Due to the timeline of the funding decision, the new 3G pitch is planned to be installed in April 19 and therefore £0.652m will be slipped into 2019/20. The work at Harrow Weald Recreation is planned to be completed in 18/19, subject to a planning permission.
- 3.10 There is a budget of £3m allocated for Harrow on the Hill Station in 18/19. The step free access scheme will now be delivered directly by TfL and therefore the funding originally set aside as a contribution to this work is no longer required. This is forecast as an underspend and will be allocated to other projects within the Council.

Housing General Fund

- 3.11 At Quarter 3 the outturn forecast for Housing General Fund is £17.469m.
- 3.12 The forecast variance of (£0.767m) is no longer needed. The main items of underspend is detailed below;
- 3.13 Underspend of £0.746m relates to the budget set aside for a compulsory purchase order not now proceeding, with balance for residual costs not now expected. The Council’s property acquisition programme is now complete with 100 properties let to homeless families so reducing revenue pressures on General Fund.

3.14 The underspend is not likely to have a significant revenue impact as it relates to the Compulsory Purchase Order of a single property.

REGENERATION

3.15 At Quarter 1, the forecast spent is £73.003m; this represents 100% of the approved capital programme.

3.16 The Regeneration Programme is subject to an external review by AspireDM. The findings and recommendations will be reported to Cabinet.

PEOPLE

3.17 As at Quarter 1 the forecast spend is £14.665m, 56% of the 2018/19 People's directorate capital budget.

3.18 The forecast variance is (£11.660m) which will all be slipped to 2019/20.

ADULTS

3.19 At Quarter 1 the forecast spent is £1.138m this represents 100% of the approved capital programme.

SCHOOLS

3.20 At Quarter 1 the service is forecasting to spend £13.527m (54%) in 2019/20 and a budget slippage of (£11.660m).

3.21 **Bulge Classes, Amalgamations & Capital Maintenance** - Bulge class funding is for schools opening temporary additional classes in year. Amalgamation funding is for infant and junior schools amalgamating in year. Capital maintenance is for reactive and proactive maintenance in respect of maintained schools. All of these projects are expected to spend within budget.

3.22 **School Expansion Programme (SEP) 2** - Keepmoat (now Engie) was commissioned to deliver the majority of the Phase 1 (SEP1) and Phase 2 (SEP2) construction projects. The projects have reached project completion and the schools are occupying their new accommodation. There are a number of building defects and on-going contractual issues and the council has appointed legal and commercial advisers to secure a 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.

3.23 **SEP 3** - There are four school expansions over five school sites. Four of the projects are completed and the final scheme is scheduled to complete by Autumn 2018. This is anticipated to be completed within budget.

Slippage

3.24 The total slippage is £11.66m. There are no revenue implications as a result of this slippage. The majority of these items are set out as follows:

- 3.25 £6.8m relates to funding set aside for secondary expansions. As reported to Cabinet in July 2018 the projections for Year 7 places indicate that there will be a shortfall of up to 5 forms of entry in 2022/23. This reduces to 1 form of entry in 2025/26. However, at this time there are a higher number of Year 7 places than required which is resulting in vacancies being concentrated in a small number of schools. It is proposed to slip the funding to 2019-20 and ensure that the situation is monitored and that once there is greater clarity about changes on the borough boundaries that a local solution to meet the growing need is developed with the High Schools.
- 3.26 Special Educational Needs provision slippage totals £4.5m. Funding has been included in the capital programme to support additional in-borough SEN provision which is driven by the SEND Strategy. As part of the implantation of the strategy, a whole system review of in-borough provision will be undertaken in conjunction with the changing and growing needs of the population to inform additional in-borough solutions. It is possible some of this funding will be spent in 2018-19 but at this stage it is anticipated that the majority of this funding will be slipped to 2019-20.
- 3.27 The remainder of the slippage is for IT for which the full budget is not anticipated to be needed this financial year.

Housing Revenue Account

- 3.28 At Quarter 1, outturn forecast for Housing Revenue Account is £10.284m resulting in forecast variance (£11.055m) of which £10.655m will be slipped into 2019/20 and £0.400m will be removed from the programme.
- 3.29 £10.655m slippage includes £5.129m for Grange Farm, which now has planning permission and is moving into the procurement phase; the balance relates to the Infill programme which has been delayed following withdrawal of borrowing approvals, this is being addressed by the Council as part of a spectrum of proposals to Government to free up capital resources and additional borrowing to expedite new build across the capital.
- 3.30 HRA main planned investment programme is under continuous review to ensure priority is given to mandatory Health & Safety, statutory and compliance works in line with the requirements of the HRA service review aimed at stabilising the overall financial position of the HRA revenue and capital accounts.
- 3.31 Slippage will result in delays in construction of new units in Grange Farm and Infill sites. There will be no significant impact on statutory and health & safety works as these have been prioritised in the main planned investment programme.

AMENDMENTS TO THE CAPITAL PROGRAMME

Virements in the Capital Programme

- 3.32 The following virements listed in table 12 below in relation to General Fund underspends are recommended for approval by Cabinet.

Table 12: Virements in the Capital Programme

Directorate	Underspend
From	£'000
Harrow On Hill Station	-3,000
Total	-3,000
To	
Property Investment	1,900
Highways improvement	1,100
Total	3,000

Harrow On Hill Station

3.33 There is a budget of £3m allocated for Harrow on the Hill Station in 18/19. The step free access scheme will now be delivered directly by TfL and therefore the funding originally set aside as a contribution to this work is no longer required. This is forecast as an underspend and will be allocated to Property investment, Highway improvement and Pinner wood school projects as detailed below.

Property Investment

3.34 An opportunity has arisen to purchase one further property in 2018/19 which will cost in the region of £3m. It is therefore proposed to re-purpose £1.9m of the funding for Harrow on the Hill Station to increase the budget in order to purchase one further investment property. If for any reason the purchase does not take place, then the remaining budget will be held centrally to fund future capital programme items in subsequent years.

Highways Improvement

3.35 Following the inclement weather experienced last winter, there is a need to repair roads damaged over the extended snow period. Additional capital investment will be required to complete the work as well as to better prepare the roads for the upcoming winter. It is therefore proposed to re-purpose £1.1m of the funding for Harrow on the Hill Station to increase the budget in the current Highways Programme, as well as to bring forward £1.6m of Highways capital budget from 2019/20 into 2018/19.

Addition to Capital Programme

3.36 There is currently a budget allocation of £1m in the 18/19 capital programme for Local Implementation Plan (LIP). LIP is funded by Transport for London (TfL). Subsequent to the original announcement of 2018/19 LIP settlement in Dec 17, TfL has issued a further letter in Mar 18 confirming an increase in LIP funding for 18/19. As a result, the capital element of the LIP funding is now £1.269m. It is requested that the capital budget is increased by £0.269m to reflect this.

3.37 Harrow will receive £2.295m from the Department for Education's capital grant for special need provision (SEN). The proposal is to add £1.053m of this grant to the 2018/19 capital programme in addition to the existing £2.520m taking the total budget available for SEN provision in 2018/19 to £3.573m. This is to ensure a number of projects can be undertaken to increase a range of provision in the borough using a combination of our existing schools and bidding to the government's free school programme. The majority of these are still being scoped and feasibility studies are underway for a two schemes and discussions being had with head teachers to assess viability of other projects.

4.0 Concilium Business Services

The first quarter results for Concillium Business Service is on target against the business plan for the year, both in terms of properties on the portfolio and the financial performance. 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 1 performance of the Company is set out in Confidential Appendix 5.

5.0 Sancroft Care Home

- 5.1 Sancroft Community Care Ltd took over operations on the 8th February 2018 of the 50 bed residential care home for the elderly. 45 of these beds are contracted with the London Borough of Harrow under a block bed contract. At the end of its first two months trading to the end of March 2018, Sancroft had delivered the net profit before tax as per the business plan.
- 5.2 In the first quarter of 2018/19 Sancroft continues to transition and deliver against the business plan. It should be noted that the business plan is based on the historical costs of the previous management company and were understated. Consequently we have incurred unexpected expenditure to ensure safeguarding and Care Quality Commission compliance is maintained. Despite the unforeseen expenditure, at the end of June 2018, Sancroft reported position shows net profit. The Quarter 1 performance of the Company is set out in Confidential Appendix 6.

6.0 Reporting for the 2018/19 Financial Year.

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

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

7.0 IMPLICATIONS OF THE RECOMMENDATIONS

The recommendations are asking the Cabinet mainly to:

- To note the revenue position for 2018/19
- To approve amendments to Capital Programme
- To note the Quarter 1 performance of Concilium Business Service and Sancroft Community Care.

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

8.0 PROCUREMENT IMPLICATIONS

There are no procurement implications arising from this report

9.0 LEGAL IMPLICATIONS

- 9.1 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.
- 9.2 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.
- 9.3 Section B50 and section F of the Council's Financial Regulation relating to Schemes of Virement states that Capital Programme over £500,000 has to be approved by Cabinet where the capital programme agreed at Council is the level to which changes made constitute virement in relation to capital.

10.0 FINANCIAL IMPLICATIONS

Financial implications are contained within the body of the report.

11.0 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 Quarter 1 is showing an overspend position of £1.453m.

For the 2018/19 savings built into the MTFs, the overall position is that 74% 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 realised) and 11% red (Project may have started but will deliver no savings in the current financial year).

The Capital Programme is projecting a spend of 85% as at quarter 1

12.0 ENVIRONMENTAL IMPACT

There is no direct environmental impact.

13.0 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 11 - The inability to provide services within budget.

14.0 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.

15.0 CORPORATE PRIORITIES

The Quarter 1 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: 13 August 2018		
Name: Sarah Wilson	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 10 August 2018		

Section 3 – Procurement Officer Clearance

Name: Nimesh Mehta	<input checked="" type="checkbox"/>	Head of Procurement
Date: 7 August 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)

Tel: 020 8424 1332 (Int Ext 2332)

Background Papers:

- Final Revenue Budget 2018/19 and Medium Term Financial Strategy 2018/19 – 2020/21 – February 2018 Cabinet.
- 2018-19 Revenue Monitoring as at 31 May 2018 – July 2018 Cabinet.

<http://www.harrow.gov.uk/www2/documents/b24374/Supplemental%20Agenda%20Thursday%2015-Feb-2018%2018.30%20Cabinet.pdf?T=9>.

<http://www.harrow.gov.uk/www2/documents/g64376/Public%20reports%20pack%20Thursday%2012-Jul-2018%2018.30%20Cabinet.pdf?T=10>.

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

NOT APPLICABLE

[Call –in applies]

Revenue Forecast Summary by Directorate

Appendix 1

	Budget	Outturn	Period 3 Variance	Drawdown From Reserves and cross division adjustment	Month 3 Variance	Month 2 Variance	Movement between M2 and M3
	£000	£000	£000	£000	£000	£000	£000
Resources							
Controllable Budget							
Customer Services	24,037	23,899	● (138)	● 0	(138)	(91)	(47)
Business Support	3,544	3,546	● 2	● 0	2	0	2
Director of Resources	655	655	● 0	● 0	0	0	0
Assurance	596	640	● 44	● (45)	(1)	1	(2)
HRD & Shared Services	995	986	● (9)	● 0	(9)	(1)	(8)
Procurement & Commercial	308	207	● (101)	● 0	(101)	(59)	(42)
Legal & Governance	2,794	2,562	● (232)	● 0	(232)	(89)	(143)
Strategic Commissioning	1,838	2,149	● 311	● (46)	265	239	26
Finance	2,388	2,367	● (21)	● 0	(21)	0	(21)
Total Controllable Budget	37,155	37,011	(144)	(91)	(235)	0	(235)
Uncontrollable Budget	(19,791)	(19,791)	● 0		0	0	0
Total Directorate Budget	17,364	17,220	(144)	(91)	(235)	0	(235)
Community							
Controllable Budget							
Commissioning & Corporate Estate	(5,189)	(4,790)	● 399	(399)	0	0	0
Environment & Culture	21,334	22,179	● 845	(578)	267	263	4
Directorate Management	184	302	● 118	(118)	0	0	0
Housing General Fund	4,568	5,897	● 1,329	(1,329)	0	0	0
Regeneration, Enterprise and Planning	955	2,057	● 1,102	(1,102)	0	0	0
Total Controllable Budget	21,852	25,645	3,793	(3,526)	267	263	4
Uncontrollable Budget	22,179	22,179	● 0		0	0	0
Total Directorate Budget	44,031	47,824	3,793	(3,526)	267	263	4
People							
Controllable Budget							
Adult Services	58,086	60,739	● 2,653	(132)	2,521	2,521	0
Public Health	(1,814)	(1,814)	● 0	0	0	0	0
Children & Families	32,070	32,070	● 0	0	0	0	0
Total Controllable Budget	88,342	90,995	2,653	0	2,521	2,521	0
Uncontrollable Budget	17,521	17,521	● 0		0	0	0
Total Directorate Budget	105,863	108,516	2,653	(132)	2,521	2,521	0
Total Directorate Budgets	167,258	173,560	6,302	(3,749)	2,553	2,784	(231)
							0
Corporate Items	5,760	5,760	● 0		0	0	0
Corporate Contingency	1,248	1,248	● 0		0	0	0
Adjustment	(2,649)	(2,649)	● 0		0	0	0
Use of Capital Receipts	(2,700)	(2,700)	● 0		0	0	0
Spending Controls Freeze		(1,100)	● (1,100)		(1,100)	(1,100)	0
Total Budget Requirement	168,917	174,119	5,202	(3,749)	1,453	1,684	(231)