Harrow COUNCIL
LONDON

REPORT FOR:	**CABINET**
Date of meeting:	06 December 2018
Subject:	Revenue and Capital Monitoring 2018/19 - as at Quarter 2 (30th September 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, 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 Budget Summary 2018/19 – as at Quarter 2 (30th September 2018). Appendix 2 - Draw Down From Reserves. Appendix 3 - 2018/19 MTFS Savings Tracker. Appendix 4 - Capital Programme 2018/19 – as at Quarter 2 (30th September 2018). Appendix 5 - Sancroft Community Care Performance Report (Exempt) – as at Quarter 2 (30th September 2018).

Section 1 – Summary and Recommendations

This report sets out the Council's forecast financial position as at Quarter 2 (30th September 2018) and seeks approval for Capital Programme adjustments and debts write offs which require Cabinet approval.

Recommendations:

1. That Cabinet notes the revenue and capital forecast positions set out at paragraphs 1.1 to 1. 2
2. That Cabinet approves debts write offs as specified in paragraph 2.77 to 2.78 and paragraph 5.2.
3. That Cabinet approves the proposed addition to the Capital Programme as set out at paragraphs 3.38 to 3.42.
4. That Cabinet note the Quarter 2 performance reports from Sancroft Community Care specified in Appendix 5 (Part II report).

Reason (for recommendation)
To report the 2018/19 forecast financial position as at Quarter 2 (30th September 2018) and seeks Cabinet approval for Capital Programme adjustments and debts write offs which require Cabinet approval in accordance with Financial Regulations.

Section 2 – Report

1.0 **INTRODUCTION**

1.1 As at Quarter 2 (30th September 2018) there is a forecast revenue overspend on Directorate budgets of £4.55m. Following the planned application of reserves (which have largely been applied to fund one-off projects), one off income received after budget setting and a contribution to spending controls of £1.1m, there is a forecast net underspend of £2.2m. The forecast position at Quarter 2 is summarised below:

	£m
• Resources and Commercial Directorate underspend	(0.618)
• Environment and Culture overspend	0.710
• Adult services overspend	5.022
• One-off Adult Social care funding	(1.576)
• Public Health	(0.250)
• Children's Services	(0.314)
• 2018/19 Contribution to spending controls	(1.100)
• One-off Income	(0.532)
• Corporate underspend	(3.542)
Net Underspend	**(2.200)***

** This £2.200m underspend will be used as a contribution to the 2019/20 budget*

1.2 The capital programme is reporting a forecast spend of £96.390m against a budget of £215.333m. This represents a total forecast spend of 45%. In terms of general fund capital, there is a net forecast variance of £107.982m of which (£42.782m) is the slippage into 2019/20 and (£65.201m) can be removed from the Capital Programme. For the Housing Revenue Account, a variance of £10.959m is forecast of which (£6.965m) is the slippage into 2019/20 and (£3.994m) can be removed from the capital programme.

2.0 REVENUE MONITORING

2.1 The revenue forecast position as at Quarter 2 (30th September 2018) is showing an underspend position of (£2.200m), this is an improvement of (£3.653m) when compared to the £1.453m overspend reported in Quarter 1. Of the (£3.542m) Corporate underspend, (£2.200m) is a planned underspend and will be carried forward to contribute to the 2019/20 budget gap.

2.2 The forecast by division is detailed in Appendix 1.

2.3 Table 1 below sets out the summary of the Quarter 2 monitoring position:

Table 1: Revenue monitoring – as at Quarter 2 (30th September 2018)

Directorate	Budget	Forecast Outturn	Quarter 2 Variance	Draw Down From Reserves	Quarter 2 Variance after Draw Down	Quarter 1 Variance	Movement between Q1 and Q2
	£000	£000	£000	£000	£000	£000	£000
Resources and Commercial	17,144	16,951	(193)	(425)	(618)	(235)	(383)
Resources Total	**17,144**	**16,951**	**(193)**	**(425)**	**(618)**	**(235)**	**(383)**
Commissioning, Environment and Culture	33,875	35,473	1,598	(888)	710	267	443
Housing	8,200	10,217	2,017	(2,017)		0	-
Regeneration, Enterprise and Planning	2,203	3,583	1,380	(1,380)	-	0	-
Community Total	**44,278**	**49,273**	**4,995**	**(4,285)**	**710**	**267**	**443**
Adults	64,691	70,296	5,605	(583)	5,022	2521	2,501
Public Health	(1,704)	(1,954)	(250)	-	(250)	0	(250)
Children's	43,545	43,231	(314)	-	(314)	0	(314)
People Total	**106,532**	**111,573**	**5,041**	**(583)**	**4,458**	**2,521**	**1,937**
Total Directorates	**167,954**	**177,797**	**9,843**	**(5,293)**	**4,550**	**2,553**	**1,997**
Spending Control		(1,100)	(1,100)		(1,100)	-1100	-
One-off Income		**(532)**	(532)		(532)		(532)
One-Off Social Care Grant		**(1,576)**	(1,576)		(1,576)		(1,576)
P6 Forecast after 'one off's'	**167,954**	**174,589**	**6,635**	**(5,293)**	**1,342**	**1,453**	**(111)**
Corporate Items	5,760	5,760	-	-	-	0	-
Corporate Contingency	1,248	-	(1,248)		*(1,248)*	0	(1,248)
Technical and Corporate Adjustment	(3,345)	(5,639)	(2,294)		(2,294)	0	(2,294)
Use of Capital Receipts	(2,700)	(2,700)	-		-	0	-
Total Budget Requirement	**168,917**	**172,010**	**3,093**	**(5,293)**	**(2,200)**	**1,453**	**(3,653)**

Contribution to 2019/20 Budget					**2,200**		

Resources and Commercial

2.3 At Quarter 2, the Resources and Commercial Directorate is forecasting to underspend by **(£0.618m)**, an improvement of (£0.383m) when compared to (£0.235m) underspend reported in Quarter 1.

Table 2: Resources Directorate Variance

Quarter 2 Variance £'000	Quarter 1 Variance £'000	Movement between Quarter 1 and Quarter 2 Variance £'000
(618)	(235)	(383)

2.4 The net underspend of **(£0.618m)** mainly relates to externally generated income in the Legal Shared Service, anticipated rebates from the Pertemps contract and other contract efficiency savings.

2.5 The **Customer Services** division is projecting a net underspend of **(£83k)** which relates mainly to the lower cost of IT contractors and the IT client team and the reduced cost of photocopiers. The reduction in the forecast underspend of £55k when compared to Quarter 1 is mainly due to an increase in staff costs of the parking ticket processing officers.

2.6 **Legal & Governance** are reporting a net **(£0.464m)** underspend in Q2 which is an increase of (£0.232m) when compared to Q1, which reflects additional external income from the Legal Shared Service. Clients have been commissioning increased number of recorded hours from Legal Services. The number of hours commissioned by clients is reviewed on a monthly basis.

2.7 The **Procurement and Commercialisation division** are currently forecasting an overall underspend of **(£0.170m)** in Q2 which reflects anticipated rebates from pertemps and delayed recruitment. This is an increase in forecast underspend of (£69k) when compared with Q1, which is due to additional rebate from the Pertemps contract.

2.8 The **Director of Resources** budget is reporting an overall underspend of **(£85k)** in Q2**,** which is as a result of back filling the Director of Resources post.

2.9 **Finance** are reporting an under spend of **(£0.119m)** mainly as a result of early insurance savings. An increase of (£98k) when compared to Q1 is due to additional income.

2.10 Other underspends across the directorate of **(£64k)** in Human Resources, Business Support and Assurance have improved by (£56k) when compared to Q1.

2.11 **Strategic Commissioning** is forecasting a **£0.367m** over spend, this pressure mostly relates to the communication budget which is due to lower income from internals clients. The over spend has increased by £0.102m due to additional spend on the waste campaign, library promotion campaign and guide.

Community

2.12 At Quarter 2, the Community Directorate is forecasting an overspend of £0.710m.

Table 3: Community Directorate Variance

	Quarter 2 Variance £'000	Quarter 1 Variance £'000	Movement between Quarter 1 and Quarter 2 Variance £'000
Commissioning and Commercial	-		-
Environment and Culture	710	267	443
Housing General Fund	-	-	-
Regeneration, Enterprise and Planning	-	-	-
Total	**710**	**267**	**443**

2.13 The movement from Q1 to Q2 of £0.443m is a net effect of the following;

2.14 Forecast cost pressure of **£0.208m** from waste disposal (increase by £0.047m from Q1). For dry recycling disposal, the gate fee per tonne has increased significantly since February 18 due to unfavorable market prices for dry recyclables. However, the monthly gate fee could fluctuate materially throughout the year, as such, forecast cost pressure could increase or decrease subject to market prices. The WLWA waste disposal levy is also variable subject to actual waste tonnage delivered to them. The quarterly residual waste tonnage shows an increase when compared to the same period of last financial year.

2.15 There is a saving target of **£75k** in 18/19 for the Route Optimisation of Food Waste collection. Although the initiatives in relation to food waste collection are being progressed as part of Waste Review, the saving likely to be achieved in the latter part of the financial year will be offset by the additional costs from other proposed changes within the review. The service also forecast a pressure on staffing cost of **£60k**.

2.16 Under-achievement of income at the Civic Amenities site from trade customers **£84k**.

2.17 Forecast overspends in staffing costs in Clean & Green – additional overtime payment **£0.100m** and agency staff cost **£0.160m** is due to Housing service standard review which has required overtime to cover unbudgeted holiday and sickness absence. These are partially offset by underspend in parks levy of **(£35k),** a one-off over achievement in Cemeteries income of **(£56k)** and other income of **(£19k).**

2.18 A shortfall of £**0.135m** on Public Protection income, which relates to £50k reduction in health and safety service level of agreement income due to a reduced take-up from schools and (85k) licensing income.

2.19 There was a shortfall of (£0.130m) in Museum income reported in Q1, this has been mitigated by an underspend in staffing and is part of the movement between Q1 and Q2.

2.20 **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.

2.21 The additional 50 properties has not yet been purchased, however as the budget assumes £0.573m of borrowing costs to fund the properties, there is no cost pressure as a result of the delay of this initiative.

2.22 The homelessness budget is forecasting a pressure of £17k after a drawdown of (£1.449m) from the Flexible Homelessness Support Grant (FHSG), an increase in drawdown of £0.826m from Q1. This increase is as a result of detailed work that has been carried out to ensure the base information held on Northgate is correct and up to date which was completed in July and as a result better information is now available for projection of costs. Coupled with the introduction of the new Homelessness Reduction Act in April 2018 has led to an increase in the homelessness pressures which is being prevented and relieved by the use of Flexible Homelessness Support grant.

2.23 Remaining budgets are forecasting a pressure of £87k fully mitigated by a favourable variance on the Property Acquisition Programme.

2.24 The Flexible Homelessness Support Grant and New Burdens Funding of £1.985m and £0.167m respectively have been received in 2018/19 with a further £1.449m grant brought forward from 2017/18 bringing total grant funding to £3.601m, following the drawdown of £1.449m there will be a balance of £2.152m remaining.

2.25 **Regeneration, Enterprise and Planning Planning** forecasts a neutral outturn on the basis that the revenue costs of regeneration activity (estimated at £1.380m) are funded from the capacity already set aside within the Minimum Revenue Position (MRP).This is inclusive of regeneration programme delivery costs including, staff time and additional consultancy advice costs.

People Services

2.26 The People's Directorate is forecasting a gross overspend position of **£4.458m**, this represent an increase in forecast of £1.937m when compare to Q1 position of **£2.521m**. The £4.458m overspend is further reduced to **£2.882m** after one-off social care funding of **(£1.576m)** received after budget setting, bringing the net movement between Q1 and Q2 down to **£0.361m.**

Table 4: People's Directorate Variance

	Quarter 2 Variance £'000	Quarter 1 Variance £'000	Movement between Quarter 1 and Quarter 2 Variance £'000
Adult	5.022	2.521	2.501
Adult Social Care Funding	(1.576)	-	(1.576)
Public Health	(0.250)	-	(0.250)
Children	(0.314)	-	(0.314)
Total	**2.882**	**2.521**	**0.361**

Adult Services

2.27 The Quarter 2 Adults forecast is projecting gross over spend of **£5.022m**, reflecting increases anticipated in relation to winter pressures, inflationary uplifts and risks around delivery of mitigation to reduce the underlying overspend. The gross pressure is reduced by in year one-off social care finding of **(£1.576m)** which reduces the overspend to the net reported figure of **£3.446m**.

2.28 The net **£3.446m** pressure relates largely to adult social care placements, pressures in the delivery of in-house services, offset by the one-off grants and other wider divisional underspends as set out below;

2.29 **£4.906m** relates to an overspend in adult social care placements as follows;

- An increase of £2.334m in relation to new placements (between now and the end of the financial year, including additional winter pressures).

- An overspend of £3.388m based on MTFS and mitigations achieved to date (as at 18.09.18) and inflationary uplifts of £0.606m

- A reduction in expenditure of (£0.509m) anticipated in relation to the delivery of the remaining MTFS and budgeted assumptions. This relates largely to clawback (£0.198m), the core and cluster model (£95k) and promoting independence (£0.216m).

- A reduction in expenditure of (£0.287m*)* anticipated in relation to the mitigation plan. This assumes reductions in expenditure in relation to day care (£0.130m), care funding calculator reviews (£0.120m) and reviews being carried out by an external provider (£0.337m) together with a further increase in clawback (£0.200m) reduced by £0.5m to offset any risk associated with delivery.

- A forecast underspend of (£20k) in relation to re-ablement.

2.30 **Other Adults** – an over spend of **£0.108m**. This largely represents an overspend of £0.127m in relation to Central North West London (CNWL) managed mental health services, offset by minor variations (12k) within the division. The position assumes an outturn in relation to Mental Health services of £5.230m against a budget of £4.054m. The shortfall of £1.176m is shared between the Council and CNWL. Further risk remains in relation to the recovery plan (approx. £0.107m) assumed to be delivered within the forecast currently being reported.

2.31 **In-house provision** – an over spend **of £0.154m -** This largely represents increased staffing costs required to maintain a safe service of £0.275m offset by underspends of £0.121m across transport, Watkins House and shared lives.

2.32 The above pressure is reduced by the following underspends and one-off grants income as follows;

2.33 **Strategic management** – an under spend of **(£0.146m)** - This variation represents a lower level of legal costs in relation to the Infinity project (£21k) and releasing the unallocated placement contingency (£0.125m*).*

2.34 **One-Off Social Care Funding -** The Secretary of State for Health and Social Care announced in a speech to the Conservative Party Conference at the beginning of October that an extra £240m of funding would be made available to councils to pay for social care packages for Winter 2018/19. The allocation for Harrow totals **(£0.968m)** and will offset any increase the volume of packages being agreed. In addition the Adult Social Care support grant of (**£0.606m)** (announced after the 2018/19 budget was set), is being applied to fund agreed inflationary uplifts.

2.35 The £3.446m represents an increase of **£0.925m** in the forecast between Q1 and Q2 as set out below;

- An increased forecast in relation to social care placements of **£0.833m**, this is due to additional packages for personal budgets, community care placements, nursing homes placements, anticipated new packages for children and young people, other increases in pressure includes transition costs, increase in relation to re-ablement costs and additional bad debt provisions assumes.

- Increased forecasts of **£39k** in relation to other adult social care spend. This represents an increase in the overspend for mental health services provided by Central North West London and assumes a forecast outturn of £5.230m against a budget of £4.054m.

- Increase of **£0.177m** in internally provided service due to an increase in staffing cost required to operate safe services offset by underspends on transport and additional income in relation shared lives.

- A reduced forecast of **(£0.124m)** in relation to the releasing of placement contingency to offset the pressures now being reported

2.36 The forecast continues to assume no additional pressure in relation to s117 cases currently funded 50/50 with health.

Public Health

2.37 At Quarter 2 Public Health are forecasting a net underspend of (£0.250m). This relates to an underspend in relation to sexual health services and will enable the council to increase the wider determinants of health to be funded by the grant.

2.38 Sexual health services across London were re-procured during 2017/18 on a tariff basis with a new contract commencing in August 2017. This contracted activity is lower than anticipated resulting in an underspend, however this is slightly mitigated by an increase in testing services delivered through the pan London e-service leading to the underspend now reported. This is a demand led statutory service and there is limited comparable activity data, however this is being closely monitored.

Children's Services

2.39 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.

2.40 The forecast for the directorate is a headline pressure of £0.915m offset by underspends and management actions of £1.229m resulting in a net underspend of (£0.314m) at Quarter 2, an improvement of (£0.314m) when compared to the balanced position reported in Q1.

2.41 The following paragraphs summarise the over and under spends across the directorate;

2.42 **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.

2.43 **Alexandra Avenue Premises Costs £55k overspend -** The lease for the floor space occupied by Special Education Need (SEN) and Children and Young Adult Disability officers at Alexandra Avenue Health Centre has increased by £15k which is a combination of inflation and additional service charges. In addition there is a requirement for the telephony system to be replaced at Alexandra Avenue at a cost of £40k.

2.44 **SEN Assessment Service & Educational Psychology £91k**. In the short term - There has been an increase in requests 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). 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.

2.45 **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).

2.46 **Frontline Teams Staffing & Other Costs £0.362m 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.

2.47 **Harrow School Improvement Partnership Overspend of £88K** - This this being due to one off severance costs as a result of a restructure to move the service from a traded service to a statutory service.

2.48 Other service pressure due to shortfall in income and contract cost of **£50k**.

2.49 The pressures above are offset by the following underspends:

2.50 **Children's Placements & Accommodation (£0.610m) underspend** - The forecast is projecting an underspend of (£0.610m) 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. The forecast in Q2 is projecting an increased underspend of (£0.373m) from Q1. This is as a result of half year adjustments on anticipated costs not materialising. There have also been a number of ended placements where children have returned home or moved to independence where it has been safe to do so.

2.51 **Section 17 and No Recourse to Public Funds (NRPF) (£97k)** underspend

2.52 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. Regular tracking & monitoring to enable decisions for families to be made in a timely way to enable access to benefits.

2.53 **Departmental Legal Costs (£0.312m) 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.

2.54 **Management actions across the service (£0.210m)**

HOUSING REVENUE ACCOUNT

2.55 At Quarter 2, the HRA is forecasting an under spend of (£0.180m), an improvement against Q1 of (£0.509m), due mainly to reduced expenditure on repairs and bad debt provision and increased proportion of Homes-4-Harrow expenditure qualifying as capital. The estimated deficit on the HRA revenue account is forecast at (£0.919m) which will reduce revenue reserves to an estimated £6.6m.

2.56 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, and welfare reforms. The approved budget assumes revenue cost reductions and increased income of £1.9m per annum by March 2021.

2.57 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.

2.58 Although, phase 1 of Grange Farm Regeneration scheme, which has secured the planning consent and external HIF funding, will be proceeding, a review of the HRA Business Plan is underway to ensure capacity exists to complete the Infill programme and initiate a wider spectrum of new build schemes to reverse sustained stock depletion from right to buys.

2.59 Ministry of Housing Community and Local Government has recently abolished the HRA borrowing cap which **has** been confirmed by government in the recent budget announcement, and combined with Council's successful bid for £32.144m grant funding from GLA in accordance with the Mayor's "Building Council Homes for Londoners" programme, will enable an additional 618 units to be built .

2.60 As well as significantly reversing the impact of historic Rent To Buy losses, these additional units will also improve the capacity to provide accommodation for homeless families thereby mitigating pressures on General Fund by potentially increasing social units available to permanently house homeless tenants.

2.61 Officers are now working up the delivery plan for the new Homes for Harrow programme which will also be presented to Cabinet for approval in February 2019.

2.62 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	919	-180
Balance c/fwd	-6,432	-6,555	-123

CONTINGENCIES AND RESERVES

2.63 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. There have been no calls on the central contingency for the unforeseen items as at 30th September and the forecast assumes no further calls for the remainder of the year, resulting in a £1.248m underspend. Should there be any need to use the contingency then this underspend will be reduced accordingly.

2.64 In Quarter 2, there is a planned corporate forecast underspend of (£2.294m) relating to unallocated inflation and savings on borrowing. This and the £1.2m underspend on the contingency are contributing to the net overall £2.2m underspend which will be used as a contribution to the 2019/20 budget gap.

2.65 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 Fwd	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 2	**(563)**	**(411)**	**(469)**	**(138)**		0
Potential Draw down for the rest of the year	**(635)**	**(110)**	0	**(217)**		0
Estimated to be drawn down in 2018/19 and future years	**(2,000)**	**0**	**0**	**0**		**0**
Available after commitment in 2018/19	**4,184**	**1,305**	**0**	**2,086**		**6,155**

SPENDING CONTROL

2.66 The under spend position of (£2.2m) in Quarter 2 includes a one-off contribution to spending controls across the directorates of £1.1m.

2.67 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)
Community and Culture	*(75)*	New Homes Bonus – LEP Programme. Surplus after
Planning and Enterprise	*(75)*	CIL – Planning Officer time charged against CIL admin fee
Community Total	**(150)**	
Children	*(250)*	Children's – flexible use of grant carried forward from 17/18 (£250k)
Public Health	*(250)*	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)**	

2.68 **One-Off Income -** The council has also received one off income of (£0.532m) after budget setting in February which is also contributing to the forecast underspend.

National Non Domestic Rates (NNDR)

2.69 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, the no detriment clause is in place for the first year only and discussions are ongoing to extend the London Pilot Pool for a second year in 2019/20.

2.70 At the time of preparing the 2018/19 budget, no indicative figures were available for potential growth from the pilot pool therefore, as a prudent measure, no benefit was built into the final budget. Early indications are that Harrow could benefit from an estimated £3.5m of one off income in 2018/19 which will be applied in the 2019/20 budget.

2.71 Additional one off income of £0.779m in the form of section 31 grant funding has also been allocated to Harrow in 2018/19 which will be applied in the 2019/20 budget.

MTFS IMPLEMENTATION TRACKER

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

2.73 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

2.74 Table 9 below shows the summarised position for each directorate as at Quarter 2:

Table 9: Savings Tracker 2018/19 – Directorate Summary

	Resources	**People**	**Community**	**Regeneration**	**Total at Quarter 2**	**Total at Quarter 1**	**Movement**	**% Split**
	£000	£000	£000	£000	£000	£000		
Red	369	340	314	0	1,023	948	75	12%
Amber	130	1,202	300	0	1,632	1,332	300	18%
Green	1,806	1,597	2,693	50	6,146	6,521	-375	70%
Purple	0	0	0	0	0	0	0	0
Total	**2,305**	**3,139**	**3,307**	**50**	**8,801**	**8,801**	**0**	**100%**

2.75 As at Quarter 2, 70% of the 2018/19 savings are rated green (Clear delivery plans in place and running to timescale), 18% 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 12% 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).

2.76 **There has been £0.375m** movement the between green, amber and red savings between Quarter 1 and 2 as follows;

- **Housing Related Support Procurement savings (COM 18.19_S08) £0.100m** has been reclassified as amber from green, this is due to expected £59k pressure as a result of late contract start date and unbudgeted TUPE expenditure.

- **Phase 2 of Environment & Culture Review - Regulatory Services £0.200m** savings has moved from green to amber **-** Plans are put in place to maximise licensing activities. The introduction of borough wide Public Spaces Protection Order to address environmental issues and new enforcement powers under the Housing and Planning Act 2016 ensures that enforcement actions can be effectively undertaken. A review of Public Protection is also underway. All these are expected to contribute to partially achieving the saving target.

- **£75k savings for Route Optimisation of food waste collection savings (COM_S12)** has also been reclassified from green to red **-** Although the initiatives in relation to food waste collection are being progressed as part of Waste Review, the saving likely to be achieved in the latter part of the financial year will be offset by the additional costs from other proposed changes within the review.

Debt Write-off

2.77 An invoice of £0.162m was raised against Cultura London in 2017/18 in relation to income activities undertaken on behalf of the Council. The liquidation process of the company has now been completed and therefore it is requested that the outstanding debt is fully written off. This debt has been provided for.

2.78 Following a review of its debts, the Housing Service has identified amounts in the **Housing Revenue Account** totalling £65k which is no longer considered recoverable, £5k of which relates to debt of deceased tenants, with the remainder due to tenants not traceable following exhaustion of all approved channels and uneconomical to pursue. These debts have already been provided for and represent no additional charge to HRA balances. In line with Council's debt management policy, it is recommended Cabinet approves the write off of this amount.

Capital Programme

3.0 The 2018/19 capital programme agreed by Council in February 2018 totalled £128.069m. After allowing for agreed slippage of £65.5m from 2017/18 outturn and other approved amendments of £21.764 the programme now totals £215.333m at Quarter 2.

Table 10: Capital Outturn Summary

Directorate	Original Programme	CFWD's	Other Adjustment (Additional)	TOTAL BUDGET	Forecast Spend	Forecast Variance	Slippage	Underspend after slippage
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
TOTAL GENERAL FUND	125,330	46,900	21,764	193,994	86,010	-107,982	-42,782	-65,201
TOTAL HRA	2,739	18,600	0	21,339	10,380	-10,959	-6,965	-3,994
TOTAL GENERAL FUND & HRA	128,069	65,500	21,764	215,333	96,390	-118,942	-49,747	-69,196

3.1 The forecast spend at Quarter 2 is £96.390m, 45% of the total capital programme. The forecast variance on the General Fund at Q2 is a variance of (£107.982m) (56%) of the £193.994m budget, of which £42.782m is the slippage into 2019/20 and (£65.201m) can be removed from the capital programme.

3.2 The forecast variance on the Housing Revenue Account budget of £21.339m at Quarter 2 is a variance of (£10.959m), of which £6.965m is the slippage into 2019/20 and (£3.994m) can be removed from the capital programme.

Tables 11 and 12 below summarise the capital forecast position and Appendix 4 shows the capital programme in more detail.

Table 11: Summary of Capital forecast by Directorate

Directorate	Original Programme	CFWD's	Virement	Other Adjustment (Additional)	External	LBH	TOTAL BUDGET	Forecast Spend	Forecast Variance	Slippage	Underspend after slippage
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PEOPLE	**7,870**	**18,435**	**20**	**0**	**12,012**	**14,313**	**26,325**	**14,572**	**-11,753**	**-11,660**	**-93**
Adults	*200*	*918*	*20*	*0*	*0*	*1,138*	*1,138*	*1,045*	*-93*	*0*	*-93*
Schools and Children	*7,670*	*17,517*	*0*	*0*	*12,012*	*13,175*	*25,187*	*13,527*	*-11,660*	*-11,660*	*0*
COMMUNITY	**113,722**	**13,714**	**-1,960**	**21,714**	**5,572**	**141,618**	**147,190**	**54,420**	**-92,769**	**-27,662**	**-65,108**
Environment and Commission	*30,643*	*2,878*	*-1,920*	*21,898*	*1,459*	*52,040*	*53,499*	*42,185*	*-11,314*	*-11,314*	*0*
Housing	*9,015*	*9,221*	*0*	*226*	*1,406*	*17,056*	*18,462*	*2,778*	*-15,684*	*-14,933*	*-751*
Culture	*2,164*	*472*	*0*	*-610*	*922*	*1,104*	*2,026*	*1,272*	*-754*	*-754*	*0*
Regeneration	*71,900*	*1,143*	*-40*	*200*	*1,785*	*71,418*	*73,203*	*8,186*	*-65,017*	*-661*	*-64,356*
RESOURCES	**3,738**	**14,751**	**1,940**	**50**	**69**	**20,410**	**20,479**	**17,018**	**-3,461**	**-3,461**	**0**
TOTAL GENERAL FUND	**125,330**	**46,900**	**0**	**21,764**	**17,653**	**176,341**	**193,994**	**86,010**	**-107,982**	**-42,782**	**-65,201**
TOTAL HRA	**2,739**	**18,600**	**0**	**0**	**0**	**21,339**	**21,339**	**10,380**	**-10,959**	**-6,965**	**-3,994**
TOTAL GENERAL FUND & HRA	**128,069**	**65,500**	**0**	**21,764**	**17,653**	**197,680**	**215,333**	**96,390**	**-118,942**	**-49,747**	**-69,196**

Table 12: Analysis of Forecast Outturn Variance

Directorate	Outturn variance	Split of outturn variance by funding		Slippage	Slippage by funding		Underspend after slippage	Split of Underspend after slippage	
		Grant/sec 106	LBH		Grant /Sec 106	LBH		Grant	LBH
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PEOPLE	**-11,753**	**-3,085**	**-8,668**	**-11,660**	**-3,085**	**-8,575**	**-93**	**0**	**-93**
Adults	*-93*	*0*	*-93*	*0*	*0*	*0*	*-93*	*0*	*-93*
Schools and children	*-11,660*	*-3,085*	*-8,575*	*-11,660*	*-3,085*	*-8,575*	*0*	*0*	*0*
COMMUNITY	**-92,768**	**-661**	**-92,107**	**-27,661**	**0**	**-27,661**	**-65,109**	**0**	**-65,109**
Environment and commisioning	*-11,314*	*0*	*-11,314*	*-11,314*	*0*	*-11,314*	*0*	*0*	*0*
Culture	*-754*	*0*	*-754*	*-754*	*0*	*-754*	*0*	*0*	*0*
Housing	*-15,684*	*0*	*-15,684*	*-14,933*	*0*	*-14,933*	*-751*	*0*	*-751*
Regeeration	*-65,016*	*-661*	*-64,354*	*-660*	*0*	*-660*	*-64,357*	*0*	*-64,357*
RESOURCES	**-3,461**	**0**	**-3,461**	**-3,461**	**0**	**-3,461**	**0**	**0**	**0**
TOTAL GENERAL FUND	**-107,982**	**-3,746**	**-104,236**	**-42,782**	**-3,085**	**-39,697**	**-65,202**	**0**	**-65,202**
TOTAL HRA	**-10,959**	**0**	**-10,959**	**-6,965**	**0**	**-6,965**	**-3,994**	**0**	**-3,994**
TOTAL	**-118,942**	**-3,746**	**-115,195**	**-49,747**	**-3,085**	**-46,662**	**-69,196**	**0**	**-69,196**

RESOURCES DIRECTORATE

3.3 As at Quarter 2 the Resources Directorate is forecasting overall spend of £17.018m, which is 84% of the approved £20.479m capital budget in 2018/19.

3.4 The forecast variance of **(£3.461m)** is the slippage into 2018/19 as detailed below. There are no revenue implications as a result of this slippage.

3.5 Devolved applications slippage of **£1.438m -** The expenditure has been re-profiled to better reflect milestone delivery. The bulk of the work will be delivered in 2019/20.

3.6 Ongoing refresh & enhancement of ICT schemes of **£0.905m**. The expenditure has been re-profiled to reflect delays in commissioning the piece of work through 2018/19. The project must be delivered by 2020. There is minimal impact on the revenue budget as licences will still be required in 2018/19.

3.7 SAP Financial Leger projects - **£0.554m** will be slipped to 2019/20 pending decisions in relation to individual projects.

3.8 Other projects including the ABAVUS system and Human Resources system of **£0.564m** will be slipped to 2019/20.

COMMUNITY DIRECTORATE

3.9 As at Quarter 2 the forecast is £54.333m, 37% of the total budget.

3.10 The forecast variance is (£92.856m) of which £82.025m will be slipped to 2019/20 and £10.832m can be removed from the capital programme. The main items of slippage and underspend are detailed below:

Environment and Commissioning

3.11 At Quarter 2, the service is forecasting to spend £42.185m (79%) in 2018/19, and budget slippage of (£53.499m). There are no revenue implication of these capital slippages and underspend.

3.12 The services spent and committed 20% of its budget at Q2. The main reason that this is below the profiled spend at this time of the year is that the construction work at the depot is scheduled to commence in the latter part of the financial year when the majority of its budget will be spent.

3.13 The Vehicle Procurement budget of **£11.314m** will be slipped due to the lead-in time for manufacturing the vehicles which means some vehicles will be purchased in 2019/20 instead.

Culture

3.14 At Quarter 2, the service is forecasting to spend £1.272m (63%) in 2018/19, and budget slippage of (£2.026m). There are no revenue implication of these capital slippages and underspend

3.15 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 submission of the application is dependent on the confirmation of the granting of planning permission. The works to the pavilion will start after the football season has ended so April 2019 at the earliest. The forecast spend in 2018/19 is therefore mainly related to the electrical upgrades at the Bannister site and the remaining budget **£0.751m** is to be slipped to 2019/20.

Housing General Fund

3.16 At Quarter 2 the outturn forecast for Housing General Fund is £2.778m.

3.17 The forecast variance is (£15.684m), **£14.933m** will be slipped to 2019/20 while £0.751m is no longer needed. The main items of underspend and slippage is detailed below;

3.18 **£14.933m** slippage relates to acquisition of additional properties under Council's Property Acquisition Programme. Delays in acquisition of additional properties will result in a reduced supply of temporary accommodation which can be used as an alternative to the more expensive Bed & Breakfast; however this would only be the case until the new properties come into use by the Council.

3.19 Underspend **£0.751m** relates mainly to budget set aside for Compulsory Purchase Order not now proceeding and will not have a significant revenue impact as it relates to a single property.

REGENERATION

3.20 At Quarter 2, the forecast spend on regeneration main projects is £7.062m, this represents approximately 10% of the approved capital programme budget of £71.418m. The variance of £64.356m is the underspend that will be removed from the capital programme in 2018/19. The Regeneration Capital budget is been reset and is covered elsewhere on this agenda in the Regeneration Programme Report.

3.21 Other regeneration projects within the Planning and Enterprising division are forecasting an outturn of £1.124m and a budget slippage of £0.661m which relates to Neighbourhood Community Investment Levy Schemes.

<u>PEOPLE</u>

3.22 As at Quarter 2 the forecast spend is £14.572m, 55% of the 2018/19 People's directorate capital budget.

3.23 The forecast variance is (£11.753m); £11.660m is the slippage into 2019/20 while £93k budget will be removed from the programme.

ADULTS

3.24 At Quarter 2 the forecast spent is £1.045m this represents 92% of the approved capital programme in 2018/19 and £93k will be removed from the programme.

3.25 The £93k underspend in Adults relates to Integrated Health Model and Mentis Pilot which have not progressed. In the event that Adults decide to go ahead with these projects then a new Business case will be raised. There is no revenue implications as a result of this underspend.

SCHOOLS

3.26 At Quarter 2 the service is forecasting to spend £13.527m (54%) in 2018/19 and a budget slippage of (£11.660m) into 2019/20.

3.27 B**ulge 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.

3.28 **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.

3.29 **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

3.30 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:

3.31 **£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.

3.32 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.

3.33 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

3.34 At Quarter 2, outturn forecast for Housing Revenue Account is £10.380m resulting in forecast variance (£10.959m) of which £6.965m will be slipped into 2019/20 and £3.994m will be removed from the programme.

3.35 **£6.965m** slippage includes £5.391m 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.

3.36 **£3.994m** underspend includes £0.420m for planned investment works and £3.574m for Infill schemes originally part funded from borrowing which will not be assumed to continue until they are approved as part of the final HRA budget in February 2019. This is because these schemes were not assumed to have funding as at Qtr 2 but will be updated for the February Cabinet if the position changes when the final HRA Budget report will be submitted to Cabinet for approval.

3.37 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

Addition to Capital Programme

3.38 There is currently a budget allocation of £1.269m in the 2018/19 capital programme for Local Implementation Plan (LIP). LIP is funded by Transport for London (TfL). A further funding of £0.115m has been allocated following a successful bid to TfL to undertake carriageway widening works on High Road Harrow Weald, therefore the capital element of the LIP funding is now £1.384m. It is requested that £0.115m be added to the LIP programme in 2018/19.

3.39 S106 developer's contributions will be used to support the following highway schemes in 2018/19

- £20,800 for a local safety scheme in Oxhey Lane
- £50,000 for physical works in College Road

It is therefore requested that **£70,800** be added to the highway programme in 2018/19.

3.40 The council has received national funding from the soft drinks levy (sugar tax) called the Healthy Pupil Capital Fund (HPCF). This is a one off payment and must be used to improve health and wellbeing in schools. The fund will be used to identify an important public health issue and an intervention to address it. In this case, the issues are child hood obesity and poor oral health and the intervention would be to reduce the amount of sugary drinks consumed by improving access to water fountains in schools. It is therefore requested that a new programme budget called water fountains of £0.174m be added to the 2018/19 capital programme.

3.41 An addition is require for a project which seeks to transform an underutilised and neglected green space into a brand new pocket park; this project will also create a gateway to a linear green space connecting a residential area with a bustling town centre. The total cost of the project is £25k, the council has already applied for a grant of £19k from the Mayors Greener City Fund while the balance of £6k will be funded from the ward priority fund. It is therefore requested that a new programme called new pocket park project of £25k is added to the 2018/19 capital programme. This addition is subject to the success of the £19k grant from the Mayors Greener City Fund.

3.42 The Financial regulations allow for a total of £2.5m of additional Capital expenditure to be added to the Capital Programme (which is funded from external sources) during any one financial year. To date taking into account the additions at paragraphs 3.38 to 3.41, a total of £1.733m has been added. There are 2 further additions of capital required in relation to £545k for playground infrastructure replacement which will be funded from Borough Community Infrastructure Levy (BCIL) and £509k of funding to improve the Highway infrastructure which has been received from the Department of Transport as part of the October Budget announcement. The addition of these 2 items would bring the total additions to a value in excess of £2.5m, and so these 2 items were added by Council on 29th November 2018, in order for the Financial Regulations not to be breached.

4.0 <u>Sancroft Care Home</u>

4.1 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.

4.2 In Quarter 2 of 2018/19 - Sancroft continues to deliver against the business plan with an improvement in position to that reported in Q1 2018. The Quarter 2 performance of the Company is set out in Confidential Appendix 5.

5.0 <u>Concilium Business Services</u>

5.1 Concilium Business Services Ltd has been trading as Smart Lettings since financial year 2015/16. In accordance with the Shareholder Agreement the Business Plan is refreshed and subsequently approved on an annual basis. Following the annual refresh, it has been concluded that Smart Lettings can no longer continue as a going concern and the functions of the Company will be transferred back to the Council, including the TUPE of staff employed by Smart Lettings. This process of transferring back the functions has commenced and the results of this process will be reported to Cabinet in February as part of the Quarter 3 Finance Update.

5.2 Smart Lettings took a loan of £0.284m from the Council. There are insufficient funds within the company to re-pay this loan. Contingency provision was made for such an event and the unrecoverable loan will be written off against the Commercialisation Reserve which currently stands at £0.355m. It is therefore recommended that Cabinet approve the write off of this loan of £0.284m.

5.3 When the process of transferring functions back to the authority has been completed, any residual loss within the company will be held within Concilium Group Ltd, the holding company, and be off set against profits earned elsewhere within the company structure.

6.0 Reporting for the 2018/19 Financial Year.

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

- 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 approve bad debt write-off
- To note the Quarter 2 performance of 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 Under section F5 of the financial regulation debts write-offs over £25,000 will be subject to cabinet approval. The limits apply to individual debts or category of debts. The write offs needing approval at Cabinet will be submitted as part of the quarterly Revenue Monitoring Report.

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 2 is showing an under spend position of (£2.200m).

For the 2018/19 savings built into the MTFS, the overall position is that 70% of the savings are RAG rated as Green (Clear delivery plans in place and project running to timescale), 18% amber (Potential for slippage, project will be delivered as originally intended but not within timescale, so saving will not be fully realise) and 12% red (Project may have started but will deliver no savings in the current financial year).

The Capital Programme is projecting a spend of 45% as at Quarter 2

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 2 Budget monitoring Report has been prepared in line with the Council's vision:
Working Together to Make a Difference for Harrow

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

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert Date: 5th November 2018	x	Director of Finance
		on behalf of the

Name: Jessica Farmer Date: 26th November 2018	X	Monitoring Officer

Section 3 – Procurement Officer Clearance

Name: Nimesh Mehta Date: 5th November 2018	x	on behalf of the Head of Procurement

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

Section 4 - Contact Details and Background Papers

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

Background Papers:

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	Quarter 2 Variance	Drawdown From Reserves	Quarter 2 Variance after Drawdown From Reserves	Q1 Variance	Movement between Q1 and Q2
	£000	£000	£000	£000	£000	£000	
Resources							
Controllable Budget							
Customer Services	14,037	14,125	88	(171)	(83)	(138)	55
Concessionary Fares	10,000	10,000	0		0	0	0
Business Support	3,307	3,306	(1)	0	(1)	2	(3)
Director of Resources	641	556	(85)	0	(85)	0	(85)
Assurance	596	607	11	(45)	(34)	(1)	(33)
HRD & Shared Services	995	967	(28)	0	(28)	(9)	(19)
Procurement & Commercial	308	138	(170)	0	(170)	(101)	(69)
Legal & Governance	2,799	2,473	(326)	(138)	(464)	(232)	(232)
Strategic Commissioning	1,863	2,301	438	(71)	367	265	102
Finance	2,389	2,269	(120)	0	(120)	(21)	(99)
Total Controllable Budget	**36,935**	**36,742**	**(193)**	**(425)**	**(618)**	**(235)**	**(383)**
Uncontrollable Budget	(19,791)	(19,791)	0		0	0	**0**
Total Directorate Budget	**17,144**	**16,951**	**(193)**	**(425)**	**(618)**	**(235)**	**(383)**
							0
Community							0
Controllable Budget							0
Commissioning & Corporate Estate	(5,139)	(4,732)	407	(407)	0	0	0
Environment &Culture	21,335	22,526	1,191	(481)	710	267	443
Directorate Management	184	184	0	0	0	0	0
Housing General Fund	4,656	6,673	2,017	(2,017)	0	0	0
Regeneration, Enterprise and Planning	1,063	2,443	1,380	(1,380)	0	0	0
Total Controllable Budget	**22,099**	**27,094**	**4,995**	**(4,285)**	**710**	**267**	**443**
Uncontrollable Budget	22,179	22,179	0		**0**	**0**	**0**
Total Directorate Budget	**44,278**	**49,273**	**4,995**	**(4,285)**	**710**	**267**	**443**
							0
People							0
Controllable Budget							0
Adult Services	58,104	63,709	5,605	(583)	5,022	2,521	2,501
Public Health	(1,814)	(2,064)	(250)	0	(250)	0	(250)
Children & Families	32,721	32,407	(314)	0	(314)	0	(314)
Total Controllable Budget	**89,011**	**94,052**	**5,041**	0	**4,458**	**2,521**	**1,937**
Uncontrollable Budget	17,521	17,521	0		0	0	**0**
Total Directorate Budget	**106,532**	**111,573**	**5,041**	**(583)**	**4,458**	**2,521**	**1,937**
							0
Total Directorate Budgets	**167,954**	**177,797**	**9,843**	**(5,293)**	**4,550**	**2,553**	**1,997**
							0
Corporate Items	5,760	5,760	0		0	0	0
Corporate Contingency	1,248	0	(1,248)		(1,248)	0	(1,248)
Technical and Corporate Adjustment	(3,345)	(5,639)	(2,294)		(2,294)	0	(2,294)
Use of Capital Receipts	(2,700)	(2,700)	0		0	0	0
Spending Controls Freeze		(1,100)	(1,100)		(1,100)	(1,100)	0
One-off Income		(532)	(532)		(532)		(532)
One-Off Social Care Grant		(1,576)	(1,576)		(1,576)	0	(1,576)
Total Budget Requirement	**168,917**	**172,010**	**3,093**	**(5,293)**	**(2,200)**	**1,453**	**(3,653)**