Harrow COUNCIL
LONDON

REPORT FOR: CABINET

Date of meeting:	21 February 2019
Subject:	Revenue and Capital Monitoring 2018/19 - as at Quarter 3 (31 December 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 Appendix 5, which is exempt on the grounds that it contains “exempt information” under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information
Decision subject to Call-in:	Yes
Wards affected:	All wards
Enclosures:	Appendix 1 - Revenue Budget Summary 2018/19 – as at Quarter 3 (31st December 2018). Appendix 2 - Draw Down From Reserves. Appendix 3 - 2018/19 MTFS Savings Tracker. Appendix 4 - Capital Programme 2018/19 – as at Quarter 3 (31 December 2018). Exempt Appendix 5 - Commercial Update (Exempt) as at Quarter 3.

Section 1 – Summary and Recommendations

This report sets out the Council's forecast financial position as at Quarter 3 (31st December 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 2.85
3. That Cabinet approves the proposed addition to the Capital Programme as set out at paragraphs 3.43 to 3.44
4. That Cabinet notes the progress on the Council's commercial structure as detailed in Appendix 5.
5. To reflect the change in operational responsibility for the Council's commercial structure, to authorise the Director of Legal and Governance Services and the Director of Finance (Section 151 officer) to take over the responsibilities as the shareholder representatives on behalf of Harrow Council for Concillium Assets LLP and Concillium Group Limited including subsidiary companies.

Reason (for recommendation)

To report the 2018/19 forecast financial position as at Quarter 3 (31 December 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 3 (31st of December 2018) there is a forecast revenue overspend on Directorate budgets of £4.14m. 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 3 is summarised below:

	£m
• Resources and Commercial Directorate underspend	(0.834)
• Environment and Culture overspend	0.710
• Adult services overspend	5.022
• One-off Adult Social care funding	(1.576)
• Public Health underspend	(0.250)
• Children's Services underspend	(0.511)
• 2018/19 Contribution to spending controls	(1.100)
• One-off Income	(0.493)
• Corporate underspend	(3.168)
Net Underspend	**(2.200)***

** £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 £82.184m against a budget of £217.191m. This represents a total forecast spend of 38%. In terms of general fund capital, there is a net forecast variance of £123.599m of which (£58.404m) is the slippage into 2019/20 and (£65.195m) can be removed from the Capital Programme. For the Housing Revenue Account, a variance of £11.407m is forecast of which (£7.447m) is the slippage into 2019/20 and (£3.960m) can be removed from the Capital Programme.

2.0 REVENUE MONITORING

2.1 The revenue forecast position as at Quarter 3 (31st December 2018) is showing an underspend position of (£2.2m); this is in line with what was reported in Quarter 2. Of the (£3.168m) 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 3 monitoring position:

Table 1: Revenue monitoring – as at Quarter 3 (31st December 2018)

Directorate	Revised Budget	Forecast Outturn	Quarter 3 Variance	Draw Down From Reserves	Quarter 3 Variance after Draw Down	Quarter 2 Variance after Draw Down	Movement between Q2 and Q3
	£000	£000	£000	£000	£000	£000	£000
Resources and Commercial	17,144	16,858	(286)	(548)	(834)	(618)	(216)
Resources Total	**17,144**	**16,858**	**(286)**	**(548)**	**(834)**	**(618)**	**(216)**
Commissioning, Environment and Culture	33,875	35,780	1,905	(1,255)	650	710	(60)
Housing	8,200	9,509	1,309	(1,309)			-
Regeneration, Enterprise and Planning	2,203	3,494	1,291	(1,231)	60	0	60
Community Total	**44,278**	**48,783**	**4,505**	**(3,795)**	**710**	**710**	**-**
Adults	64,691	70,516	5,825	(803)	5,022	5022	-
Public Health	(1,704)	(1,954)	(250)	-	(250)	**(250)**	-
Children's	43,545	43,034	(511)	-	(511)	**(314)**	(197)
People Total	**106,532**	**111,596**	**5,064**	**(803)**	**4,261**	**4,458**	**(197)**
Total Directorates	**167,954**	**177,237**	**9,283**	**(5,146)**	**4,137**	**4,550**	**(413)**
Spending Control		(1,100)	(1,100)		(1,100)	**(1,100)**	-
One-off Income		**(493)**	(493)		(493)	**(532)**	39
One-Off Social Care Grant		**(1,576)**	(1,576)		(1,576)	**(1,576)**	-
P9 Forecast after 'one off's'	**167,954**	**174,068**	**6,114**	**(5,146)**	**968**	**1,342**	**(374)**
Corporate Items	5,762	5,762	-	-	-	0	
Corporate Contingency	1,248	-	(1,248)		(1,248)	(1,248)	-
Technical and Corporate Adjustment	(3,347)	(5,267)	(1,920)		(1,920)	(2,294)	374
Use of Capital Receipts	(2,700)	(2,700)	-		-	0	-
Total Budget Requirement	**168,917**	**171,863**	**2,946**	**(5,146)**	**(2,200)**	**(2,200)**	**-**
Contribution to 2019/20 Budget					**2,200**		

Resources and Commercial

2.4 At Quarter 3, the Resources and Commercial Directorate is forecasting to underspend by **(£0.834m)**, an improvement of (£0.216m) when compared to Quarter 2.

Table 2: Resources Directorate Variance

Quarter 3 Variance £'000	Quarter 2 Variance £'000	Movement between Quarter 2 and Quarter 3 Variance £'000
(834)	(618)	(216)

2.5 The net underspend of **(£0.834m)** mainly relates to externally generated income in the Legal Shared Service, anticipated rebates from the Pertemps contract and other contract efficiency savings.

2.6 **Legal & Governance** are reporting a net **(£0.735)** underspend in Q3 which is an increase of (£0.271m) when compared to Q2, this increase reflects additional external income from the Legal Shared Service and Democratic Services. Clients have been commissioning an increased number of recorded hours from Legal Services. The number of hours commissioned by clients is reviewed on a monthly basis.

2.7 **Finance** are reporting an under spend of **(£0.127m)** mainly as a result of early insurance savings. This is broadly in line with what was reported in Q2.

2.8 The **Director of Resources** budget is reporting an overall underspend of **(£85k)** in Q3**,** which is as a result of not back filling the Director of Resources post.

2.9 The **Procurement and Commercialisation division** are currently forecasting an overall underspend of **(£80k)** in Q3 which reflects anticipated rebates from pertemps and delayed recruitment. There is a reduction in forecast underspend of £90k when compared with Q2 which is due to historical costs not recharged out and held within Procurement.

2.10 The **Customer Services** division is projecting a net underspend of **(£30k)** which relates mainly to vacancy and the reduced cost of photocopiers. The reduction in the forecast underspend of £50k when compared to Q2 relates to the cost of preparatory work to achieve the Customer Services savings in 2019/20 and the increased cost of the parking ticket processing office due to the higher number of issued PCNs and related outgoings.

2.11 Other underspends across the directorate of **(£0.120m)** in Human Resources, Business Support and Assurance have improved by (£56k) when compared to Q2.

2.12 **Strategic Commissioning** is forecasting a **£0.343m** overspend which can be managed at this point within the directorate, this pressure mostly relates to the communication budget which is caused by an increased level of commissioned work. The over spend has reduced by (£24k) in comparison to Quarter 2 as small efficiencies were identified elsewhere within the division.

Community

2.13 At Quarter 3, the Community Directorate is forecasting an overspend of £0.710m which is broadly in line with what was reported in Q2.

Table 3: Community Directorate Variance

	Quarter 3 Variance £'000	Quarter 2 Variance £'000	Movement between Quarter 2 and Quarter 3 Variance £'000
Commissioning and Commercial	-		-
Environment and Culture	650	710	(60)
Housing General Fund	-	-	-
Regeneration, Enterprise and Planning	60	-	60
Total	**710**	**710**	**-**

2.14 Forecast pressure of **£0.65m** is reported in **Environment & Culture**. The adverse variance is attributable to a number of factors as stated below:

2.15 Forecast overspend in staffing costs in Clean & Green which are additional overtime payments and agency staff costs £166k, due to bringing the Housing SLA back to standard which has required overtime, unfunded costs for Q1 in relation to fortnightly sweeping and for covering unbudgeted holiday and sickness absence. These are partially offset by underspend in parks levy of (£34k) and a one-off over achievement in cemeteries income of (£56k) and other income of (£19k).

2.16 Forecast cost pressure of £79k for waste disposal (reduction of £0.129m from Q2). For dry recycling disposal, the gate fee per tonne has increased significantly since February 18 due to unfavourable 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 West London Waste Authority (WLWA) waste disposal levy is also variable subject to actual waste tonnage delivered to them. Latest information available suggests a reduction in the previously forecast costs for both dry recycling disposal and WLWA waste disposal and consequently reduced cost pressure than previously reported.

2.17 There is a saving target of £75k profiled in 2018/19 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. There is also a net forecast staffing pressure of £84k due to the use of agency staff.

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

2.19 Housing Grounds Maintenance SLA income is yet to be determined. Opportunities are being explored to restore standard of service level and to ascertain associated income levels. Subject to the outcome of discussions between parties, potential income shortfall may be up to **£60k**.

2.20 Unbudgeted communications cost for bin hangers and other printing material including distribution is estimated to be **£30k**.

2.21 A shortfall of £**0.151m** on Public Protection income, which relates to £50k reduction in health and safety service level agreement income due to a reduced take-up from schools and £0.101m licensing income.

2.22 There is also agency cost pressure in Public Protection of **£18k** and H&S miscellaneous supplies and services cost pressures of **£12k**, arising from subscriptions and third party payment.

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

2.24 **Housing General Fund** forecasts a balanced position. The budget assumes a saving of £0.573m against the homelessness budget as a result of purchasing additional properties for temporary accommodation.

2.25 The additional properties have not yet been purchased and a Cabinet report seeking approval to proceed appears elsewhere in the agenda. 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.

2.26 The homelessness budget is forecasting a pressure of £49k after a drawdown of (£0.879m) from the Flexible Homelessness Support Grant (FHSG), a reduction in drawdown of £0.570m from Q2 due to an improvement in the underlying homelessness pressure.

2.27 The remaining budgets are forecasting a pressure of £55k which is fully mitigated by a favourable variance on the Property Acquisition Programme.

2.28 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 £0.879m there will be a balance of £2.722m remaining.

2.29 **Regeneration, Enterprise and Planning** forecasts an overspend of £60k due to the use of agency staff in Planning Services. The revenue costs of regeneration activity (estimated at £1.231m) are funded from the capacity already set aside within the Minimum Revenue Provision (MRP).

<u>People Services</u>

2.30 The People's Directorate is forecasting a gross overspend position of **£4.261m**, this represent a reduction in forecast of (£0.197m) when compared to Q2. The £4.261m overspend is further reduced to **£2.685m** after one-off social care funding of

(£1.576m) received after budget setting, bringing the net movement between Q2 and Q3 down to **£0.197m.**

Table 4: People's Directorate Variance

	Quarter 3 Variance £'000	Quarter 2 Variance £'000	Movement between Quarter 2 and Quarter 3 Variance £'000
Adult	5.022	5.022	-
Adult Social Care Funding	(1.576)	(1.576)	-
Public Health	(0.250)	(0.250)	-
Children	(0.511)	(0.314)	(0.197)
Total	**2.685**	**2.882**	**(0.197)**

Adult Services

2.31 The Quarter 3 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 an in year one-off social care funding of **(£1.576m)** which reduces the overspend to the net reported figure of **£3.446m**; this is broadly in line with what was reported in Q2.

2.32 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;

2.33 **£4.551m** relates to an overspend in adult social care placements as follows;

- An increase of £1.533m in relation to new placements (between now and the end of the financial year, including additional winter pressures).

- An overspend of £3.480m based on MTFS and mitigations achieved to date and inflationary uplifts of £0.606m

- A reduction in expenditure of (£0.142m) anticipated in relation to the delivery of the remaining MTFS and budgeted assumptions. This relates largely to the promoting independence (£0.127m) and the balance of the budgeted clawback (£15k).

- A reduction in expenditure of (£0.290m) anticipated in relation to the mitigation plan. This assumes reductions in expenditure in relation to day care (£0.200m) and care funding calculator reviews (£90k).

- A forecast underspend of (£30k) in relation to re-ablement.

2.34 **Other Adults** – an over spend of **£0.447m** included:

- An overspend of £0.137m in relation to Central North West London managed mental health services, offset by minor variations of (£39k) within the division. The position assumes an outturn in relation to Mental Health services of £5.202m against a budget of £4.102m. The shortfall of £1.1m is shared between the Council and CNWL. Further risks remains in relation to the recovery plan (approx. £40k) assumed to be delivered, and outstanding health income (approx. £200k) which is assumed paid within the forecast currently being reported.

- Increased staffing costs of £0.305m as a result of the new structure within the safeguarding and DoLs service.

- Contractual arrangements in relation to mental health accommodation services provided by Look Ahead £60k.

- The above is slightly offset by an underspend of (£55k) across a range of services.

2.35 **In-house provisions** are forecasting an over spend **of £0.130m.** This largely represents increased staffing costs required to maintain a safe service of £0.209m offset by underspends of (£79k) on transport and Watkins House.

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

2.37 **Strategic management** – an under spend of **(£0.106m)** - This variation represents a lower level of legal costs in relation to the Infinity project (£21k) and releasing the unallocated placement contingency (£0.125m) offset by increased costs of £40k in relation to transformation projects.

2.38 **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 in 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 for care providers.

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

Public Health

2.40 At Quarter 3 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.

2.41 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

2.42 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.

2.43 The forecast for the directorate is a headline pressure of £1.068m offset by underspends and management actions of £1.579m resulting in a net underspend of (£0.511m) at Quarter 3, an improvement of (£0.197m) when compared to the balanced position reported in Q2.

2.44 The reduction of (£0.197m) in forecast between Q3 and Q2 is due to

- Further reduction in placement costs of (£0.260m), with the new health funding agreements and reduction for funding anticipated additional placements are no longer required.

- Reduction in staffing costs within the Early Support service of (£0.100).This is mainly due to delays in recruitment over the financial year. However all management posts are now recruited to and actions are being undertaken to continue to fill all essential posts.

- Increase in Front Line staffing costs of £0.105m which is due to the increases in agency staffing costs.

- Increase in forecast for SEN transport costs of £29K resulting from increased use of taxis to cover bus driver shortages.

- An increase in social service costs for identified projects within the youth offending team of £18K.

- An increase in expenditure on families with no recourse to public funds of £11K.

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

SEN Transport £0.198m 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). 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 local authorities where possible, and the most cost effective type of transport is used.

2.46 **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.

2.47 **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.

2.48 **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).

2.49 **Frontline Teams Staffing & Other Costs £0.467m 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.

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

2.51 The pressures above are offset by the following underspends:

2.52 **Children's Placements & Accommodation (£0.871m) 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.

2.53 **Section 17 and No Recourse to Public Funds (NRPF) (£86k)** 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. Regular tracking & monitoring to enable decisions for families to be made in a timely way to enable access to benefits.

2.54 **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.

2.55 **Early Support Service (£0.100m) underspend -** This is mainly due to delays in recruitment over the financial year. A number of key management posts have now been recruited to where staff had left and actions are being undertaken to continue to fill all remaining essential post.

2.56 **Additional net underspend of (£0.142m) -** This is made up of other management actions resulting in additional underspend of (£0.210m) which is offset by a short fall in London Social Care Board income £21K, increase in West London Alliance /Care Place costs of £29K and additional pressure identified in the Youth Offending team of £18K.

Dedicated Schools Grant (DSG) Overview

2.57 The total notified DSG budget is £141.613m. A summary of funding blocks and forecast expenditure is shown at Table 5 below. There is a net projected overspend of £1.754m which is made up of an overspend on the High Needs Block of £2.129m partially offset by an underspend in the growth fund of £0.375m. The pressure on the High Needs Block is as a result of a reduction in funding in 2018/19 after the introduction of a new National Funding Formula which has generated approximately £2.9m of funding lower than the LA was spending in previous years.

2.58 In addition there has been an increase in the number of Education Health & Care Plans (EHCPs) since the introduction of the Special Education Need Reforms in 2014 which extended the age range from 0-25 years which means young people are not ageing out (as they previously would) of the system at 19 whilst more young people continue to enter the system and also at an earlier age. This has led to an increase in requirement for post 16 and post 19 provision. There has been an increase in EHCPs from 1,168 January 2014 to nearly 1,700 October 2018 (46%).

Table 5: Dedicated Schools Grant (DSG) Budget

DSG Block	Budget £'000	Forecast £'000	Variance £'000
Central Services	£1,196	£1,196	£0
Early Years	£17,498	£17,498	£0
High Needs	£29,980	£32,109	£2,129
Schools – Delegated	£38	£38	£0
Schools – Growth Fund	£2,467	£2,092	-£375
Schools – ISB	£90,435	£90,435	£0
Grand Total	£141,613	£143,367	£1,754
One-off funding from DSG Reserve		-£1,754	-£1,754
Net DSG Grand Total	£141,613	£141,613	£0

2.59 The overspend in 2018/19 will be funded by a one off contingency managed by Schools Forum. In 2019/20, there will be an overspend on this budget which will be carried forward into the next or subsequent years. A 3 year recovery plan will be required by the Department of Education. Plans are continuing to be developed to discover ways to be more efficient on spending on services for children and young people with Special Educational Needs and Disabilities, in particular focusing on increasing certain provision within the borough and thereby reducing the council's reliance on expensive out-of-borough provision.

High Needs Block

2.60 High Needs funding is designed to support a continuum of provision for pupils and students with special educational needs (SEN), learning difficulties and disabilities, from their early years to age 25. The following are funded from the High Needs Block:

- Harrow special schools & special academies
- Additional resourced provision in Harrow mainstream schools & academies
- Places in out of borough special schools and independent special schools
- Education Health & Care Plans (EHCPs) in mainstream schools & academies
- Post 16 SEN expenditure including Further Education settings
- SEN Support services and support for inclusion

2.61 The High Needs Block budget is £29.980m after recoupment of place funding for academies/free schools and post 16 institutions and including the 0.5% transfer from the Schools Block agreed for 2018/19. It is currently forecasting to overspend by £2.129m. In 2018/19 the High Needs Block budget has been calculated using the new High Needs National Funding Formula which came into effect from April 2018.

2.62 The High Needs Block National Funding Formula in 2018/19 has generated funding which is £2.9m lower than the actual budget allocated to High Needs in 2017/18. This is partially due to the fact that the 50% of the overall allocation is based on previous years' HNB allocations, rather than the actual spending on HNB. The 2018/19 High Needs Block is set out at Table 6 below.

Table 6: High Need Block Forecast

Area	201819 Budget £'000	Q2 Forecast £'000	Q2 Variance £'000
Independent & NMSS Day & Residential	£4,942	£5,868	£926
Independent Specialist Provision	£852	£1,357	£504
Out of Borough EHCPs	£598	£554	-£44
FE Colleges	£1,185	£1,760	£574
Other LA Special Schools	£1,973	£2,166	£192
Early Years SEN Provision	£338	£355	£17
EOTAS & Alternative Provision	£284	£239	-£44
Harrow Maintained Special Schools	£8,210	£8,211	£1
Pupil Referral Unit	£1,437	£1,437	£0
PFI Special Schools	£449	£449	£0
Sensory Teams	£1,151	£1,151	£0
SEN Transport	£187	£187	£0
Therapy	£773	£761	-£12
Harrow Academies Statements	£2,100	£2,100	£0
Harrow Academies ARMs	£512	£527	£15
Harrow Academies Special Schools	£1,003	£1,003	£0
Harrow Schools Statements	£2,924	£2,924	-£0
Harrow Schools ARMs Units	£1,060	£1,060	£0
Total	**£29,980**	**£32,109**	**£2,129**

2.63 The forecast as at quarter 3 is a predicted overspend of £2.129m. In 2018/19 this will be funded by an historical contingency managed by Schools Forum.

2.64 There are significant pressures across London boroughs on the DSG attributed to in the main by a shortfall within the High Needs Block. In 2019/20 there is also predicted to be a shortfall in this budget. The LA has a statutory duty to make provision for children and young people with Special Educational Needs and Disabilities. It is recognised that the number of children and young people who require and are entitled to these services, as well as the price of those services, are increasing at a rate that outstrips the funding made available under current formulas.

2.65 In 2019/20, there will be an overspend on this budget which will be carried forward into the next or subsequent years. A 3 year recovery plan will be required by the DfE. Plans are continuing to be developed to discover ways to be more efficient on spending on services for children and young people with Special Educational Needs and Disabilities, in particular focusing on increasing certain provision within the borough and thereby reducing the council's reliance on expensive out-of-borough provision.

HOUSING REVENUE ACCOUNT

2.66 At Quarter 3, the HRA is forecasting an under spend of (£0.143m), a deterioration against Q2 of £37k which is due to an increase in repairs expenditure partly offset by other operating expenditure. The estimated deficit on the HRA revenue account is forecast at £0.956m which will reduce revenue reserves to an estimated £6.5m.

2.67 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 a permanent reduction in the revenue cost base of £1.9m per annum by March 2020.

2.68 Phase 1 of Grange Farm Regeneration scheme has secured planning consent and is awaiting Stage 2 approval from GLA. External HIF funding is still progressing through due diligence.

2.69 Recent Government announcements relating to abolition of borrowing cap for new build combined with Council's successful bid for £32.144m grant funding from Greater London Authority in accordance with the Mayor's "Building Council Homes for Londoners" programme, will enable a total of 659 new homes to be built and this is covered in the HRA Budget report elsewhere on this agenda.

2.70 Although the criteria for additional borrowing have yet to be clarified, it has been assumed these will be based on existing Prudential Indicators. As well as significantly reversing the impact of historic RTB losses, these additional units will also improve the capacity to provide accommodation for homeless families thereby mitigating pressures on General Fund.

2.71 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 in Table 7 which includes estimated balances on the revenue.

Table 7: Housing Revenue Account Variance

HRA revenue balances	**Estimate as at Feb. 2018 £'000**	**Forecast outturn £'000**	**Variance £'000**
Balance b/forward	-6.272	-7.474	-1.202
Net (surplus) deficit	1,099	956	-143
Balance c/forward	-5.173	-6.518	-1.345

CONTINGENCIES AND RESERVES

2.72 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 31st December 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.

2.73 In Quarter 3, there is a planned corporate forecast underspend of (£1.920m) relating to unallocated inflation and treasury management savings. 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.

2.74 There are also a number of earmarked reserves for a variety of purposes and the main ones are highlighted in Table 8 below:

Table 8: 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 3	(852)	(409)	(469)	(340)		0
Potential Draw down for the rest of the year	(346)	(374)	0	(315)		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	1,043	0	1,786		6,155

SPENDING CONTROL

2.75 The under spend position of (£2.168m) in Quarter 3 includes a one-off contribution to spending controls across the directorates of £1.1m.

2.76 Table 9 below shows the breakdown of the £1.1m by directorate.

Table 9: 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)	

2.77 **One-Off Income -** The council has also received one off income of (£0.493m) after budget setting in February which is also contributing to the forecast underspend.

National Non Domestic Rates (NNDR)

2.78 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.

2.79 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 is applied in the 2019/20 draft budget.

2.80 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 is applied in the 2019/20 draft budget.

MTFS IMPLEMENTATION TRACKER

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

2.82 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 10 below:

Table 10: 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

2.83 Table 11 below shows the summarised position for each directorate as at Quarter 3:

Table 11: Savings Tracker 2018/19 – Directorate Summary

	Resources	People	Community	Regeneration	Total at Quarter 3	Total at Quarter 2	Movement	% Split
	£000	£000	£000	£000	£000	£000		
Red	369	340	314	0	1,023	1,023	0	12%
Amber	130	1,152	300	0	1,582	1,582	0	18%
Green	1,806	1,647	2,693	50	6,196	6,196	0	70%
Purple	0	0	0	0	0	0	0	0
Total	**2,305**	**3,139**	**3,307**	**50**	**8,801**	**8,801**	**0**	**100%**

As at Quarter 3, 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).

2.84 There is no movement in the RAG ratings between Q2 and Q3.

Debt Write-off

2.85 Following a review of its debts, the Housing Service has identified an amount of £74k in the Housing Revenue Account (HRA) which is no longer considered recoverable. £5k 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 that 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 £23.622m the programme now totals £217.191m at Quarter 3.

Table 12: 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	23,622	195,852	72,252	-123,599	-58,404	-65,195
TOTAL HRA	2,739	18,600	0	21,339	9,932	-11,407	-7,447	-3,960
TOTAL GENERAL FUND & HRA	128,069	65,500	23,622	217,191	82,184	-135,006	-65,851	-69,155

3.1 The forecast spend at Quarter 3 is £82.184m, 38% of the total capital programme. The forecast variance on the General Fund at Q3 is a variance of (£123.599m), (63%) of the £195.852m budget, of which £58.404m is the slippage into 2019/20 and (£65.195m) can be removed from the capital programme.

3.2 The forecast variance on the Housing Revenue Account budget of £21.339m at Quarter 3 is a variance of (£11.407m), of which £7.447m is the slippage into 2019/20 and (£3.960m) can be removed from the capital programme.

3.3 Tables 13 and 14 below summarise the capital forecast position and Appendix 4 shows the capital programme in more detail:

Table 13: Summary of Capital forecast by Directorate

Directorate	Original Programme	CFWD's	Virement	Other Adjustment (Additional)	TOTAL BUDGET	Forecast Spend	Forecast Variance	Slippage	Underspend after slippage
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PEOPLE	**7,870**	**18,435**	**20**	**174**	**26,499**	**12,841**	**-13,657**	**-13,564**	**-93**
Adult	*200*	*918*	*20*	*0*	*1,138*	*1,045*	*-93*	*0*	*-93*
Public Health	*0*	*0*	*0*	*174*	*174*	*174*	*0*	*0*	*0*
Schools and Children	*7,670*	*17,517*	*0*	*0*	*25,187*	*11,622*	*-13,564*	*-13,564*	*0*
COMMUNITY	**113,722**	**13,714**	**-1,960**	**23,398**	**148,874**	**48,227**	**-100,647**	**-35,545**	**-65,102**
Environment and Commissioning	*30,643*	*2,878*	*-1,920*	*23,582*	*55,184*	*41,470*	*-13,714*	*-13,714*	*0*
Housing	*9,015*	*9,221*	*0*	*226*	*18,462*	*2,664*	*-15,799*	*-15,053*	*-746*
Culture	*2,164*	*472*	*0*	*-610*	*2,026*	*1,214*	*-812*	*-812*	*0*
Regeneration	*71,900*	*1,143*	*-40*	*200*	*73,203*	*2,880*	*-70,323*	*-5,967*	*-64,356*
RESOURCES	**3,738**	**14,751**	**1,940**	**50**	**20,479**	**11,184**	**-9,295**	**-9,295**	**0**
TOTAL GENERAL FUND	**125,330**	**46,900**	**0**	**23,622**	**195,852**	**72,252**	**-123,599**	**-58,404**	**-65,195**
TOTAL HRA	**2,739**	**18,600**	**0**	**0**	**21,339**	**9,932**	**-11,407**	**-7,447**	**-3,960**
TOTAL GENERAL FUND & HRA	**128,069**	**65,500**	**0**	**23,622**	**217,191**	**82,184**	**-135,006**	**-65,851**	**-69,155**

Table 14: 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	**-13,657**	**-5,247**	**-8,411**	**-13,564**	**-5,247**	**-8,318**	**-93**	**0**	**-93**
Adult	*-93*	*0*	*-93*	*0*	*0*	*0*	*-93*	*0*	*-93*
Schools and children	*-13,564*	*-5,247*	*-8,318*	*-13,564*	*-5,247*	*-8,318*	*0*	*0*	*0*
COMMUNITY	**-100,646**	**-1,772**	**-98,873**	**-35,544**	**-1,772**	**-33,772**	**-65,103**	**0**	**-65,103**
Enviroment and commisioning	*-13,714*	*0*	*-13,714*	*-13,714*	*0*	*-13,714*	*0*	*0*	*0*
Culture	*-812*	*-812*	*0*	*-812*	*-812*	*0*	*0*	*0*	*0*
Housing	*-15,799*	*0*	*-15,799*	*-15,053*	*0*	*-15,053*	*-746*	*0*	*-746*
REGENERATION	*-70,322*	*-960*	*-69,361*	*-5,966*	*-960*	*-5,006*	*-64,357*	*0*	*-64,357*
RESOURCES	**-9,295**	**-51.656**	**-9,243**	**-9,294**	**-138.461**	**-9,155**	**0**	**0**	**0**
TOTAL GENERAL FUND	**-123,599**	**-7,070**	**-116,527**	**-58,402**	**-7,157**	**-51,245**	**-65,196**	**0**	**-65,195**
TOTAL HRA	**-11,407**	**0**	**-11,407**	**-7,447**	**0**	**-7,447**	**-3,960**	**0**	**-3,960**
TOTAL	**-135,006**	**-7,070**	**-127,934**	**-65,849**	**-7,157**	**-58,692**	**-69,155**	**0**	**-69,155**

Resources Directorate

3.4 As at Quarter 3 the Resources Directorate is forecasting overall spend of £11.184m, which is 55% of the approved £20.479m capital budget in 2018/19.

3.5 The forecast variance is **(£9.295m)** is the slippage into 2019/20 as detailed below. There are no revenue implications as a result of this slippage.

3.6 Devolved applications slippage of **£2.226m -** The expenditure has been re-profiled to reflect expected delivery.

3.7 Ongoing refresh & enhancement of ICT schemes of **£3.560m**. 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 no impact on the revenue budget as licences will still be required in 2018/19.

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

3.9 Other projects including the ABAVUS system, Human Resources system and Council wide project of **£2.955m** will be slipped to 2019/20.

Community Directorate

3.10 As at Quarter 3 the forecast is £52.010m, 35% of the total budget.

3.11 The forecast variance is (£96.864m) of which £31.675m will be slipped to 2019/20 and £65.189m can be removed from the capital programme. The main items of slippage and underspend are detailed below:

Commissioning and Environment & Culture

3.12 At Q3, the service is forecasting to spend £42.684m (75%) in 2018/19, and budget slippage of (£14.526m). There are no revenue implication of these capital slippages and underspend.

3.13 The capital budget was increased by £24m in Q3 to reflect the addition of vehicles procurement and other externally funded projects. The services spent and committed 55% of its budget at the end of Q3. The main reasons 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 and some new vehicles are scheduled to be ordered in Q4.

3.14 It is forecast that there will be a budget slippage for two projects, namely Bannister Sports Centre and Vehicles Procurement.

3.15 The Bannister Sports Centre project is S106 funded. There is a total budget of £0.922m 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 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 18/19 is therefore mainly related to the electrical upgrades at the Bannister site and the remaining budget (£0.812m) is to be slipped to 19/20. There is no revenue implication of the slippage.

3.16 Following the vehicles re-procurement exercise earlier this year, a capital budget of £22.314m was allocated for the purchase of a new fleet. Due to the long lead in time for manufacturing the vehicles, only some will be delivered in 18/19 and the rest will be in 2019/20. The service forecast to spend £8.6m in 18/19 and the remaining budget (£13.714m) is to be slipped into 2019/20. In terms of revenue implications, the delay in receiving the new vehicles means that short term hire arrangements need to be put in place to ensure vehicles availability for service delivery. It is anticipated that the revenue costs for these short term hire arrangements can be met from within the existing contract hire budgets.

Housing General Fund

3.17 At Quarter 3 the outturn forecast for Housing General Fund is £2.664m.

3.18 The forecast variance is (£15.799m); **£15.053m** will be slipped to 2019/20 while £0.746m is no longer needed. The main items of underspend and slippage is detailed below;

3.19 **£15.023m** slippage relates to the acquisition of additional properties under the Council's Property Acquisition Programme. Approval will be sought at Cabinet in February 2019 to progress with this initiative.

3.20 Underspend **£0.746m** of relates mainly to the budget set aside for Compulsory Purchase Order which is now not proceeding and will not have a significant revenue impact as it relates to a single property.

Regeneration and Enterprise

3.21 At Quarter 3, the forecast spend on regeneration main projects is £2.666m, this represents approximately 4% of the approved capital programme budget of £71.418m. The variance of £68.752m consists of £64.4m underspend that will be removed from the Capital Programme while £4.396m is the slippage into 2019/20.

3.22 Other regeneration projects within the Planning and Enterprising division are forecasting an outturn of £0.214m and a budget slippage of £1.571m.

3.23 Three projects are forecast to be slipped to 2019/20. There is no revenue implication of the slippage.

3.24 Wealdstone Square project is GLA funded (under London Regeneration Fund). It seeks to transform an existing under-used public space in a key strategic part of Wealdstone into a new Town Square. There is a remaining budget of £0.691m in 2018/19. The technical designs have been completed and the project will soon move to full implementation (construction stage). It is anticipated that the project will be fully complete in 2019/20. The forecast spend this year is £0.130m and the remaining budget £0.561m is to be slipped to 2019/20 subject to a deed of variation to the GLA funding agreement

3.25 There is a budget of £50k allocated for Mobile Technology for Adults Learning. The project is funded from the GLA and Adults Education budget (external funding). The service is in discussion with the GLA to utilise the funding for a virtual learning centre, however this is subject to final agreement. It is therefore unlikely that the budget will be spent in 2018/19 and therefore the full sum is to be slipped to 2019/20.

3.26 There is a notional budget allocation of £1m (including 2017/18 carry forward) for Neighbourhood CIL schemes. To date, only £40k has been allocated to an eligible project. The remaining £0.96m is forecast to be slipped to 2019/20.

People Service

3.27 As at Quarter 3 the forecast spend are £12.841m, 49% of the 2018/19 People's directorate capital budget.

3.28 The forecast variance is (£13.657m), £13.564m is the slippage into 2019/20 while £93k budget will be removed from the programme.

Adults

3.29 At Quarter 3 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.

3.30 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

3.31 At Quarter 3 the service is forecasting to spend £11.622m (46%) in 2018/19 and a budget slippage of (£13.564m) into 2019/20.

3.32 B**ulge Classes, Amalgamations & Capital Maintenance** - Bulge class funding is for schools opening temporary additional classes in year. No bulge classes have been required this year and therefore this funding will slip. Amalgamation funding is for infant and junior schools amalgamating in year. Capital maintenance is for reactive and proactive maintenance in respect of maintained schools. Much of this slippage relates to the resolution of the SEP2 programme described below.

3.33 **School Expansion Programme (SEP) 2** - Engie (formerly Keepmoat) 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.

SEP 3 - There are four school expansions over five school sites. All five projects have now been completed.
Slippage

3.34 The total slippage is £13.564m. There are no revenue implications as a result of this slippage. The majority of these items are set out as follows:

3.35 **£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.

3.36 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.

3.37 The remainder of the slippage is for IT for which the full budget is not anticipated to be needed this financial year.

<u>Housing Revenue Account</u>

3.38 At Quarter 3, outturn forecast for Housing Revenue Account is £9.932m resulting in forecast variance (£11.407m) of which £7.447m will be slipped into 2019/20 and £3.960m will be removed from the programme.

3.39 **£7.447m** slippage includes £5.391m for Grange Farm, which now has planning permission and is moving into the procurement phase; the balance relates to the main planned investment programme which priorities health & safety and compliance work.

3.40 **£3.960m** underspend relates mainly to phase 1 of the Infill programme originally to be funded from borrowing which was removed in 2017/18. Following recent Government announcements, including relaxation of borrowing controls for new build, this element of the Infill programme will form part of a new build programme submitted for approval elsewhere on this agenda.

3.41 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.

<u>Amendments to the Capital Programme</u>

<u>Addition to Capital Programme</u>

3.42 There is currently a budget allocation of £1.384m in the 2018/19 capital programme for Local Implementation Plan (LIP). LIP is funded by Transport for London (TfL). A further funding of £20k has been allocated to Bus Priority schemes and £10k to Neighbourhood of the Future project. It is therefore requested that £30k be added to the LIP programme in 2018/19.

3.43 There is a budget of £1.35m in the current capital programme for Schools Capital Maintenance works. An interest-free loan has been successfully applied for through the Salix energy efficiency programme for lighting improvement works in Whitchurch School and Shaftesbury High School respectively. Salix has provided the loan to fund the upfront investment costs and the schools will be responsible for the repayment of the loan over the payback period. The total cost of the projects is £88,300. It is therefore proposed that the Schools Capital Maintenance budget is increased by this sum in 2018/19

Capital Budget Re-Profile

3.44 Headstone Manor Parks for People project is in the current capital programme with a total budget of £1.797m over two years (2018/19: £75k; 2019/20: £1.722m). Technical designs are underway and further orders are ready to be placed. It is therefore requested that £102k budget in respect of Headstone Manor Park project in 2019/20 is re-profiled to 2018/19 to meet the commitments already made with suppliers

4.0 Concilium Business Services

4.1 A commercial update is included as Appendix 6 to this report, this has been prepared to quarter 3 and summarises the financial position of all of the council's commercial subsidiaries.

5.0 Reporting for the 2018/19 Financial Year.

The outturn position for the 2018/19 financial year will be reported to Cabinet in June 2019.

6.0 IMPLICATIONS OF THE RECOMMENDATIONS

The recommendations are asking the Cabinet mainly to:

- To note the revenue position for 2018/19
- To approve amendments to Capital Programme
- To note the Quarter 3 performance of Sancroft Community Care.
- To note progress on Council wide commercialisation update as at Quarter 3.

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

7.0 PROCUREMENT IMPLICATIONS

There are no procurement implications arising from this report

8.0 LEGAL IMPLICATIONS

8.1 Section 151 of the Local Government Act 1972 states that without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 28 of the Local Government Act 2003 imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against budget calculations.

8.2 Under the Council's Financial Regulation B48 Additions in year to the Capital Programme up to £500,000 additional capital spending can be approved by Cabinet on specific projects where the expenditure is wholly covered by additional external sources; and the expenditure is in accordance with at least one of the priorities listed in the capital programme; and there are no significant full year revenue budget effects. The additional capital spending agreed by Cabinet in one financial year cannot exceed £2.5million.

8.3 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.

9.0 FINANCIAL IMPLICATIONS

Financial implications are contained within the body of the report.

10.0 PERFORMANCE ISSUES

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

The forecast position at Quarter 3 is showing an under spend position of (£2.386m).

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 spend of 38% as at Quarter 3.

11.0 ENVIRONMENTAL IMPACT

There is no direct environmental impact

12.0 RISK MANAGEMENT IMPLICATIONS

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

- The inability to provide services within budget over 3 years MTFS period which is currently rated B1 – high likelihood, catastrophic impact.

- The failure to deliver a 3 years MTFS (and to sustainably address identified budget gap which is currently rated B2 – high likelihood, critical impact.

13.0 EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY

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

14.0 CORPORATE PRIORITIES

The Quarter 3 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: 21st January 2019	X	Director of Finance
Name: Jessica Farmer Date: 8th February 2019	X	on behalf of the Monitoring Officer

Section 3 – Procurement Officer Clearance

Name: Nimesh Mehta Date: 11th February 2019	x	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	**NO – CALL IN APPLIES**

Revenue Forecast Summary by Directorate **Appendix 1**

	Revised Budget	Outturn	Quarter 3 Variance	Drawdown From Reserves	Q3 Variance after Drawdown From Reserves	Q2 Variance	Movement between Q2 and Q3
	£000	£000	£000	£000	£000		
Resources							
Controllable Budget							
Customer Services	14,037	14,281	244	(274)	(30)	(83)	53
Concessionary Fares	10,000	10,000	0		0	0	0
Business Support	3,307	3,311	4	0	4	(1)	5
Director of Resources	641	557	(84)	0	(84)	(85)	1
Assurance	596	592	(4)	(45)	(49)	(34)	(15)
HRD & Shared Services	995	920	(75)	0	(75)	(28)	(47)
Procurement & Commercial	308	228	(80)	0	(80)	(170)	90
Legal & Governance	2,799	2,202	(597)	(138)	(735)	(464)	(271)
Strategic Commissioning	1,863	2,297	434	(91)	343	367	(24)
Finance	2,389	2,261	(128)	0	(128)	(120)	(8)
Total Controllable Budget	**36,935**	**36,649**	**(286)**	**(548)**	**(834)**	**(618)**	**(216)**
Uncontrollable Budget	(19,791)	(19,791)	0		0	0	0
Total Directorate Budget	**17,144**	**16,858**	**(286)**	**(548)**	**(834)**	**(618)**	**(216)**
Community							
Controllable Budget							
Commissioning & Corporate Estate	(5,139)	(4,728)	411	(411)	0	0	0
Environment &Culture	21,335	22,643	1,308	(658)	650	710	(60)
Directorate Management	184	370	186	(186)	0	0	0
Housing General Fund	4,656	5,965	1,309	(1,309)	0	0	0
Regeneration, Enterprise and Planning	1,063	2,354	1,291	(1,231)	60	0	60
Total Controllable Budget	**22,099**	**26,604**	**4,505**	**(3,795)**	**710**	710	**0**
Uncontrollable Budget	22,179	22,179	0		**0**	0	0
Total Directorate Budget	**44,278**	**48,783**	**4,505**	**(3,795)**	**710**	710	**0**
People							
Controllable Budget							
Adult Services	58,104	63,929	5,825	(803)	5,022	5,022	0
Public Health	(1,814)	(2,064)	(250)	0	(250)	(250)	0
Children & Families	32,721	32,210	(511)	0	(511)	(314)	(197)
Total Controllable Budget	**89,011**	**94,075**	**5,064**	**(803)**	**4,261**	4,458	**(197)**
Uncontrollable Budget	17,521	17,521	0		0	0	0
Total Directorate Budget	**106,532**	**111,596**	**5,064**	**(803)**	**4,261**	4,458	**(197)**
Total Directorate Budgets	**167,954**	**177,237**	**9,283**	**(5,146)**	**4,137**	4,550	**(413)**
Corporate Items	5,762	5,762	0		0	0	0
Corporate Contingency	1,248	0	(1,248)		(1,248)	(1,248)	0
Technical and Corporate Adjustment	(3,347)	(5,267)	(1,920)		(1,920)	(2,294)	374
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		(493)	(493)		(493)	(532)	39
One-Off Social Care Grant		(1,576)	(1,576)		(1,576)	(1,576)	0
Total Budget Requirement	**168,917**	**171,863**	**2,946**	**(5,146)**	**(2,200)**	**(2,200)**	**0**