
REPORT FOR: CABINET

Date of Meeting:	11 July 2019
Subject:	2019/20 Savings Update at P2 (31 May 2019).
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 2019/20 Savings Tracker

Section 1 – Summary and Recommendations

1. That Cabinet note the progress on achieving the 2019/20 savings as at Period 2 (end of May 2019).
2. That Cabinet approves the proposed amendments to the Capital Programme as set out at paragraphs 3.1 to 3.7.
3. That Cabinet approves the proposed virement that is within the 2019/20 HRA Capital Programme as set out in paragraphs 3.8 to 3.10.
4. That Cabinet approves the alteration of the shareholder agreement to allow just one director, the 'finance director', of Concilium Business Services Ltd (paragraph 5.2).

5. Delegate to the Director of Finance to make arrangements for a loan, at a commercial rate, to the LLP capped at £250k and governed by a loan agreement (paragraph 5.3).

Reason: (For recommendations)

To update Cabinet members on the progress in achieving the savings built into 2019/20 budget and for Cabinet to agree amendments to the 2019/20 Capital Programme.

Section 2 – Report

1.0 Introductory paragraph

- 1.1 Cabinet will receive its first report on revenue and capital budget monitoring in September for Quarter 1 (to the end of June). The 2019/20 budget includes gross savings of £5.9m. Due to the importance of the achievement of these savings, it is prudent to report on progress earlier than September 2019 and hence this savings update report to Cabinet in July.

2.0 Savings Tracker 2019/20

- 2.1 Appendix 1 details a list of the £5.9m savings and each saving has been rated green, amber and red in terms of delivery. The definitions used to support the RAG ratings are detailed in table 1 below:

Table 1: Savings Definition

Green - Low or no risk to delivery of savings	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.

- 2.2 Table 2 below shows the summarised position for each directorate:

Table 2: Savings Tracker 2019/20 – Directorate Summary

	Resources	People	Community	Final Outturn	% Split
	£000	£000	£000	£000	
Red	0	0	-501	-501	8%
Amber	-30	-2,082	-730	-2,842	48%
Green	-793	-150	-1,660	-2,603	44%
Total	-823	-2,232	-2,891	-5,946	100%

2.3 The 8% of savings rated as red relates to 2 savings totalling £0.501m, which fall within the Community directorate and an explanation is provided below:

- Income generation from the expansion of Central Depot saving COM of £0.246m - Income is expected to be realised through the provision of extra office and parking spaces. This saving will not be achieved in 2019/20. The scheme had to obtain planning consent again following Cabinet approval of additional floors on the development last year. This results in a delay in completing the construction work. Mitigations are being identified to meet the saving target within the directorate.
- Saving COM 18.19_G02 of £0.255m which relates to the partial reversal of £0.720m growth that was allocated to the directorate in 2018/19 to fund additional pressure in Waste Service arising from the increasing number of new housing development in the borough. This savings will not be achieved in 2019/20 as a reduction in budget level will adversely impact on the capacity to deliver frontline services and reduce service standards. This will be met from corporate contingency in 2019/20.

2.4 There are 7 savings totalling £2.842m categorised as amber, £2.082m of these amber savings are within the People Directorate and detailed as follows:

- Adult social care service savings (PA05) Home In Harrow - The Medium Term Financial Strategy (MTFS) saving of £1.251m represents three savings projects and are reported net of implementation costs: Reviews (£0.895m), Harrow is Home (£0.400m), Telecare (£0.151m) less implementation costs (£0.195m). The telecare savings of £0.151m largely reflects cost avoidance and as a result the Resilient Harrow board have agreed to add this target to the reviews target.
- Projects have commenced, reviews are being undertaken and identification of alternative care settings under the core and cluster model is underway. There may be some risk in fully achieving the reviews target as care must be provided to assess need under the Care Act 2014. The Resilient Harrow board will

be tracking the delivery of savings targets on a monthly basis enabling this to be reported as part of the corporate forecast outturn position.

- Children's placement, accommodation and other client related savings PC01 of £0.831m. This saving will be monitored throughout the year to ensure that it is achieved as there is risk of fluctuations in demand for statutory services.

2.5 In Community there are 4 savings totalling £0.730m that are rated amber:

- Reduction of subsidy to the art centre savings COM18.19_S04 of £0.150m. The saving is expected to be achieved through additional hire income from the increase in room lettings facilities. There is a budget allocation in the 2019/20 capital programme, funded from Good Growth Fund and Community Infrastructure Levy, to deliver the improvement works on derelict buildings to provide the additional capacity. However, there has been a delay in progressing the capital works on the site as part of the delivery of a masterplan for the site. It is also identified that additional capital funding will be required to deliver all proposed works included in the GLA funding bid based on the revised cost estimates for the project. Options are being considered to address this. The completion of Studio Theatre conversion is scheduled by the end of Dec 19, which will enable a part-year rent income in 19/20. Mitigations have been identified to achieve part of this saving through the projected increase in income from performances and existing room hire. These will deliver a saving of around £80k, leaving £70k still to be found.
- Savings from contract re-procurement COM18.19_S10 of £0.250m. Re-procurement of major contracts has taken place in 2018/19 which had secured about £0.200m contracts saving in 2019/20. Any further procurement works during 2019/20 may help to achieve the remaining sum.
- Project Phoenix saving from CCTV Commercialisation COM18.19_S10 of £0.200m. The service is currently preparing the contract documentation in readiness for the procurement of CCTV infrastructure including a new alarm receiving centre (ARC), which is expected to help generate additional income through the use of technology to commercialise the CCTV service. The new ARC is not expected to be ready until about January 2020 due to planning requirements. Other options will be explored to achieve this MTFS target.
- Redevelopment of the Vernon Lodge Homelessness Hostel and the Atkins House site COM_19.20S04 of £0.130m. The saving profiled in 19/20 relates only to Atkins House site and is expected to be achieved through providing capacity to generate

rent income. The income was originally anticipated for the end of May but this will now be delayed as the installation of a new gas main is required. The work is now scheduled to take place towards the end of June and therefore the units are anticipated to be ready for occupation from August 19. Part year net income of around £90k is projected for 19/20. Mitigations are to be identified for the remainder of the saving target.

- 2.6 In Resources, the review of postal service saving RES18.19-01 of £0.030m is classified as amber. The achievement of the saving is on track, however the risk exists as this is a demand led service and it is uncertain what will be the take up of the newly established hybrid mail delivery by directorates. This can impact directly the overall postal cost. Work is ongoing to assess and monitor where mail can be sent out electronically in order to reduce postal costs to ensure that the MTFs saving is met.
- 2.7 To the extent that any of the savings are not fully achievable, directorates will work to contain any shortfall within current resources within their own directorates.

3.0 Amendments to 2019/20 Capital Programme

- 3.1 A S106 developer's contribution of £10k will be used to provide a loading bay in Pinner Road and a car club bay in Roxborough Road in 2019/20. It is therefore requested that £10k be added to the highway programme in 2019/20.
- 3.2 The Council's advertising contractor has agreed to provide a one-off financial contribution for the replacement of community notice boards across the borough. It is requested that £25k be added to the park infrastructure programme in 2019/20.
- 3.3 Sport England has awarded a funding of £47k as part of their Places to Ride Programme for the delivery of a cycling hub at Kenton Recreation Ground. A match funding of £58k is also secured from London Marathon Trust to complete the project. It is therefore requested that £105k be added to the park infrastructure programme in 2019/20.
- 3.4 The Football Foundation has approved a capital grant offer of up to £407k (52% of the project costs), subject to planning permission, towards the new floodlit 3G football pitch at Bannister Sports Centre. The remaining costs are to be met from S106 funding. It is therefore requested that £407k be added to the Bannister Sports Centre project in 2019/20.
- 3.5 Addition to the Children's Capital Programme £866k in 2019/20
- 3.6 Local authorities must ensure there are sufficient good school places for all pupils, including those with Special Educational Needs (SEN) and disabilities. In 2018/19 the Government announced capital funding

of £2.295m to help local authorities create new school places and improve existing facilities for children and young people with SEN and disabilities, in consultation with parents and providers. Local authorities can use it as they see fit to improve special provision for children and young people with education, health and care (EHC) plans. This funding can be invested in mainstream schools and academies, special units, special schools and academies, early year's settings, and further education colleges, or to make other provision for children and young people aged from 0 to 25. This funding has already been added to the capital programme.

- 3.7 Subsequently a further £865,920 was announced to be paid in 2019/20. The projects and expenditure will be linked to the SEND Strategy approved by Cabinet in February 2019 to implement a phased expansion programme of SEND provision in Harrow in order to reduce the number of out of borough placements and create a pathway of SEND provision from Early Years to Post 16.
- 3.8 A review of the HRA Capital programme requires the virement of £1.274m capital budgets to ensure sufficient resources are in place to expedite priority schemes. Structural and underpinning works will be increased by £147k, client contingency to support the Council's house building programme created of £536k, New Housing IT system budget £574k and £17k for Health & Safety works.
- 3.9 These will be funded entirely by compensating reductions in HRA internal, external and other works of £479k, £394k and £401k respectively which will result in no adverse operational issues and no overall change in expenditure.
- 3.10 These adjustments will result in no additional expenditure and will be financed entirely from HRA capital resources with no additional borrowing requirement.

4.0 Reporting for the 2019/20 Financial Year

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

- Quarter 1 September 2019
- Quarter 2 December 2019
- Quarter 3 February 2020
- Outturn report June 2020

5.0 Commercial Update

Concilium Business Services Ltd

- 5.1 Concilium Business Services Ltd (CBS Ltd) is trading as Smart Lettings.

5.2 Following the recommendation presented to Cabinet in December 2018 (Section 5) to transfer all of Smart Letting's functions back to the council, the direction of travel has since changed for both legal and commercial reasons. Instead, the lettings shop was closed on the 28th February 2019 and is currently being marketed for re-let, its activities as a property manager and lettings agent have ceased and its permanent staff have been TUPE transferred back to the council. Its trading name "Smart Lettings" is no longer being used and the underlying company "Concilium Business Services Ltd" is thus remaining active as a holding vehicle for six properties previously owned by Harrow corporate estates. These properties are currently occupied by overseas social workers and caretakers and are currently being actively managed by the council. 95% of all rents collected by Concilium Business Services Ltd. are to be transferred back to Harrow Council. Due to the substantial reduction in its activities and the change of business, Cabinet is recommended to approve the alteration of the shareholder agreement to allow just one director, the finance director' of CBS Ltd.

Concilium Assets LLP

5.3 In November 2018, Cabinet approved Concilium Assets LLP as the Council's Private Rented Stock (PRS) investment vehicle to operate the 53 Gayton Road PRS units. Cabinet agreed a commercial loan facility of £175k. At the time of writing this report, the lease arrangements between the Council and the LLP are being finalised to enable the properties to be rented to tenants. Once finalised, the LLP Business Plan can be completed and brought to Cabinet in September for approval. Due to upfront investment the LLP require a further loan facility, at a commercial rate, up to £250k. There is evidence of strong demand from the market and it is estimated that the loans will be repaid back to the Council, with interest, by the end of financial year 2020/21. Cabinet is recommended to delegate to the Director of Finance to make arrangements for the loan, at a commercial rate, to the LLP capped at £250k and governed by a loan agreement.

6.0 Implications of the Recommendation

Implications of recommendation are set out in the body of this report.

7.0 Performance Issues

Financial performance of the 2019/20 budget will be reported to Cabinet regularly throughout the year. This is the first of such reports.

8.0 Environmental Implications

There is no direct environmental impact.

9.0 Risk Management Implications

Risks included on Directorate risk registers? Yes

10.0 Procurement Implications

There are no procurement implications arising from this report

11.0 Legal Implications

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

Additions in year to the Capital Programme:

Up to £5 million - 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 full year revenue budget effects

The additional capital spending agreed by Cabinet in one financial year cannot exceed £20 million.

11.0 Financial Implications

Financial matters are integral to this report.

The additional loan facility to Concilium Assets LLP, capped at £250k, will be arranged as part of the standard Treasury Management facility. The current Treasury Management Strategy Statement sets the loan limit to the LLP at £175k. The statement will be revised as part of the mid year review process which is reported to December Cabinet.

12.0 Equalities implications / Public Sector Equality Duty

Equality assessments were undertaken for proposals where relevant, in relation to both the proposals listed as part of the MTFs process and an overall equality assessment was undertaken on the MTFs. It is not considered that this report will have any further equality implications.

Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed. Consideration of the duties should precede the decision. It is important that Cabinet has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010.

13.0 Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

This report deals with the Revenue monitoring which is key to delivering the Council's new priorities:

- Making a difference for the vulnerable
- Making a difference for communities
- Making a difference for local business's
- Making a difference for families

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Director of Financial
Date: 4.06.2019		

Name: Hugh Peart	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 3.7.2019		

Name: Nimesh Mehta	<input checked="" type="checkbox"/>	Head of Procurement
Date: 7.6.2019		

Name: Charlie Stewart	<input checked="" type="checkbox"/>	Corporate Director
Date: 3.7.2019		

Ward Councillors notified:	NO
EqIA carried out:	NO
EqIA cleared by:	

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Interim Head of Strategic and Technical Finance (Deputy S151), Telephone 020 8424 1332, Sharon Daniels@harrow.gov.uk

Background Papers:

- **MTFS 2019/20 to 2021/22**
- **2019/20 Budget Report**

Call-In Waived by the Chair of Overview and Scrutiny Committee	No
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