

---

**REPORT FOR: CABINET**

---

<b>Date of Meeting:</b>	09 January 2020
<b>Subject:</b>	Revenue and Capital Monitoring 2019/20 - as at Quarter 2 (30 <sup>th</sup> September 2019)
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance
<b>Portfolio Holder:</b>	Councillor Adam Swersky, Portfolio Holder for Finance and Resources.
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All wards
<b>Enclosures:</b>	Appendix 1 - Summary 2019/20 Revenue Budget Forecast by Directorate as at Quarter 2. Appendix 2 - Analysis of Revenue Budget Movement From the Approved February 2019. Appendix 3 - Draw Down From Reserves and Cross Divisional Adjustments Including One-Off Income. Appendix 4 - 2019/20 Savings Tracker. Appendix 5 - Capital Programme 2019/2 as at Quarter 2. Appendix 6 – Council Trading Company Update 2019/20 as at Quarter 2.

# Section 1 – Summary and Recommendations

This report sets out the Council's forecast financial position as at Quarter 2 (30<sup>th</sup> September 2019) and seeks approval for Capital Programme adjustments.

## **Recommendations:**

1. That Cabinet notes the revenue and capital forecast positions as set out in paragraphs 1.1 and 1.2.
2. That Cabinet approve the proposed addition to the Capital Programme as set out in paragraph 3.41 to 3.43.
3. That Cabinet approve the proposed realignment of the Capital Programme as set out in paragraph 3.44.
4. That Cabinet note progress on the Council's Trading Company update as at Quarter 2, as detailed in Appendix 6.

## **Reason: (For recommendations)**

To report the 2019/20 forecast financial position as at Quarter 2 (30<sup>th</sup> September 2019), to update Cabinet on the progress of the 2019/20 Revenue budget and Capital Programme and to seek approval for an adjustment to the Capital Programme which requires Cabinet approval in accordance with the Authority's Financial Regulations.

# Section 2 – Report

## 1.0 **INTRODUCTION**

- 1.1 At Quarter 2, the net forecast overspend on the revenue budget is £254k. This is an increase of £267k on Quarter 1 position.
- 1.2 The Capital Programme is reporting a forecast spend of £139.271m against a budget of £318.351m.

## 2.0 **REVENUE MONITORING**

- 2.1 The revenue forecast overspend at Quarter 2 is £254k.
- 2.2 The forecast by division is set out in Appendix 1.
- 2.3 Table 1 below sets out the summary of the Quarter 2 position:

**Table 1: Summary of Revenue Budget Monitoring – Quarter 2**

Approved Budget as at Feb 2019	Directorate	Revised Budget	Forecast Spend	Draw Down From Reserves	Cross Divisional Adjustments Including one-off Income	Net Forecast Spend at Quarter 2	Quarter 2 Variance	Quarter 1 Variance	Movement between Q1 and Q2
£000		£000	£000	£000	£000	£000	£000	£000	£000
37,231	<b>Resources</b>	<b>38,376</b>	<b>40,044</b>	<b>(595)</b>	<b>(559)</b>	<b>38,890</b>	<b>514</b>	<b>387</b>	<b>127</b>
	<b>Community</b>								
15,590	Commissioning, Environment and Culture	15,967	20,634	(727)	(880)	19,027	3,060	823	2,237
3,849	Housing General Fund	4,559	5,419	(140)	(720)	4,559	-	-	-
928	Regeneration, Enterprise and Planning	1,048	2,413	-	(1,365)	1,048	-	-	-
<b>20,367</b>	<b>Total Community</b>	<b>21,574</b>	<b>28,466</b>	<b>(867)</b>	<b>(2,965)</b>	<b>24,634</b>	<b>3,060</b>	<b>823</b>	<b>2,237</b>
	<b>People</b>								
62,226	Adults	61,904	66,857	(1,674)	(3,182)	62,001	97	173	(76)
(1,814)	Public Health	(1,814)	(737)	(1,077)	-	(1,814)	-	-	-
32,591	Children's Services	33,097	33,871	-	-	33,871	774	689	85
<b>93,003</b>	<b>Total People Directorate</b>	<b>93,187</b>	<b>99,991</b>	<b>(2,751)</b>	<b>(3,182)</b>	<b>94,058</b>	<b>871</b>	<b>862</b>	<b>9</b>
	<b>Total Directorates</b>								
<b>150,601</b>	<b>Controllable Budget</b>	<b>153,137</b>	<b>168,501</b>	<b>(4,213)</b>	<b>(6,706)</b>	<b>157,582</b>	<b>4,445</b>	<b>2,072</b>	<b>2,373</b>
	<b>Corporate and Technical</b>								
4,976	Corporate Items	4,976	4,629	-	-	4,629	(347)	(345)	(2)
1,248	Corporate Contingency	1,248	-	-	-	-	(1,248)	(1,248)	-
17,396	Technical and Corporate Adjustment	14,860	12,553	-	-	12,553	(2,307)	(703)	(1,604)
(3,100)	Use of Capital Receipts	(3,100)	(3,100)	-	-	(3,100)	0	500	- 500.00
	One-off Income After Budget Setting		(289)	-	-	(289)	(289)	(289)	-
<b>20,520</b>	<b>Total Corporate and Technical</b>	<b>17,984</b>	<b>13,793</b>	<b>-</b>	<b>-</b>	<b>13,793</b>	<b>(4,191)</b>	<b>(2,085)</b>	<b>(2,106)</b>
<b>(4,040)</b>	<b>Uncontrollable Budget</b>	<b>(4,040)</b>	<b>(4,040)</b>	<b>-</b>	<b>-</b>	<b>(4,040)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>167,081</b>	<b>Total Budget</b>	<b>167,081</b>	<b>178,254</b>	<b>(4,213)</b>	<b>(6,706)</b>	<b>167,335</b>	<b>254</b>	<b>(13)</b>	<b>267</b>

**RESOURCES**

2.4 At Quarter 2, the directorate is forecasting an overspend of £514k. An increase in forecast overspend of £127k from Quarter 1:

**Table 2: Resources Directorate Variance**

Revised Budget	Net Forecast Spend At Quarter 2	Quarter 2 Variance	Quarter 1 Variance	Movement Between Q2 and Q1 Variance
£'000	£'000	£'000	£'000	£'000
38,376	38,890	514	387	127

2.5 Human Resources (HR) are reporting a £209k overspend, an increase of £109k. The overspend and its increase relate to the cost of interim staff engaged to manage the transfer of the HR service back in house following the

cessation of the contract with Buckinghamshire County Council on the 30<sup>th</sup> September 2019.

- 2.6 The Strategy Division is reporting an overall £500k overspend. The variance reflects a £300k overspend on communications. The remaining overspend of £200k relates to the loss of income from schools and additional staff cost to meet the organisation demand. This is broadly in line with what was reported in Quarter 1.
- 2.7 Procurement are forecasting an overspend of £103k, which reflects the additional agency staff required in order to meet the council's demand for procurement support. There is no change from Quarter 1.
- 2.8 The above overspends are partly mitigated by a net underspend of (£291K) in Legal and Governance which reflect additional projected income from Land Charges and Registration Services due to high demand and small underspends across the legal practice.

### **COMMUNITY**

At Quarter 2, the directorate is forecasting an over spend of £3.060m. An increase in forecast overspend of £2.237m when compared to Quarter 1.

**Table 3: Community Directorate Variance**

Service	Revised Budget	Net Forecast Spend at Quarter 2	Quarter 2 Variance	Quarter 1 Variance	Movement between Q2 and Q1
	£'000	£'000	£'000	£'000	£'000
Environment & Culture	21,267	22,184	917	569	348
Commissioning & Commercial Services	(5,489)	(3,346)	2,143	254	1,889
Directorate Management	189	189	(0)	(0)	0
Housing General Fund	4,559	4,559	(0)	(0)	0
Regeneration, Enterprise and Planning	1,048	1,048	0	0	0
<b>Total</b>	<b>21,574</b>	<b>24,634</b>	<b>3,060</b>	<b>823</b>	<b>2,237</b>

### **Environment and Culture**

- 2.9 Environment and Culture is forecasting an over spend of £917k and the variances are detailed as follows:

- Due to staff absences within the directorate, interim management arrangements have been put in place which results in forecast additional staffing costs of £168k.
- Due to unfavourable market prices for dry recyclables, the level of revenue rebate achieved from the sales of recyclates has been low. This results in a forecast pressure of £447k in the waste disposal budget.
- Within the MTFs, there is a saving target of £150k in relation to route optimisation for food waste collection. Food waste in flats was introduced as

part of the Waste Review. The collection of food waste from flats is contained within existing crews rather than introducing an additional collection round, through optimising routes. As a result, it is not possible to reduce the number of food waste rounds as originally intended from the MTFs proposal.

- In Waste Management, the forecast identifies a net income shortfall of £30k primarily relating to the sale of bio bags. Health & Safety SLA income is subject to take up by Schools. There has been a drop in the number of schools taking up this service, resulting in income under achievement estimated at £52k.
- There is a MTFs target of £150k for Harrow Art Centre in 2019/20. The saving was originally expected to be achieved through additional hire income from the increase in room lettings facilities. There has been a delay in progressing the capital works on which the income generation depends. Mitigations have been identified to achieve around £80k of this saving through the projected increase in income from performances and existing room hire. Therefore, a forecast under-achievement of £70k is reported. This is forecast to be achieved in full in 2020/21

2.10 The movement of the adverse variance from Quarter 1 to Quarter 2 is £348k, which largely relates to the pressures resulting from interim management arrangements and unachieved MTFs savings relating to food waste route optimisation.

#### Commissioning and Commercial Services

2.11 Commissioning and Commercial services forecast an over spend of £2.143m and the main variances are detailed as follows:

- Facilities Management (FM) reports an overall overspend of £1.352m (a movement of £1.330m from Quarter 1). There is a forecast adverse variance on Schools' cleaning service of £530k. There is also an income under achievement of £55k on other FM services provided to schools under the SLA as a result of the reduced uptake by schools and academies. The costs of corporate building cleaning have increased since the change of contractual arrangements last year. This is coupled with the cost pressure on responsive repairs, which is forecast to overspend by £767k overall. Works are on-going to review FM costs to provide a better understanding of the baseline and the development of an action plan to reduce pressure.
- Parking Services and Network Management forecast an overall adverse variance of £395k (a movement of £407k from Quarter 1). Based on the actual performance to date for parking enforcement, an adverse variance of £550k is forecast. The MTFs target relating to CCTV commercialisation £200k will not be achieved in 19/20 as the construction of the Alarm Receiving Centre is delayed to align with the depot construction programme timeline. Car Parks are experiencing a cost pressure of £66k primarily on the use of agency staff and unbudgeted card transaction fees. These pressures are partially offset by a forecast over-achievement of parking permits income (£293k) and Network Management streets work income (£128k).

- The Catering Service reports an adverse variance of £104k, primarily due to an under achievement of income.
- There is an under achievement of Phoenix commercial rent income, primarily due to the unachieved MTFS target for depot redevelopment as a result of the revised construction programme timeline. Atkins House units are now let, however due to the necessity to re-route gas mains which led to a delay in letting the properties, the MTFS target is therefore partially achieved in 19/20. These pressures are partially mitigated by an over achievement of income within the existing property portfolio, resulting in a net adverse variance of £194k (a favourable movement of (£26k) from Quarter 1).
- There is a net pressure of £99k elsewhere within the division, due primarily to cost over-run in public mortuary and procurement MTFS not fully achieved.

2.12 The movement of the adverse variance from Quarter 1 to Quarter 2 is £1.889m. At Quarter 1, the pressures reported relate primarily to the under achievement of commercial rent income. A thorough budget review was undertaken over the summer period to assess the financial impact of the pressures experienced by various service areas, and this exercise helped to inform a more accurate forecast for Quarter 2. Cost pressures identified in Facilities Management, the Catering Service and Contracts Management are continually reviewed to ascertain the on-going impact on the budgets. Income generation represents a key part of the division's budget. As the majority are discretionary services, they are subject to demand and therefore the income can fluctuate throughout the year. Income will continue to be closely monitored and the quantum of the variances is being addressed through the annual budget refresh process which is subject to a report elsewhere in the agenda.

2.13 The 2020/21 draft budget, subject to a separate report on the agenda, goes into the detailed analysis of the emerging forecast pressures within the Community directorate, their estimated impact into 2020/21 and the corrective actions required. The actions in the 2020/21 budget are summarised below:

- £2.273m of pressures are driven by external factors or where planned actions are no longer operationally.
- The current MTFS includes additional rental income due from the two additional floors being built at the depot, £473k in 2020/21. Until the conclusion of the process to procure the Strategic Development Partner to take forward the Councils Regeneration Plans, it cannot be determined if the two additional floors at the depot will be required for staff accommodation or commercial rental purposes. It is therefore considered prudent to remove the income target from the MTFS, and when plans are finalised, a decision can be made whether the target can be re-instated. Therefore growth of £473k has been provided for in the 2020/21 draft budget.
- £200k is provided for investment in 2020/21 into Corporate Health & Safety.

- A further estimated budget pressure of £2m in 2020/21 categorised into 2 areas. Firstly £700k of services which must be provided within current budget, the 3 key services being cleaning SLA (£305k), trading standards (£222k) and catering (£80k). Secondly £1.3m of additional income which the directorate needs to achieve to meet targets already build into the MTFs. The key areas within this £1.3m are the new depot (excluding the additional 2 floors) against which the current MTFs assumes £1.234m and £861k is being progressed. The second key area is Schools SLA income which is proving challenging against a back drop of a reduced take up of the services.
- To progress the £2m, the directorate has commenced a programme of budget reviews to baseline budgets, review future operating models to maximize growth and operational efficiency and analyse performance against income budgets. The directorate needs to ensure that any future service provisions are financially sustainable. Growth has not been provided for in respect of the £2m. The directorate has a timeline of 2 years (2020/21 and 2021/22) to meet the £2m on going pressures and the Commercialisation reserve will be used to support during this timeline.

#### Regeneration, Enterprise & Planning

- 2.14 Regeneration, Enterprise and Planning services forecast a break-even position. The revenue costs of the Regeneration programme (£1.365m) are funded from the £1.7m capacity already set aside for 2019/20.

#### Housing General Fund

- 2.15 At Quarter 2, Housing services is forecasting a balanced position, in line with Quarter 1, after realignment of budgets to better reflect expenditure profile requirements following the introduction of the Homelessness Reduction Act. This results in no overall impact to the Council's General Fund budget.

### **PEOPLE SERVICES**

- 2.16 At Quarter 2, People Services is forecasting to overspend by £871k. This is broadly in line with what was reported in Quarter 1.

**Table 4: People Services Variance**

Service	Revised Budget	Additional Expenditure	Total Revised budget and Additional Expenditure	Net Forecast Spend at Q2 including Additional Expenditure	Quarter 2 Variance	Quarter 1 Variance	Movement between Q2 and Q1 Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults	61,904	5,027	66,931	67,028	97	173	(76)
Public Health	(1,814)		(1,814)	(1,814)	0		0
Children's	33097		33,097	33871	774	689	85
<b>Total</b>	<b>93,187</b>	<b>5,027</b>	<b>98,214</b>	<b>99,085</b>	<b>871</b>	<b>862</b>	<b>9</b>

### Adults Services

2.17 At Quarter 2, Adult services are reporting an over spend of £97k resulting in a reduction of (£76k) from the previous quarter. This is an indicative overspend on Adults transport which is subject to a whole systems review commissioned by the Corporate Director of Resources. In 2019/20 £2.6m of additional funding was received for social care. As this funding was announced for 1 year only, it was not built into the budget and ear marked in an Adults Social Care reserve. With the exception of transport, Adults are forecasting a balanced budget position and this assumes a £1.3m draw down from the reserve. The balance of the reserve will be applied to the on going impact of these pressures into 2020/21. The 2020/21 draft budget, subject to separate report on the agenda, explains the quantum and nature of the adult social care pressures moving forward and how they reflected and funded over the draft MTF5.

### Public Health

2.18 At Quarter 2, the forecast in relation to expenditure on Public Health is expected to be balanced in 2019/20 as reported in Quarter 1. The Public Health Reserve is expected to be £925k at year end.

### Children's Services

2.19 Children's Services is forecasting an over spend of £774k.

2.20 This is an increase from Quarter 1 of £85k which relates to revenue costs associated with relocating staff from Alexandra Avenue Health Centre to the Civic Centre. The headline pressure across the directorate is £2.512m with mitigating management actions of £1.5737m. It should be noted that £1.027m of these management actions are one off and will not be available in future years.

2.21 In addition to the reported overspends there are pressures in relation to frontline social work staffing and associated costs for agency covering vacancies, sickness and maternity. There are also pressures on client related expenditure for supporting children to remain at home where it is safe to do so and in relation to facilitating supervised family contact. These pressures are being mitigated by one off management actions and flexible use of grant income.

2.22 The overspend relates to

- SEN Transport overspends of £709k: The projected overspend of £709K is mainly due to the anticipated increase in demand. Projections include costings for an additional 40 client's at an average of £7k per client. The projections have further allowed for capacity for very high needs clients whose cost can be up to £20K per year. In addition there are agency costs to cover the shortfall in permanent driver and escort positions. SEN Transport is subject to a whole systems review commissioned by the Corporate Director of Resources.
- Staff move from Alexandra Avenue to the Civic Centre £85k: These are costs for relocation and refurbishment of Civic 5/6 to allow staff from



Alexandra Avenue (SEN Service, Educational Psychology, Children & Young Adults with Disabilities) and staff from CNWL to relocate to Alexandra Avenue. In the longer term there should be a saving from not paying rent (offset by increased running costs of Civic 5/6) but in the short term there will be costs associated with relocating staff and refurbishing the building.

- The above is slightly mitigated by (£20k) underspend across the service.

#### Dedicated Schools Grant (DSG)

2.23 The Dedicated Schools Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual school budgets in maintained schools, academies and free schools in Harrow. It also funds Early Years nursery free entitlement places for 2, 3 and 4 year olds in maintained council nursery classes and private, voluntary and independent (PVI) nurseries as well as provision for pupils with High Needs including those with Education Health & Care Plans (EHCPs) in special schools and special provision and mainstream schools in Harrow and out of borough. The DSG is split into blocks: central services, schools block, early years block and high needs block.

2.24 The total notified DSG budget for 2019-20 is £128.924m. In 2019-20 the LA has set a deficit budget on the High Needs Block of £3.3m. There is a net projected overspend of £3.970m which is made up of an overspend on the High Needs Block of £4.097m partially offset by an underspend in the growth fund of £127k.

2.25 In 2019/20, the High Needs Block budget has been calculated using the new High Needs National Funding Formula which has generated funding which is £2.9m lower than the actual budget allocated to High Needs in 2017/18.

#### CORPORATE AND TECHNICAL

2.26 At Quarter 2, the corporate and technical budget is reporting an overall underspend of (£4.191m), this is an increase of (£2.106m) when compared to Quarter 1.

##### Corporate Items

2.27 A net underspend of (£347k) is currently being forecast on the following items:

- Pension augmentation costs
- External audit fees
- Levies and subscriptions

##### Central Contingency

2.28 The Central Contingency for unforeseen items in 2019/20 is (£1.248m) and is being applied to meet in-year forecast pressures.

##### Technical and Corporate Adjustments

2.29 A net underspend of (£2.307m) is forecast which is largely savings against capital financing charges due to a forecast reduced spend against the Capital

Programme and securing in-year borrowing requirement from PWLB at a rate lower than budgeted and the balance of unused MRP as at Quarter 2. This underspend represents a net favourable movement of (£1.604m) when compared to Quarter 1, this is mainly due to the deferring of borrowing in 2019/20 to Quarter 4 and the reduction in forecast against Capital Programme from 88% in Quarter 1 to 44% in Quarter 2 which in turn reduced the borrowing from £2.1m to £1.44m and the unused balance on MRP at Quarter 1.

#### Capital Flexibility

2.30 The 2019/20 budget assumes £3.1m of capital flexibilities using capital receipts, At Quarter 2; it is assumed that the £3.1m will be fully applied this year. A favourable movement of (£500k) when compared to Quarter 1.

#### One-Off Income After Budget Setting

2.31 The council has also received £289k one-off income from the West London Waste Authority after the budget was set in February 2019. This payment relates to a rebate on the 2018/19 waste levy.

### **EARMARKED RESERVES**

2.32 The Council holds reserves of £63m, ear marked for specific reasons including General Fund Reserves of £10m. Table 5 provides a more detailed analysis of reserves held:

**Table 5: Earmarked Reserves**

Description	Opening balance as at 1/04/2019 £'000	Estimated use at Quarter 2 £'000	Projected Balance at Quarter 2 £'000	Comment
Business Risk Reserve	(7,526)	6,314	(1,212)	£3.314m of the reserve is being used to support the MTFs in years 2021/22 and 2022/23, £3m is being invested in front line priorities which leaves a balance of £1.212m
Budget Planning Reserve	(6,829)	6,150	(679)	£4.2m is built into the 2019/20 budget. The draft MTFs assumes £1.950m of the reserve is being applied for this purpose in 2020/21 leaving a balance of £679k.
Capacity Building/ Transformation Reserve	(4,261)	3,422	(839)	£4m is earmarked for organisational transformation costs and the £261k balance from last year is earmarked for the Community directorate. The drawn down at month 6 relates the following transformation projects: PMO, Health & Safety work, HR, IT infrastructure and transformation work in Adult services.
MTFS Implementation Reserve	(2,067)	238	(1,829)	Earmarked for the implementation cost of MTFs savings / efficiencies /initiatives.
Commercialisation Reserve	(1,265)		(1,265)	Earmarked to support commercial risks.
<b>Total</b>	<b>(21,948)</b>	<b>16,124</b>	<b>(5,824)</b>	
Other Earmarked Reserves	(31,061)	9,202	(21,859)	Earmarked for specific purposes.
<b>Total Earmarked Reserves</b>	<b>(53,009)</b>	<b>25,326</b>	<b>(27,683)</b>	
General Fund Reserve	(10,008)		(10,008)	
<b>Total Reserves</b>	<b>(63,017)</b>	<b>25,326</b>	<b>(37,691)</b>	

## **MTFS IMPLEMENTATION TRACKER**

2.33 The 2019/20 budget includes approved savings of £5.946m.

2.34 Appendix 4 shows a list of the individual red, green, and blue rated savings. The definition used to classify the RAG status is detailed in table 6 below:

**Table 6: Savings Definition**

<b>Green - Low or no risk to delivery of savings</b>	Clear delivery plans in place
<b>Amber - Medium/some risk to delivery</b>	Project running to timescale Potential for slippage but project will be delivered as originally intended but not within timescale, so saving will not be fully realised.
<b>Red - High risk to delivering forecast savings</b>	Project may have started but will deliver <b>no</b> savings in the current financial year Project cannot be delivered but underspends found else where to mitigate savings.

2.35 Table 7 below shows the summarised position for each directorate as at Quarter 2.

**Table 7: Savings Tracker 2019/20 – Directorate Summary**

	Resources	People	Community	Total at Quarter 2	Total at Quarter 1	Movement	% Split
	£000	£000	£000	£000	£000	£000	
Red	0	0	(776)	(776)	(501)	275	13%
Amber	(75)	(2,082)	(1,030)	(3,187)	(3,342)	(155)	54%
Green	(748)	(150)	(1,085)	(1,983)	(2,103)	(120)	33%
Total	(823)	(2,232)	(2,891)	(5,946)	(5,946)	0	100%

2.36 In Community two savings totalling £275k has moved from green (£75k) and amber (£200k) to red as follows:

- The route optimisation savings COM\_S12 of £75k has moved from green to red. There was a saving target of £150k profiled over 2018/19 and 2019/20. The food waste related initiatives are being progressed as part of the implementation of Waste Review. However, it is not expected that any further route optimisation will achieve a reduction of waste rounds at this stage. This saving has been reversed out as part of the 2020/21 Medium Term Financial Strategy which is been reported elsewhere on the agenda.
- The £200k CCTV Commercialisation savings COM18.19\_S10 have been reclassified as red from amber. Commercial activities are linked to the creation of a new Alarm Receiving Centre at the depot (ARC). As there is a delay in the construction work at the depot, the ARC is not expected to be ready until late 2020. The procurement of CCTV infrastructure will be undertaken to support this. This pressure is being mitigated by an over-achievement of Network Management income and parking permits income.

2.37 The following savings in Resources directorate have also been reclassified as follows:

- The review of Postal Process savings reference (Res 18.19-01 £30k) have been reclassified as green from amber, to reflect the achievement of this saving being on track.
- Reduction in Customer Channels savings reference (Res 2019-20 S1-4 £78k) have been reclassified as amber from green. £50k of the total savings which is allocated to public realm telephone lines closure will be delayed to next year due to management capacity issues at the depot.

### **Housing Revenue Account**

2.37 As at Quarter 2, HRA forecasts a balanced position which is in line with what was reported in Quarter 1. Pressures on repairs are offset by underspends on the Council house building programme as a result of more costs becoming eligible for capitalisation, utilities and other costs. It has been assumed the management restructure will be in place by 1st November 2019 as a result of service reviews aimed at achieving permanent revenue cost reductions of £1.9m by March 2021 which are currently on track.

2.38 The impact of the four years statutory rent reductions, of which 2019/20 is the final year, combined with the new Housing IT system and Council's house building programme to accord with the Mayor of London's Building Council Houses for Londoners' (BCHfL) programme, necessitates continual review of revenue and capital expenditure.

2.39 This will ensure adequate reserves are in place to support the BCHfL without which the Council's HRA would become unviable. The table below summarises the forecast position on HRA revenue account at Quarter 2:

**Table 8: Housing Revenue Account Variance**

<b>HRA revenue balances £'000</b>	<b>Outturn 2018-19</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
Balance b/fwd	(7,474)	(5,173)	(7,474)	(2,301)
Net (surplus) deficit	(198)	279	172	107
Transfer to/(from) reserves	198		107	(107)
Balance c/fwd	(7,474)	(4,894)	(7,195)	(2,301)

### **CAPITAL PROGRAMME**

3.1 The 2019/20 Capital Programme is £124.280m. After allowing for agreed carry forward of £94.616m from 2018/19 and other approved amendments of £99.455m, the programme now totals £318.351m at Quarter 2:

**Table 9: Capital Forecast 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
<b>TOTAL GENERAL FUND</b>	<b>97,674</b>	<b>84,432</b>	<b>104,016</b>	<b>286,122</b>	<b>117,801</b>	<b>(168,322)</b>	<b>167,402</b>	<b>920</b>
<b>TOTAL HRA</b>	<b>26,606</b>	<b>10,184</b>	<b>(4,561)</b>	<b>32,229</b>	<b>21,471</b>	<b>(10,758)</b>	<b>11,270</b>	<b>(512)</b>
<b>TOTAL GENERAL FUND &amp; HRA</b>	<b>124,280</b>	<b>94,616</b>	<b>99,455</b>	<b>318,351</b>	<b>139,271</b>	<b>(179,080)</b>	<b>178,672</b>	<b>408</b>

3.2 The forecast spend at Quarter 2 is £139.271m, 44% of the total capital programme. The forecast variance on the General Fund is (£168.322m), £167.402m will be slipped into 2020/21 and £920k can be removed from the programme. The forecast variance on the Housing Revenue Account budget is a variance of (£10.758m); £11.270m will be requested for slippage into 2020/21, resulting in an overall pressure of £512k.

3.3 Tables 10 and 11 below summarise the capital forecast position and Appendix 5 shows the Capital Programme in more detail.

**Table 10: Summary of Capital forecast by Directorate**

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
<b>RESOURCES TOTAL</b>	<b>30,700</b>	<b>11,321</b>	<b>101,500</b>	<b>143,494</b>	<b>47,143</b>	<b>(96,351)</b>	<b>96,351</b>	<b>0</b>
<b>COMMUNITY</b>								
Commissioning and Environment & Culture	33,032	27,508	1,650	62,617	38,757	(23,860)	23,860	0
Housing	3,149	15,258	0	18,407	13,291	(5,116)	4,196	920
Enterprise and Planning	2,476	1,023	0	3,499	1,967	(1,532)	1,532	0
Regeneration	19,693	9,753	0	29,046	5,803	(23,243)	23,243	0
<b>COMMUNITY TOTAL</b>	<b>58,350</b>	<b>53,542</b>	<b>1,650</b>	<b>113,569</b>	<b>59,818</b>	<b>(53,751)</b>	<b>52,831</b>	<b>920</b>
<b>PEOPLE</b>								
Adults	200	191	0	391	291	(100)	100	0
Public Health	0	135	0	135	135	0	0	0
Children	8,424	19,244	866	28,534	10,414	(18,120)	18,120	0
<b>PEOPLE TOTAL</b>	<b>8,624</b>	<b>19,570</b>	<b>866</b>	<b>29,060</b>	<b>10,840</b>	<b>(18,220)</b>	<b>18,220</b>	<b>0</b>
<b>TOTAL GENERAL FUND</b>	<b>97,674</b>	<b>84,432</b>	<b>104,016</b>	<b>286,122</b>	<b>117,801</b>	<b>(168,322)</b>	<b>167,402</b>	<b>920</b>
<b>TOTAL HRA</b>	<b>26,606</b>	<b>10,184</b>	<b>(4,561)</b>	<b>32,229</b>	<b>21,471</b>	<b>(10,758)</b>	<b>11,270</b>	<b>(512)</b>
<b>TOTAL GENERAL FUND &amp; HRA</b>	<b>124,280</b>	<b>94,616</b>	<b>99,455</b>	<b>318,351</b>	<b>139,271</b>	<b>(179,080)</b>	<b>178,672</b>	<b>408</b>

**Table 11: Analysis of Forecast Outturn Variance**

Project Definition	Forecast Variance	Outturn variance split by funding		Slippage	Slippages by funding		Over/ Underspend	Underspend by funding	
		Grant/ sec106	LBH		Grant /Sec 106	LBH		Grant /Sec 106	LBH
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>RESOURCES</b>	(96,351)		(96,351)	96,351		96,351	-		-
<b>COMMUNITY</b>									
Commissioning and Environment & Culture	(23,860)	(733)	(23,127)	23,860	733	23,127	-	-	-
Housing	(5,116)	-	(5,116)	4,196	-	4,196	920		920
Enterprise and Planning	(1,532)	(670)	(862)	1,532	670	862	-	-	-
Regeneration	(23,243)	-	(23,243)	23,243	-	23,243	-		
<b>Total Community</b>	<b>(53,750)</b>	<b>(1,403)</b>	<b>(52,348)</b>	<b>52,831</b>	<b>1,403</b>	<b>51,428</b>	<b>920</b>	<b>-</b>	<b>920</b>
<b>PEOPLE</b>									
Adults	(100)		(100)	100		100	-		
Public Health							-		
Schools and Children	(18,120)	(8,217)	(9,903)	18,120	8,217	9,903	-		
<b>TOTAL PEOPLE</b>	<b>(18,220)</b>	<b>(8,217)</b>	<b>(10,003)</b>	<b>18,220</b>	<b>8,217</b>	<b>10,003</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL GENERAL FUND</b>	<b>(168,322)</b>	<b>(9,620)</b>	<b>(158,703)</b>	<b>167,402</b>	<b>9,620</b>	<b>157,782</b>	<b>920</b>	<b>-</b>	<b>920</b>
<b>TOTAL HRA</b>	<b>(10,758)</b>		<b>(10,758)</b>	<b>11,270</b>		<b>11,270</b>	<b>(512)</b>		<b>(512)</b>
<b>Total General Fund and HRA</b>	<b>(179,080)</b>	<b>(9,620)</b>	<b>(169,460)</b>	<b>178,672</b>	<b>9,620</b>	<b>169,052</b>	<b>408</b>	<b>-</b>	<b>408</b>

### **RESOURCES**

3.4 As at Quarter 2 the Resources Directorate is forecasting an overall spend of £47.143m (33%).

3.5 The forecast slippage of (£96.351m) relates to the following:

- Investment properties £94.101m slippage reflects an ongoing Commercial Investment programme; funds will be released as and when investments opportunities emerge.
- Delayed spend on the Enterprise Resource Planning System of £1.750m which is due to re-scoping of the system's requirements.
- £1m budget was set aside for council wide projects at the closing of 2018/19 financial year and £500k will be requested to slip into 2020/21.

3.6 There are no revenue budget implications associated with these slippages.

### **COMMUNITY**

3.7 As at Quarter 2 the Community Directorate is forecasting overall spend of £59.818m (53%).

3.8 The forecast variance of (£53.751m) is planned to be slipped into 2020/21 and £920k underspend can be removed from the Capital Programme. The main items of slippage are detailed below:

### Commissioning and Environment & Culture

- 3.9 The services forecast to spend £38.757m in 2019/20 and to slip a budget of £23.860m to 2020/21.
- 3.10 There is a budget allocation of £150k for the refurbishment of libraries, the cost of which is assumed to be funded from NCIL. Project planning and engagement with relevant ward councillors are planned to be undertaken in the latter part of the financial year, with refurbishment work anticipated in 2020/21. Therefore, the budget is slipped to 2020/21. The slippage has no implications on the revenue budget.
- 3.11 Health & Safety priority works for library buildings are being progressed using £200k budget allocated in 2019/20. Works have been identified at various library sites, one of which relates to window replacements at Kenton Library. As Kenton Library is a Grade II listed building, a listed building consent will need to be obtained before commencing the work. It is anticipated that work orders can be placed in the latter part of this financial year and full completion in the following year. Therefore £164k is forecast to be slipped in 2020/21. The slippage has no implications on the revenue budget.
- 3.12 The building improvement works at Harrow Arts Centre (HAC) has a budget allocation of £1.488m in 2019/20 which is funded from GLA Good Growth Fund and BCIL. The Masterplan now sets out the delivery of purpose built buildings rather than modular units as originally planned, which has contributed to the delay in the construction works. A two month slippage is expected on the refurbishment of the redundant buildings due to the planning application process for these buildings. The budget therefore needs to be re-profiled based on the updated milestones of the project, and £583k is forecast to be slipped to 2020/21. A partial achievement of this year's MTFS target for HAC is due to the delay in the construction work and this is included in the revenue forecast within Community.
- 3.13 Vernon Lodge Redevelopment is a multiple year project with a total budget of £11.031m over 3 years. The scheme is currently in planning stage. The designs are being revised to address comments received from the Met Police Secure by Design team. The updated design and planning statement is expected to be re-submitted to Planning for determination in Quarter 3. This has resulted in a delay in the implementation and therefore it is forecast to spend £500k this year, with a budget slippage of £7.586m into 2020/21. There are MTFS savings targets of £80k and £643k in 2020/21 and 2021/22 respectively associated with this project. The delay may have an impact on the achievement of the 2020/21 MTFS savings and this will be assessed once the scheme redesign is complete.
- 3.14 Depot Redevelopment is a multiple year project with the original timeline for completion in January 2020. Changes to the scheme to include additional floors and car park deck have resulted in extended design and a delay in the construction programme. The latest programme indicates that the completion will be in December 2020. There is a budget allocation of £17.307m in 2019/20. It is forecast to spend £13m this year, and £4.307m will be slipped into 2020/21. There are MTFS targets of £246k and £1.154m in 2019/20 and 2020/21 respectively associated with this project. The MTFS target for

2019/20 will not be achieved and this is included in the revenue forecast within Community. The achievement of future year savings is being assessed by the directorate.

- 3.15 CCTV Infrastructure upgrade including the construction of an Alarm Receiving Centre is delayed as a result of the revised depot construction timetable as described above. Similarly the unmanned aerial vehicles project is also delayed as it is intrinsically linked to the CCTV project. Therefore a slippage of £1.653m in total is forecast for both projects. There is a MTFS target of £200k in 2019/20 in relation to CCTV commercialisation, which is not achieved and has been reflected in the MTFS tracker. Mitigations are being identified within Parking & Network Management Services to offset this pressure.
- 3.16 There is a budget allocation of £5m for the redevelopment of the Probation Centre over 2 years. £2m is profiled in 2019/20. Options are being worked through and a business case to be finalised to assess the financial viability of each option before a decision is made to re-let or redevelop the building. Minimal spend is anticipated this year as this would either be a small capital investment to make the building suitable for re-letting or design fees if a redevelopment route is pursued. Therefore a slippage of £1.9m is forecast. A rent income of £45k per annum was achieved from the site in the past. The financial impact of this empty property is that there is a loss of rent income as well as the Council being liable for business rates which is accommodated within the revenue forecast.
- 3.17 Vehicle procurement project is near completion. All vehicles identified as requiring a replacement have been renewed. It is forecast to spend £6m out of the £13.516m budget allocated in the capital programme this year. Some vehicles novated from the former vehicle contractor during 2018/19 will come to the end of their useful life and will be programmed in for replacement over the medium term. It is therefore proposed that the remaining budget of £7.516m is slipped and re-profiled to reflect the replacement programme in the future. A contribution of £100k saving to the MTFS target relating to contract re-procurement is assumed for 2019/20 and this is currently on track.

#### Enterprise & Planning

- 3.18 In Enterprise and Planning, the services forecast to spend £1.967m in 2019/20 and will be requesting to slip a budget of £1.532m to 2020/21.
- 3.19 Three projects are forecast to be slipped to 2020/21. There is no revenue budget implication of the slippage.
- 3.20 The Lyon Road public square and pop up restaurant project is funded by the GLA Good Growth Fund, S106 contributions and NCIL funding. The public square work is expected to be completed in 2019/20. Within the 2019/20 budget of £739k, there is a sub-allocation of £20k for the design fees of the new pop up test trade restaurant. Due to the delay in identifying a suitable operator, this funding is unlikely to be spent in 2019/20 and will be requested for slippage into 2020/21.
- 3.21 There is a budget allocation of £750k for Harrow High Street Fund project in 2019/20, the cost of which is to be funded from CIL (£650k) and borrowing (£100k). Consultation on project proposals has been completed. A BCIL



application will be made seeking approval of the funding to deliver a project in South Harrow and Rayners Lane. Subject to approval, designs are anticipated in Quarter 3. At this stage, it is forecast that £100k will be spent in 2019/20 and the rest will be requested to slip to 2020/21.

- 3.22 There is a budget allocation of £1m for the replacement of the Planning IT system. Cabinet in October 2019 approved the commencement of the procurement for a new Planning IT solution. Procurement is underway and is expected to be completed during Quarter 4. Some resource and IT costs are planned for this financial year and are estimated at £138k. It is anticipated that the implementation will be completed in 2020/21, and therefore £862k is forecast to be slipped to 2020/21.

#### Regeneration

- 3.22 In 2019/20, the main Regeneration programme is forecast to spend £5.803m against a budget of £29.046m. The unspent budget of £23,243m will be slipped into 2020/21. There are no revenue budget implications as a result of the slippage.
- 3.23 Haslam House is forecasting a variance of £990k as a result of a delay in the appointment of a suitable contractor; this budget is unlikely to be spent in 2019/20 and will be slipped into 2020/21. At the time of setting the budget, it was assumed that a capital receipt of £4.290m as a result of the sale would arise in 2019/20; this has now slipped to 2020/21.
- 3.24 There is a budget allocation of £8.571m for build and sale of 20 residential units at Waxwell Lane of which £2.01m is profiled in 2019/20. A variance of £471k has arisen due to the delays in identifying a suitable contractor and will be slipped into 2020/21.
- 3.25 There is an MTFS target of £500k attached to these units which will be partly achieved in 2019/20. This has been reflected in the MTFS tracker. Gayton Road commercial unit for which a decision is still required and the balance of funding £2.302m will be requested to be slipped into 2020/21.
- 3.26 The funding of £20m included for Harrow New Civic Centre and Poets Corner is included as a place holder in 2019/20 with the Harrow Strategic Development Partnership (HSDP) tender informing the budget going forward and £19.481m has been slipped into 2020/21.

#### Housing General Fund

- 3.23 As at Quarter 2 the outturn forecast for Housing General Fund is £13.291m which is 72% of the approved £18.407m capital budget in 2019/20.
- 3.24 The resulting forecast variance of (£5.116m) is attributable to the Property Acquisition Programme £4.196m, Disabled Facilities Grant £848k and Empty Property Grants £72k. Slippage of £4.196m is attributable to the Property Acquisition Programme with the remainder treated as an underspend.
- 3.25 Cabinet approved drawdown of up to £10.8m of the original £15m allocated to the Property Acquisition Programme to alleviate the costs of homelessness pressures. The remainder will be unlocked on proviso that financial viability can be demonstrated. Market conditions remain uncertain and financial

modelling is in progress therefore the unspent budget of £4.196m will be requested to slip into 2020/21.

- 3.26 The underspend on Disabled Facilities Grant of £848k is due to a review of caseloads indicating not the entire budget will be required in 2019/20. Underspend on Empty Property Grant project of £72k is due to lower than expected take up of grants from private land lords.
- 3.27 There are no implications on the revenue budget as a result of this slippage in 2019/20.

### **PEOPLE SERVICES**

- 3.28 As at Quarter 2 People Services is forecasting overall spend of £10.840m, which is 37% of the approved £29.060m capital budget.
- 3.29 The forecast variance of (£18.220m) will all be requested for slippage into 2020/21. The main items of slippage are detailed below:

#### **Adults Services**

- 3.30 At Quarter 2, the outturn forecast for Adult Services remains at £291k resulting in a planned slippage of £100k for In House Residential Services. There is no revenue budget implications as a result of this slippage.

#### **Public Health**

- 3.31 Public Health is forecasting spend of £135k being 100% of the overall 2019/20 capital budget for Healthy Pupil Capital Fund project. The forecast assumes passporting funds to schools on receipt of evidence of spend incurred.

#### **Children's Services**

- 3.32 The total budget for the capital programme in 2019/20 is £28.534m. It is anticipated that approximately £18.120m of this will be requested for slippage into future years.
- 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.

### **Slippage**

- 3.34 The total slippage is £18.120m. Of this, £12.378m relates to funding set aside for secondary expansions. As reported to Cabinet in July 2019 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 future years 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.

3.35 Bulge class funding is for schools opening temporary additional classes in year and is not required for this academic year.

3.36 Special Educational Needs provision slippage totals £5.189m. 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 estimated that £1.495m will be spent in 2019-20 and the remainder of this funding will be programmed over future years in line with the SEND Strategy.

3.37 There are no revenue budget implications associated with these slippages.

### **Housing Revenue Account**

3.38 At Quarter 2, the outturn forecast for the Housing Revenue Account is £21.471m which is 67% of the approved £32.229m capital budget in 2019/20.

**Table 12: Summary of HRA Capital Budget Forecast at Quarter 2**

<b>Description</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variation</b>	<b>Slippage</b>	<b>Under/ Over spend</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Planned Investment	9,784	6,163	(3,621)	3,621	0
Infill programme phase 1	1,775	1,603	(172)	172	0
Grange Farm	6,220	4,400	(1,820)	1,820	0
Gayton Road	7,696	8,208	512	0	512
BCHfL	6,754	1,096	(5,658)	5,658	0
<b>HRA total</b>	<b>32,229</b>	<b>21,471</b>	<b>(10,758)</b>	<b>11,270</b>	<b>512</b>

3.39 The forecast net variance is (£10.758m) of which £11.270m will be slipped into 2020/21 resulting in an overall pressure of £512k; this is attributable to additional expenditure for the transfer of the 72 affordable units in Gayton Road from General Fund which will be funded from additional HRA borrowing capacity. Details of the HRA Capital Programme which now includes substantial budgets for new Council housing is as follows:

- Planned Investment programme - £6.163m spend expected yielding variation of £3.621m all of which is treated as slippage to 2020/21 pending a fuller review of the programme to be reported to Cabinet at Quarter 3. Focus of programme is compliance and health & safety works with

expenditure also assumed for new housing IT system. Slippage includes heating works (£800k); roofing works at Pinner Grove (£728k) and with remainder for block security, windows & doors works and other works which are expected to emerge following results of the stock condition survey.

- Grange Farm Regeneration phase 1 - The forecast spend of £4.4m against revised budget of £6.220m will result in slippage of £1.820m; planning consent has been successfully obtained and the tenderer is expected to start on site. Ministry of Housing, Communities and Local Government and GLA have now approved the £10m Housing Infrastructure Fund (HIF) funding and the grant agreements have been finalised.
- Infill programme - The estimated spend on this project is £1.603m against a revised budget of £1.775m. The budget variance of £172k will slip to 2020/21 to be utilised against wider Building Council Houses for Londoners (BCHfL) programme.
- There is a forecast spend of £8.208m against the budget of £7.696m on the Gayton Road project, this will result in a budget pressure of £512k; expenditure is based on the revised valuation and takes account of HRA funding already provided; additional capital receipt to General Fund will result in an adjustment to the respective capital financing requirement of both funds to reflect the change in the underlying need to borrow associated with the asset transfer. This will result in a neutral overall impact to the council.
- Other new build schemes - broader spectrum of schemes are in line with Mayor of London's Building Council Houses for Londoners (BCHfL) programme, it is estimated that £1.096m will be spent against the budget of £6.754m resulting in slippage of £5.658m which is predominately arising from re-profiling of Chichester Court following appointment of a contractor.

3.40 Slippage on new build and regeneration schemes, resulting mainly from delays in securing necessary external funding and planning consents, will result in delays in associated rental streams and new build units for use as social and affordable housing as well as in mitigating the impact of homelessness on the Council's General Fund. The HRA Business Plan reported to Cabinet on 12th September 2019, takes account of these updated profiles and sets out the longer term financial position based on a range of assumptions and will be used as a basis for constructing the budgets for 2020/21.

#### **Amendment to the Capital Programme**

- 3.41 A S106 developer's contribution of £72,848 will be used to contribute towards the cost of the refurbishment, remodel and enlargement of Harrow Weald Sports Pavilion. The cost of the project is estimated at £330k, £257k of which can be met from existing funding already identified in the agreed capital programme. It is therefore requested that the budget for Park Infrastructure in the capital programme is increased by £72,848.
- 3.42 Following the successful funding bids to the GLA and Forestry Commission, the Council has been awarded a total of £124,301 for tree planting across the borough in 2019/20 as part of Greener City Fund and Urban Tree Challenge

Fund schemes. It is therefore requested that the Highway Programme is increased by this sum to reflect the grant awards.

- 3.43 In the current capital programme, there is a budget allocation for the new town centre library. The developer, Barratt Homes, provides the library on a shell and core basis to the Council, and the Council is responsible for the fit out works. As the installation/screed for the library pavilion building was not completed when the library was handed over to the Council, Barratt Homes agreed to provide a £50k funding to cover the cost of this. This work will now be completed by the Council's fit out contractor. It is therefore requested that the budget for Central Library Refit/Refurb in the capital programme is increased by £50k.
- 3.44 The Council has entered into a contract for security and compliance works for HRA dwellings including the upgrade of fire alarms. A review of progress with the contractor has shown a proportion of these essential works can be accelerated and completed in financial year 2019/20 instead of 2020/21 as was originally anticipated. Approval is therefore requested to increase the budget for these works by £240k with an equal and opposite reduction in financial year 2020/21 to enable these works to be completed earlier. This will be reflected as an adjustment to the draft HRA budgets appearing elsewhere on the agenda which will be funded entirely from HRA resources with no impact on General Fund.

#### 4.0 **COUNCIL TRADING COMPANY UPDATE 2019/20 – QUARTER 2**

- 4.1 The Council's Trading Company update for Quarter 2 is attached at Appendix 6.
- 4.2 In November 2018 Cabinet approved the use of Concilium Assets LLP as the Council's Private Rented Sector (PRS) investment vehicle to operate the Council owned 53 PRS units at Gayton Road. The LLP started trading on 01 January 2019 and the 53 units were transferred to the LLP in July 2019 on a 10 year lease. All but 1 flat are already let. The Business Plan shows a significant contribution of £641k to the Medium Term Financial Strategy profiled as £450k, £144k and £47k for 2020/21, 2021/22 and 2022/23 respectively to support core service provision.
- 4.3 The Trading Company update summarises the summary level financial position and provides a general update on the activities of all of the councils trading entities.

#### 5.0 **Reporting for the 2019/20 Financial Year**

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

- Quarter 3 February 2020
- Outturn report June 2020

#### 6.0 **Implications of the Recommendation**

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

## 7.0 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 maximised.

The forecast position at Quarter 2 is showing an over spend position of £254k.

For the 2019/20 savings built into the MTFs, the overall position is that 33% of the savings are RAG rated as Green (Clear delivery plans in place and project running to timescale), 54% amber (Potential for slippage, project will be delivered as originally intended but not within timescale, so saving will not be fully realised) and 13% red (Project may have started but will deliver no savings in the current financial year).

The Capital Programme is projecting spend of 44% as at Quarter 2.

## 8.0 Environmental Implications

There is no direct environmental impact.

## 9.0 Risk Management Implications

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

- The Inability to deliver the Council's approved MTFs leading to a dereliction of duties resulting in government intervention/ an inability to pay the Council's debts which is currently rated C2 – medium likelihood, critical impact.

## 10.0 Procurement Implications

There are no procurement implication 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.

Under paragraph B48 of the Financial Regulations 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 does not exceed £20 million.

## 12.0 Financial Implications

Financial matters are integral to this report.

## 13.0 Equalities implications / Public Sector Equality Duty

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 and are as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- Tackle prejudice, and
- Promote understanding.

Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- Age
- Disability

- Gender reassignment
- Pregnancy and maternity
- Race,
- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

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.

**14.0 Council Priorities are:**

- Supporting Those Most in Need
- Protecting Vital Public Services
- Delivering a Strong Local Economy for All
- Modernising Harrow Council

**Section 3 - Statutory Officer Clearance**

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date: 19/12/2019		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 14/11/2019		
Name: Nimesh Mehta	<input checked="" type="checkbox"/>	Head of Procurement
Date: 6/11/2019		
Name: Charlie Stewart	<input checked="" type="checkbox"/>	Corporate Director
Date: 19/12/2019		



<b>Ward Councillors notified:</b>	NO
<b>EqIA carried out:</b>	NO
<b>EqIA cleared by:</b>	

## **Section 4 - Contact Details and Background Papers**

**Contact:** Sharon Daniels, 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

<b>Call-In Waived by the Chair of Overview and Scrutiny Committee</b>	No
---	----

## Summary of 2019/20 Revenue Budget Forecast as at Quarter 2 Appendix 1

	Revised Budget	Outturn	Drawdown From Reserves	Cross Divisional Adjustment including one-off Income	Net Forecast Spend at Quarter 2	Quarter 2 Variance	Quarter 1 Variance	Movement between Q1 and Q2
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Resources</b>								
<b>Controllable Budget</b>								
Customer Services	24,856	25,424	● (281)	● (238)	● 24,905	49	9	39
Business Support	3,323	3,331	● 0	● 0	● 3,331	8	9	(1)
Director of Resources	658	657	● 0	● 0	● 657	(1)	(0)	(1)
Assurance	610	603	● 0	● 0	● 603	(7)	(8)	1
HRD & Shared Services	997	1,358	● (152)	● 0	● 1,206	209	100	109
Procurement & Commercial	273	479	● 0	● (103)	● 376	103	103	0
Legal & Governance	3,073	2,943	● (162)	● 0	● 2,781	(292)	(341)	49
Strategic Commissioning	2,206	2,925	● 0	● (218)	● 2,707	501	493	8
Finance	2,379	2,324	● 0	● 0	● 2,324	(55)	22	(77)
<b>Total Controllable Budget</b>	<b>38,376</b>	<b>40,044</b>	<b>● (595)</b>	<b>● (559)</b>	<b>● 38,890</b>	<b>514</b>	<b>387</b>	<b>127</b>
Uncontrollable Budget	(18,285)	(18,285)	● 0	● 0	● (18,285)	0	0	0
<b>Total Directorate Budget</b>	<b>20,091</b>	<b>21,759</b>	<b>● (595)</b>	<b>● (559)</b>	<b>● 20,605</b>	<b>514</b>	<b>387</b>	<b>127</b>
<b>Community</b>								
<b>Controllable Budget</b>								
Commissioning & Corporate Estate	(5,489)	(2,818)	(460)	(68)	● (3,346)	2,143	254	1,889
Environment & Culture	21,267	22,987	(267)	(536)	● 22,184	917	569	348
Directorate Management	189	465		(276)	● 189	(0)	(0)	0
Housing General Fund	4,559	5,419	(140)	(720)	● 4,559	(0)	(0)	0
Regeneration, Enterprise and Planning	1,048	2,413	0	(1,365)	● 1,048	0	0	0
<b>Total Controllable Budget</b>	<b>21,574</b>	<b>28,466</b>	<b>(867)</b>	<b>(2,965)</b>	<b>● 24,634</b>	<b>3,060</b>	<b>823</b>	<b>2,237</b>
Uncontrollable Budget	22,347	22,347			● 0	0	0	0
<b>Total Directorate Budget</b>	<b>43,920</b>	<b>50,813</b>	<b>(867)</b>	<b>(2,965)</b>	<b>● 46,981</b>	<b>3,060</b>	<b>823</b>	<b>2,237</b>
<b>People</b>								
<b>Controllable Budget</b>								
Adult Services	61,904	66,857	(1,674)	(3,182)	● 62,001	97	173	(76)
Public Health	(1,814)	(737)	(1,077)		● (1,814)	0	0	0
Children's Services	33,097	33,871	0	0	● 33,871	774	689	85
<b>Total Controllable Budget</b>	<b>93,187</b>	<b>99,991</b>	<b>(2,751)</b>	<b>(3,182)</b>	<b>● 94,058</b>	<b>871</b>	<b>862</b>	<b>9</b>
Uncontrollable Budget	14,760	14,760			● 14,760	0	0	0
<b>Total Directorate Budget</b>	<b>107,947</b>	<b>114,751</b>	<b>(2,751)</b>	<b>(3,182)</b>	<b>108,818</b>	<b>871</b>	<b>862</b>	<b>9</b>
<b>Total Directorate Budgets</b>	<b>171,959</b>	<b>187,323</b>	<b>(4,213)</b>	<b>(6,706)</b>	<b>176,404</b>	<b>4,445</b>	<b>2,072</b>	<b>2,373</b>
								0
Corporate Items	4,976	4,629			● 4,629	(347)	(345)	(2)
Corporate Contingency	1,248	0			● 0	(1,248)	(1,248)	0
Technical and Corporate Adjustment	14,860	12,553			● 12,553	(2,307)	(703)	(1,604)
Use of Capital Receipts	(3,100)	(3,100)			● (3,100)	0	500	(500)
One-Off Income After Budget Setting		(289)			● (289)	(289)	(289)	0
<b>Total Controllable Budget</b>	<b>17,984</b>	<b>13,793</b>	<b>0</b>	<b>0</b>	<b>● 13,793</b>	<b>● (4,191)</b>	<b>● (2,085)</b>	<b>● (2,107)</b>
Uncontrollable Budget	(22,862)	(22,862)	0	0	● (22,862)	0	0	0
<b>Total Corporate Budget</b>	<b>(4,878)</b>	<b>(9,069)</b>	<b>0</b>	<b>0</b>	<b>(9,069)</b>	<b>(4,191)</b>	<b>(2,085)</b>	<b>(2,106)</b>
<b>Total Budget Requirement</b>	<b>167,081</b>	<b>178,254</b>	<b>(4,213)</b>	<b>(6,706)</b>	<b>167,335</b>	<b>254</b>	<b>(13)</b>	<b>267</b>