



**Report for: Cabinet**

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| <b>Date of Meeting:</b>             | 15 February 2024   |
| <b>Subject:</b>                     | Revenue and Capital Budget Monitoring Report 2023-24 Q3  |
| <b>Key Decision:</b>                | No   |
| <b>Responsible Officer:</b>         | Sharon Daniels - Interim Director of Finance and Assurance   |
| <b>Portfolio Holder:</b>            | Councillor David Ashton - Portfolio Holder for Finance and Human Resources   |
| <b>Exempt:</b>                      | No   |
| <b>Decision subject to Call-in:</b> | No   |
| <b>Wards affected:</b>              | All  |
| <b>Enclosures:</b>                  | Appendix 1 – Summary of Grants 2023-24<br>Appendix 2 – MTFS Savings Tracker 2023-24<br>Appendix 3 – Capital Programme 2023-24<br>Appendix 4 – Trading Company Update 2023-24 |

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## Section 1 – Summary and Recommendations

This report sets out the Council's projected revenue and capital outturn position for 2023-24, based on all information known at the end of Q3 31 December 2023.

### **Recommendations:** That Cabinet

1. notes the forecast revenue and capital outturn positions set out in the report.
2. notes the amendment to the 2023/24 Capital Programme as set out in paragraphs 3.19-3.23.
3. notes the Council's Trading Update as detailed in Appendix 4.

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

To report the 2023-24 financial forecast position at Q3 and to update Cabinet on trading company performance.

## Section 2 – Report

### 1.0 INTRODUCTION

- 1.1 This is the third budget monitoring report for 2023-24.
- 1.2 The revenue budget in 2023-24 at Q3 is £196.354m which is net of external grants. A list of external grants is shown at Appendix 1. The net forecast position on the revenue budget for 2023-24, after the planned use of reserves, is a net overspend of £581k. This sum will need to be drawn down from the budget planning reserve if it is not mitigated by year end.
- 1.3 The general fund capital programme budget in 2023-24 is £106.085m. The net forecast position on the capital budget at Q3 is £58.970m which represents 56% of the total capital programme budget. The variance of £47.115m is made up of proposed slippage of £45.441m and an underspend of £1.674m.
- 1.4 The Housing Revenue Account (HRA) revenue budget in 2023-24 at Q3 is an in-year surplus of £423k. The forecast at Q3 is an increased surplus of £1.606m and reporting a favourable variance of £1.183m.
- 1.5 The Housing Revenue Account (HRA) capital programme budget is £57.505m. The net forecast position on the HRA capital budget at Q3 is £42.421m which represents 74% of the total HRA capital programme budget. The variance of £15.084m relates to proposed slippage.

## 2.0 REVENUE MONITORING

- 2.1 As at Q3 the forecast revenue budget outturn, after the planned use of reserves, is a net overspend of £581k.
- 2.2 This is a reduction of £798k from the position reported in Q2 which relates to a £798k reduction in the directorates' forecasts. This is set out in more detail in the relevant sections.

**Table 1: Summary of Revenue Budget Monitoring – Forecast at Q3 2023-24**

| Service Area                     | Revised Budget | Outturn        | Variance      | Contribution/ Drawdown From reserves | Revised Outturn | Variance to budget at Q3 | Q2 Variance to budget | Movement from Q2 |
|----------------------------------|----------------|----------------|---------------|--------------------------------------|-----------------|--------------------------|-----------------------|------------------|
|                                  | £'000          | £'000          | £'000         | £'000                                | £'000           | £'000                    | £'000                 | £'000            |
| Managing Director                | 20,081         | 19,745         | -336          | -321                                 | 19,424          | -657                     | -565                  | -92              |
| Resources                        | 20,369         | 21,370         | 1,001         | -821                                 | 20,549          | 180                      | 180                   | 0                |
| Place                            | 36,858         | 43,103         | 6,245         | -3,692                               | 39,411          | 2,553                    | 2,435                 | 118              |
| People's Services                | 106,846        | 114,675        | 7,829         | -4,182                               | 110,494         | 3,648                    | 4,472                 | -824             |
| <b>Total Directorate Budgets</b> | <b>184,154</b> | <b>198,893</b> | <b>14,739</b> | <b>-9,016</b>                        | <b>189,878</b>  | <b>5,724</b>             | <b>6,522</b>          | <b>-798</b>      |
| Corporate                        | 4,320          | 3,106          | -1,214        | -1,000                               | 2,106           | -2,213                   | -2,213                | 0                |
| Contingency for Unforeseen       | 1,248          | 0              | -1,248        | 0                                    | 0               | -1,248                   | -1,248                | 0                |
| Technical                        | 14,007         | 13,642         | -365          | -2,400                               | 11,242          | -2,765                   | -2,765                | 0                |
| Investment Properties            | -2,876         | -2,801         | 75            | -75                                  | -2,876          | 0                        | 0                     | 0                |
| Pay Inflation                    | -3,278         | -68            | 3,210         | 0                                    | -68             | 3,210                    | 3,210                 | 0                |
| Non-Pay Inflation                | 2,625          | 498            | -2,127        | 0                                    | 498             | -2,127                   | -2,127                | 0                |
| <b>Total Corporate Budgets</b>   | <b>16,046</b>  | <b>14,377</b>  | <b>-1,669</b> | <b>-3,475</b>                        | <b>10,902</b>   | <b>-5,143</b>            | <b>-5,143</b>         | <b>0</b>         |
| Uncontrollable Budgets           | -3,846         | -3,846         | 0             | 0                                    | -3,846          | 0                        | 0                     | 0                |
| <b>Grand Total</b>               | <b>196,354</b> | <b>209,424</b> | <b>13,070</b> | <b>-12,491</b>                       | <b>196,934</b>  | <b>581</b>               | <b>1,379</b>          | <b>-798</b>      |

- 2.3 Table 1 shows a projected net draw down from reserves of £12.491m (which does not include the draw down of £581k for the projected overspend). Out of the £12.491m, £1m relates to planned draw down to support the 2023-24 budget. The remainder of the draw downs from reserves generally relate to planned use, for example

- £2m MTFS Implementation to support delivery of savings
- £2.4m ringfenced grants to support planned spend
- £1.4m Adults budget in relation to a one-off payment to be made to care providers in 2023-24 in relation to inflation pressures.
- £1.4m of budget carried forward from the 2022-23 budget to complete projects or ensure grant is fully spent.
- £1m Children's Social Care to support overall pressures.
- £2.8m Implementation Reserve
- £1.4m Other draw downs including planned PFI contributions, use of the public health reserve and other projects.

## MANAGING DIRECTOR

**Table 2: Managing Director Forecast Outturn Q3 2023-24**

| Division              | Revised Budget | Forecast      | To/ (From) Reserves | Revised Forecast | Q3 Variance | Q2 Variance | Movement from Q2 |
|-----------------------|----------------|---------------|---------------------|------------------|-------------|-------------|------------------|
|                       | £000           | £000          | £000                | £000             | £000        | £000        | £000             |
| Managing Director     | 274            | 274           | 0                   | 274              | 0           | 0           | 0                |
| Finance and Insurance | 3,619          | 3,869         | -250                | 3,619            | 0           | 0           | 0                |
| Revenues and Benefits | 9,906          | 9,906         | 0                   | 9,906            | 0           | 0           | 0                |
| Procurement           | 707            | 707           | 0                   | 707              | 0           | 0           | 0                |
| Internal Audit & CAFT | 674            | 674           | 0                   | 674              | 0           | 0           | 0                |
| Legal and Governance  | 4,901          | 4,315         | -71                 | 4,245            | -657        | -565        | -92              |
| <b>Total</b>          | <b>20,081</b>  | <b>19,745</b> | <b>-320</b>         | <b>19,425</b>    | <b>-657</b> | <b>-565</b> | <b>-92</b>       |

2.4 As at Q3 the directorate is reporting a net underspend of £657k after drawdown from reserves.

2.5 The reserve movements are shown in Table 3.

**Table 3: Managing Director Reserve Movements 2023-24**

| Description                            | Movement £'000 |
|--|----------------|
| Insurance Reserve                      | -250           |
| MTFS Implementation Reserve            | -71            |
| <b>Managing Director net draw down</b> | <b>-321</b>    |

2.6 The net underspend of £657k is made up as follows:

- **Legal & Governance** - £429k net underspend due to additional Land Charges and Registrars income and delayed recruitment and £228k increased demand for HBPL services

2.7 The movement between Q2 and Q3 is a net increase in underspend of £92k. This is mainly due to delayed recruitment in Democratic Services and increased demand for HB Public Law legal practice services and Registration services resulting in extra income.

## RESOURCES

**Table 4: Resources Forecast Outturn Q3 2023-24**

| Division              | Revised Budget | Forecast      | To/ (From) Reserves | Revised Forecast | Q3 Variance | Q2 Variance | Movement from Q2 |
|-----------------------|----------------|---------------|---------------------|------------------|-------------|-------------|------------------|
|                       | £000           | £000          | £000                | £000             | £000        | £000        | £000             |
| Business Support      | 4,172          | 4,461         | -289                | 4,172            | 0           | 0           | 0                |
| Access Harrow         | 3,983          | 4,158         | 0                   | 4,158            | 175         | 175         | 0                |
| Director of Resources | -248           | -408          | -39                 | -447             | -199        | -199        | 0                |
| Strategy              | 2,383          | 2,481         | -125                | 2,356            | -26         | -26         | 0                |
| ICT                   | 7,713          | 7,713         | 0                   | 7,713            | 0           | 0           | 0                |
| HR                    | 2,366          | 2,965         | -368                | 2,597            | 231         | 231         | 0                |
| <b>Total</b>          | <b>20,369</b>  | <b>21,370</b> | <b>-821</b>         | <b>20,549</b>    | <b>180</b>  | <b>180</b>  | <b>0</b>         |

2.8 As at Q3 the directorate is reporting a net overspend of £180k after draw down from reserves.

2.9 The position has remained the same as that reported at Q2.

2.10 The reserve movements are shown in Table 5.

**Table 5: Resources Reserve Movements 2023-24**

| Description                              | Movement £'000 |
|--|----------------|
| Corporate MTFS Implementation Reserve    | -684           |
| Equalities, Diversity & Inclusion Resrve | -26            |
| Decommissioning Accommodation Reserve    | -39            |
| Carry Forward Reserve                    | -72            |
| <b>Managing Director net draw down</b>   | <b>-821</b>    |

2.11 The net overspend of £180k is made up as follows:

- **Access Harrow** - £175k overspend due to the decision to not implement a prior year MTFS saving to close the telephone lines for Revenues and Collections.
- **HR** - £231k overspend due to the loss of income from schools for payroll services.
- **Management** - £200k underspend due to vacancies.
- **Strategy** - £26k underspend due to vacancies.

## PLACE

**Table 6: Place Forecast Outturn Q3 2023-24**

| Division                             | Revised Budget | Forecast      | To/ (From) Reserves | Revised Forecast | Q3 Variance  | Q2 Variance  | Movement from Q2 |
|--------------------------------------|----------------|---------------|---------------------|------------------|--------------|--------------|------------------|
|                                      | £000           | £000          | £000                | £000             | £000         | £000         | £000             |
| Directorate Management               | 500            | 693           | -68                 | 625              | 125          | 125          | 0                |
| Environment                          | 20,761         | 23,223        | -513                | 22,710           | 1,949        | 1,631        | 318              |
| Inclusive Economy, Leisure & Culture | 4,672          | 4,669         | -26                 | 4,643            | -29          | 8            | -37              |
| Regeneration & Development           | 7,199          | 8,368         | -650                | 7,718            | 519          | 686          | -167             |
| Housing General Fund                 | 3,726          | 6,150         | -2,435              | 3,715            | -11          | -15          | 4                |
| <b>Total</b>                         | <b>36,858</b>  | <b>43,103</b> | <b>-3,692</b>       | <b>39,411</b>    | <b>2,553</b> | <b>2,435</b> | <b>118</b>       |

2.12 As at Q3 the directorate is reporting a net overspend of £2.553m after contributions to from reserves and cross-divisional adjustments.

2.13 The reserve movements are shown in Table 7.

**Table 7: Place Reserve Movements 2023-24**

| Description                           | Movement £'000 |
|---------------------------------------|----------------|
| Capacity Building Reserve             | -51            |
| Business Risk Reserve                 | -81            |
| Place MTFS Implementation Reserve     | -445           |
| Revenue Grant Reserve                 | -2305          |
| 3G Pitch                              | 25             |
| Decommissioning Accommodation Reserve | -500           |
| Budget Planning Reserve               | -240           |
| Proceeds Of Crime Reserve Planning    | -95            |
| <b>Place Directorate net drawdown</b> | <b>-3692</b>   |

2.14 **Directorate Management** – £125k net overspend due to the delay in finalising and implementing the new directorate-wide restructure, meaning the £125k MTFS savings target profiled for 2023-24 is unlikely to be met. This pressure will be offset via savings made from vacant posts held elsewhere in the directorate.

2.15 **Environment** - £1.949m net overspend. This is made up as follows:

- **Parking Services** - £2.260m net overspend due to an under achievement of income generated from penalty charge notices (PCNs) of £1.9m and a reduction in car parking income of £360k as a result of fewer paid parking transactions.

- **Highways** - £329k net overspend due to demand for reactive maintenance works across the borough's roads, carriageways, and footpaths.
- **Network Management** - £200k net underspend due to £100k over-achievement of income from street works arising from increased work activities. The service currently has a number of vacant posts, which results in a forecast underspend of salaries by £100k.
- **Clean & Green** - £300k net underspend due to a historical one-off income for cemeteries owed from Brent and Hillingdon councils relating to the service level agreements (SLAs) in place for Carpenders Park Cemetery and Breakspear Crematorium respectively.
- **Strategy, Development & Performance** - £115k net underspend on staffing costs owing to vacant posts across the service. These posts have been kept vacant pending the review of a directorate wide reorganisation. This saving will be used to partially mitigate against the MTFS target of £125k for the directorate restructure.
- **Head of Transport & Environmental Operations** - £25k net underspend on employer pension contributions.

2.16 **Inclusive Economy, Leisure, and Culture** - £29k net underspend. This is made up as follows:

- **Harrow Museum** - £134K net overspend due to a salary pressure of £48k arising from the use of additional agency staff to support activities/events and an income pressure of £86k as income generated from facility hire and catering is below budget. Mitigating actions are being drawn up to increase income at the site.
- **Community Engagement and Economic Development** - £163k underspend. Vacant posts in these service areas have resulted in an underspend on salaries.

2.17 **Regeneration and Sustainable Development** - £519k net overspend. This is made up as follows:

- **Planning** - £430k net overspend due to a forecast underachievement of income of £400k, driven by a reduction in applications due to market conditions. Legal costs arising from appeals are forecast to create a budget pressure of £30k.
- **Building Control** - £154k net overspend due to a forecast underachievement of income from building control applications, due to market conditions and competitions from the private sector.

- **Facilities Management** - £30k net underspend. The building repair & maintenance budget is forecast to overspend by £400k based on historical trend on spend. This has been offset by a forecast underspend on other staffing costs of £120k as a result of vacant posts and a net credit of £310k relating to the annual NNDR bill for the Civic Centre.
- **Catering Services** - £278k net overspend due to reduced sales from the canteen at HCH which has resulted in £167k loss of income. In addition, following the cessation of Meals on Wheels service, there are one-off residual costs and redundancy costs in 2023-24 totalling £111k.
- **Corporate Estate** - £313k net underspend as a result of an over-achievement on rent income from corporate property portfolio, driven by some one-off backdated rents and additional income from various leases.

## 2.18 Housing General Fund

2.19 As at Q3 Housing General Funding is projecting a slight net underspend of £111k after a projected draw down from the Homelessness Prevention Grant (HPG) reserve of £2.305m, which is in addition to the full use of the 2023-24 HPG of £2.312m and the HPG Ukraine of £627k. In addition, there is corporate funding of £130k. This will leave a balance on the HPG reserve of £2.010m.

2.20 The £2.305m increase in the use of HPG in 2023/24 is towards the prevention of homelessness; keeping vulnerable households in their current accommodation. The provision of the temporary accommodation (TA) is currently the highest spending area of the Housing Services. Based on the net number of people entering and leaving temporary accommodation per year, if there is no change in current practices the number of households in temporary accommodation will continue to grow.

2.21 Temporary accommodation is becoming difficult to source to meet demand, as private sector rents escalate, and an increased number of landlords are exiting the market. These variables have had a big impact on the Council's ability to retain existing TA (and are also putting more households at risk of homelessness in the first place).

2.22 The movement between Q2 and Q3 is a net reduction of £118k for Place Directorate. This is due to a reduction of £12k in the overall forecast underachievement of income, £203k relating to a net reduction in staffing costs and £4k due to a change in the temporary accommodation cost forecast, but being offset by £333k relating to an increased demand reported on highway reactive maintenance works.



## PEOPLE SERVICES

**Table 8: People Services Forecast Outturn Q3 2023-24**

| Division                         | Service Area                             | Revised Budget | Outturn        | To/ (From) Reserves | Revised Forecast | Q3 Variance  | Q2 Variance  | Movement from Q2 |
|----------------------------------|--|----------------|----------------|---------------------|------------------|--------------|--------------|------------------|
|                                  |  | £'000          | £'000          | £'000               | £'000            | £'000        | £'000        | £'000            |
| Adults                           | Strategic Management & Governance        | 863            | 846            |                     | 846              | -17          | 0            | -17              |
|                                  | Workforce (Social Care & Safeguarding)   | 12,311         | 13,695         | -1,408              | 12,287           | -24          | 21           | -45              |
|                                  | Grants & Better Care Fund                | -29,122        | -32,240        |                     | -32,240          | -3,118       | -3,027       | -91              |
|                                  | Community Equipment                      | 967            | 1,758          |                     | 1,758            | 791          | 500          | 291              |
|                                  | Purchased Care - Adults                  | 38,062         | 42,564         | 0                   | 42,564           | 4,502        | 5,771        | -1,269           |
|                                  | Purchased Care - LD, CYAD & shared lives | 28,009         | 32,258         | -1,400              | 30,858           | 2,849        | 2,002        | 847              |
|                                  | CNWL s75                                 | 4,457          | 4,365          |                     | 4,365            | -92          | 152          | -244             |
|                                  | Inhouse Services                         | 4,466          | 4,254          |                     | 4,254            | -212         | -194         | -18              |
|                                  | Transport                                | 1,055          | 936            |                     | 936              | -119         | -114         | -5               |
|                                  | Contracts                                | 721            | 721            |                     | 721              | -0           | 0            | 0                |
| Complaints                       | 188                                      | 188            |                | 188                 | -0               | -13          | 13           |                  |
| <b>Adults Total</b>              |  | <b>61,978</b>  | <b>69,345</b>  | <b>-2,808</b>       | <b>66,537</b>    | <b>4,559</b> | <b>5,098</b> | <b>-539</b>      |
| <b>Public Health Total</b>       |  | <b>-163</b>    | <b>208</b>     | <b>-371</b>         | <b>-163</b>      | <b>0</b>     | <b>0</b>     | <b>0</b>         |
| Children's Services              | Children & Young People Services         | 32,626         | 31,506         | -68                 | 31,438           | -1,188       | -944         | -244             |
|                                  | Education Services                       | 10,623         | 11,730         | -855                | 10,875           | 252          | 215          | 37               |
|                                  | People Services Mgt                      | 1,782          | 1,886          | -79                 | 1,807            | 25           | 103          | -78              |
| <b>Children's Services Total</b> |  | <b>45,031</b>  | <b>45,122</b>  | <b>-1,002</b>       | <b>44,120</b>    | <b>-911</b>  | <b>-626</b>  | <b>-285</b>      |
| <b>People Services Total</b>     |  | <b>106,847</b> | <b>114,675</b> | <b>-4,182</b>       | <b>110,494</b>   | <b>3,648</b> | <b>4,472</b> | <b>-824</b>      |

2.23 As at Q3 the directorate is reporting a net overspend of £3.648m after drawing down £4.182m from reserves.

2.24 The reserve movements are shown in Table 9.

**Table 9: People Services Reserve Movements 2023-24**

| Description   | Movement £'000 |
|---|----------------|
| Adults – People Services MTFS Implementation Reserve    | -1,366         |
| Adults – Budget Planning Reserve                        | -1,400         |
| Adults – Corporate Implementation Reserve               | -42            |
| Public Health Reserve                                   | -371           |
| Childrens – People Services MTFS Implementation Reserve | -147           |
| Children's – Children's Social Care Reserve             | -103           |
| Children's – Schools PFI Reserve                        | -655           |
| Children's – Revenue Grant Reserve                      | -97            |
| <b>People Services net draw down</b>                    | <b>-4,182</b>  |

2.25 The variations are explained in more detail at the following paragraphs.

## Adult Services

- 2.26 As at Q3 the service is reporting a net overspend of £4.559m after draw down from reserves of £2.808m.
- 2.27 **Strategic Management** – £17k underspend. This reflects the delay in recruiting to the recruitment to the DASS position and interim cover from beginning of January.
- 2.28 **WorkForce** - £24k underspend (after the draw down of £1.408m from the implementation reserves, reflecting costs associated with delivery of the MTFs savings). The MTFs savings are expected to be achieved in full, albeit a shortfall of approximately £130k will be mitigated through vacancies.
- 2.29 **Equipment** - £791k overspend based on forecast split of costs for all equipment which will be 45% for Harrow Council and 55% Integrated Care Board (ICB) based on the actual invoiced costs for the period April to November.
- 2.30 **Mental Health** - £622k overspend. This is the latest forecast position provided by Central North West London (CNWL) which assumes new care packages of £132k. The service was managed by CNWL until June 2023, and is now managed directly by the Council. The forecast assumes new care packages of £54k to year end.
- 2.31 **Grants & Better Care Fund** - £3.118m additional income reflecting the annual BCF uplift of the funding of social care services £240k together with the Integrated Care Board (ICB) Discharge funding of £1.312m and additional Market Sustainability Improvement Fund (Workforce) grant of £1.475m and uncommitted BCF funding of £91k. This additional funding partially offsets the overspend in relation to care support costs reported within the purchasing budget below.
- 2.32 **Purchasing (Adults)** – £4.502m overspend. The full year impact of the 2022-23 overspend resulted in an immediate pressure of £3.491m, which has now increased by £1.009m to £4.502m at Q3.
- 2.33 The Adults budget is volatile and there are a number of variables which impact the forecast outturn position:
- Hospital discharges – a total of 887 discharges between April and December, requiring a package of support. Of these packages 655 were new services to residents not previously in receipt of care support (with 491 now ended). Winter pressures are likely to see the numbers increase as Northwick Park seek to ensure prompt discharges and dependent on the severity of the season. In December there were 104 discharges, an increase of 19 on the November discharge figure of 85.

- Deaths – during the period April to December 2023, 119 fewer deaths than in the same period last financial year.
- Cost of care - The average weekly cost of bedded care (residential and nursing) at the end of December was £1,140 per week compared with £1,009 per week at the end of March 2023, with the number of beds commissioned since April increasing by 26 from 419 to 445.
- The impact of inflationary uplifts, together with the increased cost of new packages, reflecting the increase in the weekly costs.
- The forecast includes capacity of £1.187m for further new packages of care together with a further £370k for support for respite, carers and reablement for Q4.
- The outstanding level of debt associated with unpaid client contribution continues to increase and age. At the beginning of December, the outstanding debt totalled £10.161m of which £4.347m had been outstanding for more than a year. As a result, a provision for bad debt of £4.633m needs to be set aside, requiring an increase in the bad debt provision of £870k (budgeted £500k).

2.34 **Purchasing (LD, CYAD & Shared Lives) - £2.848m overspend.** This is made up as follows:

- **LD - £2.226m overspend.** At the beginning of the financial year, the full year impact of the 2022-23 overspend of £732k resulted in an immediate pressure of £1.374m (there was no MTFS growth in 23-24 for LD). This variation has increased by £852k to the £2.226m now being reported and reflects an increase in the number of people receiving care (40), a number of package changes (including transfer to fully health funded care), a shortfall on the MTFS savings offset by a lower level of college costs. Part of this movement will also reflect inflationary uplifts for which a virement from the Adults budget above will be required.

The forecast includes capacity of £325k for support for respite and carers for Q4.

- **CYAD - £2.032m overspend.** At the beginning of the financial year, the full year impact of the 2022-23 overspend of £824k resulted in an immediate pressure of £1.667m (there was no MTFS growth in 2023-24 for CYAD). This variation has increased by £365k to the £2.032m now being reported and reflects new packages since 1<sup>st</sup> April 2023 (£771k), service users turning 18 and moving to LD budget (-£387k) and a net reduction in other packages since 1<sup>st</sup> April 2023 (-£27k). At Q3 there were 109 people received a costed care package – an increase of 3 on that reported at Q2.

The forecast includes capacity of £77k for the new packages of care for Q4.

- **Contribution from reserves - £1.4m** – this represents an agreed contribution from reserves (as noted in table 9 above) in relation to care provider inflation, reduced from the original agreed £2m. This reduced draw down should enable this to be utilised in 2024-25 to mitigate further uplift requests,

2.35 **Transport** - £119k underspend largely related to staffing vacancies and offsets the non-delivery of the day care savings reported within the LD overspend above.

2.36 **Complaints** – balanced position.

2.37 **Inhouse Services** - £212k underspend which reflects in the main a lower level of staffing costs arising from vacancies, reduced by the non-achievement of Bedford House deregistration (MTFS £100k). This underspend offsets the non-delivery of the MTFS day care savings (approved at £400k with a shortfall on delivery of £265k) reported within the LD overspend reported above.

2.38 The movement between Q2 and Q3 is a net reduction of £541k. The variation largely reflects a decrease in the forecast for older people (including a higher bad debt provision), together with a lower level of expenditure on inhouse and transport services arising from recruitment delays, offset by the increased cost of all age disability placements and equipment issues.

## **Public Health**

2.39 As at Q3 Public Health is reporting a balanced position after a planned draw down of £371k from the Public Health reserve to fund the continuation of improvement projects and increased funding for wider determinants of health, above the underspend on sexual health services staffing.

2.40 The forecast outturn position leaves a forecast balance of £2.447m on the Public Health reserve as at 31<sup>st</sup> March 2024.

2.41 The draw down has reduced by £111k to that reported at Q2 due to 0-19 Agenda for Change contract cost being lower than anticipated, as well as anticipate project start dates being pushed back and increased staffing underspends.

2.42 The position has remained the same as that reported at Q2.

## **Children's Services**

2.43 As at Q3 the service is reporting a net underspend of £911k after draw down from reserves of £1.002m.

2.44 The main variances are summarised in the following paragraphs.

2.45 **Children and Young People Services** – £1.188m net underspend

- **Children's Placements & Accommodation** - £1.021k net underspend. Permanent growth was added to the placements budget through the 2023-24 MTFS of £3.450m which was based on the estimated number of children and young people requiring accommodation in 2023-24 however this is currently lower than originally projected.
- **Frontline Staffing** – £166k net underspend. There are underspends in the frontline social work teams due to vacancies.

2.46 **Education Services – SEN Transport** - £215k net overspend due to projected in growth in the number of children and number of routes from the 2023-24 academic year as well as the full year impact of growth in the number of children and routes from the 2022-23 academic year. In addition to this, there are contract inflation pressures linked to the rise in London Living Wage.

2.47 **Other** – £62k net overspend. This relates staffing pressures in relation to the Mosaic Team and the Safeguarding Team.

2.48 The movement between Q2 and Q3 is a net reduction of £285k. This is made up as follow:

- Placements - £146k reduction due to lower actual cost of implementing foster carer allowance uplift than estimated
- Early Support Service - £98k reduction due to staffing budget pressures managed within the overall service
- Various other reductions across the service - £41k

### **Dedicated Schools Grant**

2.49 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.

| <b>Block</b>                                      | <b>Budget £'000</b> | <b>Forecast £'000</b> | <b>Variance £'000</b> |
|---|---------------------|-----------------------|-----------------------|
| Central   | £1,470              | £1,470                | £0                    |
| Early Years                                       | £19,254             | £19,254               | £0                    |
| High Needs  | £46,060             | £49,797               | £3,737                |
| Schools Growth                                    | £813                | £813                  | £0                    |
| Schools ISB                                       | £86,129             | £86,129               | £0                    |
| <b>Total</b>                                      | <b>£153,726</b>     | <b>£157,463</b>       | <b>£3,737</b>         |
| Use of contingency                                |                     | -£964                 | -£964                 |
| <b>Revised Forecast</b>                           | <b>£153,726</b>     | <b>£156,499</b>       | <b>£2,773</b>         |
| Cumulative deficit brought forward previous years |                     |                       | £2,623                |
| <b>Projected High Needs Deficit March 2024</b>    |                     |                       | <b>£5,396</b>         |

- 2.50 There is a projected overspend on the High Needs Block of £3.736m in 2023-24 which added to the cumulative deficit of £2.623m brought forward from previous years will take the total projected deficit at the end of March 2024 to £6.359m. This will be partially offset by £964k uncommitted contingency funding which is made up of underspends from previous years taking the projected deficit at the end of March 2024 to £5.396m.
- 2.51 Any deficits an authority may have on its DSG account is expected to be carried forward and does not allow or require a local authority to cover this from its general reserves. This is a fixed term arrangement ending in March 2026.
- 2.52 The DfE requires local authorities to explain their plans for bringing the DSG account back into balance. An updated recovery plan is being drafted with the latest projections and will align with the updated SEND Strategy being presented to Cabinet later this year. Despite the significant proposals and measures planned over the next ten years, it is unlikely that the plan will fully mitigate the deficit. This is due to the following contributory factors:
- historical underfunding
  - current budgets being based on historical budgets rather than historical spend
  - extension of age range to include 0-5 and post 19
  - current and projected formulaic funding which does not keep pace with demand
  - significant historical and projected growth in number of EHCPs
  - continued growth in complexity of pupils' needs
  - limitations about creating cost effective provision in borough due to capacity and site limitations

## **CORPORATE AND TECHNICAL**

2.53 As at Q3 the forecast for Corporate & Technical budgets is a net underspend of £5.143m as detailed below.

2.54 The position has remained the same as that reported at Q2.

### **Corporate Items**

2.55 As at Q3 the forecast is a net underspend of £2.213m on the corporate items.

2.56 This includes a draw down from the Children's Social Care Reserve of £1m. This funding was originally planned to be drawn down in 2022-23 to offset Children's Services pressures. However, this was not required and is therefore uncommitted and available to support overall council pressures. In addition, there is £2.4m rebate from the West London Waste Authority from the sale of electricity of which £1.4m will be used to manage overall council pressures and the remaining £1m added to the Place MTFs Implementation reserve to support the Place directorate with delivery of savings in the MTFs. There is also excessive deaths grant income of £41k. This has been offset by an increase in external audit fees of £228k.

2.57 The position has remained the same as that reported at Q2.

### **Contingency for Unforeseen Items**

2.58 As at Q3 the forecast is a net underspend of £1.248m as this budget is uncommitted and will be used to manage overall council pressures.

2.59 The position has remained the same as that reported at Q2.

### **Technical Budgets**

2.60 As at Q3 the forecast is an underspend of £2.765m of which the majority relates to additional treasury management income and reduced interest charges.

2.61 The underspend of £2.765m is made up as follows:

- Net underspend on capital financing costs of £2.042m. The gross underspend on Treasury management is £2.692m which has been partially offset by the non-achievement of the £650k residual management savings.
- £400k draw down from Public Health reserve.
- Release of £323k against the corporate growth budget and in the main is to offset the impact of the pay award detailed below.

2.62 The position has remained the same as that reported at Q2.

## Pay & Non-Pay Inflation Budgets

2.63 There is a net underspend on the non-pay inflation budget of £2.127m as forecast energy prices are lower than originally anticipated.

2.64 The pay award for 2023-24 (effective 1/4/2023) was agreed at the end of October and will cost £7.21m against the original budget of £4m, therefore creating an overspend of £3.2m which is offset by the £2.127m non-pay underspend and £283k underspend from corporate growth budget leaving a pressure of £800k.

The budget pressure of £800k is managed within 2024-25 budget process and MTFS.

2.65 The position has remained the same as that reported at Q2.

## Investment Properties

2.66 As at Q3 the forecast for investment properties is a balanced position. This is after allowing for a draw down of £75k from the Investment Properties Reserve to fund a loss in rental income as a result of vacant space.

## HOUSING REVENUE ACCOUNT (HRA)

2.67 The HRA budget was set with an in-year surplus for £423k in 2023-24. The forecast at Q3 is an increased surplus of £1.606m and now reporting a favourable variance of £1.183m.

- This is a positive movement from Q2 of £506k due to a lower charge for depreciation of £700k offset by reduction in recharges of £43k and revenue contribution of £151k to the Housing ICT project due to the revised go live date of April 2024. The depreciation reduction follows a reassessment of component life cycles. This underspend of £700k will be set aside in the R&M reserve at the year end to fund future disrepair costs.

2.68 The favourable variance of £1.183m is made up as follows:

- **Supervision & Management** - £215k reduced expenditure due to lower forecast of utilities spend £125k following management action and lower energy prices, staff vacancies £295k, offset by £54k charges to capital and a £151k revenue contribution to the Housing ICT project.
- **Capital Charges** - £268k reduction as a result of the review and rephasing of the BCHFL Capital programme based on current information.
- **Depreciation** - £700k net reduction due to reassessment of component life cycles.



## RESERVES

**Table 10: Summary of Reserves 2023-24**

| Description                                    | Balance Carry Forward 31/03/2023 | Directorate Reserve Movements | Corporate Reserves Movements | Other Reserves movement | Balance Carry Forward 31/03/2024 |
|--|----------------------------------|-------------------------------|------------------------------|-------------------------|----------------------------------|
|  | £                                | £                             | £                            | £                       | £                                |
| CIL Harrow                                     | -11,053,401                      |                               |                              | 1,000,000               | -10,053,401                      |
| CIL Mayor                                      | -192,259                         |                               |                              |                         | -192,259                         |
| <b>Total Earmarked Reserve for CIL</b>         | <b>-11,245,660</b>               | <b>0</b>                      | <b>0</b>                     | <b>1,000,000</b>        | <b>-10,245,660</b>               |
| HRA Hardship Fund                              | -2,330                           |                               |                              |                         | -2,330                           |
| HRA Regeneration Reserve                       | -199,531                         |                               |                              |                         | -199,531                         |
| HRA Repair Reserve                             | -277,428                         |                               |                              |                         | -277,428                         |
| <b>Total Earmarked Reserve for HRA</b>         | <b>-479,289</b>                  | <b>0</b>                      | <b>0</b>                     | <b>0</b>                | <b>-479,289</b>                  |
| Revenue Grant Reserve                          | -5,161,951                       | 2,402,000                     |                              |                         | -2,759,951                       |
| PFI Schools Sinking Fund                       | -2,071,676                       | 655,000                       |                              |                         | -1,416,676                       |
| Public Health Reserve                          | -2,848,296                       | 371,000                       | 400,000                      |                         | -2,077,296                       |
| PFI NRC Sinking Fund                           | -1,823,836                       |                               |                              |                         | -1,823,836                       |
| Legal Services Contingency                     | -500,000                         |                               |                              |                         | -500,000                         |
| Borough Election                               | -159,847                         |                               |                              |                         | -159,847                         |
| Harvist Reserve Harrow Share                   | -88,613                          |                               |                              |                         | -88,613                          |
| Proceeds Of Crime Reserve                      | -63,000                          |                               |                              |                         | -63,000                          |
| Proceeds Of Crime Reserve Planning             | -430,172                         | 95,000                        |                              |                         | -335,172                         |
| 3G Pitch                                       | -50,000                          | -25,000                       |                              |                         | -75,000                          |
| <b>Total Earmarked Reserves (Specific)</b>     | <b>-13,197,390</b>               | <b>3,498,000</b>              | <b>400,000</b>               | <b>0</b>                | <b>-9,299,390</b>                |
| Collection Fund Reserve                        | -2,246,846                       |                               |                              |                         | -2,246,846                       |
| Compensatory Added Year Reserve                | -162,782                         |                               |                              |                         | -162,782                         |
| Carryforward Reserve                           | -1,396,857                       | 73,000                        | 999,793                      | 324,064                 | 0                                |
| Public Mortuary Expansion Reserve              | -500,000                         |                               |                              |                         | -500,000                         |
| Vehicle Fund                                   | -1,250,478                       |                               |                              |                         | -1,250,478                       |
| PAP Sinking Fund                               | -712,500                         |                               |                              |                         | -712,500                         |
| Business Risk Reserve                          | -155,000                         | 68,000                        |                              |                         | -87,000                          |
| Capacity Build/ Transformation Reserve         | -527,927                         | 51,000                        |                              | 300,000                 | -176,927                         |
| Equalities Diversity & Inclusion Reserve       | -26,000                          | 26,000                        |                              |                         | 0                                |
| Decommissioning Accommodation                  | -561,000                         | 539,000                       |                              |                         | -22,000                          |
| Adults Social Care Reserve                     | -1,800,475                       |                               |                              |                         | -1,800,475                       |
| People Services MTFS Implementation            | -2,099,000                       | 1,513,000                     |                              |                         | -586,000                         |
| Children's Social Care Reserve                 | -2,620,771                       | 103,000                       | 1,000,000                    |                         | -1,517,771                       |
| Insurance Reserve                              | -1,304,124                       | 250,000                       |                              |                         | -1,054,124                       |
| Place MTFS Implementation Reserve              | -1,595,000                       | 445,000                       | 1,000,000                    | -1,000,000              | -1,150,000                       |
| Investment Property Reserve                    | -1,122,960                       |                               | 75,000                       |                         | -1,047,960                       |
| Corporate MTFS Implementation Reserve          | -3,000,000                       | 797,000                       |                              |                         | -2,203,000                       |
| <b>Total Earmarked Reserves (Non Specific)</b> | <b>-21,081,720</b>               | <b>3,865,000</b>              | <b>3,074,793</b>             | <b>-375,936</b>         | <b>-14,517,863</b>               |
| Budget Planning Reserve MTFS gap               | -18,342,606                      | 1,653,000                     |                              |                         | -16,689,606                      |
| <b>Total Non Earmarked Reserves</b>            | <b>-18,342,606</b>               | <b>1,653,000</b>              | <b>0</b>                     | <b>0</b>                | <b>-16,689,606</b>               |
| General Fund Reserves                          | -10,008,000                      |                               |                              |                         | -10,008,000                      |
| <b>Total General Fund Reserves</b>             | <b>-10,008,000</b>               | <b>0</b>                      | <b>0</b>                     | <b>0</b>                | <b>-10,008,000</b>               |
| DSG Deficit Recovery                           | -1,384,105                       |                               |                              |                         | -1,384,105                       |
| DSG Overspend                                  | 4,006,867                        |                               |                              |                         | 4,006,867                        |
| <b>Total Net DSG Deficit Reserve</b>           | <b>2,622,762</b>                 | <b>0</b>                      | <b>0</b>                     | <b>0</b>                | <b>2,622,762</b>                 |
| <b>Grand Total All Reserves</b>                | <b>-71,731,904</b>               | <b>9,016,000</b>              | <b>3,474,793</b>             | <b>624,064</b>          | <b>-58,617,047</b>               |

2.69 Table 10 shows the balance brought forward on the Council reserves and the projected reserve balances at the end of the financial year. The drawdowns from reserves of £9.016m and £3.475m in table 10 are already incorporated in the overall forecast for 2023-24 as reflected in Table 1 (which shows the total use of reserves of £12.491m). The “other reserves movement” in Table 10, are

further use or reserves not reflected in the current revenue forecast. For example, £1m planned use of BCIL will support the Capital programme. The forecast year end balance on the budget planning reserve is £16.690m after allowing for a £1.653m draw down already included in the forecast. If the Q3 forecast overspend is not mitigated by the end of the year, then the budget planning reserve would be reduced by a further £581k.

## GRANTS

2.70 Attached at Appendix 1 is a schedule of all the revenue grants the Council expects to receive in 2023-24. The majority of these grants are received and paid out and don't impact on the bottom line. For example, the Dedicated Schools Grant is £152m and is paid out to education providers.

## SAVINGS TRACKER

2.71 Attached at Appendix 2 is the MTFs Savings Tracker.

### Summary 2023-24 MTFs Tracker

| Rag Rating    | Resources    | Managing Director | People         | Place          | Council Wide | Total          | %           |
|---------------|--------------|-------------------|----------------|----------------|--------------|----------------|-------------|
|               | £000         | £000              | £000           | £000           | £000         | £000           |             |
| <b>Red</b>    | 0            | 0                 | 0              | (2,616)        | 0            | (2,616)        | 28%         |
| <b>Orange</b> | 0            | 0                 | (60)           | (65)           | 0            | (125)          | 1%          |
| <b>Amber</b>  | (506)        | 0                 | (1,444)        | (875)          | 0            | (2,825)        | 30%         |
| <b>Green</b>  | (365)        | (366)             | (1,594)        | (959)          | (650)        | (3,934)        | 41%         |
| <b>Total</b>  | <b>(871)</b> | <b>(366)</b>      | <b>(3,098)</b> | <b>(4,515)</b> | <b>(650)</b> | <b>(9,500)</b> | <b>100%</b> |

2.72 28% of the savings are rated Red which means they will not be achieved either fully or only partially achieved in 2023-24. These assumptions are already included within the directorate forecasts as follows:

| Directorate  | Savings Proposal                      | 2023-24 £'000 | Comments   |
|--------------|---------------------------------------|---------------|--|
| Place        | Parking Review                        | -2,500        | Partially achieved in 2023-24 and is part of directorate overspend.                                      |
| Place        | Building Control Fees & Charges       | -68           | Not achieved in 2023-24 and is part of directorate overspend. Unlikely to be achieved in full in future. |
| Place        | Development Management Fees & Charges | -48           | Not achieved in 2023-24 and is part of directorate overspend. Unlikely to be achieved in full in future. |
| <b>Total</b> |                                       | <b>-2,616</b> |  |

2.73 1% of the savings are rated Orange which means they will not be achieved as per original proposal, however the saving will be delivered by alternative means in part or fully or saving has been implemented as per original proposal but not

all of the savings can be achieved These assumptions are already included within the directorate forecasts as follows:

| Directorate  | Savings Proposal                             | 2023-24 £'000 | Comments   |
|--------------|--|---------------|--|
| People       | Review of Occupational Therapy               | -60           | Saving will not be delivered as per original proposal, however the saving will be delivered by alternative means in fully. |
| Place        | Remove Principal Conservation Architect post | -65           | Saving will not be delivered as per original proposal, however the saving will be delivered by alternative means in fully. |
| <b>Total</b> |  | <b>-125</b>   |  |

Future MTFS savings are also being tracked and shown in the tables below:

#### Summary 2024-25 MTFS Tracker

| Rag Rating    | Resources    | Managing Director | People         | Place          | Council Wide | Total          | %           |
|---------------|--------------|-------------------|----------------|----------------|--------------|----------------|-------------|
|               | £000         | £000              | £000           | £000           | £000         | £000           |             |
| <b>Red</b>    | 0            | 0                 | 0              | (1,000)        | 0            | (1,000)        | 12%         |
| <b>Orange</b> | 0            | 0                 | 0              | 0              | 0            | 0              | 0%          |
| <b>Amber</b>  | (608)        | (63)              | (3,502)        | (2,650)        | 0            | (6,823)        | 83%         |
| <b>Green</b>  | (100)        | (126)             | (57)           | (125)          | 0            | (408)          | 5%          |
| <b>Total</b>  | <b>(708)</b> | <b>(189)</b>      | <b>(3,559)</b> | <b>(3,775)</b> | <b>0</b>     | <b>(8,231)</b> | <b>100%</b> |

#### Summary 2025-26 MTFS Tracker

| Rag Rating    | Resources    | Managing Director | People       | Place        | Council Wide | Total          | %           |
|---------------|--------------|-------------------|--------------|--------------|--------------|----------------|-------------|
|               | £000         | £000              | £000         | £000         | £000         | £000           |             |
| <b>Red</b>    | 0            | 0                 | 0            | 0            | 0            | 0              | 0%          |
| <b>Orange</b> | 0            | 0                 | 0            | 0            | 0            | 0              | 0%          |
| <b>Amber</b>  | 0            | 0                 | (895)        | (300)        | 0            | (1,195)        | 99%         |
| <b>Green</b>  | (108)        | (6)               | 100          | 0            | 0            | (14)           | 1%          |
| <b>Total</b>  | <b>(108)</b> | <b>(6)</b>        | <b>(795)</b> | <b>(300)</b> | <b>0</b>     | <b>(1,209)</b> | <b>100%</b> |

## CAPITAL PROGRAMME

The revised capital budget for 2023-24 is £163.589m as set out at Table 11 and in more detail at Appendix 3:

**Table 11: Capital Programme Budget 2023-24 Q3**

| Directorate                          | Grant Funding/CiL/S106 (A) | Harrow Borrowing (B) | Revised Budget (A+B) | Forecast Outturn | Forecast Variance | Slippage to 24/25 | Over/ Underspend after Slippage |
|--------------------------------------|----------------------------|----------------------|----------------------|------------------|-------------------|-------------------|---------------------------------|
|                                      | £'000                      | £'000                | £'000                | £'000            | £'000             | £'000             | £'000                           |
| <b>RESOURCES TOTAL</b>               | <b>0</b>                   | <b>11,026</b>        | <b>11,026</b>        | <b>7,253</b>     | <b>-3,773</b>     | <b>-3,623</b>     | <b>-150</b>                     |
| <b>PEOPLE:</b>                       |                            |                      |                      |                  |                   |                   |                                 |
| Adults                               | 100                        | 268                  | 368                  | 100              | -268              | -268              | 0                               |
| Public Health                        | 61                         | 0                    | 61                   | 61               | 0                 | 0                 | 0                               |
| Children                             | 18,772                     | 129                  | 18,901               | 5,545            | -13,356           | -13,356           | 0                               |
| <b>PEOPLE TOTAL</b>                  | <b>18,933</b>              | <b>396</b>           | <b>19,330</b>        | <b>5,706</b>     | <b>-13,624</b>    | <b>-13,624</b>    | <b>0</b>                        |
| <b>PLACE:</b>                        |                            |                      |                      |                  |                   |                   |                                 |
| Environment                          | 12,777                     | 22,500               | 35,278               | 30,171           | -5,106            | -5,081            | -25                             |
| Inclusive Economy, Leisure & Culture | 2,343                      | 3,764                | 6,108                | 2,693            | -3,414            | -2,887            | -527                            |
| Regeneration & Development           | 3,046                      | 17,739               | 20,785               | 4,439            | -16,345           | -15,434           | -912                            |
| Housing General Fund                 | 5,047                      | 8,513                | 13,560               | 8,707            | -4,853            | -4,793            | -60                             |
| <b>PLACE TOTAL</b>                   | <b>23,213</b>              | <b>52,516</b>        | <b>75,729</b>        | <b>46,011</b>    | <b>-29,719</b>    | <b>-28,195</b>    | <b>-1,524</b>                   |
| <b>TOTAL GENERAL FUND</b>            | <b>42,146</b>              | <b>63,938</b>        | <b>106,085</b>       | <b>58,970</b>    | <b>-47,115</b>    | <b>-45,441</b>    | <b>-1,674</b>                   |
| <b>TOTAL HRA</b>                     | <b>16,964</b>              | <b>40,540</b>        | <b>57,505</b>        | <b>42,421</b>    | <b>-15,084</b>    | <b>-15,084</b>    | <b>0</b>                        |
| <b>TOTAL GENERAL FUND &amp; HRA</b>  | <b>59,111</b>              | <b>104,479</b>       | <b>163,589</b>       | <b>101,391</b>   | <b>-62,198</b>    | <b>-60,524</b>    | <b>-1,674</b>                   |

3.0 The general fund capital programme budget in 2023-24 is £106.085m. The net forecast position on the capital budget at Q3 is £58.970m which represents 56% of the total capital programme budget. The variance of £47.115m is made up of proposed slippage of £45.441m and an underspend of £1.674m.

The underspend of £1.674m in the 2023/24 capital programme has been accounted for as part of the 2024/25 budget setting process. The revenue saving on capital financing costs of £230k has been included in the 2024/25 MTFS.

3.1 The Housing Revenue Account (HRA) capital programme budget is £57.505m. The net forecast position on the HRA capital budget at Q3 is £42.421m which represents 74% of the total HRA capital programme budget. The variance of £15.084m is made up of proposed slippage.

## **RESOURCES**

- 3.2 As at Q3 the projected spend is £7.253m which represents 66% of the capital budget. £3.623m will all be slipped into next financial year of which £1.249m relates to the council wide capital budget which is used to fund various schemes across the council which have not received a capital allocation during the normal budgeting cycle. This is currently uncommitted and therefore will be slipped to 2024-25. £2.374m relates to current IT projects. There is a net underspend of £150k relating to IT projects.

## **PLACE**

- 3.3 As at Q3 the projected spend is £46.011m which represents 61% of the capital budget. Of the variance to budget of £29.719m, a total of £28.195m of funding will be slipped to 2024-25 and there is an underspend of £1.524m.

## **Environment**

- 3.4 The services forecast to spend £30.171m against a budget of £35.278m. £5.082m is forecast to be slipped to 2024-25 and £25k is an underspend.
- **Climate Emergency** - £350k slippage relates to energy emissions reduction measures. A number of solar projects are planned to be implemented this year and survey works are underway. Subject to a procurement exercise, it is anticipated that £400k of the budget will be utilised to improve energy efficiencies of our buildings through installing solar panels. The forecast to be slipped to 2024-25 is to undertake further energy efficiency projects.
  - **Parks Infrastructure** - £450k slippage. Improvement works at the Green Flag parks are underway and the majority of these are anticipated to be completed in 2023/24. Within this year's budget allocation, there is an externally funded project at Chandos Recreation Ground. This is a 2-year project funded by the GLA's Green and Resilient Spaces Fund and BCIL, and the forecast slippage primarily relates to this as the construction phase is scheduled for 2024-25.
  - **Vehicle Procurement** - £2.367m slippage. The budget of £2.867m was originally set up based on the data in the vehicle replacement programme. Of this, £500k is forecast to be spent this year on the replacement of grounds maintenance vehicles and machines. A number of minibuses for delivering Brent's special needs transport service are almost 7 years old and are due to be replaced. However, options are to be explored with Brent, considering their service requirements and the potential move to greener vehicles as part of the re-procurement process. Given the replacement value of the vehicles, this will be subject to a separate Cabinet decision in future. £2.367m is therefore forecast to be slipped to 2024-25.

- **Future High Street Fund (FHSF) Harrow Town Centre** – £1.135m slippage. All 3 projects in the revised FHSF programme are underway following the approval of the project and adjustment request by DLUHC that all grant is spent by 31 March 2024. The budget of £8.319m is made up of FHSF of £7.184m and BCIL of £1.135m. As the grant condition requires the FHSF to be committed no later than 31 March 2024, the FHSF is forecast to be spent this year and the BCIL fund is slipped to 2024-25 to meet the remaining costs of the projects.
- **Depot Redevelopment** - £500k slippage. The main redevelopment project has been completed. Additional works including the transformation of the external areas are being progressed this year. Any further works to enhance the site will be reviewed and decided later, and therefore a budget allowance of £500k is forecast to slip to 2024-25.
- **Public Sector Decarbonisation Scheme** - £280k. This is due to final retention invoices and underspent budget which is planned to be spent in 2024/25 on the public sector decarbonisation programme
- **Street Lighting Programme** - £25k underspend. Lighting columns already planned to be replaced in the Town Centre are now assumed to be part of the wider Public Realm project and funded from the FHSF programme, therefore a net £25k is reported as budget underspend.

3.5 Unless stated otherwise, the slippage has no implications on the revenue budget.

### **Inclusive Economy, Leisure, and Culture**

3.6 As at Q3 the forecast is £2.693m against a budget of £6.108m. £2.887m is forecast to be slipped to 2024-25 and a forecast underspend of £527k.

- **Leisure Centre Infrastructure** - £2.806m slippage. Capital budgets have been allocated for health & safety and operational improvement works at Harrow Leisure Centre, Hatch End Swimming Pool and Bannister Sports Centre. Preliminary works and surveys are planned in 2023/24 before any procurement exercise will take place. Given the value of works, a separate Cabinet approval will likely be required. Therefore, the funding of £2.805m for delivery phase is forecast to be slipped to 2024-25.
- **Harrow High Street Fund** - £608k, consisting of £81k slippage and £527k underspend. The delivery of 2023-24 agreed programme is underway. At the same time, a review has been undertaken on some of the current projects to assess their suitability and/or delivery timeline. Therefore £81k is

forecast as a slippage to 2024-25. Within this year's budget allocation, £638k is assumed to be funded from BCIL and £527k from borrowing. At this stage, the working assumption is that the programme will be delivered and funded from the remaining BCIL, therefore releasing £527m Council borrowing as budget underspend.

### **Regeneration and Development**

3.7 As at Q3 the service forecasts to spend £4.439m against a budget of £20.785m. The remaining £15.434m is forecast to be slipped to 2024-25 and £912k forecast to underspend.

- **Investment in Harrow New Civic and 3 core sites** - £14.184m slippage. Following the Cabinet report in November 2022 on the review and progress of the Harrow Strategic Development Partnership (HSDP), it was agreed that £10.735m of the budget was earmarked for Grange Farm Phase 2 (private homes) and Grange Farm Phase 3 design and planning (private homes) respectively. This is profiled to be spent in future years. The remaining budget of £3.448m will remain in the capital programme for future schemes.
- **High Priority Planned Maintenance** - £1.562m, consisting of £650k slippage and £912k underspend). A planned investment programme on corporate buildings and the associated costings are to be developed. Works will be prioritised based on investment criteria. It is proposed that the capital budget is re-profiled to provide an annual allocation of £650k per annum over the next 3 years. This results in a net £912k being reported as budget underspend in 2023-24.
- **Waxwell Lane Development (Pinnora Mews)** - £600k slippage. The main contractor has gone into administration so sub-contractors are in the process of being booked to fulfil the work. Currently a new scope of works is being pulled together which will ascertain the cost to put right existing building works and continue the remaining work required.

3.8 Unless stated otherwise, the slippage has no implications on the revenue budget.

### **Housing General Fund**

3.9 As at Q3, the services forecast to spend £8.707m against a budget of £13.560m. £60k is forecast as an underspend and, £4.793m to be slipped into 2024-25.

- **Empty Properties Grant** - £60k underspend. Demand has reduced due to landlords in London exiting the rental market. The rent levels offered by Harrow are no longer competitive even with the guaranteed rent and bond schemes.

- **Disabled Facilities Grant** - £1.144m slippage. This relates to unallocated external grant to be slipped to 2024-25 to be added to next year's programme. The service is currently undergoing peer review to establish best practice and efficiencies and effective ways of allocating the DFG budget allocation.
- **Property Acquisition Programme** - £3.649m slippage. The project will continue to identify and purchase appropriate properties in 2024-25.

## **PEOPLE SERVICES**

3.10 As at Q3 the projected spend is £5.706m which is 30% of the total budget.

### **Adult Services**

3.11 As at Q3 the forecast spend is £100k which is 27% of the total budget. The remaining £268k is reported as slippage.

3.12 The slippage relates to funding for In House Residential and Assistive Technology which largely represents a placeholder in the event of any unforeseen requirements There are no revenue implications as a result of this slippage.

### **Public Health**

3.13 As at Q3 the projected spend is £61k which represents 100% of the budget.

### **Children's Services**

3.14 As at Q3 the projected spend is £5.545m which is 29% of the total budget. The remaining £13.356m will be slipped to future years.

3.15 The majority of the slippage relates to grant funding for Special Educational Needs capital projects which are planned for 2024-25.

## **HOUSING REVENUE ACCOUNT (HRA)**

3.16 The HRA capital programme budget is £57.505m. As at Q3 the net forecast spend position is £42.421m which is 74% of the total budget. The remaining £15.084m is made up of slippage.

3.17 The slippage of £15.084m relates to the following schemes:

- **Planned Investment** - £2.490m slippage.
  - Meadfield & Cornell £1.051m - Delay is due to specialist contractors carrying out detailed ground surveys which impacts on the delivery of the programme.



- Various estate renewal schemes £269k - Delay to s20 consultation notice and schemes to go out to tender in November 2023
- Roof renewal schemes (Pinner Green & Tapley & Cornell) £450k - Tender currently being evaluated and work due to start in new year for Pinner Green. Tapley & Cornell about to go to tender via framework, revised expected SOS January 2024.
- Windows & Doors £720k - Tenders currently being evaluated with proposed start on site (SOS) early in new year, resulting in slippage of £720k into 2024-25.
- **Retrofit for Energy** - £3.053m slippage. The HRA budget report set aside £1.0m placeholder budget as match funding to support bids to the government for energy efficiency/decarbonisation related works. The budget has been reprofiled following a successful bid to the Social Housing Decarbonisation Fund (SHDF) Wave 2, at £2.147m contributing to a contract circa £5.1m of which £2.93m will be co-funding by Harrow to delivery energy efficiency works across over 226 homes over 2 years.
- **Grange Farm Phase 2** - £942k slippage and **Grange Farm Phase 3** - £108k slippage. The budget has been reprofiled to reflect the later than anticipated handover of Phase 1 and pause in design and planning application for Phase 2 and 3 related to the HSDP review.
- **Housing IT phase 2** - £600k slippage. Phase 1 of the Housing IT systems replacement is at the user acceptance testing stage and 'Go live' is not anticipated until April 2024, resulting in Phase 2 of scheme being pushed back into 2024-25.
- **Homes for Harrow Phase 2** - £1.079m slippage. The budget has been reprofiled to reflect the HSDP review and reprofiling of GLA grant agreed with the GLA to match with start on sites being reprofiled to 2024-25.
- **Building Council Homes for Londoners** - £6.812m slippage.
  - Slippage on Brookside Close and Charles Crescent, £909k and £2.334m respectively, due to cash flow forecast from contractor being over estimated. SOS completed in line with GLA grant requirements. 90% of grant has been claimed. Assuming lost time may be made up later in the project so currently predicting practical completion will be on target.
  - Milton Road (£3.569m)- Milton Road reprofiled following move to fixed rate contract, £3.41m in 24/25 and £159k in 25/26.

3.18 Unless stated otherwise, the slippage has no implications on the revenue budget.

#### **AMENDMENT TO THE CAPITAL PROGRAMME 2023-24**

3.19 The following amendment required to the Capital Programme is funded by external grant and therefore no additional capital financing costs will be incurred.

3.20 Additional Basic Need Grant Funding of £14.973m was allocated to Harrow in 2021/22 to enable the council to meet its statutory duty of providing sufficient mainstream school places. This budget was included in the 2021/22 Capital Programme. However, the school roll projects did not indicate that there was a requirement for any permanent expansion at that stage. Therefore the budget was reported as a slippage into future years, in both the 2021/22 and 2022/23 outturn reports which were presented to Cabinet in July 2022 and July 2023 respectively.

3.21 In light of the above, the carry forward funding has been profiled to 2024/25 in the Capital Programme for future projects.

3.22 Due to recent developments on school expansion programme, it is therefore necessary to re-profile this funding from 2024/25 to 2023/24 to fund any expenditure during this financial year.

3.23 Cabinet is asked to note that a budget of £14.973m is to be included in the 2023/24 Capital Programme and the same amount will be removed from 2024/25 when the budget slippage was originally profiled. As this is not a new project, the inclusion in the 2023/24 Capital Programme does not represent an addition to the programme.

#### **COUNCIL TRADING STRUCTURE UPDATE 2023-24**

4.1 The Council's Trading Structure update is attached at Appendix 4 and summarises the financial position and provides a general update on the activities of all the Council's trading entities.

#### **4.0 REPORTING FOR THE 2023-24 FINANCIAL YEAR**

4.1 This is the third revenue and capital budget monitoring report for 2023-24

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

- Q4/Final Revenue & Capital Monitoring – July 2024

#### **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 maximized.

As at Q3 the forecast on the revenue budget is a net overspend of £581k.

The projected spend on the Capital Programme is £101.391m which represents 62% of the total budget.

## 8.0 Environmental Implications

There is no direct environmental impact.

## 9.0 Risk Management Implications

Risks included on corporate or directorate risk register. **No**

Separate risk register in place? **No**

The relevant risks contained in the register are attached/summarised below.  
**Yes**

The following key risks should be taken onto account when noting the report:

| Risk Description   | Mitigations  | RAG Status |
|--|--|------------|
| Failure to deliver the budget on target (this includes a projected net revenue overspend of £581K for FY 23/24 and also an anticipated proportion of savings targets not being fully achieved) | <ul style="list-style-type: none"><li>It is anticipated that by the end of the year this overspend can be contained within budget through continued robust budget monitoring and challenge.</li><li>This sum will need to be drawn down from the budget planning reserve if it is not mitigated by year end.</li></ul>   | Amber      |
| Pay inflation impact on budget   | <ul style="list-style-type: none"><li>The pay award for 2023-24 (effective 1/4/2023) was agreed at the end of October and will cost £7.21m against the original budget of £4m, therefore creating an overspend of £3.2m which is offset by the £2.127m non-pay underspend and £283k underspend from corporate growth budget leaving a pressure of £800k.</li><li>The budget pressure of £800k is managed within 2024-25 budget process and MTFS.</li></ul> | Green      |

|  |  |       |
|--|--|-------|
| Trading companies' failure to deliver required contribution to the MTFS  | <ul style="list-style-type: none"> <li>▪ Income target reprofiled over four years rather than three</li> <li>▪ Impact of reprofiling on 2023-24 budget is already assumed in the overall outturn</li> <li>▪ Quarterly stakeholder groups</li> <li>▪ Review of financial and non-financial performance information</li> </ul>   | Green |
| Projects within the Capital Programme exceed their budget, potentially resulting in additional capital financing costs | <ul style="list-style-type: none"> <li>▪ If projects exceed their costs, Directorates would be asked to find compensatory savings elsewhere in the programme to cover the overspend. In the worst-case scenario, a council wide capital budget is held and a virement would be carried out to offset the overspend.</li> </ul> | Green |

## 10.0 Procurement Implications

Any procurement arising from this report will be supported by the Procurement Team and will be undertaken compliant with the Public Contract Regulations 2015 and the Council's Contract Procedure Rules.

## 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 the Financial Regulations B54 the CFO is responsible for providing appropriate financial information to enable budgets to be monitored effectively and for presenting consolidated monitoring reports to the Executive on a regular basis.

## 12.0 Financial Implications

Financial matters are integral to this report.

## 13.0 Equalities implications / Public Sector Equality Duty

13.1 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 budget 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:

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

13.3 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.

13.4 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

13.5 Equality assessments were undertaken for the budget proposals agreed by Council listed as part of the MTFS process and an overall equality assessment was undertaken on the MTFS.

## **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Sharon Daniels**

Signed by the Interim Chief Financial Officer

**Date: 26/01/2024**

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer

**Date: 24/01/2024**

**Chief Officer: Alex Dewsnap**

Signed off by the Managing Director

**Date: 26/01/2024**

**Head of Procurement: Nimesh Mehta**

Signed on behalf of Head of Procurement

**Date: 23/01/24**

**Head of Internal Audit: Neale Burns**

Signed on behalf of the Head of Internal Audit

**Date: 23/01/24**

Has the Portfolio Holder(s) been consulted? Yes

### **Mandatory Checks**

*Ward Councillors notified: NO as it impacts on all Wards*

*EqIA carried out: NO*

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

**Contact:** Sharon Daniels, Interim Director of Finance & Assurance (S151 Officer),  
Telephone 020 8424 1332, [Sharon.Daniels@harrow.gov.uk](mailto:Sharon.Daniels@harrow.gov.uk)

### **Background Papers:**

Final Revenue Budget 2023/24 and Final Medium Term Financial Strategy 2023/24 to 2025/26 Report

**Call-in waived by the Chair of Overview and Scrutiny Committee – No**