

<b>Meeting:</b>	Cabinet
<b>Date:</b>	15 February 2007
<b>Subject:</b>	Revenue and Capital Budget Monitoring to 31 December 2006
<b>Responsible Officer:</b>	Director of Financial and Business Strategy
<b>Portfolio Holder:</b>	David Ashton (Portfolio Holder for Finance and Business matters)
<b>Key Decision:</b>	No
<b>Status:</b>	Part 1
<b>Encs:</b>	Appendix 1 - Revenue Budget monitoring 2006-2007 Appendix 2 - 2006-2007 Original budget savings monitoring Appendix 3 - 2006-2007 August Savings Plan monitoring Appendix 4 - General Fund Balances Appendix 5 – Payment Performance Appendix 6 – Debt Management Appendix 7 - Risk Assessment Appendix 8 – Capital Programme

## Section 1: Summary

This report sets out the monitoring of Council's revenue and capital budgets.

### **Recommendations:**

- (a) note the current revenue and capital monitoring position at the end of the third quarter for 2006-2007;
- (b) approve the virement of capital budgets as set out in appendix 8

### **Reason**

To monitor effectively the Council's revenue and capital budgets. The budget represents the financial resources approved to implement the Council's corporate priorities. If the budget monitoring to date is not approved the budget process will be less transparent and less robust. Budget monitoring is particularly critical for 2006/2007 given the low level of reserves and the additional savings programme introduced at Cabinet on 3 August 2006.

## **Section 2: Report**

### Brief Background

1. This is the third quarter budget monitoring report for 2006-2007. Use of resources, both financial and staffing, and financial implications and potential budget risks are integral to this report.
2. This monitoring report shows that there are pressures within Directorates, which are being actively managed. Nevertheless the Council is now forecasting a small overspend in 2006-2007, which will further reduce balances. Therefore action must continue for the remainder of the year and further advice has been issued to all managers and staff.
3. Financial risks also remain in relation to potential litigation and bad debts. A Risk and Opportunities Register has been developed to provide ongoing recognition of these issues and assess the potential impact on the budget for the year and general fund balances.

### Issues to be determined

4. The budget represents the financial resources approved to implement the Council's corporate priorities. Budget monitoring is particularly critical for 2006-2007 given the low level of reserves and the additional savings programme introduced at Cabinet on 3 August 2006. If the budget monitoring to date is not approved the budget process will be less transparent and less robust.

### Options

5. To ensure a transparent and robust budget process there is no alternative to effective monitoring of the Council's revenue and capital budgets.

### Equalities Impact

6. Budget monitoring reviews the resources across the whole Council and these resources contribute to the delivery of the corporate equalities plan, achievement of level 3 of the equalities standard, and implementation of the race equality scheme.

### Legal Implications

7. The Council has a statutory duty to make sure that the arrangements for the administration of its financial affairs is adequate and effective, including arrangements for risk management

Community Safety (Section 17 Crime and Disorder Act 1998)

8. Not applicable.

**Section 3: Statutory Officer Clearance**

Chief Finance Officer	<input checked="" type="checkbox"/>	Name: Barry Evans Date: 01.02.07
Monitoring Officer	<input checked="" type="checkbox"/>	Name: Stephen Dorrian Date: 01.02.07

**Section 4: Contact details and background papers**

**Contact:** Barry Evans (Group Manager - Corporate Finance) tel: 020-8424-1203

**Background Papers:**

- (a) Report to December 2006 Cabinet: Quarter two Budget Monitoring 2006-2007
- (b) Report to August 2006 Cabinet: Financial Position
- (c) Report to June & September 2006 Audit Committee: 2005-2006 Statement of Accounts

1.	Consultation	N/A
2.	Corporate Priorities	Yes (D)
3.	Community Safety (s17 Crime and Disorder Act 1998)	N/A
4.	Manifesto Pledge Reference Number	N/A

**Revenue Budget Monitoring 2006-2007: Commentary**

1. The Council has a gross revenue budget of £510m, including school expenditure. Managing a budget this size is complex and there are inevitably under and overspends which arise during the year. It is important to take management action when variances are identified.
2. The forecast is analysed and explained below:

	Outturn position as at 3 <sup>rd</sup> Quarter £m
Corporate	0.5
Business Development and Chief Exec. Office	-0.1
People First	0.9
Urban Living	0.1
Capital Financing/Interest on balances	-0.1
LPSA/LABGI	-0.1
<b>Total</b>	<b>1.2</b>
Delete Contribution to reserves	-0.9
<b>Net position</b>	<b>0.3</b>

**Delivery of Savings**

The original 2006-2007 budget included £10m of allocated savings. Further savings were agreed in August to cover unallocated items in the budget and new pressures totalling £9m. This report shows that 84% of the savings have been achieved.

The August plan included a number of cross cutting savings. The following items have been allocated out to directorates:

	£000
Review of Senior Management Structure	0.250
Review of PA and Admin. Staff	0.500
Harrow Saves/recruitment	0.207
Duplicate Payments	0.050
<b>Total</b>	<b>1,007</b>

All Directorates have been retaining vacant posts, reducing agency staff and applying the Harrow Saves framework in order to contribute to these targets. The net effect of their actions is analysed by Directorate.

## **CORPORATE (forecast outturn overspend £460k)**

Item	£000
Telephone charges	0.300
Cross cutting savings	0.160
<b>Sub total</b>	<b>0.460</b>

The Corporate budgets and issues are of a strategic nature, the impact of which falls across all of Harrow's directorates.

### **Telephone Charges**

A council wide issue regarding telephone budgets still stands as telephone budgets are insufficient compared to projected costs. Telephone costs have also risen because of the increase in calls being made to mobile phones.

Staff contributions to use of telephones and the internet has been increased from £10 to £15 from January 2007.

This year's estimated overspend will be partially offset by savings achieved in the HITS salary spend, which due to being in a restructure for part of the year has meant that not all the HITS posts were filled.

### **Corporate Savings Plan**

There are unachieved savings of £160k in respect of cross cutting items in the August savings plan, namely unpaid leave and staff parking.

## **BUSINESS DEVELOPMENT (forecast underspend £30k)**

Item	£000
Audit fees	0.065
Salaries	-0.065
Health & Safety income	0.010
PPP	-0.140
Revenue staff costs	0.190
Revenue Income recovery	-0.200
Cross cutting savings	0.110
Chief Executive reduced expenditure	-0.030
<b>Sub total</b>	<b>-0.060</b>

The Business Development budget has had to bear substantial cuts to the spending budget to ensure policy savings are achieved. A number of budget pressures have been identified and associated management actions are explained in more detail below:

### **Financial & Business Strategy**

The additional cost of Audit Commission fees of £65,000 will be offset by identified salary underspends in the Financial and Business Strategy department.

Health & Safety are projecting an income under recovery of £15,000, but the effect of this will be minimized through expected salary underspends of £5,000 in the area.

### **People, Performance & Policy**

PPP have effectively managed vacancies as well as closely monitored budget spend. This level of robust budget management has meant the department is able to offer savings to the value of approximately £135,000.

### **Business Services**

There is risk around debt management savings, which is actively being managed by increased cash-flow interest and implementing management action plan.

Print savings, which are reflected in the budget, of £100,000 are expected to be achieved through the new copier contract with Annodata, which will generate a rebate for £100,000 for the first year.

Revenues are reporting an overspend, £190,000, on staff expenditure, however this will be offset by £200,000, over recovery of income achieved with regard to court applications.

### **BTP/HITS**

The main risk areas for BTP and HITS are:

- Telephony savings for which management action is underway to contain within the overall HITS budget. This is expected to be contained through the under spend on HITS salaries which have resulted, as previously mentioned, due to the service having had a restructure during the year.
- Access Harrow, the council's new One Stop Shop has managed its funding requirements through a number of measures. One of these has been to critically review the level of resources required and reduce wherever feasible. Also a review is underway to capitalise salary costs where appropriate as part of the BTP project. In particular, staff time spent advising on the SAP project in service areas such as Finance, Audit, HR, Payroll and Exchequer Services, is being assessed with a view to capitalizing the relevant proportion of staff costs. This capitalization of staff time will cover Access Harrow's funding gap.

Business Development has been reallocated cross cutting savings amounting to £110,000, in line with the value of controllable budgets held. This saving will be managed through detailed salaries monitoring including the reduction in temporary staff as well as expenditure which has been curtailed to essential spend only.

## **CHIEF EXECUTIVE (forecast underspend £30k)**

The Chief Executive directorate has absorbed a number of changes to its budgets and services, which are set out below:

- The council's Corporate Governance function has been downgraded and slimmed down by the deletion of a separate Corporate Governance section. Decision was made not to replace the current director upon his retirement, with the Director of Legal Services having taken over this responsibility.
- The communication unit has been scaled down in terms of both staff and the service it provides. It is now only able to support the Council's website, PR and press functions, with limited capability to produce the 'Harrow People'.
- All non-core activities for Legal and Democratic services have ceased during 2006 in implementing the August cabinet savings. Land charges are on target to reach budgeted income assuming there are no major changes in the Housing Market.
- The Chief Executive Directorate is confident it can achieve its share of redistributed cross cutting savings of £30,000 through careful management of vacant positions and streamlining various services. This, together with ensuring expenditure is reduced to essential spend only means the directorate is projecting a further £30,000 saving.

## **PEOPLE FIRST (forecast outturn overspend £932k)**

Since the second quarter budget monitoring position was reported to Cabinet, considerable effort has been made across People First to identify and implement further savings in order to contain expenditure within the overall cash limit. Also in the third quarter the cross cutting items in the August savings plan have been redistributed resulting in £625k additional savings for People First. Whilst across the service significant additional reductions in expenditure have been implemented such as ceasing all book stock expenditure (saving of £50k), there have also been further pressures highlighted, which has increased the overall overspend since the previous period to £341K. The additional pressures, which have been identified relate to Asylum Seekers £300k and Adult Community Care placement and SLA costs £500k. All possible action is being taken to contain expenditure as far as possible and only essential expenditure is being incurred.

The position across each of the service areas is as follows:

	Current Budget	Forecast Outturn Period 9	Variance Period 9	Variance Period 6
	£000	£000	£000	£000
Cross Cutting Savings	-625	0	625	0
Children's Services	35,700	36,410	710	715
Community Care	44,405	45,129	724	119
Lifelong Learning and Culture	10,584	10,418	-166	0
Strategy	8,492	8,491	-1	83
Schools	8,929	8,929	0	0
Funding re PCT pressures not allocated above	0	-860	-860	-326
Harrow Saves		-100	-100	0
<b>Total</b>	<b>107,485</b>	<b>108,417</b>	<b>932</b>	<b>591</b>

### **Children's Services**

Item	£000
SEN Transport and Special School Placements	0.449
Asylum Seekers	0.715
External barristers	0.150
Service Management and underspends on salaries	-0.478
Early Years	-0.401
Looked After Children Placements	0.210
Children with Disabilities	0.065
<b>Sub total</b>	<b>0.710</b>

- The position on Asylum Seekers has worsened by approximately £300k as provision has to be made for previous years claims. There is still some risk around Asylum Seeker claims with the Home Office claiming that we owe them £0.6m for claims relating to 2002/2003 to 2004/2005 but at the same time offering us nearly £1m for the special circumstances claim for 2005/2006. Progress is being made to reduce our liability in this area and the Home Office have already reduced the claim from £1.4m to £0.6m.
- Additional expenditure giving an adverse variation of £167k on SEN Transport. A meeting is to be arranged with Urban Living colleagues to understand reasons for this and to try to contain it.
- The leaving care service is now anticipated to come in on budget rather than underspending by £150k.
- Based upon expenditure to date and potential further cases the external barrister costs are now anticipated to be £150k over the budget rather than £200k.



- Savings in salary and other costs re Harrow saves have been identified in a number of areas including Education Welfare Service, Educational Psychology Service, CAMHS and Children and Families.

### **Community Care**

Item	£000
Service Management and underspends on salaries	-0.848
Care Management	0.093
Independent Sector Purchasing Budgets	1,668
Drugs and Alcohol	-0.133
Provided Services	-0.056
Sub total	<b>0.724</b>

- Increased expenditure £300k on block contracts for Learning Disability residential placements.
- Reduction in the saving for home care of £200k due to the introduction of a weekly cap and estimated implementation date of 26 February 2007.
- Delay in the introduction of day care charging (included in Feb 2006 budget) resulting in further income of £75k not now being achieved in 2006/2007.
- Increased expenditure on mental health placements of £201k.
- The Learning Disability action plan has only delivered savings of £135k to date compared with the previously forecast position of £250k.
- There are considerable savings on salary budgets, which have been reported across the service.
- The overall position on Older People services has improved as a result of action taken to contain expenditure as much as possible.

### **Lifelong Learning & Cultural Development**

Item	£000
Arts and Leisure	-0.063
Area Services	-0.050
Cluster Development	-0.040
Service Management	-0.078
Libraries	-0.050
Lifelong Learning	-0.020
Teachers Centre	0.135
Sub total	<b>-0.166</b>

- The overspend at the Teachers Centre has been reduced and is now anticipated to be £135k. Work continues to try to find ways of reducing expenditure and maximizing income to limit the impact.
- An allowance has been made to cover the purchase of operational assets at the Arts Centre. It has now been assumed that the £103k requiring write off will be funded from the bad debt provision.

- There are underspends on salary budgets which have assisted in the more favourable overall position.
- Further savings related to book stock purchases and extended schools have been found totalling £90k.

### **Strategy**

Overall position is anticipated to be in line with the budget.

### **Schools**

- It has not been possible to forecast the latest position on schools as the upload from the schools systems to the Authority is still not working following the implementation of ERP.
- The position as at the end of August was that there would be a drop in school balances of £2.1m. The balances at 31 March 2006 were £8.7m revenue and £1.3m capital.

### **PCT Pressures**

- As part of the August 2006 savings plan a sum of £1,500 was identified to cover pressures resulting from action taken by the PCT and clients no longer eligible for continuing care. Whilst some of this sum was allocated to specific budgets the remainder was not allocated and is available to support the overall position.

### **Harrow Saves**

- It is anticipated that further savings totalling £100k will be found from budgets as a consequence of action taken from Harrow Saves. As yet the budgets have not been reduced across the specific departments.

### **URBAN LIVING (forecast overspend £55k)**

The efforts of staff throughout UL and in particular at Head of Service, Group Manager, Service Managers, Senior Professional, Team leaders and Operational managers have been outstanding and clearly focused on achievement of the UL directorate outturn target.

All possible actions have been taken to enable Urban Living to achieve its outturn target. There are significant risks and pressures as we enter the final quarter of the year. Performance is being, and will continue to be, actively managed to ensure Urban Living remains on track. This includes carefully monitoring of any emerging opportunities and risks that may arise during this final quarter.

The savings approved in February 2006 were built into the budgets at the start of the financial year. Further savings were identified during August as part of the Recovery Plan and these have also being factored into the team targets. Also in the third quarter the cross cutting items in the August savings plan have been redistributed resulting in £242k additional savings for Urban Living. This saving will be managed through detailed salaries monitoring, careful management of vacant positions including the reduction in temporary staff as well as expenditure,

which has been curtailed to essential spend only. With the exception of cross cutting savings and a couple of the smaller savings schemes identified in August, Urban Living is currently on track to deliver its savings.

The table below shows the full year budget and full year forecast figures by section. The figures include the £242k of additional savings.

	Current Budget	Forecast Outturn	Variance Period 9
	£000	£000	£000
Community Safety	2,742	2,692	-50
Public Realm Infrastructure	10,654	10,654	0
Public Realm Services	22,260	22,260	0
<b>Environment Services Total</b>	<b>35,656</b>	<b>35,606</b>	<b>-50</b>
Housing Services	3,576	3,526	-50
Planning Services	1,994	2,069	75
Property & Facilities Services	2,258	2,258	0
<b>Property Services Total</b>	<b>7,828</b>	<b>7,853</b>	<b>25</b>
<b>Strategy &amp; Business Support Services</b>	<b>9,402</b>	<b>9,482</b>	<b>80</b>
<b>Total (excl HRA)</b>	<b>52,886</b>	<b>52,941</b>	<b>55</b>
<b>Housing Revenue Account (ringfenced) to Non-GF</b>	<b>-234</b>	<b>-1241</b>	<b>-1,007</b>

The Housing Revenue Account underspend is expected to arise in the main from the release of general contingencies (£390k) and bad debt provision (£100k), lower than expected charges for capital (£366k) and costs falling below budgets in a variety of budgets (£151k). This underspend will accrue to HRA reserves and does not affect the Council General Fund.

### Community Safety

Item	£000
Additional under spend to previous predictions on salaries due to vacant posts and reduction in agency staffing levels	-0.050
<b>Sub total</b>	<b>-0.050</b>

Community Safety remains on target to achieve its savings for the year.

The street warden service is disbanded and staff have been re-deployed or made redundant.

The budget includes significant increases in the income through parking enforcement due to improvements in on-street enforcement and ticket processing systems and increased use of CCTV enforcement to provide an enhanced level of enforcement activity. Whilst it is difficult to forecast with accuracy due to seasonal variations and uncontrollable effects, e.g. inclement weather, the service is currently forecasting under achievement of budgeted income of £170k, this is offset by savings of £220k within the service from vacant posts and underspend on equipment. This will need very careful monitoring and management.

All other savings targets remain on track but are being carefully monitored to ensure this position is maintained. Forecast is currently maintained with a predicted additional under spend on salaries due to vacant posts and reduction in agency staffing levels

### Public Realm Infrastructure

Item	£000
Highways Maintenance	-0.200
Car Parking Income	0.200
<b>Sub total</b>	<b>0.000</b>

Significant reductions of £1.973m have been built into the budget and forecast; action plans are in place to deliver these reductions/savings. The capital programme will provide investment in the year and this is helping us to reduce revenue-funded maintenance this year. It should be noted that the capital programme is covering the severity of this reduction and this is not sustainable.

The budget includes significant increases in the parking income we are expected to recover this year. There had been a slow start to the year, in particular, June and July figures were disappointing with the 'heat wave' and a drop in shopping trips appearing to be contributory factors. However, figures did stabilise for a period but failed in any significant way to improve in the run up to Christmas. Whilst it is difficult to forecast with accuracy the income that will be generated, it will continue to be monitored carefully by the parking team. Current forecast is for £200k under recovery, however, this will be compensated by further reductions in Highways day-to-day maintenance.

### Public Realm Services

Item	£000
Public Realm Maintenance	0.500
Waste Management	-0.500
<b>Sub total</b>	<b>0.000</b>

The whole group has been subject to profound change and the implications of Access Harrow, SAP and configuration of waste services together with the

requirement to fundamentally reposition the business to realize a £2.2m reduction in the cost base. The enormity of this task should not be underestimated.

Public Realm Services continues to be at the forefront of delivering Urban Living's savings. Verifiable, grounded savings of £1,850,000 have been realised within the department, to meet annual savings targets set by Cabinet. Further savings have been projected based on period 1 to 9 actual spend – these projections are in the process of being refined. It is expected that at year-end, Public Realm Services will come in on budget. However, there are a number of caveats to this projection; such as unexpected seasonal / business critical spend, debtors, but most importantly, the volatility of Section 52.9 waste charges. All of these areas will continue to be closely monitored by this service area.

The reduction in direct and indirect PRS labour costs is a significant achievement, and the lower expenditure incurred on weekend working arrangements which will mean a reduction in salary in the order of £2,000 per person per annum is being implemented in a most careful and considered way. Effective from week commencing 8th January 2006, this has been crucial to our success. Furthermore, an increase in fees and charges across the department has been introduced without any significant adverse repercussions from customers.

Following the implementation of SAP/ERP, developmental work has occurred (which continues to occur) with regards to establishing robust and effective monitoring from 1st April 2007.

### Housing Services

Item	£000
Finders Fee	-0.050
<b>Sub total</b>	<b>-0.050</b>

In June 2006 the Housing Service identified savings in the General Fund (GF) of £120k. The current forecast is that these savings will be achieved.

Further savings estimated at £50k will be achieved by 31<sup>st</sup> March 2007 in the General Fund housing service. This is due largely to the downturn in the number of private properties that are procured via the Finders Fee scheme. The emergency hostels are currently full to capacity and there has been an increase in the use of emergency bed and breakfast accommodation because of low take up in finders fee and emergency accommodation being full. Difficulty in securing private sector properties has contributed to using more bed and breakfast to temporarily house homeless persons.

To meet the increase in demand for housing, partner RSL's have been asked to increase the number of temporary accommodation units that they are procuring for accepted homeless households. Weekly assessment of supply and demand

takes place in order to confirm to RSL partners the size of accommodation required. There is a risk that this may lead to an increase number of void units that would have an impact on the voids budget.

### **Planning Services**

Item	£000
Development Control Salaries	0.075
<b>Sub total</b>	<b>0.075</b>

There are currently significant challenges within this service area and it should be noted that staff have been cut back to the minimum possible. This is clearly having a detrimental impact on the quality of service delivered. Harrow has been identified as a potential Planning Standards Authority in major applications for 2007/08. We are identifying opportunities during the restructuring to minimize impact by improving efficiencies wherever possible. We have put our case to the Department for Communities and Local Government to not be a Planning Standards Authority for 2007-08 and are awaiting their response.

The forecast shows an overspend of £75k and is being carefully monitored. Income for Building Control and Development Control will continue to be monitored throughout the year against target. Income capture is currently behind due to new system (MVM/SAP) implementation/interface issues. This backlog is being cleared with a lot of the income now identified. Whilst there has been a 'catch up' on the income, this work is currently ongoing and is expected to be completed by January 2007.

Strategic Planning is now integrated with the rest of Planning Services. Potential risks and opportunities within this area have been identified. The reduction in the capital programme has reduced the opportunities to capitalise expenditure, putting increasing pressure on the ability to deliver within budget.

### **Property and Facilities Services**

Property and Facilities Services remain on target to achieve the projected savings this year. Opportunities to capitalise expenditure where applicable and appropriate have been identified and progressed. The income from Commercial Property Assets is expected to increase in response to additional leases and ongoing rent reviews. There is a risk due to the rising costs of utilities; this will be managed and compensatory savings have been identified to overcome these increased costs. The service area will continue to monitor the situation closely to ensure the target savings are achieved.

### **Strategy and Business Support Services**

Item	£000
Catering Services	0.080
<b>Sub total</b>	<b>0.080</b>

The options around Concessionary Fares have been considered and a report was sent to CMT for review. The decisions from the report will have no impact in the current financial year. This non-achievement will be partially offset by a contribution from TfL towards the cost of assessments of c£40k. Compensatory savings from across Urban Living will cover overspends identified in this area.

The Catering and Transport areas are currently being reviewed. As at period nine the Catering service is forecast to overspend by £88k. As a result of the reduction in hospitality income at the Civic Centre restaurant, staffing levels were reduced quickly to mitigate the loss of income; this took some time to have an impact. This combined with the ongoing fixed costs and falling customer numbers has impacted the level of income generated. Further to this, heating breakdowns have led to customer numbers reducing even further. However work has now been commissioned to carry out necessary works to the boiler.

Both high schools are under achieving on income (students buying food from other external sources), which will result in a higher net cost of service provision. We are currently reviewing the school catering programme.

Transport costs are projected to be overspent and People First have been informed of this as the budget for the service lies in the People First area. Currently individual SNT routes do not fully cover costs. This is due to single status allowance, larger than expected increases in fuel costs, ad hoc hire costs and unavoidable overtime costs to meet service requirements from People First. The cost base for the service is being thoroughly reviewed with a view to bringing in line with budget available for the 1<sup>st</sup> April 2007. Steps have now been taken to ensure that SNT fully recovers all costs for 2007/08 and beyond. Clearly this will lead to increased charges to People First, if they continue to require service provision at the current level.

### Housing Revenue Account

Item	£000
Contingencies	-0.390
Charges for Capital	-0.366
Bad Debt	-0.100
General Underspend	-0.151
<b>Sub total</b>	<b>-1,007</b>

The HRA is projected to generate a surplus for 2006-2007 providing the risk area of response repairs is appropriately managed. This is essential together with the proposed rent increase, to enable achievement of the Decent Homes target and maintain the related higher standards of maintenance. The repairs service is under pressure at the moment and accounts due at the 9-month period have not yet all been paid. The risk of terminating the current contracts in June 2007 must be managed. A thorough review of the salaries budget has been undertaken assessing the GRF and HRA expenditure. The outcome of the assessment is included in the outturn for the 9-month period. The leasehold charges collection is on target with the expectation that the invoicing round for 2007/08 will occur in

March 2007. Invoices for 2006/7 were sent out in October 2006. Leasehold charging is now up to date and in line with good practice. This will create flexibility in the HRA in the current year, as there is likely to be a significant reduction in the bad debt provision. A rent first campaign is under way to increase the rent collection rates and reduce rent arrears. The new tenancy agreement should also assist in the collection of some former tenant rent arrears. It should be noted that further detailed work is ongoing with regard to the full year forecast.



## Appendix 2

### 2006-2007 MTBS Savings Monitoring

Very detailed monitoring arrangements have been put in place for all the savings in the budget. For allocated savings in the approved budget, the responsible budget manager has completed a template setting out how the savings will be achieved and the contingency plans.

The following sets out the current progress of the 2006-2007 MTBS savings (i.e. savings included in the budget approved in February 2006).

Proposal	2006-2007 £	Status	Comments
<b>BUSINESS DEVELOPMENT</b>			
Vacancy Management	-90,000	Achieved	Vacancy management savings applied over various cost centres and salary budgets
<b>Business Development - Financial &amp; Business Strategy</b>			
Leased cars	-48,000	Achieved	Savings allocated
Insurance Premium	-150,000	Achieved	Reduce contribution to internal insurance provisions although there is a slight risk that the internal provisions will not be sufficient to meet self funded insurance claims
Fraud	-60,000	Achieved	Achieved through receiving additional grant income.
LPSA - Budget deleted	-113,000	Achieved	Previous growth deleted.
<b>Business Development - Business Services</b>			
Social Care Income	-£75,000	Achieved	Saving taken by People First
LPSA Reward Grant	-£500,000	On target	It is anticipated that this grant will be received before the year-end.
Summons Costs	-40,000	Achieved	Cost income is being increased by bringing forward the instigation of recovery action issuing more summonses and ensuring costs are paid in year. Level of summons costs have also been increased by 10% in case additional summonses not issued as expected.

Proposal	2006-2007 £	Status	Comments
<b>Business Development - People, Performance &amp; Policy</b>			
Scrutiny	-5,000	Achieved	The saving will reduce the amount of money available to carry out scrutiny reviews. However the impact should be containable.
lDeA Peer Review	-16,000	Achieved	Deletion of previous growth item
Staff Survey	-15,000	Achieved	Staff survey – staff survey is bi-annual and will not be undertaken in 2006-2007. It will be required in 2007-2008.
<b>Business Development - BTP/HITS</b>			
Voice over Internet	-125,000	Achieved	Project not initiated but savings will be covered through overall management of the HITS budget
<b>PEOPLE FIRST</b>			
<b>People First – Childrens</b>			
Review of Family Support Services	-200,000	Achieved	Shortfall of £75k now to be achieved by cessation of family group conferencing and negotiating new SLA to provide CLA contact service.
Mothball Silverdale	-500,000	Achieved	
Management re-organisation	-33,000	Achieved	
Early Years and Parenting Group costs	-100,000	Achieved	For 2006-2007. Risk in 2007-2008 & future years around any changes in grant conditions.
Develop Young Peoples' Service	-200,000	Achieved	
Service Manager Posts	-56,670	Achieved	
Service Manager Posts	-56,670	Achieved	
Service Manager Posts	-56,670	Achieved	
Review services for non funded Asylum Seekers aged 18+	-60,000	Not achieved	Required saving mitigated by growth elsewhere in budget. Ongoing duty to provide support to those children aged

Proposal	2006-2007 £	Status	Comments
			18+. Action plan to reduce overspend, including impact of grant funding
Children's Services	-£533,000	Achieved	
Efficiency Savings	-£39,000	Achieved	
SEN Transport review of criteria	-200,000	Not achieved	Current shortfall £270k based on latest projection which includes late information from UL around increased outturn costs.
Contribution towards day care packages	-300,000	Not achieved	Delay in introduction of charging now subject to statutory consultation.
Redevelop the HIV service in partnership with Primary Health providers	-35,000	Achieved	
Wiseworks service	-200,000	Achieved	Service remains open pending further review. Saving achieved by utilizing access & systems grant in 2006-2007.
Rebuild Bessborough Road	-178,000	Achieved	
Investment in Intermediate Care	-150,000	Achieved	
Review skill mix and assessment capacity in Physical Disability Services	-40,000	Achieved	
<b>People First - Learning</b>			
Loss of LPSA grant	-280,000	Achieved	Lower amounts communicated and delegated to schools
<b>People First - Strategy</b>			
Reduce directorate and schools IT budget	-145,000	Achieved	Previous outturns reported shortfall in achievement in relation to EMS license fee, however alternative resources identified to contain balance of £83k
Staff re-organisation - Admin support	-46,000	Achieved	
Training budget	-50,000	Achieved	

Proposal	2006-2007 £	Status	Comments
Staff re-organisation - PA support	-30,000	Achieved	
Staff re-organisation - Delete Area Director post	-60,000	Achieved	
<b>URBAN LIVING</b>			
<b>Urban Living - Environment</b>			
Street Warden Service	-170,000	On target to be achieved.	The street warden service is disbanded and staff have been re-deployed or made redundant with resultant costs.
Additional training income	-10,000	On target to be achieved.	The additional training income will not be achieved due to the very high level of staff vacancy and lack of resource to deliver but is offset against savings within the service area.
Licensing Services Fees	-20,000	On target to be achieved.	Currently on target to be achieved in full.
Parking & CCTV Services	-550,000	On target to be achieved.	The budget includes significant increases in the parking income due to improvements in on street enforcement and ticket processing systems and increased CCTV enforcement. Whilst it is difficult to forecast with accuracy monitoring to date is currently forecasting under achievement of budgeted income offset by savings within the service from vacant posts and under expenditure on equipment and the forecast is maintained
Car Parking Charges	-426,000	On target to be achieved.	The budget includes significant increases in the parking income we are expected to recover this year. There had been a slow start to the year in particular, June and July figures were disappointing with the 'heatwave' and a drop in shopping trips appearing to be contributory factors. However, figures did stabilise for period but failed in any significant way to improve in the run up to Christmas. Whilst it is difficult to forecast with accuracy the income that will be generated, they will continue to be monitored carefully by the

Proposal	2006-2007 £	Status	Comments
			parking team. Current forecast is for £200k under recovery, this will be compensated by further reductions in revenue funded from underspends within Highways day-to-day maintenance.
Reduce maintenance - Public Realm Infrastructure	-1,500,000	On target to be achieved.	The Capital programme will provide investment in the year thus leading to reduced revenue funded maintenance this year. The Capital Programme is covering the severity of this reduction and this is not sustainable.
Reduce maintenance - Public Realm Maintenance Services	-2,021,000	On target to be achieved.	Whilst the forecast is maintained, the full amount of savings has not yet been identified. Work is ongoing to try to close the gap, which currently stands at £0.3m. The impact of this reduction is already clearly evident within the Public Realm and has been outlined in a recent Cabinet report. Further savings have been projected based on actual spend up to period 9; these projections are in the process of being refined. It is anticipated that at year-end, Public Realm Services will come in on budget. However, there are a number of risks to this projection; these include unexpected seasonal / business critical spend, debtors, but most importantly, the volatility of Section 52.9 waste charges.
<b>Urban Living - Property Services</b>			
Temporary accommodation voids	-90,000	On target to be achieved.	Reduction in voids following ongoing negotiations with Housing Associations is built into the forecast.
Development Control Income	-50,000	On target to be achieved.	Income for BC and DC will be monitored throughout the year against target. Forecast is maintained. Strategic Planning is now integrated with the rest of Planning Services.
Reduce Salaries	-50,000	On target to be achieved.	This is already built into the forecast and will be achieved.

Proposal	2006-2007 £	Status	Comments
Building Control Income	-80,000	On target to be achieved.	Income for BC and DC will be monitored throughout the year against target.
Adaptation Service	-100,000	On target to be achieved.	Salaries will be capitalised to achieve this saving
Various Building Maintenance	-190,000	On target to be achieved.	There is a risk to this saving in the event of significant failure of the structure or equipment within Civic Centre complex that may not be able to be contained within reduced budgets. However, the risks are currently being managed.
Commercial Rents	-100,000	On target to be achieved.	There is ongoing review of leases and rents.
<b>Urban Living - Strategy &amp; BSS</b>			
Concessionary Travel	-190,000	At risk of not being achieved. Options being considered	It was originally anticipated that Harrow would be benefiting from the reduction in numbers entitled to Taxicards as a result of re-assessments in 2005-2006. TfL is now claiming all such savings should be attributed to them. The options around Concessionary Fares have been considered and a report went to CMT for review. The decisions from the report will have no impact in the current financial year. This will offset by a contribution from TfL towards the cost of assessments of c£40k.

August 3<sup>rd</sup> 2006-2007 Savings Plan

In addition to the MTBS savings set out in Appendix 2, additional budget reductions were approved in August 2006. Detailed monitoring arrangements have been put in place for these additional savings. The following sets out the current progress of the 2006-2007 recovery plan.

Proposal	2006-2007	Status	Comments
	£		
BTP	-1,287,000	On target	Fortnightly benefits board meeting to track progress
<b>Cross-cutting items</b>			
Ratable value appeals	-100,000	On target	
Civic Centre Car Parking charges for staff	-60,000	Not Achieved	This has not been implemented and consultation is continuing particularly regarding essential users, so that the charges can come into effect in 2007-08.
Unpaid leave at Christmas	-100,000	Not Achieved	This was not implemented.
Improve management controls over overtime			
Urban Living	-150,000	Potential Risk	Currently being reviewed
People First	-69,000	On target	Budgets reduced to ensure expenditure contained
Business Dev & Chief Exec	-31,000	On target	Budgets reduced to ensure expenditure contained
Review of senior structure	-250,000	Saving redistributed	The saving has been redistributed among directorates
Review of PA and admin staff (and take out agency staff)	-500,000	Saving redistributed	Detailed review of all agency staff has taken place to generate savings. Balance of savings have been redistributed among directorates
<b>"Harrow Saves"</b>			
Urban Living	-85,000	On target	
People First	-149,000	On target	Budgets reduced to ensure expenditure contained
Business Dev & Chief Exec	-99,000	Achieved	Budgets reduced to ensure expenditure contained
Unallocated	-207,000	Saving	These savings have been

Proposal	2006-2007	Status	Comments
	£		
		redistributed	redistributed among directorates
<b>Miscellaneous</b>			
Review of duplicate payments	-50,000	Saving redistributed	This saving have been redistributed among directorates
<b>Cross Cutting Total</b>	<b>-1,850,000</b>		
<b>CE/Business Development</b>			
Review function and structure of procurement team	-50,000	On target	Budgets reduced to ensure expenditure contained
Cease clothing grants	-85,000	Potential Risk	£58k has been achieved to date
Cut Trade Union Facilities budget	-30,000	On target	Budgets reduced to ensure expenditure contained
Vacancy management - FBS	-60,000	On target	Budgets reduced to ensure expenditure contained
Vacancy management - BS	-50,000	On target	Budgets reduced to ensure expenditure contained
Vacancy management - PPP	-60,000	On target	Budgets reduced to ensure expenditure contained
Vacancy management - BTP	-65,000	On target	Budgets relating to vacant positions taken as savings
Capitalise 75% of BTP Director and on-costs	-90,000	On target	Cost redirected to capital BTP project
Reduce canvassing for Electoral roll	-20,000	On target	Budgets reduced to ensure expenditure contained
Reduce legal support to committees	-45,000	On target	Budgets reduced to ensure expenditure contained
Reduce democratic services support	-45,000	On target	Budgets reduced to ensure expenditure contained
Use internal post in HRES/ cut down external mailing	-2,000	On target	Budgets reduced to ensure expenditure contained
Registrar income	-10,000	On target	Budgets reduced to ensure expenditure contained
Communications unit to provide core functions only	-15,000	On target	Budgets reduced to ensure expenditure contained
Misc CE budgets	-3,000	On target	Budgets reduced to ensure expenditure contained
Reduce legal support to	-10,000	On target	Budgets reduced to ensure



Proposal	2006-2007	Status	Comments
	£		
schools/charge for remainder			expenditure contained
<b>CE/BD Total</b>	<b>-640,000</b>		
<b>Urban Living</b>			
Sell advertising wherever possible	-23,000	In Progress	
Extension of existing Parking Enforcement Service activities	-65,000	On target	This is on target to be achieved due to extended monitoring at weekends under the existing scheme. The CCTV control room is currently being refurbished with reduced facilities for a period of up to 6 weeks. The Consultation on extension is underway and full implementation is now expected in February. Projections indicate £65k savings will be achieved across whole service provision.
Retaining vacancies within Community Safety Service	-129,000	On target	On track. Projections indicate this to be on target to be achieved
Traffic Management	-59,000	On target	This is on target to be achieved. Programmes have been cancelled or rescheduled to achieve this saving. This will mean reductions in traffic schemes (safety, parking control, pedestrian facilities etc.)
Increased fee recovery from capital	-200,000	On target	This is on target to be achieved. Robust monitoring and charging of salaries to capital will continue to be undertaken
Highways (carriageway & footway) planned maintenance	-77,000	On target	This is on target to be achieved. Programmes have been cancelled or will be capitalised in line with capital policy and will mean reduced planned maintenance
Street lighting maintenance	-250,000	On target	This is on target to be achieved. Programmes have been cancelled or will be capitalised in line with capital policy and will mean reduced planned maintenance
Peel House Car Park, Wealdstone-reduce opening hours to 8.30pm	-10,000	On target	Reduced opening hours implemented 2 Oct with consequential saving on salaries and running costs. Reduced

Proposal	2006-2007	Status	Comments
	£		
			service with no adverse reaction to consultation. Achieved
Drainage-Reduce non-main river watercourse maintenance	-75,000	On target	This is on target to be achieved. Programmes have been cancelled or will be capitalised in line with capital policy and will mean reduced maintenance and potential increased risk of flooding
Public Realm maintenance - Revise management structure	-65,000	On target	Management structure has been reviewed with reductions in management team made
Increase Exclusive Rights of Burial, Internment & Memorial Rights Fee	-15,000	On target	This has been Implemented and is on track to be achieved. Fees have been increased following Cabinet approval in October 2006.
Recycling Income	-50,000	On target	On track to achieve £50k saving
Public Realm maintenance - Removal of Flower bedding	-15,000	On target	All flowerbeds are in the process of being decommissioned during the current year. Flower beds will not be renewed in line with targeted savings
Public Realm maintenance - create biodiversity areas in some parks	-10,000	On target	On track to be achieved; areas have been identified
Public Realm maintenance - Parks to be left unlocked	-30,000	Risk £22.5k	Following a review this item has been assessed, parks continue to be locked and a more efficient service is in operation. The potential savings initially identified will be met from compensatory savings from other areas of the PRS budget
Vernon Lodge voids – Reduce the budget	-40,000	On target	On target to be achieved
Sanctuary Project - Reduce the budget	-20,000	On target	On target to be achieved
Finders Fee - Reduce the budget	-20,000	On target	On target to be achieved
Retaining vacant posts within Housing Services	-41,000	On target	Posts are being held vacant. On target to be achieved
Withdraw from Town Centre Management	-40,000	On target	The Town Centre manager has now left and the salary is being

Proposal	2006-2007	Status	Comments
	£		
Initiative			saved. Whilst this will realise most of the savings, a further £15k needs to be identified. Compensatory savings are being sought
Increase income - building control charges	-70,000	On target	Income is on target to be achieved. MVM software to SAP interface issues still outstanding
Stop indemnity insurance cover provided for building control surveyors	-7,000	Potential risk of not achieving	Insurance cover is being reviewed in liaison with the insurance section. This saving will not be achieved this year as it is linked to the SSC review; compensatory savings will be found
Reduce agency staff in Development Control and Policy & Research	-60,000	On target	This is expected to be achieved via utilisation of Capital in line with Capital Policy
Reduce contract & Permanent Staff within Conservation & Design	-100,000	On target	This is currently not expected to be achieved following the reduction in this year's Capital Programme. It is expected that £40k of the targeted savings will be achieved with the remainder at risk. Compensatory savings across Urban Living are being sought.
Energy Conservation Officer - Capital funding of salary	-40,000	On target	On track, saving will be achieved
Increase income from Commercial Lettings	-42,000	On target	A favourable outcome of arbitration on Grimsdyke Hotel should enable figure to be achieved-result anticipated within next 2 weeks. Currently maintained as on target.
Capitalisation of Design & Build costs	-100,000	On target	This is on target to be achieved
Review of Civic Centre and Depot Catering & MOW - vacant posts	-25,000	Subject to consultation	This is on target to be achieved. The facility at the Depot has been shut down and the facility at the Civic Centre has been rationalised. There is now a reduced service and further reviews are being carried out.
Special Needs Transport-Review of	-30,000	On target	This is on target to be achieved

Proposal	2006-2007	Status	Comments
	£		
overtime claims& agency staff hours			
Rationalisation of business support staff across Urban Living	-25,000	On target	This is on target to be achieved due to freezing of a number of posts and not backfilling for vacancies
<b>URBAN LIVING TOTAL</b>	<b>-1,733,000</b>		
<b>People First</b>			
	-275,000	Not Achieved	Shortfall anticipated £200k, which reflects assumed impact of final charging agreed following consultation and delayed implementation re invoicing.
Charging Home Care/Day Care			
Remove Joint Funded posts by transfer of staff to other vacancies	-250,000	Not achieved	Impact reported as part of the monitoring process.
Contain spend on carers and apply grant to other parts of service	-40,000	Achieved	
Merge Amner and Millmans Day Centres	-35,000	Partly Achieved	Shortfall in saving reported as part of monitoring process.
Restructuring Community Care	-25,000	On target	
Make Playschemes commercially viable	-15,000	Achieved	
Reduce Hospital Social Work Service and charge other Boroughs	-15,000	Achieved	
Childrens Services Management - don't fill 1/2 post	-30,000	Achieved	
Childrens Centre Grant - use for SM post	-50,000	Achieved	
Firs - Temp freeze on RSW Hours	-5,000	Achieved	
Move Brent & Harrow Education Business to Teachers Centre	-5,000	Achieved	
Eliminate Teachers Centre Subsidy	-8,000	Not achieved	Teachers Centre pressures as reported - anticipated to be contained within Lifelong Learning
Close Harrow Teachers' Centre Library	-14,000	Not achieved	Teachers Centre pressures as reported - anticipated to be

Proposal	2006-2007	Status	Comments
	£		
			contained within Lifelong Learning
Use LSC Grant for ACFL	-20,000	On target	
Libraries - Redeploy resources from Lifelong Learning to employ Bookstart Coordinator	-12,000	Achieved	
Savings on Wellstoc Library stock purchases	-13,000	Achieved	
Remove security staffing budget for Bob Lawrence Library	-4,000	Achieved	
Reduce Library services printing/publicity	-5,000	Achieved	
Increase Library staff vacancy rate	-9,000	Achieved	
Wealdstone Centre Service Support Budget	-20,000	Achieved	
Deletion of Leisure and Admin post	-10,000	Achieved	
Cease Music Teaching Subsidy by increasing charges or reducing expenditure	-25,000	On target	
Cancel involvement in Community Sports Coaching Scheme	-13,000	Achieved	
Capitalise Policy Officers working on capital projects	-103,000	Achieved	
Contracts Unit Efficiencies Framework Finance	-20,000	On target	
Grant Review - use catering and 14-19 grant to offset salary costs	-65,000	Achieved	
Special Schools PFI - Affordability saving	-170,000	Achieved	
<b>PEOPLE FIRST TOTAL</b>	<b>-1,256,000</b>		
<b>TOTAL SAVINGS IDENTIFIED</b>	<b>-8,850,000</b>		

## Appendix 4

### General Fund Balances

The revenue outturn for 2005-2006, and accounts, resulted in General Fund Balances below the agreed minimum level after additional provisions were made in the accounts. The forecast balance at 31 March 2007 remains below the agreed minimum level of £3.5m as set out in the following table.

#### General Fund Balances

	£m
Opening balance as at 1 April 2006	1.8
Net budget variations to third quarter	-0.3
<b>Forecast GF balance at 31 March 2007</b>	<b>1.5</b>

**Payment Performance**

Creditor Invoices: The payment performance against the BVPI (payment of invoices within 30 days) for the third quarter is 75%. Prior quarters were based on data samples, third quarter 2006-2007 based on actual.

General debtor invoices: The invoice numbers have increased due to more frequent billing of smaller sums. The difference between the third quarter values is due to reduced billing of the PCT.

	2005-2006			2006-2007		
	First Quarter	Second Quarter	Third Quarter	First Quarter	Second Quarter	Third Quarter
Creditor invoices	23,894	24,227	18,714	24,424	19,013	19,050
Value	£61.5m	£65.8m	£66.2m	£67.1m	£66.2m	£66.1m
BVPI (payment within 30 days)	78.3%	88.9%	90.0%	88%	84%	75.0%
General debtor invoices	4,088	9,115	13,203	10,361	8,175	15,036
Value	£6.4m	£11.5m	£17.9m	£4.9m	£8.1m	£13.0m

**Debt Management****Collection Fund**

The Collection Fund, a separate statutory account to reflect the billing of Council Tax, had a deficit £2.185m at the end of 2005-2006. However the level of collectable tax is improving in 2006-2007, and although the outturn deficit could impact on the level of Council Tax in 2007-2008 it is estimated that the improvement will assist in covering most of the deficit by the end of 2006-2007.

Tables, showing the aged debt analysis for both Council Tax and Business Rates (NNDR) at the end of December 2006, together with the required amounts for BDP according to the rate cards adopted are set out below.

**Council Tax**

Currently, bad debt provisions (BDP) of £1.981m\* exist for Council Tax against a potential BDP of £2.188m for debts accrued to 31 December 2006. At present there is a shortfall of £207k. However the shortfall is expected to be covered in full by an additional surplus in the current financial year.

<b>COUNCIL TAX</b>	Net Arrears outstanding as @ 30.09.06	Net Arrears outstanding as @ 31.12.06	BDP rate as per approved rate card	BDP Required As at 31.12.06
	£	£	%	£
1994/95 to 2000/01 system balance	472,548	287,448	100	287,448
2001-2002 system balance	332,124	291,020	86	250,277
2002-2003 system balance	525,296	438,444	73	320,064
2003-2004 system balance	853,865	706,469	54	381,493
2004-2005 system balance	1,276,910	1,167,583	43	502,060
2005-2006 system balance	2,339,017	1,940,824	23	446,389
Total Council Tax Debt over 12 months old	5,799,760	4,831,788		2,187,731

\* £2.5m less w/offers actually done between 1/4/06 – 31/12/06 [£530k]

**National Non Domestic Rates (NNDR)**

Currently, bad debt provisions of £1.880m\* exist for business rates (NNDR) against a potential BDP of £1.4m but as the business rates are a call on the national non-domestic rate pool of central government there is no financial affect to this Authority.



<b>NATIONAL NON DOMESTIC RATES</b>	Net Arrears outstanding as @ 30.09.06	Net Arrears outstanding as @ 31.12.06	BDP rate as per approved rate card	BDP Required As at 31.12.06
	£	£	%	£
1993-2094 to 2004-2005 system balance	1,382,612	991,420	100	991,420
2005-2006 system balance	1,175,388	825,342	50	412,671
<b>Total Business Rates Debt over 12 months old</b>	<b>2,558,000</b>	<b>1,816,762</b>		<b>1,404,091</b>

\* £2.2m less w/offers actually done between 01/04/06 – 31/12/06 [£347k]

### Sundry Debtors

Currently, a total bad debt provisions (BDP) of £3.1m exist for Sundry debts as detailed below:

- General debtors provision of £442k exist against a potential BDP of £545k. Currently there is a shortfall of £103k. This will be kept under review to take necessary action.
- Housing Benefit provision of £1,050k exists against a potential BDP of £1,150k.
- Housing Revenue Account provision of £1,255k exist against an estimated requirement of £758k but this is subject to the final year-end calculation. This provision is for Service Charges and Current and Former tenants rent arrears, and includes potential disputes on major repairs work charges.

	Outstanding Debt as at 31.03.06	Outstanding Debt as at 31.12.06	Bad Debt requirement	
	£000	£000	%	£000
<b><u>GENERAL DEBTORS (excluding All PCTs, WLWA, Residential Care and Service Charges)</u></b>				
Less than 30 days	1,301	980	0.0%	0
30 to 60 days	323	638	7.5%	48
60 to 90 days		36	15.0%	5
90 to 180 days	62	200	50.0%	100
181 to 365 days	145	177	75.0%	133

	Outstanding Debt as at 31.03.06	Outstanding Debt as at 31.12.06	Bad Debt requirement	
	£000	£000	%	£000
> 365 days	283	259	100.0%	259
<b>TOTAL</b>	<b>2,114</b>	<b>2,290</b>		<b>545</b>
BDP 31/03/06	442			545
<b><u>All PCTs</u></b>	6,531	6,846		
BDP 31/03/06	350.0	350.0		
<b><u>HOUSING BENEFIT OVERPAYMENTS</u></b>				
Housing Benefit arrears currently being collected, no BDP required	1,092	1,087	0.0	0.0
BDP 31/03/06	0	0	0.0	0.0
<u>Housing Benefit arrears in debtor system</u>				
Prior to 2003-2004	502	420	100.0%	420
2004-2005	532	513	40.0%	205
2005-2006	1,121	791	30.0%	237
2006-2007 (to		959	30.0%	288
<b>TOTAL</b>	<b>2,155</b>	<b>2,683</b>		<b>1,150</b>
BDP 31/03/06	1,050			
<b><u>HOUSING - LEASEHOLDERS</u></b>				
Less than 30 days		22	0.0%	0
30 to 60 days		0	7.5%	0
60 to 90 days		0	15.0%	0
90 to 180 days		66	50.0%	33
181 to 365 days		12	75.0%	9
> 365 days	608	165	100.0%	165

	Outstanding Debt as at 31.03.06	Outstanding Debt as at 31.12.06	Bad Debt requirement	
	£000	£000	%	£000
<b>TOTAL</b>	<b>608</b>	<b>265</b>		<b>207</b>
BDP 31.03.06	608			
<b><u>HOUSING – FORMER TENANT ARREARS</u></b>				
Less than 30 days		22	0.0%	0
30 to 60 days		34	7.5%	3
60 to 90 days		36	15.0%	6
90 to 180 days		89	50.0%	45
181 to 365 days		159	75.0%	119
> 365 days	464	157	100.0%	157
<b>TOTAL</b>	<b>464</b>	<b>497</b>		<b>330</b>
BDP 31.03.06	464			
<b><u>HOUSING – CURRENT TENANT ARREARS</u></b>				
Less than 30 days		118	0.0%	0
30 to 60 days		118	7.5%	9
60 to 90 days	275	100	15.0%	15
90 to 180 days	131	159	50.0%	80
181 to 365 days	70	118	75.0%	89
> 365 days	24	28	100.0%	28
<b>TOTAL</b>	<b>500</b>	<b>641</b>		<b>221</b>
BDP 31/03/06	183			

**Risk Assessment and Reserves Policy**

As part of the budget process for 2006-2007 the Council approved that the level of general reserves should be held at a minimum of £3.5m. This followed consideration of a risk based approach to determining the appropriate level of general reserves.

Risk Based Approach

The budget risk assessment is set out below.

The following approach has been used:

**Likelihood**

Rating	Description	Range	Midpoint
A	Very High	>80%	90%
B	High	51-80%	65%
C	Significant	25-50%	38%
D	Low	10-24%	17%
E	Very Low	3-9%	6%
F	Almost impossible	1-2%	

**Impact**

Rating	Description
I	Catastrophic
II	Critical
III	Marginal
IV	Negligible

For each identified risk, the worst-case scenario in terms of possible overspend or income shortfall has been identified and multiplied by the likelihood.

The risk register includes following items, which have materialised during 2006-07:

- Relationship with the PCT
- LPSA and LAGBI
- Delivery of efficiency/procurement savings and delivery of BTP savings
- Capital financing costs
- By-election

There are no new risks emerging in the second quarter.

### **Legal / Litigation**

A number of cases that could involve litigation cover employment tribunals, planning appeals, personal injury claims and cases involving clients in our care are currently in hand.

In some cases insurance is in place and financial liability is capped. The Council's governance framework is there to reduce risk and ensure that the Council carries out its duties properly and is not negligent. However there is increasingly a compensation culture.

### **Insurance**

There are currently 21 cases, potentially over £50k in value, under consideration by the Council's insurers. The estimated total value of these cases, which are covered by the Council's self-insurance provisions, is £1.836m. This figure may alter as the insurers finish their case reviews. In addition to these cases there are 2 cases that fall outside the insurance policy, totaling £0.75m. Appropriate provision has been made to cover the potential liability.

## Major spending risks 2006-2007

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally/Internally Controlled	Comments
		£000		£000			
<b><u>Political risks</u></b>							
Change in government policy	B II	Cannot be quantified	Cannot be quantified	Cannot be quantified	x	Externally	There would usually be a long lead in time for a change in policy and provision would be made in the budget.
By-Election	D III	20	17%	3	x	Externally	Worst case is based on two by-elections in one financial year.
<b><u>Economic/Financial Risks</u></b>							
Interest Rate instability	E III	1,000	6%	60	x	Externally	The worst case is based on an interest rate rise of a full % above the projected rate for a full year. Likelihood is deemed to be very low. Prudent view taken in next year's budget.
Inflation	E III	500	6%	30	x	Externally	Inflation includes pay, contracts, special items such as utilities, and other supplies and services. At present inflation is relatively stable. The pay award for 2006-07 is already agreed. Contract price increases are known in advance.
Capital Financing Charges	D III	1,000	6%	60	X	Internally	During 2006-07 a budget pressure was identified because the impact of the capital programme was not fully reflected in the revenue budget. This has now been addressed and the

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally/Internally Controlled	Comments
		£000		£000			
							2007-08 capital programme is reflected in the 2007-08 revenue budget. Hence the risk of this occurring again is low.
Capital Financing costs	BII	1,266	65%	823	X	Both	The worst-case scenario allows for over-expenditure on the capital programme and an increase in interest rates for borrowing. Savings are being identified in the capital programme so as to reduce the risk.
Shortage of working capital	E III	250	6%	15	X	Internally	Cash in hand decreased significantly in 2005-06. The impact of this change is reflected in the 2006-07 budget. In addition, improvements will be made with the new financial system in relation to income collection and payments, which should improve cash flow.
Poor management of long-term debt.	F III	0	0	0	X	Internally	The debt portfolio has recently been restructured and is largely at fixed interest rates. Hence there is minimal risk in this area.
Poor asset management.	F III	0	0	0	x	Internally	Steps to improve asset management represent a future opportunity.
Bad debts and adequacy	D II	1,000	17%	170	x	Internally	Provision increased by £1m in 2004-05.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally/Internally Controlled	Comments
		£000		£000			
of provision							Further review conducted in 2005/06, which should demonstrate that provision is adequate. Cabinet received a report in March 2006 covering debt recovery policy. Improved monitoring arrangements going forward.
Changes to grant regime	B IV	0	0	0	x	Externally	High risk of it changing but we are moving to 3 year settlements for most grants which reduces risk.
Market developments: Property market	E II	300	6%	18	x	Externally	In 2005-06 Land charges income reduced significantly due to the property market. This reduction is reflected in the 2006-07 budget. Further reductions are unlikely. However the pricing structure may change from 2007-08.
Market developments: Business growth	C III	400	38%	152	x	Externally	The Business growth incentive scheme (LABGI) allows us to retain some non-domestic rate income locally. Given the uncertainty around the scheme this is a significant risk area. However, the 2006-07 budget does not contain any further growth in the income target. However there remains a risk in 2006-2007 of lower receipts.



Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally/Internally Controlled	Comments
		£000		£000			
Market developments: Employment market	E III	100	6%	6	x	Externally	This is a fairly long-term issue around the employment market and the Council's ability to recruit and retain staff. Strategies are in place. In the short term there could be increases in recruitment costs.
Litigation against council	C III	1,000	38%	380	In some cases	Both	Litigation could include Employment tribunals, planning appeals, personal injury claims, cases involving clients in our care, and even corporate manslaughter. In some cases insurance is in place and liability is capped. The Council's governance framework is there to reduce risk and ensure that the Council carries out its duties properly and is not negligent. However there is increasingly a compensation culture.
Major fraud	D III	100	17%	17	Yes - partially	Both	No major cases in recent years.
Increased pension fund contributions	B II	0	0	0	x	Externally	Always have 3 years notice of changes of this nature so that they can be fully reflected in the budget.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally/Internally Controlled	Comments
		£000		£000			
Council Tax collection fund	D III	500	17%	85	x	Externally	There is a risk that there will be a deficit on the collection fund at year-end if the tax base has been overestimated or collection performance has been worse than expected. The level of applications for exemptions and discounts will be a factor here.
Levies and Precepts	EIV	50	6%	3	X	Externally	The Council pays a range of levies, precepts and subscriptions that are set by other bodies. These are usually known before the budget is set.
Poor budget management	D III	500	17%	85	x	Internally	Budget holders have clear responsibilities and the position is monitored during the year. Training, internal controls, and systems are the mitigation. However, overspends can occur during the year and impact on the overall position of the Council.

Risks	Risk rating	Worst case £000	Likelihood %	Estimated risk £000	Insured	Externally/Internally	Comments
<b><u>Social Risks</u></b>							
Demographic aspects: Children's services Adult services	B II C II	1,000 500	65% 38%	650 190	x	Externally	Every effort is made to forecast demographic changes in the budget, however small changes in client numbers can have a significant impact on costs. There is more control over the cost of adult placements and services that there is for children's services.
Population growth rates	D III	0	0	0	x	Externally	Population figures in Harrow are relatively stable. If the population figures change in line with the national average then funding is not affected. We do get notice via the grant settlement.
<b><u>Technological risks</u></b>							
System failure	D II	100	15	15	Yes - partially	Both	Restoration costs are covered by insurance
<b><u>Legislative/regulatory</u></b>							
New legislation	B II	0	0	0	x	Externally	Given the lead in time for legislative changes this is more of a medium to long-term budgeting issue. Examples include Land charges

Risks	Risk rating	Worst case £000	Likelihood %	Estimated risk £000	Insured	Externally/Internally	Comments
							fee structure to change in 2007/08, Youth legislation, Licenses and gambling, Children's Act. For 2006/07 implications built into the budget.
<b><u>Environmental risks</u></b>							
Natural disaster, accident or terrorist incident	E III	725	6	43	Yes - partially	Externally	The government has a scheme (the Bellwin scheme) that covers authorities for 85% of costs of a major disaster above 0.2 % of net revenue budget (£500k). The risk to the Council is 100% of costs below the threshold and the 15% above it. May be issues associated with meeting the criteria.
Adverse weather conditions	D III	100	17	17	Yes - partially	Externally	There is some provision in the budget for seasonal work. This risk relates to exceptionally bad weather.
<b><u>Competitive risks</u></b>							
Gershon efficiency agenda	C II	1,500	38	570	x	Internally	The efficiency savings built into the budget for 2005-06 were not fully achieved. This risk is reduced in 2006-07 as the target is lower. In medium term the BTP will deliver the majority of

Risks	Risk rating	Worst case £000	Likelihood %	Estimated risk £000	Insured	Externally/Internally	Comments
							our Gershon savings.
<b><u>Partnership/contractual risks</u></b>							
Partnership failure – LAA	EIII	950	6	57	X	Externally	The LAA will receive pump-priming grant in 2006-07. All projects will be closely monitored.
Partnership failure – PCT	B II	1,000	38	380	?	Externally	Externally auditors have advised that can charge another public body interest on money outstanding.
Partnership failure – BTP	DIII	3,400	17	578	x	Internally	The guaranteed savings from the partnership are built into the budget for 2006-07.
<b>TOTAL</b>		<b>14,975</b>		<b>3,521</b>			

**CAPITAL PROGRAMME MONITORING AS AT 31 DECEMBER 2006**

	Approved £000	Changes £000	Forecast £000
Business Development	24,023	0	24,023
People First	13,298	0	13,298
Urban Living – Housing (General Fund)	3,151	-165	2,986
Urban Living – Housing (HRA)	8,269	0	8,269
Urban Living – Non Housing	30,452	+447	30,899
Sub total	79,193	282	79,475
Capitalisation & revenue savings plan	1,983	0	1,983
Provision for small schemes etc.	0	0	0
<b>Total</b>	<b>81,176</b>	<b>282</b>	<b>81,458</b>

**Changes to the Approved Programme**

As a result of the latest monitoring exercise the savings and adjustments summarised below have been identified.

**Urban Living – Housing General Fund****Reduction / Saving**

Heating Harrow Greener Scheme -£120,000

This scheme is partly grant funded, the net saving to the Council will be £86,000.

**Virement** – detailed below -£45,300

**Urban Living – non Housing****New schemes** – funded by Transport for London

Town Centres – road surfacing +£162,400

Education, Training & Publicity +£105,000

**Reduction**

Harrow Drug Action Team -£15,400

This scheme is all externally funded

**Virement** – detailed below +£45,300

**Increased costs**

Prince Edward Playing Fields +£100,000

Civic Ctre: Restaurant Boiler & Access Cards +£50,000

Agreement has been reached to accept a Section 106 contribution of £750,000 in connection with Prince Edward Playing Fields. Additional costs of £100,00 on the site have been incurred on this scheme, which will be met from this sum. However, this still reduces the amount to be met from Council funds by £650,000. Of this £50,000 has been allocated to carry out repair and improvement works to plant and equipment in the Civic Centre which is in danger of failing. The net reduction in the use of Council funds as a result of the Section 106 contribution will therefore be £600,000.

### **Virements**

A new scheme, the Harrow Integrated Property Partnership (HIPP), will be met from savings on other Urban Living schemes.

#### *Non-Housing*

DD Act Works	-£5,700
Energy Efficiency Works	-£2,500
Civic Centre/Depot Enhancement Works	-£42,000
Aspect Gate	-£4,200
Schools Responsive Repairs	-£18,800

#### *Housing General Fund*

Disabled Facilities Grants	-£32,300
Affordable Warmth	-£5,900
Heating Harrow Greener Scheme	-£6,300
Warmfront Top Up	-£800

HIPP Project	+£118,500
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