

<b>Meeting:</b>	Cabinet
<b>Date:</b>	14 February 2008
<b>Subject:</b>	Quarter 3 Revenue and Capital Monitoring as at 31 December 2007
<b>Key Decision:</b>	No
<b>Responsible Officer:</b>	Myfanwy Barrett: Corporate Director of Finance
<b>Portfolio Holder:</b>	David Ashton (Portfolio Holder for Finance and Portfolio Co-ordination)
<b>Exempt:</b>	No
<b>Enclosures:</b>	Appendix 1 - Revenue commentary Appendix 2 - Capital Monitoring Appendix 3 - Housing Revenue Account Appendix 4 - Payment Performance Appendix 5 - Debt Management Appendix 6 - Risk Assessment

## Section 1: Summary and Recommendations

This report sets out the Quarter 3 monitoring statement of Council's revenue and capital budgets 2007-2008.

### **Recommendations:**

- (a) Note the current revenue and capital monitoring position at the end of Quarter 3 for 2007-2008;

### **Reason**

To monitor effectively the Council's revenue and capital budgets.

## Section 2: Report

### Introduction

1. This is the period 9 (Quarter 3) budget monitoring report for 2007-2008. It remains critical to monitor effectively the Council's revenue and capital budgets for 2007-2008, particularly given the current low level of reserves.

### Quarter 3 Budget Monitoring

2. During the first and second quarters of 2007-2008, pressures totaling £3.2m were identified. A strategy was put in place to manage these pressures which involved:
  - Reminding all managers of the need to contain spending
  - Requiring directorates to find additional savings of £2.3m in year
  - Effecting virements of £0.7m from the provision for the pay award and capital financing costs

This left a net forecast overspend of £0.2m. At the third quarter the net position is unchanged as shown below:

	Forecast Variation as at QTR 2	Forecast Variation as at QTR 3
	£m	£m
Corporate	0.1	0.1
Corporate Finance & Strategy	0.1	-0.1
Adults and Housing	0.0	0.1
Children's Services	0.0	0.1
Community and Environment	0.0	0.0
<b>Net Position</b>	<b>0.2</b>	<b>0.2</b>

3. Children's services and Adults and Housing are taking action to manage the remaining pressures and seeking to come in on budget this year.
4. Cabinet members are asked to note the overall net position.
5. Appendix 1 sets out commentary on Directorate variances identified for Quarter 3.

### Delivery of Savings

6. 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 to ensure full compliance.

The information received shows that good progress is being made. Where issues have been highlighted they are reflected in the forecast outturn.

### Reserves

7. The approved reserves policy is as follows:

“The Council intends to add £1m to reserves and provisions each year until such time as general balances exceed £5m.”

8. The forecast position for reserves at the end of the year is set out below:  
Reserves

Opening balance as at 1 April 2007	£m 1.3
Contribution to reserves	1.0
Net budget variations to third quarter	-0.2
<b>Forecast balance at 31 March 2008</b>	<b>2.1</b>

### Capital Monitoring

9. Appendix 2 shows the capital monitoring position.

10. As agreed by Cabinet in December the capital programme was increased by £1.7m, which was mostly grant funded. In addition a further increase of £1.3m is proposed in Quarter 3 as detailed in appendix 2.

11. Most of the proposed increases are funded by grants. The increase of £300k on Garden house and project management is part of the Leisure site proposals approved by Cabinet in November 2007.

12. A total of £35.8m is proposed to be carried forward to 2008-2009, of which £20m relates to the Post 16 project and £7m relates to Building Schools for the future. Both of these projects are grant funded and the grant funding can also be carried forward.

### Housing Revenue Accounts

13. Appendix 3 shows the Housing Revenue Account. The position is broadly in line with budget and shows a forecast surplus for the year of £324k.

### Payments and Income Collection

14. Appendix 4 shows the Council's payment performance against BVPI8. For the third quarter 83% of invoices were paid within 30 days compared with 78% at quarter one and the target level of 95%. As anticipated there is an improvement in quarter 3.

15. Appendix 5 shows the Council's debt recovery performance. The information shows that the Council has adequate bad debt provisions to cover its liabilities.

### Risk Assessment

16. Appendix 6 shows the risk assessment for the budget.

17. The main risks in the current forecast outturn are

- Demand for social care, particularly special needs transport
- Reduction in parking revenue
- Pressures in the planning service
- Cost of a public enquiry
- Pressures in public realm services
- Income from Fees and Charges

18. In addition there are risks in relation to national policy on waste management emerging for future years – these are reflected on the Risk Register.

19. 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.

### Financial Implications

20. Financial matters are integral to the report.

### Performance Issues

21. There are no direct implications for individual performance indicators. The budget represents the financial resources approved to implement the Council's corporate priorities. Budget monitoring of the Council's revenue and capital budgets for 2007-2008 is ongoing, particularly given the current low level of revenue reserves, and is essential for good financial management. If the budget monitoring process is not maintained the implementation of budget and corporate priorities will be less transparent and less robust, and may impact on performance indicators across directorates.

### Section 3: Statutory Officer Clearance

Name: Jennifer Hydari	<input checked="" type="checkbox"/>	On behalf of the Chief Finance Officer
Date: 21 January 2008		
Name: Helen White	<input checked="" type="checkbox"/>	On behalf of the Monitoring Officer
Date: 24 January 2008		

### Section 4: Performance Officer Clearance

Name: Tom Whiting	<input checked="" type="checkbox"/>	Divisional Director (Strategy & Improvement)
Date: 24 January 2008		

### Section 5: Contact details and background papers

**Contact:** Jennifer Hydari (Divisional Director of Finance and Procurement tel: 020-8424-1393)

#### Background Papers:

- (a) Report to October 2007 Cabinet: Quarter 1 report for 2007-2008
- (b) Report to December 2007 Cabinet: Quarter 2 report for 2007-2008

## Revenue Budget Monitoring 2007-2008: Commentary

This appendix sets out details on the variances.

### CORPORATE

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

Service	Approved Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Credit card charges	-100	-100	0
Corporate Contract Rebates	-521	-521	0
Corporate Savings – parking & essential car user	-200	-100	100
Organisational Review savings	596	596	0
Corporate Single Status	328	328	0
Printers/copiers	-241	-241	0
<b>Total</b>	<b>-138</b>	<b>-38</b>	<b>100</b>

### Reasons and actions required to mitigate the variances

- **Credit card charges (£0k)** – Estimated projected shortfall for the year is £80k. This will be covered through an increase in investment income due to higher interest rates.
- **Corporate Savings – Parking & Essential car user (+£100k)** – The implementation of the savings has slipped due to delays experienced in Union consultation. The essential car user exercise has achieved savings of £73k part year and £170k full year. The balancing sum of £30k is being contained.
- **Corporate Single Status (-£328k)**  
There is a budget available of £328k however a report has been considered by Corporate Strategy Board in relation to Single Status such that this budget is going to be required for next year and will be carried forward.
- **Printers/Copiers (£0k)**  
To achieve efficiency savings the contract for printers and copiers has been procured corporately. The annual lease cost of £449k together with a budget saving of £241k gives a combined target of £690k, which needs to be retrieved from the previously disbursed budgets. A detailed review is taking place to ensure that the planned savings and associated costs relating to this contract are fully recovered.

## CORPORATE STRATEGY AND CORPORATE FINANCE

### Summary

Service	Approved Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Chief Executive's Office and Corporate Directorates Strategy and Finance	1,466	1,466	0
Legal and Governance Services	730	730	0
Customer Services	9,027	9,027	0
People Performance and Policy	4,021	3,937	-84
Corporate Finance	17,612	17,612	0
<b>Total</b>	<b>32,856</b>	<b>32,772</b>	<b>-84</b>

### Reasons and actions required to mitigate the variances

- **Strategy and Performance (-£60k)** – Savings in the year have materialised mainly due to vacancy management (-£50k) and other minor underspends (-£10k).
- **Organisational Development (-£24k)** – This projected underspend is a combination of reduced staff training provision (-£97k) and the under-recovery of income earned by the Unit (+£73k) from services previously provided across the Council.

## ADULTS AND HOUSING

There are a number of variations across Adults and Housing that are being managed within the directorate. The position is extremely volatile and it is difficult to predict the placement budgets with certainty.

The position reported below assumes that expenditure will be contained within budget with the exception of the Learning Disability client group. However, given that the net placement budget represents approximately half of the Adults budget, there is still scope for variations between now and the end of the year.

Efficiency savings and recharges from the Printers and Copiers contract have yet to be allocated.

### Summary

Service	Approved Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Adults	47,956	47,956	0
Housing GF	3,749	3,736	-13
Corporate Reductions	-84	0	84
<b>Total</b>	<b>51,621</b>	<b>51,686</b>	<b>71</b>

Housing Revenue Account	<b>-219</b>	<b>-324</b>	<b>-105</b>
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### Adult Services

Service	Approved Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Commissioning & Partnerships	7,363	7,313	-50
Community Care	32,086	33,031	945
Modernisation & Integration	5,892	5,692	-200
Other Services	2,615	1,920	-695
<b>Total</b>	<b>47,956</b>	<b>47,956</b>	<b>0</b>

As noted in the opening paragraph, the Adults position is extremely volatile and difficult to project. There is still much work required to clarify the outturn position in relation to placements, and discussions are ongoing with the Primary Care Trust to enable a full assessment of the impact of recharges to be reflected. Officers are looking at how the Day Care charges can be introduced, however, for the purposes of this report it has been assumed that no charges will be recovered in the current financial year. The contingency provision, uncommitted grant and other variations across the Directorate suggest that the position can be managed within budget.

- **Commissioning & Partnerships** – This variation reflects a number of variations across the division in relation to vacant posts. Mental Health



- services are also included here. The pooled budget arrangement with Central North West London is anticipated to be on target at present, although further work is still required to review the residual Council budget and the issues associated with S117 expenditure with the PCT. Services managed by Support for Living are anticipated to be on target at present.
- **Community Care** – this reflects expenditure across each of the client groups. Grant funding within Older People’s Services of £950k is being held to contain the overall position within Adults Services. Significant pressures exist within the Learning Disability placement budgets, some of which reflects the pressures in relation to continuing care shifts and the arrangements in relation to s117 clients.
  - **Modernisation & Integration** – a number of variations exist within this service area, some of which are offsetting in relation to salary variations. Pressures exist in relation to the change in arrangements in relation to the Integrated Community Equipment Store and currently total £36k. The main variation represents the residual budget in relation to 79 Bessborough Rd and reflects the delay in opening the new 12 bed facility. There are a number of variations in relation to minor adaptation works, with the potential for some of the costs to be capitalized as in previous years. Further work is required to clarify the position and this will be reported in subsequent reports.
  - **Other Services** – this variation reflects in the main the contingency provision held to contain the overall position within the Adults Services Budget.

**Housing GF Services** - The forecast outturn is an overall net under spend of £13k.

## CHILDREN'S SERVICES

Service	Approved Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Young People's Services	4,341	4,541	200
Safeguarding & Family Support	3,995	3,877	-118
Resources	8,282	7,950	-332
Special Needs Service	14,585	14,835	250
Early Years	3,810	3,810	
Schools Development	3,593	3,593	0
Corporate Reductions	-105	0	105
Schools Expenditure	-7,593	-7,593	0
<b>Total</b>	<b>30,908</b>	<b>31,013</b>	<b>105</b>

There are a number of cost pressures, which are being reviewed at present, and further update will be provided in the next report. At present, Children's Services' budgets are projected to break even. However, there are a number of additional corporate savings/reductions, which are required to be made. The known figure at this stage is £105k. There are other corporate reductions, which are yet to be allocated, these include photocopiers and essential car user allowance savings. These reductions are in addition to £265k savings already allocated earlier in the year.

It should be noted that there are a number of variables, which could have an adverse impact on the reported position (e.g. more placements, additional transport provision, further corporate savings).

- **Young People's Services** There are budget pressures of £200k in Leaving Care.
- **Safeguarding & Family Support** - This service has managed to recruit against vacant posts and now has a full establishment. The late recruitment has provided savings for this year. The service is also seeking ways to reduce the use of external foster carers to provide savings.
- **Resources** – Placements and fostering budgets are expected to be underspent but more work is being done to ascertain the position and this will help in offsetting pressures in other areas.
- **Special Needs Service** - There continues to be pressures on transport budgets and it is projected that this area will overspend by £250k.
- **Early Years** – The main pressures are in the nursery placements budgets. However, this is part of the expenditure funded by the Dedicated Schools Grant (DSG).

## COMMUNITY AND ENVIRONMENT SERVICES

### Summary

Service	Approved Budget	Forecast Outturn	Forecast Variance
	£000	£000	£000
Director & Performance	1,111	1,111	0
Planning Service	2,172	2,402	230
Community & Cultural	8,798	8,798	0
Environmental Services	28,739	28,439	-300
Corporate Reductions	-127	-57	70
<b>Total</b>	<b>40,693</b>	<b>40,693</b>	<b>0</b>

### Reasons and actions required mitigating the variances

**Planning Service:** The total overspend of £230k is mainly due to Alwards Rise Planning Inquiry (£50k), Software Licenses (£80k) and Rental income on commercial properties. These costs are being managed at directorate level

**Environment Services:** Community Safety Services is currently predicting an under spend of £300k across all services. The predominant element is due to a significant over achievement of Parking Enforcement (penalty notices) income, which cannot be relied upon to occur again next year. There has also been increase in income from Licensing Services, Pest Control and Highways Enforcement. In addition to increase level of income, there have been minor underspends due to vacancies.

## Appendix 2

### CAPITAL PROGRAMME MONITORING AS AT 31 DECEMBER 2007

	Approved	New Schemes / Addition / Reduction	Forecast Outturn	Carry Forward to (2008/9)
	£000	£000	£000	£000
Corporate Finance and Corporate Strategy	16,548	0	8,998	7,550
Adults and Housing	20,317	750	21,067	0
Children's Services	41,584	50	14,634	27,000
Community and Environment	22,509	501	21,585	1,425
Capitalisation	1,100		1,100	
<b>Total</b>	<b>102,058</b>	<b>1,301</b>	<b>67,384</b>	<b>35,975</b>

### NEW SCHEMES, ADDITIONS AND REDUCTIONS

#### Adults & Housing

Description	£000
Supporting Housing – to be funded from Department of Health	750
<b>Total</b>	<b>750</b>

#### Children's Services

Description	£000
Supporting young people – to be funded from Dept. of children, schools & families	50
<b>Total</b>	<b>50</b>

#### Community and Environment

Description	£000
Play Equipment at Roxeth Rec & Grange Farm Close – to be funded from Big Lottery Fund	129
Safer Stronger Community – to be funded from Local Area Agreement Grant	72
Garden House & Project Management (as per November Cabinet Meeting)	300
<b>Total</b>	<b>501</b>

### CARRY FORWARDS

#### **Corporate Finance and Corporate Strategy**

Description	£000
Internet Protocol Telephony System - Although substantial rollout of the IP telephony will have been completed by 31/3/2007, there will be some further carryover into 2008/9.	250

Disaster Recovery - Due to vacancies held at managerial level within HITS, the project has been delayed and will not be delivered until 2008/9.	800
BTP Strategic Projects	2,700
BTP Provision for New Schemes	3,800
<b>Total</b>	<b>7,550</b>

### Children's Services

Description	£000
Post 16 – Project needs to be rephased to bring in line with the programme and will remain within the timescales.	20,000
New Schools (High School No. 1) – Project needs to be rephased to bring in line with the programme and will remain within the timescales.	7,000
<b>Total</b>	<b>27,000</b>

### Community and Environment

Description	£000
Planning Development Grant – This is the capital element of the grant. £75k has not yet been allocated to specific projects and will be carried forward to 2008/9.	75
Breakspear Crematorium – This is a joint project with Hillingdon at Breakspear Crematorium and due to delays in planning approval, procurement process and VAT implications the works will not get completed in the current financial year and a substantial part of the project needs to be rephased.	700
Wealdstone High Street – Completed project delivery remains for April/May 2008, and hence final costs for works and signals will be finalised into 2008-9.	450
Sport & Leisure- The budget needs to be rephased to maintain any risks on any major system loss or replacement system at the Leisure Centre for 2008-9	200
<b>Total</b>	<b>1,425</b>

### Appendix 3

#### HOUSING REVENUE ACCOUNT (HRA): FORECAST OUTTURN 2007-2008

	Approved Budget	Forecast Outturn	Variance	Comments
	£000	£000	£000	
<b>Expenditure</b>				
Employee Costs	2,962	3,148	186	Salaries overspend for Wardens (£110k) and Tenant services (£148k), and Consultancy costs (£130k) compensated by underspend from salaries elsewhere and from recruitment and training.
Supplies & Services	1,669	1,937	267	Higher Gas and Electricity costs.
Central Recharges	1,411	1,411	0	Support Service Charges.
Employee Costs - Needs / Strategy	354	400	46	Reflects HRA contribution to HGF salary costs.
Recharge to other services	-503	-503	0	Supporting People Grant.
Home Ownership Service	259	43	-216	Reflects admin costs and insurance premium recovered from leaseholders.
Baseline expenditure	6,152	6,437	283	
Contingency -general	200	194	-6	Oncost on DLO back pay (£169k) not provided for in prior years and costs for repairing garages (£25k).
<b>Operating Expenditure</b>	<b>6,352</b>	<b>6,630</b>	<b>277</b>	
Charges for Capital	5,338	5,468	130	Reflects higher estimated borrowing costs compensated by discounts (£213k) resulting from the Council's debt restructuring. Costs assumes capital spend will be to budget (£15m).
Contribution to Repairs Account	4,668	4,809	140	Estimated overspend arising from voids, specialist and DLO contract hire termination costs.
RCCO	1,000	1,000	0	Contribution to Decent Homes expenditure.
Bad or Doubtful Debts	100	100	0	Increase in provision to (£836k) for tenant rent and service charge arrears.
<b>Total Expenditure</b>	<b>17,460</b>	<b>18,007</b>	<b>547</b>	

	Approved Budget	Forecast Outturn	Variance		Comments
	£000	£000	£000		
<b>Income</b>					
Rent Income – Dwellings	-19,980	-20,268	-288		Higher rent income resulting from lower RTB sales and lower voids.
Rent Income – Non Dwellings	-912	-961	-49		Higher rental income from shops.
Service Charges Tenants	-1,119	-1,043	76		Variance compensated by Dwelling Income above.
Service Charges	-255	-203	53		Leaseholders service charge income.
Facility Charges	-336	-342	-6		Income from Heating & Water charges.
Interest	-17	-19	-2		Mortgage Interest receivable.
Other Income	-8	-11	-4		Misc income.
Transfer from General Fund	-83	-83	0		Contribution from the HGF.
HRA Subsidy	5,030	4,599	-431		Negative subsidy payable to Government in line with HRAS second advance claim.
<b>Total Income</b>	<b>-17,679</b>	<b>-18,331</b>	<b>-652</b>		
<b>In Year Deficit / (Surplus)</b>	<b>-219</b>	<b>-324</b>	<b>-105</b>		
<b>BALANCE</b>	<b>-5,946</b>	<b>-6,050</b>			

## Appendix 4

### Payment Performance

	2006-2007				2007-2008		
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter
Creditor invoices	24,424	19,013	19,050	18,129	14,993	13,588	17,169
Value	£67.1m	£66.2m	£66.1m	£44.7m	£48.3m	£45.1m	£60.2m
BVPI (payment within 30 days)	88%	84%	75.0%	70%	78%	83%	87%
General debtor invoices	10,361	8,175	15,036	9,182	8,053	10,728	9,532
Value	£4.9m	£8.1m	£13.0m	£13.4m	£4.4m	£11.5m	£9.8m



## Appendix 5

### Debt Management

Tables showing the aged debt analysis for various categories of debtors, together with the required amounts for BDP according to the rate cards adopted, [but revised in 2007-2008 for Council Tax], are set out below.

#### Council Tax

Currently, bad debt provisions (BDP) of £2.452m exist [£3.352m - £0.9m w/off 1/4/07-31/12/07] for Council Tax against a potential BDP of £2.88m for debts accrued to 31 March 2007. As at end of quarter 3, there is a potential shortfall of £433k in respect of BDP, which will be kept under review. The potential shortfall on BDP has been factored into the 2008-2009 MTFS strategy as part of the Collection Fund deficit.

<b>COUNCIL TAX</b>	Net Arrears outstanding as @ 31.03.07	Net Arrears outstanding as @ 31.12.07	BDP rate as per approved rate card	BDP Required As at 31.12.07
	£	£	%	£
1994-1995 to 2003-2004 system balance	1,302,241	868,012	100	868,012
2004-2005 system balance	977,319	602,049	86	517,762
2005-2006 system balance	1,558,180	904,937	73	660,604
2006-2007 system balance	3,515,656	1,552,403	54	838,297
<b>Total Council Tax Debt over 12 months old</b>	<b>7,353,396</b>	<b>3,927,401</b>		<b>2,884,675</b>

#### National Non Domestic Rates (NNDR)

Currently, bad debt provisions of £1.978m [£2.273m- £0.295m w/off 1/4/07-31/12/07] exist for business rates (NNDR) against a potential BDP of £1.392m. As the business rates are a call on the national non-domestic rate pool of central government there is no financial effect to this Authority.

<b>NATIONAL NON DOMESTIC RATES (NNDR)</b>	Net Arrears outstanding as @ 31.03.07	Net Arrears outstanding as @ 31.12.07	BDP rate as per approved rate card	BDP Required As at 31.12.07
	£	£	%	£
1993-2004 to 2005-2006 system balance	1,336,140	1,034,566	100	1,034,566
2006-2007 system balance	1,563,761	715,102	50	357,551
<b>Total Business Rates Debt over 12 months old</b>	<b>2,899,901</b>	<b>1,749,668</b>		<b>1,392,117</b>

### Sundry Debtors

Currently, a total bad debt provision (BDP) of £2.2m exists for sundry debts as detailed below.

### General Fund

- General debtors provision of £689k exist against a potential bad debt requirement in respect of debt raised before 31 March 2006. Since 1 April 2006 the revised Financial Regulations provide for write-offs to be made against the originating service directorate budget. Therefore, the provision is adequate for any potential bad debt.
- Housing Benefit provision of £748k exists against a potential BDP of £907k. As at end of quarter 3, there is a potential shortfall of £159k, and the year-end position is being reviewed.

	Outstanding Debt as at 31.03.07	Outstanding Debt as at 31.12.07	Bad Debt requirement	
	£000	£000	%	£000
<b><u>HOUSING BENEFIT OVERPAYMENTS</u></b>				
Housing Benefit arrears currently being collected from future payments, therefore no BDP required	1,180	1,664	0.0	0.0
BDP 31.03.07	0	0	0.0	0.0
<u>Housing Benefit arrears in debtor system</u>				
Prior to 2004-2005	375	419	100%	419
2005-2006	355	194	100%	194
2005-2006		65	40%	26
2006-2007	772	241	40%	96
2006-2007		80	30%	24
2007-2008 (Qtr3)		493	30%	148
<b>TOTAL</b>	<b>1,502</b>	<b>1,492</b>		<b>907</b>
BDP 31.03.07	748			

## Housing Revenue Account

- Housing Revenue Account current provision of £752k exist against an estimated requirement of £836k. This provision is for Service Charges and Current and Former tenants rent arrears and adjusted to reflect write off of uncollectible debt.

	Outstanding Debt as at 31.03.07	Outstanding Debt as at 31.12.07	Bad Debt requirement	
<b><u>HOUSING – LEASEHOLDERS</u></b>				
Less than 30 days	16	9	0.0%	0
30 to 60 days	0	0	7.5%	0
60 to 90 days	0	0	15.0%	0
90 to 180 days	80	0	50.0%	0
181 to 365 days	55	0	75.0%	0
> 365 days	151	187	100.0%	187
<b>TOTAL</b>	<b>302</b>	<b>196</b>		<b>187</b>
BDP 31.03.07	232			
Less: write offs	0			
BDP at 31.12.07	<b>232</b>			
<b><u>HOUSING – FORMER TENANT ARREARS</u></b>				
Less than 30 days	17	16	0.0%	0
30 to 60 days	32	36	7.5%	3
60 to 90 days	34	31	15.0%	5
90 to 180 days	85	96	50.0%	48
181 to 365 days	147	176	75.0%	132
> 365 days	149	163	100.0%	163
<b>TOTAL</b>	<b>464</b>	<b>518</b>		<b>351</b>
BDP 31.03.07	309			
Less: write offs	-23			
BDP at 31.12.07	<b>286</b>			
<b><u>HOUSING – CURRENT TENANT ARREARS</u></b>				
Less than 30 days	128	129	0.0%	0
30 to 60 days	117	124	7.5%	9
60 to 90 days	106	89	15.0%	13
90 to 180 days	165	171	50.0%	86
181 to 365 days	142	128	75.0%	96
> 365 days	33	94	100.0%	94
<b>TOTAL</b>	<b>691</b>	<b>735</b>		<b>298</b>
BDP 31.03.07	247			
Less: write offs	-13			
BDP at 31.12.07	<b>234</b>			

**Risk Assessment**

A risk assessment has been conducted using the methodology that was developed last year.

Whilst individually none of the risks are particularly high, a view must be taken on the likelihood of several of these risks materializing in any one-year, and the combined impact. Of course, several of these risks could generate either an overspend or an underspend – for instance interest rates can go up or down. There are other examples of opportunities or windfalls that need to be taken into account such as rate rebates and additional grant.

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 scenarios in terms of possible overspend or income shortfall has been identified and multiplied by the likelihood.

The risks have been quantified as shown in the example below:

Risk	Worst Case £000	Likelihood %	Estimated risk £000
Economic/Financial Risks			
Interest Rates	1,000	20%	200

The total value of risk that has been quantified is £3.4m.

The greatest risks are demand for social care, and achievement of savings.

## **Insurance**

There are now 15 cases potentially over £50k in value that are under consideration by the Council's insurers. The estimated total value of these cases, which are covered by the Council's self-insurance provision, is £1.8m representing negligible change from the position at QTR 2. The two large school claims for fire and flood, which were outstanding in QTR 2, remain open.

Of the 15 cases, many may be settled by insurers at a figure much lower than the reserve and are subject to continued case review and negotiation.

In addition to the 15 cases there are still 2 outstanding cases, which fall outside the insurance policy.

Budget Risk Register 2007-08 to 2009-10

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 fall of a full 1% above the projected rate for a full year. Likelihood is deemed to be very low. Prudent view taken in next year's budget.
Inflation	D III	500	17%	85	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 2007-2008 has yet to be agreed but there is pressure from central government to contain increases to 2%. Contract price increases are known in advance.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
Shortage of working capital	E III	250	6%	15	x	Internally	Fluctuations in working capital have been an issue in the past, however 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 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 have been taken to significantly improve asset management and this represents a future opportunity.
Bad debts and adequacy of provision	D II	1,000	17%	170	X	Internally	Improved monitoring arrangements introduced in 2006-2007 as part of the quarterly budget monitoring reports to Cabinet. Bad Debt Provisions for all debtor areas are continually reviewed.
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.
Settlement of grant claims	C II	1,050	20%	210	x	Externally	Experience shows there is a risk of claims for asylum seeker grants not being settled in full by the government.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
Market developments: Property market	E II	300	6%	18	x	Externally	The anticipated changes in the structure of land charges are reflected in the 2008-2009 budget.
Market developments: Business growth	C III	0	0	0	x	Externally	The Business growth incentive scheme (LABGI) allows Harrow to retain some non-domestic rate income locally. Given the uncertainty around the scheme the income target has been removed from the budget entirely from 2007-2008 onwards.
Market developments: Employment market	EIII	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 care, and even corporate manslaughter. In some cases insurance is in place and liability is capped. The Council's governance framework is designed to reduce risk and ensure that the Council carries out its duties properly and is not negligent. However there is increasingly a compensation culture.



Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
Major fraud	E III	100	6%	6	Yes - partially	Both	No major cases in recent years.
Increased pension fund contributions	B II	0	0	0	x	Externally	Always have notice of changes of this nature so that they can be fully reflected in the budget.
Council Tax: Collection Fund	D III	200	17%	34	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 target collection rate has been reduced in the 2007-2008 budgets and will be reduced again in 2008-2009 to eliminate this risk.
Capital Financing Charges	D III	250	6%	15	x	Internally	During 2006-2007 a budget change was identified because the impact of the capital programme was not fully reflected in the revenue budget. This has now been addressed and the 2007-2008 capital programme is reflected in the 2007-2008 revenue budget. Hence the risk of this occurring again is low.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
Levies and Precepts	EIV	50	6%	3	x	Externally	The Council pays a range of levies, precepts and subscriptions, which are set by other bodies. These are usually known before the budget is set. The waste levy will be a significant issue in future due to the significantly increasing cost of waste disposal.
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 reviews are maintained to improve monitoring. However, overspends can occur during the year and impact on the overall position of the Council if management action is not taken.
<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 than there is for children's services.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
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. The Council does 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 fee structure, Youth legislation, Licenses and gambling, Children's Act. For 2007-2008 implications built into the budget.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
<b><u>ENVIRONMENTAL RISKS</u></b>							
Natural disaster, accident or terrorist incident	EIII	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.
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 III	0	0	0	X	Internally	In medium term the BTP will deliver the majority of the Council's Gershon savings. There are no financial penalties for failing to achieve the targets.
Achievement of allocated savings included in the budget	C II	1,000	38%	380	X	Internally	The final 2007-2008 budget will contain challenging savings and these will be very closely monitored during the year.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
Achievement of unallocated savings included in the budget	F II	0	0	0	X	Internally	The corporate procurement target has been removed from the budget from 2007-2008 and the BTP savings will be fully itemised when the budget is set in February. The final 2007-2008 budget does not include any unallocated 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 2007-2008. All projects will be closely monitored.
Partnership failure – PCT	B II	1,000	38%	380	X	Externally	The budget includes provision for the PCT pulling out of joint services and for additional clients transferred from continuing care to the Local Authority. However, there are still disputed debts to be resolved.
Partnership failure – BTP	DIII	3,400	17%	578	X	Internally	The savings from the partnership as per the contract are built into the budget for 2007-2008.
<b>TOTAL</b>		<b>15,095</b>		<b>3,400</b>			

