



# NATIONAL NON-DOMESTIC RATEPAYER CONSULTATIVE PANEL

THURSDAY 5 FEBRUARY 2004  
2.30 PM

PANEL AGENDA (ADVISORY)

COMMITTEE ROOMS 1 & 2  
HARROW CIVIC CENTRE

## MEMBERSHIP (Quorum 3)

Chair: Councillor Choudhury

### Councillors:

|            |                      |        |        |
|------------|----------------------|--------|--------|
| Idaikkadar | Kara<br>Myra Michael | (none) | (none) |
|------------|----------------------|--------|--------|

### Reserve Members:

|               |                 |        |        |
|---------------|-----------------|--------|--------|
| 1. Bluston    | 1. Versallion   | (none) | (none) |
| 2. Dighé      | 2. Vina Mithani |        |        |
| 3. Ann Groves | 3. Harriss      |        |        |

Issued by the Committee Services Section,  
Law and Administration Division

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***NOTE FOR THOSE ATTENDING THE MEETING:  
IF YOU WISH TO DISPOSE OF THIS AGENDA, PLEASE LEAVE IT BEHIND AFTER THE MEETING.  
IT WILL BE COLLECTED FOR RECYCLING.***

**HARROW COUNCIL**

**NATIONAL NON-DOMESTIC RATEPAYER CONSULTATIVE PANEL**

**THURSDAY 5 FEBRUARY 2004 AT 2.30 PM**

**COMMITTEE ROOMS 1 & 2, CIVIC CENTRE**

**AGENDA - PART I (Open to Press and Public)**

1. **Appointment of Chair:**  
To note the appointment, at the Cabinet meeting held on 20 May 2003 under the provisions of Committee Procedure Rule 7.2 of the Council's Constitution, of Councillor Choudhury as Chair of this Panel for the Municipal Year 2003/04.
2. **Attendance by Reserve Council Members/Apologies for Absence from Representatives:**  
To note the attendance at this meeting of any duly appointed Reserve Members and/or any apologies for absence received from NNDR Representatives.
3. **Declarations of Interest:**  
To receive declarations of interest (if any) from Council Members of the Panel.
4. **Arrangement of Agenda:**  
To consider whether any of the items listed on the agenda should be considered with the press and public excluded on the grounds that it is thought likely, in view of the nature of the business to be transacted, that there would be disclosure of confidential information in breach of an obligation of confidence or of exempt information as defined in the Local Government (Access to Information) Act 1985.
5. **Minutes:** (Pages 1 - 4)  
That the minutes of the meeting held on 3 February 2003, having been circulated, be taken as read and signed as a correct record.
6. **Public Representations:**  
The Council's Constitution provides for Panel meetings to receive Petitions, Deputations, and Public Questions (Committee Procedure Rules 15, 16 and 18).  
  
(It is not anticipated that these will arise at this Consultative meeting).
7. **Budget Options 2004/05 for Consultations:** (Pages 5 - 40)

Report of the Executive Director (Business Connections)

The officer report to the Cabinet meeting on 16 December 2003 is enclosed, together with Recommendation 1 and Minute 384 arising therefrom.

Additionally, the Budget Consultation edition of the Harrow People is attached for information.

N.B. This Consultative Panel meeting is invited to consider the documentation at item 7 above and in discussion to receive any comments/representations from the NNDR Representatives for referral to the Cabinet meeting on 17 February 2004.

**AGENDA - PART II (with the Press and public excluded) - NIL**

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CABINET

VOL.8 CNNDRC 1

**NATIONAL NON DOMESTIC RATEPAYERS  
CONSULTATIVE ADVISORY PANEL**

**3 FEBRUARY 2003**

Chair: \* Councillor Choudhury  
Councillors: John Cowan \* Myra Michael (2)  
\* Kinsey

\* Denotes Member present  
(2) Denotes Category of Reserve Member

Attendance by NNDR Representatives:-

Ms D Ahmad (Manager) - North West London Chamber (of Commerce)  
Mr D Greenwood - Harrow and Hillingdon Branch: Federation of Small Businesses

**PART I - RECOMMENDATIONS - NIL**

**PART II - MINUTES**

- Appointment of Chair:** Further to Minute 6 of the Cabinet meeting held on 29 May 2002, under the provisions of Committee Procedure Rule 7.2 of the Council's Constitution.

**RESOLVED:** To note the appointment of Councillor Choudhury as Chair of this Panel for the Municipal Year 2002/03.
- Attendance of Reserve Council Members: RESOLVED:** To note the attendance at this meeting of the following duly appointed Reserve Member:

| <u>Ordinary Member</u> | <u>Reserve Member</u>   |
|------------------------|-------------------------|
| Councillor Harriss     | Councillor Myra Michael |
- Apologies: RESOLVED:** To note the following apologies advised to the meeting.

Council Members: Apologies were received on behalf of Councillor John Cowan, a member of the Panel, and Councillor Dighe', Finance and Human Resources Portfolio Holder.

NNDR Representatives: Apologies were noted on behalf of Mr S Parsons, 'Harrow Music', and Mr C Shaw, North West London Chamber.
- Declarations of Interest: RESOLVED:** To note that there were no declarations of interest on behalf of Council Members present.
- Minutes: RESOLVED:** That the notes of the informal NNDR Consultative meeting held on 5 February 2002 be received and noted as a correct record of those proceedings.
- Matters Arising from the Previous Meeting:** The following issue was raised arising from the notes of the informal meeting of 5 February 2002.

Minute 2: Civic Amenity Site – 7.5% Increase in Charges to Trade Customers  
A Representative noted that this increase had been opposed on the grounds that it had been excessive and was likely to lead to additional fly-tipping: it was asked if the incidence of fly-tipping had indeed increased. It was advised that this information was not immediately known and a written answer would be provided.
- Public Representations: RESOLVED:** To note that there were no petitions, deputations or public questions (Committee Procedure Rules 15,16 and 18) submitted to this Panel meeting.
- Budget Options 2003/04 for Consultation:** At the invitation of the Chair, the Council's Interim Director of Finance provided the Panel meeting with an overview of the Authority's draft budget proposals for 2003/04. In the course of his presentation the following elements were covered.

- The basic principles/considerations underlying the approach to setting the 2003/04 budget.
- Overview of the Option 1 and Option 2 draft Budgets
- The additional Domiciliary Care Options
- Key features of Option 1
- The principal growth elements in Option 1
- Key features of Option 2 and its principal additional elements
- The make-up of the Option 1 Council Tax increase
- The Council Tax increases within the Medium Term Budget Strategy

The Interim Director of Finance also then drew attention to the basis for the National Non-Domestic Rates. It was noted that the rates poundage was set nationally by the Government. The annual increase was “capped” to inflation (the Retail Price Index) measured at September of the previous financial year. The effect of this for 2003/04 would be to lift the poundage to 44.4p. (increased from 43.7p in 2002/03).

It was explained that the Non-Domestic Rate was collected by Local Authorities and paid to the Government, which then redistributed the monies to Authorities according to their population totals. Harrow received a greater share than was actually collected locally, to reflect the Borough’s density of residential population. (However, the levels of NNDR received by Authorities were balanced by other central Government distribution of grant).

**RESOLVED:** That the Budget Options and other relevant information be received and noted.

9. **Contributions/Comments from NNDR Representatives:** Further to the presentation from the Interim Director of Finance and discussion arising, the following contributions, issues and comments were raised by NNDR Representatives.

(1) Capital Funding

It had been noted that the Council was to fund its regular highway maintenance programme from revenue as one of its budget principles and this was to be phased over a number of years. Clarification was sought and given on the nature of the Authority’s capital resources and capital investments.

It was advised that “capital” essentially referred to new assets which had a life greater than one year or repairs and maintenance expenditure which afforded an extended life to an asset.

The Government determined the allowable “borrowing limits” of each Authority which could not be exceeded and also provided some capital grant monies. The Council’s borrowing was usually repaid over a 25 year period. Loans were taken on the basis of fixed rates and many of these were preferential rates obtained via the Public Works Loans Board.

The likely effect of borrowing on the Revenue Budget was borne in mind and prudent borrowing limits were set. Currently, the Council was not taking out any new external borrowing commitments, but this could change over time.

(2) Social Services Charges/Assessments

Further to the issues raised by the Domiciliary Care budget options, questions were asked regarding the calculations of clients’ disposable incomes and the assessments of need for the purposes of care packages.

It was confirmed that “disposal” income was calculated after certain allowable costs had been deducted. Individual entitlement/circumstances were ascertained by clients completing relevant forms.

The assessments of need for care purposes was undertaken in conjunction with the National Health Service and other relevant agencies. It was noted that the Government was moving to establish a transparent/consistent national policy on this issue.

(3) Trade Refuse

The NNDR Representatives asked whether the Budget contained increased charges for Trade Refuse collection.

It was noted that the charges regime for 2003/04 had been set in November 2002 and written confirmation would be provided of the Trade Refuse Collection figures. A Representative observed that (in other Boroughs) collections/best practice standards were inconsistent and expressed the hope that Harrow's service would be more attuned to the needs of businesses.

A Council Member enquired whether the Amenity Site charges for small businesses were higher than for large businesses, which would appear to be inequitable?

(4) Council Workforce

The NNDR Representatives asked for the total number of Council employees and whether any increases in numbers could be justified.

An indication as to the workforce numbers was given, including teaching staff. There had been establishment increases in the Education and the Social Services Departments but these were being resourced by specific service delivery grants and increases in Education funding. Legislative change may also drive increases in staffing.

The issues of vacancy rates and the employment of agency staff were also raised in discussion. It was confirmed that recruitment difficulties were particularly acute for London Local Authorities. A policy to monitor closely absentee rates and the reliance on agency staff and the associated costs had been instituted. Additionally, through improved procurement policies it was hoped to obtain more competitive agency rates, where agency staff were necessary.

(5) Freedom Passes

Having noted the additional costs arising for the Borough by reason of the move to reduce the qualifying age for men from 65 to 60, as an equality issue, the NNDR Representatives stressed that the availability of the Passes was a matter of great importance to the elderly. They did, however, express concerns about abuse of the system e.g. the continued use of issued Passes by people who had subsequently lost the entitlement by moving outside the Greater London area or lost their Passes.

(6) Procurement Initiatives

The NNDR Representatives noted with interest the initiatives identified in the Budget documents to pursue improved procurement processes and the on-going work of the Council's officer team dedicated to this task in the context of the £750k savings target in 2003/04.

The North West Chamber advised that it was engaged in initiatives with the London Borough of Brent to establish a directory of local businesses and to support those businesses with training and support programmes to raise standards. It was proposed that a similar initiative in Harrow, linked to the procurement policies of the Borough could provide mutual benefits.

The North West Chamber was encouraged to develop its informal links with the officer team in Harrow and to submit any specific proposals in writing.

(7) Contractual Procedures

Some general enquiries were made by the NNDR Representatives regarding the Council's contractual procedures, their rigour and appropriateness. It was confirmed that the Council operated Approved Contractors' Lists, related to the financial size of contracts. Contract letting, specifications and management were also issues that the officer procurement team were examining.

On aspects of best practice in writing contracts, particularly with a view to improving supervision/performance/penalty clauses, the North West Chamber suggested that it would be willing to be involved with the Local Authority and to help establish private sector links.

(8) Local Public Service Agreement: Crime and Disorder

Further to the provision being made in the draft Budget for meeting the LPSA "stretched" targets, the NNDR Representatives enquired about the monies to be expended on tackling the misuse of drugs, under the Crime and Disorder policy area.

It was confirmed that within the LPSA budget provision, some £271k in 2003/04 and £92k in 2004/05 was to be directed to drugs misuse issues and its associated street crime.

The relatively low crime rate in Harrow was pointed-out, with the caveats that this was subject to close monitoring of recent trends, continued action by all agencies and was also likely to be influenced by Police staffing levels and response times.

(9) English as a First Language in Schools

An NNDR Representative queried whether the Budget adequately provided for what might be regarded as a growing number of children being admitted to Harrow Schools without English as a first language.

It was noted that needs were being addressed as required with pupils included in main stream Schools and the resources for relevant programmes were contained within the budget estimates.

(10) Bed and Breakfast Accommodation/Charges

Further to an enquiry by the Representatives as to the Authority's Bed and Breakfast liabilities, it was advised that the Council had a very good record in minimising its resort to Bed and Breakfast accommodation to meet its statutory duty to the homeless and in negotiating low charges for such accommodation. However, it was a very unpredictable demand-led commitment and the Council had to have adequate reserves to guard against sudden increases in its expenditure under this heading.

(11) Option 2 – Additional Elements

Arising from a discussion on the additional elements which would arise were the Budget Option 2 to be pursued, the following points were noted:-

- IT Investment: A significant proportion of the £675k would be earmarked to explore the viability of working via a private sector Partner to improve the Council's business processes and use of technology.
- "Clean and Green" Project: Some £3.748m would allow for the Clean and Green regime piloted in South Harrow to be rolled out to 3 new areas in each financial year and for improved street cleansing in all areas of the Borough in 2003/04.

10. **Consultation Process:** The Interim Director of Finance advised the Panel meeting that the Council's Budget consultations had been undertaken through January and were due to be concluded on 12 February.

The Cabinet on 18 February would take into account the outcome of those consultations in formulating its Budget recommendations to the full Council, which in turn was to meet on 27 February to approve the final Budget and set a Council Tax for 2003/04.

The NNDR Representatives were encouraged to consider all the budget documentation provided to them and, if they wished, to submit any further comments in writing up to 12 February.

**RESOLVED:** That the timescales for the consultations and determining the Budget for 2003/04 be noted.

[Note: The meeting, having commenced at 9.45 a.m., closed at 11.17 a.m.].

(Signed) MRINAL CHOUDHURY  
Chair



LONDON BOROUGH OF HARROW

|              |
|--------------|
| Agenda item: |
| Page no:     |

|                                   |  |
|-----------------------------------|--|
| <b>Meeting:</b>                   | Cabinet  |
| <b>Date:</b>                      | 16 December 2003   |
| <b>Subject:</b>                   | Budget 2004-2005 and Medium Term Revenue Budget Strategy For Consultation  |
| <b>Key decision:</b>              | No   |
| <b>Responsible Chief Officer:</b> | Chief Executive and Executive Director Business Connections  |
| <b>Relevant Portfolio Holder:</b> | Finance and Human Resources and Performance Measurement  |
| <b>Status:</b>                    | Part 1   |
| <b>Ward:</b>                      | All  |
| <b>Enclosures:</b>                | Appendices<br>Appendix A: Budget Summary<br>Appendix B: Sheets 1 to 7 - Base budget changes common to all options for consultation<br>Appendix C: Budget Options for consultation<br>Appendix D: Balances<br>Appendix E: Details of Provisional Settlement<br>Appendix F: Glossary of Terms used in the report |

1. **Summary**

- 1.1 This report sets out the changes to the base budget for 2004-2005 and proposed options for consultation on the Medium Term Budget Strategy.

## **2. Recommendations**

- 2.1 That the Cabinet agrees the base budget of £242.907m for 2004-05 for consultation
- 2.2 That the Cabinet agrees the budget options in Appendix C as variants to the base budget for consultation.
- 2.3 That the Cabinet agree that it recommends to Council in February 2004
  - (i) it maintains a minimum level of unallocated General Fund Reserve of £4m at the end of each financial year;
  - (ii) the optimal level of unallocated General Fund Reserves is £7m; and
  - (iii) the Council aims to achieve the optimal level of reserves over the medium to long term by taking opportunities to increase reserves in its in year financial management.
- 2.4 That the Cabinet approve the Initial Medium Term Budget Strategy as amended by any changes it wishes to make
- 2.5 That the Cabinet delegate the preparation of the budget consultation document to the Chief Executive in consultation with the Group Leaders.

**Reason: To meet the agreed budget timetable to prepare a 2004-2005 budget for consultation.**

## **3. Consultation with Ward Councillors**

None

## **4. Policy Context (including Relevant Previous Decisions)**

- 4.1 The Cabinet recommended a process and timetable for the consideration of the budget on 9 September 2003 based on a two-stage consultation process. The first of these stages represents consultation with key partners on the strategic issues within the budget. The second will involve more detailed consultation on budget options with a wider group of stakeholders.
- 4.2 At its meeting on 14 October 2003 the Cabinet received an update of the Medium Term Budget Strategy and agreed a consultation document.
- 4.3 Two meetings have also been held of the Budget Review Working Group.
- 4.4 In considering its budget and Council Tax proposals for 2004-2005 onwards, the Cabinet and Council will need to strike a balance between the interests of service users, the community in general and those of the Council Tax payer.
- 4.5 Account will also need to be taken of:
  - the implications of decisions in the medium term;

- the External Auditor's comments in the annual Management Letter on the financial health of the Council;
- issues identified in the Improvement and Development Agency (IDeA) peer review concerned with financial planning; and
- issues from the Audit Commission's Corporate Assessment that forms part of the Council's Comprehensive Performance Assessment (CPA).

## **5. Relevance to Corporate Priorities**

5.1 The consideration of the budget is relevant to all corporate priorities as the budget reflects the balance of resources to achieve the Council's service and financial objectives.

## **6. Background Information and Options Considered**

### **Background**

#### *6.1 The Provisional Finance Settlement 2004-2005*

The Council's Formula Spending Share is a key determinant of the Council's resources and its spending plans.

Details of the provisional finance settlement for 2004-2005 were published and announced on 19 November 2003. The key points of the provisional settlement were set out in an information circular to all Members. This is included at Appendix E for information.

The Council's provisional Formula Spending Share (FSS) for 2004-2005 is £234.187m, an increase of £12.797m or 5.8% (on a like for like basis i.e. adjusted for changes in responsibilities, transfers and resource equalisation).

The Council's Formula Grant (Revenue Support Grant plus Business Rates) has also increased by 6.0% from £145.26m to £153.90m. Harrow's increase compares with a national average of 4.7% and a London borough average of 5.1%. The Council is subject to a ceiling set by the Government. If this ceiling had not been applied the increase in grant would be £0.8m greater.

The Cabinet is asked to note that the finance settlement is provisional and that there may be further information made available, in particular in relation to specific grants. This may need the budget and budget strategies to be refined, after consultation.

### **Consultation**

6.2 The Cabinet at its meeting on 14 October 2003 approved a consultation document. Key partners were invited to respond on three issues namely:

- Do you agree with the strategic budget priorities?

- If not which strategic priority areas would you like to see removed or replaced and by which other areas? and
- If you had to rank the priority areas which would be the three most important to you?

6.3 This was the first stage of a 2 stage consultation process, the second stage being a more extensive consultation exercise on detailed budget options. Responses to the first stage consultation will be provided to Cabinet members at Cabinet on 16<sup>th</sup> December 2003.

### **Key issues in preparation of 2004-2005 Budget and 2004-2005 to 2006-2007 MTBS**

6.4 The following section of the report discusses the proposed changes to the Budget. These are set out in the attached sheets. A brief summary of each item is shown together with the level of the existing budget where it is considered relevant in assisting Members and stakeholders to better understand the issue.

6.5 The Sheets show the changes that are proposed over the three years to 31 March 2007. The issues outlined in 2005-06 and 2006-07 remain indicative as they may be affected by level of grants received from government in those years and any new legislative changes.

6.6 Appendix B shows the impact in each year of the changes as set out in the sheets and the cumulative impact on the Council Tax. The calculations of the Council Tax impact are based on the existing Council Tax base. The Council Tax base for 2004-2005 will be subject to a report to Cabinet in January 2004. Members are asked to note that the base budget as presented would result in a Council Tax increase of 6.47%. This compares with the 14.4% forecast in the existing Medium Term Budget Strategy reported to Cabinet in February 2003 and 11.62% reported in October 2003.

#### *6.7 The 2003-2004 Budget Repriced to 2004-2005 Prices*

The base budget 2004-2005 has been prepared on the basis of repricing the current year budget. Provision has been made for a general price increase of 2.8% (in line with the Retail Price Index (RPI) at November 2003), a 2.5% pay award for teachers and 3% pay award for other staff. A number of other areas are expected to incur inflation greater than these levels and have been included at the inflation levels currently estimated. Details are set out in Sheets 2a and 2b.

The base budget may still change as more information becomes available particularly about grants and new responsibilities reflected in the provisional financial settlement.

#### *6.8 Base Budget Changes*

Sheet 2 summarises the financial implications for base budget changes and non-recurring items to ensure base budgets reflect current policies and levels of services.

#### *6.9 Transfers of Functions and Specific Grants*

The settlement has included a number of transfer of specific grants into mainstream funding (the FSS) including matched funding. The spending in relation to these grants now needs to be included in the Council's budget. In addition the cost of benefits and the flood levy have been transferred to Central Government with a corresponding reduction in the FSS.

#### *6.10 Transfers of highways maintenance from capital to revenue*

This represents the second stage of eliminating (over a three year period) the charging of programmed highways maintenance to capital thus reflecting best accounting practice.

#### *6.11 Effect of Previous Policy Decisions*

Sheet 5a summarises the financial implications of previous policy decisions.

#### *6.12 Growth*

The growth arising from the demographic, legislative and other changes is detailed in Sheets 5b to 5e.

#### *6.13 Efficiency and Procurement Savings*

Budgets have been rigorously examined and efficiency savings of £1.900m have been identified from work that has been undertaken as part of the New Harrow Project. These are set out in Sheet 6.

Further savings have been identified that will arise from the Council's proactive procurement strategy, which forms a key part of the New Harrow Project. These total £3.670m and are set out in Sheet 7 together with the procurement savings of £0.515m that were included in the original MTBS

#### 6.14 Base Consultation Budget

The total budget after incorporating all these savings is as follows.

|   | Amount         | Council Tax Increase |
|---|----------------|----------------------|
| Base Budget                                 | 230.092        |                      |
| Non recurring items                         | -0.539         | -0.65%               |
| Base Budget changes                         | -0.227         | -0.27%               |
| Basic Inflation                             | 7.265          | 8.75%                |
| Additional Inflation                        | 2.595          | 3.13%                |
| Transfers of functions and specific grants  | -1.652         | -1.99%               |
| Transfers to/from Capital                   | 0.482          | 0.58%                |
| Additional Revenue Support & Specific Grant | -              | -8.97%               |
| Effect of existing policy decisions         | 7.300          | 8.79%                |
| Legislative growth                          | 1.233          | 1.48%                |
| Demographic / demand                        | 0.966          | 1.16%                |
| Local Public Service Agreements             | 0.578          | 0.70%                |
| Other Growth                                | 1.203          | 1.45%                |
| Procurement Savings                         | -0.515         | -0.62%               |
| NHP Efficiency savings                      | -1.900         | -2.29%               |
| Collection Fund Deficit change              | -0.304         | -0.37%               |
|   |                |                      |
| Sub total                                   | 246.577        | 10.89%               |
|   |                |                      |
| NHP Procurement savings                     | -3.670         | -4.42%               |
|   |                |                      |
| <b>Base Consultation Budget 2004-2005</b>   | <b>242.907</b> | <b>6.47%</b>         |

#### 6.15 Proposed Budget Options

In addition to the base budget for consultation the Cabinet is asked to consider a number of variants on which it may also wish to consult. Appendix C sets out a number of Budget Options for the Cabinet's consideration.

#### 6.16 Education Passporting

From April 2003 the Government introduced a new funding regime for Education which split the Education Formula Spending Share (EFSS) into two elements. The first element is the Schools Formula Spending Share (SFSS) and is known as the Schools Budget.

The Secretary of State and Deputy Prime Minister have written to all authorities setting out the clear expectation that LEAs will passport their SFSS increase in full into a matching increase in its Schools Budget, barring wholly exceptional circumstances. The Secretary of State has made clear that he will use his reserve power where it is necessary to do so to require an authority to set a minimum Schools Budget.

The Schools Budget and the passporting implications are discussed elsewhere on the Agenda. The Budget as presented for consultation is based on the Council fully passporting the increase in the Schools Budget.

The Consultation Option to Increase Funding for Schools would result in the Council providing resources to schools in excess of the passporting requirement. This would effectively be “locked in “ to school budgets in the future unless the Government changes its policy requiring councils to pass increases on the schools FSS directly to schools.

#### *6.17 Specific Grants*

The Government have also announced a significant increase in specific grants and have provided increased flexibility to local authorities by reducing the percentage that are ring fenced.

As a result of these changes £1.6m has been used to support pressures in the People First budget for personal Social Services.

#### *6.18 Reserves*

The Original Budget provides for a planned use of balances contribution of £0.105m being made from General Fund Balances in 2003-2004. The latest Budget Monitoring report as at 31 October 2003 reported to Cabinet in November indicated that savings of £1.135m would be made in the year resulting in a balance carried forward of £5.75m at the end of the year.

The chief financial officer is required under Section of the Local Government Act 2003 to report on the adequacy of the Council’s reserves. The Executive Director Business Connections recommends that the 2004-2005 budget and any Medium Term Budget Strategy does not rely on balances to support ongoing spending other than if reserves are sufficient for smoothing small variations in projected resources and spending, or pump prime in year efficiency savings.

The Executive Director Business Connections advises that the minimum prudent level of balances should stand at £4.0m at the end of each financial year of the strategy, although the optimal level of balances should be £7.0m. The reasons for this recommendation are included at Appendix

#### *6.19 Reserve Powers to Limit Excessive Budget Requirements and Council Tax Increases*

In his statement the Secretary of State reiterated recent warnings from the Government that “ the current trend in council tax rises is not sustainable “ and “that large council tax increases are simply not acceptable”. He went on to warn that “ the Government will be looking at next year’s council tax rises very closely.....Every local authority must be in no doubt that we are prepared to use our targeted capping powers in 2004-2005 if necessary to protect the interests of council tax payers”

#### *6.20 Housing Revenue Account*

The proposed rent increase for Council homes and the detailed HRA budget will be presented to Cabinet at its meeting in January 2004.

#### 6.21 *GLA Precept*

Cabinet is asked to note that the current budget options exclude the impact of the Greater London Authority's precept on any Council Tax increase. This precept is recommended by the Mayor of London each year and approved by the GLA assembly. The impact of any increase will not be known until the New Year.

#### 6.22 *Further Consultation*

It is proposed that the Budget options agreed by the Cabinet be subject to wide consultation with stakeholders and all Council Tax payers through a special edition of the Harrow People. It is proposed that approval to the content be delegated to the Chief Executive in consultation with the Group Leaders. It is proposed that this be circulated in early January 2004 for responses by Friday 6<sup>th</sup> February to enable the results to be reported to Cabinet on 17<sup>th</sup> February.

In addition details of the budget options for consultation will be made available on the Web site and in libraries. Meetings will also be held with stakeholders and partners.

### **7. Consultation**

7.1 Consultation has been held with key partners as noted in 6.3 above.

### **8. Finance Observations**

8.1 This is the report of the Chief Executive and Executive Director (Business Connections) and deals with financial matters throughout.

### **9. Legal Observations**

9.1 The Council has a statutory duty to make a balanced budget. The Cabinet and the Council also need to take into account:

- the letter from the Department for Education and Skills about schools budget passporting and the reserve powers of the Secretary of State for Education and Skills; and
- the reserve powers in relation to excessive budget and Council Tax increases.

### **10. Conclusion**

10.1 Despite the reasonable provisional financial settlement the Council faces major issues in maintaining current services, meeting the demands of legislative and demographic changes, as well as correcting its budget for significant capitalisation.



- 10.2 The report and appendices to this report contain proposed budget options for consultation that the Council will need to consider in balancing the interests of service users with those of the Council Taxpayer.
- 10.3 The finance settlement is provisional. The budget may therefore need to be refined when the final settlement is known at the end of January 2004.

## 11 **Background Papers**

11.1 Background papers include:

- Proposed Budget Process and Timetable 2004-2005, report to Cabinet, 9 September 2003 and associated minutes
- Initial Budget Proposals 2004-2005, report to Cabinet October 2003 and associated minutes
- Provisional Finance Settlement 2004-2005, Government Proposals, and information note to Members, December 2003

## **FOR DECISION**

### **Authors**

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**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**APPENDIX A**

|  | 2004-2005 |           | 2005-2006 |          | 2006-2007 |          |
|--|-----------|-----------|-----------|----------|-----------|----------|
|  | £m        | %         | £m        | %        | £m        | %        |
| Base Budget  | 230.092   | 1,001.16  | 242.907   | 1039.92  | 254.025   | 1073.27  |
| 1 Non Recurring items  | -0.539    | -0.65%    | 0.175     | 2.11     | 0.000     | 0.00     |
| Repriced Base Budget   | 229.553   | 994.661   | 243.082   | 1,042.03 | 254.025   | 1,073.27 |
| 2 Base budget Changes  | -0.227    | -0.27%    | 0.055     | 0.66     | 0.055     | 0.66     |
| 2a Basic Inflation   | 7.265     | 87.59     | 7.719     | 93.07    | 7.951     | 95.86    |
| 2b Additional Inflation                                      | 2.595     | 31.29     | 1.805     | 21.76    | 1.967     | 23.72    |
| 3 Transfers of functions & specific grants                   | -1.652    | -1.99%    | -0.500    | -6.03    | 0.000     | 0.00     |
| 4 Transfers to/from capital                                  | 0.482     | 5.81      | 0.566     | 6.82     | 0.000     | 0.00     |
| RSG/Grant changes  | -89.76    | -8.97%    | -100.69   | -9.68%   | -134.50   | -12.53%  |
| Total Base Position  | 238.016   | 1,006.937 | 252.727   | 1,057.62 | 263.998   | 1,059.01 |
| Budgeted Growth:   |           |           |           |          |           |          |
| 5a Effect of Existing Policy Decisions                       | 7.300     | 8.79%     | 4.021     | 4.66%    | 3.223     | 3.62%    |
| 5b Legislative Change  | 1.233     | 1.48%     | 0.585     | 0.68%    | 0.100     | 0.11%    |
| 5c Demographic/demand change                                 | 0.966     | 1.16%     | 0.607     | 0.70%    | 1.662     | 1.87%    |
| 5d Local Public Service Agreement                            | 0.578     | 6.97      | 0.000     | 0.00%    | 0.000     | 0.00%    |
| 5e Other   | 1.203     | 14.50     | 1.371     | 16.53    | 1.244     | 15.00    |
| Procurement Savings  | -0.515    | -0.62%    | -0.500    | -6.03    | -0.500    | -6.03    |
| 6 NHP efficiency savings                                     | -1.900    | -2.29%    | -1.900    | -22.91   | -1.900    | -22.91   |
| Collection Fund deficit                                      | -0.304    | -3.67     | 0.000     | 0.00     | 0.000     | 0.00     |
| Existing MTBS following full reprice                         | 246.577   | 1,110.153 | 256.911   | 1,108.07 | 267.827   | 1,105.18 |
| 7 NHP procurement savings                                    | -3.670    | -4.42%    | -2.886    | -34.80   | 0.000     | 0.00     |
| Additional formula grant from Chancellor's Pre-budget report | -25.99    | -2.60%    |           |          |           |          |
| MTBS including procurement savings                           | 242.907   | 1,039.92  | 254.025   | 1,073.27 | 267.827   | 1,105.18 |
|  |           | 3.87%     |           | 3.21%    |           | 2.97%    |

**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**Non Recurring Items**

|  | 2004-<br>2005 | 2005-<br>2006 | 2006-<br>2007 |
|--|---------------|---------------|---------------|
| (1)  | £000<br>(2)   | £000<br>(3)   | £000<br>(4)   |
| <b>Chief Executive</b>   |               |               |               |
| Creation of fund for 2006 election costs                       | 6             | 0             | 0             |
| <b>Business Connections</b>                                    |               |               |               |
| Housing Benefits Performance grant not receivable in 2004-2005 | 106           | 0             | 0             |
| <b>Central</b>   |               |               |               |
| NHP restructure - reduction in 2003-2004 set up costs          | -651          | 0             | 0             |
| <b>Urban Living</b>  |               |               |               |
| Close CPZ fund & utilise balance                               | 0             | 175           | 0             |
| <b>TOTAL</b>   | <b>-539</b>   | <b>175</b>    | <b>0</b>      |

## Appendix B - Sheet 1

Notes

(5)

This is an additional sum to top up the base budget of £44,000 to enable the phased creation of a fund to meet the cost of borough elections

Adjustment to the base budget as the grant was a one-off in 2003-04 only.

Reduction of one-off costs incurred in 2003-04 for the New Harrow Project but not required in 2004-05 as these costs are not on-going.

There was a reduction in 2003-2004 to take £175,000 from the CPZ fund. The balance on the fund is sufficient to enable this to be repeated in 2004-2005, when the fund will be exhausted.  
(budget -£175,000)

**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**Base Budget Changes**

**Appendix B - Sheet 2**

| (1)  | 2004-2005   | 2005-2006   | 2006-2007   | Notes   |
|--|-------------|-------------|-------------|---|
|  | £000<br>(2) | £000<br>(3) | £000<br>(4) | (5)   |
| <b>Chief Executive</b>   |             |             |             |   |
| Greater London Magistrates Court Authority levy                  | 55          | 55          | 55          | Phased implementation of the new formula for apportioning the Levy to Greater London Magistrates Court (GLMCA)  |
| Anticipated changes in land charges income                       | 275         | 0           | 0           | Increased use of private searches at the expense of postal searches will reduce the income from land charges.   |
| <b>Business Connections</b>                                      |             |             |             |   |
| Housing Benefits income  | 46          | 0           | 0           | Reduced grant income in 2003-2004 not fully reflected in the Budget   |
| Additional interest on balances                                  | -400        | 0           | 0           | Assumes increase of 3/4% on base rate by end of financial year which will earn additional interest on balances. |
| <b>People First - Schools</b>                                    |             |             |             |   |
| SEN contingency budget not needed in 2004-2005                   | -569        | 0           | 0           | Overprovision in SEN budget   |
| Hospital Tuition Expenditure                                     | 128         | 0           | 0           | Base budget insufficient to meet costs of tuition of pupils in other Authority's hospitals                      |
| <b>People First - Other</b>                                      |             |             |             |   |
| Interest on School Balances                                      | 23          | 0           | 0           | From increased interest rates   |
| PFI fees in base budget  | -108        | 0           | 0           | One off fees to close Special School PFI Contract   |
| 2003-2004 transport savings at Shaftesbury not achievable        | 75          | 0           | 0           | Reinstate budget as savings agreed last year not achieved   |
| 2003-2004 savings re supervision in CAYS not achievable          | 17          | 0           | 0           | Reinstate budget as savings agreed last year not achieved   |
| Area Child Protection Cttee                                      | 15          | 0           | 0           | Cost not in base budget for Harrow's share of expenditure   |
| 2003-2004 savings re day care review not achievable              | 50          | 0           | 0           | Reinstate Budget  |
| 2003-2004 savings re selling family centre places not achievable | 100         | 0           | 0           | Reinstate Budget  |
| <b>Urban Living</b>  |             |             |             |   |
| NNDR reduction - leisure centre                                  | -84         | 0           | 0           | Ongoing impact of reduction in rateable value agreed in 2003-2004. (budget £409,130)                            |
| NNDR reduction - car parks & civic centre                        | -50         | 0           | 0           | Estimated impact of reduction in rateable value. (budget £1,051,250)  |
| Recycling income shortfall                                       | 100         | 0           | 0           | Based on current estimates of collection (budget £641,160)  |
| Adjust parking fines budget                                      | 100         | 0           | 0           | Based on current level of income being received (budget £3,098,000)   |
| <b>TOTAL</b>   | <b>-227</b> | <b>55</b>   | <b>55</b>   |   |

**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**Basic Inflation**

**Appendix B - Sheet 2a**

| (1)                               | 2004-2005    | 2005-2006    | 2006-2007    | Notes<br>(5)   |   |
|-----------------------------------|--------------|--------------|--------------|--|---|
|                                   | £000<br>(2)  | £000<br>(3)  | £000<br>(4)  |  |   |
| <b>Central</b>                    | 144          | 151          | 156          | <u>For 2004-05</u><br>All basic inflation based on 2.8% price increase and 3% pay award for Council staff, 2.5% for teachers plus impact of increased employer's contributions to pension scheme (except teachers) |   |
| <b>Chief Executive</b>            | 93           | 98           | 101          |  |   |
| <b>Business Connections</b>       | 290          | 306          | 315          |  |   |
| <b>Organisational Development</b> | 94           | 99           | 102          |  |   |
| <b>People First - Schools</b>     | 2,792        | 3,172        | 3,267        |  | <u>For Future Years</u><br>Based on 3% pay, 3% price inflation across the board |
| <b>People First - Other</b>       | 2,346        | 2,567        | 2,644        |  |   |
| <b>Urban Living</b>               | 1,506        | 1,326        | 1,366        |  |   |
| <b>TOTAL</b>                      | <b>7,265</b> | <b>7,719</b> | <b>7,951</b> |  |   |

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**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**Additional Inflation**

**Appendix B - Sheet 2b**

| (1)   | 2004-2005    | 2005-2006    | 2006-2007    | Notes   |
|---|--------------|--------------|--------------|---|
|   | £000<br>(2)  | £000<br>(3)  | £000<br>(4)  | (5)   |
| <b>Central</b>  |              |              |              |   |
| Employers pension contributions after 2004-2005       | 0            | 300          | 300          | Additional 0.5% provision for the increase in employer's contributions from 2005-2006 1% has been included in pay inflation.                      |
| <b>People First - schools</b>                         |              |              |              |   |
| Independent School places                             | 112          | 0            | 112          | Based on latest cost estimates  |
| <b>People First - Other</b>                           |              |              |              |   |
| Concessionary Fares                                   | 406          | 200          | 200          | Anticipated increases per TfL   |
| Social Services independent sector purchased services | 1,180        | 980          | 980          | Cost of social care inflation   |
| Social services homecare contracts                    | 250          | 0            | 0            | Tenders received - latest estimate  |
| Criminal Records Bureau rechecks                      | 22           | 0            | 0            | Increased cost of checks  |
| People First non-school budgets                       | 45           | 0            | 0            |   |
| <b>Urban Living</b>                                   |              |              |              |   |
| Street Lighting Contract Renewal                      | 200          | 0            | 0            | Anticipated increase in maintenance costs when the contract is renewed / additional column replacement. (budget £593,740)                         |
| Lighting energy retender                              | 0            | 25           | 75           | Anticipated rise in market price (budget £252,970)  |
| Highways Maintenance                                  | 100          | 0            | 0            | Additional cost of contract extension/renewal and out of hours/winter maintenance services.(budget £2,233,450)                                    |
| Trading Standards precept                             | 22           | 0            | 0            | Additional cost to be applied by the Consortium which has been reviewed. (budget £750,970)  |
| Increased landfill tax on waste                       | 100          | 300          | 300          | Landfill tax will increase by £1/tonne in April 2004, and by £3/tonne April 2005, and a further £3/tonne April, 2006. Total volume = 100k tonnes. |
| West Waste Levy                                       | 158          | 0            | 0            | Additional cost of West Waste Operations.(budget £4,903,230)  |
| <b>TOTAL</b>  | <b>2,595</b> | <b>1,805</b> | <b>1,967</b> |   |

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**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**Transfers of Functions & Specific Grants**

**Appendix B - Sheet 3**

| (1)   | 2004-2005     | 2005-2006   | 2006-2007   | Notes<br>(7)  |
|---|---------------|-------------|-------------|---|
|   | £000<br>(3)   | £000<br>(5) | £000<br>(6) |   |
| <b>Business Connections</b>                                     |               |             |             |   |
| Benefits from FSS to grant                                      | -2,580        | -500        | 0           | Transfer to 100% grant funding for Housing and Council tax benefit which was previously funded at 95%. There is a corresponding reduction in the Council's Revenue Support Grant  |
| Council Tax discounts   | -100          | 0           | 0           | Additional Council Tax income arising from changes in discounts on furnished empty properties. (Subject to Cabinet decision)  |
| <b>People First - Other</b>                                     |               |             |             |   |
| Quality Protects grant to FSS                                   | 2,110         | 0           | 0           | Moved from grant to base budget   |
| Replace Standards Fund grant for Drug Alcohol and Tobacco Abuse | 60            | 0           | 0           | Grant ceasing but LEAs required to continue to work with schools  |
| <b>Urban Living</b>   |               |             |             |   |
| End of SRB grant - Access Auditors project                      | 71            | 0           | 0           | This project provides training, support and employment to disabled people through the provision of consultancy services across a wide range of industries, employers and service providers. This provides funding for salaries of staff to enable the project to continue when grant funding ends.(budget nil).   |
| Planning Development Grant shortfall                            | 52            | 0           | 0           | It is projected that there will be a reduction in Planning Development Grant in 2004-2005 compared to the current year. This growth would allow for the continued funding of 2 trainee posts. If the Planning Development Grant is significantly below the £252,000 received in the current year then this bid will need to be reviewed. This is a BVPI key target area |
| Flood levy transfer   | -1,265        | 0           | 0           | The Environment Agency levy will be discontinued from 1 April 2004. (budget £1,265,250). There is a corresponding reduction in the Revenue Support Grant that the Council receives.   |
| <b>TOTAL</b>  | <b>-1,652</b> | <b>-500</b> | <b>0</b>    |   |

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**LONDON BOROUGH OF HARROW  
MTBS 2004-2005 to 2006-2007  
BASED ON PROVISIONAL SETTLEMENT**

**Transfers to/from capital**

**Appendix B - Sheet 4**

| (1)  | 2004-2005   | 2005-2006   | 2006-2007   | Notes<br>(7)   |
|--|-------------|-------------|-------------|--|
|  | £000<br>(3) | £000<br>(5) | £000<br>(6) |  |
| <b>Central</b>                                       |             |             |             |  |
| Decapitalisation of Highways Maintenance expenditure | 482         | 566         | 0           | Transfer of highways maintenance expenditure from capital to revenue in line with accounting best practice |
| <b>TOTAL</b>   | <b>482</b>  | <b>566</b>  | <b>0</b>    |  |

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**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**Budgeted Growth - effect of previous policy decisions**

**Appendix B - Sheet 5a**

| (1)   | 2004-2005    | 2005-2006    | 2006-2007    | Notes   |
|---|--------------|--------------|--------------|---|
|   | £000<br>(3)  | £000<br>(5)  | £000<br>(6)  | (7)   |
| <b>Central</b>                                    |              |              |              |   |
| ICT infrastructure                                | 600          | 1,330        | 0            | Cost of implenting the IT Strategy part repahsed to 05/06 .   |
| <b>People First - Schools</b>                     |              |              |              |   |
| Funding up to passport level                      | 2,899        | 211          | 1,963        | Funding for schools up to passport level  |
| Changes to floor area at PFI special schools      | -37          | 14           | 47           | Funding for premises for schools based upon floor area  |
| <b>People First - Other</b>                       |              |              |              |   |
| DCMS Library Standards                            | 300          | 0            | 0            | To meet Library Standards in 04/05  |
| PFI affordability gap (special schools)           | 380          | 15           | 38           | Committed expenditure to fund PFI contract  |
| Implementing Cultural Strategy                    | 0            | 93           | 0            | Costs associated with implementing the Cultural Strategy repahsed to 2005/2006  |
| Youth & Community growth                          | 300          | 300          | 300          | To meet National Youth Work Standards   |
| Develop Community outreach team as part of SS PFI | 120          | 150          | 0            | Learning Disability Day Care and Residential scheme   |
| Joint commissioners & admin part funded by PCT    | 44           | 0            | 0            | Supporting closer working relationships with Health   |
| <b>Urban Living</b>                               |              |              |              |   |
| Refuse Contract Service improve                   | 125          | 0            | 0            | Part year effect from 03/04(budget £2,058,810   |
| Separate collection of organic waste              | 217          | 0            | 0            | Cost of operating two additional organic collection rounds. Vehicles, etc., funded by Government Grant. Essential if LPSA target to be achieved.(budget nil as first year funded from grant)  |
| Car park staff to cover Sundays                   | 41           | 0            | 0            | Sunday car parking has required additional staffing for cash collection and supervision   |
| Wealdstone Centre                                 | 67           | 0            | 0            | Additional running costs of the new Centre compared to the library and youth centre buildings being replaced. (budget nil)  |
| Clean & Green Area roll out                       | 2,244        | 1,908        | 875          | Cost of Public Realm Maintenance Area Roll Out. Proposal based on resource plan considered by New Harrow Project Working Party. Capitalise £200K of spend. This additional resource will enable operational areas 4,5 and 6 to be commisioned by the end of 2004-2005.. The final 3 areas, 7,8 and 9 will become operational in 2006-2007. (Budget 2,469,000) |
| <b>TOTAL</b>                                      | <b>7,300</b> | <b>4,021</b> | <b>3,223</b> |   |

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**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**Budgeted Growth - Legislative Change**

**Appendix B - Sheet 5b**

| (1)   | 2004-2005   | 2005-2006   | 2006-2007   | Notes  |
|---|-------------|-------------|-------------|--|
|   | £000<br>(3) | £000<br>(5) | £000<br>(6) | (7)  |
| <b>Chief Executive's</b>  |             |             |             |  |
| Lawyer & Administrator for new liquor licensing duties            | 75          | 0           | 0           | Appointment of Licensing lawyer and Committee administrator to deal with transfer of liquor licensing from the Magistrates Court.              |
| <b>Organisational Development</b>                                 |             |             |             |  |
| Additional support to scrutiny                                    | 167         | 0           | 0           | The Scrutiny function has been operating to a wider remit encompassing policy development and review of decisions, performance and governance. |
| HR Officers & training to comply with Equalities legislation etc  | 145         | 95          | 0           | Training budget to support implementation of equality work and meet legislation.   |
| Health & Safety Officer   | 45          | 0           | 0           | Appointment of Health & Safety officer required to ensure compliance with the Council's statutory H&S requirements.                            |
| <b>People First - Schools</b>                                     |             |             |             |  |
| Harrow Tuition Service  | 49          | -12         | 0           | To provide full time education for increasing exclusions including additional premises costs   |
| Learning Support Units in schools                                 | 36          | 0           | 0           | Expand Learning Support Unit provision to 2 further schools  |
| Admission arrangement changes                                     | -4          | 0           | 0           | One off funding from last year   |
| <b>People First - Other</b>                                       |             |             |             |  |
| Person centred planning for Learning Disabilities                 | 62          | 100         | 100         | Required by Valuing People, a central government initiative aimed at developing partnership working and service development                    |
| Develop Quality Performance Review Gp for children's services     | 69          | 0           | 0           | Impact of Green Paper  |
| Increase staffing to meet NCSC standards at Silverdale and Haslam | 100         | 100         | 0           | National Care Standards set the minimum level of staffing required which is higher than the current levels                                     |
| Area Child Protection Committee                                   | 30          | 0           | 0           | Impact of Green Paper and the Climbie Inquiry recommendations re. an enhanced role for the ACPC  |
| Requirement to move to 7 days a week extended hours service       | 60          | 120         | 0           | New government requirements  |
| Emergency Duty Team - extended hours required                     | 60          | 0           | 0           | New requirements   |
| Multi Agency Adult Protection Co-ordinator                        | 40          | 0           | 0           | Reflecting the need to protect all vulnerable people from abuse  |
| Adoption requirements   | 118         | 0           | 0           | Additional staff required in line with the requirements of the Adoption & Children Act & National Care Standards                               |
| Fair Access to Care requirements                                  | 84          | 0           | 0           | Reflecting the eligibility criteria set which is anticipated to lead to increased demand plus the additional take up in Direct payments        |
| Charges for equipment no longer allowed                           | 50          | 0           | 0           |  |
| <b>Urban Living</b>   |             |             |             |  |
| Officer to implement new requirements from Building Regulations   | 0           | 29          | 0           | Career grade position to implement new electrical and telecommunication requirements.  |

**LONDON BOROUGH OF HARROW  
MTBS 2004-2005 to 2006-2007  
BASED ON PROVISIONAL SETTLEMENT**

**Budgeted Growth - Legislative Change**

**Appendix B - Sheet 5b**

| (1)  | 2004-<br>2005 | 2005-<br>2006 | 2006-<br>2007 | Notes  |
|--|---------------|---------------|---------------|--|
|  | £000<br>(3)   | £000<br>(5)   | £000<br>(6)   | (7)  |
| Officer to implement sub regional housing work | 35            | 0             | 0             | Strategic work and strengthen housing needs evidence.  |
| Home Energy Conservation Act Officer           | 12            | 13            | 0             | To implement the Affordable Warmth Strategy  |
| EC directive on noise mapping                  | 0             | 60            | 0             | Additional resources to undertake necessary noise mapping.                                     |
| HSW review implementation                      | 0             | 80            | 0             | Additional resources to undertake duties associated with transfer of responsibilities from HSE |
| <b>TOTAL</b>                                   | <b>1,233</b>  | <b>585</b>    | <b>100</b>    |  |

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**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**Budgeted Growth - Demographic/demand change**

**Appendix B - Sheet 5c**

| (1)  | 2004-2005   | 2005-2006   | 2006-2007    | Notes   |
|--|-------------|-------------|--------------|---|
|  | £000<br>(3) | £000<br>(5) | £000<br>(6)  | (7)   |
| <b>People First - Schools</b>                                |             |             |              |   |
| 4 year olds in PVI sector                                    | 65          | 0           | 0            | Cost of demographic changes on budget   |
| SEN pupils statement funding payable through funding formula | 100         | 50          | 50           | Cost of demographic changes on budget   |
| Increased free school meals                                  | 60          | 60          | 60           | Cost of demographic changes on budget   |
| Growth in SEN placement budgets                              | 418         | 400         | 400          | Cost of demographic changes on budget   |
| Universal provision for 3 year olds                          | 462         | 210         | 206          | Cost of demographic changes on budget   |
| Pupil projections payable through funding formula            | -400        | -500        | 360          | Saving / Cost of demographic changes on budget  |
| Fund nursery classes on actual pupil numbers                 | -62         | 0           | 135          | Effect of policy change agreed last year  |
| <b>People First - Other</b>                                  |             |             |              |   |
| Increase in numbers eligible for freedom pass                | 100         | 100         | 100          |   |
| Increase in numbers of Children looked after                 | 100         | 100         | 100          | There is an increase in the number of specialist placements outside of the borough, some arising from court directions over which Harrow has no control |
| <b>Urban Living</b>  |             |             |              |   |
| Increased waste tonnage                                      | 123         | 187         | 251          | Section 52.9 "Commercial Waste" increased tonnage charges and waste disposal etc., costs. (budget £774,230)   |
| <b>TOTAL</b>   | <b>966</b>  | <b>607</b>  | <b>1,662</b> |   |

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**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**Budgeted Growth - LPSA**

**Appendix B - Sheet 5d**

| (1)  | 2004-2005   | 2005-2006   | 2006-2007   | Notes<br>(7)  |
|--|-------------|-------------|-------------|---|
|  | £000<br>(3) | £000<br>(5) | £000<br>(6) |   |
| <b>Business Connections</b>                  |             |             |             |   |
| LPSA employment - HIB Business Advisor       | 12          | 0           | 0           | 0 Funding to support the Council in meeting its Local Public Service Agreement targets with government departments  |
| <b>People First - Schools</b>                |             |             |             |   |
| Educational attainment for Key Stages 2 to 3 | 180         | 0           | 0           |   |
| <b>People First - Other</b>                  |             |             |             |   |
| Reducing school truancies                    | 71          | 0           | 0           |   |
| Adoption target                              | 7           | 0           | 0           |   |
| Education of children in care                | 14          | 0           | 0           | 0 Improved educational attainment for Children in care in line with the LPSA  |
| <b>Urban Living</b>                          |             |             |             |   |
| Crime Reduction                              | 61          | 0           | 0           | 0 Full year effect of revenue costs part funded from LPSA pump priming grant in 2003-2004. (budget £34,000)   |
| Recycling Project                            | 75          | 0           | 0           | 0 Ongoing costs of 2 staff at the Civic Amenity site funded from LPSA pump priming grant in 2003-2004. (nil budget)   |
| Drugs misuse & treatment                     | 158         | 0           | 0           | 0 Full year revenue costs of scheme following the establishment of a drug and alcohol service centre to fund nursing staff, Assertive Outreach staff, a GP and admin support. (budget £109,000) |
| <b>TOTAL</b>                                 | <b>578</b>  | <b>0</b>    | <b>0</b>    |   |

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**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**Budgeted Growth - Other**

**Appendix B - Sheet 5e**

| (1)  | 2004-2005    | 2005-2006    | 2006-2007    | Notes   |
|--|--------------|--------------|--------------|---|
|  | £000<br>(3)  | £000<br>(5)  | £000<br>(6)  | (7)   |
| <b>Central</b>                                   |              |              |              |   |
| Capital financing                                | 420          | 510          | 600          | Funding of the Council's capital investment plan based on using £7.5m of reserved receipts.   |
| <b>Business Connections</b>                      |              |              |              |   |
| Enhanced Financial Management                    | 50           | 140          | 0            | Investment in Finance Function to enable strategic mapping, reduce reliance on consultants & provide for financial training   |
| Enhance Internal Audit                           | 40           | 40           | 40           | Phased appointment of additional internal auditors to support delivery of key priorities arising from CPA review including performance, scrutiny, risk management and service improvement |
| Business Continuity Officer                      | 0            | 34           | 0            | To develop the Council's Business Continuity plans  |
| <b>Organisational Development</b>                |              |              |              |   |
| Business Manager                                 | 45           | 0            | 0            | Appointment of a Business Manager to support Organisational Development directorate.  |
| Corporate Policy Officers                        | 150          | 50           | 0            | Policy Officers required to develop council policy and strategy in line with CPA  |
| <b>People First - Schools</b>                    |              |              |              |   |
| Special Schools' Formula Review                  | 50           | 0            | 0            | To phase in special school formula changes and provide minimum per pupil guarantee  |
| Admissions software                              | 33           | -33          | 0            | New software for co-ordinated admissions  |
| Activity Led Resourcing (ALR) transition funding | 0            | 200          | -100         | Funding for phasing in any formula changes resulting from the ALR Review  |
| <b>People First - Other</b>                      |              |              |              |   |
| School Reorganisation Debate                     | 0            | 100          | 400          | Costs associated with implementing a school reorganisation  |
| Clothing Grants                                  | 15           | 0            | 0            | Budget pressure from existing policy  |
| Playschemes                                      | 25           | 0            | 0            | Budget pressure from existing policy  |
| Children's Advocacy                              | 50           | 50           | 50           | Development of service for Children in Need & Children Looked After   |
| Children's Services staffing levels              | 94           | 94           | 94           | Compliance with the recommendations of the Climbie Inquiry  |
| Loss of rent at Gayton Rd                        | 26           | 0            | 0            | Health Authority moving out of premises   |
| IT equipment licenses & training                 | 0            | 126          | 100          | From NHP IT growth in 04/05   |
| Libraries redecoration                           | 15           | 0            | 0            | Redecoration works to libraries in the borough.   |
| <b>Urban Living</b>                              |              |              |              |   |
| Replacement Green Box vehicles                   | 60           | 60           | 60           | Leasing costs for replacement vehicles at end of life. These vehicles were previously funded by grant. (budget nil)   |
| Premier House - office accommodation             | 70           | 0            | 0            | Running costs of office accommodation on the second floor of Premier House. (nil budget)  |
| Minor Road Safety Improvements                   | 60           | 0            | 0            | Provision to meet minor improvements  |
| <b>TOTAL</b>                                     | <b>1,203</b> | <b>1,371</b> | <b>1,244</b> |   |



**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**NHP EFFICIENCY SAVINGS**

**Appendix B - Sheet 6**

| (1)  | 2004-2005     | 2005-2006     | 2006-2007     | Notes  |
|--|---------------|---------------|---------------|--|
|  | £000<br>(3)   | £000<br>(5)   | £000<br>(6)   | (7)  |
| <b>Corporate Savings</b>   |               |               |               |  |
| NHP restructure  | -370          | -370          | -370          | Savings in staffing costs from implementation of new structures  |
| Reduction in sickness absence  | -200          | -200          | -200          | Savings arising from the review of the sickness absence scheme   |
| Outsource Print Unit   | -250          | 0             | 0             | Develop more cost-effective service  |
| Reduce Copiers in Civic Centre   | -62           | 0             | 0             | Rationalisation of the use of photo copiers,   |
| Natural reduction in lease cars  | -84           | -69           | -48           | Reduction in the leased cars scheme as existing members leave scheme   |
| First Contact  | 0             | -200          | -400          | Implementation of the First Contact Review   |
| ERP system   | 0             | -200          | -300          | Implementation of a joined up back office system   |
| 2006/07 savings to be identified   | 0             | 0             | -582          |  |
| <b>People First - Other</b>  |               |               |               |  |
| SEN disagreement resolution service  | -7            | 0             | 0             | Savings on cost of service provided by consortium  |
| Post 16 transport  | -12           | 0             | 0             | Pan London policy introduced from April 2004 consistent with current provision therefore growth approved last year not required                                      |
| Move residential services to more preventive model   | -50           | 0             | 0             | Allows expensive residential placements to be avoided  |
| Increase use of Harrow Adult Placement scheme  | -125          | 0             | 0             | Allows expensive residential placements to be avoided  |
| Accommodation officer to achieve phased move of MH clients to more cost effective placements | 0             | -100          | 0             |  |
| Pursue outsourcing of Children's Residential services  | 0             | -50           | 0             | Anticipating some cost efficiencies and economies that may arise via outsourcing   |
| <b>Urban Living</b>  |               |               |               |  |
| Reduction in homelessness costs  | -100          | 0             | 0             | Eliminating use of bed and breakfast and reductions in the unit cost of accommodating homeless families in leased properties   |
| Extension of charging for car parking  | -8            | -97           | 0             | Full year net impact of the extension of car parking charges agreed as part of the 2003-2003 budget.   |
| Liquor Licensing Enforcement   | 0             | -100          | 0             | Income during the transitional period of the new Licensing Act 2003 is currently estimated to be in the region of £100K above existing entertainment related income. |
| <b>Business Connections</b>  |               |               |               |  |
| IT standardisation   | -215          | 0             | 0             | Economies of scale arising from the standardisation of computers & printers  |
| Improved procurement   | -317          | -429          | 0             | Improvements arising from the standardisation of contracts   |
| Proactive debt management for the collection of Council Tax                                  | -100          | -85           | 0             | Setting up of a team to improve Council Tax cash flow by more proactive pursuit of debt.   |
| <b>TOTAL NHP EFFICIENCY SAVINGS</b>  | <b>-1,900</b> | <b>-1,900</b> | <b>-1,900</b> |  |

**LONDON BOROUGH OF HARROW**  
**MTBS 2004-2005 to 2006-2007**  
**BASED ON PROVISIONAL SETTLEMENT**

**NHP PROCUREMENT SAVINGS**

|   | 2004-<br>2005 | 2005-<br>2006 | 2006-<br>2007 |
|---|---------------|---------------|---------------|
| (1)   | £000<br>(3)   | £000<br>(5)   | £000<br>(6)   |
| Reduced lease costs for print unit machines | -34           | 0             | 0             |
| Reduced procurement costs for IT equipment  | -33           | 0             | 0             |
| Roll out purchasing cards                   | -700          | 0             | 0             |
| e-prcurement admin savings                  | -375          | -375          | 0             |
| Develop Corporate Contracts                 | -3,043        | -3,011        | 0             |
| Less amount in MTBS reprice                 | 515           | 500           | 0             |
| <b>TOTAL NHP PROCUREMENT SAVINGS</b>        | <b>-3,670</b> | <b>-2,886</b> | <b>0</b>      |

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## Appendix B - Sheet 7

### Notes

(7)

Savings arising from renegotiating leases

Savings arising from renegotiating leases

Rolling out of purchase cards across the Council to cover supplies and services. This is linked to a rebate from the bank on the expenditure.

Reduction of staff time in the administration of procurement to pay processes.

Saving in costs of procurement by letting of corporate contracts and more proactive purchasing policies (saving of 11.5% saving on 70% of spend) after allowing for savings already reflected in the MTBS

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## APPENDIX C

### OPTIONS FOR BUDGET CONSULTATION

|                                      | 2004-2005       | Band D        | % Change     |
|--------------------------------------|-----------------|---------------|--------------|
| <b>Increased funding for schools</b> | <b>£800,000</b> | <b>£10.20</b> | <b>1.02%</b> |

The Schools in Harrow have identified ongoing funding pressures arising from a number of issues, such as enhanced terms and conditions for teachers required nationally and the difficulties in recruiting and retaining teaching staff locally. Within the base budget figures the Council is proposing to pass on all the increase in schools funding to school budgets that the government requires. However, the local schools have identified that this increase will not meet the costs of all the pressures they will face on their budgets next year.

An increase of £800,000 would considerably help the schools to ease the pressure.

#### **Fees and Charges**

|                                 |                  |               |               |
|---------------------------------|------------------|---------------|---------------|
| <i>Fairer home care charges</i> | <i>-£358,000</i> | <i>-£4.32</i> | <i>-0.43%</i> |
|---------------------------------|------------------|---------------|---------------|

The Council currently charges people in receipt of Home Care who have savings of over £19,500 and higher than a minimum level of income. The charge is £9 per hour up to a maximum of £81 per week. The cost to the Council of providing the service is over £11 per hour, which means that all people in receipt of home care are receiving a subsidised service.

The Council currently has the lowest hourly charge and maximum charge of any of its neighbours. Average hourly charges for neighbouring councils are over £11 per hour, and the average maximum cost around £300 per week.

The Council has recently retendered many of its home care contracts and expects a significant price increase. This will mean that the lowest cost of providing home care will be over £12 per hour in 2004-05 (the average cost will be significantly higher than this).

The option proposes that the charge be increased to £11 per hour (still lower than the average of neighbouring councils) for those people with a minimum of £30,000 in savings. The maximum charge would be no more than £300 a week. This would mean that everyone in receipt of the service was still receiving a subsidy from the Council, but would go some way to covering the Council's cost of these services. The charge may need to be phased in to help protect those people who would see large increases in charges.

The budget for expenditure on this service in 2003-04 is £4.330m and that for income is £1.289m.

|                               |                        |                      |                      |
|-------------------------------|------------------------|----------------------|----------------------|
| <b><i>Meals on wheels</i></b> | <b><i>-£34,000</i></b> | <b><i>-£0.41</i></b> | <b><i>-0.04%</i></b> |
|-------------------------------|------------------------|----------------------|----------------------|

The Council currently provides both a frozen and hot meals service to people in the community. The cost of providing hot meals is significantly higher than that of providing frozen meals. The current charge per meal is £2.30, whether that is a hot meal or a frozen one. This charge does not recover the full cost of either service.

The option is to increase the meals charges to £2.50 for frozen meals and £2.60 for hot meals in 2004-05, with a further price increase for hot meals to £3.00 in 2005-06. The differential pricing would reflect the extra costs of providing hot meals, and provide more recovery of costs without making a profit from any service user.

These proposed charges would be similar to the average across neighbouring councils.

The budget for income for 2003-04 is £420k. The budget for expenditure is £960k.

### **Improving services at a fair price**

|  |                        |                     |                      |
|--|------------------------|---------------------|----------------------|
| <b><i>New pest control charges</i></b> | <b><i>-£77,000</i></b> | <b><i>£0.93</i></b> | <b><i>-0.09%</i></b> |
|--|------------------------|---------------------|----------------------|

At present the council does not charge for pest control treatments. It currently only provides a service for rodent control, as it does not have the resources to provide an insect control service (e.g. for wasps, ants, cockroaches etc). The current costs of the service are £77,000 per annum.

The option is to reintroduce an insect control service and levy charges for these of £30 for one treatment, £40 for two treatments to enable the Council to provide this service to citizens of the Borough. This would make the insect control element self financing. In addition, it is proposed to introduce a charge of £30 per treatment (of up to 3 visits) for rodent control which would make the whole service self financing and save the Council the £77,000 costs of currently running the service.

Neighbouring Councils all levy some form of charge for pest control, although levels of charge vary significantly. Harrow is one of a handful of councils left in the country that does not charge for pest control treatments.

### **Savings to Target Services based on greatest need.**

|                         |                         |                      |                      |
|-------------------------|-------------------------|----------------------|----------------------|
| <b><i>Taxicards</i></b> | <b><i>-£125,000</i></b> | <b><i>-£1.50</i></b> | <b><i>-0.15%</i></b> |
|-------------------------|-------------------------|----------------------|----------------------|

The Council currently funds the costs of taxi journeys (up to £9.90 per trip) for people with a registered disability up to 108 trips per year. While this is a scheme operated across London, it is discretionary and all Councils operate different systems and processes to run the scheme and decide eligibility. Harrow currently spends around £800,000 per year on this scheme, which is partly subsidised by the Greater London Authority, reducing the real cost to the Council to £640,000.

This is the most generous scheme in terms of expenditure anywhere in London. The average cost across the other London Boroughs is less than £200,000 per year. The option is to change policies in relation to taxicards which would reduce the Council's spend to around £525,000 per year on this service. This would still be significantly more than the average spend on this service across London and would ensure that those people with the greatest need will not be affected by these changes.

***Rephase Clean and green project***                      ***-£300,000***    ***-£3.62***            ***-0.36%***

This option provides for the rephrasing the roll out of the Clean & Green area based service. At present, 2 of the areas have started and the Kentons will start on the 5<sup>th</sup> January 2004. The MTBS provides for 3 more areas to start in the 2004-05 financial year, with the final 3 starting in the 2005-06 financial year.

The options for changing the roll out is shown in the table below:

|              | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|--------------|---------|---------|---------|---------|
| Current Plan | 3 areas | 3 areas | 3 areas |         |
| Option       | 3 areas | 2 areas | 3 areas | 1 area  |

### **Other potential improvements**

***Improve standards for private tenants***                      ***£60,000***            ***£0.72***            ***0.07%***

The Best Value Review of Housing and national indicators shows that the standard of Private Sector Housing in Harrow is relatively poor when compared to other London Boroughs. This means that private sector tenants often have to inhabit poor quality, overcrowded homes. The Growth would allow for 3 extra enforcement officers to be appointed over the next 2 years to work towards improving the quality of private sector housing across the Borough for tenants.

***Improve disability services***                                      ***£128,000***            ***£1.54***            ***0.15%***

The Council has identified a need to improve services to people with Physical Disabilities, Sensory Impairment and Learning Disabilities. The funds would enable additional social care staff to be appointed to work with adults with disabilities to help improve services to these vulnerable people.

***Improve residential streets***                                      ***£570,000***            ***£6.87***            ***0.69%***

The current street maintenance budget only enables urgent maintenance work to be undertaken, meaning that the general condition of residential streets is starting to deteriorate. The growth bids for the next 2 years would reverse this deterioration and enable the Council to make improvements to residential streets.

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LONDON BOROUGH OF HARROW

BUDGET REVIEW 2004-2005

GENERAL FUND BALANCES - PRUDENT LEVEL OF RESERVES

In December 2003 the Council approved the level of general reserves that we should hold at a minimum of £4m with an optimum level of £7m.

This report reviews the information provided last year, and considers whether any change needs to be made to the minimum and the optimum level of general fund reserves. The report does not cover reserves held by schools, nor does it consider earmarked reserves.

**The recommendations of the Executive Director Business Connections as the Council's Section 151 Officer under his statutory responsibility under the Local Government Act 2003 is that**

- a) Retain a minimum prudent level general fund reserves (excluding schools) of £4m at the end of any financial year.
- b) To agree an optimal level of general fund reserves of £7m for the period of the Medium Term Budget Strategy for the period 2004-5 to 2006-7.
- c) To maintain the optimal level for the period of the Medium Term Budget Strategy for the period 2004-5 to 2006-7
- d) To review the level of general fund reserves annually

It is the responsibility of each authority to set its level of reserves based on local conditions, but taking into account national factors. Although advice can be sought from the external auditors it is not their responsibility to prescribe minimum or optimum level.

In setting the level the authority should take into consideration the advice of their chief financial officer, taking into account all local relevant circumstances. A well managed authority, with a prudent approach to

budgeting should be able to operate with a relatively low level of reserves.

The Audit Commission's Corporate Performance Assessment (CPA) takes account in assessing an authority's financial standing, the level of financial reserves. They also expect a good authority to review their reserves on an annual basis.

As at the 31<sup>st</sup> March 2003 the level of General Fund Reserves was £5.2m, within the range approved by Council.

In arriving at the levels set out in the recommendations (minimum £4m, optimal £7m) the following factors have been taken into account:-

|                              |  |
|------------------------------|--|
| Inflation and interest rates | Assumption has to be made of the general level of inflation, pay awards and interest rates. The teachers pay award is known and general inflation is relatively low and stable enabling reasonable assumptions to be made. |
| Service pressures            | The Council approves an annual budget and MTBS, however reserves have to be held for unavoidable financial implications such as changes in legislation.  |
| Cash flow management         | The budget assumes that growth, savings and income generation will occur during the year. Dependant upon the timing reserves may be required to avoid major fluctuations in cash flow.                                     |
| Risk management              | The level of reserves is dependant upon effective risk management. The more effective the management the lower the level of reserves needed.   |
| Financial management         | Strengthening of the MTBS, to take account of inherent pressures and risks, general monitoring and financial management and action to tackle potential problem areas are all considered                                    |
| External factors             | Emergency planning provisions,   |

|  |  |
|--|--|
|  | disaster recovery action and robust business planning are factors to be taken into account |
|--|--|

My judgement is that the level of reserves should be under normal circumstances between 2% and 3% of net revenue expenditure. Using a base budget for 2004-5 of £242m, this would give general reserves within the range of £4.8m and £7.3m.

As indicated above it is possible to set a lower level of reserves dependant upon our financial management in overall terms. Given the work done on the specific areas in the table and the fact that a major element, the teachers pay award is known, with a low level of inflation it is my view that general reserves can be set at a lower level at this stage.

Consequently the minimum level should be retained at £4m and the optimum level at £7m.

The level of reserves will be monitored throughout the year taking into account any changes in circumstances and a report submitted annual of the proposed levels.

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**LONDON BOROUGH OF HARROW  
BRIEFING NOTE  
PROVISIONAL SETTLEMENT 2004-2005**

**General**

- This information circular provides an initial assessment of the provisional finance settlement.

The key points at this stage are:

- the settlement appears to be marginally better to the underlying increase used in budget planning.
- Harrow has received a larger increase in Formula (6.0%) Grant than many other London Boroughs, the average for the London area is 5.2%.

**National Position**

- an increase of 4.7% in Formula Grant (Revenue Support and Business Rates);
- an increase of 4.9% in total Formula Spending Shares
- a 11.7% increase in specific and special grants with a reduction in those ring fenced;
- a 5.5% increase in Education FSS;
- a 6.3% increase in Personal Social Services FSS;
- a 2.8% increase in Environmental, Protective and Cultural Services FSS, (Note all these are after adjustments for transfers functions with central government )

Table 1 shows the national picture.

Table 1: Total Assumed Spend increase 2003/04 to 2004/05

|                        | 2003/04 TAS<br>£m | 2003/04 TAS<br>adjusted £m | 2004/05 TAS<br>£m | Change<br>over<br>adjusted % |
|------------------------|-------------------|----------------------------|-------------------|------------------------------|
| Education              | 28,527            | 28,544                     | 30,515            | 6.9%                         |
| Personal               | 12,971            | 13,023                     | 14,117            | 8.4%                         |
| Social<br>Services     |                   |                            |                   |                              |
| Fire                   | 1,778             | 1,778                      | 1,848             | 3.9%                         |
| Police                 | 8,818             | 8,857                      | 9,124             | 3.0%                         |
| Highway<br>Maintenance | 1,954             | 1,954                      | 2,004             | 2.5%                         |
| EPCS                   | 12,472            | 11,644                     | 12,026            | 3.3%                         |
| Capital                | 2,609             | 2,609                      | 2,800             | 7.3%                         |
| Financing              |                   |                            |                   |                              |
| Unallocated            | 456               | 457                        | 587               | 28.7%                        |
| <b>Total</b>           | <b>69,586</b>     | <b>68,866</b>              | <b>73,021</b>     | <b>6.0%</b>                  |

Table 2 shows the local picture. The Total Assumed Spend is the amount of spend the Government will support by Grant. The FSS is the amount of spend being supported by general grant excluding the specific grants

Table 2 Harrow's Formula Spending Share 2003-04 to 2004-05.

|                                | 2003/04<br>FSSs<br>£m | Adjusted FSS<br>2003-04<br>£m | FSS 2004-<br>05<br>£m | £m            | %          |
|--------------------------------|-----------------------|-------------------------------|-----------------------|---------------|------------|
| Education                      | 108.298               | 108.298                       | 115.053               | 6.755         | 6.2        |
| Personal<br>Social<br>Services | 49.721                | 51.724                        | 55.711                | 3.987         | 7.7        |
| Highway<br>Maintenance         | 6.618                 | 6.607                         | 6.741                 | 0.134         | 2.0        |
| EPCS                           | 50.124                | 46.139                        | 48.270                | 2.131         | 3.2        |
| Capital<br>Financing           | 8.624                 | 8.622                         | 8.412                 | -0.210        | -2.4       |
| <b>Total</b>                   | <b>223.385</b>        | <b>221.390</b>                | <b>234.187</b>        | <b>12.797</b> | <b>5.8</b> |

Further information about the national settlement may be found on the following websites;

LGA – [www.lga.gov.uk](http://www.lga.gov.uk)  
ALA  
ODPM/DTLR

## Floors and Ceilings

The settlement provides for floors and ceilings to limit individual authority's gains and losses from the settlement.

For local authorities with Education and Social Services responsibilities like Harrow no authority can gain more than 5.8% increase in grant (plus capital adjustment) and no authority can have less than 3.5% increase in grant. No Education/Personal Social Services authority will receive an increase in grant less than the increase in their schools FSS.

Harrow's increase in grant is 6.0% and in excess of its schools FSS. As a result of the application of the ceiling its grant is £ 800,000 less than it could have been.

The table below shows the calculation of the ceiling.

|   | £m     |
|---|--------|
| Total grant 2003-2004 Adjusted for transfer in functions    | 145.26 |
| Increase in Schools FSS                                     | 6.31   |
| Increase in Other FSS                                       | 6.48   |
| Less assumed to be met from Council Tax                     | -3.35  |
| Less adjustment for ceiling at 5.8% plus capital adjustment | -.80   |
| Total Grant 2004-2005 at ceiling                            | 153.90 |

## Education Floors and Ceilings

There is added protection in the Education Formula Spending Share. The settlement is designed to deliver no less than 5.0% per pupil more than 2003-2004 and no more than 6.8% per pupil more than 2003-2004. Harrow is subject to a ceiling adjustment of £0.2m.

## Education Passporting

The Government has announced its intention that the increase in Education FSS be passed onto schools.

The FSS for schools budgets for Harrow has been increased by £6.3m.

## Special Grants

The aggregate level of specific grants has increased by 11.7%. The proportion of grants that are ring fenced has been reduced from 13.1% to 11.1%. This provides increased flexibility especially in Social Services.

## Formula and Data Changes

The revised mid-year 2002 population estimates based on the 2001 census are incorporated into formula spending shares. Other than population estimates, all census data is from the 1991, rather than the 2001 census. Exemplification indicated that Harrow would have been a significant gainer if the latest census data had been included.





Audit Commission

The national body responsible for ensuring effective audit and inspection of Councils and other public bodies.

Balances

See reserves below.

Base Budget

The Council's main budget for they year, taking into account pressures, savings and funding. This is also used as the basis for future years budgets, updated for inflation, new pressures, savings etc.

Budget Review Working Group

A cross party group of members set up to consider in detail budget and financial issues affecting the Council.

Business Rates

See NNDR below.

Capital

Spend on creating or enhancing assets such as roads, buildings and computer systems which is one-off and can be classified as an investment.

Ceiling

A means by which the government caps the maximum financial support which any council can receive, so that other council's who would otherwise not receive much financial support can be granted additional funds.

Chief Financial Officer

The Council's officer designated as carrying the statutory financial role under section 151 of the Local Government Act 1972. This is currently the Executive Director (Business Connections)

Collection Fund

A separate account which the Council is required to keep to monitor income from Council Tax and National Non Domestic Rates.

CPA (Comprehensive Performance Assessment)

The Audit Commission's Assessment of how well each Council is performing in a wide range of areas.

### CPZ (Car Parking Zone)

An area designated as being available for car parking for only those who are residents or have relevant car parking permits.

### Council Tax

A tax based upon the value of a property which helps to support the council's general budget.

### Council Tax Bands

A series of Bands (from A – H) based upon the value of a property which determines how much tax will be levied on each property.

### Council Taxbase

The total number of properties in the Borough subject to Council Tax translated to their equivalent at Band D. This is required so that central government can compare the tax burden on each area of the country.

### DCMS

Department of Culture, Media & Sport (Central government)

### Demography

The changes in numbers of the population and the make up of those numbers by either age range, ethnicity or location.

### ERP

Enterprise Resource Planning. A computer system linking the key corporate systems of finance, personnel, payroll and property.

### External Auditor

The organisation charged with ensuring that the Council's accounts, budgets and finances comply with legislation and are true and accurate records. For the Council this is currently Deloitte & Touche.

### Flood Levy

A payment made by Councils to the Environment Agency to cover the costs of flood defence work in their area.

### FSS (Formula Spending Share)

The amount of funding that the government calculates (via a complex formula) that a Council needs to undertake all of its services.

### Growth

Increased expenditure required to meet service expectations from changes to policy, legislation, demand etc.

### HRA (Housing Revenue Account)

A separate account which must be kept by the council to track income and expenditure relating to its stock of council houses.

### HSE

Health & Safety Executive

### HSW

Health & Safety at Work

### IdeA (Improvement and Development Agency)

A government body set up to help Councils improve their services.

### LPSA (Local Public Service Agreements)

Agreements reached between Councils and central government which set the councils stretching targets for service improvement in a number of key areas over 3 years. Councils will receive financial rewards for each of the targets met.

### Medium Term Budget Strategy

The Council's plans for how it intends to form its budget in support of its objectives over the following 3 years.

### NCSC

National Care Standards Commission

### NHP (New Harrow Project)

The major project being undertaken to improve the way the council delivers services to the citizens of the Borough, encompassing area based services, a restructure of the Council to provide more effective services, more investment in IT to enable greater customer focus and efficiency and ensuring sound financial management across the organisation.

### NNDR (National Non-Domestic Rates)

Also called Business Rates. A rate charged on all businesses operating in the Council's area. It is calculated by applying a national figure to the rateable value of each business in the Borough. It is collected by the Council and paid to central government, who then redistribute it based on the Council's population.

### Passporting

The Government terminology for the requirement to pass on increases in the Education element of the FSS directly to schools budgets.

### PCT

Primary Care Trust

### PFI (Private Finance Initiative)

A means whereby the Council enters into a partnership with a private provider to enable capital developments to be undertaken which the Council could not of itself afford and which generates value for money.

### Procurement

The ways a council buys in goods and services.

### Provisional Finance Settlement

The government's annual announcement of how much financial support each Council will receive in the following year. The final settlement is usually announced some 2 months after this, once the government has all the data it requires.

### Repricing

The updating of a base budget to reflect inflation and more accurate costings of pressures and savings.

### Resource equalisation

A means by which the government adjusts the national FSS to reflect changes in cost of services across the country.

### Reserves

Also called balances. Money held by the Council to cover emergencies and unforeseen expenditure which may occur in the year.

## Revenue

Spend on day to day running expenses of the Council.

## RPI (retail Price Index)

The main measure of inflation used by government.

## RSG (Revenue Support Grant)

The main grant which central government provides to support overall council expenditure. This grant can be spent on any services the council wishes.

## SEN (Special Educational Needs)

Pupils who have educational requirements in excess of standard educational provision

## Specific Grants

Additional grant funding from central government in excess of the Revenue Support Grant. These grants are paid for specific purposes and the Council needs to spend the grant for the purposes detailed by central government.

## SRB (single Regeneration Budget)

A specific grant provided by central government for enhancements to areas with high deprivation.

## SSI

Social Services Inspectorate

## TfL (Transport for London)

The body which provides strategic co-ordination and funding for transport issues across the whole of London.

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Amendments to the Report on the Budget for 2004-05 and the Medium Term Revenue Budget Strategy for Consultation

**1. Revised Recommendations**

- 1.1 That the Cabinet agrees the base budget shown at the revised Appendix A of £242.907m for 2004-05 for consultation
- 1.2 That the Cabinet agrees the budget options in Appendix C as variants to the base budget for consultation.
- 1.3 That the Cabinet agree that it recommends to Council in February 2004
  - (i) it maintains a minimum level of unallocated General Fund Reserve of £4m at the end of each financial year;
  - (ii) the optimal level of unallocated General Fund Reserves is £7m; and
  - (iii) the Council aims to achieve the optimal level of reserves over the medium to long term by taking opportunities to increase reserves in its in year financial management.
- 1.4 That the Cabinet approve the revised Initial Medium Term Budget Strategy shown on the revised Appendix A as amended by any changes it wishes to make
- 1.5 That the Cabinet delegate the preparation of the budget consultation document to the Chief Executive in consultation with the Group Leaders.
- 1.6 That the Cabinet note the implications of the proposed budget of the Greater London Authority (GLA) on the Harrow Council Tax payers.

**2. Base Budget for Consultation**

Following the Chancellor of the Exchequer's pre-budget announcement on Wednesday 10<sup>th</sup> December 2003, the total formula grant receivable by the Council in 2004-05 is provisionally set to increase by £2.156m from £153.90m to £156.06m.

It is proposed to use all the additional formula grant to reduce the requirement on Council Tax payers. The funds will be used to support the base budget for consultation for 2004-05 of £242.907m shown in Appendix A of the report. This will reduce the Band D Council Tax figure required to fund the base budget from £1,065.91 to £1,039.92. **Consequently it will reduce the percentage increase on the current Band D figure from 6.47% to 3.87%.**

A revised Appendix A showing these details and is attached to this amendment report.

### 3. Greater London Authority Precept

The Greater London Authority (GLA) issued a consultation document yesterday (15<sup>th</sup> December 2003) on their proposed budget for 2004-05. This shows a 2004-05 proposed budget of £2,834.4m, an increase of £143.9m (5.35%) from the current budget of £2,690.5m.

In order to fund this proposed budget, the Band D Council Tax for the GLA element in Harrow will increase by around 12% from £224.40 to £251.

Taking into account the base Council Tax increase proposed in Appendix A to the report (3.87%), this would result in a total Council Tax increase of 5.33% to the residents of Harrow. This is shown in the table below.

|                          | 2003-04        | 2004-05        | Change       | Change      |
|--------------------------|----------------|----------------|--------------|-------------|
|                          | £              | £              | £            | %           |
| Harrow Council Services  | 1001.16        | 1039.92        | 38.76        | 3.87        |
| Greater London Authority | 224.40         | 251.00         | 26.60        | 11.85       |
| <b>Total Council Tax</b> | <b>1225.56</b> | <b>1290.92</b> | <b>65.36</b> | <b>5.33</b> |

#### FOR DECISION

Authors

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## **Options for Consultation**

The following replaces the first section in Appendix C (Options for Consultation) of the main report

### **EDUCATION**

|                                      | <b>2004-2005</b>  | <b>Band D</b> | <b>% Change</b> |
|--------------------------------------|-------------------|---------------|-----------------|
| <b>Increased funding for schools</b> | <b>£1,200,000</b> | <b>£15.30</b> | <b>1.53%</b>    |

The Schools in Harrow have identified ongoing funding pressures arising from a number of issues, such as enhanced terms and conditions for teachers required nationally and the difficulties in recruiting and retaining teaching staff locally. Within the base budget figures the Council is proposing to pass on all the increase in schools funding to school budgets that the government requires. However, the local schools have identified that this increase will not meet the costs of all the pressures they will face on their budgets next year.

An increase of £1,200,000 would considerably help the schools to ease the pressure.

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## REPORT OF CABINET

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### MEETING HELD ON 16 DECEMBER 2003

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Chair: \* Councillor Foulds

Councillors: \* D Ashton  
\* Burchell  
\* Margaret Davine  
\* Dighé  
\* Miss Lyne  
† C Mote  
\* O'Dell  
\* N Shah  
\* Stephenson

\* Denotes Member present

† Denotes apologies received

#### **PART I - RECOMMENDATIONS TO COUNCIL**

##### **RECOMMENDATION I - Budget 2004/5 and Medium Term Budget Strategy for Consultation - General Fund Reserves**

The Executive Director (Business Connections) introduced his report and drew Members' attention to the tabled revised Appendix A, officer amendments to the report and responses received from the Council's partners.

The Chair tabled an amendment to Appendix C of the report of Executive Director (Business Connections) on behalf of the major minority Group. This amendment proposing £1.2m additional schools funding would form part of the consultation process in the New Year.

Following consideration of the report of the Executive Director (Business Connections) and questions from Members, Cabinet approved the revised Appendix A, officer and major minority Group's amendments and

##### **Resolved to RECOMMEND:**

- (1) That the Council maintain a minimum level of unallocated General Fund Reserve of £4m at the end of each financial year;
- (2) that the optimal level of unallocated General Fund Reserves was £7m; and
- (3) that the Council aims to achieve the optimal level of reserves over the medium to long term by taking opportunities to increase reserves in its in year financial management.

**Reason for Recommendation:** To secure prudent discharge of the Council's financial arrangements.

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## REPORT OF CABINET

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### MEETING HELD ON 16 DECEMBER 2003

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Chair: \* Councillor Foulds

Councillors: \* D Ashton † C Mote  
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\* Margaret Davine \* N Shah  
\* Dighé \* Stephenson  
\* Miss Lyne

\* Denotes Member present

† Denotes apologies received

#### PART II - MINUTES

384. **Budget 2004/5 and Medium Term Revenue Budget Strategy for consultation:**  
(See also Recommendation I).

The Executive Director (Business Connections) introduced his report and drew Members' attention to the tabled revised Appendix A, officer amendments to the report and responses received from the Council's partners.

The Executive Director (Business Connections) advised Members that the figures for 2006/7 had now been revised since the original report. He reminded Members that there was still a possibility of the Council being capped due to the cumulative effect of the Council Tax increases.

The Chair tabled an amendment to Appendix C of the report of the Executive Director (Business Connections) on behalf of the major minority Group. This amendment proposing £1.2m additional schools' funding would form part of the consultation process in the New Year. He hoped that residents would consider the increased funding for schools sympathetically.

In response to a question about the saving in relation to the New Harrow Project restructuring, the Chief Executive advised that a review of middle management within the Council was under way. This review was reviewing middle managers in terms of their competencies and skills. She added that figures in relation to possible redundancies and the pensions implications of the review were not yet available but that the General Purposes and Licensing Committee would continue to monitor issues around the retirement of staff.

In response to a question in relation to the procurement savings detailed in the report and associated concerns about their achievability, the Chair advised that the Overview and Scrutiny Committee would have the opportunity to consider the figures in detail.

The Executive Director (Business Connections) reported that the savings likely to arise from the outsourcing of the Print Unit were based on the differential to pay an external party to carry out the printing function. It was noted that this tentative figure was based on indications of the likely cost of purchasing printing services compared to the current costs of running the Print Unit.

In response to a question in relation to the New Harrow Project costs in 2006/7, the Executive Director (Business Connections) reported that this figure was now included in the tabled revised Appendix A and related to Clean and Green issues.

The Executive Director (Business Connections) confirmed that £300,000 ongoing revenue funding had been allocated for Change Management purposes within the budget along with an earmarked reserve of £500,000 and that some of the reserve had been committed for additional staff for the Procurement Team.

The Executive Director (Business Connections) undertook to provide Cabinet Members with information in relation to the current pension fund surplus/deficit.

The Executive Director (Business Connections) advised that it was proposed to increase the price of the meals on wheels service in excess of the inflationary rate.

The Chair advised that the Publications Advisory Panel had considered the wording and layout on the consultation document but that all Group Leaders would be consulted on the final version.

Two Members expressed concern about the large savings identified within the report and questioned whether they were achievable.

The Chair indicated that a paper addressing a Member's suggestion that officers give consideration to a twelve months option for payment of Council Tax would be submitted to a future meeting of Cabinet.

The Chair moved the tabled amendments and Cabinet, having made recommendations to Council in February 2004 in respect of the General Fund Reserves

**RESOLVED:** (1) That the Base Budget shown at revised Appendix A of £242.907m for 2004-2005 for consultation be approved;

(2) that the budget options set out in Appendix C as tabled by the major minority Group be approved as variants to the Base Budget for consultation;

(3) that the revised initial Medium Term Budget Strategy set out in revised Appendix A be approved;

(4) that the preparation of Budget Consultation document be delegated to the Chief Executive in consultation with the Group Leaders;

(5) that the implications of the proposed budget of the Greater London Authority on the Harrow Council Tax payers be noted.

**Reason for Decision:** To meet the agreed budget timetable to prepare a 2004-2005 budget for consultation.