

REPORT FOR: **CABINET**

Date: 13 February 2014

Subject: Final Revenue Budget 2014/15 and Medium Term Financial Strategy 2014-15 to 2016-17

Key Decision: Yes

Responsible Officer: Simon George, Director of Finance and Assurance

Portfolio Holder: Councillor Tony Ferrari, Portfolio Holder for Finance

Exempt: No

Decision subject to Call-in: Yes, except for the Recommendation to Council

Enclosures: Appendices listed below

Appendices are attached as follows:

No	Appendix
1	MTFS 2014/15 to 2016/17 (Summary)
2	MTFS 2014/15 to 2016/17 Proposed investments / savings for member approval
3	2014/15 Budget Book detail
4	Levies, contributions and subscriptions
5	Policy on use of contingency
6	Schools budget
7	Risk Assessment
8	Reserves Policy
9	Report of the Chief Finance Officer
10	Model Council Tax Resolution
11	Reserves and provisions forecast
12	Stakeholder meetings and events and Consultation feedback
13	Members' Allowance Scheme
14	Annual Pay Policy Statement for 2014/15

Note: the page numbers in the table above refer to the small page numbers (bottom right of page) on the report itself and not the large numbers (bottom middle of page) that run throughout the agenda pack.

Section 1 – Summary and Recommendations

This report sets out the final revenue budget for 2014/15 and medium term financial strategy (MTFS) for 2014/15 to 2016/17.

RECOMMENDATIONS:

- 1) That Cabinet recommends the budget to Council for approval to enable the Council Tax for 2014/15 to be set
- 2) That Cabinet approves the Medium Term Financial Strategy at Appendices 1 and 2 for referral to Council
- 3) That Cabinet notes the planned investment in services and efficiencies as set out in Appendix 2 and summarised in table 5
- 4) That Cabinet recommends to Council the policy on the use of the contingency (Appendix 5)
- 5) That Cabinet notes the sum of NHS Transfer funding to be received by the council in 2014/15 (£3.560m) (paragraph 17.1)
- 6) That, in relation to schools, Cabinet recommends to Council the schools budget (Appendix 6)
- 7) That Cabinet agrees the risk assessment (Appendix 7) and refers it to the Governance, Audit and Risk Management Committee for consideration and monitoring
- 8) That Cabinet recommends the Members' Allowance Scheme (Appendix 14) for 2014/15 to Council

REASON:

To ensure that the Council sets a balanced budget for 2014/15.

Section 2 – Report

INTRODUCTORY PARAGRAPH

- 1.1 This is the final report in the current series of Budget reports for the Medium Term Financial Strategy (MTFS) covering the period 2014/15 to 2016/17. The draft Revenue Budget report to the 12 December 2013 Cabinet set out the context and background for setting the budget.
- 1.2 This report shows that the 2014/15 Budget is balanced and the MTFS has estimated budget gaps of £24.750m and £20.765m for 2015/16 and 2016/17 respectively.

CURRENT FINANCIAL CONTEXT

- 2.1 In 2010 the Government's funding settlement meant Local Government received the most challenging funding settlement in decades, resulting in a 28% cut to the Council's controllable costs over the 4 years to 2014/15, some £62m in Harrow's case from 2010/11 levels of expenditure. This is on top of the £45m the Council has already saved before this, meaning that by 2015 the Council will have been making savings of over £10m a year for the last nine years. By and

large Harrow has demonstrated a successful track record in delivering these savings by:

- Identifying efficiencies
- Adopting a more commercial approach to contracting and procurement
- Taking advantage of new technologies
- Introducing new and innovative ways of service delivery

- 2.2 The MTFs agreed by Cabinet and Council in February 2013 showed a balanced budget position for 2013/14 and 2014/15 with a budget gap of £15.693m and £14.236m for 2015/16 and 2016/17 respectively. The MTFs included an indicative assumption that Council Tax would increase at 2% per annum.
- 2.3 The draft budget and re-freshed MTFs 2014/15 to 2016/17 approved by the December 2013 Cabinet showed a balanced budget position for 2014/15 (with a minor surplus of £24k) with an estimated budget gap of £19.481m and £18.612m for 2015/16 and 2016/17 respectively. In terms of Council Tax, the refreshed MTFs assumed a 0% increase for the three year duration of the MTFs.
- 2.4 All councils, not just Harrow, continue to find themselves in a very uncertain and volatile situation with a significant number of external events, beyond the Council's control, adversely impacting on funding and the nature of demand for Harrow services. The economy is showing the early signs of recovery but this is not expected to lead to any change in the Government's policy regarding funding levels to Local Government. This continues to create a very challenging environment for the very real role that local government plays in the local community and the positive impact that the Council can have on people's quality of life. This does mean that the Council will have to consider how to fund specific new projects requested by Members.
- 2.5 The provisional Local Government Finance settlement for 2014/15, with indicative numbers for 2015/16, was announced on 18 December 2013. The impact of the announcements and their impact on the MTFs are detailed in this report. The Final settlement is anticipated to be on 12 February, however any changes are anticipated to be minimal. Any changes will be reported verbally at the meeting.

EXTERNAL ENVIRONMENT

- 3.1 The challenging environment the Council faces is caused by a number of external factors which the Council must make budgetary provision for in the MTFs. The key external factors are summarised below along with the relevant MTFs adjustments. The adjustments will include, where relevant, those required to the draft MTFs approved by Cabinet in December 2013 as a result of the central government grant settlement received towards the end of December. These adjustments are explained in more detail in section 6.1 of this report:
- Harrow is one of the lowest funded councils in London. The grant settlement received for 2014/15, including indicative numbers for 2015/16, shows that the indicative reductions in formula grant are both far higher and continue for longer than previously assumed.
 - From April 2013, as a result of the change in the NNDR scheme, Council's are allowed to keep 30% of increases in Business Rates.

Historically Harrow has not increased its tax base due to the trend of converting commercial property to domestic use.

- The Government has announced Council Tax Freeze Grants over the last couple of years. The MTFS agreed in February 2013 assumed no such grant on account of the indicative assumption of a 2% Council Tax increase. The MTFS now assumes a 0% increase in Council Tax for 2014/15 to 2016/17 and hence the receipt of Council Tax freeze grant.
- From 1 April 2013 the responsibility for the Council Tax Support Scheme was transferred to the Council but with a 10% reduction in budget meaning Harrow had to save £3.8m to be able to fund the scheme in year one. A report was taken to Cabinet in November 2013 recommending no amendments be made to Harrow's support scheme for 2014/15.
- The Government are implementing the largest ever reform to the benefits system. Recently announcements have been made of further reductions of £25bn to public sector spending, half of which are assumed to come from the welfare bill. The changes are complex and the original MTFS included growth of £2m in 2013/14 to create a Welfare Reform contingency. However the anticipated pressures of welfare reform have not yet materialised as expected and the draft MTFS removes the £2m growth. This does however increase the level of potential risk as the authority cannot yet assess the full impact of welfare reform until it is fully implemented.
- The care and support spending round settlement announced the creation of a £3.8bn pooled health and social care budget from 2015-16. This is predicated on much better integration between health and social care, so that care is centred around the person rather than the service. In the Spending Review 2013 an extra £200m was announced for 2014/15 to support integration. The specific details of this funding and how it will be transferred to Local Authorities remains subject to confirmation.
- The 2011 Census data shows there has been a 15% increase in population in the last 10 years with the biggest growth being in the birth rate with a 33% increase in 0-4 year olds increasing the demand for both school and nursery places. For people aged over 80 years old the census showed an estimated increase of 1000 people. The original MTFS allowed for adult demographic growth of £2.8m in 2013/14 and £2.6m in 2014/15 and an additional £600k has been included in 2014/15 for demographic growth within Adult Services.

FINANCIAL PERFORMANCE FOR 2012/13 AND 2013/14

4.1 In 2012/13 the Council under spent by £0.996m after a planned transfer to reserves of £9.808m as detailed below:

MTFS Implementation cost	£4.849m
Carry forward requests 12/13	£3.268m
Business Risk	<u>£1.691m</u>
	£9.808m

4.2 In 2013/14 the Council budget includes £10m of investment and a challenging savings target of £22.4m. The 2013/14 Quarter 3 Revenue Monitoring Report forecasts a net budget pressure of £2.63m on directorate budgets reducing to a

pressure of £1.9m after accounting for corporate items. The directorates continue to work on management actions to further reduce the forecast pressure by year end.

CHANGES FROM DECEMBER 2013 DRAFT MTFS

5.1 The central government grant settlement for 2014/15, with indicative numbers for 2015/16, was announced on 18 December 2013. The summarised impact of the settlement on the MTFS, along with five further budget adjustments, are detailed below in table 1 followed by a narrative explanation:

Table 1: 2014/15 Central Government Grant Settlement - Impact on MTFS

	MTFS		
	2014/15	2015/16	2016/17
	£'000	£'000	£'000
February 2013 – Budget gap	0	15,693	14,236
December 2013 – draft Budget gap	(24)	19,481	18,612
February 2014 – final budget position (gap) for approval	0	24,750	20,765

Settlement Adjustments:

- **New Homes Bonus (NHB).** The MTFS assumes a NHB of £3.457m in 2014/15 and £3.982m in 2015/16. Actual NHB in 2014/15 will be less at £3.067m requiring an adjustment of £390k. In 2015/16 indicative figures show the NHB will again be less than assumed at £3.467m requiring a further adjustment of £125k.
- **Education Support Grant (ESG).** The grant settlement figure was broadly in line with the assumptions in the MTFS. The grant settlement figure will be subject to in year reductions if schools convert to Academy status. Based on the current estimates of Academy conversions due to take place in 2014/15 the ESG is estimated to reduce by £249k in year and the MTFS has been adjusted accordingly.
- **Formula Grant.** The MTFS already assumes a year on year reduction in formula grant and the draft MTFS approved by Cabinet in December 2013 assumed a further reduction of £1m for 2014/15. However in 2015/16 the indicative formula grant settlement is significantly lower than planned for and, if such a level of reduction continues, the MTFS assumptions for reductions in formula grant in 2016/17 are understated. Therefore the MTFS has been adjusted to reflect the indicative reductions in formula grant for 2015/16 and 2016/17 and these reductions are the main factor contributing to the increase in the budget gap as shown in table 1 above. Tables 2 and 3 below show the planned reduction in formula grant compared to the actual / indicative reduction:

Table 2: Reduction in Formula Grant – Planned

Draft MTFS approved December 2013	2015/16	2016/17
	£'000	£'000
Formula Grant	35,282	30,066
Year on Year Reduction (£'000)	6,793	5,216
Year on Year Reduction (%)	16.1%	14.8%

Table 3: Reduction in Formula Grant – Actual / Indicative

MTFS to February 2013 Cabinet for approval	2015/16	2016/17
	£'000	£'000
Formula Grant	30,650	20,650
Year on Year Reduction (£'000)	11,978	10,000
Year on Year Reduction (%)	28.1%	32.6%

- **Business Rates Top Up.** The 2014/15 top up figure was £227k lower than planned and for 2015/16 and 2016/17 the indicative figures are £567k and £581k higher than planned following the Autumn Statement 2013 announcements that top ups would rise by 2%. The MTFS has been adjusted accordingly.
- **Business Rates Retention/S31 Grant.** The Autumn Statement 2013 announced that the small business rates multiplier would be capped at 2% rather than increased by September 2013 RPI (3.2%) as in previous years. This is classed as a new burden and a S31 Grant will be received to fund the cap. There is no significant impact of this announcement on the MTFS.
- **Council Tax Freeze Grant.** The grant settlement figure was broadly in line with the assumptions in the MTFS. However the Settlement did announce that Council Tax Freeze grant would be mainstreamed in 2016/17 to prevent a 'cliff edge' effect. As the MTFS assumed a freeze grant reduction of £2.11m in 2016/17, this assumption has now been reversed.

Further Budget Adjustments

- **Revenues & Benefits – bad debt provision (BDP)** – In 2012/13 the Housing Benefits (HB) BDP had to be increased as a result of overpayments continuing to be raised with the increase being funded by the general fund. In 2013/14 HB overpayment collection has been higher than anticipated generating sufficient additional funds to fund the BDP rather than making a call on the general fund. Going forward the landscape will look different due to Welfare Reform. With the pressures of localised Council Tax support on tax payers, who may also be the same debtors from which the authority is trying to recover HB overpayments, this will increase the risk on collection and the BDP. Taking a prudent approach for 2014/15 £300k has been included in the MTFS to fund an increase in the BDP.

- **Freedom Pass Levy.** The Freedom Pass Levy notification received from London Councils is £144k less than anticipated and the MTFs has been adjusted accordingly.
 - **Terms and Conditions.** Additional savings are estimated to be released from the review of terms and conditions of £99k, £93k and £15k for 2014/15, 2015/16 and 2016/17 respectively.
 - **Council Tax Base.** The council tax base is estimated to increase by 1,676 band D equivalents in 2014/15. The MTFs assumes an increase of 1,255 band D equivalents. The estimated additional increase in the council tax base will generate income of £509k and the MTFs has been adjusted accordingly.
 - **20 Minutes Free Parking.** A proposal for 20 minutes free parking is now in the MTFs (E&E011 14/15). The proposal is built on four premises; 1) 20 minutes free parking per vehicle per day regulated by the use of key pads for recording vehicle registration numbers 2) Applies to on street parking only 3) Parking must be for 20 minutes only and 4) Where parking is for longer than 20 minutes the full parking charge is payable. The capital cost is estimated at £450k which has been included within the capital programme and will be funded from under spends within the capital programme for 2013/14. The revenue cost is a projected loss of income of £300,000 (full year effect) but the phased implementation in 2014/15 will mean a likely loss of £200,000 for that year.
- 5.2 Work will be progressed on identifying proposals for 2015/16 and 2016/17 to close the gaps in those years and to align the Council's finances with the reduced level of funding that will be available in the medium term.

2014/15 BUDGET

- 6.1 The MTFs in summary form is attached at Appendix 1 with Appendix 2 showing the detailed MTFs for 2014/15 to 2016/17 and which includes the adjustments required as a result of the central government grant settlement as detailed in the previous section of this report. Some of the key decisions supporting the 2014/15 budget and details of the proposals per Directorate are set out below.
- 6.2 The budget requirement for 2014/15 can be summarised as follows:

Table 4: Budget Requirement 2014/15

	£'m
Budget requirement 2013/14	181.1
Capital financing costs and investment income	0.4
Technical changes including Specific Grant changes	(4.4)
Inflation	2.6
Investment	4.7
Savings	(10)
Budget requirement 2014/15	174.4

- 6.3 The technical changes and inflation provisions are as indicated in appendix 2. Significant items included in the 2014/15 budget are:
- **Capital financing costs and investment income** – Following a review additional capital financing costs of £462k and £310k are required in 2014/15 and 2015/16 respectively and this is consistent with the capital programme.

Actual Minimum Revenue Provision (MRP) costs are dependent on capital spend in 2013/14. This is closely monitored.

- **New Homes Bonus** – In March 2013 the government announced the creation of the Local Growth Fund for LEP's who will access funding from 2015. Nationally the fund will amount to £2 billion in 2015/16 and £70m of this funding will come from the New Homes Bonus (NHB) top sliced from London borough's only. London Councils have modelled what the NHB top slice will look like and their estimate for Harrow is £1.6m in 2015/16.
- **Education Support Grant** – The MTFS was based on £2.5m of ESG being received in 2013/14 with the grant reducing by £1m per annum over 2014/15 and 2015/16, leaving £500k in the 2016/17 base budget. These assumptions have been reviewed taking into account updated pupil numbers, estimated academy conversions and government announcements on funding reductions. In January 2013 DFE announced a £10m reduction in ESG between 13/14 and 14/15 and from 2015/16 the ESG will be reduced nationally by £200m with this funding being transferred to the creation of the Local Growth Fund for LEP's. The MTFS accounts for these changes and the planned Academy conversions in 2014/15 which will further reduce the ESG.
- **Council Tax and CT Freeze Grant** - The MTFS assumes a 0% increase in Council Tax over the 3 year period 2014/15 to 2016/17. A Council Tax freeze grant of £1.068m is assumed for 2014/15 and 2015/16.
- **Formula Grant Reduction** – The reductions to formula grant, as detailed in tables 2 and 3 are reflected in 2014/15 and future years.
- **Council Tax Base / Collection Fund** – In the December 2013 Cabinet report the Council Tax base was estimated to increase by 1,255 band D equivalents generating income of £1.519m. The new assumption is the Council Tax base will increase by an additional 421 band D equivalents raising additional income of £509k which is reflected in the MTFS. A prudent increase of 0.1% in the Council Tax base has been assumed for 2015/16 and 2016/17.
- **Budget Planning Contingency** – The MTFS assumes a contingency of £1.171m which is consistent with previous years. Prior to the refresh process the MTFS planned to increase the contingency by £1.829m in 2014/15 but this increase has been removed to achieve a balanced budget position.
- **Welfare Reform Contingency** –The MTFS assumes no contingency for Welfare Reform. Prior to the refresh process the £2m contingency put into the base in 2013/14 was planned to be reduced by £1m in 2015/16 leaving £1m in the base budget.
- **Inflation on goods and services** – The MTFS assumes inflation of 1.3% on goods and services. As at January 2014 RPI is 2.7%. Prior to the refresh process the MTFS assumed inflation of 2% of goods and services and the 0.7% reduction was proposed to reduce the cost of inflation by £600k.

6.4 The investment and efficiency programme totals for each Directorate for 2014/15 are summarised in the following table:

Table 5: Investment and Efficiency Programme for 2014/15

Directorate	Investment Services	in	Efficiency Programme
	£m		£m
Community Health and Wellbeing	2.2		5.3
Children & Families	1.2		1.8
Environment & Enterprise	0.9		1.1
Resources	0.4		1.6
Transformation	0		0.2
TOTAL	4.7		10

- 6.5 There will be an estimated pressure of between £780k to £1m on the Dry Recyclables Contract. This pressure will be managed within the Environment and Enterprise directorate by using the growth allocated for the West London Waste Authority (WLWA) Levy. The draft budget for the WLWA suggests the allocated growth of £689k for 2014/15 will no longer be required (saving ref. E&E 008).

FEES AND CHARGES 2014/15

- 7.1 The proposed fees and charges for 2014/15 are subject to a separate report on the agenda. The estimated effect of the changes proposed has been accounted for in the MTFs.
- 7.2 For 2014/15 any increases in fees and charges have been capped at 4%. This rate takes into account the current rate of inflation of 2.7% (Retail Price Index as at January 2014) plus a factor of up to 1.3% to allow for, or make a move towards, full cost recovery.

CONSULTATION AND CONSULTATION FEEDBACK

- 8.1 In developing proposals consultation has been undertaken with various stakeholders as shown in table 6:

Table 6: Stakeholder Consultation

Stakeholder	Meeting	Date
Overview and Scrutiny	Special meeting of Overview & Scrutiny to review the budget	23 January 2014
Tenants and Leaseholders	Tenants and Leaseholders Consultative Forum	11 December 2013
Partner organisations	Harrow Partnership	20 January 2014
Local businesses	Harrow Business Consultative Forum	20 January 2014
Unions	Employee Consultative Forum	28 January 2014

A large number of the investments and savings within the 2014/15 were consulted on last year as the council set a 2 year budget in February 2013. Further consultation will take place on saving proposals prior to individual plans being implanted and rolled out where necessary.

8.2 The minutes of a number of consultation events are detailed in Appendix 12.

PUBLIC HEALTH FUNDING 2014/15

- 9.1 A two year ring fenced grant allocation for Public Health was announced in January 2013 with Harrow allocated £9.146m for 2014-15. The DOH recently announced the extension of the ring fenced grant for a further year to 31st March 2016. In setting the allocations, the DOH set a minimum of 2.8% and maximum of 10% growth in budgets for each year – 19 local authorities are at the minimum in 2014-15 and 8 at the maximum. The increase for Harrow in 2014-15 is 3.1%, marginally above the minimum increase, resulting in Harrow being the 2nd lowest spend per head of population over the 33 London boroughs.
- 9.2 2013/14 has been the first year that Public Health team have operated within the Council and in agreement with Barnet Council, a joint team has been developed and is supported by a single Director of Public Health. Given a number of uncertainties around liabilities and potential additional responsibilities, a prudent approach was taken in setting the commissioning intentions and a contingency was held to mitigate some of these risks whilst taking time to consider appropriately how best to utilise this funding to meet both public health and wider Council objectives.
- 9.3 During this first year of operation a number of contracts have been reviewed and consolidated with existing Council contracts, and a programme of procurement will continue into 2014-15 to ensure that commissioned services provide value for money, meet public health outcomes and reflect the commitment to providing support to those most in need.
- 9.4 In December 2013 Cabinet approved the draft Public Health budget for 2014/15. Following this approval the commissioning intentions were presented to the Health and Wellbeing Board at its meeting on 09 January 2014. The draft budget was noted with no amendments.

LOCAL WELFARE PROVISION FUND

- 10.1 The Local Welfare Fund Provision is subject to a separate report on this agenda. In the last few days the Department for Work and Pensions (DWP) has announced that the Local Welfare Provision funding pot is to be abolished from 2015/16. This funding was allocated to Councils in April 2013 to deliver a Welfare Provision. Harrow is using these monies to fund both the Hardship Fund and the Emergency Relief Scheme under the umbrella of Harrow Help Scheme.
- 10.2 The grant was allocated on a non ring fenced basis to 2015. Whilst Harrow will be able to continue to offer this support for 2014/15 from 2015/16 any funding will have to be found from within the general fund. In the circumstances it is likely that the commissioning of the Hardship Fund to distribute the £100k to Community Groups/organisations will be a one off exercise within 2014/15.

CONTINGENCY

- 11.1 The planned contingency within the budget for 2014/15 was £5m made up of £2m for Welfare Reform and £3m for budget planning and general use. Following the refresh process the proposed contingency for 2014/15 will be £1m. This is a significant reduction and will mean directorates will have to

monitor their budgets very tightly and pressures, as far as possible, will have to be contained within current resources the contingency is needed if, for example, decision makers decide not to implement proposals due to adverse equalities implications. The policy on use of contingency is detailed in Appendix 5.

EQUALITY IMPACT ASSESSMENTS

- 12.1 All new service budget proposals and those previously approved which cover 2013/14 and 2014/15 are subject to an initial equalities impact assessment. Full equalities impact assessments are carried out on proposals where appropriate.
- 12.2 An equalities impact assessment has been carried out on the whole budget, the details of which are summarised in paragraphs 24.1 to 24.5. No potential disproportionate impact has been identified at this stage.

PROPOSALS FOR GENERAL RESERVES

- 13.1 The detailed risk assessment of the budget has been updated and included in this report at Appendix 7. Cabinet agreed the following reserves policy in February 2013:

The risk assessment of the budget dictates the minimum level of general balances required.

One of the calls on any under spend at the end of the year will be a contribution to general balances. The value of the contribution will be determined with regard to the size of the under spend, the underlying strength of the balance sheet, the need to support the transformation programme, and other priorities.

At the current time no amendments are required to the reserves policy which is detailed in Appendix 8.

- 13.2 The value of non ear-marked reserves brought forward from 2012/13 is £8.646m.

SCHOOLS BUDGET 2014/15

- 13.1 The funding arrangements for the Dedicated Schools Grant and the Schools budget for 2014/15 are detailed in Appendix 6. Cabinet are asked to recommend to Council the Schools Budget for 2014/15.

COUNCIL TAX MODEL RESOLUTION

- 14.1 The draft Council Tax Model Resolution is attached at Appendix 10. This is still subject to confirmation of the GLA precept which is expected to be confirmed on 14 February. Any changes will be made for approval at Council on 27 February.

MEMBERS ALLOWANCE

- 15.1 The proposed Members' Allowances scheme for 2014/15 is attached at Appendix 13. The amounts for basic allowance and the different bands of Special Responsibility Allowance (SRA) are unchanged from 2013/14. On 4 July 2013, Council agreed amendments to the scheme in light of the changes to

the political composition of the Council. These changes were made to reflect that the two largest political Groups had 25 Members and therefore both Leaders and Deputy Leaders of those Groups should receive an allowance at the same band. It was further agreed that the Leader of the third largest Group receive an allowance. In addition, Members agreed that the proportionality on the Planning Committee required that both the Vice Chair and nominated Member of the party not holding the Chair to receive an SRA. It was also agreed that a new position, Non Executive Member of Cabinet, receive an SRA at Band 6 i.e. £13,060 per annum.

ANNUAL PAY POLICY STATEMENT DELETE

16.1 Under the Localism Act, which came into force from April 2012, all public authorities must publish annual pay policy statements. The statement must set out the Authorities policies for the financial year relating to:

- Remuneration of its Chief Officers
- Remuneration of its lowest paid employees
- The relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers

The proposed statement is attached at Appendix 14 and Cabinet is requested to recommend it to Council for agreement.

NHS TRANSFER FUNDING

17.1 The Department of Health announced in December 2013 that the NHS Funding Transfer of £900m nationally would be increased by £200m to £1.1bn for 2014/15. The amount allocated to Harrow in this respect totals £4.445m (an increase of £1m on the 2013/14 allocation of £3.471m). The Health and Wellbeing Board (HWBB), at its meeting on 9 January 2014, agreed that this funding would be allocated £3.560m to the Council with the balance of £0.885m allocated to the Clinical Commissioning Group (CCG).

17.2 The NHS Funding Transfer becomes the Better Care Fund (BCF) from April 2015 with funding of £3.8bn nationally. The allocation for Harrow is £14.373m, which is a re-allocation of existing resources, and includes £1.190m for capital expenditure (including Disabled Facilities Grants) together with the funding associated with a range of duties from the Care Bill that comes into effect in April 2015. An element of this funding will be based on performance. The Council and the CCG must agree how these resources will be allocated to deliver a set of national conditions and make a submission to NHS England, approved by the HWBB, by 4 April 2014. The impact of the Better Care funding will be reflected in the MTFs for 2015/16 onwards.

LEGAL IMPLICATIONS

18.1 Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed. Consideration of the duties should precede the decision. It is important that Cabinet has regard to the statutory grounds in the light of all available material such as consultation

responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

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

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

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

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

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

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

- (a) Tackle prejudice, and*
- (b) Promote understanding.*

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

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

18.2 It is important that robust equalities impact assessments are completed and that consultation is done where necessary whilst the budget is in a formative stage prior to final approval in February 2014.

18.3 The Council has a fiduciary duty to residents to set a balanced budget.

CONSULTATION

- 19.1 As a matter of public law the duty to consult with regards to proposals to vary, reduce or withdraw services will arise in 3 circumstances:
- Where there is a statutory requirement in the relevant legislative framework;
 - Where the practice has been to consult or where a policy document states the council will consult then the council must comply with its own practice or policy; and
 - Exceptionally, where the matter is so important that there is a legitimate expectation of consultation.
- 19.2 Regardless of whether the Council has a duty to consult, if it chooses to consult, such consultation must be carried out fairly. In general, a consultation can only be considered as proper consultation if:
- Comments are genuinely invited at the formative stage;
 - The consultation documents include sufficient information about the proposal to allow those being consulted to be properly informed and to give an informed response;
 - There is adequate time given to the consultees to consider the proposals; and
 - There is a mechanism for feeding back the comments and those comments are conscientiously taken into account by the decision maker / decision making body when making a final decision.
- 19.3 Finally there will be staff consultation on proposals that impact staff.

FINANCIAL IMPLICATIONS

- 20.1 Financial matters are integral to this report.
- 20.2 Under the Local Government Act 2003 the Director of Finance and Assurance (in his capacity as the Chief Finance Officer under S151 of the Local Government Act 1972) is required to comment on the robustness of the budget and the adequacy of reserves. The overall view is that the budget is robust. The Directors Report is set out in Appendix 9 and details the factors taken into consideration when forming the overall view.

PERFORMANCE ISSUES

- 21.1 The in year measurement of the Council is reported in the Strategic Performance Report. The Corporate Plan, which will be developed alongside the Budget Report, will have measures within it which will set out how Council delivery in 2014/15 will be measured and this again will be reported through the Strategic Performance Report.

ENVIRONMENTAL IMPACT

- 22.1 The environmental impact of the draft budget will be complex and the net position is not known at present.

RISK MANAGEMENT IMPLICATIONS

23.1 As part of the budget process the detailed budget risk register will be reviewed and updated. This helps to test the robustness of the budget and support the reserves policy.

EQUALITIES IMPLICATIONS

24.1 Section 149 of the Equalities Act 2010 created the public sector equality duty. Section 149 states that:-

- A public authority must, in the exercise of its functions, have due regard to the need to:
 - Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
 - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.

24.2 When making decisions in relation to service provision, the Council must take account of the equality duty and in particular any potential impact on protected groups.

24.3 The Council agreed in February 2013 a two year balanced budget and a MTFS with budget gaps of £15.693m and £14.236m for 2015/16 and 2016/17 respectively. That MTFS assumed an indicative Council Tax increase of 2%. In December 2013, Cabinet agreed a draft budget and a refreshed MTFS showing a balanced budget position for 2104/15 and estimated budget gaps of £19.481m and £18.612m for 2015/16 and 2016/17 respectively. This budget assumed a 0% increase in Council Tax for the duration of the MTFS.

24.4 The net change in the Council's anticipated spend between 2013/14 and 2014/15 is a reduction of £6,636,000. Most of the changes to reach this total were agreed in the budget in February 2013 but there are also a number of other issues including technical changes to the structure of the various grant regimes that support the Council's spending, investments in some services and spending reductions in others. Any new change that results in a reduction in the number or grade of staff, or exposes a service to external competition requires an individual full Equality Impact Assessment before it can be implemented. The extent of the Council's balances allows for any individual saving or reorganisation proposal for which a full EqIA demonstrates adverse impact which cannot be justified not to be proceeded with.

24.5 No potential disproportionate impact has been identified at this stage.

CORPORATE PRIORITIES

25.1 The administrations priorities are detailed below:

- **Cleaner:** A borough where our streets are cleaned regularly and our parks and green spaces are places to enjoy.
- **Safer:** Work with police to make Harrow even safer
- **Fairer:** Harrow is a place where our hard working residents can bring up their families knowing they will have fair access to opportunity.

25.2 The budget for 2014/15 supports delivery of the Council's vision, the administrations priorities and is consistent with the Corporate Plan.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	on behalf of Chief Finance Officer
Date: 30 January 2014		
Name: Linda Walker	<input checked="" type="checkbox"/>	on behalf of Monitoring Officer
Date: 30 January 2014		

Section 4 – Performance Officer Clearance

Name: Alex Dewsnap	<input checked="" type="checkbox"/>	on behalf of Corporate Director Resources
Date: 30 January 2014		

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker



on behalf of
Corporate Director of
Environment & Enterprise

Date: 30 January 2014

Section 6 - Contact Details and Background Papers

Contact: Dawn Calvert
Head of Strategic Finance and Business
Email: dawn.calvert@harrow.gov.uk

Background Papers:

- Draft Revenue Budget and Medium Term Financial Strategy 2014/15 to 2016/17 to Cabinet 12 December 2012
<http://moderngov:8080/documents/g61434/Public%20reports%20pack%20Thursday%2012-Dec-2013%2018.30%20Cabinet.pdf?T=10>
- Equalities Impact Assessment

**Call-In Waived by the
Chairman of Overview
and Scrutiny Committee**

NOT APPLICABLE

(Yes, except for the Recommendation to Council)

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