

# REPORT FOR: **CABINET**

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<b>Date of Meeting:</b>	17 July 2014
<b>Subject:</b>	Budget Planning Process Update
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Simon George, Director of Finance and Assurance
<b>Portfolio Holder:</b>	Councillor Sachin Shah, Portfolio Holder for Finance and Major Contracts
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix1–Proposed In-year savings (2014/15) Appendix 2 – Proposed Opportunities for Additional In-year savings (2014/15)

## **Section 1 – Summary and Recommendations**

This report sets out both the £75m estimated budget gap for the four year period 2015/16 to 2018/19 and the indicative savings target of £30m for 2015/16 and a recommendation to allow officers to undertake a budget process that delivers options to the Executive to meet both these indicative figures.

The report recommends the approval of in-year savings for 2014/15 of £1.601m for immediate implementation and preferred options to meet a further savings value of £151k for 2014/15 which will be reported back to

Cabinet for a decision.

The final section of the report sets out recommendations to Cabinet for service specific consultations and a budget consultation process to be launched in September.

**Recommendations:**

- 1) That Cabinet note the £75m estimated budget gap for the four year period 2015/16 to 2018/19 (Paragraph 1.9).
- 2) That Cabinet note the £30m indicative savings target for 2015/16 and the potential implication for Council services if this were proportionately allocated across directorates (Paragraphs 1.13 and 1.14)
- 3) That Cabinet instruct officers to undertake a budget process that delivers options to the Executive to meet the £30m indicative savings target for 2015/16 and proposals that contribute towards the balance of the £75m estimated budget gap (Paragraph 1.21)
- 4) That Cabinet approve savings of £1.601m for in-year (2014/15) with the budget being vired into the Medium Term Financial Strategy Implementation Reserve and the Transforming Priorities Initiatives Fund (TPIF) in equal measure (paragraph 1.18) (Appendix 1).
- 5) From the savings transferred into the TPIF, Cabinet are recommended to approve the allocation of £200k for tackling domestic violence (the detailed spending plan will be reported to Cabinet in September) and £50k to boost resources to the sports network. (Paragraph 1.18)
- 6) That Cabinet agrees that the proposals set out in Appendix 2 are preferred options to meet a further 2014/15 savings value of £151k and delegate authority to the relevant Corporate Directors to consult on these and report back to Cabinet for a decision on which proposals should be agreed. (Paragraph 1.20)
- 7) That Cabinet delegate authority to the relevant Corporate Director, following consultation with the respective Portfolio Holders, the decision on the proposals to progress delivery of savings from 2015/16, to launch any service specific consultations that are required in order to inform future decisions and to report back to Cabinet for a decision on which proposals should be agreed subject to consultation
- 8) That Cabinet approve a budget consultation process to be launched in September to inform the decision making process that will deliver savings towards the £75m target the details of which to be delegated to the relevant Corporate Directors in consultation with the respective portfolio holders (Paragraph 2.4)

**Reason: (For recommendation)**

To ensure that the Council agree a robust process to deliver the indicative savings target of £30m for 2015/16 and that the budget planning process and subsequent decisions are informed by appropriate consultation and equality impact assessments.

To ensure that in-year (2014/15) savings of £1.601m are approved for immediate effect and officers are delegated the authority to progress with further opportunities for in-year (2014/15) savings of £151k which will be brought back to Cabinet for consideration once necessary consultation has been completed.

To approve the allocation of £250k from the TPIF to tackle domestic violence (£200k) and to boost resources to the sports network.

## **Section 2 – Report**

### **1.0 Introductory paragraph**

- 1.1 A new vision and set of Council priorities were agreed at Council in June 2014. The vision is ‘Working Together to Make a Difference for Harrow’ and the priorities are:
- Making a difference for the vulnerable
  - Making a difference for communities
  - Making a difference for local business
  - Making a difference for families
- 1.2 This vision is rooted in the community that the Council serves and in an ambition for the Borough. The Council believes that the people of Harrow are what makes Harrow strong and united and will enable us to succeed. It is important that the Council work ever closer together with residents, the voluntary and community sector, partners and businesses to make sure Harrow is successful and a place where residents are proud to call their home.
- 1.3 The Council must also respond to local challenges and opportunities that are currently faced. The population is growing both for 65+ age groups and for 5-9 year olds with a consequent pressure on care for older people and school places. There are a number of legislative changes that the Council must respond to including the Care Act and changes for Special Educational Needs and Universal Credit. There is an increasing demand for Housing across the Borough, especially for families. There are growing health inequalities, especially in the most deprived wards as well as increasing obesity levels.
- 1.4 The diversity of the Borough is a strength with good levels of cohesion and more stable family units that offer positive outcomes for children. The regeneration potential in the borough gives an opportunity to invest in key sites and people and infrastructure to positively affect outcomes over the long term.

- 1.5 However the national picture for the finances of the public sector remains very challenging. Projections of grants to Local Government are for further significant cuts in the coming years and projections show ongoing growth pressures on the Council's budgets. Benchmarking analysis shows that Harrow's expenditure per head of population is well below the average for London Boroughs and that grant levels are low. The outcome of this is that Harrow's services are already low spending and will be under further pressure.
- 1.6 The Council has identified and planned the delivery of over £60m worth of savings since 2010 in response to cuts in Government grants and funding pressures on Council services.
- 1.7 However, the Council faces very significant funding gaps in the coming years and therefore the need to deliver large savings.
- 1.8 In the Medium Term Financial Strategy 2014/15 to 2016/17 (MTFS) approved by Council in February 2014 the reported budget gap was £24.740m and £20.765m for 2015/16 and 2016/17 respectively. The budget gap was based on an indicative central government grant settlement for 2015/16 alongside a number of assumptions on council tax, inflation and movements on government grants. The most significant assumptions are detailed below:
- **Council Tax** – The MTFS assumes a 0% increase in council tax and receipt of the Council Tax Freeze Grant.
  - **Formula Grant** – There was a significant reduction in central government grant funding for 2014/15, a reduction of £9.5m (18%). This trend of significant reductions is expected to continue and the MTFS assumes a reduction of £11.9m (28.1%) in 2015/16 and £10m (32.6%) in 2016/17.
  - **Inflation** – Inflation on goods and services is assumed at an annual 1.3% and pay award inflation is assumed at 2% for 2015/16 and 2016/17.
- 1.9 Assuming a further budget gap of £15m per annum for 2017/18 and 2018/19, the total estimated budget gap for the four year period 2015/16 to 2018/19 is £75m. This is an indicative amount which is likely to be subject to change based on announcements in the annual central government grant settlement.
- 1.10 In the short term this report presents in year savings that can be brought forward for early implementation. Where appropriate these changes will be subject to consultation. Equality Impact Assessments have been completed on all savings for immediate affect.
- 1.11 Also in the short term this report lays out the process that will be followed to develop options for Member consideration in the development of a draft Budget for Cabinet in December 2014 and a final Budget for consideration in February 2015.
- 1.12 The Council is committed to engaging and involving local people and local groups so that they feel connected again. From the Council's

recent reputation tracker results, only 30% of residents believe the Council acts on the concerns of local residents and only 28% think the Council takes account of residents' views when making decisions. Satisfaction with the Council has fallen and now only 43% of residents tell us they are satisfied with the way the Council runs things, down from 63% in 2011. This report therefore also announces the intention for a programme of engagement and involvement that will start in September which will cover the choices open to the Council in the light of significant funding cuts, as well as the options for regenerating Harrow as a catalyst for bringing in more external funding and meeting priorities, that will exemplify the delivery of the Council's vision and priorities in the future. This will build on the very successful previous Lets Talk campaigns that were run in 2010 and 2011, the success of which was noticed by residents and which was fed back to us.

## Financial Year 2015/16

- 1.13 The indicative savings target for 2015/16 is £30m. This is slightly higher than the reported MTFS budget gap position of £24.750m to provide an element of slippage for those saving proposals that may require a long lead in time.
- 1.14 For indicative purposes if the £30m target is allocated on the basis of the 2014/15 net controllable budget, the allocation per directorate would be as detailed in table one below:

**Table 1: Allocation of 2015/16 Savings Target (Indicative)**

Directorate	2015/16 Savings Target (Indicative)
	£'000
Pan Organisation	6,000
Business Support	622
Resources	4,633
Environment & Enterprise	3,333
Community, Health & Wellbeing	10,032
Children's Service	5,380
<b>TOTAL</b>	<b>30,000</b>

- 1.15 In recognition that a number of potential savings will be cross cutting within the organisation a notional 20% of the indicative £30m has been allocated pan organisation. The Corporate Leadership Group is leading on pan organisation saving proposals. Officers have done a level of preparatory work and the themes that are emerging from this and the directorate works are service levels, using the market, public sector integration, management structures and regeneration which will inform the budget saving process.
- 1.16 Through the budget process there is a very clear steer that Officers must come forward with a range of savings proposals to give members options to achieve the indicative target of £30m. The directorate

targets, as detailed in table one, are indicative only. Appropriate consultation and the equalities implications will be integral to all budget saving proposals and should these processes highlight any outcomes that the Council will be unable to accept, it may be necessary to pursue further savings in other directorates.

### **In-year savings 2014/15**

- 1.17 To ensure the indicative target of £30m for 15/16 is achieved a number of savings are proposed to be taken in-year (2014/15). All the early savings are recurrent and will be counted against the £30m indicative target for 2015/16.
- 1.18 Savings totalling £1.601m are proposed for immediate effect and Cabinet is recommended to approve these savings for in- year (2014/15) with the savings being vired from the directorate budgets to the MTFs Implementation Reserve and the Transforming Priorities Initiatives Fund (TPIF) in equal measure. These saving proposals are summarised in tables four and five below and shown in more detail in Appendix 1. From the savings transferred into the TPIF Cabinet are recommended to allocate £200k for tackling domestic violence (the detailed spending plan will be reported to Cabinet in September) and £50k to boost resources to the sports network.
- 1.19 Where the proposed in-year savings for 2014/15 are part of a multi year proposal, they will be brought back to Cabinet in the autumn to consider the implications of 2015/16 onwards.
- 1.20 In addition to the proposed immediate savings of £1.601m, further saving opportunities of £151k for in-year (2014/15) are identified and Cabinet is recommended to delegate authority to officers to progress with these opportunities. Subject to consultation and the equality impact assessment, these proposals will be brought back to Cabinet in the autumn for approval. These proposals are also summarised in tables four and five below and shown in more detail in Appendix 2.

**Table 2: In- year (2014/15) Savings - Summary**

<b>Directorate</b>	<b>2014/15 Immediate In-year Savings</b>	<b>2014/15 Opportunities for Further Progress</b>
	<b>£'000</b>	<b>£'000</b>
<b>Pan organisation</b>	0	0
<b>Business Support</b>	0	0
<b>Resources</b>	80	15
<b>Environment &amp; Enterprise</b>	659	111
<b>Community, Health &amp; Wellbeing</b>	476	0
<b>Children's Services</b>	386	25
<b>TOTAL</b>	<b>1,601</b>	<b>151</b>

## **Budget Planning Process 2015/16 to 2018/19**

- 1.21 There are a number of key milestones to inform the budget planning process for 2015/16 to 2018/19. These are summarised below in table six below:

**Table 3: Budget Planning Process 2015/16 to 2018/19**

<b>Milestone</b>	<b>Process</b>
July 2014	Cabinet: Budget Planning Process Update
October to November 2014	Cabinet decisions as appropriate
December 2014	Cabinet: Draft Revenue Budget 2014/15 and MTFS Cabinet: Draft Capital Programme Cabinet: Fees & Charges 2015/16
February 2015	Cabinet: Final Revenue Budget 2015/16 and MTFS Cabinet: Final Capital Programme Council: Final Revenue Budget 2015/16 and MTFS

## **2.0 Consultation**

- 2.1 Consultation, engagement and involvement will be an underlying principle of how the Council will tackle delivering against these challenges. The Council must work ever closer together with its residents, the voluntary and community sector, partners and businesses to make sure that is a successful place.
- 2.2 Over the next four years, the savings that will need to be delivered from Council services will mean a greater role for residents in being active within the Borough to support delivering outcomes for local people.
- 2.3 Recent feedback from residents confirms that they wish to have a greater say in how services are delivered in the future and they wish to feel more involved. At present 22% residents feel they can influence decisions affecting their local area. Only 28% residents feel that the Council takes account of residents' views when making decisions and only 30% believe the Council acts on the concerns of local residents.
- 2.4 A major consultation programme will therefore be launched in September to work with residents to shape the delivery of Council services and local outcomes in the future including how the place of Harrow can be shaped through regeneration. Linked to this service specific consultation will also be started on any savings for the 2015/16 budget (and future years) where this consultation needs to be undertaken before a decision can be made and implementation is required early in 2015/16.
- 2.5 Specific service consultation will also be undertaken before decisions on proposals for 2014/15 in Appendix 2 can be taken.

### **3.0 Options considered**

- 3.1 The indicative saving target for 2015/16 is £30m. The target is allocated to directorates on the basis of the 2014/15 net controllable budget. The directorate targets are indicative only. Should the consultation and equalities process highlight any outcomes that the council will be unable to accept it may be necessary to use alternative allocation methods and pursue further savings in other directorates.

### **4.0 Legal Implications**

- 4.1 Section 151 of the Local Government Act 1972 states that without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 28 of the Local government Act 2003 imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against budget calculations.

- 4.2 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

Equalities impact assessments need to be completed and considered by decision makers alongside the results of consultation with stakeholders.

- 4.3 Some of the proposals for savings relate to statutory functions of the Council. The process for changing service delivery of these may be subject to a statutory process or common law duties in relation to consultation. The Council must consider its public law decision making duties, including overarching duties in relation to equalities, when considering making changes to service delivery. Corporate directors will be supported by a council wide officer group advising on engagement and consultation. This includes access to legal advice on relevant considerations.

## **5.0 Financial Implications**

- 5.1 This report proposes savings of £1.601m from the 2014/15 revenue budget with immediate effect. The savings are recommended for transfer, in equal measure, to the MTFIS Implementation Reserve and the TPIF. A subsequent allocation of £250k from the TPIF is recommended for tackling domestic violence (£200k) and to boost resources to the sports network (£50k).

## **6.0 Performance Issues**

- 6.1 All saving proposals approved will be built into the budget as agreed and managed through the budget monitoring process which is reported to Cabinet quarterly.
- 6.2 The impact on performance will be measured through the performance regime and reported to Cabinet on a quarterly basis through the Strategic Performance Report.
- 6.3 The Environment and Enterprise directorate has a wide range of performance indicators that are measured by external bodies to ensure

commonality across the country. The savings incorporated in the 2014/15 in-year savings do not jeopardise the achievement of these targets. The saving item on Appendix 2 re: responsive zonal cleaning is likely to have an impact on the street cleanliness performance indicator but the Directorate will review its action plans to operate with a reduced budget.

## **7.0 Environmental Impact**

- 7.1 There are no direct impacts from the report but individual saving activities associated with the proposals will be assessed for environmental impact where appropriate.

## **8.0 Risk Management Implications**

- 8.1 Each proposed in-year saving has been risk rated to inform decision making.

## **Equalities implications**

- 9.1 Section 149 of the Equalities Act 2010 created the public sector equality duty which is detailed in section 4 of the report (Legal Implications)
- 9.2 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.

9.3 The saving proposals for immediate effect in 2014/15 (£1.601m in total) have been subject to an initial equalities impact assessment where appropriate and two proposals have had a full assessment. The results of the assessments are detailed below in table 4.:

**Table 4: Saving Proposals 2014/15 – Equality Impact Assessment**

Reference	Initial EQIA	Full EQIA	Disproportionate Equality Impact	Consultation
RES E01	Yes	Not required	No	Yes
RES E02	Not required			N/A
E&E E01	Yes	Not required	No	Yes
E&E E02	Yes	Not required	No	N/A
E&E E03	Yes	Not required	No	N/A
E&E E04	Yes	Not required	No	N/A
E&E E05	Yes	Not required	No	N/A
E&E E06	Yes	Not required	No	N/A
E&E E07	Yes	Not required	No	Yes
E&E E08	Yes	Not required	No	Yes
E&E E09	Yes	Not required	No	Yes
E&E E010	Yes	Not required	No	N/A
E&E E011	Yes	Not required	No	N/A
E&E E012	Not required			N/A
E&E E013	Not required			N/A
CHW E01	Yes – covered by EQIA completed for the 2014/15 efficiencies of £1.3m	Yes – as initial EQIA	No additional issues apparent	Yes
CHW E02	Yes	Not required	No	Yes
CHW E03	Yes	Not required	No	Yes
CHW E04	No – not required			N/A
C&F E01	Yes	Not required	No	Yes
C&F E02	Yes	Yes	No	N/A
C&F E03	Yes	Not required	No	Yes
C&F E04	No – not required			N/A

9.4 As a result of the outcomes of the equality impact assessments on each individual saving proposal for 2014/15, as detailed above, at this stage there is no evidence of a potential cumulative disproportionate equality impact. The extent of the Council's general reserves allows for any individual saving or reorganisation proposal which cannot be justified not to be proceeded with.

## 10. Council Priorities

10.1 This report deals with the use of financial resources which is key to delivering the Council's new priorities:

- Making a difference for the vulnerable
- Making a difference for communities
- Making a difference for local businesses
- Making a difference for families

10.2 The estimated budget gap for the four year period 2015/16 to 2018/19 is £75m. The impact on the newly agreed corporate priorities will be monitored closely through the Council's performance framework.

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

Name: Dawn Calvert  on behalf of the  
Chief Financial Officer

Date: 8 July 2014

Name: Jessica Farmer  on behalf of the  
Monitoring Officer

Date: 8 July 2014

### **Section 4 – Performance Officer Clearance**

Name: Alex Dewsnap  Divisional Director  
Strategic  
Commissioning

Date: 8 July 2014

### **Section 5 – Environmental Impact Officer Clearance**

Name: Venetia Reid-Baptiste  on behalf of the  
Corporate Director  
(Environment &  
Enterprise)

Date: 8 July 2014

**Ward Councillors notified:** NO

## **Section 6 - Contact Details and Background Papers**

**Contact:** Dawn Calvert - Head of Strategic Finance and Business  
(dawn.calvert@harrow.gov.uk)

### **Background Papers:**

[February 2014 Cabinet: Final Revenue Budget 2014/15 and Medium Term Financial Strategy](#)

[February 2014 Council: Final Revenue Budget 2014/15 and Medium Term Financial Strategy](#)

[February 2014 Council: Final Revenue budget 2014/15 and Medium Term Financial Strategy tabled document](#)

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

**NOT APPLICABLE**

*[Call-in applies]*