

REPORT FOR: CABINET

Date of Meeting:	19 February 2015
Subject:	Final Revenue Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19
Key Decision:	Yes
Responsible Officer:	Simon George, Director of Finance and Assurance
Portfolio Holder:	Councillor Sachin Shah, Portfolio Holder for Finance and Major Contracts
Exempt:	No
Decision subject to Call-in:	No, as the decision is reserved to Council
Wards affected:	All

Enclosures:

Appendices listed below:

App. 1	Proposed Savings & Growth 2015/16 to 2018/19 for member approval
App. 2	Medium Term Financial Plan 2015/16 to 2018/19
App. 3	2015/16 Budget Book detail
App. 4	Levies, contributions and subscriptions
App. 5	Policy on use of contingency
App. 6	Schools Budget 2015/16
App. 7	Public Health Budget 2015/16
App. 8	Risk Assessment
App. 9	Reserves Policy
App. 10	Reserves and Provisions forecast
App.11	Report of the Chief Finance Officer
App.12	Model Council Tax Resolution
App. 13	Members Allowance Scheme
App. 14	Annual Pay Policy Statement for 2015/16
App. 15	Stakeholder Consultation – minutes of meetings

Section 1 – Summary and Recommendations

This report sets out the final revenue budget for 2015/16 and Medium Term Financial Strategy (MTFS) for 2015/16 to 2018/19. In December 2014 Cabinet approved draft versions of the revenue budget and MTFS for general consultation.

Recommendations:

Cabinet is requested to:

- 1) Note the increase in the estimated budget gap for the four year period 2015/16 to 2018/19 from £75m to £83m following the final 2015/16 Local Government Financial Settlement and revised projections of Revenue Support Grant from London Councils (paragraph 1.5)
- 2) Recommend the 2015/16 budget to Council for approval, being mindful of the results of the various consultations and equality impact assessments, to enable the Council Tax for 2015/16 to be set (Appendix 2)
- 3) Approve the Medium Term Financial Strategy (MTFS) at Appendix 2 for referral to Council.
- 4) Note the current remaining budget gaps of £23.2m, £15.3m and £13.9m for 2016/17, 2017/18 and 2018/19 respectively (table 3)
- 5) Note the intention to increase Council Tax by 1.99% in 2015/16 (paragraph 1.13).
- 6) Recommend to Council the 2015/16 Schools Budget as set out in Appendix 6.
- 7) Note the 2015/16 Public Health Budget as set out in Appendix 7.
- 8) Agrees the risk assessment (Appendix 8) and refers it to the Governance, Audit and Risk Management and Standards Committee for consideration and monitoring.
- 9) Note the sum of Better Care Funding to be received by the Council in 2015/16 (£6.601m) (paragraph 1.29)
- 10) Recommends the 2015/16 Members Allowance Scheme to Council for approval (Appendix 13)
- 11) Recommends the 2015/16 Annual Pay Policy Statement to Council for approval (Appendix 14)

Reason: (For recommendations)

To ensure that the Council sets a balanced budget for 2015/16.

Section 2 – Report

INTRODUCTORY PARAGRAPH

- 1.0 This is the final report in a series of budget reports for the MTFS covering the period 2015/16 to 2018/19.
- 1.1 This report shows that the 2015/16 Revenue Budget is balanced and the MTFS has estimated budget gaps of £23.2m, £15.3m and £13.9m for 2016/17, 2017/18 and 2018/19 respectively. The MTFS has been updated to reflect the final 2015/16 Local Government Financial Settlement announced on 3 February and the revised projections of Revenue Support Grant (RSG) from London Councils for 2016/17 to 2018/19. The three year impact is an estimated further reduction in RSG of £6.7m which, along with funding additional pressures for homelessness and the impact of welfare reform, takes the overall four year indicative savings target from £75m to £83m.

CURRENT FINANCIAL CONTEXT

- 1.2 The budget process is designed to ensure that it is priority led so that resources are aligned with council priorities and statutory responsibilities. A new vision and set of Council priorities were agreed at Council in June 2014 and the draft budget for 2015/16 has been prepared in line with these.
- 1.3 The MTFS agreed by Cabinet and Council in February 2014 showed a balanced budget position for 2014/15 and an estimated budget gap of £24.74m for 2015/16 and £20.765m for 2016/17. This 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.
- 1.4 In July 2014 Cabinet received a budget planning process update report which looked forward to 2017/18 and 2018/19 and estimated an additional budget gap of £15m for each year taking the total estimated budget gap for the four year period 2015/16 to 2018/19 to £75m. This is an indicative amount which is subject to change based on announcements in the annual central government grant settlement and local factors. The July Cabinet report identified an indicative savings target of £30m for 2015/16. This is slightly higher than the reported MTFS budget gap position of £24.74m to provide an element of slippage for those saving proposals that may require a long lead in time. To ensure the target for 2015/16 is achieved Cabinet, in July and November 2014, agreed to savings of £1.732m being taken in-year (2014/15) which contribute towards the £30m.
- 1.5 The final 2015/16 Local Government Financial Settlement was announced on 3 February 2015. The MTFS has been updated to reflect:
 - The impact of the settlement

- The revised projections of Revenue Support Grant (RSG) from London Councils for 2016/17 to 2018/19.
- Additional demand pressures

1.6 The financial impact is an increase in the estimated budget gap for 2015/16 to 2018/19 to £83m, an increase of £8m of which £6.7m is attributable to the estimated reduction in RSG and £1.2m to an increase in homelessness. Welfare Reform pressures of £740k have been mitigated by application of the Welfare Reform Contingency.

EXTERNAL FUNDING POSITION

1.7 Harrow is one of the lowest funded councils in London. A focused piece of work was recently commissioned from LG Futures to investigate Harrow's funding settlement and the reasons behind the variances from other London Boroughs and across England. The review identified that in 2015/16 Harrow's revenue spending power per head is projected to be £159 (or 17.3%) lower than the London average which ranks Harrow 26th out of 32. A similar comparison with the England average shows Harrow's revenue spending power per head is £127 (or 14.3%) below average and ranks Harrow 105th out of 120.

DELIVERY OF THE 2014/15 BUDGET

1.8 Delivery of the 2014/15 budget is critical to maintaining the Council's financial standing. The 2014/15 revenue budget includes a challenging savings target of £12.9m and investment of £7.712m. The Quarter 3 position (as at 31 December) is subject to a separate report on the agenda. Overall the Council is forecasting a balanced budget. This is the net effect of a forecast overspend of £1m within the directorates off set by a forecast underspend £860k against corporate budgets and a draw down on the central contingency for unforeseen items of £140k:

Table 1: 2014/15 Financial Performance at Quarter 3 (forecast)

	Revised Budget	Forecast Outturn	Quarter 3 Variance	Variance	Quarter 2 Variance
	£000	£000	£000	%	£000
Resources	26,638	26,400	(238)	-0.9%	(530)
Environment and Enterprise	41,111	40,602	(509)	-1.2%	(481)
Community, Health and Wellbeing	75,873	76,967	1,094	1.4%	462
Children and Families	47,171	47,830	659	1.4%	811
Total Directorate Budgets	190,793	191,799	1,006	0.5%	262
Corporate Items	(16,367)	(17,373)	(1,006)	6.1%	(350)
Total Budget Requirement	174,426	174,426	0	0.0%	(88)
HRA	(905)	(821)	84		268

1.9 Managers continue to try and manage down the pressures within their directorates to prevent any calls on contingency

BUDGET PLANNING PROCESS

1.10 Through the budget process there has been a very clear steer that officers must come forward with a range of saving proposals to give Members options to meet the original estimated budget gap of £75m for the four year period 2015/16 to 2018/19, as reported to Cabinet in July 2014.

DEVELOPMENTS IMPACTING UPON THE COUNCIL'S MEDIUM TERM FINANCIAL STRATEGY

1.11 The 2014/15 MTFs, covering the three year period 2014/15 to 2016/17, was approved by Council in February 2014. Though the MTFs is approved annually, it is reviewed on a continual basis as the Council's financial position is dynamic and could be affected by a number of financial uncertainties and adjustments that could affect its financial position over the medium term.

1.12 In preparing the draft budget for 2015/16 there were a number of adjustments to the MTFs which were reported to December Cabinet and are detailed in table 2 below:

Table 2: Adjustments to Year MTFs (2015/16 to 2018/19) (PRIOR to the Local Government Financial Settlement)

	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000
Estimated budget gap February 2014	24,740	20,765	0 (*)	0 (*)
Adjustments:				
Revenue Support Grant	0	(4,195)	8,560	3570
Retained Business Rates	1,022	150	0	0
Council Tax Increase of 1.99% (net)	(854)	0	0	0
Council Tax base	(1,407)	(1)	(104)	(102)
Collection Fund Surplus	(1,900)	1,900	0	0
Technical Adjustments	(2,420)	2,290	10,037	12,979
Additional directorate saving proposals (net):				
Children and Families	(1,882)	0	0	0
Environment & Enterprise	(4,403)	(2,870)	(775)	(264)
Community, Health and Wellbeing	(7,152)	(834)	(100)	0
Resources	(3,515)	(1,500)	(1,652)	(1,345)
Pan Organisation	(1,500)	(220)	(350)	(2,000)
Business Support Services	(730)	0	0	0
Estimated budget gap – December 2014	0	15,484	15,616	12,838

(*) The current MTFs runs to 2016/17. It has been extended by two years hence a starting point of £0.

1.13 On 3 December 2014 Chancellor George Osborne delivered his 5th annual Autumn Statement followed by the provisional Local Government Finance Settlement on 18 December and the final settlement on 3 February. The announcements, along with other changes, have resulted in a number of adjustments to the MTFS which are summarised in table 3 and supported by explanatory text. The 2015/16 budget still includes a Council Tax increase of 1.99%. To raise the council tax by more than 2% would trigger a referendum which the Council would need to pay for.

Table 3: Adjustments to MTFS 2015/16 to 2018/19 (AFTER the Local Government Financial Settlement)

	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000
Estimated budget gap December 2014	0	15,484	15,616	12,838
Adjustments:				
Impact of Financial Settlement:				
Revenue Support Grant	(142)	5,986	(330)	1,061
New Homes Bonus	(478)	0	0	0
Education Support Grant	(171)	0	0	0
Freedom Passes	(89)	0	0	0
Technical Adjustments:				
E&E 34 Food / Garden waste	(430)	430	0	0
Revised Treasury Management estimate	(1,163)	1,163	0	0
Additional Pressures:				
Homelessness	1,000	200	0	0
Welfare Reform	740	(215)	0	0
Better Care Fund	1,349	0	0	0
Other:				
Use of Welfare Reform Contingency	(1,036)	0	0	0
Increase in Contingency to reflect Welfare reform risks	248			
Deletion of Trade Union Facilities saving (RES 11)	27			
Rephasing of Access Harrow / HR savings	145	150	0	0
E&E 03 School crossing patrol. Rephase all saving to 2016/17	32	-32		
E&E 08 Highways Maintenance. Rephase saving	-32	32		
CHW 17 Community festivals, reduction of subsidy	10			
Capital financing costs reduction	-10			
Estimated budget gap – February 2015	0	23,198	15,286	13,899

1.14 **Impact of Financial Settlement.** The overall impact of the grants announced as part of the Financial Settlement on 2015/16 is an increase in grant of £791k compared to the position reported to December Cabinet:

- The combined total of **Revenue Support Grant, Top-up grant and Council Tax Freeze Grant** shows an increase of £142k compared to what was assumed in the December Cabinet report. There has been a reduction of £93k of grant to reflect the ending of the Carbon Reduction Commitment Charge. There has also been an addition as part of the final settlement of £248k to reflect the costs of welfare reform and social care faced by councils. This has been added to the general contingency for unforeseen items, increasing it from £1m to £1.248m.
- The **New Homes Bonus** is £478k higher than estimated following an exercise to review the classification of properties previously shown as empty within the Council Tax system.
- The estimate of the **Education Services Grant** receivable is £171k higher than previously expected. This reflects the most up to date received from the DfE on rates and academy conversions. The grant allocation will be revised in-year to reflect any conversions that take place.
- London Council's update their forward looking RSG projections annually after the announcement of the local government financial settlement. Harrow uses these projections in its MTFS and London Councils are forecasting Harrow's RSG will reduce by a further £6.7m:
 - 2016/17 – Further reduction of £5.986m
 - 2017/18 – Additional grant of £330k
 - 2018/19 – Further reduction of £1.061m

It is accepted that these projections are an estimate, and will be subject to change, but it is considered prudent to include the grant reductions in the MTFS. This, along with other adjustments, increases the overall 4 year indicative savings target from £75m to £83m.

- In terms of **Freedom Passes**, the London Council's Transport and Environment Committee on 11 December agreed the final levy for 2015/16 at £9.838m which is £89k lower than previously provided for.

1.15 **Technical Adjustments:**

- **Food / Garden Waste saving proposal.** The Environment and Enterprise directorate are proposing a saving of £2.681m against food and garden waste collection (ref E&E 34). The year 1 saving value of £540k was net of one off revenue implementation costs of £430k. These one off costs will be funded from the MTFS

Implementation Reserve, the impact of which will be additional revenue in the financial model of £430k in 2015/16 which will be reversed out in 2016/17. The total value of the food and garden waste proposal remains the same at £2.681m but the saving has been re-profiled to £970k in 2015/16 and £1.711m in 2016/17. £430k will be drawn down from the MTFS Implementation Fund and transferred to E & E on 01/04/15.

- The Quarter 3 review of the 2014/15 Capital Programme has been completed and, due to additional slippage, a non recurrent saving on capital financing costs of £1.163m is achievable in 2015/16 and this is reflected in the MTFS.

1.16 Additional Pressures:

- **Homelessness.** One of the significant consequences of welfare reform is that homelessness pressures are continuing to grow as the gap between actual rents in the market and what is payable through housing benefit grows, with the result that many more families who would otherwise have been able to find their own housing solution are now priced out of accommodation in West London, and have to approach the Council for help to secure accommodation. The other main welfare reform pressure is the overall benefit cap that has resulted in about 200 families needing on-going financial support, mainly through the Discretionary Housing Payments fund (DHP), to sustain tenancies and avoid homelessness. This has depleted the DHP provision available to help other groups avoid homelessness by agreeing higher (realistic) rents with their landlords or be assisted to move into the private rented sector. The main homelessness budget has had to meet this additional cost, as it is still cheaper to do this than take even more families into bed and breakfast.

Despite interventions that have been implemented, the combined impact of these has been to give rise to a significant overspend in respect of Homelessness in 2014-15. Based on current projections, the trends are unlikely to change in 15-16 as there is no likelihood Housing Benefit will meet even bottom quartile rents locally, and legislation restricts us on where else we can accommodate most homeless households. The amount of DHP Harrow will receive in 2015-16 has been reduced by 40%, which further reduces the ability to meet these anticipated additional costs. It has therefore been necessary to include growth in the Homelessness budget to help meet the increased demand for the service. The saving of £200k included in the draft budget has therefore been removed, and a further £800k growth included in respect of homelessness, giving an overall increase of £1m.

The prospects remain uncertain for future years, and from the detailed modelling work carried out, it is possible that actual demand for the service may result in costs in excess of the budgeted amount in 2015-16, though it should be noted that officers continue to work to try to mitigate this growth, both through

the continuation of existing initiatives and the development of new ones.

Welfare Reform. A Welfare Reform Contingency of £1.036m was set aside which was funded from a reduction in the Council Tax Support Scheme spends. This has now been brought into the MTFS and applied as follows:

- £296k contribution to Homelessness pressures
- £275k contribution to the Emergency Relief Scheme (ERS). In 2014/15 the scheme is funded from a separate grant for Local Welfare Provision (Social Fund Growth). From 2015/16 this will be subsumed into the RSG and the £275k is allocated to partly off set the loss of the separate grant.
- £215k to fund 6 additional staff, experienced in Revenues and Benefits, to address concerns from members of the public at not being able to make contact with Access Harrow and experiencing long wait times. This funding is allocated for 2015/16 only, after which it will be applied to the homelessness pressures.
- £250k contribution to the Council Tax summons costs budget to reduce the income expectation. This will allow for flexibility in cost withdrawal / write off therefore removing the financial burden from those tax payers on council tax support and with limited financial means who can least afford to pay additional charges.

1.17 The saving proposal to reduce the **Trade Union facilities time** (RES 11) for £27k has been deleted.

1.18 **Rephasing of Access Harrow / HR Savings.** 4 saving's, already approved by Cabinet for 2015/16, within Access Harrow and HR are being re-phased within the MTFS:

- RES029 Channel shift through roll out of My Harrow account (£60k)
- RES030 Close face to face and telephony channels for public realm enquiries (£70k)
- RES031 Reconfigure one stop shop (£190k)
- RES042 Reduction in HR Development posts (£75k)

The growth allocated to address a change in legislation for local land charges (RES 14) has been reduced by £250k in 2015/16 to partly off set the impact of the re-phased savings.

1.19 The saving for **School Crossing Patrols** (E&E_03) has been rephased to 16/17. A consultation with all 12 schools affected by the proposal commenced at the beginning of 2015 with a view that SLAs will be put in place with the schools which choose to continue the service. This will give sufficient time for schools to consider the proposal are/or seek their own alternative arrangements beyond 2015/16. There is a compensating saving of £32K in 15/16 from rephasing the saving on the highways maintenance budget (E&E_08).

This is considered feasible as a result of additional capital investment made in highways infrastructure during the last quarter of 14/15.

- 1.20 **Community festivals.** It is proposed to reduce the subsidy to festivals by £10k rather than cease it.

ANALYSIS OF DIRECTORATE SAVINGS

- 1.21 The proposed 2015/16 budget includes savings totalling £30.9m. The MTFs process was guided by work under the themes of regeneration, commercialisation and procurement, public service integration, efficiency and management savings. Table 4 below analyses the savings between management savings, additional income, contractual savings, efficiency savings and service changes (MICES):

Table 4: Saving Proposals 2015/16 to 2018/19 MICES Analysis

	Management	Income	Contractual	Efficiency	Service Changes	Total
Directorate	£000	£000	£000	£000	£000	£000
Resources	150	410	1,798	4,672	1,205	8,234
Community, Health & Wellbeing	308	2,235	313	2,124	1,892	6,872
Environment & Enterprise	367	3,871	830	1,684	1,560	8,312
Children & Families	205	541	50	586	1,215	2,597
Pan Organisation	0	0	0	1,720	2,350	4,070
Business Support	0	0	0	730	0	730
Total	1,030	7,057	2,991	11,516	8,222	30,815

Table 4 does not account for the following four growth items which were not categorised:

- Children and Families – Social Worker growth of £715k
- Community, Health and Wellbeing – Care Act funding from the Better Care Fund of £545k
- Homelessness growth £800k
- Resources savings rephasing £395k

- 1.22 The saving proposals, as detailed in appendix 1, currently approximate to a reduction of 145 fte in 2015/16.

FEES AND CHARGES 2015/16

- 1.23 The proposed fees and charges for 2015/16 were agreed by January Cabinet. The estimated effect of the changes proposed has been accounted for in the MTFs.

SCHOOLS BUDGET 2015/16

- 1.24 The funding arrangements for the Dedicated Schools Grant and the Schools Budget for 2015/16 are detailed in Appendix 6. Cabinet are asked to recommend to Council the Schools Budget for 2015/16 which was presented to Schools Forum on 20 January 2015.

PUBLIC HEALTH FUNDING 2015/16

- 1.25 The Department of Health announced in September 2014 that local authorities would receive a £2.79 billion ring fenced public health grant for their public health duties, the same level as in 2014/15. The allocation for Harrow totals £9.146m for 2015/16. There will be further ring-fenced funding for 0-5 years public health services (health visiting) announced in due course in relation to the services that will transfer from NHS England to local authorities in October 2015.
- 1.26 During 2014/15 further contract efficiencies have been identified enabling wider determinants of public health to be charged to the grant. A programme of procurement will continue in 2015/16 and beyond and in particular, a collaborative approach to the commissioning of sexual health services across London, is expected to deliver further efficiencies (or as a minimum contain growth) from April 2018.
- 1.27 The commissioning intentions (detailed in Appendix 7) were presented, as part of the overall Council budget, to the Health and Wellbeing Board at its meeting on 08 January 2015.

BETTER CARE FUND

- 1.28 From April 2015 the NHS Funding Transfer will become the Better Care Fund (BCF) with funding of £3.8bn nationally. The allocation for Harrow, across the Health and Social Care economy is £14.373m. This represents 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 Act that comes into effect in April 2015.
- 1.29 Following extensive joint work and negotiations, the Health & Wellbeing Board on 8th January agreed the allocation of the BCF funding for 2015/16. The proposed budget now reflects a transfer to the Council of £6.601m comprising revenue funding of £5.411m to protect social care services (including resources for the Care Act) together with the full capital allocation of £1.190m.
- 1.30 A series of further conversations, outside of the BCF, were agreed on a number of other issues:
- To consider financial support for the Council for winter pressures
 - To consider the funding associated with the enhanced discharge scheme
 - A review process to ensure that the protection of social care is considered as part of the allocation of any health care resource available to the economy
- 1.31 The transfer now agreed, whilst greater than the existing NHS Funding Transfer amount, is less than was anticipated in the 2015/16 draft budget reported to Cabinet in December. Should additional funding to protect social care services be identified during 2015/16, this will be held corporately to offset the shortfall.

- 1.32 It is assumed that the BCF will, subject to national political decision, be ongoing. As a result, discussions will be necessary with the Harrow Clinical Commissioning Group (CCG) to agree the funding required for the protection of social care services in 2016/17 and will be included as appropriate in future draft budgets. The Council expectation is that discussions for 2016/17 will start at £6.5m, the anticipated transfer value for 2015/16.

DEMOGRAPHY

Adult Services

- 1.33 Adults demography, based on statistical information, has been required in the region of £2.5m to £2.8m in recent years and reflects largely the cost of supporting older service users in the community (106 additional placements at an average cost of £8,250 pa) and children transitioning to adult hood (£1m). The balance represents additional residential placements (17 additional placements at an average cost of £30kpa) and cases no longer meeting continuing care criteria. These demographic pressures are expected to continue into 2017/18 and beyond, at least at the level of the existing MTFS. It is possible that these demographic costs may need to be increased further to reflect the ongoing costs arising from the introduction of the Care Act. Whilst it is not yet possible to quantify with any certainty the likely costs in this respect, estimates indicate that this could be anywhere between £3.7m and £5m pa over the term of the MTFS.
- 1.34 The Care Act is expected to be funded in 2015/16 by a new burdens grant (£1.2m) and the BCF (£0.545m), a shortfall on the estimated costs. These costs will be closely monitored with any evidenced variations being reported at the earliest opportunity. Whilst the BCF funding is expected to be ongoing, it is not yet clear whether the new burdens grant will continue after April 2016, although the Council will be required to continue to support service users and their carers once assessed under the eligibility criteria.
- 1.35 The current MTFS assumes demographic growth of £2.8m in 2015/16 and £2.5m in 2016/17. For the final two years of the MTFS assumes that any demographic pressures will be offset by compensatory savings hence no growth is included. Given the pressures this will need to be kept under review.

Children and Families

- 1.36 Children's Services has received annual demographic growth totalling £413k. Of this, £260k funds client costs in relation to children with disabilities and accommodation costs for looked after children and care leavers. The remaining £153k supports the social care work force. Children's Services has seen a growth in demand for services, an example of which are shown as follows:
- 41% increase in the number of 0-4 year olds since 2001
 - 31% increase in Children in Need (CiN) from 2013 to 2014
 - 50% increase in Child Protection Plans (CPP) from 2013 to 2014

- 51% increase in referrals from 2013 to 2014
- 1.37 The current MTFS assumes demographic growth of £413k in 2015/16 but nothing beyond this. The MTFS assumes that any demographic pressures will be offset by compensatory savings hence no growth is included. Given the pressures this will need to be kept under review.
- 1.38 The MTFS includes a budget planning contingency of £3m for 2016/17, 2017/18 and 2018/19 which is intended to address budget pressures.

REGENERATION

- 1.39 Indicative net income is estimated to be realised from a long term regeneration strategy for the borough (saving proposal PO 03). The Harrow Regeneration Strategy and Action Plan was presented to December Cabinet.

RESERVES AND CONTINGENCIES

- 1.40 Reserves and contingencies need to be considered in the context of their need to protect the Council's good financial standing and in the context of the overall risks that the Council faces during a continuing period of economic uncertainty. The MTFS reflects the Council's need to ensure an adequate level of reserves and contingencies which will enable it to manage the risks associated with delivery of the budget and unforeseen events. As at the time of writing this report general non earmarked balances stand at £10m and those for specific purposes are detailed:
- Unforeseen contingency (including mitigation should decision makers want to make alternative decisions for equalities reasons) £777k
 - Pay and Energy Inflation contingency £1.400m with an anticipated draw down of £950k once the current year pay award is finalised
 - Transformation and Priorities Initiatives Fund £3.891m
 - Carry forwards £195k
 - Business Risk Reserve £2.859m
 - MTFS Implementation £5.112m
- 1.41 The report of the Director of Finance and Assurance which includes the adequacy of reserves is detailed in Appendix 11.

PROPOSALS FOR GENERAL RESERVES / BUDGET RISK ASSESSMENT

- 1.42 The detailed risk assessment of the budget has been updated and included in this report at Appendix 8. Cabinet agreed the following reserves policy in February 2014:

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 underspend, 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 9.

COUNCIL TAX MODEL RESOLUTION

1.43 The draft Council Tax Model Resolution is attached at Appendix 12. This is still subject to confirmation of the GLA precept which is expected to be confirmed on 23 February. Any changes will be made for approval at Council on February 26.

MEMBERS ALLOWANCE

1.44 The proposed Members' Allowances scheme for 2015/16 is attached at Appendix 13. This has been prepared having regard to the report of the Independent Panel that considered the Remuneration of Councillors in London. It is proposed that the basic allowance and the different bands of Special Responsibility Allowance (SRA) and Mayoral Allowances, which have been in place since 2009/2010, be uprated in line with the Local Government Pay Settlement (2.2%) from those agreed in 2014/15. It is also proposed that the SRA banding for a number of roles be reduced and that the current Band 2 be deleted.

1.45 Cabinet is requested to recommend the scheme to Council for approval.

ANNUAL PAY POLICY STATEMENT

1.46 Under the Localism Act 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

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

CONSULTATION

1.48 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

Where consultation is required to inform and equality impact assessment.

- 1.49 Regardless of whether the Council has a duty to consult, if it chooses to consult, such consultation must be carried out fairly. In developing saving proposals consultation has or is being undertaken with a significant number of stakeholder groups to inform proposals.
- 1.50 'Take Part' was the start of a conversation with residents about changes the council needs to make over the next four years to meet the significant budget gap. The consultation was carried out over an eight week period from 11 September to 8 November 2014 and the feedback and equality impact assessment (process) were fully reported to December Cabinet.
- 1.51 The Environment and Enterprise directorate has undertaken a public consultation on five key proposals over December and January:
E&E 23 Environmental Health out of hour's noise nuisance response service
E&E 25 Shopping Areas Street cleaning
E&E 26 Reduce Parks service to statutory minimum
E&E 27 Highways verge grass cutting
E&E 34 Garden waste

The results of the public consultation and the high level implementation plans for the 5 key proposals are detailed in the report 'Environment and Enterprise Medium Term Financial Strategy Implementation Plan' which is a separate item on this agenda.

- 1.52 The Children & Families directorate has undertaken a public consultation on proposed changes to the Children's Centres services (ref C&F12). The consultation was carried out over the period 11 November 2014 through to 4 January 2015. The results of the consultation and proposals for the future model of Children's Centres are detailed in the report 'Children's and Families – Children's Centres' which is a separate item on the agenda.
- 1.53 The Community, Health and Wellbeing directorate has undertaken two public consultations:
- Review of the Library Service (ref CHW16).** The consultation ran from November through to January and the results will be reported to March Cabinet as part of the 'Library Strategy 2015 – 2018' report.
- Review of Voluntary Sector Funding (ref CHW 11).** The consultation is currently running until 13 February and the results will be reported to March Cabinet as part of the 'Voluntary & Community Sector: Outcome of consultation on funding' report.
- 1.54 A number of specific stakeholder groups were held which are detailed in table 5 below and the minutes are detailed in appendix 15:

Table 5: Stakeholder Consultation in addition to the ‘Take Part’ consultation

Stakeholder	Meeting	Date
Trade Unions	Special Finance CJC – Trade Union consultation on budget	09 December 2014
Elected members and Trade Unions	Employee Consultative Forum	13 January 2015
Overview and Scrutiny	Special meeting of Overview and Scrutiny to review the budget.	20 January 2015
Local businesses	Harrow Business Consultative Panel	27 January 2015

- 1.55 The Council is currently holding a 4 week consultation so provide residents with the opportunity to comment on the draft revenue budget for 2015/16, the MTFS for 2015/16 to 2018/19 and the draft capital programme 2015/16 to 2018/19. The consultation closes on Sunday 15 February and interested parties can participate online. The results of the consultation will be considered by Cabinet.
- 1.56 Should the consultation and equalities process highlight any outcomes that the council will be unable to accept or demonstrates an adverse impact which cannot be justified, the Council’s balances allow for such proposals not to be proceeded with.

LEGAL IMPLICATIONS

- 1.57 Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their council tax requirements in accordance with the prescribed requirements of that section. This requires consideration of the authority’s estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund.
- 1.58 Local authorities owe a fiduciary duty to council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of council tax payers and ratepayers and the community’s interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.
- 1.59 When approving its budget, the Council must take into account all relevant material, including its fiduciary duty, consultation responses to the general budget consultation and potential equality implications in order to reach a decision. This report presents the 2015/16 revenue budget, following consultation on specific proposals and the budget overall. Cabinet must consider the results of the various consultations

and the equality impact assessment results, when deciding whether to approve the budget.

- 1.60 As an alternative to agreeing any of the proposals, the Council also has the option to maintaining the current level of services; however this will impact on the proposed budget. If savings are not made, the Council will have to consider what alternatives are available to meet its anticipated budgetary shortfall. Alternatives could include cutting services elsewhere, use of reserves and increasing council tax.

FINANCIAL IMPLICATIONS

- 1.61 Financial Implications are integral to this report.
- 1.62 Under the Local Government Act 2003 the Director of Finance and Assurance (in their 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 Council has suitable specific reserves and general balances are adequate. The Directors Report is set out in Appendix 11 and details the factors taken into consideration when forming the overall view.

PERFORMANCE IMPLICATIONS

- 1.63 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.

EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY

- 1.64 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*

1.65 All new directorate proposals have been subject to an initial equalities impact assessment followed by a full assessment where appropriate.

1.66 An assessment has been carried out on the whole budget, when all proposals have been identified, to ensure that decision makers are aware of any overall impact on any particular protected group.

1.67 Officers have indicated ways that these impacts can be mitigated. The individual equalities impacts will be kept under review as the projects are initiated and throughout the life time of the projects. Officers will put in place appropriate mitigation where this is possible.

1.68 If deemed appropriate, a project may be subject to future individual Cabinet decisions once the budget envelope has been set by Council. The equality impacts will be updated for these decisions. As an alternative to agreeing any of the proposals, the Cabinet would have

the option of maintaining the current level of services; however this will impact on the proposed budget.

RISK MANAGEMENT IMPLICATIONS

1.69 As part of the budget process the detailed budget risk register has been reviewed and updated. This helps to test the robustness of the budget and support the reserves policy. It is summarised below in table 6 and is attached in Appendix 8:

Table 6: Risk Assessment – Summary

	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m
Net Risk	10.718	14.252	14.037	14.372
Contingencies:				
Unforeseen events	(1.248)	(1.248)	(1.248)	(1.248)
Budget Planning		(3)	(3)	(3)
Remaining risk	9.470	10	9.789	10.124

1.70 As at March 2014 the level of General Reserves was £10m, which is within the recommended minimum level and is sufficient to cover the remaining risk as highlighted in table 6.

COUNCIL PRIORITIES

1.71 The Council's vision is **Working Together to Make a Difference for Harrow**. This is supported by the administration's priorities of:

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

1.72 The budget for 2015/16 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 on behalf of the
Chief Financial Officer

Date: 10/02/15

Name: Jessica Farmer on behalf of the
Monitoring Officer

Date: 10/02/15

Ward Councillors notified:	NO* , as it impacts on all Wards <i>* Delete as appropriate.</i>
EqIA carried out:	To follow
EqIA cleared by:	

Section 4 - Contact Details and Background Papers

Contact: Dawn Calvert, Head of Strategic Finance and Business (Deputy S151), tel: 0208 424 1393, dawn.calvert@harrow.gov.uk

Background Papers:

[Report to Council 27 February 2014 - Final Revenue Budget 2014/15 and Medium Term Financial Strategy \(MTFS\) 2014/15 to 2016/17](#)

[Report to Cabinet 17 July 2014 – Budget Planning Process Update](#)

[Report to Cabinet 20 November 2014 – Budget Planning Process Update](#)

[Report to Cabinet 11 December 2014- Draft Revenue Budget 2015/16 and Medium Term Financial Strategy 2015/16 to 2018/19](#)

Call-In Waived by the Chairman of Overview and Scrutiny Committee	NOT APPLICABLE <i>[Call-in does not apply as the decision is reserved to Council]</i>
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