
REPORT FOR: CABINET

Date of Meeting:	10 December 2015
Subject:	Draft Revenue Budget 2016/17 and Medium Term Financial Strategy 2016/17 to 2019/20
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Sachin Shah, Portfolio Holder for Finance and Major Contracts
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1A – proposed savings 2016/17 to 2019/20 Appendix 1B – savings and growth 2016/17 to 2018/19 to be agreed from 2015/16 MTFS Appendix 1C – savings and growth 2016/17 to 2018/19 to be agreed from 2014/15 MTFS Appendix 2 - Medium Term Financial Plan 2016/17 to 2018/19 Appendix 3 - Schools Budget 2016/17 Appendix 4 - Draft Public Health Budget 2016/17

This report sets out the draft revenue budget for 2016/17 and draft Medium Term Financial Strategy (MTFS) for 2017/18 to 2018/19. The budget and MTFS will be brought back to Cabinet in February 2016 for final approval and

recommendation to Council.

Recommendations:

Cabinet is requested to:

- 1) Approve the draft budget for 2016/17 and the MTFS 2016/17 to 2018/19 for general consultation as set out in Appendices 1A, 1B, 1C and 2.
- 2) Note the balanced budget position for 2016/17, 2017/18 and 2018/19 (paragraph 1.9).
- 3) Note the proposal to increase Council Tax by 1.99% in 2016/17 (paragraph 1.12).
- 4) Approve the structure of the Schools funding formula for 2016-17 (unchanged from the 2015/16 formula agreed last year) as set out in Appendix 3.
- 5) Approve the draft Public Health budget for 2016/17 as set out in Appendix 4.
- 6) Agree the sum of £245,298 as Harrow's contribution to the London Grant Scheme in 2016/17 (paragraph 1.28)

Final approval will be sought from Cabinet and Council in February 2016.

Reason: (For recommendations)

To ensure that the Council publishes a draft budget for 2016/17 and MTFS to 2018/19.

Section 2 – Report

INTRODUCTION

1.0 Over the last few years, the Government has reduced its funding for councils, as part of its nationwide austerity programme. Those funding cuts, increased demand for services and cost inflation mean that Harrow Council will have £83 million less money to spend in 2018 compared with 2014. Harrow Council does not have large cash reserves, and spending them is not a responsible way to offset lost revenue. Harrow Council's gross budget is £589m, but most of that must be spent on housing benefit, schools and other services. The Government has strict rules about how that money should be spent and it can't be used for anything else. The Council's net controllable budget of £154m is the element of the budget that the Council can exercise control over and from where the savings must be found. Harrow Council has presented a 3 year balanced budget to protect services for families, communities, businesses and the vulnerable. This 3 year balanced budget shows Harrow Council is responsible with taxpayers'

money, is ambitious for the borough and is prioritising the vulnerable in its spending decisions.

- 1.1 The Council has a statutory obligation to agree and publish the budget for 2016/17, and approval for this will be sought in February 2016. This report sets out the draft budget for 2016/17 and MTFS to 2018/19. The report does not show a MTFS budget figure for 2019/20, as there is still a significant amount of work to be done for 2019/20, and at this stage approval is sought for the MTFS to 2018/19. However it is hoped that the Local Government Finance Settlement will provide an indicative funding allocation for 2019/20 which will be reported to Cabinet and Council in February 2016.
- 1.2 The draft budget set out in this report shows an updated MTFS with a number of changes Cabinet are asked to note. The changes achieve a balanced budget position for 2016/17, 2017/18 and 2018/19. The MTFS will be subject to further adjustments following the Local Government Financial Settlement, which is due for announcement in mid December. It is anticipated that, in addition to confirming the funding for 2016/17, the announcement will also provide indicative funding for 2017/18 to 2019/20. Whilst it is intended that Members will approve the MTFS in February 2016, this is subject to a number of assumptions in relation to grant settlements, council tax income, legislation and demographics. The Council will still be required to review the Council's budget on a yearly basis; however approval of the MTFS will allow officers to progress a number of important projects.

BACKGROUND

- 1.3 The budget process is designed to ensure that it is priority led so that resources are aligned with council priorities and statutory responsibilities including equalities implications. The Council's Corporate Plan approved by Council in February 2015 set out a vision and Council priorities and the draft budget for 2016/17 and MTFS have been prepared in line with these priorities. 'Working Together to Make a Difference for Harrow'. 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

and the draft budget for 2016/17 has been prepared in line with these priorities.

- 1.4 The MTFS agreed by Cabinet and Council in February 2015 showed a balanced budget position for 2015/16 and an estimated total budget gap of £52.4m, (£23.2m for 2016/17, £15.3m for 2017/18 and £13.9m for 2018/19). This budget gap was based on an indicative central government grant settlement for 2016/17 alongside a number of assumptions on council tax, inflation and movements on government grants. In balancing the 2015/16 budget, savings of £30.9m were

agreed which in addition to the £52.4m gap for the period 2016/17 onwards gives a total savings of £83m over the period 2015/16 to 2018/19.

- 1.5 In July 2015, Cabinet received a budget planning process update report which reaffirmed the total budget gap of £52.4m over the three year period 2016/17 to 2018/19:

2016/17	£23.198m
2017/18	£15.286m
2018/19	£13.899m

The July cabinet meeting also agreed a total of £2.468m in-year savings.

CURRENT FINANCIAL CONTEXT

EXTERNAL FUNDING POSITION

- 1.6 Harrow Council is one of the lowest funded councils in London. A focused piece of work was commissioned last year to investigate the Council'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 London Boroughs. 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 local authorities.

DELIVERY OF THE 2015/16 BUDGET

- 1.7 Delivery of the 2015/16 budget is critical to maintaining the Council's financial standing. The 2015/16 revenue budget includes a challenging savings target of £18.7m. The Quarter 2 forecast as at 30th September, (subject to a separate report elsewhere on the agenda), indicates a directorate overspend of £4.140m. Mitigating actions have been identified of £2.837m which reduce the directorate overspend to £1.303m. Corporate savings of £0.638m have been identified and these taken together with an assumed use of the corporate contingency of £0.665m enable a balanced position to be achieved. The achievement of a balanced position includes one-off savings of £4m, mainly the use of reserves and directorates continue to seek further on-going mitigating actions.

BUDGET PLANNING PROCESS

- 1.8 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 budget gap for the 3 year period, 2016/17, 2017/18 and 2018/19.

DEVELOPMENTS IMPACTING UPON THE COUNCIL'S MEDIUM TERM FINANCIAL STRATEGY

1.9 The 2015/16 MTFS, covering the three year period 2015/16 to 2017/18, was approved by Council in February 2015. 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. In preparing the draft budget for 2016/17 there have been a number of adjustments to the MTFS. These are summarised in table 1:

Table 1: Adjustments to MTFS (Pre December Local Government Finance Settlement)

	2016/17	2017/18	2018/19
	£000	£000	£000
Estimated budget Gap Feb 2015	23,198	15,286	13,899
Adjustments:			
Revenue Support Grant	-4,894	-540	5,609
Better Care Fund	-1,000		
Retained Business Rates	823		
s31 Grant Business Rate Relief	443		
Council Tax Increase 1.99 for 16/17, 1% for 17/18	-1,962	-1,025	0
Council Taxbase	-1,849	-4	-5
Collection Fund Surplus	-3,500	3,500	0
Reduce pay award provision from 2% to 1%	-800	-800	-800
Adjust inflation provision	-870	-870	
Capital Financing Charges	958	1,437	1,631
Additional New Homes Bonus	-750		
One-off contribution to MTFS Implementation Reserve	3,135	-3,135	
Delete Energy contingency		-350	
Reduce Budget Planning contingency	-1,000	-5,000	-2,630
Corporate car allowance saving	-100		
Additional Commercialisation savings from projects in the pipeline		-1,100	
Directorate saving proposals			
Resources	-2,934	-474	-1,195
People	-7,594	-5,558	-14,121
Community	-1,214	-1,317	-2,388
Regeneration	-90	-50	
Subtotal of Savings Proposals	-11,832	-7,399	-17,704
Updated Estimated Budget Gap	0	0	0

1.10 **Revenue Support Grant (RSG).** The refreshed MTFS has been updated to reflect London Councils' estimates of grant as at July 2015, following the Chancellor's budget on 8 July. The Chancellor has rephased the reductions in public sector spending and this changes the cash flow of the grant received in 2016/17 by £4.894m and by £540k in 2017/18, with a reduction in anticipated grant of £5.609m in 2018/19 resulting in an anticipated overall grant reduction across the 3 years of an additional £175k. The grant figures for 2016/17, as well as indicative figures for future years, will be announced as part of the Provisional Local Government Finance settlement in mid December.

1.11 **Retained Business rates.** The current MTFS assumes retained non domestic rates at £14.012m for the years 2016/17 to 2018/19. The updated estimate for 2016/17 is £13.189m, a reduction of £0.823m in each year. The amount of Business Rates Retention for 2016/17 has dropped significantly regardless that the yield has benefited from an increase in multiplier of 0.8%, this being the RPI figure as at September 2015 which legislation requires the multiplier to be increased by. The reasons for the reduction are detailed as follows:

- Harrow continues with its trend of losing Rateable Value due to commercial properties being demolished to make way for domestic or converted into domestic properties. The current reduction in retained business rates reflects this trend which is historical and continuing.
- The Valuation Officer has been determining valuation appeals and in addition a larger provision has been made for the increase in appeals made, prompted by the Valuation Office's deadline of 1 April 2015 for appeals against the 2010 list.
- There has been a partially offsetting increase of £443k in relation to the ending of the retail relief for properties with a rateable value of £50,000 or less. This will however be offset by a loss of s31 grant of the same amount.

No future increases are assumed in the MTFS for retained business rates, as it is anticipated that RPI increases will be balanced by further reductions in the valuation list.

1.12 **Council Tax Increase of 1.99%.** The current MTFS assumes a 0% increase in Council Tax. The refreshed MTFS is based on a Council Tax increase of 1.99% in 2016/17 which, based on the updated Council Tax base, will generate an estimated £1.962m of additional income. As a result of the 1.99% increase in Council Tax, the band D equivalent rate will increase from £1,234.36 to £1,258.92. The model also assumes an increase of 1% in 2017/18.

1.13 **Council Tax base.** The 2015/16 taxbase is 79,795 and the current MTFS is based on an assumed tax base of 79,878 band D equivalent properties. The latest tax base figure is 81,346, an additional 1,468 equivalent band D properties. This is the latest figure and an updated

figure will be reported to Cabinet in January, which will be used in the Final Budget report to Cabinet in February. An additional 1,468 band D properties, provides £1.848m additional income, compared to 2015/16. Of the increase, 204 is due to an increase in the collection rate from 97.5% to 97.75% with the balance of 1,264 largely due to new properties.

1.14 **Collection Fund.** A net surplus of £3.5m is estimated for 2015/16. This surplus is one-off benefit in 2016/17 and is reversed out in 2017/18. There is a separate report on the Estimated Collection Fund surplus/deficit for 2015/16, set out elsewhere on the agenda.

1.15 **Technical Adjustments:**

- **Capital Financing Costs.** The 4 year rolling Capital Programme has been reviewed and updated to include 2019/20. Cabinet are asked to agree the draft programme in December and the final programme in February. The updated programme will require additional capital financing costs of £958k, £1.437m, and £1.631m for 2016/17, 2017/18, and 2018/19 respectively.
- **Pay award.** The 2015/16 MTFS assumed pay inflation at 2% (£1.8m pa) for 2016/17 to 2018/19. Government pay policy is for public sector awards to be no more than 1% up to 2019/20. This gives a requirement for £1m in each year, a saving of £0.800m a year up to 2018/19, which has been factored into the updated MTFS.
- **Inflation on Goods and Services.** The MTFS has a reduced provision in 2016/17 and 2017/18. For 2018/19 a 1.3% inflationary increase on goods and services has been assumed at a cost of £1.270m. The annual CPI change at October 2015 was a reduction of 0.1%. Inflation is expected to remain low for some time to come but to the extent that there is inflationary pressure, directorates are expected to contain that pressure within existing budgets.
- **Employers Pension Fund contribution.** The council has agreed to make additional contributions to the pension fund at a cost of £0.582m in 2016/17, in order to reduce the fund deficit. Estimated increases of £0.622m for 2017/18 and £0.664m for 2018/19 have been accounted for in the original MTFS. The Tri-ennial valuation for the pension fund will commence in 2016, with the results known in early 2017, and an implementation date of 1.4.17.
- **National Insurance on contracted out employees.** There is currently a rebate on national insurance to employers and employees where employees are members of an approved pension scheme. The rebate will end on 31/03/16 and the estimated cost of the impact is £1.1m which is built into the MTFS.
- **Contingencies.** The current MTFS assumes an additional budget planning contingency of £3m in each of the 3 years 2016/17 to 2018/19. The draft budget assumes £1m of the contingency will be

used in the 2016/17 budget. This leaves £2m for one off spend only in 2016/17. In 2017/18 the draft budget assumes using £5m of the budget planning contingency. It is planned to reduce the budget of £3m in 2018/19 by £2.630m leaving £370k available.

- **New Homes Bonus (NHB).** NHB is based upon the number of additional dwellings each year and is payable for 6 years. In 2015/16 NHB is budgeted to be £2.690m after allowing for the top slice of funding going to the London Local Enterprise Partnership (LEP) administered by the Mayor for London. This is projected to increase by £150k in 2016/17 but to then decrease by £325k, £0.579m and £0.570m over the following 3 years as the grant received in the first few years of the scheme drops out and is replaced by grant based on lower levels of additional homes than in the earlier years of the scheme. The grant received in 2016/17 will be confirmed as part of the Local Government Finance settlement in December which is currently estimated at an additional £750k.
- **Education Support Grant.** In 2015/16 the budgeted Education Services Grant is £2.376m. This grant is projected to fall to by £545k per year from 2016/17 to 2018/19 as schools convert to academy status and the government reduces the per pupil rate of grant paid. Figures for 2016/17 are still subject to confirmation by the DfE and all figures are subject to revision in-year following any conversions to academy status. The basis of the grant for 2016/17 is expected to be confirmed at the time of the Local Government Finance Settlement in December.
- **S31 Grant.** The Council receives a s31 grant to compensate it for the Governments decision to extend a number of reliefs to small businesses and also to compensate for the increase in the business rates multiplier having been capped at 2% when it would otherwise have gone up by RPI. This was budgeted to be £600k in 2015/16. The grant is expected to continue into future years but is reduced by £443k in 2016/17 as a result of the Retail Relief scheme for properties with a rateable value of £50,000 or less ending.
- **Freedom Passes.** The cost of Freedom Passes for Harrow residents is recharged via an annual levy from Transport for London. The overall cost of the levy to London Boroughs is negotiated annually by London Councils and the distribution based on usage data, primarily from Oyster cards. The main factors used are London Transport prices and usage in most years increases by more than inflation. The levy is £9.838m in 2015/16 and the draft budget and MTFS assumes that it increases by £289k in 2016/17 and £380k and £390k and £400k in the following years. There is no change to these assumptions in the revised MTFS. It is anticipated that levy figures will be considered and agreed at the London Councils Transport and Environment Committee on 10 December.

1.16 The Autumn Statement was released on 25 November 2015. There were a number of announcements in relation to Local Government but

the detail will not be known in terms of financial impact until the Local Government Financial Settlement is received in mid December. This will result in further adjustments to the MTFs which will be reported to Cabinet and Council in February 2015.

ANALYSIS OF DIRECTORATE SAVINGS

1.17 Table 1 identified £36.935m (net) of additional directorate savings. The MTFs process was guided by work under the themes of regeneration, commercialisation and procurement, public service integration, efficiency and management savings. Some of the proposals are subject to consultation, which will be completed prior to the Cabinet report in February 2016. Some of the proposals will be subject to further detailed business plans, consultation and engagement and Cabinet approval. Further details of Directorate plans will be provided at the February Cabinet meeting.

1.18 The saving proposals, as detailed in appendix 1 currently approximate to a reduction of 80 fte in 2016/17, subject to consultation. (Consultation will not be required where posts are vacant).

SCHOOLS BUDGET 2016/17

1.19 The funding arrangements for the Dedicated Schools Grant and the Schools Budget for 2016/17 are detailed in Appendix 3. Cabinet is required to approve the structure of its funding formula for 2016-17, which it is not proposed to be changed from the current 2015-16 formula (as reported to the Schools Forum on 24 November).

The final cash values of each formula factor will be set following consultation with Schools Forum in January 2016 after the 2016-17 Schools Block funding has been announced which will be based on October 2015 census data.

PUBLIC HEALTH FUNDING 2016/17

1.20 The comprehensive spending review released on 25th November, announced that the public health grant for local authority public health duties, would remain ring fenced for 2016/17 and 2017/18. However, the Government will consult on options to fully fund local authorities' public health spending from their retained business rates receipts as part of the move towards 100% business rate retention.

The public health spending detailed in Appendix 4 of £12.3m assumes no reduction in grant funding. The Government announced in June 2015 an in year grant reduction in the Department of Health in relation to non-NHS funding of £200m (£664k for Harrow) as a contribution towards the national deficit. Whilst this reduction is a one-off reduction, it is possible that ongoing grant reductions will be announced. The grant will also include a full year allocation in relation to the funding for 0-5 years public health services (health visiting) in relation to the services that transferred from NHS England to local authorities in October 2015.

1.21 The programme of procurement in 2016/17 and beyond will in the main be a collaborative approach to the commissioning of sexual health

services across London, and is expected to deliver further efficiencies (or as a minimum contain growth) from April 2018. The proposals mark a reduction to services currently provided or commissioned by Public Health. Some of the future year's proposals are subject to decisions around the ring-fencing of public health grant and legislative requirements. In addition, it will be necessary for the Council to consider the most appropriate way for public health funding to be spent, taking account of the joint strategic needs assessment and the Council's overarching statutory duties.

- 1.22 The draft commissioning intentions (detailed in Appendix 4) will be presented to the Health and Wellbeing Board at its meeting on 07 January 2016.

BETTER CARE FUND

- 1.23 The Better Care Fund (BCF) in 2015-16 has national funding of £3.8bn. 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 came into effect in April 2015.

The comprehensive spending review announced that an additional £1.5bn will be made available to the Better Care fund by 2019/20. Details of what the funding allocations will be for Local Government will be announced along with the Local Government Finance settlement in early December.

- 1.24 The Health and Wellbeing Board, at its meeting in January 2015, made it clear that the minimum funding transfer for 2016-17 would be £6.529m and the draft budget currently assumes that the Council will receive funding at this level, together with the full capital allocation of £1.190m. The Adult Social Care budget pressures are considerable and the proposals are significant.

The Council and the CCG must agree how the BCF resources are allocated to deliver the national conditions, including the protection of social care services. Negotiations are ongoing.

COMMERCIALISATION

- 1.25 Harrow's Commercialisation Strategy was agreed by Cabinet in June this year. It aims to put in place measures designed to support the substantial cuts that Harrow has experienced and further envisages in the coming years. It aims to take a broad view of commercialisation, to include all aspects of service reviews and redesign, the commissioning cycle, shared services, multi-borough joined-up services, new opportunities for revenue generation, and pricing.

Commercialisation for Harrow Council has been defined as encompassing the following areas:

- Shared services;

- Investments;
- Selling services;
- Pricing analysis;
- Fitness of traded services;
- Consideration of concessions;
- Better contract management;
- Continuous improvement in procurement.

Based on the council's current pipeline of commercialisation opportunities, it is expected that the Commercialisation Strategy will deliver significant benefits. £3.5m of these benefits were captured in the current MTFS, agreed as part of the 2015/16 budget setting process. A further £11.5m of commercialisation initiatives are proposed as part of the 2016/17 MTFS which will deliver financial contributions for 2016/17 onwards and these are included within Appendix 1a of this budget report.

The following table summaries the benefits from the 2015/16 MTFS and those to be agreed as part of the 2016/17 budget setting process. In addition to the £15m set out in the table, a further £1.1m is built into the budget as further potential commercialisation benefits in relation to future developments.

Activity	Already included in current MTFS 2015/16 £000	MTFS 2016/17 onwards £000	Total £000
1. Legal Service Expansion – HB Public Law has expanded to include Hounslow and Aylesbury Vale with further expansion opportunities continuing to be explored. Harrow's Director of Legal & Governance Services is also Legal Director of Buckinghamshire County Council.	576	660	1,236
2. Website Commercialisation – There are two streams to this project: Advertising on website assets and introduction of national and local deals.	100	170	270
3. Shared HR service – look at sharing the service with other local authorities.	-	250	250
4. Shared Registrars service – look as sharing the service for other local authorities.	25	25	50
5. Investment Portfolio – an opportunity to invest in a portfolio of commercial properties will be explored as well as the potential to invest in opportunities			

such as energy generation. Peer support has been sought from Luton Borough Council via the LGA.	-	700	700
6. Procurement Services – Similar to the expansion of the Legal Practice, a shared service with other authorities is being actively explored. The council’s Director of Commercial, Contracts and Procurement is now also the Head of Procurement for Brent.	402	118	520
7. Lettings Agency – Cabinet has approved a business case to launch a lettings agency.	-	424	424
8. My Community ePurse – explore commercialisation opportunities	-	6,738	6,738
9. Adults services - Wiseworks and Shared lives – commercialisation opportunities and selling model to neighbouring Boroughs.	-	375	375
10. Private Rented Sector Housing – As part of the regeneration plans, the council is looking at building homes which could then be rented to private tenants.	2,350	-	2,350
11. Property Purchase Initiative - Purchasing of up to 100 properties to increase supply of good quality temporary accommodation and mitigate homelessness costs.	-	301	301
12. Harrow School Improvement Partnership – HSIP is already providing a service to Brent. The opportunity to expand the service to other councils is being looked into.	-	130	130
13. Project Phoenix including Trade Waste.	-	1,640	1,640
14. Helpline – review the service to consider whether Helpline services can be provided to other councils.	-	15	15
Total	3,453	11,546	14,999

RESERVES AND CONTINGENCIES

1.26 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 including equalities impacts 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 £1,248k
- Pay and Energy Inflation contingency £350k. (not available beyond 2016/17 as proposed for reduction)
- Transformation and Priorities Initiatives Fund £3.745m
- Carry forwards £195k
- Business Risk Reserve £1.891m
- MTFS Implementation £2.358m

1.27 The Director of Finance will report on the adequacy of the Council's reserves as required in the budget setting report in February.

LONDON BOROUGH GRANTS SCHEME

1.28 The London Boroughs Grants Committee met on 18 November and proposed a scheme for London that will cost London Boroughs £9.0m in 2016/17 compared to £9.0m in 2015/16. They are also proposing reducing the reserves they hold by £486,000 giving a one-off reduction. Harrow's contribution is £245,298 which is a reduction of £14,961 on last year, after a one-off reduction of £14,002. The 2016/17 contributions are being recommended to the London Council's Leaders Committee on 8 December for agreement.

1.29 Assuming that the London Council's Leaders Committee agrees the recommendation on 8 December, Cabinet is asked to agree the sum of £245,298 as Harrow's contribution to the London Grant Scheme in 2016/17. Cabinet will be updated verbally at the meeting if this is not the case.

2.0 CONSULTATION

2.1 Consultation, engagement and involvement will be an underlying principle of how the Council will tackle delivering against reducing budgets. Last year, the Council carried out extensive consultation with its 'Take Part' consultation exercise where the council engaged with residents about the changes the council needed to make in order to meet an estimated budget gap of £75m. The consultation was carried out over an eight week period from 11 September to 8 November 2014.

2.2 The budget gap for the current period from 2016/17 to 2018/19 is £53m so consultation will be required on how the Council needs to change in order to achieve this level of reductions. Given the extensive consultation that took place last year, the consultation as part of this year's budget process will be more targeted and the Council will be engaging with residents on service specific savings for the 2016/17 budget and future years from November 2015 and will launch a consultation on the overall budget as part of the recommendations in this report. All consultations will meet the Council's Consultation Standards that were approved in July 2015. Consultations related to savings proposals for 2017/18 and beyond will be carried out during 2016.

3.0 PERFORMANCE IMPLICATIONS

- 3.1 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 2016/17 will be measured and this again will be reported through the Strategic Performance Report.

4.0 RISK MANAGEMENT IMPLICATIONS

- 4.1 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. This will be reported to February Cabinet.

5.0 LEGAL IMPLICATIONS

- 5.1 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.

- 5.2 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.

6.0 FINANCIAL IMPLICATIONS

- 6.1 Financial Implications are integral to this report.

7.0 EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY

- 7.1 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*

7.2. All new directorate proposals are subject to an initial equalities impact assessment followed by a full assessment where appropriate. These will be published along with the final budget and MTFs report to February Cabinet. An assessment will also be 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.

8.0 COUNCIL PRIORITIES

8.1 The Council's draft budget for 2016/17 has been prepared in line with the Council's vision:

Working Together to Make a Difference for Harrow

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

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 30 November 2015		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 30 November 2015		

Ward Councillors notified:	No, as it impacts on all Wards
EqIA carried out:	To be reported on as Part of the Feb Budget report
EqIA cleared by:	-

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Head of Strategic Finance and Business (Deputy S151), tel: 0208 424 1332, sharon.daniels@harrow.gov.uk

Background Papers: [Final Revenue Budget 2015/16 and MTFS 2015/16 to 2018/19](#)

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

NOT APPLICABLE

[Call-in applies]