

REPORT FOR: CABINET

Date of Meeting: 18 February 2016

Subject: Final 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, except where the decision is reserved to Council and is for noting only

Wards affected: All

Enclosures:

Appendices listed below:

App 1a	Proposed savings 2016/17 to 2019/20
App 1b	Savings and growth 2016/17 to 2018/19 from 2015/16 MTFS
App. 1c	Savings and growth 2016/17 to 2018/19 from 2014/15 MTFS
App. 2	Medium Term Financial Plan 2016/17 to 2019/20
App. 3	Revenue Budget Summary 2016/17
App. 4	Levies, contributions and subscriptions
App. 5	Policy on use of contingency
App. 6	Schools Budget 2016/17
App. 7	Public Health Budget 2016/17
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 2016/17
App 15	Stakeholder Consultation – minutes of meetings
App 16	Flexible Use of Capital Receipts
App 17	Cumulative EQIA

This report sets out the final revenue budget for 2016/17 and Medium Term Financial Strategy (MTFS) for 2016/17 to 2019/20. In December 2015, Cabinet approved draft versions of the revenue budget and MTFS for general consultation.

Recommendations:

Cabinet is requested to:

- 1) Recommend the 2016/17 budget to Council for approval, being mindful of the results of the various consultations and equality impact assessments, to enable the Council Tax for 2016/17 to be set (Appendix 2)
- 2) Approve the Medium Term Financial Strategy (MTFS) at Appendix 2 for referral to Council.
- 3) Note the current remaining budget gaps of £1.053m and £90k over the three year MTFS (2016/17 to 2018/19) (table 3, para 1.10)
- 4) Note the intention to increase Council Tax by 1.99% in 2016/17 (paragraph 1.13).
- 5) Note the intention to increase Council Tax by 2.0% in 2016/17 in respect of the Adult Social Care Precept (paragraph 1.14).
- 6) Recommend to Council the 2016/17 Schools Budget as set out in Appendix 6.
- 7) Note the 2016/17 Public Health Budget as set out in Appendix 7.
- 8) Agree the risk assessment (Appendix 8) and refer 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 2016/17 (£6.5m) (paragraph 1.24 & 1.25)
- 10) Recommend the 2016/17 Members' Allowance Scheme to Council for approval (Appendix 13)

- 11) Recommend the 2016/17 Annual Pay Policy Statement to Council for approval (Appendix 14)
- 12) Note the comments from the various stakeholder meetings (para 2.3 (Appendix 15)
- 13) Approve the 2016/17 Flexible Use of Capital Receipts Efficiency Strategy. (paragraph 1.18, Appendix 16)

Reason: (For recommendations)

To ensure that the Council sets a balanced budget for 2016/17.

Section 2 – Report

INTRODUCTION

- 1.0 This is the final report in a series of budget reports for the MTFS covering the period 2016/17 to 2019/20.
- 1.1 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 needs to reduce its budget by £83 million between the period 2015/16 to 2018/19. 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 revenue budget of £141m 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 balanced budget for 2016/17 which protects services for families, communities, businesses and the vulnerable. This budget shows Harrow Council is responsible with taxpayers' money, is ambitious for the borough and is prioritising the vulnerable in its spending decisions.

Table 1 sets out how the £141m is planned to be spent in 2016/17:

Net Controllable Revenue Budget	Budget 2016/17 £000	Description of service
Resources & Commercial		
Council contribution to freedom passes scheme	9,803	Every resident should have their independence. This is millions of pounds of funding to allow older residents - or those with a disability - independence and free travel across Harrow and London.
The Council's call centre, main reception and website administration costs	4,012	Residents want to contact the Council in a number of different ways. This is what is spent so residents can contact the council in a way that is convenient for them, whether it is online or over the phone.
Support for residents revenue and benefit claims	2,705	This is money the Council spends assisting those in need and helping them access the support they need.
Resources	21,357	This covers a range of back office functions necessary for the running of the council including Legal, HR, procurement and IT support for the Council, including in all of our community facilities.
Community		
Keeping Harrow clean & green	16,280	The council spends millions on street cleaning, parks maintenance, collecting and preventing fly-tipping, licensing and preventing Anti-Social Behaviour. This budget includes investing in neighbourhood facilities and pro-active action to stop Harrow streets becoming dirty in the first place.
Promoting culture in the Borough	1,830	Libraries and cultural facilities are so important to residents. This money maintains Harrow's state of the art libraries, as well as other cultural facilities in the Borough.
Housing General Fund	3,539	The Council has a duty to ensure all our residents have somewhere to live. This money is spent providing temporary accommodation for residents and families in need. This also goes towards housing vulnerable residents, who, for example, are fleeing domestic violence.
People		
Adults Services		
Support for people with a disability and older people.	42,031	The Council spends millions of pounds on caring for older residents, and those with a disability. This covers thousands of residents in the Borough and includes day care centres, overnight respite care and home visits by support workers. Council support helps give our residents, dignity, independence and support for their carers and family.
Quality Assurance & commissioning services	9,873	The Council wants to ensure our residents receive the care they deserve. This is the money it spends on safeguarding to ensure that the care that Harrow residents receive in the borough - including in private care centres - adheres to the highest standard of care.
Children's Services		
Children & Young People's Services	21,566	The Council provides valuable support to families and young people across the Borough. This includes Children's Centres to support young families and social workers to work with our most vulnerable children and families. This also includes adoption and fostering services.
Education Services	6,955	Harrow schools are amongst the best in the Country and the Council spends money on support services for them, as well as education services for children in care or with special educational needs.
Regeneration		
Economic Development & Research	622	The council team that works with local businesses and employers to create hundreds of jobs, apprenticeships and training opportunities, particularly for our young people. They also bid for grants from Government to support businesses and regenerate Town Centres in the Borough. It is this team that is one of the reasons the Council was awarded the best small business friendly Borough in London.
Planning Services	298	This is money spent processing planning applications and enforcing planning standards across the Borough.
Total Service Budgets	140,871	

- 1.2 The Council has a statutory obligation to agree and publish the budget for 2016/17, and this report sets out the final budget for 2016/17 and 3 year MTFS to 2018/19 and reference is made to 2019/20.

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, which is included elsewhere on the agenda, sets out a vision and Council priorities and the draft budget for 2016/17 and MTFS have been prepared in line with the priorities of. 'Working Together to Make a Difference for Harrow':

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

- 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.

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. The Local Government settlement, finalised in February 2016, has not done anything to improve this situation.

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 3 forecast as at 31st December, (subject to a separate report elsewhere on the agenda), indicates a directorate overspend of £4.553m. Mitigating actions have been identified of £2.625m which reduce the directorate overspend to £1.928m. Corporate savings of £1.070m have been identified and these taken together with an assumed use of the corporate contingency of £0.858m enable a balanced position to be achieved. The achievement of the balanced position includes one-off funding of £4.6m; mainly the use of earmarked reserves and other income 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, which was reported to Cabinet in December 2015, there were a number of adjustments to the MTFS. These are summarised in table 2 below:

Table 2: Adjustments to MTFs (Prior to 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	-10,887
Community	-1,214	-1,317	-2,388
Regeneration	-90	-50	
Subtotal of Savings Proposals	-11,832	-7,399	-14,470
Updated Estimated Budget Gap prior to settlement	0	0	3,234

1.10 The Autumn Statement was announced on 25 November 2015 followed by the provisional Local Government Finance Settlement on 17 December and at the time of writing this report the final settlement is still to be confirmed. The announcements, along with other changes, have resulted in a number of adjustments to the MTFs which are summarised in table 3 below and supported by explanatory text which follows the table.

Table 3 - 'Adjustments to MTFs 2016/17 to 2018/19
After the Local Government Finance Settlement

	2016/17	2017/18	2018/19
	£000	£000	£000
Budget Gap prior to settlement			3,234
RSG change	3,347	616	-5,295
Business Rates top-up	262	195	106
RSG Changes	3,609	811	-5,189
Other Grants/announcements			
ESG	-472	100	100
New Homes Bonus	-469	0	2,000
Increase in taxbase	-817	-15	0
Public Health Grant estimated reduction	300		
Total other grants/announcements	-1,458	85	2,100
Revised Gap following settlement	2,151	896	145
Reduce Demography growth	-1,500		
Reduce Inflation provision	-250		
Reduction in External audit fee budget	-80		
Rephasing of saving CH8 Private Lettings Agency	54		-54
Add New Homes Bonus top slice grant	-1,194		
Allocation of £1m for Homelessness pressure	1,000		
	181	896	91
Income from 2% Adult Social Care precept	-2,025	-24	-1
Allocation to Adults for demographic costs	1,500		
Allocation to Adults for National Minimum Wage	525		
Contribution from MTFs Implementation Reserve	-181	181	
Revised Gap following settlement	0	1,053	90

1.11 **Impact of Provisional Settlement** - Compared to the MTFs figures reported in December 2015, the RSG figures are worse by £3.609m in 2016/17 and £0.811m in 2017/18 and then improve by £5.189m in 2018/19. The method for distributing RSG has been changed and now takes account of the relative distribution of each authority's 2015/16 RSG, Baseline funding and Council Tax. Harrow has been adversely affected in this settlement. Harrow's Settlement Funding Assessment has reduced by 16% in 2016/17 compared to 12.5% for England, 9.6% for Inner London and 13% for Outer London. Harrow received reduced funding because it has a relatively high level of Council Tax and a relatively high Council Tax base.

The Council sets an annual 3 year MTFs which covers 2016/17 to 2018/19. The settlement includes indicative figures for 2019/20. For Harrow this shows a further reduction in RSG of £5.7m, which leaves

Harrow only receiving £1.6m of RSG in 2019/20. The actions to address the indicative reduction for 2019/20 will be reported to December Cabinet in 2016 as part of the MTFs for 2017/18 to 2019/20.

The Government has presented the 4 year settlement as an 'offer' to local government with the only clear proviso in the consultation being that any council accepting the offer will have to publish an efficiency plan. At the time of writing this report, there are no details on this yet, however the Government, in the consultation, has indicated that Councils should use their multi-year settlements to "strengthen financial management and efficiency, including by maximising value in arrangements with suppliers and making strategic use of reserves in the interests of residents".

- 1.12 **Retained Business rates.** There are no changes to the Business Rates figures from the December MTFs figures reported, however the consultation also confirmed the Government's intention to phase out RSG by the end of this Parliament and for business rates to retained 100% by local government. There are no firm details and the consultation stated that the Government will set up systems to involve councils, businesses and others in the process early in 2016 and intends to consult on the implementation of the 100% business rates retention scheme in summer 2016, following a period of extensive engagement with councils and their representatives in the preceding months.
- 1.13 **Council Tax Increase:** The MTFs reported to December Cabinet assumed a 1.99% increase in Council Tax. Where Authorities propose an increase in Council Tax above the limit set by the Secretary of State they are required to hold a referendum to get approval for this from local voters. The 2016/17 Local Government Finance Settlement (Provisional) confirmed that the Council Tax Referendum threshold in 2016/17 would remain at 2%. Therefore, the 1.99% increase proposed falls within the 2% limit.
- 1.14 As part of the consultation on the settlement launched by the Government on 17th December and also as announced as part of the 25th November Autumn Statement, Authorities responsible for Adult Social Care can raise up to a further 2% each year to be spent on Adult Social Care (ASC). This will be known as the Adult Social Care precept. Section 151 Officers have to certify that the Authority has increased its Council Tax by this 2% to fund adult social care services in 2016/17. Another requirement is that council tax payers must also be informed on the face of the council tax bill and in the information supplied with it about the part of the increase that is being used to fund adult social care. The additional 2% ASC precept will raise an additional £2.025m in 2016/17.

There has been a change in the approach to Council Tax increases. The Council Tax freeze grant has been stopped, the Government is regarding the 2% Social Care precept as additional funding and their projections for local government are using an average 1.7% increase as funding we have.

1.15 **Council Tax base.** The draft budget was based on a tax base of 81,346. The maximum tax base for 2016/17 was agreed at January 2016 Cabinet at 82,000. This yields an additional £817k in 2016/17 based on a band D CT rate increased by 1.99% only.

1.16 **Other Grants and Funding streams**

- **New Homes Bonus (NHB)** allocations have been announced, and DCLG have confirmed a figure of an additional £1.663m:
 - £469k for 2016/17 as a result of additional affordable new homes built in the borough (council and develop) and returned NHB previously top sliced from RSG.
 - £1.194m in relation to the top slice. In 2015/16, the LEP top slice was removed from the budget. At the time of the draft budget it had not been confirmed if the top slice was going to continue. Therefore, no assumptions had been made in the draft budget for the estimated £1.194m. In January 2016, it was confirmed that the top slice was not going to continue and therefore the £1.194m has been brought into the 2016/17 budget. The Council is experiencing unprecedented housing pressures due to Welfare Reform. The primary impact is an unprecedented increase in the number of families presenting themselves as homeless and the pressure on the bed and breakfast budget is an estimated overspend in excess of £2m in 2016/17. £1m of the LEP top slice will be allocated to addressing homelessness pressures.

The Government is consulting on options to reform New Homes Bonus, to save £800m p.a.. It may be payable for less years than the current 6 and also not necessarily all new homes. There may be a threshold % increase to qualify. Homes built following a planning appeal may also not qualify.

The £2m reduction in 2018/19 is an indicative DCLG figure to reflect the changes in the estimated reduction the in NHB, ie to save £800m per annum.

- **Education Support Grant** – this is being cut nationally by 8.8%, although the anticipated grant for Harrow is £472k more than currently budgeted in 2016/17. ESG was assumed at £1.826m for 16/17. Actual grant will be £2.298m (subject to changes based on academy conversions, the grant currently assumes 1 conversion in January 2016). The current MTFs assumes a reduction of £545k in 17/18 and 2018/19. Knowing the government wants to reduce this grant significantly, a further reduction of £100k is assumed in 17/18 and 18/19. Therefore by 31/03/19, ESG will be £1.008m.
- **Improved Better Care Fund-** £1.9m in 2018/19 and £2.2m in 2019/20. Despite there being no announcement on the 2016/17 BCF, funding allocations have been announced for this improved

Better Care Fund which take account of the amounts raised by different authorities by the 2% Social Care precept. This will be a grant to the Council rather than being subject to negotiation with the CCG. There are likely to be conditions/extra duties attached to this grant but no details have yet been provided. Therefore no income is built into the MTFs at this time.

- **Public Health Grant** - In its letter dated 27/11/15, Public Health England indicated reductions to the Public Health Grant of approximately 2.5% from 2016/17 to 2019/20. A £300k reduction has therefore been assumed for 2016/17 as the value of the Public Health Grant 2016/17 still remains subject to confirmation.

- **Care Act Funding**

In 2015/16 Adult Services received £1.2m of Care Act Implementation funding. This was not built into the base budget and treated as cash in hand, it is largely being used as a non-recurring mitigating action to balance the 2015/16 budget.

From 2016/17 Care Act has been built into RSG as follows:

2016/17	£1.271m
2017/18	£246k
2018/19	£29k
2019/20	£588k

As Harrow's RSG has reduced in 2016/17, there is currently no capacity to allocate Care Act funding to the People's directorate as it is required to meet the overall funding gap.

SUMMARY FOLLOWING THE 17TH DECEMBER SETTLEMENT

1.17 Following the 17th December settlement announcement, the RSG for 2016/17 was £3.6m less than anticipated. However the ESG grant, New Homes Bonus and increased tax base have improved the position by £1.764m, and after assuming a £300k reduction in the Public Health grant, the net position shows a £2.151m budget gap for 2016/17. The budget gap would have been met by a reduction of £1.5m in the Adults demography growth in 2016/17, a £0.250m reduction in inflation budgets for 2016/17, an £80k saving in the budget for Audit Fees, £194k additional grant from the New Homes Bonus top slice, plus a contribution of £127k from the MTFs implementation Reserve. The application of the 2% ASC precept, yields £2.025m and therefore, enables the £1.5m of demographic growth and £525k of national minimum wage growth to be added to the Adult services budget for 2016/17. In addition, a saving in connection with the private lettings Agency has been rephased and the £54k saving in 2016/17 will now not be realised until 2018/19. Therefore, this will be funded from the MTFs implementation reserve. Therefore, the original £3.135m contribution to the MTFs implementation fund, as set out in the draft budget, will be reduced to £2.953m.

1.18 As part of the settlement, the Chancellor of the Exchequer also announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to

spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. The guidance stated that Capital Receipts could be used to fund the revenue cost of projects that forecast to generate on-going revenue savings to an authority's, or several authorities' and /or another public body's net service expenditure. The set up and implementation cost of any new processes or arrangement that is properly incurred by the Authorities for the year ending 31 March 2017 to 31 March 2019, could make use of this new Capital Receipts Flexibility strategy.

The guidance recommends that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent. This strategy can be included as part of the annual budget documentation and approved by full Council or the equivalent at the same time as the annual budget.

Within the 2016/17 Medium Term Financial Strategy, £1.8m worth of revenue expenditure could potentially be funded from this flexibility and £2.1m of Capital Receipts is being forecast which could be used for this purpose. It is therefore proposed that the Cabinet approve this strategy as a possible mechanism for managing these costs. Where possible, the Council will be looking to fund these revenue costs from within revenue resources and therefore the use of capital receipts will only be utilised where all other funding streams have been exhausted.

The table below showed the summary of savings and the revenue implication. (Appendix 16 shows the break down of the table below by service)

Table 4 – Flexible Use of Capital Receipts

	16/17	17/18	18/19	Total
	£'000	£'000	£'000	£'000
On-going savings	- 1,176	- 4,295	- 5,318	-10,789
Revenue Implication	1,502	228	25	1,755
Capital Receipt Forecast	- 2,100			- 2,100

ANALYSIS OF DIRECTORATE SAVINGS

- 1.19 Table 1 identified £33.701m (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 February 2016. Some of the proposals will be subject to further detailed business plans, consultation and engagement and Cabinet approval.

The saving proposals, as detailed in appendix 1 currently approximate to a reduction of 79 FTE in 2016/17, subject to consultation. (Consultation will not be required where posts are vacant).

SCHOOLS BUDGET 2016/17

- 1.20 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 have been set following consultation with Schools Forum in January 2016.

PUBLIC HEALTH FUNDING 2016/17

- 1.21 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 is as per the 2015/16 allocation. 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 expected that ongoing grant reductions will be announced. An allowance for a 2.5% reduction (£300k) has been allowed for in the 2016/17 budget. 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.

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

BETTER CARE FUND

- 1.24 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.

- 1.25 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

- 1.26 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.

Table 5 summarises the commercialisation benefits from the 2015/16 MTFS and those to be agreed as part of this 2016/17 budget setting process.

Table 5: Commercialisation Benefits

	MTFS 2015/16	MTFS 2016/17	MTFS 2017/18	MTFS 2018/19	MTFS 2019/20	Total
Activity	£'000	£'000	£'000	£'000	£'000	£'000
Legal Service Expansion – HB Public Law has expanded to include Hounslow and Aylesbury Vale with further expansion opportunities continuing to be explored.	244	284	354	354	-	1,236
Website Commercialisation – There are two streams to this project: Advertising on website assets and introduction of national and local deals.	100	25	25	120	-	270
Shared HR service – look at sharing the service with other local authorities.	-	-	140	110	-	250
Shared Registrars service – look as sharing the service with other local authorities.	25	25	-	-	-	50
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.	-	-	350	350	-	700
Procurement Services – 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.	50	108	182	180	-	520
Lettings Agency – Cabinet has approved a business case to launch a lettings agency.	-	-	130	174	120	424
My Community ePurse – explore commercialisation opportunities	-	-	-	1,998	4,740	6,738
Adults services - Wiseworks and Shared lives – commercialisation opportunities and selling model to neighbouring Boroughs.	-	-	100	219	56	375
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.	-	-	350	2,000	-	2,350
Property Purchase Initiative - Purchasing of up to 100 properties to increase supply of good quality temporary accommodation and mitigate homelessness costs.	-	230	31	-2	42	301
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
Project Phoenix including Trade Waste.	-	115	-	1,525	-	1,640
Helpline – review the service to consider whether Helpline services can be provided to other councils.	-	15	-	-	-	15
Total	419	802	1662	7158	4958	14,999

RESERVES AND CONTINGENCIES

1.27 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 the estimated reserves for specific purposes as at 1.4.2016 is detailed at Appendix 10 and summarised below:

- Unforeseen contingency £1,248k
- Pay and Energy Inflation contingency £350k. (not available beyond 2016/17 as proposed for reduction)
- Transformation and Priorities Initiatives Fund £3.350m
- Carry forwards £195k
- Business Risk Reserve £1.990m
- MTFS Implementation £0.666m
- IT implementation reserve £1.092m

1.28 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

1.29 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

1.30 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 25.

MEMBERS ALLOWANCE

- 1.31 The proposed Members' Allowances scheme for 2016/17 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 were uprated in line with the Local Government Pay Settlement (2.2%) for 2015/16 remain unchanged.
- 1.32 Cabinet is requested to recommend the scheme to Council for approval.

ANNUAL PAY POLICY STATEMENT

- 1.33 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
- 1.34 The proposed statement is attached at Appendix 14 and Cabinet is requested to recommend it to Council for agreement.

WORKFORCE IMPLICATIONS

- 1.35 There is a legal requirement to seek to avoid or minimise redundancies and the Council's managing change policy guidance identifies a range of potential actions that should be considered. These include but are not limited to:
- Seeking volunteers for redundancy / early retirement

The Council has a legal duty to consider volunteers for redundancy ahead of any compulsory redundancy process and this is the Council's normal practice. Additionally, where it is in the Council's interests, the Council may consider operating a voluntary severance scheme. This decision would be dependent upon a business case demonstrating the potential benefits.

- Not recruiting to vacancies as they arise **AND** Limiting recruitment

The Council has, for some time, operated a policy of utilising agency workers to cover vacancies in services where reductions in the workforce are planned or anticipated. This has been effective in reducing both the impact of workforce reductions on employees and the potential cost of redundancies.

Additionally, recruitment controls has been applied across the Council so that Directors' approval is required to recruit to any post. The approval process includes consideration of whether the post should be temporary, fixed term or permanent.

- Reducing the use of agency staff

As explained above the Council will continue with its successful policy of utilizing agency workers to reduce both the impact of workforce reductions on employees and the potential cost of redundancies.

The Council's corporate agency worker contract provides detailed management information and this information is used by HR to identify potential opportunities to redeploy staff at risk of redundancy into roles covered by agency workers.

- Considering 'bumped' redundancies and redeployment elsewhere in the Council

A bumped redundancy is where an employee, not in the original pool for redundancy, volunteers to be made redundant and their job is given to a potentially redundant employee. There must be a direct connection between the employee who leaves the council on the grounds of redundancy and the group of directly affected employees. Bumped redundancies can only take place when an overall reduction in the workforce results. The Council has and will continue to support managers in facilitating potential bumped redundancies.

The Council has deployed resource specifically to support employees at risk of redundancy being redeployed to alternative employment in the Council. This has reduced the impact of workforce reductions on individual employees and reduced the potential cost of redundancies.

The Council's managing change policy and guidance also sets out how the Council will fulfil its obligations to consult the workforce about redundancies.

The Council is obliged to notify the Secretary of State where there is a proposal to dismiss as redundant 20 or more employees at one establishment within a 90 day period.

Monitoring arrangements

Reports on the numbers of staff at risk, deployment of agency workers and potential redeployment opportunities will be regularly considered at Directorate and Corporate Joint Consultative meetings with the trade unions and at the Council's Employees Consultative Forum Sub-Group.

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 Given the extensive consultation that took place last year, the consultation as part of this year's budget process was more targeted

and The Council held a 4 week consultation so provide residents with the opportunity to comment on the draft revenue budget for 2016/17, the MTFs for 2016/17 to 2018/19 and the draft capital programme 2016/17 to 2019/20. The budget consultation closed on Friday 15th January.

The budget consultation survey was published on the Council’s web-site in relation to the Cabinet’s draft budget proposals for 2016-17 after the budget was considered at its Cabinet meeting on 10 December 2015. The draft budget reported to December Cabinet has also been available to view on the Council’s website.

Following the pre-publication of the draft budget before Cabinet on 10 December, there was huge interest in the media and among the general public about Public Health savings and in particular savings against the Health Visiting Service.

In part due to this public feedback, those Health Visiting Service savings were not brought forward to the Cabinet meeting. The media and public response to this engagement outcome was positive.

Aside from Public Health, other issues in the proposed budget did not draw much general interest.

There were only 11 respondents to the general survey, with roughly three-quarters of those (72%) saying they were not satisfied with the proposed draft budget for 2016-17. 18% agreed with the savings.

The only alternative savings proposition recommended by more than one respondent was that the Council should make further senior management savings. In context, the Council has reduced its senior management pay costs from over £4m to £3m in the last 12 months.

The next consultation stage is likely to bring a much higher response, as a number of individual service-area proposals for future years will be consulted upon in the coming months.

- 2.3 A number of specific stakeholder groups were held which are detailed in table 6 below and the minutes are detailed in appendix 15:

Table 6: Specific Stakeholder Consultation

Stakeholder	Meeting	Date
Trade Unions	Special Finance CJC – Trade Union consultation on budget	3 December 2015
Elected members and Trade Unions	Employee Consultative Forum	14 January 2016
Overview and Scrutiny	Special meeting of Overview and Scrutiny to review the budget.	26 January 2015
Local businesses	Harrow Business Consultative Panel	26 January 2016

Harrow CCG, Harrow Healthwatch	Health and Wellbeing Board	7 January 2016
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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 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 7 and is attached in Appendix 8:

Table 7: Risk Assessment – Summary

	2016/17	2017/18	2018/19
	£m	£m	£m
Net Risk	12.306	13.469	13.974
Less Contingency	(1.248)	(1.248)	(1.248)
Less homelessness Budget	(1.000)	(1.000)	(1.000)
Remaining Risk	10.058	11.221	11.726

4.2 As at March 2016 the level of General Reserves is forecast to be £10m, which is within the recommended minimum level and is sufficient to cover the remaining risk in 2016/17 as highlighted in table 7.

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.

6.2 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.

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.

7.3 An assessment has been carried out on the whole budget where all proposals have been identified, to ensure that decision makers are aware of the overall impact on any particular protected group. The cumulative equality impact assessment is attached as appendix 17 to this report.

7.4 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.

7.5 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.

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"/>	on behalf of the Chief Financial Officer
Date: 9 February 2016		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 9 February 2016		

Ward Councillors notified:	No, as it impacts on all Wards
EqIA carried out: EqIA cleared by:	Yes Alex Dewsnap/Jessica Farmer

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.](#)

[Draft 2016/17 Revenue Budget and MTFS 2016/17 to 2019/20](#)

Call-In Waived by the Chairman of Overview and Scrutiny Committee	NOT APPLICABLE <i>[Call-in applies, except where the decision is reserved to Council or is for noting only]</i>
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