

REPORT FOR: CABINET

Date of Meeting:	16 February 2017
Subject:	Final Revenue Budget 2017/18 and Medium Term Financial Strategy 2017/18 to 2019/20
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
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:	Appendix 1A – Proposed savings and growth 2017/18 to 2019/20 Appendix 1B – Proposed savings 2017/18 to 2019/20 to be agreed from 2015/16 and 2016/17 MTFS Appendix 2 - Medium Term Financial Plan 2017/18 to 2019/20 Appendix 3 – Revenue Budget Summary 2016/17 Appendix 4 – Levies, contributions and subscriptions

Appendix 5 – Policy on use of contingency
Appendix 6 - Schools Budget 2017/18
Appendix 7 - Public Health Budget 2017/18
Appendix 8 – Reserves Policy
Appendix 9 – Reserves forecast
Appendix 10 – Report of the Chief Finance Officer
Appendix 11 – Model Council Tax Resolution
Appendix 12 – Members Allowance Scheme 2017/18
Appendix 13 - Annual Pay Policy Statement for 2017/18
Appendix 14 – Stakeholder Consultation – minutes of meetings
Appendix 15 – Flexible Use of Capital Receipts
Appendix 16 and 16a – Cumulative EQIA for savings proposals

This report sets out the final revenue budget for 2017/18 and Medium Term Financial Strategy (MTFS) for 2017/18 to 2019/20. In December 2016, Cabinet approved draft versions of the revenue budget and MTFS for general consultation.

Recommendations:

Cabinet is requested to:

- 1) Recommend the 2017/18 budget to Council for approval, being mindful of the results of the various consultations and equality impact assessments, to enable the Council Tax for 2017/18 to be set (Appendix 2).
- 2) Approve the Medium Term Financial Strategy (MTFS) at Appendix 2 for referral to Council.
- 3) Note the current savings to be developed of £8.043m in 2018/19 and the remaining budget gap of £8.998m for 2019/20 (table 4)
- 4) Note the intention to increase Council Tax by 1.99% in 2017/18 (paragraph 1.18)
- 5) Note the intention to increase Council Tax by 3% in 2017/18 in respect of the Adult Social Care Precept (paragraph 1.18)
- 6) Recommend to Council the 2017/18 Schools Budget as set out in

Appendix 6.

- 7) Note the 2017/18 Public Health Budget as set out in Appendix 7.
- 8) Note the sum of the Better Care Funding to be received by the Council in 2017/18 (paragraph 1.42)
- 9) Recommend the 2017/18 Members' Allowance Scheme to Council for approval (Appendix 12).
- 10) Recommend the 2017/18 Annual Pay Policy Statement for Council for approval (Appendix 13)
- 11) Recommend the Capital Receipts Flexibility Strategy to Council (Appendix 15)
- 12) Note the comments from the various stakeholder meetings (Appendix 14)
- 13) Authorise the Director of Finance, in consultation with the Portfolio Holder with responsibility for Finance, to update the 2017/18 Budget after the final Local Government Settlement is announced if changes are required (paragraph 1.29)

Reason: (For recommendations)

To ensure that the Council sets a balanced budget for 2017/18.

Section 2 – Report

INTRODUCTION

- 1.0 The Government continues to reduce its funding to Local Government as part of its nationwide austerity programme. 2017/18 is the eighth year in which Councils have seen reductions in their grant funding. These funding reductions, a continued increase in demand for services and cost inflation mean are that Harrow has to save an estimated £83m over the 4 year period 2015/16 to 2018/19. Harrow Council does not have large cash reserves, and spending them is not a responsible way to offset lost revenue. Harrow Council's gross Directorate budget for 2017/18 is £543m. A significant proportion of this funding is ring fenced for services such as housing benefit, schools and public health. The Council's net controllable budget is £165m in 2017/18 and this is the element of the budget that the Council can exercise more control over and from where savings must be found. The direct departmental spend of £146.8m (which excludes corporate items such as capital financing costs and contingencies) is set out in Table 1 below. Harrow's response to the financial challenges faced is to set out a three year budget covering the period 2017/18 to 2019/20 to show the Council is being responsible with taxpayers' money, is ambitious for the borough and is prioritising the vulnerable in its spending decisions.

Table 1: Planned Spend on Services in 2017/18

Net Controllable Revenue Budget	Budget 2017/18 £000	Description of service
Resources & Commercial		
Council contribution to freedom passes scheme	10,303	Every resident should have their independence. This funding allows our older residents and those with a disability to have access to the independence and better quality of life that free travel across Harrow and London can ensure.
The Council's call centre, main reception and website administration costs	3,925	Residents want to contact the authority in a number of different ways. This funding supports those channels of communication, so that residents can contact the council in the way that is most convenient for them, whether it is online or over the phone. We want to ensure that we are accessible to residents, especially those most vulnerable and who do not have access to the Internet, offering a timely response.
Support for residents revenue and benefit claims	2,787	This funding provides assistance to those residents in need with benefit claims, helping them access the support they need and offering a timely response.
Resources	21,030	Providing good frontline services relies on strong back office functions, including Legal, HR, procurement and IT support. This budget ensures a high quality support function for the Council.
Community		
Keeping Harrow clean & green	15,247	The council undertakes street cleaning, collection of refuse, recycling, food and garden waste to all residential properties within the borough, including collecting and preventing fly-tipping, managing and maintaining parks, licensing and preventing Anti-Social Behaviour. This budget includes investing in neighbourhood facilities and pro-active action to stop our streets becoming dirty in the first place. The council is determined to make Harrow clean again- which means sweeping streets every week; picking up your bins on time; and finding and fining those who blight our borough with litter and fly-tips. We are renewing our street lighting to more effective and cheaper lighting, monitoring and maintaining all the road surfaces in the Borough and taking the initiative to reduce road accidents.
Promoting culture in the Borough	1,778	Libraries and cultural facilities are important to us and our residents and they form an essential part of our plan to build a better Harrow. This money maintains our well used and popular libraries, as well as other cultural facilities in the Borough.
Housing General Fund	4,361	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 and Public Health Services		
Support for people with a disability and older people.	47,488	We spend 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. Our support helps give our residents, dignity, independence and support for their carers and family.
Quality Assurance & commissioning services & Public Health	9,825	We want to ensure our residents receive the care they deserve. This is the money we spend on safeguarding to ensure that the care our residents receive in the borough - including in private care centres - adheres to the highest standard of care. Public Health grants support statutory duties such as NHS Health Checks and Sexual Health and also non statutory work such as drug misuse prevention.
People - Children's Services		
Children & Young People's Services	23,064	We provide 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. We want our youngest and most vulnerable children to have access to key services that will help reduce child poverty and give them the best start in life. This also includes adoption and fostering services.
Education Services	6,235	The Council is very proud of its schools and the quality of education provided in the borough as we remain one of the top boroughs in the country in terms of education results. The School Expansion Programme is on track to deliver sufficient school places for children in 2017/2018, with contractors working on three major projects. We are keen on offering the appropriate support services for vulnerable children, such as education services for children in care or with special educational needs.
Regeneration		
Economic Development & Research	594	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. We want our local businesses to be successful and able to reach their full potential with access to more commercial workspaces and the ability to employ local people in the many jobs they are able to create. It is this team that is one of the reasons we were awarded the best small business friendly Borough in London.
Planning Services	223	This is money spent processing planning applications and enforcing planning standards across the Borough.
Total Service Budgets	146,860	

- 1.1 The Council has a statutory obligation to agree and publish the budget for 2017/18, and this report sets out the final budget for 2017/18 and the 3 year MTFs up to 2019/20.

BACKGROUND

- 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 including equalities implications. The Harrow Ambition Plan 2020 sets out the ambitious council vision of 'Working Together to Make a Difference for Harrow.' Between now and 2020 the Council's Strategy to deliver its vision is to:

- Build a Better Harrow
- Be More Business Like and Business Friendly
- Protect the Most Vulnerable and Support Families

The Council's values, developed by staff, are also a key part of the Harrow Ambition Plan:

- Be Courageous
- Do It Together
- Make It Happen

- 1.3 Harrow Council has taken a responsible approach to the significant financial challenges it faces. In 2016/17, for the first time, the Council approved a three year budget covering the period 2016/17 to 2018/19 to show its commitment to achieving financial sustainability through a period of unprecedented fiscal challenges. The Council's savings target for the 4 year period 2015/16 to 2018/19 is £83m. In balancing the 2015/16 budget, savings of £30.9m were agreed. The target for the three years 2016/17 to 2018/19 was £52.4m and the final position agreed by Council in February 2016 was a balanced position for 2016/17 and gaps of £985k and £789k for 2017/18 and 2018/19 respectively.

EXTERNAL FUNDING POSITION

- 1.4 Harrow Council is one of the lowest funded councils in London. In 2015/16 Harrow's revenue spending power per head was £159 (or 17.3%) lower than the London average which ranked Harrow 26th out of 32 London Boroughs. A similar comparison with the England average shows Harrow's revenue spending power per head was £127 (or 14.3%) below average and ranked Harrow 105th out of 120 local authorities.
- 1.5 The Local Government Finance Settlement for 2016/17 did nothing to readdress this low funding position. The settlement was intended to protect authorities that were heavily dependent on central resources from the full impact of cuts in funding over the next four years. The Settlement allocated central funding in a way that ensured councils received the same percentage change in settlement core funding, i.e. Council Tax and central funding. This methodology therefore

benefitted Councils who obtained a relatively small proportion of their income from Council Tax. Harrow has the third highest Council Tax in London and the effect of factoring in overall funding levels, rather than applying a simple percentage cut, resulted in Harrow losing £6.4m in Revenue Support Grant (RSG) in 2016/17, approximately £4m more than was planned under the previous methodology. Under the new methodology, Harrow was the sixth hardest hit amongst London Boroughs. The RSG figure for 2017/18 announced in December 2016, was the same as previously notified in the 2016/17 settlement figures.

- 1.6 Linked to the revised methodology for RSG allocation, from 2016/17 Care Act Funding was subsumed within RSG and not allocated as a separate funding stream. As Harrow's overall RSG reduced so significantly in 2016/17, there was no capacity to allocate Care Act Funding to the Adult Services division (£1.271m in 2016/17).
- 1.7 Whilst the Council was grateful to receive Transitional Grant funding (£712k in 2016/17 and £699k in 2017/18), the benefit was fully off set by reductions in the Public Health Grant.

DELIVERY OF THE 2016/17 BUDGET

- 1.8 Delivery of the 2016/17 budget is critical to maintaining the Council's financial standing and to do everything possible to protect front line services. The 2016/17 revenue budget includes a challenging savings target of £17.5m. At Quarter 3 (as at 31 December 2016) performance against the savings target is good in light of the challenging environment:
 - £9.3m of savings (53%) are already achieved or on course to be achieved.
 - £5.8m of savings (33%) are partially achieved or risks remain.
 - £2.3m of savings (13%) will not be achieved.

The Quarter 3 forecast, subject to a separate report elsewhere on the agenda, indicates a directorate overspend of £9.816m net, the key pressures relating to homelessness and front line adults and children's social care services. After allocating the corporate contingency budget (£1.329m), centrally held budgets not applied (£1.353m) and £2m set aside for homelessness pressures, the forecast pressure is reduced to £5.134m. It is critical to balance the 2016/17 budget and to achieve this plan is in place to be as lean and efficient as possible. Specifically, this is the implementation of spending controls, a review of non-essential spend, the improved use of assets, capital receipt flexibilities and a range of other efficiency and effectiveness initiatives.

MULTI YEAR FINANCE SETTLEMENT AND EFFICIENCY PLAN

- 1.9 As part of the December 2015 Spending Review, the Secretary of State for Communities and Local Government (DCLG) made an offer to councils to take up a four year funding settlement for the period 2016/17 to 2019/20. To accept this offer an Efficiency Plan had to be prepared and published by 14 October 2016.

- 1.10 The offer made by the Government, as part of the Spending Review, was to any council that wished to take up a four year funding settlement up to 2019/20. The purpose of this offer is to help local authorities prepare for the move to a more self-sufficient resource base by 2020 and the devolution of business rates. The multi year settlement is intended to provide funding certainty and stability for the sector that will enable more proactive planning and support strategic collaboration with local partners. For those councils that chose not to accept the offer, they will be subject to the existing annual process for determining the local government finance settlement. Allocations could be subject to additional reductions dependent on the fiscal climate and the need for the government to make further savings to reduce the deficit.
- 1.11 In these initial stages the funding offer is limited to three funding streams. The current MTFs, agreed by Council in February 2016, incorporates the funding provided within the four year settlement offer as detailed in table 2 below:

Table 2: 4 Year Settlement Offer

	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
RSG	21,935	13,019	7,332	1,559
Transitional Grant	712	699	0	0
Rural Services Delivery Grant allocations	N/A	N/A	N/A	N/A
Cumulative reduction in RSG from 2016/17 (%)		41%	67%	93%

- 1.12 In light of the RSG reduction of 93% over the four year period, leaving a balance of £1.559m by 2019/20, the Council did not apply to accept the offer. A letter has been sent to the Secretary of State for Communities and Local Government explaining why Harrow's funding position does not put it in a position to apply to accept. There is further on going engagement with local MP's and DCLG in respect of the offer.
- 1.13 97% of councils applied to accept the offer. It is understood that by not accepting, this leaves the Council at risk of an annual financial settlement and potentially not being able to be part of further multi year settlement offers. In recognition of this, the risk has been included on the Corporate Risk Register for Quarter 3 as 'The Council is subject to an annual financial settlement with DCLG.' It has been rated as E3 – very low likelihood but critical impact if the risk materialises. The low likelihood assessment recognises that the indicative local government financial settlement (December 2016) confirmed Harrow's RSG for 2017/18 in line with that offered in the multi year settlement and, as RSG reduces so significantly in future years, the financial risk of an annual settlement proportionately reduces. If the risk rating of E3 does not change, the risk will remain on the Corporate Risk Register for one quarter only.

BUDGET PROCESS 2017/18

- 1.14 In February 2016 Council approved a three year budget. As the Council's financial position is dynamic and is affected by a number of financial uncertainties and adjustments that will impact upon its financial position over the long and medium term, in preparing the draft budget for 2017/18 the existing MTFS was refreshed and rolled on a year. The adjustments were reported to Cabinet in December 2016 and are shown in table 3 below:

Table 3: Changes to MTFS (Prior to December Local Government Finance Settlement)

(Pre December Local Govt Finance Settlement)	2017/18	2018/19	2019/20
	£000	£000	£000
Actual Gap at Feb Council 16 Report	985	789	0
Implications of 2016/17 Budget decisions into 2019/20			
Capital financing			2,800
New homes bonus			300
Education Services Grant estimated reduction	640	751	
Freedom Pass			414
Pay Award 1%			1,000
Employers pension increase - deficit reduction			700
National Minimum Wage		0	1,300
Impact of 2016/17 Budget savings			-312
Increased CT base			-107
Business Rates top-up			-708
RSG Reduction			5,772
Sub Total	1,625	1,540	11,159
Grant and Tax base Adjustments			
Estimated increase in band D properties by 1500	-1835		
Estimated increase in band D properties by 1500		-1839	
Collection Fund Surplus	-3500		
Estimated Public Health Grant Reductions	907	697	487
2% Adult Social Care precept	-2,133		
Increase in CT by 1%	-1071	0	0
Sub Total	-6,007	398	11,646
Growth			
Resources - Business Support	734		
Adults	4,629	-96	-90
Children's	2,838	200	
Community- Housing	2,996	-163	
Funding in base budget	-1,000		
Community - Environment	500		100
Prior MTFS Savings to be reversed or re-phased			
MTFS savings identified for refresh:			

Total Resources and Business Support	1,009	570	
Total Children's	514	651	
Total Adults	2,844	2,102	-4,100
Total Community	-110	-81	124
Total Regeneration	50		
Pan Org savings	1,100		
Savings from 2017/18 Budget Process			
Resources	-844	-557	-550
Adults	-1,120		
Children's	-255		
Public Health	-263	31	
Community and Culture	-896	-140	
Housing	-898	-469	-225
Regeneration	-47		
Sub Total	5774	2446	6905
Technical:			
Estimated cost of the Apprenticeship levy	400		
Capital Financing costs	-285	2,132	2,056
Application of current capital receipts to reduce MRP cost	-1,000	0	0
- Additional New Homes Bonus	-850	-1,639	700
- Budget planning contingency	-1,000	1,000	
Revised gap	3,039	3,939	9,661
Use of Capital Receipts Flexibility	-3,039	3,039	0
Sub total	0	6,978	9,661
Proposals to be developed to reduce gap	0	-6,978	0
	0	0	9,661

1.15 The Autumn Statement was announced on 25 November 2016 followed by the provisional Local Government Finance Settlement on 15 December 2016 by Sajid Javid, the Secretary of State for Communities and Local Government. The announcements, along with other changes, have resulted in a number of adjustments to the MTFS which are summarised in table 4 below and supported by explanatory text which follows the table:

Table 4: Adjustments to MTFs 2017/18 to 2019/20 (After the provisional Local Government Finance Settlement)

	2017/18	2018/19	2019/20
	£'000	£'000	£'000
Budget gap prior to settlement	0	0	9,661
(As reported to December 2016 Cabinet)			
NNDR Revaluation:			
Reduction in top up grant	480	0	0
Adult Social Care:			
Adults Social Care Grant 2017/18	-974	974	
Additional 1% Adult Social Care Precept	-1,072	-19	-1
New Homes Bonus:			
Loss of 2012/13 NHB	1,000		
NHB 2017/18 - less properties that forecast	705		
Total Settlement Adjustments	139	955	9660
Other Adjustments:			
Capital Financing reductions from agreeing Final Capital Programme Additions	0	-51	-816
NNDR Revaluation: cost to Harrow estate	565		
NNDR Tax Base: Updated tax base	-1,257		
Education Support Grant: final grant notification	123		
Pension Fund: deficit reduction in accordance with actuarial triennial valuation	378		
Harrow Helpline Saving (RES 01): re-alignment of saving following receipt of business case	120	400	400
Revenue saving from additional income from arising from New Depot proposal in the Capital Programme	-68	-239	-246
Revised gap/ excess following adjustments	0	1065	8998

Impact:	£'000	£'000	£'000
Gap identified in December Budget Report	3,039	6,978	9,661
Revised Gap in February Report	3,039	8,043	8,998
Revised use of capital receipts flexibility	(3,039)		
Revised proposals to be developed to reduce the gap		(8,043)	
Revised Gap	-	-	8,998

- 1.16 **NNDR Revaluation.** The current rateable values came into force from 1 April 2010. Following a national revaluation exercise, new rateable values will be applied from 1 April 2017. Harrow's rateable values have increased by 14.33% which has resulted in a higher retention amount. This increase has resulted in a reduction in Harrow's 'top- up' grant of £480k.
- 1.17 **Adult Social Care.** The settlement announced the 2017/18 Adult Social Care Support Grant. This one off grant distributes £241.1m New Homes Bonus 'saving' in proportion to the adult social care relative needs formula from 2013/14 so that all authorities with responsibility for social care receive a share of this funding. Overall London's share of the total is £37m and Harrow's grant has been confirmed at £974k for 2017/18 only. Whilst it is positive that central government have recognised the significant funding pressures in social care, this grant is recycling existing funding and results in no additional funding in the budget. The settlement sees the NHB funding being reduced from six years to five years worth of payments in 2017/18. Therefore funding for 2012/13, built into the budget under the six year scheme, has been removed at a loss of £1m to the council.
- 1.18 **Council Tax Adult Social Care precept.** Following the provisional settlement, the core principle of a 2% referendum trigger remains in place for Council Tax increases. The draft budget for 2017/18 assumed a Council Tax increase of 1.99% and this has not changed in the final budget. The main change to Council Tax announced in the settlement is the increase in the flexibility permitted in the use of the Social Care Precept. Social Care authorities will have the freedom to increase by up to 3% in 2017/18 or 2018/19, but cannot exceed 6% in total over the three year period 2017/18 to 2019/20. The draft budget assumed levying a social care precept of 2% and the final budget assumes a precept of 3%. This additional 1% generates an additional £1.072m of income over the December figures. The 2017/18 budget planning process has allocated growth of £4.3m to address pressures in adults social care.
- 1.19 **New Homes Bonus.** The recycling of £1m from NHB into the 2017/18 Adult Social Care Support Grant has already been referenced in paragraph 1.17 above. A further change to NHB in the settlement was the introduction of a 0.4% tax base growth threshold for 2017/18 which means that Council's do not receive the first 0.4% of NHB growth. NHB assumed in the draft budget was £5.774m compared to a final allocation of £4.069m and the reduction of £1.705m is reflected in the final budget.
- 1.20 **Capital Financing.** Reflecting the changes between the draft and final three year Capital Programme, the capital financing implications on the revenue budget have been adjusted for. There is no change for 2017/18 and revenue costs for 2018/19 and 2019/20 have reduced by £51k and £816k respectively.

- 1.21 **NNDR Revaluation.** The new rateable values, coming into force from 1 April 2017, have already been referenced in paragraph 1.16. The estimated impact on the Harrow estate is additional business rates payable of £565k and this additional cost is reflected in the final budget.
- 1.22 **NNDR Tax Base.** The Council's 2017/18 Business Rates Retention Tax Base was taken to Cabinet in January 2017. The report projects Non Domestic Rating income at £48.155m for 2017/18. The 30% retained by Harrow equates to £14.446m. The draft budget assumed £13.189m will be retained and the final budget includes the £1.257m increase.
- 1.23 **Education Support Grant.** The draft budget assumed an allocation of £756k. Grant allocations were announced on 21 December 2016, Harrow's allocation was confirmed at £633k for 2017/18 and the difference is reflected in the final budget.
- 1.24 **Pension Fund.** All Local Government Pension Funds are subject to their triennial valuation with new funding rates coming into force on 1 April 2017. The funding rate of the Harrow Fund has improved over the last three years, with funding levels increasing from 70% to 74% (estimate). However, in line with advice from the Council's Pension Actuary, funding contributions need to be increased to achieve the funding strategy statement and reduce the deficit and a further contribution of £378k has been provided in the final budget.
- 1.25 **Harrow Helpline saving and Depot income saving** – the saving included in the December budget report on the Harrow Helpline was subject to business case. The business case indicates that the original savings of £200k 2017/18, £500k 2018/19 and £500k 2019/20 need to be revised to £80k 2017/18, £100k 2018/19 and £100k 2019/20. Separately, there is an additional saving in relation to anticipated additional income that can be generated from the proposed new capital proposal for the central Depot which is included in the Capital Programme report. The depot is to be cost neutral to the Council and the anticipated income will cover the capital financing and running costs as a minimum. The capital financing costs are £68k 2017/18, £239k 2018/19, £246k 2019/20 and £681k in 2020/21. These are additional costs each year which total an annual sum of £1.234m by 2020/21.

Capital Receipts Flexibility

- 1.26 In the Spending Review 2015, it was 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 on the revenue costs of reform projects. This flexibility is being offered to the sector for the three financial years 2016/17 to 2018/19. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or

demand for services in future years for any of the public sector delivery partners

1.27 The Council signified its intent to make use of this flexibility in its final budget report to Cabinet and Council in February 2016.

1.28 In terms of the required reporting requirements, DCLG recommend each authority disclose the projects that will be funded or part funded through capital receipts to full Council. This requirement can be satisfied as part of the annual budget setting process. In November 2016, Cabinet approved a number of asset disposals and the capital receipts from these disposals will be applied within the new flexibilities. The Capital Receipts Flexibility strategy is set out at Appendix 16 and recommended to Council.

Final Local Government Settlement

1.29 The provisional settlement is subject to consultation to which Harrow has submitted a response. The consultation period closed on Friday 13 January 2017. The final Local Government Finance Settlement is not expected until at least 20 February 2017 and adjustments are expected to be minimal. Cabinet is recommended to authorise the Director of Finance, in consultation with the Portfolio Holder with responsibility for Finance, to update the 2017/18 Budget after the final settlement is announced is changes are required.

Analysis of Departmental Savings

1.30 This report includes departmental savings and growth proposed during the 2017/18 budget setting process and also savings identified as part of the 2016/17 and 2015/16 budget setting process. For ease of reference, the savings are set out at separate appendices. Appendix 1A sets out the net savings and growth from the 2017/18 process and is summarised in the table below:

Table 5: Savings and Growth from the 2017/18 Budget setting process

Directorate	2017/18	2018/19	2019/20	Total
Savings	£'000	£'000	£'000	£'000
Resources	724	157	150	1,031
Adult	1,120	0	0	1,120
Children and Family	255	0	0	255
Public Health	263	(31)	0	232
Community and Cultural services	964	379	246	1,589
Housing	898	469	225	1,592
Regeneration	47	0	0	47
Total	4,271	974	621	5,866
Growth				0
Resources	(734)	0	0	(734)
Adult	(4,629)	96	90	(4,443)
Children and Family	(2,838)	(200)	0	(3,038)
Community and Cultural services	(500)	0	(100)	(600)
Housing	(2,996)	163	0	(2,833)
Funding in Base Budget for homelessness	1,000			1,000
Total	(10,697)	59	(10)	(10,648)
Net Savings/Growth	(6,426)	1,033	611	(4,782)

1.31 Set out at Appendix 1B are the savings proposed as part of the previous year's budget setting process (2016/17 and 2015/16), which were included in the 2016/17 Budget report. Table 6 shows savings of £25.1m over the three year period and this is the net position after allowing for the savings which were reversed out as part of the budget refresh process during 2017/18 budget setting process.

Table 6: Savings from 2015/16 and 2016/17 MTFs

Directorate	2017/18	2018/19	2019/20	Total
Savings	£'000	£'000	£'000	£'000
Resources	1,117	1,970	0	3,087
Adult	1,571	3,228	4,100	8,899
Children and Family	167	2,611	150	2,928
Public Health	462	2,295	0	2,757
Community and culture	1,163	2,432	0	3,595
Housing	1,041	353	38	1,432
Regeneration	100	0	0	100
Pan Organisation	350	2,000	0	2,350
Total	5,971	14,889	4,288	25,148

SCHOOLS BUDGET 2017/18

- 1.32 The funding arrangements for the Dedicated Schools Grant and the Schools Budget for 2017/18 are detailed in Appendix 6. Cabinet is required to approve the structure of its funding formula for 2017/18, which it is not proposed to be changed from that in place in 2016/17 (as reported to the Schools Forum on 22 November 2016).
- 1.33 The final cash values of each formula factor have been set following consultation with Schools Forum in January 2017.

PUBLIC HEALTH FUNDING

- 1.34 Following the comprehensive spending review in November 2015, Public Health England wrote to local authorities detailing average real terms savings of 3.9% each year to 2020/21 and notified allocations for 2016/17 and 2017/18. For Harrow this resulted in a reduction in the baseline allocation of £11.636m in 2015/16 down to £11.373m in 2016/17 and £11.093m in 2017/18.
- 1.35 Grant allocations for 2018/19 onwards have yet to be announced but annual reductions are anticipated to be at similar levels pending the outcome of consultation 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.
- 1.36 The public health spending detailed in Appendix 7 of £11.093m and reflects the grant allocation published for 2017-18. 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 including equalities duties.
- 1.37 The draft commissioning intentions (detailed in Appendix 7) were presented to the Health and Wellbeing Board at its meeting on 12 January 2017.

BETTER CARE FUND

- 1.38 The Better Care Fund (BCF) in 2016/17 has national funding of £3.9bn.
- 1.39 The agreed value of the Better Care Fund in Harrow is £16.258m, £1.181m of which reflects the capital funding in relation to Disabled Facility (the Community Capacity Grant having been discontinued). The balance of £15.077m allocated to revenue funding supports two agreed schemes – Protecting Social Care (£6.558m) and Whole Systems and Transforming Community Services (£8.519m).
- 1.40 The comprehensive spending review in November 2015 announced that an additional £1.5bn will be made available to the Better Care fund by 2019/20. The funding allocations announced in December 2015 indicated that additional funding of £1.9m would be allocated to Harrow in 2018/19 and £2.2m in 2019/20. The relationship between the existing negotiated BCF and the levying of the ASC precept is not clear

and as a result this additional funding cannot be assumed within the MTFS.

- 1.41 The minimum funding requirements for the 2017/18 BCF were expected to be notified in December 2016 to enable and 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. The 2017/18 BCF will be progressed once the planning guidance has been published.
- 1.42 The draft budget currently assumes that the current funding transfer to the Council of £6.558m will continue in 2017/18. The Adult Social Care budget pressures are considerable and the wider Council savings proposals are significant.

HEALTH INTEGRATION

- 1.43 Sustainability Transformation Plans (STPs) were introduced by NHS England (NHSE) to support delivery of their Five Year Forward View strategy and represent geographic areas (footprints) across England. Harrow falls under the North West London (NWL) footprint.
- 1.44 The STP is an opportunity to radically transform the way health and social care is provided, and across NWL both the NHS and local authorities have agreed to work together to deliver a sustainable health and care system. The NWL STP (submitted to NHSE on 21st October 2016) describes the shared ambition across health and local government to create an integrated health and care system that enables people to live well and be well.
- 1.45 There is a commitment in principle from NHSE / NWL that transformation should enable funding to be provided to cover local authority Adult Social Care funding gaps. Work is underway to establish both the funding gaps and the ability to redirect resources to local authorities arising from health and social care transformation and will be included in future years budgets once confirmed.

COMMERCIALISATION

- 1.46 Harrow's Commercialisation Strategy was agreed by Cabinet in June 2015. 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.
- 1.47 Commercialisation for Harrow Council has been defined as encompassing, but not limited to, the following areas:
- Shared Services
 - Investments
 - Selling services
 - Pricing Analysis
 - Fitness of traded services

- Consideration of concessions
- Better contract management
- Continuous improvement in procurement

1.48 Based on the council's current pipeline of commercialisation opportunities, it is expected that the Commercialisation Strategy will deliver significant benefits; £15.325m of these benefits are captured in the MTFS over the period 2015/16 to 2019/20. Table 7 below summarises the commercialisation benefits:

Table 7: 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
1. 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
2. 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
3. Shared HR service – look at sharing the service with other local authorities.	-	-	140	110	-	250
4. 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
5. 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
6. My Community ePurse – explore commercialisation opportunities	-	-	-	2,638	4,100	6,738
7. Adults services - Wiseworks and Shared lives – commercialisation opportunities and selling model to neighbouring Boroughs.	-	-	100	219	56	375
8. 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
9. 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
10. 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
11. Project Phoenix including Trade Waste.	-	115	520	1,525	-	2,160
12. Helpline – review the service to consider whether Helpline services can be provided to other councils.	-	15	80	100	100	295
Total	394	907	2,132	7,594	4,298	15,325

RESERVES AND CONTINGENCIES

- 1.49 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 (Quarter 3 2016/17) general non earmarked balances stand at £10m and those for specific purposes are detailed:
- Unforeseen contingency £0 (£1.329m applied to in year revenue pressures)
 - Budget Planning contingency £1m (£1m applied in 2017/18 budget)
 - Rapid Response reserve £75k
 - Standing Up for Those in Need £800k
 - Welfare Reform / Homelessness £0 (£2m currently applied to in year revenue pressures)
 - Children's Social Care Reserve £0 (£218k applied to in-year revenue pressures)
 - Public Health £898k (fully ear marked to Public Health)
 - Commercialisation Reserve £335k
 - Transformation and Priorities Initiative Fund £2.428m
 - Business Risk Reserve £2.029m
 - MTFS Implementation Costs £2.648m
- 1.50 The report of the Director of Finance, which includes the adequacy of reserves and contingencies, is detailed in Appendix 10.

COUNCIL TAX MODEL RESOLUTION

- 1.51 The draft Council Tax Model Resolution is attached at Appendix 11. This is still subject to confirmation of the GLA precept which is expected to be confirmed on 20 February 2017. Any changes will be made for approval at Council on 23 February 2017.

MEMBERS ALLOWANCE

- 1.52 The proposed Members' Allowances scheme for 2017/18 is attached at Appendix 12. 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.
- 1.53 Cabinet is requested to recommend the scheme to Council for approval.

ANNUAL PAY POLICY STATEMENT

- 1.54 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
- 1.55 The proposed statement is attached at Appendix 13 and Cabinet is requested to recommend it to Council for agreement.

WORKFORCE IMPLICATIONS

- 1.56 There is a legal requirement to seek to avoid or minimize 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 As a matter of public law the duty to consult with regards to proposals to vary, reduce or withdraw services will arise in 4 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;
- Exceptionally, where the matter is so important that there is a legitimate expectation of consultation and
- Where consultation is required to complete an equalities impact assessment.

Regardless of whether the council has a duty to consult, if it chooses to consult, such consultation must be carried out fairly. In general, a consultation can only be considered as proper consultation if:

- Comments are genuinely invited at the formative stage;

- The consultation documents include sufficient reasons for the proposal to allow those being consulted to be properly informed and to give an informed response;
- There is adequate time given to the consultees to consider the proposals;
- there is a mechanism for feeding back the comments and those comments are conscientiously taken into account by the decision maker / decision making body when making a final decision;
- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting and;
- The consultation is clear on the reasons why alternatives and discarded options have been discarded.

2.2 On 9 December, a budget consultation survey was published on the Council's web-site in relation to the Cabinet's draft budget proposals for 2017-18 after the meeting on 8 December 2016. The draft budget reported to December Cabinet has also been available to view on the Council's website.

There were only 5 respondents to the general survey, with 3 of those respondents offering no overall view of the budget proposal put forward. There was support for the Council's aim to prioritise protecting the vulnerable and commercialise its work; there were no specific comments made in opposition to the budget.

2.3 The following stakeholder consultation meetings have taken place. Please refer to Appendix 14 for the minutes relating to a number of these meetings.

Stakeholder	Meeting	Date
Unions	Corporate Joint Committee	5 December 2016
Health Partners (Minutes)	Health and Wellbeing Board	12 January 2017
Local Businesses (Minutes)	Harrow Business Consultative Panel	23 January 2017
Overview and Scrutiny (Minutes)	Special meeting of O & S to review the budget	1 February 2017
Tenants and Leaseholders	Tenants and Leaseholders Consultative Forum	2 February 2017
Unions / Employees	Employees Consultative Forum	8 February 2017

2.3 In terms of service specific consultations, the council has a duty to consult with residents and service users in a number of different

situations including where proposals to significantly vary, reduce or withdraw services. Consultation is also needed in other circumstances, for example to identify the impact of proposals or to assist with complying with the council's equality duties. Where appropriate, separate service specific consultations have already taken place or are currently taking place for the 2017/18 savings.

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 2017/18 will be measured and this again will be reported through the Strategic Performance Report.

4.0 RISK MANAGEMENT IMPLICATIONS

4.1 Key financial risks are managed through the risk management strategy. There are three significant financial risks currently included on the Corporate Risk Register:

Risk 5 – Failure to deliver a 4 year MTFs to achieve savings of £83m. This risk is currently rated at B2, high likelihood and critical impact.

Risk 20 – There are insufficient reserves. This risk is currently rated at D2, low likelihood and critical impact.

Risk 21 – The Council is subject to an annual financial settlement with the Department of Communities and Local Government. This risk is currently rated at E3, very low likelihood and moderate impact.

The Corporate Risk Register, reported quarterly to the Corporate Strategic Board and the GARMS Committee, is supported by the departmental Finance Risk Register which is updated quarterly or more frequently if deemed necessary.

As at March 2017 the level of general fund reserves is forecast to be £10m which is the minimum required level and is considered sufficiently adequate but only on the basis that any potential adverse budget variations are tightly controlled.

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.

- 5.3 These proposals will be referred to Council so that Council can approve the budget envelope and set the Council Tax. There will be contingencies within the budget envelope so that decision makers have some flexibility should any decisions have detrimental equalities impacts that cannot be mitigated.

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. Some of these have already been published and Appendix 16 sets this out.

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 group and a cumulative equality impact assessment has been produced taking into account the results set out in Appendix 16.

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 2017/18 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 Chief Financial Officer

Date: 5 February 2017

Name: Jessica Farmer on behalf of the
Monitoring Officer

Date: 5 February 2017

Ward Councillors notified: No, as it impacts on all
Wards

EqIA carried out: Yes

EqIA cleared by: Alex Dewsnap, DETG
Chair – Resources and
Commercial
Directorate

Section 4 - Contact Details and Background Papers

Contact: Dawn Calvert, Director of Finance (S151 Officer), tel:
0208 420 9269, dawn.calvert@harrow.gov.uk

Background Papers:

- [Final Revenue Budget 2016/17 and MTFS 2016/17 to 2019/20](#)
- [Draft Revenue Budget 2017/18 and MTFS 2017/18 to 2019/20](#)
- [Approval of Business Rates Income Resource Base for 2017 – 2018 \(19 January 2017\)](#)
- Final Capital Programme 2017/18 to 2019/20 (16 February 2017)
- 2016/17 Revenue and Capital Monitoring for Quarter 3 as at 31 December 2016 (16 February 2017)
- EQIAs for individual savings proposals (included with agenda papers)

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

NOT APPLICABLE

*[Call-in applies, except where
the decision s reserved to
Council or is for noting only]*