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**REPORT FOR: CABINET**

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<b>Date of Meeting:</b>	15 February 2018
<b>Subject:</b>	Final Revenue Budget 2018/19 and Medium Term Financial Strategy 2018/19 to 2020/21
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Dawn Calvert, Director of Finance
<b>Portfolio Holder:</b>	Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes, except where the decision is reserved to Council and is for noting only
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1A – Proposed savings and growth 2018/19 to 2020/21 (New proposals) Appendix 1B – Proposed savings 2018/19 to 2020/21 to be agreed from 2016/17 and 2017/18 MTFS Appendix 1C - Growth from 2017/18 MTFS Appendix 2 - Medium Term Financial Plan 2018/19 to 2020/21 Appendix 3 – Revenue Budget Summary 2018/19 Appendix 4 – Levies, contributions and

subscriptions  
Appendix 5 – Policy on use of contingency  
Appendix 6 - Schools Budget 2018/19  
Appendix 7 - Public Health Budget 2018/19  
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 2018/19  
Appendix 13 - Annual Pay Policy Statement for 2018/19  
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 2018/19 and Medium Term Financial Strategy (MTFS) for 2018/19 to 2020/21. In December 2017, Cabinet approved draft versions of the revenue budget and MTFS for general consultation.

**Recommendations:**

Cabinet is requested to:

- 1) Recommend the 2018/19 budget to Council for approval, being mindful of the results of the various consultations and equality impact assessments, to enable the Council Tax for 2018/19 to be set (Appendix 2).
- 2) Approve the Medium Term Financial Strategy (MTFS) at Appendix 2 for referral to Council.
- 3) Note the remaining budget gaps of £17.636m 2019/20 and the remaining budget gap of £16.061m for 2020/21 (table 4)
- 4) Note the intention to increase Council Tax by 2.99% in 2018/19 (paragraph 1.18)
- 5) Note the intention to increase Council Tax by 0.5% in 2018/19 in respect of the Adult Social Care Precept (paragraph 1.18)

- 6) Approve the structure of the funding formula 2018/19 through the introduction of the National Funding Formula (Appendix 6)
- 7) Note the 2018/19 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 2018/19 (paragraph 1.48)
- 9) Recommend the 2018/19 Members' Allowance Scheme to Council for approval (Appendix 12).
- 10) Recommend the 2018/19 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 2018/19 Budget for any changes from the Final Local Government Announcement if necessary (paragraph 1.35)

**Reason: (For recommendations)**

To ensure that the Council sets a balanced budget for 2018/19.

## Section 2 – Report

### INTRODUCTION

- 1.1 The Government continues to reduce its funding to Local Government as part of its nationwide austerity programme. Since 2013/14, the Council has had to manage significant reductions in its Revenue Support Grant (RSG), which is its main source of funding from central government, alongside increases in demand for services and cost inflationary pressures. Table 1 below summarises the reductions in RSG:

**Table 1: Revenue Support Grant 2013/14 to 2019/20**

Year	RSG	Annual Reduction	Cumulative Reduction
	£'000	£'000	%
2013/14	52,100		
2014/15	42,628	9,472	18%
2015/16	32,034	10,594	39%
2016/17	21,935	10,099	58%
2017/18	13,019	8,916	75%
2018/19	7,332	5,687	86%
2019/20	1,566	5,766	97%

- 1.2 Therefore Harrow will see its main source of central government grant funding reduced by 97% over a 7 year period, reducing the Revenue Support Grant (RSG) to £1.566m by 2019/20. Over the four year period 2015/16 to 2018/19, it was estimated that the Council needed to fund an £83m budget gap in order to achieve a balanced budget. If this four year period is extended to the end of the current MTFS (2020/21) it is estimated Harrow Council has to fund £125m of pressures in order to achieve a balanced budget. In addition to the £40m reduction in RSG, further funding has been required to fund growth as a result of demand pressures, inflation, Capital Financing costs and other reductions in specific grants such as the Education Support Grant and this brings the total that the Council will need to fund to £125m in order to deliver balanced budgets to date and for 2019/20 and 2020/21.
- 1.3 To set this figure into context, Harrow Council does not have large cash reserves. Its general fund balances remain at £10m and remain within the lower quartile when benchmarked with other local authorities and spending them is not a responsible way to offset lost revenue. Harrow Council's gross budget for 2018/19 is £546m. 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 £168.9m in 2018/19 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 £144.5m (which excludes corporate items such as capital financing costs and contingencies) is set out in Table 2 below:

**Table 2: Planned Spend on Services in 2018/19**

Net Controllable Revenue Budget	Budget 2018/19 £000	Description of service
<b>Resources &amp; Commercial</b>		
Council contribution to freedom passes scheme	10,055	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	3,955	Residents want to contact the authority in a number of different ways. This funding support 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	2,279	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	19,949	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.
<b>Community</b>		
Keeping Harrow clean & green	14,681	The council undertakes street cleaning, grounds maintenance, 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, maintaining highway verges, 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 Intelligence led street cleansing to ensure that those areas that require high frequency cleaning receive it; 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 efficient and cost effective ones, monitoring and maintaining all the road surfaces in the Borough and taking the initiative to reduce road accidents.
Promoting culture in the Borough	438	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	4,550	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.
<b>People - Adults and Public Health Services</b>		
Support for Adults and Children with a disability and older people.	48,306	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, as well as residential care for the most complex. Our support helps give our residents, dignity, independence and support for their carers and family.
Quality Assurance, commissioning & strategic management services	9,345	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, and commissioning and strategic management to ensure we have appropriate services in place to meet the needs of our residents.
<b>People - Public Health Services</b>		
Public Health	(1,841)	The Public Health grant support statutory duties such as NHS Health Checks, Health Visiting and Sexual Health, in addition to supporting non statutory duties such as drug misuse prevention and wider health improvement activities, to ensure the general health and wellbeing of the local population.
<b>People - Children's Services</b>		
Children & Young People's Services	25,759	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	6,216	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. We are keen to offer the appropriate support services for vulnerable children, such as education services for children in care or with special educational needs.
<b>Regeneration</b>		
Economic Development & Research	612	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	201	As a Planning Authority, the Service processes planning applications and enforces planning standards across the Borough.
<b>Total Service Budgets</b>	<b>144,505</b>	

- 1.4 The Final budget set out in this report shows a balanced budget position for 2018/19 and budgets gaps of £17.636m and £16.061m for 2019/20 and 2020/21 respectively. Whilst it is intended that Members will approve the MTFS up to 2020/21 within this report, this is subject to a number of assumptions in relation to grant settlements, council tax income, legislation and demographics. The Council will still be required to review the Council's budget on a yearly basis; however approval of the MTFS will allow officers to progress a number of important projects.
- 1.5 The Council has a statutory obligation to agree and publish the budget for 2018/19, and this report sets out the final budget for 2018/19 and the 3 year MTFS up to 2020/21.

### **BACKGROUND**

- 1.6 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

- 1.7 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 has continued to set a three year budget which is refreshed annually.

### **EXTERNAL FUNDING POSITION**

- 1.8 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 26<sup>th</sup> 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 105<sup>th</sup> out of 120 local authorities.
- 1.9 The Local Government Finance Settlement for 2016/17 (which set out figures for the 4 year period from 2016/17 to 2019/20), 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 £10m in Revenue Support Grant (RSG) between 2015/16 and 2016/17. Under the new methodology, Harrow was the sixth hardest hit amongst London Boroughs.

- 1.10 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).
- 1.11 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. There is no continuation of the transition grant beyond 2017/18.

#### **DELIVERY OF THE 2017/18 BUDGET**

- 1.12 Delivery of the 2017/18 budget is critical to maintaining the Council's financial standing and to do everything possible to protect front line services. The 2017/18 revenue budget includes a challenging savings target of £10.241m. At Quarter 3 (as at 31 December 2017) performance against the savings target is good in light of the challenging environment:
  - £6.5m of savings (63%) are already achieved or on course to be achieved.
  - £2.1m of savings (21%) are partially achieved or risks remain.
  - £1.6m of savings (16%) will not be achieved.

The Quarter 3 forecast, (subject to a separate report elsewhere on the agenda), forecasts an under spend of (£1.648m) after a draw down from reserves of £2.815m, the use of Corporate budgets of £3.310m, £834k of income received after the 2017/18 budget was set and £1.295m of spending controls.

#### **MULTI YEAR FINANCE SETTLEMENT AND EFFICIENCY PLAN**

- 1.13 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.

- 1.14 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.
- 1.15 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 along with 8 other Council's. The risk of being subject to the existing annual process for the financial settlement has to date not materialised and the Council has received its RSG settlement in line with the four year offer and its these numbers that the MTFS is based upon.

#### **BUDGET PROCESS 2018/19**

- 1.16 In February 2017 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 2018/19 the existing MTFS was refreshed and rolled on a year. The adjustments were reported to Cabinet in December 2017 and are shown in table 3 below:



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

	2018/19	2019/20	2020/21
	£000	£000	£000
<b>Budget gap at February 2017 Council Report</b>	<b>8,043</b>	<b>8,998</b>	<b>0</b>
	8,043	8,998	0
Implications of rolling forward the model to include 2020/21			
New Homes Bonus			940
Education Services Grant		144	0
2% pay award			2,000
Minimal Capital Investment of £10m			500
Estimated Directorate growth			4,000
Estimated growth in Freedom Pass take up			500
Estimated non pay inflation			500
1.99% Council Tax			-2,468
<b>Sub total</b>	<b>0</b>	<b>144</b>	<b>5,972</b>
Grant and Tax base adjustments			
Reversal of 2016/17 Collection Fund Surplus	3,500		
Collection Fund surplus 2017/18	-6,093	6,093	
Estimated increase in band D properties by 1,485		-2,064	
Increase CT by 1.99%	-2,140	-2,277	
Adult Social Care precept - 1.5% per annum	-1,707	-1,798	
<b>Sub Total</b>	<b>-6,440</b>	<b>-46</b>	<b>0</b>
<b>Budget Refresh, Growth &amp; Savings</b>			
<b>Growth</b>			
Resources and Commercial	110		
Children's Services	2,900		
Adult Services	5,825		-90
Public Health	275		
Culture - Library Contract Indexation	0	175	25
<b>Prior MTFS Savings to be reversed or re-phased</b>			
MTFS savings identified for refresh:			
Resources and Commercial	357		
Children's Services	2,309		
Adult Services	2,988	4,100	
Public Health	1,000		
Community Services	284	-75	-159
<b>Savings from 2018/19 Budget Process</b>			
Resources and Commercial	-228	-30	
Children's Services	-91		
Adult Services	-523		
Adult Services - Home In Harrow	-719	-1,251	
Community and Culture	-355	-1,120	-137
Housing	-100		
Regeneration - Planning & Development Control	-50		
<b>Sub Total</b>	<b>13,982</b>	<b>1,799</b>	<b>-361</b>
<b>Technical:</b>			
Corporate budgets - provided for in 17/18 and no longer required	-748	-108	
2016/17 and 2017/18 MRP underspends (one off)	-4,000	4,000	
2018/19 estimated MRP underspend (on going)	-2,000		
Capital financing - estimated 17/18 borrowing delayed into 2018/19	-350	350	
Capital Receipts flexibilities	-2,700	2,700	
25% reduction in 17/18 to 2019/20 Capital Programme	-1,144	-355	-45
Improved Better Care Fund 2018/19	-4,643	4,643	
Improved Better Care Fund 2019/20		-5,467	5,467
<b>Sub Total</b>	<b>-15,585</b>	<b>5,763</b>	<b>5,422</b>
<b>Revised Gap</b>	<b>0</b>	<b>16,658</b>	<b>11,033</b>

1.17 The Autumn Statement was announced on 22 November 2017 followed by the provisional Local Government Finance Settlement on 19 December 2017 by 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 2018/19 to 2020/21 (After the provisional Local Government Settlement)**

	2018/19	2019/20	2020/21
	£'000	£'000	£'000
<b>Budget gap prior to settlement</b>	0	16,658	11,033
<b>(As reported to December 2017 Cabinet)</b>			
<b>Council Tax:</b>			
Removal of CT increase by 1.99%		2,277	2,469
Additional 1% on Core Council Tax	-1,092		
<b>Adult Social Care Precept:</b>			
Rephase 1% of Adult Social Care precept from 2018/19 to 2019/20	1,092	-1,092	
<b>National Non Domestic Rates:</b>			
Increase in NNDR baseline	-1,004	-328	1,332
NNDR Multiplier Inflation - move from RPI to CPI	-795	-399	1,194
<b>New Homes Bonus</b>	-353	353	
<b>Improved Better Care Fund:</b>			
Grant changes	-57	24	33
<b>Freedom Passes:</b>			
Reduction in take up	-500		
<b>Additional Growth:</b>			
Legal Division		530	
Community Directorate	720	-255	
<b>Reversal of Prior Year MTFS Savings:</b>			
Property Acquisition Programme - 100 homes	736	21	
Property Acquisition Programme - 50 homes	528	-153	
Mitigated by not going ahead with Empty Homes Initiative (CPO) from Capital Programme	-160	0	
Regeneration – net income stream	2,350		
Regeneration – funded within existing budget provision	-2,350		
<b>Continuation of Existing MTFS Savings:</b>			
Income from expansion of Central Depot			-681
Capital Financing costs			681
<b>Additional 1% Pay Award</b>	885		
<b>Revised Gap</b>	<b>0</b>	<b>17,636</b>	<b>16,061</b>

1.18 **Council Tax and Adult Social Care Precept** - The 2017/18 budget included 3% for the Adult Social Care precept. As part of the grant settlement for 2017/18, Authorities were given increased flexibility in the use of the Social care precept, which enabled them to increase by up to 3% in 2017/18 or 2018/19, but that the increase could not exceed 6% over the 3 year period 2017/18 to 2019/20. The draft budget assumed that the remaining 3% would be levied at 1.5% in 2018/19 and a further 1.5% in 2019/20. The final budget amends this to 0.5% levied in 2018/19 and the remaining 2.5% levied in 2019/20. The impact of this change re-phases £1.092m of income generated from 2018/19 to 2019/20. This flexibility has remained in place as part of the provisional December 2017 settlement announcement but no continuation of the precept was announced beyond 2019/20.

However, as part of the announcement in December 2017, the Government has increased the core Council Tax Referendum to 3% in both 2018/19 and 2019/20. A referendum will be triggered for Harrow and other London Authorities where council tax is increased by 3% (excluding the Adult Social Care precept) or more above the authority's relevant basic amount of council tax for 2017/18.

As a result of this change, the final budget assumes a 2018/19 council tax increase of 2.99% and an adult social care precept of 0.5%, so the total increase remains at 3.49% as per the draft budget.

For 2019/20 and 2020/21, the budget assumes no increases in core Council Tax. However 2019/20 does include an increase of 2.5% in respect of the final year of the Adult Social Care precept which re-phases £1.092m of income from 2018/19 to 2019/20. Table 5 below shows the overall increase in Council Tax after factoring in the Greater London Authority:

**Table 5: 2018/19 Increase in Council Tax**

2018/19	% Increase	Overall Increase	%
Harrow Council general expenditure	+2.99%	+ 3.76%	
Adult Social Care Precept	+0.5%		
Greater London Authority	+5.07%		

1.19 **National Non Domestic Rates (NNDR)**. Currently (2017/18) Local Authorities retain 30% of the Business Rates income they collect, for Harrow this is £15.0m per annum. Business Rates are currently subject to reform with central government intending to allow local government, as a whole, to retain all or most of it's rates collected. Alongside this there will be a phasing out of a number of specific grants including RSG and the transfer of additional responsibilities to local government to ensure overall fiscal neutrality of the reforms.

- 1.20 As a first step towards 100% rates retention Harrow has agreed, in principle, to support a 100% business rates retention pilot proposal for 2018/19 covering London. This approach was collectively agreed by borough Leaders and the Mayor at the Congress of Leaders meeting on 10 October 2017. Following implementation, Harrow would receive a proportion of the collective growth in London arising from the pool and the no detriment clause agreed by central Government would guarantee that the Council could be no worse off than it would have been had the pilot not been put in place. Central government have committed to the pool for the period of 1 year only. Full implementation of 100% retention will require primary legislation.
- 1.21 The pool will be governed by a quasi – contractual approach involving a lead authority in consultation with participating authorities. This would be documented in a non legally binding Memorandum of Understanding with delegated authority to the City of London Corporation as the Lead Authority. It is proposed that a portion of the net gain from the pooling arrangement would be retained as a strategic investment pot (SIP) which could be used to fund projects that deliver economic growth and it is proposed that the lead Authority will take decisions on the allocation of the SIP in consultation with the other participating authorities. At the time of preparing the final budget, no indicative figures are available for potential growth from the pilot pool therefore, as a prudent measure, no benefit has been built into the final budget. Once the impact is notified, the impact on the budget will be assessed and reported in the quarterly budget monitoring update to Cabinet.
- 1.22 The draft budget reported to Cabinet in December 2017 was based on the current business rate arrangements. As part of the 2018/19 Revenue grant settlement, the changes in funding as a result of the one year pilot have been reflected in the figures provided as part of the settlement. The changes are set out in the following table:

**Table 6 – Changes in Funding as a result of the Business Rates Pool**

	2018/19	2019/20	2020/21
	£000	£000	£000
Assumed in the Draft Budget			
Revenue Support Grant	-7,332	-1,560	-1,560
Top Up	-21,684	-22,392	-22,392
Retained Non Domestic Rates	-15,000	-15,000	-15,000
<b>Total</b>	<b>-44,016</b>	<b>-38,952</b>	<b>-38,952</b>
Revised Figures 19th Dec			
Revenue Support Grant	0	-1,559	
Top Up	-10,582	-22,245	
Retained Non Domestic Rates		-16,480	-16,975
Business Rates baseline	-34,438	0	-21,977
<b>Total</b>	<b>-45,020</b>	<b>-40,284</b>	<b>-38,952</b>
Variance	-1,004	-1,332	0

- 1.23 Table 6 shows that due to an increase in the Business Rates baseline, there is an increase in Business Rates income of £1.004m in 2018/19. There is a further increase in 2019/20 of £328k, taking the increase over the 2 years to a total of £1.332m. Although the pool is only in place for one year, the retained Business Rates element that would remain with the Council has been increased to reflect an increased 30% share which is mainly as a result of CPI increases. Traditionally the retained Business Rates sum has been assumed without any inflation increase on the grounds of prudence.

As there are no indicative figures at this stage for 2020/21, the budget assumes that any benefit will disappear in 2020/21 and the budget shows a no change position in the income assumed for 2020/21.

- 1.24 **NNDR Multiplier Inflation** – it was the Government’s intention to change the basis of determining the annual increase to the business rates multiplier in 2020/21 from RPI to CPI inflation. In the 2017 budget it was announced that this change would come into effect earlier in 2018/19 instead. This change has the effect of reducing the amount of business rates income from what would have been increased by 3.9% (Sept RPI) but will now increase by 3% (Sept CPI). As a result of this change an allocation of new Section 31 grant has been included to compensate for lost income in 2018/19 and 2019/20 of £795k and £1.194m. As no assumptions had been built into the budget for inflation on Business rates, this is additional income for the 2 year period.

1.25 **New Homes Bonus (NHB)** – there were no changes made to the NHB scheme as part of the 2018/19 settlement. The allocation for 2018/19 reflects the previous changes to the scheme made in 2017/18 which were to:

- Reduce funding from 6 years to 5 years worth of payments for 2017/18
- Reduce funding in 2018/19 to 4 years worth for 2018/19 onwards
- Implement a deadweight (initially set for individual authorities at 0.4% growth) with growth only awarded above 0.4%.

As a result of these changes last year, the amount of NHB for 2018/19 was reduced in the MTFs last year by £940k in 2018/19 and a further £1m in 2019/20. As part of the draft budget (December 2017), a reduction of £940k was estimated for a further year in 2020/21.

As part of the provisional settlement Harrow received an allocation of £3.482m NHB for 2018/19 which was above the budgeted sum of £3.129m, an increase of £353k in 2018/19. The provisional allocation for 2019/20 shows a similar allocation of £3.464m which would be against the budget of £2.129m. However, this allocation is indicative and will be reliant on the current scheme remaining in place with no changes and growth exceeding 0.4%. Given the historic volatility on the NHB scheme, the 2019/20 indicative position is not reflected in the MTFs and will be picked up as part of the refresh process.

1.26 **Freedom Pass** - An allowance of £500k was included in the 2020/21 budget for an estimated increase in Freedom pass take up. This is based on the annual average increase in take up. The Budget for 2018/19 assumed an increase of £390k which would give a budget of £10.573m for 2018/19. The notification of the charge for 2018/19 is £10.071m, which gives a reduction of £500k for 2018/19.

1.27 **Additional Growth** - Due to significantly increased demand upon the legal service from the across the organisation caused by increased child protection, adult safeguarding, regeneration, commercialisation and environmental protection activities growth of £530k is required from 2018/19. This pressure can be contained within current resources for 2018/19 but has been built into the MTFs in 2019/20.

1.28 **Additional Growth – Community Directorate** – The growth in population and households in the borough over the last few years has placed additional pressures on Waste Services. The additional workload arising from the increasing number of new housing developments can no longer be absorbed within the existing number of waste rounds. As a result, extra collection rounds are deployed on Saturdays to ensure all bins are emptied however these are currently unbudgeted. In addition the Service experiences a high level of sickness absence including some on long term absence. A dedicated

HR resource is being used to address this. Meanwhile additional costs are incurred on agency to complete all waste collections.

- 1.29 **Reversal of Prior Years MTFs Savings** – The Council has previously agreed a property purchase initiative to buy 150 homes as part of its strategy to address the homelessness crisis. The first tranche of 100 homes is nearing completion and the second tranche of 50 homes is pending. The initiatives were included in the MTFs on the basis there would be a net saving against the B & B accommodation budget as a result of moving residents from B & B accommodation into the 150 homes. The savings against the B & B budget were originally intended to cover the capital financing costs incurred to purchase the properties and still make a positive contribution to the MTFs. However as a result of increased demand across the housing needs budget and the impact of the Homelessness Reduction Act, achieving a net saving against the B & B accommodation budget is no longer viable and the initiative will be better going forward as a cost avoidance scheme rather than one to achieve savings.

In terms of the 100 homes a gross saving of £1.192m is built into the MTFs. £435k of this can be achieved through additional rental income leaving £757k non achievable which is now being reversed out of the budget, £736k in 2018/19 and £21k in 2019/20.

In terms of the 50 homes, a gross saving of £948k is included in the MTFs. Capital financing costs are assumed at £573k leaving a net contribution to the MTFs of £375k. This net contribution is now being reversed out of the budget over 2018/19 and 2019/20. The £15m capital budget for the purchase of the 50 homes remains in the Capital Programme. The updated MTFs assumes that, when the 50 homes are purchased, all capital financing costs will be met within the Housing Division to ensure the second tranche of the property purchase initiative is cost neutral to the MTFs.

Following reappraisal, the Empty Property Initiative which is within the existing Capital Programme will no longer proceed as the initiative is no longer deemed viable. There will be a £776k saving in the Capital Programme with a saving in capital financing costs of £160k.

In respect of the Council's Regeneration Programme the current MTFs includes an income realisation stream of £2.350m by 2018/19. The Regeneration Programme is on going and key schemes are either in planning or about to be submitted but the income will not be realised by 2018/19 as originally anticipated. As a de-risking strategy to the MTFs, it is prudent to remove this income stream which will be re-instated into the budget as and when realised. The reversal will be funded within the current MTFs by applying a number of corporate budget provisions, made in prior years, that are now no longer required in full, for example non pay inflation which has been accommodated within growth provided.



1.30 **Continuation of Existing MTFS Savings** - The depot redevelopment is included in the Capital Programme. The budget strategy for the depot redevelopment is that all capital financing costs are covered by additional income generation to ensure cost neutrality on the MTFS. The 2020/21 budget is updated to reflect this position.

1.31 **Additional 1% Pay Award** - The current MTFS is based on the 4 year Local Government Pay Award of 1% per annum. Currently, pay negotiations have suggested 2%. For Harrow, an additional 1% pay award equates to an approximate cost of £900k. The additional 1% required in 2018/19 has been provided for in the final budget. The additional 1% required for 2019/20 can be accommodated within current resources set aside for the national minimum wage. National minimum way costs are picked up as part of calculating the impact of the annual pay award and the previously set aside separate provision will be vired to fund the additional pay award.

#### **Capital Receipts Flexibility**

1.32 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 was initially being offered to the sector for the three financial years 2016/17 to 2018/19, but this has now been extended for a further 3 years as part of the provisional settlement announced on 19<sup>th</sup> December. 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.

1.33 The Council signified its intent to make use of this flexibility in its final budget report to Cabinet and Council in February 2016. A sum of £2.377m of eligible revenue expenditure funded from capital receipts in 2016/17, and the 2017/18 budget assumes £3.039m of eligible revenue expenditure will be funded from capital receipts. The 2018/19 budget assumes a further £2.7m will be funded from capital receipts flexibilities as reported in the draft budget in December 2017.

1.34 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**

1.35 The provisional settlement was announced on 19<sup>th</sup> December and the consultation period closed on 16 January 2018. The final Local

Government Finance Settlement is not expected until late February 2018 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 2018/19 Budget after the final settlement is announced is changes are required.

As part of the settlement, the Government published the consultation paper “Fair Funding review: a review of relative needs and resources” which is a technical consultation on relative need. The Secretary of State will introduce the results of the review in 2020/21. The consultation period is for 12 weeks and closes on 12 March 2018. The consultation focuses on measuring need, looking at common cost drivers for local government plus some service specific cost drivers. The current funding formula lacks transparency and is currently based on around 120 cost drivers so reducing the cost drivers down to a sensible number is paramount to simplifying the current funding formula.

### Analysis of Departmental Savings

- 1.36 This report includes departmental savings and growth proposed during the 2018/19 budget setting process and also savings identified as part of the 2017/18 and 2016/17 budget setting process. For ease of reference, the savings are set out at separate appendices. Appendix 1A, sets out savings identified as part of the 2018/19 budget setting process. They total £4.604m over the three years. It also shows that £10.215m of growth has been included in the budget over the same period as summarised in the table 6 below:

**Table 6: Savings and Growth from the 2018/19 Budget setting process**

Directorate	2018/19	2019/20	2020/21	Total
<b>Savings</b>	£'000	£'000	£'000	£'000
Resources	228	30	0	258
Adult	1,242	1251	0	2,493
Children and Family	91	0	0	91
Public Health	0	0	0	0
Community and Cultural services	355	1120	137	1,612
Housing	100	0	0	100
Regeneration	50	0	0	50
<b>Total</b>	<b>2,066</b>	<b>2,401</b>	<b>137</b>	<b>4,604</b>
<b>Growth</b>				0
Resources	-110	-530	0	-640
Adults	-5,825	0	90	-5,735
Children's and Family	-2,900	0	0	-2,900
Public Health	-275	0	0	-275
Community and Cultural services	-720	80	-25	-665
<b>Total</b>	<b>-9,830</b>	<b>-450</b>	<b>65</b>	<b>-10,215</b>
<b>Net Savings/Growth</b>	<b>-7,764</b>	<b>1,951</b>	<b>202</b>	<b>-5,611</b>

1.37 Table 7 below, shows savings of £7.167m net over the three year period and this is the net position after allowing for the savings removed as part of the budget refresh which total £14.184m. They are detailed in Appendix 1b and are the savings proposed as part of the previous year's budget setting process (2017/18 and 2016/17), which were included in the 2017/18 Budget report.

**Table 7: Savings from 2016/17 and 2017/18 MTFS**

Directorate	2018/19	2019/20	2020/21	Total
<b>Savings</b>	£'000	£'000	£'000	£'000
Resources	1,770	150	0	1,920
Adults	240	0	0	240
Children's Services	302	150	0	452
Public Health	1,264	0	0	1,264
Community and culture	2,527	321	840	3,688
Housing	(442)	395	0	(47)
Regeneration	(350)	0	0	(350)
<b>Total</b>	<b>5,311</b>	<b>1,016</b>	<b>840</b>	<b>7,167</b>

1.38 Table 8 below sets out the summary of all savings and growth in the current MTFS for the years 2018/19 to 2020/21. The net position shows net savings of £1.605m over the three years. (The detail is set out in appendix 1a, 1b, and 1c). Appendix 1c shows a net reversal of growth provided in previous years of £49k which is to be removed across 2018/19 and 2019/20, so when deducted from the growth of £10.215m set out in Appendix 1a, it shows the net growth of £10.166m. At this stage, it is estimated 22.5 full time equivalent posts will be impacted upon by the savings in the current MTFS.

**Table 8: Summary of Savings and Growth 2018/19 to 2020/21**

Directorate	2018/19	2019/20	2020/21	Total
<b>Savings</b>	£'000	£'000	£'000	£'000
Resources	1,998	180	0	2,178
Adult	1,482	1,251	0	2,733
Children's Services	393	150	0	543
Public Health	1,264	0	0	1,264
Community and culture	2,882	1,441	977	5,300
Housing	(342)	395	0	53
Regeneration	(300)	0	0	(300)
<b>Total Savings</b>	<b>7,377</b>	<b>3,417</b>	<b>977</b>	<b>11,771</b>
<b>Growth</b>				
Resources	-110	-530	0	-640
Adults	-5,729	90	90	-5,549
Children's and Family	-3,100	0	0	-3,100
Public Health	-275	0	0	-275
Community and Cultural services	-720	-20	-25	-765
Housing	163			163
<b>Total Growth</b>	<b>-9,771</b>	<b>-460</b>	<b>65</b>	<b>-10,166</b>
<b>Net Savings/Growth</b>	<b>-2,394</b>	<b>2,957</b>	<b>1,042</b>	<b>1,605</b>

**SCHOOLS BUDGET 2018/19**

- 1.39 There are significant changes to school funding in 2018/19. In March and December 2016 the Government issued a two phase consultation which proposed the introduction of a National Funding Formula (NFF) for schools and High Needs funding. The outcome of these consultations was announced in the summer.
- 1.40 The Government will introduce a National Funding Formula from 2018/19. This will be a 'soft' NFF in 2018/19 and 2019/20. This means that Local Authorities (LA) will be funded on the basis of the aggregate of the NFF for all schools, academies and free schools in its area but the final formula for distribution will be determined by each LA following consultation with schools and Schools Forums.
- 1.41 The LA carried out a consultation which opened on Friday 3<sup>rd</sup> November and closed on Friday 1<sup>st</sup> December 2017. The consultation sought views on whether the LA should continue to use the Harrow

Schools Funding Formula or introduce the National Funding Formula from 2018-19.

- 1.42 As a result of this consultation and the overwhelming majority of respondents being in favour of introducing the NFF **Cabinet is asked to approve the introduction of the National Funding Formula from introduced from 1<sup>st</sup> April 2018.** This means that school budgets will be prepared on the basis of the NFF in 2018-19 and 2019-20.
- 1.43 In 2020 the Government intends to implement the NFF 'hard' formula which means that school allocations will be determined by the DfE rather than LAs.

## **PUBLIC HEALTH FUNDING**

- 1.44 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.
- 1.45 The local government settlement confirmed the grant allocations for 2018/19 at £10.808m and provided indicative allocations for 2019/20 of £10.523m in line with the spending review 2015. It is expected that public health spending will, post consultation, be fully funded from retained business receipts as part of the move towards 100% business rate retention.
- 1.46 The shared public health service with Barnet will cease on 31<sup>st</sup> March 2018. The original term of 5 years will not be extended given the relationship with STP footprints which is expected to more appropriately align Barnet within the North Central London region rather than the North West London region where Harrow as the host provider is located. The draft Public Health commissioning intentions detailed in Appendix 7 of £10.8m represents the costs of a Harrow only service from 1<sup>st</sup> April 2018. This expenditure includes an increase in costs associated with health checks (to meet the national minimum requirement), the re-instatement of three posts resulting in an increase in the head count from 5 to 8 FTE , and a reduction in the savings associated with the ongoing drug and alcohol services.
- 1.47 The Council consider that this level of funding enables the Council's overarching statutory duties (including equality duties) to be maintained, taking account of the joint strategic needs assessment.

## **BETTER CARE FUND**

- 1.48 The 2015 Spending Review set out the Government's intention that, by 2020, health and social care will be more fully integrated across England. BCF plans must set out how CCGs and local authorities are working towards fuller integration and better co-ordinated care, both within the BCF and in wider services.

- 1.49 The Better Care Fund (BCF) provides a mechanism for joint health and social care planning and commissioning, bringing together ring-fenced budgets from Clinical Commissioning Group (CCG) allocations, the Disabled Facilities Grant (DFG) and funding paid directly to local government for adult social care services – the Improved Better Care Fund (IBCF). The Integration and Better Care Fund Plan is the principle vehicle in Harrow to deliver Whole Systems Integrated Care with partners to support the local health and care economy to define and deliver its Accountable Care model that will enable longer term system wide capacity to meet increasing need and demand for services. The Harrow-wide vision for whole systems integrated care is to improve the quality of health and social care for individuals, carers and families, empowering and supporting people to maintain independence and to lead full lives as active participants in their community by improving access to services in the “Right place at the Right time”
- 1.50 The aim for 2017/19 is to further reduce hospital admissions and overall cost of delivery by shifting investment in resource and provision of services into the community rather than acute settings in line with the CCG’s ‘Out of Hospital’ strategy and emerging ‘Local Service’ model. The CCG plan to have a local ASC – Accountable Care System Organisation operating in shadow form by April 2018. The 2017-19 BCF plan was approved by NHS England on 10<sup>th</sup> November.
- 1.51 The BCF in 2018-19 has national funding of £5.617billion and comprises £3.650billion from CCG allocations, £468mn Disabled Facilities Grant and £1.499 billion IBCF grant to local authorities. The agreed value of the Better Care Fund in Harrow is £22.115m, £1.406m of which reflects the capital funding in relation to Disabled Facility (the Community Capacity Grant having been discontinued). The balance of £20.709m allocated to revenue funding supporting the two agreed schemes – Protecting Social Care (£5.888m) and Whole Systems and Transforming Community Services (£10.142m) and the direct grant to local government in relation to the iBCF funding of £4.643m.
- 1.52 Over the duration of the plan the aim is to increase the proportion of resources that are pooled, and extend integrated working to new service areas including the development of an Accountable Care System.

### **COMMERCIALISATION**

- 1.53 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.

- 1.54 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
- 1.55 Based on the council's current pipeline of commercialisation opportunities, a number of benefits are already captured in the MTFS and further proposals in development will be built into the MTFS when income streams are realised.
- 1.56 My Community e purse (Project Infinity) and the Regeneration Programme both remain commercialisation targets. They have been removed from the MTFS as a de-risking measure as part of the budget refresh process. However work progress's with IBM on product development and marketing and the Regeneration Programme, in relation to the Wealdstone site, is progressing to the planning permission stage and income generated will be re-instated into the budget as and when realised.

#### **RESERVES AND CONTINGENCIES**

- 1.57 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. Many of the proposals are at an early stage and will be subject to further Cabinet decision and updated equality impact assessment. As at the time of writing this report (Quarter 3 2017/18) general non earmarked balances stand at £10m and those for specific purposes are detailed:
- Unforeseen contingency £1.248m (on going budget build into the Revenue Account)
  - Budget Planning contingency £1m
  - Rapid Response reserve £75k
  - Standing Up for Those in Need £800k
  - Business Risk Reserve £2.109m
  - MTFS Implementation Costs £2.058m
- 1.58 The report of the Director of Finance, which includes the adequacy of reserves and contingencies, is detailed in Appendix 10.

### **COUNCIL TAX MODEL RESOLUTION**

- 1.59 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 22 February 2018.

### **MEMBERS ALLOWANCE**

- 1.60 The proposed Members' Allowances scheme for 2018/19 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 remain unchanged from the previous year. In agreeing the scheme, Members are requested to agree the addition of a new paragraph 8 in relation to sickness, maternity and paternity.
- 1.61 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. Cabinet is requested to recommend the scheme to Council for approval.

### **ANNUAL PAY POLICY STATEMENT**

- 1.62 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

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

### **WORKFORCE IMPLICATIONS**

- 1.64 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 The budget consultation survey was published on the Council's consultation portal in relation to the Cabinet's draft budget proposals for 2018/19 after the budget was considered at its Cabinet meeting on 7 December 2017. The consultation was also advertised via the MyHarrow weekly email which is sent to 94,000 MyHarrow email accounts. The draft budget reported to December Cabinet has also been available to view on the Council's website.

The Council held a 4 week consultation to provide residents with the opportunity to comment on the draft revenue budget for 2018/19 and the MTFS for 2018/19 to 2019/20. The budget consultation closed on Friday 5<sup>th</sup> January 2018. There were 44 respondents to the general survey, with 16 agreeing with the proposed draft budget for 2018/19 and 28 saying they were not satisfied with the proposals.

- 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	December 2017
Health Partners (Minutes)	Health and Wellbeing Board	11 January 2018
Local Businesses (Minutes)	Harrow Business Consultative Panel	22 January 2018
Overview and Scrutiny	Special meeting of O & S to review the budget	23 January 2018
Unions / Employees (Minutes)	Employees Consultative Forum	17 January 2018

- 2.4 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 2018/19 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 2018/19 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 two significant financial risks currently included on the Corporate Risk Register:

Risk 2 – Failure to deliver a 3 year MTFs. This risk is currently rated at B2, high likelihood and critical impact.

Risk 26 – There are insufficient financial reserves. This risk is currently rated at D2, low likelihood and critical 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 2018 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 and managed with alternative budget savings.

## **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. A lot of proposals are in formative stages so the equality impacts will need to be updated as the projects are rolled out. Many of these proposals will need to be subject to separate decisions and at this stage the decision maker will need to be equipped with an updated equality impact assessment before they can make their decision. 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 2018/19 has been prepared in line with the Council's vision:

### Working Together to Make a Difference for Harrow

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

## Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 5 February 2018		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 5 February 2018		

<b>Ward Councillors notified:</b>	<b>No, as it impacts on all Wards</b>
<b>EqIA carried out:</b>	<b>Yes</b>
<b>EqIA cleared by:</b>	<b>Alex Dewsnap, DETG Chair – Resources and Commercial Directorate</b>

## **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 \(Cabinet Feb 2016\)](#)
- [Final Revenue Budget 2017/18 and MTFS 2017/18 to 2019/20 \(Cabinet Feb 2017\)](#)
- [Draft Revenue Budget 2018/19 and Medium Term Financial Strategy 2018/19 to 2020/21 \(Cabinet 7<sup>th</sup> December 2017\)](#)
- Approval of Amended Business Rates Income Resource Base for 2018-19 in light of a London Pool pilot having been agreed (cabinet 15 February 2018)
- Final Capital Programme 2017/18 to 2019/20 ( 15 February 2018)
- 2017/18 Revenue and Capital Monitoring for Quarter 3 as at 31 December 2017 (15 February 2018)
- 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 is reserved to  
Council or is for noting only]*