

EXTRACT FROM THE MEETING OF THE OVERVIEW AND SCRUTINY COMMITTEE HELD ON 30 JANUARY 2006

CIVIC BUDGET 2006/07

Chair: * Councillor Jean Lammiman

Councillors * Blann * Mark Ingram
: * Bluston * Osborn
* Mrs Champagne (2) * Seymour
* Gate * Thammaiah
* Mitzi Green * Versallion

* Denotes Member present

(2) Denote category of Reserve Members

[Note: Councillors Mrs Bath, Burchell and Mrs Kinnear also attended this meeting to speak on the items indicated at Minutes 377 below. Councillor Dighé also attended this meeting to speak on the items indicated at Minutes 379 and 380 below].

PART I - RECOMMENDATIONS - NIL

PART II - MINUTES

379. **Civic Budget 2006/07:**

Members received a presentation from the Director of Financial and Business Strategy, which provided an overview of Harrow Council's Draft Budget for 2006/07 and the consultation process undertaken. The Director referred to the report titled '2006-07 Revenue Budget and Medium Term Budget Strategy 2006-07 to 2008-09', which had been circulated with the agenda. She stated that the report had been considered by the Cabinet on 15 December 2005 and that her presentation would set out the position on the budget since that meeting.

The Director provided details of the main Revenue Budget, the Council tax, the Housing Budget and Rents and the Capital Investment Programme. She undertook to circulate the presentation slides to Members.

The Director presented the key budget headlines. The key issues outlined were:-

Spending - The Director stated that in the current year the total amount of money that the Council intended to spend on services was £484m, of which £125m would be spent on schools. She added that after schools, the biggest spend was in the provision of the following services – Housing and Council Tax Benefits, Community Care and Children's Services.

She then outlined how the remaining money would be allocated.

Funding - The Director identified the funding sources and informed Members that £166m would be in the form of a general government grant. However, from next year, £110m of that grant would be ring-fenced for schools.

The Financial Settlement - Members were informed that Harrow's provisional settlement of 2% was poor. The Director stated that an additional £1.3m had been received for concessionary fares. She added that the final settlement would be announced on 6 February 2006.

Pressures on the Base Budget - The Director identified the following issues which would affect the 2006-07 budget:-

- the pay awards and the increase in pension contributions;
- increase in the cost of freedom passes;
- other inflation;
- reduced income from Land Charges;
- costs associated with children's placement and asylum seekers.

Technical Changes - It was reported that:

- a restructuring of long-term debts had been carried out;
- insurances were being renewed and savings were anticipated;
- a review of capitalisation was underway.

The Director stated that, after taking into account the provisional grant, changes outlined above, the collection fund and tax base, it equated to a Council Tax increase of approximately 3% before any new growth or savings had been considered.

Members were informed of the priority areas in each of the Directorates (Urban Living, People First, Corporate) which would result in additional pressures on the budget. The Director highlighted the need to deliver on Local Area Agreements to ensure receipt of future reward grants. It was reiterated that the Schools Budget was now completely ring-fenced.

GLA Precept - The Director outlined the proposals contained in the Mayor of London's draft consultation budget which showed an increase of £42 per Band D household per year, which included £20.00 for 2012 Olympics and £11.00 for extra policing.

Reserves - The Director reported that the Council was forecasting reserves of £4m at the end of 2005-06 and that a detailed risk assessment was being carried out, to determine the level required in future.

Consultation Process - Members were informed of the consultation carried out which included the Open Budget Process and a series of meetings with stakeholders. It was noted that the Cabinet on 16 February 2005 would consider the responses and that the full Council on 23 February 2005 would debate and determine the budget for 2006-07 to enable Council tax billing to commence.

Housing Budget - The Director reported that there would be no increase in rent in 2006/07. The increase thereafter would be 4.7%.

Capital Investment Programme/Capital Financing - The Director described the Council's intended programme and how it would be funded.

Members thanked the Director for her presentation and welcomed the Portfolio Holder for Business Connections and Performance to the meeting.

In response to questions, the Portfolio Holder and the Director stated that:-

- it had not been possible to provide a detailed breakdown of the budget and that the implications of the provisional settlement were still being assessed. Further details would emerge when the final settlement was announced. The Portfolio Holder advised that the proposals from the Administration would be published before the February 2006 Cabinet meeting;
- debt restructuring had been carried out following specialist advice;
- the Council was lobbying the Government on the poor settlement;
- the changes in the formulae had adversely affected London Boroughs;
- two factors had contributed to the decision on rents – the potential loss of subsidy and timing of income and expenditure to deliver Decent Homes Standard
- once the Mayor of London's budget had been agreed, the Council was obliged to collect the precept levied;
- a report on risk assessment would be submitted to the Committee in March 2006;
- the BTP contract included guaranteed savings and that it had been through a vigorous scrutiny process. This was in complete contrast to the savings forecast but subsequently not achieved in relation to the Print Room.

A Member commented that there was no guarantee that the savings in relation to the BTP would be captured.

RESOLVED: That (1) the presentation be noted;

(2) a meeting to discuss the priorities in the budget be held when further information was available, with the status of the meeting to be agreed by the Chair and the Vice-Chair;

(3) it be noted that a report on risk assessment would be submitted to the March 2006 meeting of the Committee;

(4) it be noted that a report on Procurement savings, which had previously been requested, would be submitted to the March 2006 meeting of the Committee.

[See also Minute 373].