

Meeting:	Cabinet
Date:	15 February 2007
Subject:	Revenue Budget 2007-08 to 2009-10
Key Decision:	Yes
Responsible Officer:	Myfanwy Barrett Director of Financial and Business Strategy
Portfolio Holder:	David Ashton Deputy Leader Portfolio Holder for Finance and Business Matters
Exempt:	No
Enclosures:	Appendices are listed on Page 9

SECTION 1 – SUMMARY AND RECOMMENDATIONS

This report sets out the proposed revenue medium term budget strategy (MTBS) for 2007-08 to 2009-10.

RECOMMENDATIONS:

- 1.1 That the Cabinet asks the Council to approve the budget to enable the Council Tax for 2007-08 to be set
- 1.2 That the Cabinet recommends to Council the model Council Tax resolution set out in Appendix M
- 1.3 That the Cabinet approves the Medium Term Revenue Budget Strategy

1.4 That in relation to fees and charges (Appendix G) Cabinet is asked to approve that:

- (a) non-statutory fees and charges be raised by an average of 2.4% from 1 April 2007;
- (b) service directorates maintain an annual benchmark review of fees and charges against other local authorities, and
- (c) service directorates continue to review additional areas of discretionary income generation

1.5 That, in relation to schools, the Cabinet approve the budget and note that there are no proposed changes to the LMS formula (Appendix I)

1.6 That the Cabinet asks the Council to approve the new reserves policy (Appendix K)

1.7 That the Cabinet asks Council to approve the Housing Revenue Account (Appendix O) for 2007-08 and in particular to agree to:

- (a) Increase rents by 5% on average from 1 April 2007
- (b) Note that rents and service charges for tenants will be de-pooled from 1 April 2007
- (c) Increase garage rents to £12.75 per week from 1 April 2007
- (d) Increase car parking rents to £8.37 per week from 1 April 2007
- (e) Increase the administration charge for leaseholders to 20% from 1 April 2007 to cover costs
- (f) Increase energy charges by 70p per week from 1 April 2007

1.8 That the Cabinet approves the Medium Term Budget Strategy for the HRA

1.9 That the Cabinet recommends the attached Members' Allowances Scheme (Appendix S) to Council for approval.

REASON: To publish the draft budget.

SECTION 2 - REPORT

1. The new MTBS is being set in the context of the agreed vision for Harrow and the Council's corporate priorities.
2. Harrow will be a place which offers the best of capital and country and is loved by its residents. Harrow will be a desirable place to live, learn, work and play.
3. Specifically, it will:
 - Celebrate what we have in common and capitalise on our diversity
 - Be an example to the rest of London of how communities from different backgrounds can form a cohesive society;

- Have the lowest crime and fear of crime in London
 - Be a place where people are healthy and stay healthy
 - Have reduced health inequalities between wards and communities by levelling up health outcomes;
 - Have reduced the pockets of deprivation that affect parts of our borough to increase social inclusion;
 - Be recognised as a leader in the race to reduce carbon emissions through technological innovation and community action;
 - Have a choice of housing in distinctive neighbourhoods
 - Be entrepreneurial and an ideal place to set up high skills businesses
 - Be a place where children and young people are healthy and safe, fulfill their potential and help other people
 - Have vibrant neighbourhood centres and the Premier Town Centre in North-West London
 - Be family friendly and promote older people's independence
 - Be easy to get around for everyone and offer the best commuter experience by public transport in the South East and
 - Protect its green spaces.
4. The administration set the following corporate priorities in its three year Corporate Plan adopted by Cabinet in June 2006:
- Making Harrow safe, sound and supportive
 - Getting Harrow moving
 - Protecting our precious environment
 - Tackling waste and giving real value for money
 - Empowering Harrow youth
 - Giving more choice in sport, leisure and amenities
5. The revenue budget proposals have been derived from the High Level Service Planning process and more detailed budget review work conducted over the last few months.
6. The new MTBS is being set in the context of Harrow's current financial challenges, spending and performance characteristics and tax levels.
7. The Council is a large and complex organisation which spends around £600m a year. Each year the Council sets a budget for its revenue account, housing account and capital programme. This budget shows how much the Council intends to spend and how it will be funded. The main funding sources are government grants, fees and charges, council tax, and investment income. Capital expenditure is also funded in part by long term borrowing.
8. This report covers the main revenue account, schools and the Housing Revenue Account. There is a separate report dealing with the capital programme for 2007-08 to 2009-10.

Balance between service delivery and council tax levels

9. Harrow has very low grant levels and, despite low spending, the council tax is still quite high relative to other London Boroughs. The reasons for low grant levels were explained in detail in the report to December cabinet.
10. The medium term planning round presented very considerable challenges. Given that Harrow is already spending at relatively low levels, and that much of the budget is outside the Council's direct control, it has been very difficult to find further reductions in spending and balance this with an appropriate increase in council tax.
11. Whilst the Council is seeking to improve efficiency in all areas, for instance by implementing new computer systems, many reductions in spending have a direct impact on service levels.
12. The Council has a range of statutory duties and must provide an adequate level of service to vulnerable people, whilst also maintaining the universal services which are highly visible to and valued by the public.

Service planning and fundamental service reviews

13. The new Community Plan, which incorporates the Vision for 2020, has been agreed by the Harrow Strategic Partnership. This provides the context for the Council's new corporate plan for 2007-08 to 2009-10.
14. In view of the need to include the outcome of the Council's Corporate Assessment, due in March 2007, and input from the new Chief Executive, it is recommended that the 2007-08 to 2009-10 Corporate plan is published to the following timescale:

To Overview and Scrutiny 12th June 2007
To Cabinet 21st June 2007
To Council 12th July 2007
15. Following the High Level Service Planning process, each Directorate is now developing a more detailed service plan for the three year period. The individual service plans will be aligned to the new organisational structure in due course.
16. The report to December Cabinet explained the plans to establish a programme of reviews to take a fundamental look at services. The proposed reviews for the three year planning period are:

2007-08	<ul style="list-style-type: none"> • Children's health and social care • Arts, culture, sport and leisure • Public Realm Services
2008-09	<ul style="list-style-type: none"> • Adults' health and social care • Planning and Development • Information and Communication Technology for front line staff • Visiting teams
2009-10	<ul style="list-style-type: none"> • Support services

Organisational Structure

17. The proposed new Corporate Directorate structure and service groupings are the subject of a separate report to Cabinet.
18. A detailed management structure to support each of the Corporate Directorates has been drafted and will be subject to consultation with staff. So far the review has produced full year savings of £2.3m and, allowing for the implementation timetable and redundancy costs, part year savings for 2007-08 of £1.3m. The work will continue over the next few months.

Funding Gap

19. There is still a significant funding gap of £6.4m in 2008-09 and £7.4m in 2009-10. Work to address these funding gaps will commence in March and the organisational structure review along with the programme of fundamental service reviews will support this.

Revenue Budget (excluding HRA)

20. Appendix A provides some commentary on the assumptions and issues contained within the draft revenue budget.
21. Appendix B provides a summary of the figures and shows the resulting council tax increases of 4.9% in 2007-08, 3% in 2008-09, and nil in 2009-10.
22. Appendix C provides a list of the changes to the draft budget published in December for ease of reference.
23. The detailed schedules attached at Appendix D set out all the proposals included in the draft budget. The items agreed in August this year as part of the savings plan for 2006-07 are indicated. Changes since December are shaded.

24. For each savings proposal an impact assessment has been performed which covers:

- Impact on the service and customers
- Risks associated with implementation
- Impact on staffing levels
- Impact on equalities
- Findings from service delivery and VFM reviews
- Impact on performance indicators
- Impact on corporate priorities and manifesto pledges
- Need for consultation (statutory or informal)

25. Appendix E sets out the planned BTP savings in 2007-08. All the approved items for 2007-08 will be deducted from individual Directorate budgets as part of the final allocation.

26. An analysis of the proposed budget by service area is attached at Appendix F. This shows the impact of the budget on the total planned spend for each service area.

Fees and Charges

27. Fees and charges are covered in appendix G and a full schedule of the proposed charges will be produced in advance of the Cabinet meeting. The average increase is 2.4%. However some charges (eg parking) will not increase at all and others will increase by more than 2.4%, depending on the nature of the service, comparative data and other factors.

Final Grant Settlement

28. Appendix H gives information on the settlement for 2007-08. The final settlement was the same as the provisional settlement included in the December report.

Schools Budget

29. Appendix I contains details about the schools budget and the proposed the LMS formula.

Risks and Reserves

30. Appendix J analyses the risks contained in the budget.

31. Appendix K covers the reserves policy.

32. The report of the Chief Finance Officer on the robustness of the budget and adequacy of reserves is attached at Appendix L.

33. The model Council Tax Resolution is attached at Appendix M. If any changes to the budget are proposed at the Council meeting on 22 February a revised resolution will be provided.

Housing Revenue Account

34. The HRA for 2007-08 to 2009-10 is set out in Appendices N and O. The medium term HRA allows for additional capital expenditure to achieve the decent homes standard by 2010, partly financed through prudential borrowing. The budget is consistent with the detailed options appraisal (stock retention option) carried out in 2005.

35. There have been various changes to the HRA since the cabinet meeting in December and the Tenants and Leaseholders Consultative Forum considered these on 24 January. The proposed rent increase for 2007-08 is 5% which results in average weekly rents of £80. There has been no rent increase in the last 2 years. This is consistent with the rent model developed as part of the Options appraisal in 2005.

Progress on Consultation

36. The main findings from the budget consultation activity are attached at Appendix P. The report of the Overview and Scrutiny Challenge Panel is attached at Appendix Q and the comments received from GMB are attached at Appendix R. No written comments had been received from Unison at the time of publication of this report.

37. The budget consultation was extensive and generated a number of comments and questions. These have been considered and the budget has been amended in some areas to reflect concerns, particularly in relation to vulnerable people. Notably changes have been made to the budget to reflect the findings of the consultation on Home Care Charging and Meals on Wheels and to allow a longer period of consultation on Fair Access to Care Criteria and Day Care Charging.

38. Specific consultation will be launched in early March on the following proposals:

- Fair Access to Care Eligibility Criteria
- Day Care Charging (agreed in principle, and committed, as part of the 2006-07 budget)

Member Allowances

39. The proposals for members' allowances are attached at Appendix S. The proposed increase of 2.75% is consistent with the assumption for staff pay increases.

40. Given the disparity between Harrow allowances and those in other London Boroughs (evidenced in a recent report by London Councils) a fuller review will be undertaken during 2007-08.

Glossary

41. There is a glossary of terms attached at Appendix T.

Financial Implications

42. The draft budget is £155.074m which results in a Band D council tax of £1,119.50.

Reserve Powers to Limit Excessive Budget Requirements and Council Tax Increases

43. The Secretary of State has made it clear that large council tax increases are not acceptable. The proposed Council Tax increase for Harrow is below 5% and as such the risk of capping is deemed to be low.

GLA Precept

44. Cabinet is asked to note that the budget excludes the impact of the Greater London Authority's precept on any Council Tax increase. This precept is recommended by the Mayor of London each year and approved by the London Assembly in February.

45. Last year, as shown in the table below, the Harrow council tax increased by 2.49% and the precept increased by 13.35%, giving a combined tax increase of 4.62%.

	2005-06 £	2006-07 £	Increase %
Harrow services	1,041.28	1067.19	2.49
GLA Precept	254.62	288.61	13.35
Total	1,295.90	1,355.80	4.62

46. The final precept figures for 2007-08, which are expected to increase by 5%, will be provided at the meeting.

Section 3: Supporting Information/Background Documents

Appendices are attached as follows:

In relation to the main revenue account:		Page Number
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SECTION 3 - STATUTORY OFFICER CLEARANCE

Chief Finance Officer	<input checked="" type="checkbox"/>	Name: Myfanwy Barrett
		Date: 8 February 2007
Monitoring Officer	<input checked="" type="checkbox"/>	Name: Hugh Peart
		Date: 9 February 2007

SECTION 4 - CONTACT DETAILS AND BACKGROUND PAPERS

Contact: Myfanwy Barrett
Director of Financial and Business Strategy
020 8420 9269

Background Papers:

- Report to Cabinet in August on the timetable for the budget
- Report to Cabinet in October on the MTBS

Any person wishing to inspect the background papers should telephone 020 8420 9269

IF APPROPRIATE, does the report include the following considerations?

1.	Consultation	YES
2.	Corporate Priorities	YES
3.	Manifesto Pledge Reference Number	Generic

Commentary

1. The budget summary is attached at Appendix B. This shows the total value of the changes and the impact on the budget requirement and Council Tax. The calculations of the Council Tax are based on the actual Council Tax base for 2007-08, being 84,926, and growth of 0.25% in the taxbase thereafter. The target collection rate is reducing from 99% to 98.5% in 2007-08 and 98% in 2008-09.
2. Appendix C lists all the adjustments to the budget since December for ease of reference.
3. This commentary explains the detailed changes shown in Appendix D. The items which were agreed at Cabinet on 3 August this year are indicated on the schedules. Changes since December are shaded.
4. The schedules show the changes that are proposed over the three years to 31 March 2010. The issues outlined in 2008-09 and 2009-10 remain indicative as they may be affected by level of grants received from government in those years and any new legislative changes or policy changes.

Schools

5. Since 2006-07 expenditure on schools has been ring-fenced and funded through a Dedicated Schools Grant.
6. Details on the 2007-08 schools budget and the formula for distribution to individual schools are attached at Appendix I.

RSG/Grant Changes

7. Last year a 2 year settlement was published for 2006-07 and 2007-08. Harrow's grant increase for 2007-08 is 2.7%. This is the minimum or "floor" increase. From 2008-09 an annual increase of 2% has been assumed, however, even though 2% is less than the 2007-08 settlement, in the context of the Comprehensive Spending Review this may be optimistic.

Risks (Appendix D1)

8. The draft budget includes a provision of £500k for the risk associated with the People First proposals that are currently subject to statutory consultation. This gives flexibility to deal with the outcome of the consultation within the approved budget.

Base Budget Changes (Appendix D2)

9. The final tranche of savings (£25k) from phasing out the leased car scheme for staff is shown in 2007-08.
10. A detailed review of the Council's printing and photocopying arrangements has been conducted and this will generate significant savings. However, the savings are part of the BTP. Therefore the corporate target is being reduced by £100k.
11. There will be significant reductions in the income from land charges from 2008-09 due to anticipated changes in the regulations (£500k).
12. A small provision has been made for the annual cost of the production and distribution of the Council Tax leaflet (£20k). This has never been separately identified before and is a statutory requirement.
13. The planned savings from debt management that were built into the budget in 2004-05 and 2005-06 are being reinstated (£185k). Whilst debt management has improved considerably in the last 2 years, the benefits are reflected in improved cash flow and the associated investment income.
14. A provision has been included for call charges (£300k). The Council's call charges have increased considerably in the last few years due to mobile phones, and this should be reflected in the budget. A programme to reduce such costs is in place.
15. The remainder of the Corporate Procurement target is being removed from the budget as this has not been achieved and is double counting the BTP savings (£2m).
16. The LPSA reward grant is anticipated to be £700k in 2007-08, representing an increase of £200k when compared with the current budget, but it will cease from 2008-09 (£700k).
17. The income target for the Local Authority Business Growth Incentive Scheme is being removed from the budget as there is a great deal of uncertainty about the likely income levels in future years (£300k). Any grant received in future will be added to general balances.
18. The Benefits Performance Fund grant ceases from 2007-08 (£100k).
19. It is anticipated that the Planning Development Grant will cease or significantly reduce from 2007-08. Therefore £280k has been provided in 2007-08 and a further £250k in 2008-09.
20. New grant funding has been announced recently for implementing the anti-smoking legislation in 2006-07 and 2007-08 (£109k). The funding will cease in 2008-09.

21. An additional £307k has been provided for levies and subscriptions over and above inflation, including the anticipated increase in the Environment Agency levy.
22. The sum of £1m has been provided each year for contributions to reserves and provisions, due to their current very low level.
23. The planned saving from the review of capitalisation has not been achieved as the Council is already capitalising an appropriate amount of expenditure (£200k).
24. An additional £200k has been provided for highways maintenance from 2008-09 to reinstate some of the recent reductions in the budget.
25. Additional investment income of £100k is anticipated due to recent changes in the interest rate.
26. A debt restructuring exercise was carried out in February 2006 to reduce the average interest rate and improve the maturity profile of the Council's long term borrowing. This exercise will save a further £154k in 2007-08.
27. The budget includes a provision for the capital financing costs consistent with the planned level of capital investment (reported separately to cabinet). This provision is £4m in 2007-08, £1.9m in 2008-09 and £1.5m in 2009-10.

Basic Inflation – Pay and Pensions (Appendix D3)

28. The pay award for 2007-08 has not yet been agreed but a provision of 2.75% has been made for 2007-08 and 3% thereafter.
29. The triennial actuarial valuation of the Council's pension fund resulted in an increase of 1.7% in employer's contributions to the fund in 2005-06, 2006-07 and 2007-08. A similar increase is assumed for 2008-09 and 2009-10.

Basic Inflation – Other Costs (Appendix D3)

30. The budget for general running costs has been inflated by 2.4%. The CPI (Consolidated Price Index) which looks at a basket of price indicators, excluding mortgages and pay inflation, increased from 2.4% to 3% between October and December 2006. However the forecasts for 2007-08 suggest that this will reduce and the government's underlying target rate is 2%. Therefore a provision of 2.4% is reasonable.

Additional Inflation (Appendix D3)

31. In addition to basic inflation, a number of budgets are forecast to require additional inflation for 2007-08 and beyond.
32. An additional provision of £350,000 has been made for concessionary fares – this is in line with information from the ALG which suggests a 6.4% increase

next year. The cost of concessionary fares to Harrow in 2007-08 will be £7.9m. For 2008-09 and 2009-10 a provision of £300k has been made which equates to around 5%.

33. An additional £230,000 has been provided for the West London Waste Authority (WLWA) Levy. For 2007-08 the WLWA has applied some of its balances to mitigate the increase. However this will not be possible in subsequent years and therefore increases of £500k are anticipated in 2008-09 and 2009-10.
34. Additional inflation of £255k has been provided for gas and electricity bills following a detailed review. For 2008-09 and 2009-10 an additional £400k has been provided due to the uncertainty in this area.

Business Transformation Project (Appendix D4)

35. In September 2005 the Cabinet approved a detailed report on the new Business Transformation Partnership (BTP). The contract was renegotiated this year. The BTP budget reflects the expenditure and remaining savings required under the contract.
36. The BTP was a particular area of focus for the Open Budget Panel and a report that was produced in response to their questions is attached at Appendix E. In addition a detailed analysis of the savings achieved/identified to 31 January is attached at Appendix E.

Directorate growth and efficiency savings (Appendices D5 – D9)

37. Growth pressures and proposed efficiency savings in the draft MTBS are shown by Directorate in Appendices D5 to D9:
- D5 People First
 - D6 Urban Living
 - D7 Business Development
 - D8 Chief Executive
 - D9 Corporate items
38. Growth of £6m is included in the People First schedules, reflecting the increased demand for social care and the complexity of needs. It also reflects the impact of the actions of the Primary Care Trust (PCT) to save money on Harrow's budget. In total, by 2007-08, costs of £3.5m will have transferred from the PCT to Harrow. These relate to services that were funded jointly in the past and the transfer of continuing care clients. To put this in context, £3.5m would add 4% to the Council Tax.

39. The corporate changes are as follows:

- £30,000 to support the work of the West London Alliance
- £200,000 planned saving from a review of staff car parking arrangements and essential car user allowances
- £1.340m saving from a review of the organisational structure (which is already underway)

40. In December the indicative saving from the organisational review was £2.3m in 2007-08. This has now been reduced to £1.3m in 2007-08 with a full year effect from 2008-09 of £2.3m. In line with the robust and prudent approach to the budget built into this report, only that currently grounded in specifics has been taken as a saving at this stage. There is a substantial ongoing exercise.

Budget Summary and Council Tax Levels

MEDIUM TERM BUDGET STRATEGY 2007-08 to 2009-10

	2006-07	2007-08 Budget £m	2008-09 Budget £m	2009-10 Budget £m
Budget Requirement Brought Forward		148.586	155.074	159.234
Amendments to prior year grants		-0.208		
Risks		0.500		
Base Budget Changes and Technical		8.304	3.759	1.800
Basic Inflation		5.784	6.250	6.400
Additional Inflation		0.835	1.200	1.200
Business Transformation Partnership		-1.470	-0.320	-0.662
People First		-0.370	0.335	0.276
Urban Living		-4.080	0.165	0.000
Business Development		-1.257	0.175	-0.100
Chief Executive		-0.040	0.000	0.000
Corporate		-1.510	-1.000	0.000
FUNDING GAP		0.000	-6.404	-7.437
Total Change in Budget Requirement		6.488	4.160	1.477
Revised Budget Requirement		155.074	159.234	160.711
Collection Fund Deficit		0.350	0.000	0.000
Formula Grant		-60.349	-61.556	-62.787
Amount to be raised from Council Tax		95.075	97.678	97.924
Council Tax at Band D	£ 1,067.19	£ 1,119.50	£ 1,153.14	£ 1,153.16
Increase in Council Tax (%)		4.90	3.00	0.00

Provisional Tax Base		84,926	84,706	84,918
Assumed collection rate		98.50%	98%	98%

Appendix C

List of Changes to Draft Budget Published in December 2006

	2007-08 £000	2008-09 £000	2009-10 £000	Notes	Ref*
Risks					
2006-07 savings plan - statutory consultation	-400			Now offset against home care charging reflecting final decision after consultation	
New areas subject to statutory consultation	500				
Base Budget Changes					
Land charges	-500	500		Delay in changes to requirements	
LPSA Reward Grant	-200	200		Reflects actual grant calculation	
Grant for anti-smoking legislation	-109	109		New funding stream - partially offset by additional costs below	
Levies and Subscriptions	207			Detailed review undertaken	
Highways maintenance	-200			Delete growth in 2007-08	
Investment income	-100			Reflects increase in interest rates	
Capital financing costs			-300	Reflects final capital programme	
Insurance	-150			Impact of new London Mutual	
Contingency	100	100	100		
Inflation					
Increased allocation for pay and pensions	750			Follows detailed review of inflation which has altered distribution between pay and prices	
Reduced allocation for general inflation	-891			as above	
Utilities inflation	-145			Follows detailed review of inflation	
People First					
<u>Children's services</u>					
Additional SEN transport costs	170			Reflects third quarter monitoring	1
Silverdale - reduce growth	-100				2
New placements - reduce growth	-155				5
Reduce growth for legal costs	-50			Reflects third quarter monitoring	6

Appendix C

	2007-08	2008-09	2009-10	Notes	Ref*
	£000	£000	£000		
Increase contribution from Children's services grant	-50				16
Reduce CAHMS expenditure	-50				17
<u>Adult Services</u>					
Social Care Packages and Placements	-95				18
HCSN	95			Reflects final proposal	21
CNWL infrastructure costs	-40			Reflects final proposal	22
Wiseworks - reinstate base	232			Reflects cabinet decision	24
FAC policy	-500			Possible saving from review of criteria	25
Home care charging	400			Reflects cabinet decision	26
Meals on wheels saving	250			Reflects cabinet decision	29
Vaughan and Bentley	25	-25		Reflects timetable for consultation	34
LD packages	300			Reflects third quarter monitoring	36
Helpline saving	110			Original proposal not proceeding	40
Review of helpline service	-50			Alternative proposal	41
Further review of Wiseworks to ensure service is cost effective	-50	-50			44
Day care charging	100	-100		Reflects timetable for consultation	45
<u>Learning</u>					
Stepping stones	3	-3		Reflects timetable for consultation	59
Gayton Road Library (closure from Jan)	175	-292	117	Revised date for closure	60
Short term saving on book fund	-175	175		Short term saving	61
Vacancy management	-50				66
<u>Strategy</u>					
Capitalise policy team post	-33				69
Delete SM post in policy team	-50				70
Capitalise frameworkki support	-50				72
SLA with schools	40			Not feasible	76
Vacancy management and other small savings	-40			Alternative to above	78
<u>People First - general</u>					
Admin staff	-34				79
Small savings across all budgets	-75				80
Harrow Saves	-30				81

Appendix C

	2007-08 £000	2008-09 £000	2009-10 £000	Notes	Ref*
Urban Living					
Anti-smoking work	85	-85		Funded from new grant	1
Parking system	50			Overlaps with BTP project	7
Harrow Saves	-30				62
Business Development					
PPP - Vacancy management	-65	65		Additional saving	7
Community Engagement	-30			Additional saving	8
FBS - Vacancy management	-35	35		Additional saving	12
Capitalisation of salaries	-100	100		One off due to project work	23
Harrow Saves	-20				24
Chief Executive					
Mayor and member support	50			Reflects detailed review of options	11
Harrow Saves	-20				12
Corporate					
West London Alliance	30			New growth item	1
Organisational Structure	1000	-1000		Reflects current status of review and savings identified to date	3
TOTAL ADJUSTMENT	0	-271	-83		

*Reference refers to the line number on the Directorate Schedule in Appendix D

Appendix D1

Risks

	2007-08 £000	2008-09 £000	2009-10 £000
Statutory consultation - Fair Access to Care criteria and Day Care Charging	500		
Risks	500	0	0

Base Budget Changes

	2007-08 £000	2008-09 £000	2009-10 £000
Base Budget Changes			
Leased cars	-25		
Print Room Savings	100		
Land Charges Income	0	500	
Council tax leaflet	20		
Reinstate debt management savings	185		
Call Charges	300		
Take out corporate procurement target	2,000		
Grant Changes			
LPSA Reward Grant	-200	700	
LABGI	300		
Benefits Performance Fund	100		
Planning Development Grant	280	250	
Grant for anti-smoking legislation	-109	109	
Levies and subscriptions			
General increases	307		
Technical Changes			
Contribution to reserves	1,000		
Review of capitalisation	200		
Reinstate highways maintenance revenue budget		200	200
Investment income	-100		
Debt restructuring	-154		
Capital Financing	4,000	1,900	1,500

Appendix D2

	2007-08	2008-09	2009-10
	£000	£000	£000
Insurance premium/provision	0		
Contingency	100	100	100
Total Base Budget Changes	8,304	3,759	1,800

Basic & Additional Inflation

	2007-08 £000	2008-09 £000	2009-10 £000
Basic Inflation			
Pay & pensions increase	4,250	4,400	4,500
Other inflation @ 2.4%	1,534	1,850	1,900
Total Basic Inflation	5,784	6,250	6,400
Additional Inflation			
Concessionary Fares	350	300	300
West Waste Levy	230	500	500
Gas & electricity	255	400	400
Total Additional Inflation	835	1,200	1,200

Business Transformation Partnership

	2007-08 £000	2008-09 £000	2009-10 £000
Expenditure			
Contract and Harrow costs	587	1,188	-90
Sub Total	587	1,188	-90
Savings	-2,057	-1,508	-572
Total BTP	-1,470	-320	-662

Actual Savings Target in year, rather than annual increases shown above **-3,338 -4,846 -5,418**

Directorate: People First

Ref	Proposal	August savings plan	2007-08 £000	2008-09 £000	2009-10 £000
	People First - Children's				
	<u>Unavoidable Pressures</u>				
1	SEN Transport		470	300	300
2	Improve Silverdale Children's Home		150		
3	Reinstate budget for services for non funded Asylum Seekers aged 18+		400		
4	Children's centres sustainability when grant ceases			900	
5	Cost of and demand for Children's Placements		815		
6	Legal Services External Barristers		150		
	<u>Savings</u>				
7	SEN Transport review provision and routes		-100	-100	-100
8	Review existing placement provision where high unit costs and bring unit costs down by 5% pa		-250	-250	
9	Reduce Hospital Social Work Service	YES	-50		
10	Reduce Education Welfare Service		-75	-75	
11	Reduce Educational Psychologist provision		-45		
12	Cease to grant fund Homestart Grant - develop SLA with Children's centres		-52		
13	Cease being main provider of Youth Services and commission from community groups		-50		
14	Achievement & Inclusion service to become self funded within 2 years. LA to only provide minimum		-350	-350	
15	Leaving Care Grant		-160		
16	Anticipated increase in Childrens Services Grant not ring fenced		-200		
17	Reduce Children and Adolescent Mental Health (CAMHS) spending		-50		
	People First - Adults				
	<u>Unavoidable Pressures</u>				
18	Cost of and demand for social care placements & packages across all client groups		2,868	850	
19	Rebuild Bessborough Road		0	178	
20	Learning disability LIFT/PFI scheme		80	165	245
21	HCSN Service Development		465	-105	-35

Appendix D5

Ref	Proposal	August savings plan	2007-08	2008-09	2009-10
			£000	£000	£000
22	CNWL Infrastructure Costs		60		
23	Legal Services External Barristers		200		-200
24	Reinstate base budget for Wiseworks		232		
	<u>Savings</u>				
25	Review of Fair Access to Care Criteria		-500		
26	Reduce subsidy on home care	YES	-700		
27	Remove Joint Funded posts by transfer of staff to other vacancies	YES	-370		
28	Use 10% of Carers Grant to support base budget work	YES	-80		
29	Reduce subsidy on meals service	YES	-100		
30	Merge Amner and Millmans Day Centres	YES	-141		
31	Restructuring Community Care inc OT equipment etc	YES	-150		
32	Apply hot meal charge for Day Centre catering		-60		
33	Drug Action Team Funding to cover LA Duties		0		
34	Temporary merger of Vaughan and Bentley Day Centres ahead of redevelopment of Vaughan Centre		-75	75	
35	Joint Commissioning Unit		-65		
36	Indicative price threshold on under 65 care packages - Learning Disability		-500		
37	Implementation of Telecare		0	-250	
38	Cease contracts for preventative work		-400		
39	Introduce Self Assessment		-250	-750	
40	Increase Helpline charges to clients and Brent		0		
41	Review of Helpline Service		-50		
42	Review wardens service		-40		
43	Use Access & Systems Grant to fund HCSN TUPE costs		-200		
44	Review of Wiseworks to ensure cost effective		-50	-50	
45	Day Care Charging		100	-100	
	People First - Learning				
	<u>Savings</u>				
46	Eliminate Teachers Centre Subsidy	YES	-15		
47	Close Harrow Teachers' Centre Library	YES	-36		
48	Use LSC Grant for Adult Community and Family Learning	YES	-38		

Appendix D5

Ref	Proposal	August savings plan	2007-08	2008-09	2009-10
			£000	£000	£000
49	Libraries - Redeploy resources from Lifelong Learning to employ Bookstart Coordinator	YES	-12		
50	Savings on Wellstoc Library stock purchases	YES	-21		
51	Remove security staffing budget for Bob Lawrence Library	YES	-4		
52	Reduce Library services printing/publicity	YES	-5		
53	Increase Library staff vacancy rate	YES	-9		
54	Wealdstone Centre Service Support Budget	YES	-20		
55	Deletion of Leisure and Admin post	YES	-10		
56	Cease Music Teaching Subsidy by increasing charges or reducing expenditure	YES	-50		
57	Cancel involvement in Community Sports Coaching Scheme	YES	-13		
58	Focus HYM grant on Harrow residents		-16		
59	Remove funding for Stepping Stones		-9	-3	
60	Libraries - Closure of Gayton Rd Library during rebuild phase		-59	-175	234
61	Libraries - Reduce Bookstock fund		-215	175	
62	Libraries - review Sunday opening		-28		
63	Closure of Civic Library on move to Town Centre				-168
64	Reduce extended schools funding		-100	-100	
65	Saving from in house arts provision		-75		
66	Other Learning and Development savings		-50		
	People First - Strategy				
	<u>Unavoidable Pressures</u>				
67	Alexandra Lift Lease Costs		115		
68	Frameworkki - ongoing revenue costs		300		
	<u>Savings</u>				
69	Capitalise Policy Officers working on capital projects	YES	-183		
70	Delete Policy Officer post		-50		
71	Contracts Unit Efficiencies Frameworkki Finance	YES	-100		
72	Capitalise frameworkki support		-50		
73	Grant Review - use catering and 14-19 grant to offset salary costs	YES	-65		
74	Special Schools PFI - Affordability saving	YES	-170		
75	Increase SLA charges to schools from 2007/2008		-30		

Appendix D5

Ref	Proposal	August savings plan	2007-08	2008-09	2009-10
			£000	£000	£000
76	New SLAs with schools - Complaints, Data & Capital		0		
77	Social Care IT Budget		-50		
78	Vacancy management and other savings		-40		
	People First - across all areas				
79	Administrative support		-34		
80	Cash limit on some budgets		-75		
81	Harrow Saves		-30		
	TOTAL		-370	335	276

Appendix D6

Directorate: Urban Living					
Ref	Proposal	August Savings Plan	2007-08 £000	2008-09 £000	2009-10 £000
ENVIRONMENT SERVICES					
1	Implement anti-smoking legislation		85	-85	
2	Extension of existing activities (Parking Enforcement Services)	YES	-280		
3	Retaining vacancies (Community Safety Service)	YES	-129		
4	Reduction of one post: Senior Professional (Environmental Health Services)		-70		
5	3 further EHO posts to be held vacant (Environmental Health Services)		-130		
6	Reduction of out of hours noise service (Environmental Protection)		-30		
7	New back office system resulting in three posts being deleted (Parking Enforcement)		0		
8	Reduction of one enforcement officer (Trading Standards)		-40		
9	Reduction of one technical officer (Environment Protection)		-27		
10	Join together Licensing and Highways team (Environmental Protection)		-60		
11	Gambling legislation fee income (Licensing)		-50		
12	Peel House Car Park Wealdstone reduce opening hours to 8.30pm	YES	-20		
13	Reduction of one Senior Manager post (Public Realm Infrastructure)		-66		
14	Reduction of road safety team from four into two staff (Public Realm Infrastructure)		-56		
15	Reduction of three posts in Engineering section (Public Realm Infrastructure)		-114		
16	Reduction of one Traffic Engineer post (Public Realm Infrastructure)		-43		
17	Reduction of one business support post (Public Realm Infrastructure)		-25		
18	Public Realm maintenance - Revise management structure	YES	-100		
19	Public Realm maintenance - review of working arrangements	YES	-200		
20	Increase Exclusive Rights of Burial, Interment & Memorial Rights Fee	YES	-36		
21	Recycling Income	YES	-70		

Appendix D6

Ref	Proposal	August Savings Plan	2007-08 £000	2008-09 £000	2009-10 £000
22	Public Realm maintenance - Removal of Flower bedding	YES	-50		
23	Public realm maintenance - create 'wilderness' areas in some parks	YES	-30		
24	Introduce charges for the provision of additional boxes; increase charges for provision of additional bins; restrict free replacement bins (Waste Management)		-40		
25	Introduce charges for the collection of recyclable waste from commercial premises and schools (Waste Management)		-80		
26	Increase charges for the disposal of trade waste at the Civic Amenity site to reflect increases in Landfill tax and LATS (Waste Management)		-25		
27	Increase trade waste collection charges to reflect increases in Landfill tax and LATS (Waste Management)		-200		
28	Increase parks and sports lets prices to recover full costs (Public Realm Maintenance)		-40		
29	Increase schools SLA charges for grounds maintenance (Public Realm Maintenance)		-30		
30	Increase housing SLA charges for grounds maintenance (Public Realm Maintenance)		-38		
31	Increase burial charges (Public Realm Maintenance)		-7		
32	Reduction of arboricultural work to cover emergencies only (Public Realm Maintenance)		-100		
33	Closure of re-cycling unit. Three re-cycling officer posts (Public Realm Services)		-90		
34	Revise management structure, deletion of ten management posts (Public Realm Services)		-200		
PROPERTY SERVICES					
35	Withdraw from Town Centre Management initiative (Strategic Planning)	YES	-75		
36	Increase income -building control charges, pre-planning advice, S106 admin etc (Planning Services)	YES	-115		

Appendix D6

Ref	Proposal	August Savings Plan	2007-08 £000	2008-09 £000	2009-10 £000
37	Stop indemnity insurance cover provided for surveyors (Building Control)	YES	-17		
38	Reduce agency staff in Development Control and Policy & Research (Planning Services)	YES	-90		
39	Reduce contract & permanent staff within conservation & design (Planning Services)	YES	-130		
40	Reduction in agency staffing in Development Control - Major Team (Planning Services)		-70		
41	Reduction of one post in the Landscape section (Planning Services)		-55		
42	Reduction of three posts in Forward Planning / Conservation and Design (Planning Services)		-101		
43	Energy Conservation Officer - Capital funding of salary (Property Services)	YES	-40		
44	Capitalise Design & Build costs (Property Services)	YES	-100		
45	Sell advertising wherever possible (Property Services)	YES	-30		
46	Partial capitalisation of one SM post (Property Services)		-30		
47	Partial capitalisation of one post, Energy Assistant (Property Services)		-10		
48	Partial capitalisation of one post, Contract Support Officer (Property Services)		-10		
49	Deletion of one post, Security (Property Services)		-35		
50	Deletion of one post, Facilities Officer (Property Services)		-36		
51	Deletion of Corporate Maintenance Support Officer (Property Services)		-21		
52	Partial capitalisation of the Discretionary Grants Services within HART team (Property Services)		-50		
53	Cancellation of lease - Premier House (Property Services)		-88		
54	Cancellation of lease - Talbot House (Property Services)		-70		

Appendix D6

Ref	Proposal	August Savings Plan	2007-08	2008-09	2009-10
			£000	£000	£000
55	Retaining vacant posts within Housing Services (Housing Services)	YES	-41		
56	General fund housing services (includes reductions in budgets for housing strategy, homelessness, and miscellaneous supplies and services, and some transfer of costs to the HRA)		-320		
STRATEGY & BUSINESS SUPPORT					
57	Review of Civic Centre and Depot Catering & MOW - vacant posts	YES	-45		
58	Special Needs Transport-Review of overtime claims & agency staffing hours	YES	-50		
59	Rationalisation of business support staff across Urban Living	YES	-50		
60	Reduction of one post (Communications and Stakeholder liaison)		-30		
OTHER					
61	Street lighting PFI - professional fees		50	250	
Urban Living - Across all areas					
62	Harrow Saves		-30		
TOTAL					
			-4,080	165	0

Business Development

Ref	Proposal	August Savings Plan	2007-08	2008-09	2009-10
			£000	£000	£000
	NEW PRESSURES				
1	Local Area Agreement		50	50	-100
	FULL YEAR EFFECT OF 2006-07 SAVINGS PLAN				
2	Review function and structure of procurement team	YES	-100		
3	Focus clothing grants on real need	YES	-170		
4	Amend Trade Union Facilities budget to bring Harrow's costs into line with other boroughs	YES	-60		
5	Capitalise 75% of BTP Director and on-costs	YES	-90		
6	Use internal post in HRES/ cut down external mailing	YES	-10		
	NEW SAVINGS				
	People, Performance and Policy				
7	PPP - vacancy management		-155	65	
8	Community Engagement		-30		
9	Inspection fees		-20		
	Financial and Business Strategy				
10	Grants to voluntary groups - cut by 10%		-90		
11	FBS - Freeze Auditor Post		-35		
12	FBS -Vacancy management		-35	35	
13	FBS - Reduce business engagement activity		-50		
	Business Services				
14	Restructure of Revenues Service to improve collection performance (funded by additional income below)		90		
15	Income to fund restructure of revenues service		-90		
16	Review Cash collection function		-75	-75	
17	Introduce charges for payment by credit card		-100		
18	Student Finance team		-28		
19	Transfer admin of free school meals to schools		-14		

Appendix D7

Ref	Proposal	August Savings Plan	2007-08	2008-09	2009-10
			£000	£000	£000
	Business Transformation Partnership (inc HITS)				
20	HITS – Reduction in number of posts		-125		
	Business Development - across all areas				
21	Capitalise project costs		-100	100	
22	Harrow Saves		-20		
	Total		-1,257	175	-100

Chief Executive

Ref	August Savings plan	2007-08 £000	2008-09 £000	2009-10 £000
	FULL YEAR EFFECT OF 2006-07 SAVINGS PLAN			
1	Events	YES	20	
2	Council and public meetings	YES	30	
3	Prosperity Action Teams	YES	5	
4	Reduce canvassing for Electoral roll/merge with C Tax	YES	-20	
5	Reduce legal support to committees	YES	-45	
6	Reduce democratic services support	YES	-45	
7	Registrar income/photography	YES	-10	
8	Reduce legal support to schools/charge for remainder	YES	-10	
	New Pressures			
9	Communications Team		35	
10	Increase staff by 1 x FTE to add Litigation Officer to deal with Revenues instigated Insolvency work and build capacity to conduct corporate debt recovery work		45	
	NEW SAVINGS			
11	Review support to Mayor and Members		-25	
12	Harrow Saves		-20	
	Total		-40	0

Corporate

Ref		2007-08 £000	2008-09 £000	2009-10 £000
1	West London Alliance	30		
2	Parking and Essential Car users	-200		
3	Review of management structure	-1,340	-1,000	
	Total	-1,510	-1,000	0



Meeting:	Open Budget Panel
Date:	31 January 2007
Subject:	Business Transformation Partnership
Responsible Officer:	Myfanwy Barrett Director of Financial and Business Strategy
Portfolio Holder:	David Ashton Finance and Business Matters
Exempt:	No
Enclosures:	

SECTION 1 – SUMMARY AND RECOMMENDATIONS

This report sets out the information on the BTP that was requested by Open Budget panel members at their meeting on 9 January.

RECOMMENDATIONS:

That the Open Budget Panel notes the information contained in the report.

SECTION 2 - REPORT

1. The report to cabinet on 14 December on the draft budget for 2007-08 to 2009-10 included a section on the Business Transformation Partnership which is repeated here for completeness.
2. The Council's Business Transformation Partnership with Capita was agreed in September 2005 and the contract commenced on 1 October 2005. The budget reflects the implications of that contract and this section of the report explains what the Council is getting for its money and the savings that are anticipated as a result.
3. The current contract includes three initial projects and has a total value over 10 years of £45m. This is split £44m payments to Capita and £1m Council implementation costs.
4. The expenditure under the contract is split between capital (£23m) and revenue costs (£16m) as some relate to the acquisition and implementation of new systems (capital) and some relate to delivery of the IT support service and the partnership itself (revenue). In addition there is £5m of Capita's profit at risk which is also a capital payment.
5. The capital costs include such things as:
 - Building of the One Stop Shop and Contact Centre
 - SAP and other licences
 - IT equipment including system refresh and off site disaster recovery
 - A publicity campaign for channel migration
 - Consultancy costs including significant business process re-engineering and change management work.
6. These payments are made on the basis of signed off milestones achieved.
7. The revenue costs cover such things as:
 - 10 years support and maintenance for all systems, both payments to software suppliers and the provision of a dedicated support team on-site
 - Management of Access Harrow to ensure effective service delivery for the first 3 years
8. These are paid over the course of the next 9 years on a monthly basis.
9. The profit at risk of £5m is paid to Capita as and when the anticipated savings of £45m are delivered, at the rate of £111k per £1m of savings. This money is only released as and when savings are signed off.
10. It must be stressed that although the contract negotiated by the Council includes a mechanism for linking project benefits to payments made, this is an innovative approach designed to provide an incentive to realise benefits. Under a less innovative approach the Council would simply have paid £44m for the goods and services and had to identify and deliver the savings itself with no recourse to the supplier. Whatever the ultimate value of savings delivered, the Council will have

received £44m of goods and services procured through an extremely competitive process.

11. The contract with Capita allows the Council to add further projects at a later date and the Council has commissioned some outline business cases for possible future projects, such as remote and mobile working. When the contract was let it was suggested that the total value of the contract could be as much as £100m because this included both the first 3 projects which had been agreed and possible future projects. Nothing further is committed.

12. The first three projects were:

- The new finance, HR, procurement and real estate system (SAP) which went live on 4 September 2006
- The new management information system (SAP) which went live on 18th September 2006
- The development of Access Harrow – the new call centre and one stop shop – which went live on 22nd May 2006 and continues to be developed to incorporate additional services

13. These three projects have been extremely successful. They have been implemented on time and within budget.

14. The contract also includes “strategic sourcing” – this means that Capita and the Council work together to improve the Council’s purchasing arrangements and therefore improve efficiency. This part of the project got off to a slow start but is now back on track and starting to deliver benefits.

15. The contract was renegotiated in July/August this year to re-phase some of the payments and savings targets. The budget reflects the changes made at that time.

16. The revenue expenditure built into the draft medium term budget is as follows:

Financial Year	Revenue Expenditure £000
2007-08	830
2008-09	2,018
2009-10	1,928

These figures exclude capital financing charges

17. The detailed budget schedules (Appendix D4) show year on year changes in expenditure and income levels rather than absolute figures for the years in question. For instance between 2007-08 and 2008-09, the expenditure increases by £1,188k. Not all of the expenditure is payments to Capita, there are also some Harrow costs contained above.

18. The majority of the capital expenditure to buy the new systems was incurred in 2005-06 and 2006-07. However, there is some capital expenditure shown in the capital programme for 2007-08 to 2009-10.

19. As part of the contract, Capita calculated that savings of £45m could be achieved over the 10 year period and therefore cover the cost of the first three projects. The revenue budget includes the following savings targets:

Financial Year	Savings Target £000
2007-08	3,338
2008-09	4,846
2009-10	5,418

20. Once a saving is achieved it is taken from the relevant budget and the BTP target is reduced accordingly.

21. Savings are counted over the 10 year life of the contract. Therefore, if a post is saved with a cost of £30k at the start of the 3rd year of the contract it counts as £240k (ie £30k for 8 years).

22. The savings will come from the efficiencies arising from new systems (for instance less staff are required in finance and payroll due to some processes being automated), centralisation of the payments and income functions, centralisation of our customer facing services in Access Harrow, and better procurement.

23. In 2006-07 the target is £1.3m. Most of the savings identified are for half a year only as the systems did not go live until September. Therefore, if Capita deliver £1.3m this year, there will be a full year effect in 2007-08 of £2.6m. This will leave Capita with a further £0.7m to find. Assuming the 2007-08 target is achieved, Capita will have to find a further £1.5m in 2008-09 and a further £0.6m in 2009-10.

24. In the October cabinet report, a risk of £1.3m was identified in relation to delivery of the BTP savings next year. However, as Capita are on track to meet this year's target, the risk has now been deleted from the draft budget.

25. When the budget is finalised in February, an itemised list of the BTP savings will be provided.

Open Budget Panel on 9 January 2007

26. At the Open Budget Panel meeting on 9 January there was a lengthy discussion about the BTP and this generated requests for additional information as follows:

- Audit trail for budget figures
- Access Harrow – call centre statistics
- Analysis of savings achieved this year
- Gartner report
- Sample benefit card

27. The audit trail showing all the budget figures is attached at Appendix 1. There are separate sheets for capital expenditure, revenue expenditure and revenue savings.

28. A special cabinet in September 2005 approved the contract. The figures reported to cabinet compared the cost of the proposed contract with the Council's existing budgets and showed the net additional cost. At the time Cabinet agreed to fund

£1.014m from reserves in 2005-06, a further £673k in 2006-07 and £640k in 2008-09. Due to the financial situation, contributions from reserves were not possible in 2006-07 or 2007-08 and this was dealt with as part of the 2006-07 budget.

29. The 2006-07 budget book shows a net figure of £794k for the BTP. This is comprised as follows:

2006-07 budget book	£000
Increase in revenue expenditure	1,125
Increase in savings target	(2,933)
Reduction in contribution from reserves	1,014
Net reduction	794

30. In retrospect, this presentation was not helpful as several items were combined.
31. Call centre statistics are attached at Appendix 2. The data shows number of calls answered and the speed at which they were answered, along with number of visitors to Access Harrow and average waiting time.
32. The analysis of savings for 2006-07 is attached at Appendix 3. The savings figures move continually as the projects are developed.
33. The Gartner Report is attached at Appendix 4.
34. A sample benefit card is attached at Appendix 5. This demonstrates the detailed analysis behind each saving.

Questions raised by Open Budget Panel members since 9 January

35. Since the last meeting of the panel, both Philip Morrish and John Mitchell have submitted additional questions and comments. The responses are attached at Appendices 6 and 7.
36. As some of Mr Morrish's remarks involved criticism of individual officers they have been edited.

Appendix 1

Business Transformation Partnership Audit Trail - Capital Expenditure

Financial Year	2005-06	2006-07	2007-08	2008-09	2009-10	Notes
Year of contract	1	2	3	4	5	
	£000	£000	£000	£000	£000	

ORIGINAL DEAL - OCT 05

Capital Expenditure	13507	15207	2062	1188	0	
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Original Capital Programme 2006-07	13507	15207	2062	1188	0	1
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AMENDMENTS DURING 2005-06

Transfer business cases and backfilling to capital		300	150	0	0	
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SLIPPAGE FROM 2005-06 TO 2006-07

Unspent balance carried forward	-868	868				
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AMENDMENTS DURING 2006-07 - Renegotiation with Capita

Transfer revenue payment to capital		2084				
Revise profit at risk	-2222	-1578	2863	888	0	
Take out LBH staff costs in 07-08			-311			2
Other changes		26	0	134		

Revised Capital Programme 2006-07	10417	16907	4764	2210	0	
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Draft Capital Programme 2007-08		16907	4764	2210	0	
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Notes:

1. Published programme nil for 2008-09
2. To be reinstated in final programme for 2007-08

Business Transformation Partnership
Audit Trail - Revenue Expenditure

Financial Year	2005-06	2006-07	2007-08	2008-09	2009-10	Notes
Year of contract	1	2	3	4	5	
	£000	£000	£000	£000	£000	

ORIGINAL DEAL - OCT 05

Revenue Expenditure	1302	2627	2480	2268	1639	
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2006-07 budget round

Saving taken		-200	-200	-200	-200	
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2006-07 budget figures	1302	2427	2280	2068	1439	
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Incremental		1125	-147	-212	-629	
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AMENDMENTS DURING 2006-07

Business cases and backfilling		-300	-150			
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AMENDMENTS DURING 2006-07 - Renegotiation with Capita

Transfer to capital and re-phasing		-2084	-1500	-250	289	1
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REVISED DEAL (reflected in MTBS for 2007-08 to 2009-10)

Revenue Expenditure	1289	43	630	1818	1728	
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Incremental			587	1188	-90	
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Note:

1. Transfer to capital in 2006-07. Rephasing of revenue payments from 2008-09 to end of contract. Capital to compensate Harrow for additional borrowing costs as follows:

Contribution to capital financing costs		-13	-53	-15	-9	
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Business Transformation Partnership
Audit Trail - Revenue Savings

Financial Year	2005-06	2006-07	2007-08	2008-09	2009-10
Year of contract	1	2	3	4	5
	£000	£000	£000	£000	£000

ORIGINAL DEAL - OCT 05 (reflected in MTBS for 2006-07 to 2008-09)

In Year Revenue Savings	432	2933	1291	256	38
Cumulative Savings Target	432	3365	4656	4912	4950

AMENDMENTS DURING 2006-07 - Renegotiation with Capita

In Year Revenue Savings	-432	-1652	766	1252	534
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REVISED DEAL (reflected in MTBS for 2007-08 to 2009-10)

In Year Revenue Savings	0	1281	2057	1508	572
Cumulative Savings	0	1281	3338	4846	5418

Appendix 2

Contact Centre - Calls Answered

Service	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
General Enquiries	16,903	40,801	36,147	33,357	37,925	36,480	33,518	22,540
Housing	3,665	4,636	4,441	4,433	4,673	5,002	4,403	2,147
Parking	2,095	2,729	2,781	2,615	2,572	2,518	2,371	1,936
Public Realm	4,112	6,859	5,906	7,658	10,453	8,659	7,323	6,007
Revenue & Benefits	1,435	4,931	5,884	4,265	4,520	7,940	7,310	5,336
Totals	28,210	59,956	55,159	52,328	60,143	60,599	54,925	37,966

One Stop Shop - Total Clients

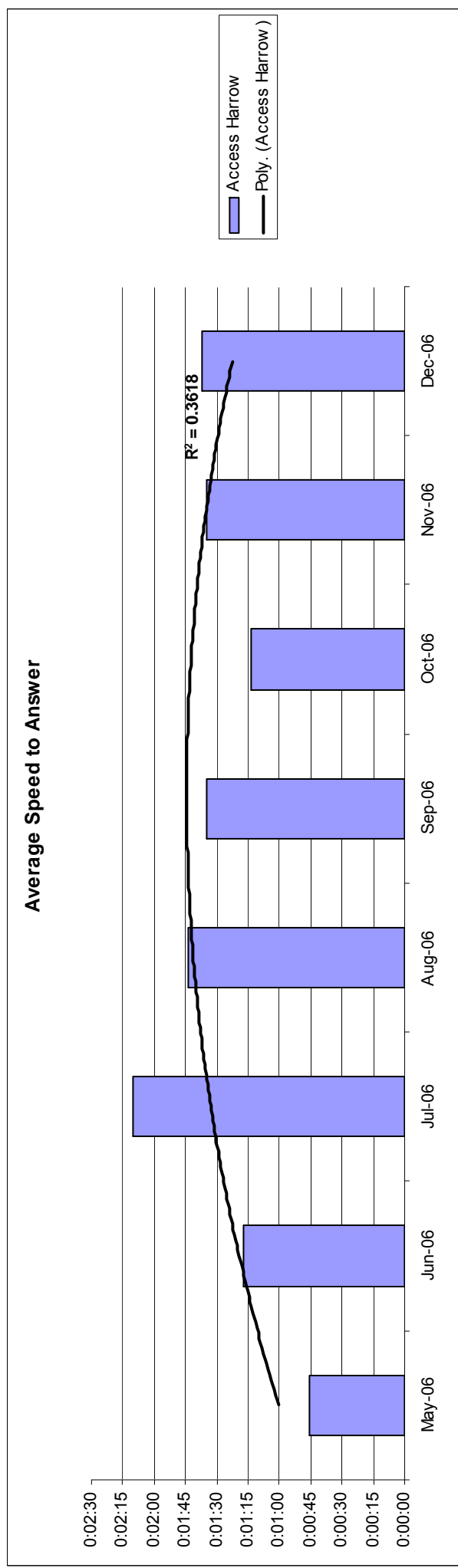
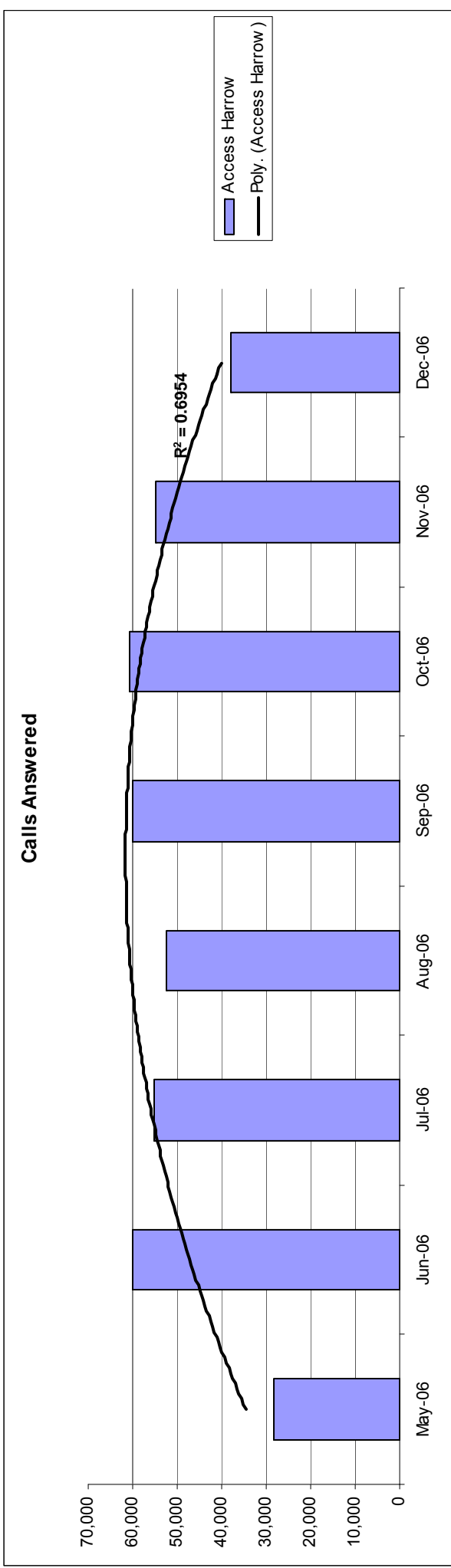
Service	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Council Tax	1,156	1,235	1,454	1,721	1,445	1,550	1,077
Business Rates	42	48	75	127	120	108	67
Housing Benefits	3,085	3,484	2,222	2,298	2,252	2,712	2,088
Parking	1,029	865	914	871	808	857	700
Comm Safety	527	922	671	597	473	490	307
Land Searches	113	115	98	100	116	109	89
Photocopying	0	467	2,018	1,965	1,723	1,558	1,306
Total	5,952	7,136	7,452	7,679	6,937	7,384	5,634

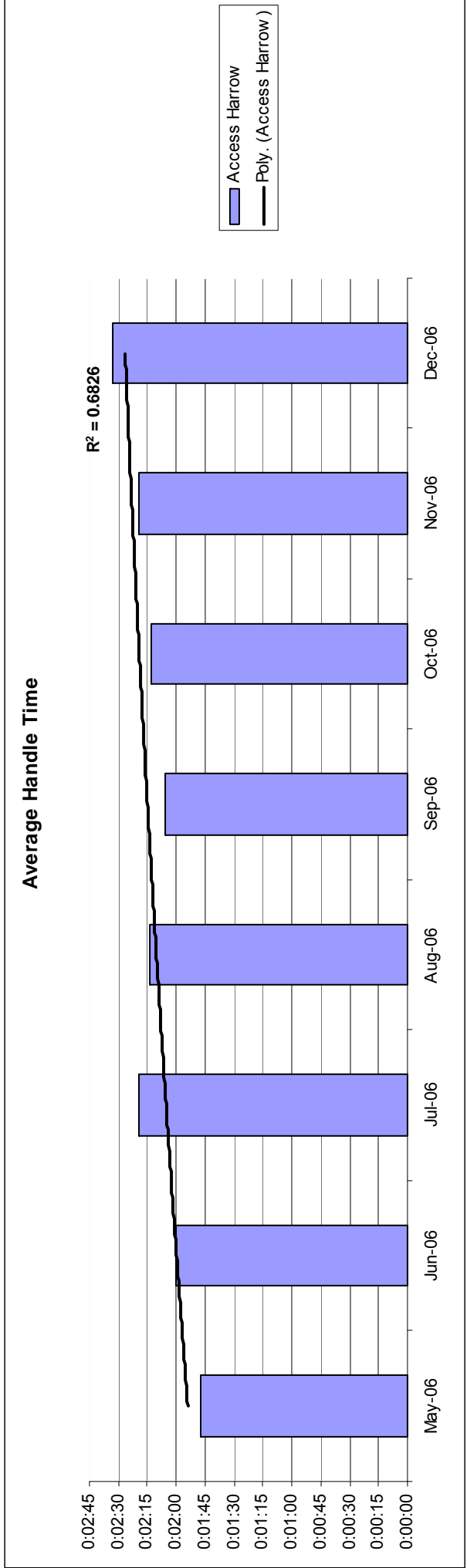
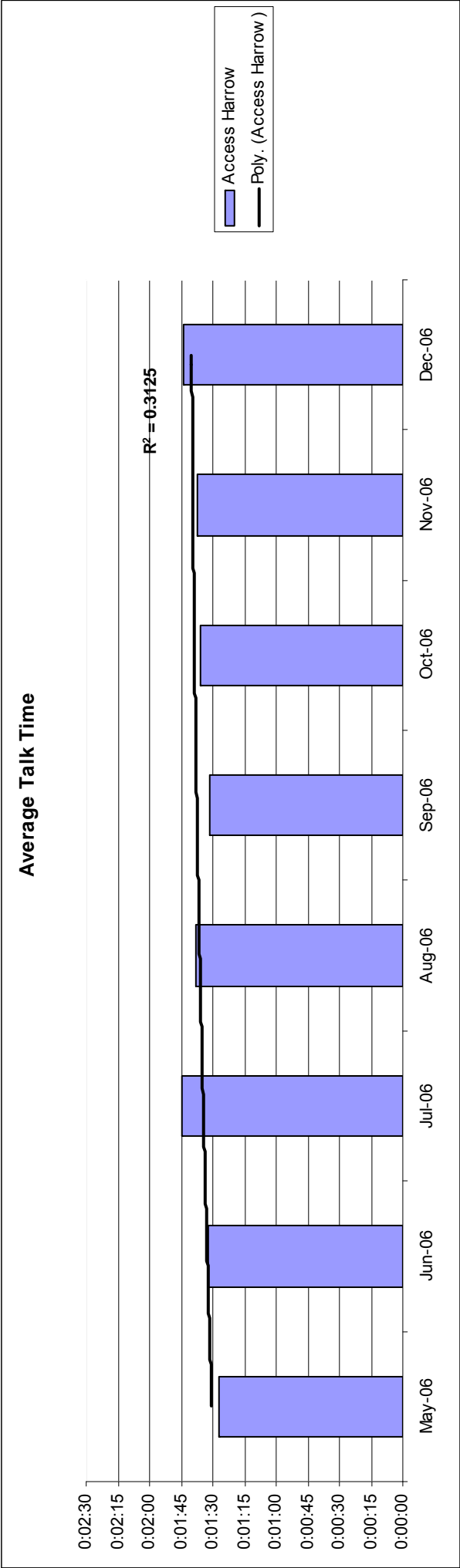
Contact Centre - Average Speed to Answer

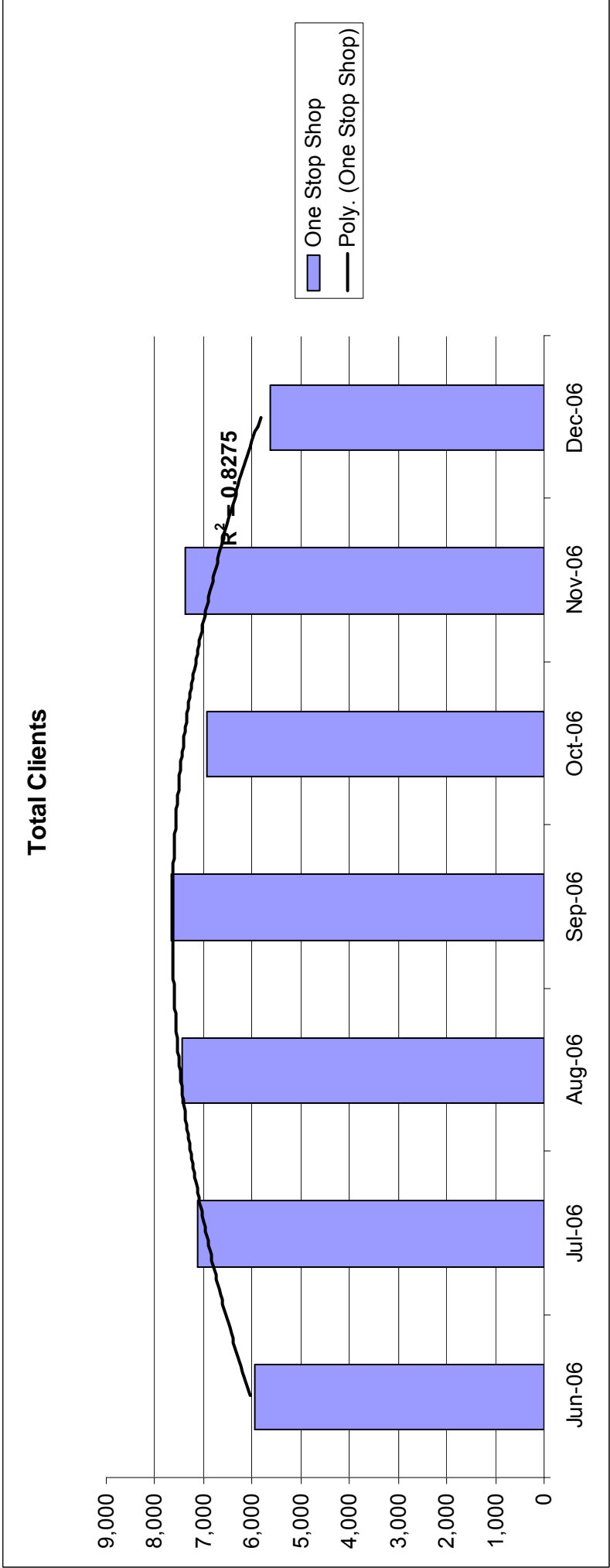
Service	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
General Enquiries	0:00:25	0:00:31	0:01:11	0:00:33	0:00:26	0:00:14	0:00:28	0:00:25
Housing	0:00:49	0:00:52	0:00:56	0:01:01	0:01:35	0:01:03	0:02:20	0:01:47
Parking	0:00:34	0:01:33	0:01:15	0:01:29	0:01:24	0:01:15	0:02:01	0:01:58
Public Realm	0:01:25	0:04:07	0:05:21	0:01:56	0:01:55	0:01:21	0:01:17	0:02:21
Revenue & Benefits	0:03:01	0:04:06	0:06:28	0:11:31	0:10:37	0:05:45	0:06:26	0:05:40

One Stop Shop - Average Waiting Times

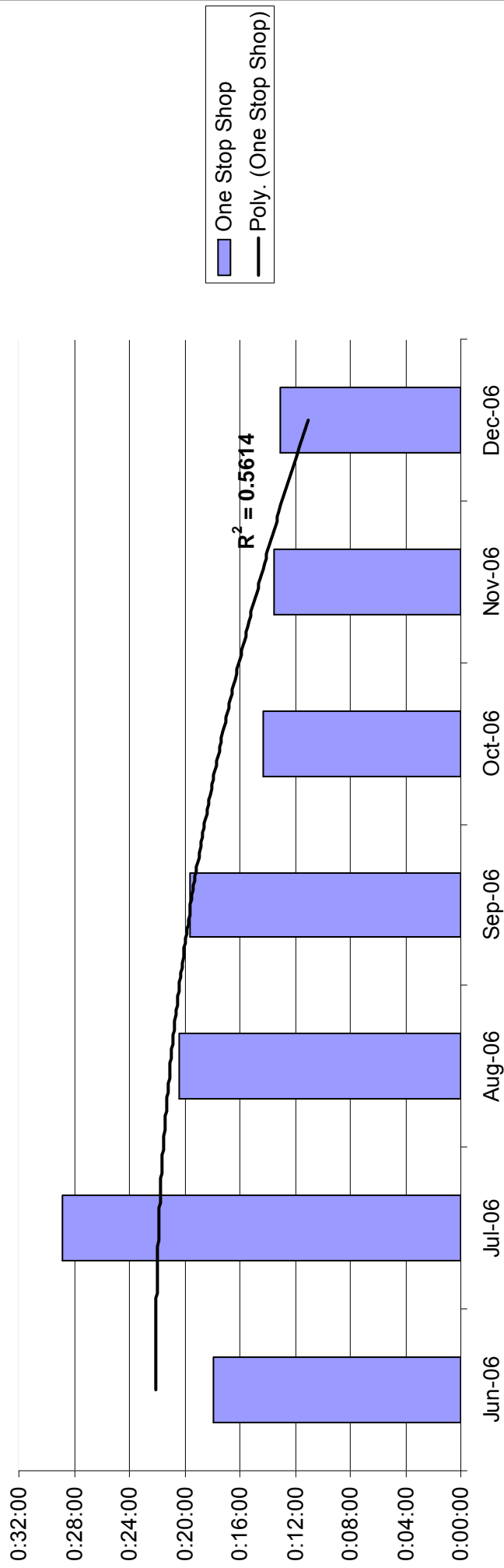
Service	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Council Tax	0:28:47	0:51:33	0:52:08	0:45:42	0:31:37	0:24:16	0:34:54
Business Rates	0:32:06	0:12:27	0:05:42	0:07:43	0:05:59	0:05:05	0:06:24
Housing Benefits	0:29:45	0:47:05	0:43:51	0:38:17	0:25:01	0:20:30	0:30:48
Parking	0:09:18	0:16:21	0:13:09	0:14:24	0:13:01	0:10:12	0:10:54
Comm Safety	0:09:25	0:15:05	0:12:20	0:13:57	0:12:24	0:10:19	0:11:37
Land Searches	0:17:22	0:24:55	0:13:06	0:11:20	0:10:38	0:06:38	0:08:46
Photocopying	0:00:00	0:19:10	0:12:57	0:17:29	0:13:42	0:06:00	0:06:29







Average Wait Time



Progress on Savings

	2006/7 savings £000	10 year savings £000
Approved	538	5381
High Probability	297	5394
Medium Probability	199	3206
Sub-total	1,034	17,061
Low Probability	278	4431
Cards in development	32	
Total	1,334	22,436

For 2006-07 the savings can be further analysed as follows:

Project	Examples	£000
ERP	Staff reductions, interest on late payments Review of duplicate payments	718
Procurement	IT licences and equipment, Phones Temporary Staff, Vehicle leasing	576
Access Harrow		35
MI		5
Total		1,334

Appendix 4



Business Transformation Partnership Proposals

Technical Report

Version 1

13 May 2005

research consulting measurement community news

Gartner

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Introduction

This document reports on the technical aspects of the proposals from Capita and Fujitsu for the Business Transformation Partnership.

The findings in this report have been produced by Gartner Consulting in collaboration with Harrow IT.

The aim of this report is *not* to compare the two bids directly. Instead, the technology in each bid is assessed in its own right.

This Introduction is followed by Key Conclusions relating to each bid.

In the first main section the Capita technology is assessed, and in the second main section Fujitsu. There is an Executive Overview for each bid separately.

The Table of Annex 1 contains a summary of the Council's existing technologies (and strategic direction where defined) and the technologies proposed by Capita and Fujitsu.

Annex 2 contains supporting information from Gartner on key areas of the bid technology. This is being distributed separately.

Key Conclusions

Strengths

- All the software packages proposed are well-proven and powerful.
- The main applications are delivered by software from one vendor, improving consistency and integration and reducing total costs of ownership, compared with a 'best of breed' approach.
- All the technology vendors are well-established and very strong in their markets.
- Data integration is based on integrating data from diverse sources in a flexible, loosely coupled, way. This gives more confidence that the solution is 'do-able' as well as delivering more flexibility and expandability for the long term.
- The technology includes powerful tools to integrate diverse ICT systems, new and old. This is also important for flexibility and longer term expandability.
- The Hosted solution is aimed at reducing dependency on Harrow IT resources and facilities.

Issues

- The proposal does not contain a complete architecture. It is more like a toolkit with which Capita propose to build a comprehensive solution. In particular, there is not even an outline design for networks to inter-connect the various systems. There are several implications of this aspect of Capita's approach:
 - » Capita may have deliberately wanted to focus on the Applications and only some aspects of Infrastructure.
 - » Incomplete design casts doubt on Capita's estimates and plans.
 - » It is difficult to assess how Capita's solution will co-exist with Harrow's on-going IT.
- The implementation plan is fairly fast, and to achieve it the Council must rapidly adopt new business processes implied by the SAP accelerators and pre-configured settings.
- It is not certain that Hosting will facilitate rapid implementation, because some activities during project development will require close inter-working with Harrow IT.

Key Conclusions - Fujitsu Technology

Fujitsu

1) Software Applications

Strengths

- The main software packages proposed are well-proven and powerful.
- The main applications are delivered by software from one vendor, improving consistency and integration and reducing total costs of ownership, compared with a 'best of breed' approach.
- The implementation plan is pragmatic and based on working closely with Harrow.
- The goals of skills transfer and development of Harrow's retained IT are fully accepted.

Issues

- There is very little provision for integration software to aid in connecting the numerous applications together. Such software would have helped to overcome the consequences of the complex technology landscape. The implications for Harrow are reduced flexibility and expandability over the longer term, with higher total costs of ownership.
- Data integration involves an ambitious vision of centralization. This makes the implementation projects more challenging and data owners across the Council will need to engage fully with this vision for it to be achievable.
- Some of the supporting technologies imply significant changes to Harrow's current IT - for example a new email application.
- Some of the lesser application software packages are weak, for example document management.

Key Conclusions - Fujitsu Technology

Fujitsu

2) Computing Infrastructure

Strengths

- A comprehensive inventory of hardware and software has been specified. This contributes to some degree of completeness.
- Apart from Fujitsu-Siemens, the technology vendors are well-established and very strong in their markets. The Fujitsu-Siemens hardware is very promising although not yet well-established in the UK.
- Fujitsu includes a pro-active proposition for a wireless network to provide much greater flexibility and connectivity across the borough.

Issues

- The proposal implies a major commitment to Fujitsu-Siemens computer hardware. There is not as much long-term confidence in this hardware as there would be from other vendors. The Council should obtain compensating cost benefits and make sure that long-term support will be provided. It should also consider contingency planning for the possibility of Fujitsu-Siemens technology becoming out-dated in the long term.
- It appears that Harrow's existing systems will be continued almost wherever possible. This will lead to a complex technology landscape, with higher costs of ownership than a simpler architecture.
- The wireless network is liable to be subject to frequent upgrades and rapid obsolescence in this fast moving area of technology. There are also security concerns that will require careful design and detailed scrutiny to address.

Capita

- The technology proposed by Capita is based on mainstream products from tier-1 global vendors such as Sun, SAP, Avaya, FileNet, and SeeBeyond. Fundamentally these are safe and powerful choices. Capita's proposal devotes much space to describing standard ICT products for the Contact Centre, ERP and MIS environments.
- There are still significant areas of infrastructure where the choice of technology has been left open, presumably deliberately. Furthermore the proposal does not amount to a complete architecture, even at a high level. Instead Capita have proposed a comprehensive 'toolkit' from which a full solution could undoubtedly be constructed. This presents two major issues:
 - The lack of definition calls into question the reliability of estimates and timescales provided by Capita.
 - It is not clear how Capita's technology will co-exist with on-going Council technology and what the resulting implications are for IT operations and management.
- Some of the proposals for servers and disks refer to Capita's own infrastructure decisions at their data centre. These choices are much less significant to Harrow in a hosted solution than they would be on-site. Nonetheless, they are market-leading technologies.
- The initial focus of the technology proposal is for a Service Orientated Architecture (SOA). While this is a laudable aim, in practice it is a vision for the medium term (beyond 2010). The SOA will be realizable only over a limited number of interfaces in Harrow's architecture.
- Capita have proposed an Integration Broker from SeeBeyond for Enterprise Application Integration (EAI). This is a fairly advanced and costly technology intended to give the Council greater flexibility and less dependence on SAP infrastructure. For the three initial projects the use of SeeBeyond in this context amounts to a degree of over-engineering, and it is open to debate how much the SAP dependencies will be isolated. However the SeeBeyond package may be more fit-for-purpose on a longer-term view, taking into account future projects.
- Capita offers a solution that takes the responsibility for new applications away from the Council and proposes to deliver them from Capita's own Data Centre. They still offer the consulting and skills training, but the nature of skills required by Harrow will be quite different - and fewer - in the hosted context.

Key Elements:

- **ERP, CRM and MIS software from SAP.**
- **IP telephony and call centre technology from Avaya.**
- **Applications hosted at a Capita data centre.**

Findings

- Capita have chosen market-leading products from tier-1 global vendors. SAP is certainly capable of meeting the Council's requirements in ERP and CRM.
- The choice of Avaya for telephony potentially conflicts with a Harrow preference for Cisco LAN equipment. (Harrow IT has also considered potential IP Telephony suppliers but has not yet made a choice.) Otherwise there are no major incompatibilities in terms of the stated technology.
- Some technology choices have been left open - e.g. client operating system. This may be in the cause of flexibility, or may reflect a different understanding of the scope. In the 'unstated' technology there could potentially be incompatibilities with Council's architecture.
- The vision of hosting the SAP applications at a Capita data centre would be a significant departure from the Council's strategy & architecture to date. Implications:
 - External hosting will require the Council to have different IT governance and management disciplines.
 - It will also be essential to provide new governance and processes around the relationships between Council departments and the IT services.
- With regard to Harrow's existing applications, Capita's approach has generally been to leave them in place unless there's a compelling reason not to. From a technical point of view there are strong integration capabilities, and this gives confidence that the old and new applications can be successfully operated together.
- The above points are generally in line with a 'non-invasive' theme in Capita's technology proposal.

Applications (1) Major Systems

Capita

Key Elements

- **Improved Operational Systems & Processes:** SAP ERP, predominantly modules for Financials and HR.
- **Contact Centre:** CRM modules from SAP.
- **Management Information:** Data warehouse using SAP BW. Reports will be produced using Corvu, SAP Reports, and potentially other tools in use now.
- **Property Management:** Continue 'Heat'
- **Document & Imaging:** Filenet.
- **email:** No change stated apart from email functionality contained in the Avaya suite.
- **Portal:** SAP Portal and Sun portal.
- **Intranet & Internet Applications:** None stated.

Findings

- Capita have taken a 'single vendor' strategy for the main applications and have chosen SAP. The choice of single vendor rather than 'best of breed' will result in a more consistent and more tightly integrated suite of applications. On the other hand there will be a high degree of lock-in to the chosen vendor and some loss of flexibility in terms of future evolution. There may also be minor compromises in terms of functionality.
- Oracle and SAP are the leading global vendors of ERP and CRM software. They are the only credible candidates for sourcing all the Financial, HR, and CRM applications from one vendor.
- There is a lack of clarity around the apparently intended use of Sun's portal alongside the SAP portal. Either of these would provide opportunities to access unstructured information in more consistent ways.

Applications (2) Minor Systems

Capita

Key Elements

- **Improved Operational Systems & Processes:** SAP ERP, predominantly modules for Financials and HR.
- **Contact Centre:** CRM modules from SAP.
- **Management Information:** Data warehouse using SAP BW. Reports will be produced using Corvu, SAP Reports, and potentially other tools in use now.
- **Property Management:** Continue 'Heat'
- **Document & Imaging:** Filenet.
- **email:** No change stated apart from email functionality contained in the Avaya suite.
- **Portal:** SAP Portal and Sun portal.
- **Intranet & Internet Applications:** None stated.

Findings

- It is not clear what technology will be used for Workflow or Business Process Management. SAP, SeeBeyond, and FileNet all provide capabilities in these areas, although SAP is often used alongside best-of-breed Workflow products.
- Avaya has email client functionality. It will integrate with Harrow's email but possibly only at the level of universal email functions. (These 'universal' functions would probably not include some often-used functions, e.g. calendar.) It is not clear how Avaya email will integrate with the Council's main email.
- The Council's skills base in CorVu is not as strong as Capita appear to have assumed.
- The reasons for continuing the Heat project are not explained, but it is probably not what Harrow IT would prefer.
- The lack of proposal for intranet/internet technology is significant given that First Contact will have a major web channel. The implication is that either Capita have assumed (without stating) that Harrow's planned technology will be suitable, or otherwise Capita's analysis is not complete.

Key Elements

- Oracle DBMS will be the data repository under-pinning the SAP applications.
- Capita has a design philosophy of integrating the data from existing databases rather than re-architecting towards a Council-wide database schema. The solution is based on using an 'index' database and the SeeBeyond suite.
- For the three projects, Council will be responsible for data cleansing, with consulting support from Capita. Other activities in data migration will essentially be the responsibility of Capita.

Findings

- Capita have proposed a powerful 'toolkit' (SAP, SeeBeyond) to deliver integrated data to users but they have not defined a solution architecture. (See 'Recurring implication' below.)
- It is not unusual or unreasonable for a systems integrator to avoid responsibility for data cleansing. Data cleansing consists of checking the format and content of data and correcting it where necessary (e.g. resolving multiple addresses for the same individual.) Data migration covers the bulk re-formatting and loading of data to new systems and the associated testing.
- Recurring implication: The Council should ensure that the risks associated with Capita's incomplete architecture remain with Capita. The main risks are of schedule delay and cost over-run due to additional implementation work. It is unlikely that Capita would need to change their basic architecture.

Infrastructure

(1) Servers & Clients

Capita

Key Elements

- Sun servers, Solaris O/S, for the SAP applications. These will be hosted at a Capita data centre.
- The Server platforms for applications other than SAP (e.g. SeeBeyond, FileNet, Avaya) are not described.
- It appears that the Contact Centre (Avaya) telephony server and associated applications will be hosted on the Council's LAN. Capita's proposal does not state what types of server or operating system will be required, but there are indirect references to Linux and to Windows 2000/XP.
- No proposals for PCs, laptops, or PDAs.

Findings

- The choice of Sun/Solaris provides high performance technology from a leading vendor in the Unix-based server market.
- Capita's telephony solution is only defined in terms of Avaya products and product types, not the physical architecture. This prevents a full evaluation. (See 'Recurring implication' below.)
- Capita say almost nothing about infrastructure outside their data centre. The areas with little or no discussion include desktop hardware and operating system, WAN and LAN, systems and network management, security, email, directory services, intranet and internet. (Recurring implication.)
- Capita have not made a commitment to thin client or browser-based user interfaces. The role of the SAP portal is unclear. In general, there are several alternatives for SAP user interface and the Capita proposal would have been strengthened by a clearer solution. (Recurring implication.)
- Capita's proposal does not identify that the Council has Novell Netware and eDirectory now. These could (potentially) present difficulties to the integration. (Recurring implication.)
- Recurring implication: The Council should ensure that the risks associated with Capita's incomplete architecture remain with Capita. The main risks are of schedule delay and cost over-run due to additional implementation work. It is unlikely that Capita would need to change their basic architecture.

Infrastructure

(2) Other Infrastructure

Capita

Key Elements

- Hitachi storage area network.
- **BMC Patrol and Control-M proposed for SAP systems monitoring and management. These relate only to managing SAP, not a complete systems and network management solution. Capita do not propose any other products for systems and network management.**
- **SeeBeyond integration suite. It is implied that the core SeeBeyond software will be hosted on Sun/Solaris at Capita's data centre.**
- **Capita have made brief proposals for Directory and Identity Management.**

Findings

- SeeBeyond is apparently intended to mitigate the risk of inflexibility around integrating non-SAP applications to SAP. However, use of SeeBeyond's integration broker is not an alternative to SAP NetWeaver. The SAP modules must be interfaced via NetWeaver, and SeeBeyond eGate is potentially another layer around NetWeaver.
- Hosting SeeBeyond at Capita may present some support issues. The legacy-side interfaces will involve knowledge currently embedded deep in Harrow IT.
- The Directory and Identity Management components are projected as self-contained. Further work needs to be done to plan how these would integrate to Harrow's security infrastructure. There is a risk that this integration might require changes to either Capita's or Harrow's approach.

Key Elements

- **The Capita data centre will be linked to Harrow's computer room by a 4-Mbyte link, diversely routed as two 2-Mbyte links.**
- **WAN: No change proposed.**
- **LAN: No change proposed.**
- **Telephony: Avaya IP telephony and contact centre products. There are numerous options and alternatives in the Avaya products described, and the Capita proposal does not amount to a definitive solution.**
- **'Single Sign On' to the ERP/CRM applications using the SAP Portal.**

Findings

- **4 megabytes seems low. (This figure is already under investigation by Capita.) The data centre link will carry data for MIS reports and queries, as well as SAP transactions for ERP and Contact Centre. It would be preferable for Harrow to specify a minimum performance level and let Capita carry the estimating risk.**
- **Apart from the link bandwidth, there is scant information on how data will move between Harrow and Capita's data centre. (See 'Recurring implication' below.)**
- **Capita do not describe any LAN preference or compatibility, but the Avaya telephony systems will be inter-connected via Harrow's LAN. (Recurring implication.)**
- **Recurring implication: The Council should ensure that the risks associated with Capita's incomplete architecture remain with Capita. The main risks are of schedule delay and cost over-run due to additional implementation work. It is unlikely that Capita would need to change their basic architecture.**

Key Elements

- SeeBeyond integration suite.
- The SeeBeyond Broker will provide a message-routing hub that will standardize and centralize the interfaces between applications. The main opportunities for this are between Avaya and SAP, and between legacy applications such as MVM and SAP.
- SeeBeyond will also enable separate databases (new and old) to present a unified 'view' to applications.

Findings

- The SeeBeyond suite is not strictly necessary, as SAP's NetWeaver and XI software are included with the applications stack. Capita have proposed SeeBeyond in order to isolate dependency on SAP "standards" and thereby give the Council greater flexibility.
- This is a valid point of view, subject to two caveats:
 - The expense of bringing in a fairly complex and 'heavy' integration suite.
 - The interface to SAP will still ultimately be NetWeaver, it cannot (or should not) be by-passed.
- The Affordability of the SeeBeyond suite is a moot point. On the basis of the three initial projects it can be regarded as 'over-engineering', i.e. a comprehensive and credible solution but more than is really needed to meet the Council's requirements. Taking a longer term view beyond the first three projects, the presence of SeeBeyond may give the Council greater flexibility and more options in future applications.
- It is likely to be more practicable to integrate SAP BW directly to the SAP ERP and CRM modules, rather than using SeeBeyond.

Key Elements

- **First Contact: Most services phased in over the first 12 months. First phase live at 6 months.**
- **ERP: 10 month schedule to go-live. This will include integration to the Avaya contact centre.**
- **A 'big bang' concept of ERP go-live, rather than rolling out waves of functionality, or doing a pilot site first.**
- **MIS: Indicative timeline of 5 quarters, but to be confirmed after Blueprint.**

Findings

- Capita provide impressive references for other 10-month ERP implementations. SAP themselves report that 77% of implementations take less than 12 months (this metric includes all sizes of organization.) Even so, in Gartner's experience 10 months is quite ambitious for a SAP project of this breadth. The key issue is not so much whether Capita/Axon can do it, but whether the Council can move fast enough to keep up.
- The big bang approach in SAP implementations is no longer rare, particularly when all the users are concentrated in one geographical area. Hence this aspect should not give the Council undue concern.
- SAP solutions generally involve pressure to adopt pre-configured 'best practice' business processes. Whilst this leads to fairly rapid and reliable technical implementation the downside is greater business change impact. Capita's fast track implementation implies that it will be particularly important for the Council to plan and execute business changes rapidly,
- Capita's 'decoupled' solution gives the impression of working with Harrow IT only when necessary. This is intended to reduce implementation risk - Capita's declared reason for Hosting was to minimise dependencies on Harrow's IT resources. On the other hand, some elements of the implementation will require close collaboration with people in Harrow IT who have knowledge of the current systems. This may be more difficult hosted off-site than on-site.
- Capita agreed in Questions that they had followed a general rule of keeping existing systems unless there is a clear reason not to. It appears to be an unstated assumption that this would be the Council's policy. In practice the Council may prefer a more active replacement policy.
- The information architecture is based on integrating data rather than aiming for a single data model - and this is a practical and credible approach .

Fujitsu

Fujitsu Executive Overview

Fujitsu

- Fujitsu offer a collaborative style, working alongside the Council's staff to improve their skills in Service Delivery and Service Management, with leadership and professional support for the three initial projects.
- The close-coupled nature of Fujitsu's approach will lead to greater skills transfer into Harrow, and better development of Harrow's strategic IT capabilities. On the other hand this implies greater dependencies on Harrow resources and HITS would need to take this into account when planning other IT projects.
- The technology choices made by Fujitsu will lead to a significantly more complex landscape than could be achieved, particularly in terms of the number of existing systems that will continue. The benefit gained from this is that the architecture is more flexible and allows more 'best of breed' or Harrow-specific systems and processes. The main adverse implications are greater costs of ownership and wider skills needs for Harrow's on-going IT.
- Fujitsu propose an extensive range of new equipment of its own brand. However, this equipment is not so well accepted in the UK as it is in Germany, where the Fujitsu-Siemens brand is very popular. Fujitsu's customer base in the UK is not well-established in any vertical except perhaps local government. The high-end Fujitsu servers rely on a recently formed partnership between Fujitsu-Siemens and Sun and the long-term outlook for this vendor combination is somewhat uncertain. These points make it more important to examine Fujitsu's reference sites, and also to pay particular attention to maintenance and support terms. In the long term there is a slight risk of the Council finding itself on obsolescent or poorly supported hardware, if Fujitsu-Siemens fails to keep its position in the market.
- In general terms the chosen software applications could be implemented on other hardware. Once the solution has been implemented it will still be portable, but with some effort.
- The wireless network proposed by Fujitsu should be regarded as suited to 'early adopters'. The practical impact of adopting it would be higher maintenance and upgrade effort due to product immaturity, and relatively rapid obsolescence compared with mature fixed-line technologies. The security threats to wireless networking require very careful configuration and management. If the Council is willing to accept these drawbacks then the resulting solution would provide excellent flexibility and connectivity across the borough.

Key Elements:

- ERP, CRM and MIS software from Oracle.
- IP telephony and call centre technology from Cisco.
- Comprehensive provision of hardware, including servers, PCs, laptops, PDAs, and other elements. The hardware is overwhelmingly Fujitsu-Siemens products.
- A wireless wide-area network is proposed. This is not essential but promoted by Fujitsu as adding considerable value. It is separately priced, but no alternative was priced in the initial proposal.

Findings

- Fujitsu have chosen market-leading applications products from tier-1 global vendors. Oracle is certainly capable of meeting the Council's requirements in ERP and CRM.
- There are no major incompatibilities with Council's current systems. In fact, there is an impression that this has been a key goal in Fujitsu's overall design.
- Oracle is a strong choice for the major software applications.
- Harrow IT currently has Oracle databases and Oracle HR, and hence a certain level of support skills in house. However, the implementation and support of further applications such as Oracle Financials will require new skills.
- The hardware is from Fujitsu-Siemens. Their servers have an excellent specification but are much less widely used in the UK than those from Sun, HP, or IBM.
- Fujitsu have sought to "build on" Council's existing technology in several areas, e.g. Convu, CACI, Heat. This approach is based on assumptions about Council's preferences that in fact may not hold. The IT architecture will be somewhat more complex and it will have higher costs of maintenance and support. The end users will be able to carry on using many of the current applications - but whether this really lessens the 'Change' impact depends on what regard the current applications are held in.

Applications (1) Major Systems

Fujitsu

Key Elements

- **Improved Operational Systems & Processes:** Oracle Financials and Oracle HR.
- **Contact Centre:** Oracle CRM.
- **Management Information:** Mainly Corvu and existing reporting tools, eg Crystal, Business Objects. It is not clear that Oracle Reporting is proposed.
- **Property Management:** Continue 'Heat'
- **Document & Imaging:** CACI plus Kofax, Staffware, Spescom.
- **eMail:** Mirapoint Continuum as an email server. It is understood (from Questions) that this will replace the Council's Groupwise Exchange.
- **Portal:** None stated.
- **Intranet & Internet Applications:** None stated.

Findings

- Fujitsu have taken a 'single vendor' strategy for the main applications and have chosen Oracle. The choice of single vendor rather than 'best of breed' will result in a more consistent and more tightly integrated suite of applications. On the other hand there will be a high degree of lock-in to the chosen vendor and some loss of flexibility in terms of future evolution. There may also be minor compromises in terms of functionality.
- Oracle and SAP are the leading global vendors of ERP and CRM software. They are the only credible candidates for sourcing all the Financial, HR, and CRM applications from one vendor.
- Oracle markets powerful MIS tools, e.g. Oracle Business Intelligence, but these have not been proposed. The technical proposal is slightly weaker as a result.

Applications (2) Minor Systems

Fujitsu

Key Elements

- **Improved Operational Systems & Processes:** Oracle Financials and Oracle HR.
- **Contact Centre:** Oracle CRM.
- **Management Information:** Mainly Corvu and existing reporting tools, eg Crystal, Business Objects. It is not clear that Oracle Reporting is proposed.
- **Property Management:** Continue 'Heat'
- **Document & Imaging:** CACI plus Kofax, Staffware, Spescom.
- **eMail:** Mirapoint Continuum as an email server. It is understood (from Questions) that this will replace the Council's Groupwise Exchange.
- **Portal:** None stated.
- **Intranet & Internet Applications:** None stated.

Findings

- The Council's skills base in CorVu is not as strong as Fujitsu appear to have assumed. CorVu and its sister products are essentially niche products, and the associated skills and knowledge are not common.
- Fujitsu over-estimate the Council's current usage and dependency on CACI. The products proposed for Document & Imaging amount to a weak combination, although Staffware is strong in its niche (Workflow). Harrow should consider whether this proposal can be strengthened by bringing in a comprehensive document and records management system.
- In general Fujitsu have avoided 'clearing away' the Council's existing applications, even where the new ERP/CRM applications could naturally replace them. Examples: Lynx-Heywood Pensions, Midland Car Allowances.
- There needs to be better definition of Fujitsu's strategic direction and reasoning around the selection of Mirapoint email server. Without this justification, the Council should resist replacing its current email system.
- The solution would be improved by a proposal for a Portal with unified sign-on and consistent access to applications.
- The lack of proposal for intranet/internet technology is significant given that First Contact will have a major web channel. The implication is that either Fujitsu have assumed (without stating) that Harrow's planned technology will be suitable, or otherwise Fujitsu's analysis is not complete.

Key Elements

- Oracle DBMS.
- Fujitsu's design concept seems to be to replace several current databases with a centralized enterprise data model. ("Deliver a single database, based on your existing Oracle database standard, giving a single, consolidated "view of the truth" - Fujitsu proposal)

Findings

- The intention of a centralized Council-wide data model is a fine aspiration but may be very difficult to realize. Many organizations have attempted this and found it much harder than expected. A key difficulty is the need to involve business owners of the data in agreeing standard definitions, and this involves a considerable amount of work from business departments rather than IT.
- The above points create risks of schedule delay and cost over-run. If Fujitsu's proposal is accepted there are two basic recommendations for the Council:
 - Ensure that additional costs incurred by Fujitsu remain with Fujitsu.
 - Budget contingency into the Council's costs.

Key Elements

- **Fujitsu-Siemens PrimePower servers and Primergy servers.**
- **500 PCs, 100 laptops, 100 PDAs. All Fujitsu-Siemens.**
- **Solaris O/S on the PrimePower servers, Windows Server 2003 on the Primergy servers.**
- **Windows XP on PC & laptops.**
- **NetApp 920C/960C storage area network.**
- **No clear proposals for Security technology.**
- **No clear proposals for network and systems management.**

Findings

- The Fujitsu-Siemens (FSC) hardware is generally well-regarded and gaining market share in most markets. It must be noted however that FSC have only a small market share in the UK. (Much larger in Germany.)
- In the market for high-performance servers, Fujitsu are seen to have “pushed the envelope” with respect to developing a SPARC compatible range. Fujitsu claim that their servers outperform Sun servers – using Solaris – and that they are less expensive.
- The long-term viability of the FSC servers also depends on Fujitsu-Siemens alliance with Sun Microsystems, which is relatively recent. Sun itself is considered to be somewhat threatened in the market for mid-range servers.
- The implication of these points is that the Council assess the impact of having to migrate off FSC hardware during the contract, and should consider making contingency plans for this.
- It is not clear what the scope of supply for PCs, laptops, etc should be. Given the high degree of de-facto standardization the Council could easily source these elsewhere. Ideally Fujitsu should provide a clear cost benefit for adopting Fujitsu-Siemens hardware, and this incentive should be built into the refresh in future years.
- The proposal for Windows XP as client O/S is ahead of the Council’s current standard. It is important to ensure that Fujitsu’s architecture does not force the Council to upgrade its PCs prematurely, given that it has only just completed a desktop standardization.
- Fujitsu have not made a commitment to thin client architecture, which would be strongly preferable to the Council.

Key Elements

- **Wireless WAN based on technology from two companies: Networks-by-Wireless and Netmotion.**
- **WAN: No proposal apart from the Wireless proposition.**
- **LAN: No change proposed.**
- **Telephony: Cisco IP telephony and contact centre products.**

Findings

- Selection of Cisco Telephony is in line with Harrow's preference for Cisco in the future LAN technology. Consistent technology across Telephony and LAN is likely to be a benefit, although almost certainly not essential.
- Harrow are considering Cisco, Avaya, and Mitel for future IP telephony and have not yet established a preference. Mitel is not certified for use with Oracle CRM and hence may be incompatible with Fujitsu's solution, although this may be a theoretical risk only.
- The Wireless proposition goes much further than Harrow had envisaged. Harrow has a planned project for wireless LAN but Fujitsu's proposal does not discuss it. It would not be worthwhile to run two different wireless technologies together, in terms of maintenance and operations effort, and hence Fujitsu's proposal would replace Harrow's provisional selection.
- The Wireless technology proposed is technically strong (and has comparable reference sites), but this is an area where standards are continuing to evolve rapidly. The Council would carry the risk of needing to upgrade or even replace the Wireless infrastructure after only a few years owing to rapid obsolescence.
- There are security concerns about Wireless. In practice the impact of these is on manageability and reliability. The risk of losing service through errors in configuration or operation is greater than the threat from deliberate intervention. This is particularly a result of greater complexity.
- **Key Implication:** The Council should only accept the additional costs and risks of the wireless network if there are clear business benefits and these would be exploited in the near future.

Key Elements

- **No integration technology explicitly proposed. The Oracle stack envisaged will contain significant integration capabilities via Oracle Application Server, but this is not discussed in the proposal.**

Findings

- Considering that Fujitsu aim to continue with very many of the existing systems, there should be a much more explicit and holistic approach to applications integration. There are two key risks implied by this oversight:
 - Risk of unforeseen difficulties and delays in implementation.
 - Risk of developing an architecture with several customised interfaces that are difficult to maintain or adapt.
- **Mitigation: Harrow should press Fujitsu to improve and expand this area of design before contract or early in the implementation.**

Key Elements

- A '100-day plan' for improvements to Harrow's IT services, based around the ITIL framework for service delivery.
- **First Contact:** Large tranche of functionality live 7 months from project initiation.
- **ERP:** Staged implementation: Budgeting live at 8 months, GL and AR at 13 months, HR self service at 16 months.
- **MIS:** Two waves, approximately 14 months and 22 months from project initiation.

Findings

- The "100 day" plan covers 100 person-days over an elapsed time of approximately 9 months. This distinction (and possible confusion) would greatly reduce any benefits in terms of momentum or quick wins that may have been intended.
- The Oracle ERP/CRM timescales look prudent, on the basis of a high-level 'sanity check'. The durations are consistent with numerous large scale ERP implementations known to Gartner.
- Fujitsu's ERP timeline is based on starting at "month minus 3". In practice allowing work to start before contract award could prejudice negotiations and may not be to the Council's advantage.
- The solution requires integrating and maintaining a higher than necessary proportion of existing systems (virtually wherever possible). The intention seems to be to conserve systems, but at the same time it will be invasive.
- The centralized data solution implies a new information architecture, and this will add a factor of difficulty to the business process analysis within the implementation. Implications: Prudent estimating for Blueprint needed. Deep commitment to Blueprint from business process owners.
- Oracle applications generally require more business analysis and process modelling, but in this context would provide greater opportunity for flexibility to meet Harrow's specific needs and preferences.
- The above factors indicate that overall there will be a highly complex environment to implement. Additional factors that contribute to this include the lack of a stated architecture for applications integration. The main implications of this complexity are higher risk to cost and timescales in implementation.

Annex 1

Summary of Proposed Technologies

Applications

Technology	Harrow Now	Harrow Direction	Capita Proposed	Fujitsu Proposed
<i>Applications</i>				
Finance	Cedar. Radius.	MVM solution set 2 just started. CoreLogic being put in now.	SAP. MVM integration.	Oracle Financials. MVM integration.
HR	Oracle HR. Midland Payroll. Various others.		SAP HR.	Oracle HR. Some others retained.
Customer Contact	None.	No preference.	SAP CRM.	Oracle CRM
MIS, BI, Reporting	Conu. MVM Reports. Crystal Reports, Business Objects, Oracle Discoverer. Excel, Access etc.		SAP BW. SAP Reporting. Conu.	Conu. Oracle Reports?
Property Management		Subject of the 'Heat' project.	Continue Heat.	Continue Heat.
Messaging	Groupwise Central Exchange 6.5 Mostly Groupwise clients, plus a small number of Outlook clients.	Considering MS Exchange	Within Avaya, otherwise none.	Mirapoint Continuum. Razorgate.
Document and Imaging	CACI - limited extent. More generally Unisys or bespoke.		FileNet	CACI + Kofax, Staffware, Spescom.
Intranet, Extranet, Content Management.	APLAWWS Plus (National project).	Moving to LAWS.	May not have been considered. FileNet can do Web Content M'tment.	Unclear.
Portal	Only at application level.		SAP Portal. Sun Directory for authentication?	Unclear.

Infrastructure Servers & Clients

Technology	Harrow Now	Harrow Direction	Capita Proposed	Fujitsu Proposed
Infrastructure				
Servers & Clients				
Server Platforms	HP (Intel). Sun for core Oracle apps.		Sun	Fujitsu-Siemens Primepower (SPARC), Primergy (Intel).
Desktop/Laptop	Mostly HP desktop. Toshiba laptops.	Looking at Fujitsu tablets.	None.	Fujitsu-Siemens. 500 PCs + 100 laptops.
PDA	Palm OS.	Some iPAC.	None.	Fujitsu-Siemens (assume MS O/S) 100 PDAs.
Server O/S	Win NT, Win Server 2003, Terminal Services, Citrix Metaframe. Solaris (core Oracle apps), Linux (Red Hat), AIX.	Off Win NT, Off AIX.	Solaris	Solaris. Windows 2003.
Network O/S	Network 5.1 Small AD infrastructure - reqd for Outlook clients.	Network 6.5 cluster.	None.	None.
Directory	Novell eDirectory.	A prime directory to manage others.	Sun Directory Services. SAP Portal for Single Sign On	Oracle Identity Management.
Client O/S	Win 2000, Few XP. Thin client via Citrix.	Web browser or Citrix for new apps. XP not decided.	None.	Win XP.
Enterprise Storage	Net App 920C (although not actually live yet).	Net App with Novell cluster.	Hitachi HDS	NetApp 920C & 960C.
Enterprise DBMS	Oracle (preferred). Relatively simple infrastructure. SQL Server.	Same.	Oracle	Oracle

Infrastructure Other Categories

Technology	Harrow Now	Harrow Direction	Capita Proposed	Fujitsu Proposed
<i>Infrastructure</i>				
<i>Other Categories</i>				
WAN	Some sites connected.	WAN project underway. BT main supplier.	Unclear.	Unclear.
LAN	Various. Most newer kit is HP.	LAN project is selecting vendor. Cisco preferred.	No change.	No change.
Wireless Technology	None.	Pilot WLAN project not started.	None.	Networks by Wireless; Netmotion Mobility
Voice Telephony	Simple call centre runs on Phillips PBX. Mitel IP telephony piloting at one site.	Short-listed 3 vendors for full IP telephony solution: Avaya, Cisco, Mitel.	Avaya (but flexible).	Cisco
Middleware	None.	Application-to-application integration.	SeeBeyond	Not explicit. Perhaps Oracle AS.
Security	Several separate products/ technologies, including: Novell Single Sign On, Checkpoint, RSA for strong authentication.	Aiming for intrusion detection & prevention. Device authentication as part of LAN.		
System & Network Management	Some BMC Patrol. Various monitoring software. ZenWorks for workstation miment. Server-specific (HP or Sun) tools.	Tender currently considering Tivoli, Unicentre, Openview.	BMC Patrol. Control-M	Possibly Oracle Identity Management (integrating to NDS, not Groupwise).

Gartner



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PROJECT SYRIGANS (SP and Bin-SP) Benefits | ERP | HRES benefit card & models

 Benefits Card - LBH HR000 HRES - Consolidated benefits				
Workstream	ERP - Improved Operational Processes & Systems			
Directorate	Business Development			
Department	HRES			
Budget & Benefit Owner	Group Manager - HRES			
SAP Modules Involved	HR			
Benefit Type	FTE Savings			
Target Completion Date	Dec-06			
Benefit Description		Lifetime Benefit Value (£)		
<p>This card represents a combination of the benefits realised by HRES (9.86 FTE). The benefits highlighted here include the following net headcount savings made within HRES by the implementation of SAP improved HRES processes. The net benefit to HRES (accounting for headcount increases in two process areas as a result of processes transferring into HRES) will be signed off individually by the Group Manager, HRES.</p> <p>Areas of improvement include:</p> <ul style="list-style-type: none"> - Data entry into a single system replacing the currently separate HR & Payroll systems; - Removal of HR / Payroll hand-off activities; - Removal of large proportion of manual paperwork; - Removal of manual calculations and ad hoc spreadsheets; - Significantly reduced checking of manual calculations <p>Capita's recommendation to realise benefits:</p> <ul style="list-style-type: none"> - The implementation of a new HRES organisation structure 		£2,410,310.24		
		Annual Benefit Value (£)		
		£274,161.92		
		2006/2007 Benefit Value (£)		
		£79,963.89		
Benefit Calculation Assumptions				
The following assumptions apply to the calculations performed in calculating each of the HRES benefits				
Employee rate of £11,635 / hour (GLPC Rate) @ 36 hours / week x 52,1429 weeks / year = £21,894.07 FTE analysis allows for annual leave, absence & training days Employment on costs (inc. pension, NI, training) @ 27%				
Assumes 'as-is' processing is performed during 'normal' hours - no allowance has been made for work performed on overtime Excludes potential for additional FTE savings which might result from full roll-out of employee and manager self-service Lifetime term of 105.5 Months - Assumes realisation is achievable in December 2006 following September 2006 go-live 2006/2007 benefit achievable from December '06 to March '07 inclusive i.e. 3.5 months Excludes any scope for reduction in management overhead which might be possible as a result of the reduction in FTEs required to manage these processes				
Process	As Is FTE	To Be FTE	Saving	
Starters and Leavers	5.6	4.75	0.85	Please refer to benefits card HR001
Attendance	4.83	3.2	1.63	Please refer to benefits card HR002
Payments and Deductions	9.2	3.08	6.12	Please refer to benefits card HR003
Employee Related Changes	5.05	2.34	2.71	Please refer to benefits card HR004
Customer & Process Support	3.74	2.79	0.95	Please refer to benefits card HR005
Expenses (HRES)	0	1.4	-1.4	Transferred in from Finance. Refer to benefits card HR006
Depot Recruitment (HRES)	0	1	-1	Transferred in from Depot. Refer to benefits card HR007
Totals	28.42	18.56	9.86	
Partner Enablers				
<ul style="list-style-type: none"> - Confirm As Is process timings - completed and validated twice by Change Champions - Develop simplified To Be processes - completed during Common Design stage - Identify relevant documentation and policies to support To Be processes - Ensure sufficient information for Audit ratification - Deliver fully functioning SAP system in line with Common Design - Develop clearly defined SAP roles to be assigned to each type of system user - Development and delivery of training to support system and process implementation - Ensure effective communication to facilitate change from As Is to To Be processes - Design and implement Service Delivery model to ensure effective post 'Go Live' support - Test timings of To Be processes through simulated model office environment - Propose testing and acceptance criteria for benefits enablement sign-off - Assist in the review of existing key performance indicators and service level agreements 				

Council Enablers

- Provide Change Champion resource - completed
- Agree and sign-off process content, timings and volumes - completed
- Agree process improvements that have been identified - completed
- Ensure adequate sign-off and ownership of process changes
- Sign off content of Common Design report
- Implement required changes to process documentation (e.g. forms, policies)
- Design HRES organisation structure based on To Be FTE analysis - complete
- Define job profiles for new organisation structure - complete
- Manage consultation activities with employees and unions
- Carry out selection into new roles
- Review current key performance indicators & service level agreements
- Agree testing and acceptance criteria for benefits enablement sign-off
- Provide Change Champion and Key User input into benefits testing

Timing	Start	Acceptance Test Date	Activation Target Date
	Oct-05	Jul / Aug-06	Dec-06

Council Dependencies to Realise Benefits

- Implement new HRES organisation structure in line with transition plan
- Reduce HRES budget in line with proposed FTE reductions
- Align other Council HR budgets (i.e. libraries, depot) from which HR activity is transferring to HRES
- Ongoing communication with unions relating to transition
- Select and develop individuals to fill 'technical expert' roles to support SAP system

	Role	Name	Signature
Identified	ERP Lead	A Whitelegg	<i>[Signature]</i>
Validated	ERP Lead	A Whitelegg	<i>[Signature]</i>
Approval	DIRECTOR	M BARRETT	<i>[Signature]</i>
Sign Off	G.M. HRBS	<i>[Signature]</i> G. Foley	<i>[Signature]</i>

Questions submitted by Philip Morrish

1. How is the Capita/BTP £45m cost allocated?

See Audit Trail above.

Capital expenditure includes payments to Capita, Harrow staff, accommodation, a provision for new business cases, and a contingency.

Revenue expenditure includes payments to capita, accommodation, performance bond, and a contingency.

2. How much is equipment, such as servers, PCs, desks, carpets, etc. It may be easier to categorise by 'life expectancy' of equipment, e.g., servers 3 years, desks 10 years, carpets and other similar fittings, say, 2 or 3years, software (10 years because of agreed upgrades?), etc

The contract did not itemise equipment as it was output based. However based on the Blueprint for Access Harrow we got all the IT - PCs/printers etc. We were also provided with servers to manage the extra demand.

Other elements of the contract have required extra IT i.e. extra servers for ERP and these were provided under the contract. The key issue is capacity, as this determines the effectiveness of the IT infrastructure, rather than a list of IT equipment.

More generally, the Council has a provision in its capital programme for the replacement of PCs on a rolling basis.

It is not practical to provide a very detailed analysis of all expenditure items under the project.

3. How much is allocated non equipment and does this entail?

See above

4. How do these costs arise over the 10 year life of the 'partnership'?

See Audit Trail.

5. What provision, if any, has been made within the BTP for replacement of equipment?

See above

6. How has the BTP contract been financed?

The Council approves a capital programme each year and this is financed through a combination of external funding (grants from TfL and DfES for

instance), capital receipts, and borrowing. The borrowing is categorised as supported (attracting revenue support grant) or unsupported. The Council takes a view on funding across the whole programme and not on a project by project basis. The capital expenditure relating to the BTP does not attract any external grants, and is therefore funded in part by capital receipts and largely through unsupported borrowing.

7. Is not the true cost of the BTP closer to £60m+ than £45m once interest servicing costs have been applied or is the interest wrapped up within the £45m?

Capital financing costs are around 9% a year and these are not included in the contract price.

The revenue cost of the BTP (including capital financing charges) is around £45m.

8. Is it really a sound financial principal to capitalise a person's salary over the life of the project when that salary is expended on a monthly basis?

Yes – this is consistent with the local government accounting framework.

9. What happens to the uncapitalised salary cost if that person leaves the employ of Harrow Council for whatever reason and would the salary of a replacement, if one was appointed, be capitalised?

If the postholder changes, the salary will still be treated in the same way.

10. Personally, and I am probably not alone in this thinking, I fail to see any material difference between the economic management of the finances of a Council and that of a commercial organisations, each has its own distinct demands upon the different organisation. Therefore, I come back to my question of last night, what financial hurdle rate (e.g., ROCE/WACC or ROI/WACC, etc) did the finance function of Harrow Council recommend to Councillors when negotiating the BTP with Capita and others?

The BTP was subject to an extremely detailed financial evaluation by Price Waterhouse Coopers (PWC) and their conclusions were reported to cabinet in September 2005. In broad terms PWC concluded that the bid from Capita represented a good deal. Much of the detailed financial model is commercially sensitive.

11. Is the BTP matching or exceeding that hurdle rate?

N/A

12. If no hurdle rate was provided, why not?

See above

13. I have constructed a very simple spreadsheet, based upon my understanding from what we were told at last night's meeting and if I am correct, in Year 1 (2006/07) Capita will have technically banked 28.9% of its £5m 'at risk' profit if it delivers the £1.3m permanent cost savings; by Year 2 this will have cumulatively increased to 68.9%; Year 3 will see the risk removed, indeed Capita should be claiming 2.4% or £0.16m pa from Harrow Council as their share of excess 'super-profit' and the obvious implication is that this will continue to rise from that point on in the life of the Agreement. Is my simple calculation correct?

See audit trail for profit at risk figures.

14. Does not look like much of a risk that Capita took? Because Capita's '£5m profit at risk' is apparently quickly covered and moves part way through Year 4 into the 'super profit category, does this not also suggest that Harrow Council did not negotiate hard enough with Capita let alone the other tenderers?

As noted above PWC confirmed that the Council had negotiated a very good deal.

Questions/comments from John Mitchell

Can I summarise what I think I learned?

Harrow pays Capita £4.5m per year over ten years totalling £45m. In each year of the contract Capita should save £4.5m so all the non-financial benefits will cost nothing. If Capita does not deliver it pays a penalty which is the shortfall. If it more than delivers it will share some of the 'profits'. As the contract was signed Sept 2005 can I assume Capita got its first £4.5m in 2006/7 and in this year will make savings of only £1.3m leaving Harrow out of pocket but £3.2m.

According to the table in para 85 (Para 19 in this report) the Capita savings target is £3.338m for 2007/8 but this is set against £4.5m plus £3.2m equals £7.7m leaving Harrow out of pocket by £4.362m. The savings target for 2008/9 is £4.846m set against £4.5m plus £4.362m equals £8.862m leaving Harrow out of pocket by £3.998m. We move on to 2009/10 with a target of £5.418m savings set against £4.5m plus £3.998m equals £8.498m leaving Harrow out of pocket by £3.08m. This looks like the first phase has cost the C Tax payer £3.08m but the fees to Eversheds, PWC and for the Gershon (assume this should read Gartner) report on a project as big as this will be at least a couple of million. We also have not added in the 9% revenue impact of capital associated with this project.

Response

The payments to Capita are £44m in total but most of the capital expenditure was incurred in 2005-06 and 2006-07. Therefore the payments are higher at the start of the contract and not spread evenly over the 10 year period.

The phasing of the savings is shown in the audit trail above.

Under the contract, £5m of Capita's profit is at risk and therefore only paid out when the savings are delivered.

The second part of the commentary is dealt with by the audit trail.

Appendix E

BTP Savings as at 31 January 2007

The schedule below lists all the savings that have been identified so far. This gives transparency about where savings are being found. These savings are at different stages in the benefit card process. Where savings are approved the full benefit card process is complete that budgets will be adjusted accordingly. Cards in development are classified according to the probability of them being finalised.

Benefit Workstream	2006-2007 Financial Yr Savings Forecast	2007-2008 Financial Yr Saving	Total Contract Benefit Value based on Latest Forecast
ERP			
Approved			
Automated Journals / BVA returns	10,356	17,753	161,258
Manage GL	11,153	19,119	173,663
Budget System Maintenance	12,746	21,850	198,472
Create & Distribute BCRs	9,559	16,388	148,854
Interest charges	14,314	24,539	222,897
Deecal decommission	0	0	299,633
HITS AP saving	15,932	27,313	248,090
Depot transfer	8,110	24,330	244,456
CAP main	113,120	193,920	1,761,436
Mgt saving- Centralisation (quick win)-UL Contracts	12,193	16,257	150,380
Mgt saving- Centralisation (quick win)-PF Payments	21,378	23,322	219,613
Mgt saving- Centralisation-Depot (quick win)	23,844	26,012	244,943
Car Allowance	6,373	10,925	99,236
HRES - streamlined processes	79,963	239,889	2,410,310
Dunning Efficiencies	1,857	11,144	96,579
HomeCare Invoicing	4,780	8,194	74,427
Catalyst 1	187,117	0	187,117
Sub Total	532,796	680,953	6,941,364
Low Probability of completion to forecast			
Petty cash reconciliation efficiencies	3,262	19,572	169,613
Sub Total	3,262	19,572	169,613
Medium Probability of completion to forecast			
Catalyst 2	50,000	0	50,000
Catalyst 3	132,000	0	132,000
Sub Total	182,000	0	182,000

Benefit Workstream	2006-2007 Financial Yr Savings Forecast	2007-2008 Financial Yr Saving	Total Contract Benefit Value based on Latest Forecast
Cards in Development			
Sector Review of Accounts	0	0	0
Sector review of Outsourcing Treasury function	0	0	0
Sub Total	0	0	0
Total ERP	718,058	700,525	7,292,977
Procurement			
Approved			
Telecoms (ITC) -	50,672	38,004	373,706
Temporary staff - Reduction in mark up	27,500	30,000	282,500
Temporary staff - Prompt payment discount	22,913	24,996	235,379
Taxi services	7,744	11,616	106,480
Travel	13,218	28,836	258,324
Mobiles	21,556	80,100	702,406
PCs & Laptops	47,178	30,324	304,932
Postage	12,015	26,736	239,271
Lifts	2100	3,600	32700
Decent Homes - Windows	1,538	0	1,538
Fuel Cards	46,325	111,180	991,355
PC Monitors - New spec device	4,150	9,000	80,650
Uniforms & PPE	12,415	29,796	265,681
Post envelopes supplier change	600	1,440	12,840
Software Consolidation Discount	3,495	8,388	74,793
PC Laptops - Further Price Reduction	5,763	17,289	201,705
PC further cost reduction	6,000	24,000	210,000
IC servers cost reduction	1,830	5,488	64,700
Integrated print	142,001	241,404	2,193,935
Remaining telecoms - UUNet	-4,213	9,624	77,591
Sub Total	424,800	731,821	6,710,486
High Probability of completion to forecast			
Temporary Labour - Eden Brown	17,499	52,497	612,465
Electrical Testing	2,499	7,496	87,465
Sub Total	19,998	59,993	699,930
Medium Probability of completion to forecast			
Temp staff - Length of service controls	23,604	70,812	826,140
Temp staff - Pay variance controls	29,616	88,848	1,036,560
PC new spec device	1,500	13,500	154,500
ICT Laptops - new spec device	0	900	10,200
Sub Total	54,720	174,060	2,027,400
Cards in Development			
Temporary Labour - Eden Brown settlement disc	8,000	36,000	416,000
ICT - Direct buy from HP	0	2,944	37,168
ICT - Peripheral Cost Reduction	0	1,784	22,523
Utilities - Water Management Services	0	4,830	69,000
Utilities - Energy Management Services	0	2,170	31,000
Sub Total	8,000	47,728	575,691

Benefit Workstream	2006-2007 Financial Yr Savings Forecast	2007-2008 Financial Yr Saving	Total Contract Benefit Value based on Latest Forecast
Low probability			
Fraiken contract review	28,044	65,232	767,340
Utilities - Historical Recovery	0	150,000	150,000
Temp staff - Avoidance staff pay increases	12,000	36,000	420,000
Settlement discounts (t/f of LBH-016 from ERP)	5,980	53,820	615,940
Sub Total	46,024	305,052	1,953,280
Unquantified Benefits			
Training	0	0	0
Recruitment advertising	0	0	0
Remaining telecoms - point 2 point lines	0	0	0
Software- Novell Licence management	0		0
Software- Other Licence management	0		0
Tactical catering review	0	0	0
Recruitment advertising	0	0	0
Install to Desk	0	0	0
Utilities Future savings	0		0
Consolidated Billing	0	0	0
Waste	0	0	0
Corporate Cleaning Supplies	0	0	0
Strategic catering review	0	0	0
Sub Total	0	0	0
Total Procurement	553,542	1,318,654	11,966,787
Access Harrow (First Contact)			
Approved			
Central Post Room- Working practices reengineering and streamlining	5,772	23,088	102,230
Sub Total	5,772	23,088	102,230
High Probability of completion to forecast			
Community Safety Parking BPR	0	0	537,549
Sub Total	0	0	537,549
Medium Probability of completion to forecast			
Housing - BPR Tenants Arrears Processes	0	0	0
Public Realm efficiencies in Allotments / sport pitch bookings	0	0	230,465
Integration between MVM & CRM Access Harrow	0	0	396,483
Sub Total	0	0	626,948
Cards in Development			
Streamline Garden House reception	0		103,562
Channel Migration	0		0
Sub total	0	0	103,562
Low Probability			
Special Projects manager	0	0	0
Corporate Complaints process efficiency	18,466	73,864	646,317

Benefit Workstream	2006-2007 Financial Yr Savings Forecast	2007-2008 Financial Yr Saving	Total Contract Benefit Value based on Latest Forecast
Community Safety Noise Complaints BPR	0	0	0
Sub Total	18,466	73,864	646,317
Unquantified Benefits			
Revs and Benefits (Change of Address)	0	0	0
Streamline Service area support function - Dev Control	0	0	0
Admin functions Review	0	0	0
Corporate Room/Hall Bookings	0	0	0
Strategic Review of Libraries Service provision	0	0	0
Centralise mail and paper	0	0	0
Mail & Paper Access Harrow	0	0	0
Total Access Harrow	24,238	96,952	2,016,606
MI			
Approved			
SAP BW Vitality Profiles	947	2,272	20,446
SAP BW Reporting	4,427	8,853	79,680
Sub Total	5,374	11,125	100,126
Medium Probability of completion to forecast			
Sub Total	0	0	0
Total MI	5,374	11,125	100,126
Cross Cutting			
Unquantified Benefits			
Review of Library services			
Parking Enforcement review			
Cash Collection			
Total Cross Cutting	0	0	0
Total	1,301,211	2,127,256	21,376,496

Service Analysis

To follow

Fees and Charges

Fees and Charges are reviewed on an annual basis and the key principles are set out below:

- Usually the annual increases are in line with inflation
- However, at intervals a fundamental review is carried out to test the relationship between the cost of the service and any charges
- Current user numbers and anticipated demand for the service are taken into account
- Changes for services and facilities in the area that are not provided by the council are taken into account
- Charges for similar or alternative facilities provided by other Local Authorities, public, voluntary or private sector organisations are taken into account
- Ability to pay is taken into account and for some fees and charges assessments are carried out to determine the appropriate contribution
- Ease of collection is another factor
- Approved increases generally take effect on 1 April
- Charges are normally rounded up or down, where necessary, to facilitate collection
- Charges include VAT where applicable.

Some fees and charges are statutory (ie determined by government).

The full schedule of proposed fees and charges for 2007-08 will be circulated prior to the Cabinet meeting.

Local Government Finance Settlement 2007-2008

Introduction

1. This appendix provides an assessment of the Local Government Finance Settlement 2007-2008 and discusses the outlook for the year 2008-2009 to 2010-2011.
2. The Key points are:
 - The 2007-2008 Local Government Finance Settlement was confirmed on 18 January 2007. There were no changes to the details previously announced in November 2006, which in turn were unchanged from January 2006.
 - As a result of the settlement Harrow will receive the grant floor increase of 2.7%, after adjusting for changes in responsibilities in 2007-2008, compared to the national increase of 3.8%.
 - The Government has reaffirmed its intention to announce 3-year settlements commencing in 2008-2009. The level of these will follow on from the Comprehensive Spending Review due to be announced in the summer of 2007.

Formula Grant

3. The table below shows the totals of the Formula Grant in 2007-2008.

	£000
Relative Needs Amount	54,581
Relative Resources Amount	-31,399
Central Allocation	36,561
Floor Damping	605
Total Formula Grant	60,349

Damping Grant

4. The settlement provides for floors to ensure that authorities have a minimum increase in grant, paid for by scaling back the grant increase for authorities with increases above the floor.
5. For authorities with Education and Social Services responsibilities such as Harrow the minimum grant increase is 2.7%. Harrow will receive £605,000 in Damping Grant in 2007-2008 to bring its grant increase up to 2.7%.

Future Years

6. The Government is currently undertaking a Comprehensive Spending Review and will announce the spending plans for the public sector covering the 3 year period 2008-2009 to 2010-2011 in the early summer of 2007. Following on from this the Government intend to announce the draft Local Government Finance Settlement for the following 3 years in November / December 2007. Current indications are that increases in Formula Grant funding over the 3-year period will be lower than in recent years. From 2008-09 an annual increase of 2% has been assumed, however, even though 2% is less than the 2007-08 settlement, in the context of the Comprehensive Spending Review this may be optimistic

School Budget and Local Management of Schools (LMS) Formula

Introduction

- 1.1 Although an initial determination of the 2007/08 Schools Budget was made before March 2006, it is a requirement of the School Finance Regulations 2006 that a local authority has to re-determine school budget shares for funding period 2 (2007/08) to take account of fact that the budget shares for funding period 2 notified to schools prior to 31 March 2006 were based on estimated/projected pupil numbers. These must be updated to reflect the January 2007 PLASC data and other non-pupil data, agreed last year by Schools Forum.

Schools Funding 2007/08 basis of funding

- 1.2 The January 2006 PLASC (pupil led annual schools count) data was used for the 2007/08 initial budget shares. It shows that Harrow will receive 6.4% growth as a result. However, it should be emphasised that these figures will be updated by the actual January 2007 PLASC figures. Local Authorities will not receive final allocations till May or June 2007. The minimum-funding guarantee is operational for 2007/08 and is set at 3.7% for all schools.
- 1.3 Using the Jan 2006 PLASC figures, it is estimated that the overall 2007/08 Schools Budget is £126.8m. This would be an increase of £7m overall to the Individual Schools Budget, to be distributed through formula funding and £0.8m increase on Central Items.

Schools formula funding

- 1.4 As part of setting multi-year budgets for schools, each Local Authority had to determine before the beginning of funding period 1 (2006/07), the formula which they would use to determine and re-determine schools' budget shares in funding periods 1 & 2 (2006/07 & 2007/08). Therefore, pupils and some non-pupils data will be updated for the 2007/08 budget, as agreed last year by Cabinet, after consultation with all schools and School Forum.
- 1.5 There have been no exceptional circumstances, which have required the funding formulae to be changed for 2007/08 from that agreed last year. The main changes agreed last year for 2007/08 were as follows:
- a) The Teachers Pay Grant element to be changed from two thirds UPS (upper spinal point) and one third AWPU (age weighted pupil units) in 2006/07 to two thirds AWPU and one third UPS in 2007/08. This will be changed to 100% AWPU in 2008-09 budget.
 - b) The continued growth of 5 Advanced Skill Teachers (ASTs) in 2007/08.

- c) Updating the factors for specific formula elements e.g. Learning Support Unit placements and LEA protection.

Individual Schools Budget 2007/08

- 1.6 The Individual Schools Budget is estimated to increase to £113.7m in 2007/08 from £106.5m in 2006/07. This is an increase of approx. £7.1m. However, after the impact of the 3.7% minimum-funding guarantee (£3.9m) is taken into account, this leaves £3.3m headroom to be allocated.
- 1.7 Schools Forum was consulted regarding the allocation of the headroom and there was general consensus that the following growth be funded from the headroom. Each of these issues is described in more detail below.

Table 1 - ISB Growth

	£'000
Headroom available	3,300
Less:	
Ministerial options	(1,570)
SEN Higher Costed Statements	(500)
Extra places at Special Schools	(386)
Increase in Free School Meals	(244)
Balance left	600

Ministerial Priorities

- 1.8 As was the case last year, Schools Forum were in agreement that both the KS3 Personalised Learning and the Primary Personalised Learning monies should be added to the relevant sector's AWPU values. They were also in agreement that Practical Learning Options monies should be distributed to schools with KS4 pupils by adding money to the KS4 AWPU. The monies for the ministerial priorities are shown below in table 2.

Table 2 - Ministerial Priorities

	£'000
KS3 Personalised Learning	747
Primary Personalised Learning	535
Practical Learning Options (14-16)	288
Total	1,570

SEN Higher Costed Statements

- 1.9 The biggest pressure in the 2006/07 financial year has been the interim funding given to SEN higher value costed statements this year through the

Specific Schools Contingency. It is estimated that the full year effect of the growth in SEN placements next year will be an additional £ 0.5m and Schools Forum were in agreement that this sum should be added to this element of the funding formula.

Extra Places at Special Schools

1.10 Growth is required to fund extra places at Special Schools. Woodlands were given interim funding for two extra classes in 2006/07. This translates to an additional £210k for 2007/08. Shaftesbury will have an additional 10 pupils, for whom an additional £100k needs to be provided. Specialist Autism places at Alexandra School requires an adjustment to place values to an increase of £76k. The advantage of using the capacity within Harrow Special Schools is that more costly out of borough placements are avoided.

Free School Meals

1.11 Schools Forum were also in agreement that the Free School Meals element needed to be increased in order to reflect the additional costs of meals to meet the 2006 Food Based and 2008 Nutrient Based Standards in 2007.

Central Items

1.12 The budget for the central items within the Dedicated Schools Grant has been reviewed and consulted with Schools Forum. Schools Forum was in agreement with the Central Items expenditure as shown in table 3.

Table 3 - Central Items

Description of Items	2007-08 Base Budget £'000	2007-08 Pay Inflation £'000	2007-08 Other Inflation £'000	2007-08 Growth £'000	2007/08 total £'000	Difference £'000
SEN	5,630	68	165	774	6,637	1,007
Early Years	3,128	28	56	(401)	2,811	(317)
Admissions	544	22	0	(40)	526	(18)
Other Areas e.g. PRU	1,853	82	0	0	1,935	82
Schools Specific Contingency	855	0	0	194	1,049	194
Therapy Services	0	0	0	65	65	65
Combined Budgets	0	0	0	120	120	120
Total	12,010	200	221	592	13,023	1,013

1.13 Central Items expenditure for 2007/08 is estimated to increase by £1,013k, of which £421k will be needed for inflation increases. £774k will be needed to address the demands of the SEN element of central items i.e. out of borough placements. Some of these increases are partly offset by anticipated savings in Early Years and Admissions expenditure.

- 1.14 There are new expenditure items, which need to be explained further. Firstly, the cost of the Paediatric Therapy Service contract has increased due to cost pressures within the Health Services and £65k will be needed to meet this increase. A review of the Therapy Services will take place in 2007/08, with a view to implementing any changes in April 2008. Secondly, the combined budgets category funds two items i.e. £ 75k for extended schools and £45k for the Education Psychology Service. Both of these services are the subject of Council's savings, detailed elsewhere in the report.
- 1.15 Schools Forum was consulted upon the proposal to fund these items from the available remaining headroom. The Council requires Schools Forum agreement in order to approve this, as it requires agreement to the increase of the central expenditure limit in order to implement. Schools Forum was consulted upon funding Education Welfare, Extended Schools and Education Psychology. Schools Forum was only minded to agree the latter two for one year. Whilst, overall, the Forum supported the proposals, it should be noted that the secondary sector voted against funding Extended Schools.

Schools Specific Contingency

- 1.16 Prior to the introduction of the Dedicated Schools Grant (DSG), schools contingency was part of the ISB. The Schools Specific Contingency now, however, forms part of Central Items. This transfer has caused the Central Items Limit to be breached and Schools Forum have agreed to this upper limit. The Schools Specific Contingency for 2007/08 is shown in table 4.

Table 4 - Schools Specific Contingency

Description of Items	Amount		Amount
	2006-07 £'000	Growth £'000	2007-08 £'000
SEN Costed Statements	250	250	500
Advanced Skills Teachers	75	87	162
Trigger Funding & FSM	250	0	250
LEA School Specific Contingency	40	0	40
Autism	65	-65	0
Little Stanmore	75	-75	0
Top Slicing 2005-06	100	-100	0
Formula Funding Review	0	25	25
Increased Flexibility Funding	0	72	72
	855	194	1,049

- 1.17 SEN Costed statements has been increased to £500k, the AST policy of 5 new ASTs has been continued for 2007/08, £25k has been allocated for the Formula Funding Review and £72k has been earmarked for the reduced Increased Flexibility Funding from LSC, which is used to fund the Skills Centre. It is not clear whether this funding will be received for 2007/08 and discussions are ongoing with LSC. It should be noted that the secondary sector voted against funding 5 ASTs in 2007/08.

Remaining Headroom

- 1.18 After allocating funding to the growth in Schools Specific Contingency and the one off funding for combined budgets e.g. Education Psychology Service and Extended Schools, there remains approx £285k headroom. Schools Forum were in agreement that any remaining balances after funding the above from headroom should be shared pro rata in sectors (i.e. Special Schools getting the appropriate share based on place factors not on pupil numbers).

Risk Assessment

A risk assessment has been conducted using the methodology that was developed last year.

The risk register is attached.

Whilst individually none of the risks are particularly high, a view must be taken on the likelihood of several of these risks materializing in any one year, and the combined impact. Of course, several of these risks could generate either an overspend or an underspend – for instance interest rates can go up or down. There are other examples of opportunities or windfalls that need to be taken into account such as rate rebates and additional grant.

The following approach has been used:

Likelihood:

Rating	Description	Range	Midpoint
A	Very High	>80%	90%
B	High	51-80%	65%
C	Significant	25-50%	38%
D	Low	10-24%	17%
E	Very Low	3-9%	6%
F	Almost impossible	1-2%	

Impact:

Rating	Description
I	Catastrophic
II	Critical
III	Marginal
IV	Negligible

For each identified risk, the worst case scenario in terms of possible overspend or income shortfall has been identified and multiplied by the likelihood.

The risks have been quantified as shown in the example below:

Risk	Worst Case £000	Likelihood %	Estimated risk £000
Economic/Financial Risks			
Interest Rates	1,000	20%	200

The total value of risk that has been quantified is £3.4m.

The greatest risks are demand for social care, the actions of the PCT, and achievement of savings.

Budget Risk Register 2007-08 to 2009-10

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
<u>POLITICAL RISKS</u>							
Change in government policy	B II	Cannot be quantified	Cannot be quantified	Cannot be quantified	x	Externally	There would usually be a long lead in time for a change in policy and provision would be made in the budget.
By-Election	D III	20	17%	3	x	Externally	Worst case is based on two By-Elections in one financial year.
<u>ECONOMIC / FINANCIAL RISKS</u>							
Interest Rate instability	E III	1,000	6%	60	x	Externally	The worst case is based on an interest rate fall of a full 1% above the projected rate for a full year. Likelihood is deemed to be very low. Prudent view taken in next year's budget.
Inflation	D III	500	17%	85	x	Externally	Inflation includes pay, contracts, special items such as utilities, and other supplies and services. At present inflation is relatively stable. The pay award for 2007-08 has yet to be agreed but there is pressure from central government to contain increases to 2%. Contract price increases are known in advance.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
Shortage of working capital	E III	250	6%	15	x	Internally	Fluctuations in working capital have been an issue in the past, however improvements will be made with the new financial system in relation to income collection, and payments, which should improve cash flow.
Poor management of long-term debt.	F III	0	0	0	x	Internally	The debt portfolio is largely at fixed interest rates. Hence there is minimal risk in this area.
Poor asset management.	F III	0	0	0	X	Internally	Steps have been taken to significantly improve asset management and this represents a future opportunity.
Bad debts and adequacy of provision	D II	1,000	17%	170	X	Internally	Improved monitoring arrangements introduced in 2006-07 as part of the quarterly budget monitoring reports to Cabinet. Bad Debt Provisions for all debtor areas are continually reviewed.
Changes to grant regime	B IV	0	0	0	x	Externally	High risk of it changing but we are moving to 3 year settlements for most grants which reduces risk.
Settlement of grant claims	C II	1,050	20%	210	x	Externally	Experience shows there is a risk of claims for asylum seeker grants not being settled in full by the government.
Market developments: Property market	E II	300	6%	18	x	Externally	The anticipated changes in the structure of land charges are reflected in the 2008-09 budget.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
Market developments: Business growth	C III	0	0	0	x	Externally	The Business growth incentive scheme (LABGI) allows Harrow to retain some non-domestic rate income locally. Given the uncertainty around the scheme the income target has been removed from the budget entirely from 2007-08 onwards.
Market developments: Employment market	E III	100	6%	6	x	Externally	This is a fairly long-term issue around the employment market and the Council's ability to recruit and retain staff. Strategies are in place. In the short term there could be increases in recruitment costs.
Litigation against council	C III	1,000	38%	380	In some cases	Both	Litigation could include Employment tribunals, planning appeals, personal injury claims, cases involving clients in care, and even corporate manslaughter. In some cases insurance is in place and liability is capped. The Council's governance framework is designed to reduce risk and ensure that the Council carries out its duties properly and is not negligent. However there is increasingly a compensation culture.
Major fraud	E III	100	6%	6	Yes - partially	Both	No major cases in recent years.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
Increased pension fund contributions	B II	0	0	0	x	Externally	Always have notice of changes of this nature so that they can be fully reflected in the budget.
Council Tax: Collection Fund	D III	200	17%	34	x	Externally	There is a risk that there will be a deficit on the Collection Fund at year-end if the tax base has been overestimated, or collection performance has been worse than expected. The target collection rate has been reduced in the 2007-08 budget and will be reduced again in 2008-09 to eliminate this risk.
Capital Financing Charges	D III	250	6%	15	x	Internally	During 2006-07 a budget pressure was identified because the impact of the capital programme was not fully reflected in the revenue budget. This has now been addressed and the 2007-08 capital programme is reflected in the 2007-08 revenue budget. Hence the risk of this occurring again is low.
Levies and Precepts	EIV	50	6%	3	x	Externally	The Council pays a range of levies, precepts and subscriptions which are set by other bodies. These are usually known before the budget is set. The waste levy will be a significant issue in future due to the increasing cost of waste disposal.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
Poor budget management	D III	500	17%	85	x	Internally	Budget holders have clear responsibilities and the position is monitored during the year. Training, internal controls, and systems are the mitigation. However, overspends can occur during the year and impact on the overall position of the Council.
<u>SOCIAL RISKS</u>							
Demographic aspects: Children's services Adult services	B II C II	1,000 500	65% 38%	650 190	x	Externally	Every effort is made to forecast demographic changes in the budget, however small changes in client numbers can have a significant impact on costs. There is more control over the cost of adult placements and services than there is for children's services.
Population growth rates	D III	0	0	0	x	Externally	Population figures in Harrow are relatively stable. If the population figures change in line with the national average then funding is not affected. The Council does get notice via the grant settlement.
<u>TECHNOLOGICAL RISKS</u>							
System failure	D II	100	15%	15	Yes - partially	Both	Restoration costs are covered by insurance

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
<u>LEGISLATIVE/REGULATORY</u>							
New legislation	B II	0	0	0	x	Externally	Given the lead in time for legislative changes this is more of a medium to long-term budgeting issue. Examples include Land charges fee structure, Youth legislation, Licences and gambling, Children's Act. For 2007-08 implications built into the budget.
<u>ENVIRONMENTAL RISKS</u>							
Natural disaster, accident or terrorist incident	E III	725	6%	43	Yes - partially	Externally	The government has a scheme (the Bellwin scheme) that covers authorities for 85% of costs of a major disaster above 0.2 % of net revenue budget (£500k). The risk to the Council is 100% of costs below the threshold and the 15% above it.
Adverse weather conditions	D III	100	17%	17	Yes - partially	Externally	There is some provision in the budget for seasonal work. This risk relates to exceptionally bad weather.
<u>COMPETITIVE RISKS</u>							
Gershon efficiency agenda	C III	0	0	0	X	Internally	In medium term the BTP will deliver the majority of the Council's Gershon savings. There are no financial penalties for failing to achieve the targets.

Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
		£000		£000			
Achievement of allocated savings included in the budget	C II	1,000	38%	380	X	Internally	The final 2007-08 budget will contain challenging savings and these will be very closely monitored during the year.
Achievement of unallocated savings included in the budget	F II	0	0	0	X	Internally	The corporate procurement target has been removed from the budget from 2007-08 and the BTP savings will be fully itemised when the budget is set in February. The final 2007-08 budget does not include any unallocated savings
<u>PARTNERSHIP / CONTRACTUAL RISKS</u>							
Partnership failure – LAA	EIII	950	6%	57	X	Externally	The LAA will receive pump-priming grant in 2007-08. All projects will be closely monitored.
Partnership failure – PCT	B II	1,000	38%	380	X	Externally	The budget includes provision for the PCT pulling out of joint services and for additional clients transferred from continuing care to the Local Authority. However, there are still disputed debits to be resolved.
Partnership failure – BTP	DIII	3,400	17%	578	X	Internally	The savings from the partnership as per the contract are built into the budget for 2007-2008.
TOTAL		15,095		3,400			

Reserves and Provisions

The recommended reserves policy is as follows:

The Council intends to add £1m to reserves and provisions each year until such time as general balances exceed £5m.

The rationale for this new policy is set out below.

Councils need balances so that they can deal with unforeseen calls on resources without disrupting service delivery. It is the responsibility of each authority to set its level of reserves based on local conditions, but taking into account national factors. Although advice can be sought from the external auditor it is not their responsibility to prescribe the appropriate level.

Each year the External Auditor conducts an assessment called Use of Resources, and allocates a score out of 4 for financial reporting, financial management, financial standing, internal control and value for money. This forms part of the Council's corporate performance assessment. The overspend in 2005-06 and low level of balances at 31 March 2006 resulted in the Council scoring 1 for financial standing in the assessment this year. The overall score was 2.

The use of resources model requires a risk assessment to be carried out to determine the level of reserves. The Audit Commission also expects a good authority to review its reserves on an annual basis.

The risk assessment above shows that the total risk identified has been quantified at £3.4m. However, the appropriate level of reserves for a council to hold is extremely subjective. It is important to find a balance between being at risk of wiping out all reserves in a single bad year and having excessive reserves and thereby wasting taxpayer's money.

The Council should at least be able to cope with a modest overspend in any one year and still be in a stable financial position.

The target level of reserves depends on:

- The degree of risk contained in the budget
- The effectiveness of budget monitoring during the year
- The effectiveness of balance sheet management during the year
- The extent to which the Council has earmarked reserves and provisions to deal with specific items

Harrow is moving towards a lower risk budget and there are no unallocated savings or unconfirmed income streams in the final budget. There are however

substantial itemised savings (£14m in total). Harrow has also made considerable improvements to its budget monitoring arrangements this year. However, there are very few earmarked reserves and provisions and there is considerable historic debt.

Taking all this together, the target level for reserves should be £5-£7m. The proposed budget includes an annual contribution to reserves of £1m. A greater annual contribution is not feasible given the Council's financial position. As at 31 March 2006 the level of General Fund Reserves was £1.8m. The forecast to 31 March 2007 is currently £1.5m. Therefore, depending on the outturn in each year, general fund balances of £5m should be achieved in 4-5 years.

Report of the Chief Finance Officer

Under the Local Government Act 2003 the Director of Financial and Business Strategy (in her capacity as the Chief Finance Officer under S151 of the Local Government Act 1972) is required to comment on the robustness of the budget and the adequacy of reserves. Her report is set out below.

Robustness of the Budget

In my view the budget is robust.

The issues that arose during 2005-06 and 2006-07 have been taken into account in the new medium term budget for 2007-08 to 2009-10 and the degree of risk has been reduced considerably.

I have taken a number of factors into account in arriving at my opinion:

- Reasonable assumptions have been made in relation to inflation
- Service managers have made reasonable assumptions about growth pressures and taken a prudent view of volatile areas
- Savings proposals have been explored in some detail and Directorates have confirmed that they are achievable
- Prudent assumptions have been made for items that are subject to statutory consultation
- The remaining BTP target is realistic and work is well developed to achieve the savings
- Grant increases have been confirmed by the relevant government departments
- Prudent assumptions have been made about interest rates
- The recommended increases in fees and charges are in line with the assumptions in the budget
- A risk assessment has been conducted

Adequacy of Reserves

The Council has a small number of provisions and earmarked reserves to deal with particular issues such as insurance claims. The forecast general fund balance at 31 March 2007 is £1.5m. This is not adequate but the new MTBS includes a contribution to reserves of £1m a year which is consistent with the policy attached at Appendix K.

Budget Monitoring

The Local Government Act 2003 also introduced requirements in relation to budget monitoring and management action. Budget monitoring arrangements are in place in Harrow. These arrangements are continually being developed, and the risk areas identified in the assessment will be kept under review. The financial position can change relatively quickly and any adverse variations must

be identified and addressed promptly by service managers to avoid further calls on reserves.

Appendix M

Council Tax Resolution 2007-2008

Cabinet to approve as part of the Summons for Council, the model budget and Council Tax resolutions reflecting the recommendations of Cabinet and the GLA precept.

Council is requested to determine the level of the Council Tax for 2007-2008 in the light of the information on the precept and make the calculations set out in the resolution shown below.

- (1) To note that at its meeting on 18 January 2007 the Council calculated the amount of 84,926 as its Council Tax Base for the year 2007-2008 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33 (5) of the Local Government Finance Act 1992.
- (2) That the following amounts be now calculated by the Council for the year 2007-2008, in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
 - (i) Being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (2) (a) to (e) of the Act. (**Gross expenditure**)

£476,461,610
 - (ii) Being the aggregate of the amounts which the Council estimates for the items set out in Section 32 (3)(a) to (c) of the Act. (**Gross income including use of reserves**)

£321,387,980
 - (iii) Being the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above, calculated by the Council, in accordance with Section 32(4) of the Act, **as its budget requirement for the year.**

£155,073,630
 - (iv) Being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rates, revenue support grant, reduced by the amount of the sums which the Council estimates will be transferred in the year from its General Fund to its Collection Fund in accordance with Section 97(4) of the Local Government Finance Act 1988 (Collection Fund Deficit)

£59,998,630

- (v) Being **the amount to be raised from Council Taxes**
Calculated as the amount at 2 (iii) above less the amount at 2 (iv.) above.

£95,075,000

- (vi) Being the amount at (v) divided by the Council Tax Base, calculated by the Council at its meeting on 18 January 2007 in accordance with Section 33 (1) of the Act, as the basic amount of its council tax for the year. (***The average Band D Council Tax***)

£1,119.50

(vii) Valuation Bands

	A	B	C	D	E	F	G	H
£	746.33	870.72	995.11	1,119.50	1,368.28	1,617.06	1,865.83	2,239.00

Being the amounts given by multiplying the amount at (vi.) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- (3) That it be noted that for 2007-2008 the Greater London Authority stated the following amount in precept issued to the Council, in accordance with section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below

Valuation Bands

	A	B	C	D	E	F	G	H
£	192.41	224.47	256.54	288.61	352.75	416.88	481.02	577.22

- (4) That, having calculated the aggregate in each case of the amounts at (2)(vii) and (3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2007-2008 for each of the categories of dwellings shown below

Valuation Bands

	A	B	C	D	E	F	G	H
£	938.74	1,095.19	1,251.65	1,408.11	1,721.03	2,033.94	2,346.85	2,816.22

HARROW COUNCIL

REVENUE BUDGET SUMMARY 2007-2008

	2006-2007 Approved Budget £000	2007-2008 Original Budget £000
Local Demand - Borough Services		
Corporate	4,153	4,643
Business Development	15,901	13,934
Chief Executive's Office	1,340	1,320
People First	108,359	108,419
Urban Living	54,987	51,728
Pay and Price Inflation		6,446
Total Directorate Budgets	184,740	186,490
Capital Financing adjustments	(30,334)	(26,488)
Interest on Balances	(4,588)	(4,688)
Total – Baseline	149,818	155,314
Capitalisation	(1,440)	(1,240)
Contribution to Balances	0	1,000
RSG Amending report	208	0
Total Net Expenditure	148,586	155,074
Contribution re Collection Fund Deficit b/f	364	350
National Non-Domestic rate (NNDR)	(49,417)	(51,676)
Revenue Support Grant (RSG)	(9,539)	(8,673)
Local Demand on Collection Fund	89,994	95,075
Funds / Balances		
Balances Brought Forward	1,839	1,839
Adjustment to Balances	0	1,000
Balances Carried Forward	1,839	2,839
Council Tax for Band D Equivalent		
Harrow (£)	1,067.19	1,119.50
<u>Increase</u>		
Harrow (%)	2.49%	4.90%
Taxbase	84,326	84,926

Housing Revenue Account (HRA)

MEDIUM TERM BUDGET STRATEGY FOR 2007-08 TO 2009-10

Introduction

1. The Government requires all local authorities to ensure that all social housing meets the decent homes standard by 2010 and that rents converge by 2012. Cabinet approved stock retention via the prudential borrowing arrangements in June 2005. The budget strategy set out below is in line with Government targets and is broadly consistent with the 30 year HRA Business Plan submitted to GOL as part of the options appraisal.
2. The medium term budget strategy reflects the costs of delivering services at current levels and takes account of areas of identified pressures and savings. The budget is based on estimated outturn and reflects pay increases for staff and pension costs. The strategy assumes an average stock level of 5,063 at the start of 2007 reducing marginally by an estimated 15 Right To Buy sales each year. A 1% void level is assumed and reflected in the estimated rental incomes. The detailed budget summary is at Appendix O.
3. Key changes to the draft budget proposals put to cabinet in December are as follows:

Balances

4. The strategy set out below assumes an increasing HRA balance of £219k in 2007-08, £235k in 2008-09 and £429k in 2009-10. This means that overall HRA balances remain healthy.

Rent Restructuring

5. The Government intends that by 2012 similar properties in the same area will have similar rents even if owned by different social landlords. The aim is to deliver fairer rents, greater transparency and choice for tenants. This is generally referred to as rent convergence. However, it also means properties with low rents will have to increase progressively each year to achieve similar rents in 2012.
6. Considerable progress has been made towards restructuring the HRA's rent in line with government's guideline. Key elements of the rent restructuring include:
 - Depooling service charges – separating the rent for accommodation from other service costs,

- Calculating target/formula rent required to achieve convergence for each property by 2012. This is calculated in accordance with Government formula which reflects property value, number of bedrooms and local average earnings,
 - Applying changes (increases/decreases) to the depooled rent to achieve convergence. This is achieved by increasing the current rent by RPI + 0.5% ± £2 a week.
7. The calculated target rents suggest an average rent increase of about 5.9% in 2007-08 to achieve convergence by 2012. However, this is more than the Government's maximum allowable rent increase of 5%. There is no incentive for an authority to set its average rent above the calculated 'limit rent' as this will generally result in loss of subsidy.
8. In line with Government policy, an average rent increase of 5% is recommended in 2007-08. This is consistent with the rent model that was agreed as part of the options appraisal in 2005. The Government allows for a proportion of any loss in rental income to be recovered from the HRA subsidy system. The 5% increase will result in an average rent and service charges of £80 per week per tenant (£77 in current year) representing an average depooled rent of £76 and service charge of £4 per week per tenant in 2007-08.

Depooled Service Charges

9. Last year the Council agreed to depool tenant rents and service charges. The depooling of service charges will provide greater clarity and consistency and may lead to additional HRA income in the longer term. Depooled service charges must not exceed the estimated costs for delivering the service. Tenants will see an increase (rent & service charge) of a maximum of 5%.
10. The following services will be separated from rent from April 2007 and a separate service charge levied to recover their full costs:
- Estates services (caretaking, cleaning and others)
 - Grounds maintenance
 - Communal Lighting
11. The estimated total costs of depooled services in 2006-07 is £1.3m representing an average service charge of £4 per week for tenants and leaseholders.

Summary of Rent and other Increases

12. The Tenants and Leaseholders Consultative Forum (TLCF) met on 24 January and recommended the following increase to rent and other charges:
- An average rent increase of 5% in line with the government's policy on restructuring. The recommended rent increase will support the delivery of key

services to tenants at their present level, with an increased budget for repairs and maintenance and to support the delivery of decent homes.

- An increase in average Garage rents in 2007-08 to £12.75 per week. This will help address the growing need for garage repairs and renewals.
- An increase in average car parking rents in 2007-08 to £8.37 per week. This will help recover full costs of service and bring charges in line with other authorities.
- Leaseholder administration charges to increase by a recommended 20% of the service charge costs. These changes aim to ensure a move towards increasing the extent to which the costs of providing the leasehold service are recovered from leaseholders.

13. The budget strategy reflects these recommended increases, adjusted for voids where relevant.

Energy Costs

14. This year Council agreed a 70p increase to energy charges to tenants/leaseholders to recover rising energy costs. A further increase of 70p is required for 2007-08. The budget reflects the recommended increase.

Shared Amenities – Contribution from General Fund

15. This year the General Fund will contribute £183k to the HRA representing a proportion of maintenance costs for community halls and estates grounds maintenance. It is proposed that community halls should aim to recover full costs from users through appropriate hall charges and a proportion of ground maintenance costs should continue to be recovered from non-HRA tenants. It is therefore recommended that the General Fund reduce its contribution to the HRA by £100k from April 2007 for shared amenities costs.

Capital Investment and Prudential Borrowing

16. The medium term plan for the HRA assumes capital expenditure of £12m in 2007-08 and 2008-09 and £10m in 2009-10. These levels of investment have been increased since the draft budget was reported on 12th December 2006 in order to ensure that all Housing retained by the Council meets decent homes standard by 2010.

17. Capital expenditure is funded from Major Reserve Allowances (MRA) and capital receipts with the balance being financed through estimated borrowing of £7m in each of the first two years and £5m in the third year. The revenue budget reflects the net cost of borrowing.

Revenue Contribution to Capital Outlay (RCCO)

18. Given the HRA's healthy balance, it is recommended that the HRA contributes to the housing capital investment to support the delivery of decent homes. Such contribution will have the effect of reducing borrowing costs in the revenue budget to support the investment. A contribution of £1m in 2007-08 and £1.5m in the next two years is recommended.

Responsive Repairs

19. The repairs budget represents a much smaller reduction of £100k each year than presented in the December budget. This is to ensure that the HRA can adequately respond to requests for repairs from tenants, as progress is made towards improving each property to decent homes standard. The revenue repairs expenditure is expected to be an average of £4.5m across the three years.

20. It is envisaged that the proposed new partnering contract for the range of Harrow's property services will deliver procurement gains, value for money and drive cost saving initiatives. The revenue budget does not take account of potential costs savings that may arise from the new contract.

Right to Buy Sales

21. There has been a further significant reduction in Right to Buy completions this year. At end of January, fourteen properties had been sold with the total number of completions at the end of this financial year expected to be fifteen. This compares with thirty two completions in 2005-06. The reducing RTB sales have been reflected in the level of rental, service charge income and level of repairs expenditure.

Summary

22. The medium term budget strategy reflects a significant increase in income to the HRA from rents, service charges tenants/leaseholders, garages and car parks and heating cost. Most of this will be offset by already high level of costs e.g. in energy and leasehold administration and to support expected increase in expenditure in areas such as garage repairs/renewals, support for capital investment and borrowing costs. The recommended HRA budget strategy should support the delivery of current service levels in order to meet expectations of tenants and Government requirements.

Appendix O

HOUSING REVENUE ACCOUNT (HRA) - 3 YEAR BUDGET SUMMARY - FINAL

	Final Budget 2007-08 (Feb 06)	Final Budget 2008-09 (Feb 06)	Final Budget 2009-10 (Feb 06)	Key areas of change
Expenditure				
Employee Costs	2,961,797	3,050,651	3,142,170	
Supplies & Services	1,599,270	1,599,270	1,599,270	
Central Recharges	1,411,180	1,411,180	1,411,180	
Employee Costs - Needs / Strategy	354,222	364,849	375,794	
I T Projects	70,000	70,000	70,000	
Recharge to other services	-502,528	-502,528	-502,528	Contribution from General Fund for Locata removed. HRA to fully fund Locata.
Home Ownership service	259,170	259,170	259,170	
Baseline expenditure	6,153,111	6,252,592	6,355,057	
Contingency	200,000	200,000	200,000	Reduction in consolidated contingency budget for repairs and general HRA to reflect level of planned spend.
Operating Expenditure	6,353,111	6,452,592	6,555,057	
Charges for Capital	5,338,317	5,767,990	6,151,937	Reflects increased borrowing costs as a result of further capital investment to ensure the delivery of decent homes by 2010.
Contribution to Repairs Account	4,668,490	4,568,490	4,468,490	Planned reduction across the 3yrs to deliver demand for tenant repairs in advance of properties meeting decent homes standard.
RCCO	1,000,000	1,500,000	1,500,000	Contribution from revenue to decent homes capital investment costs to better manage borrowing costs.
Bad or Doubtful Debts	100,000	100,000	100,000	
Total Expenditure	17,459,918	18,389,072	18,775,484	
Income				
Rent Income – Dwellings	-19,979,550	-20,912,705	-21,889,227	Reflects accommodation rent only increased by 5%.
Rent Income – Non Dwellings	-911,868	-911,868	-911,868	Reflects recommended increase in garages and car parking rent
Service Charges - Tenants	-1,118,646	-1,174,578	-1,233,307	Service charges for tenants now shown separately from accommodation rent.
Service Charges - Leaseholders	-255,488	-268,262	-281,676	Reflects recommended increase in admin cost to improve recovery of leasehold services costs.

	Final Budget 2007-08 (Feb 06)	Final Budget 2008-09 (Feb 06)	Final Budget 2009-10 (Feb 06)	Key areas of change
Facility Charges	-335,849	-363,201	-394,109	Reflects increased charges to improve recovery of rising energy bills.
Interest	-17,000	-17,000	-17,000	
Other Income	-7,820	-7,820	-7,820	Reduced contribution from HGF to be recovered through depooled service charges and direct charge to community hall users.
Transfer from General Fund	-83,000	-83,000	-83,000	
HRA Subsidy	5,030,240	5,113,943	5,613,943	
Total Income	-17,678,982	18,624,492	-19,204,064	
In Year Deficit / (Surplus)	-219,063	-235,420	-428,581	
BALANCE	-6,612,063	-6,847,484	-7,276,064	

Consultation Results

Stakeholder Meetings

The draft budget was discussed at a wide range of stakeholder meetings as shown below and several questions were emailed to the dedicated email address. The answers to all the written questions will be published on the Council's internet site in due course.

Stakeholder	Meeting	Date
Overview and Scrutiny	Budget challenge session	18 December/ 29 January
Public	Public meeting	21 December
Public	Open Budget Panel	9 January
Statutory partners	HSP Board	11 January
Voluntary Sector	Community Cohesion Management Group	16 January
Tenants and Leaseholders	Tenants and Leaseholders Consultative Forum	24 January
Public	Open Cabinet	24 January
Older People	Older People's Reference Group	30 January
Schools	Education Consultative Forum	30 January
Unions	Employees Consultative Forum	31 January
Local Businesses	Harrow Business Consultative Forum	1 February
Voluntary Sector	Voluntary Sector Forum	6 February
Older People	Older People's Panel	8 February
Young People	Children and Young Persons Scrutiny Sub-committee	13 February

Minutes from these meetings are included in the supplementary papers where available.

The main areas of questioning at public meetings and via the website were:

1. Proposed tax increase relative to service levels
2. Grant level and lobbying for additional resources
3. Technical questions on council tax collection and tax base
4. Pension Fund
5. BTP
6. Social Care issues
 - Wiseworks
 - Meals on wheels
 - Fair access to care criteria
 - Charging (home care, day care)
 - Other savings proposals such as self assessment and preventative contracts
 - Impact on vulnerable people
7. Concessionary travel
8. PCT situation
9. Arts services (ACH etc)
10. Harrow Young Musicians
11. Recycling
12. Fair trade
13. Access Harrow
14. Harrow People



December 2006

Overview and Scrutiny Committee

Report of the Scrutiny Challenge Panel

Budget 2007/08

Members of the Review Group

Cllr Brian Gate (Chairman)
Cllr Thaya Idaikkadar
Cllr Salim Miah
Cllr Chris Noyce
Cllr Bill Stephenson
Cllr Anthony Seymour
Cllr Mark Versallion

ACKNOWLEDGEMENTS

The challenge panel would like to thank the following councillors and council officers for the time they contributed to the panel's deliberations and for their constructive and candid engagement in the panel's deliberations:

Cllr David Ashton, Deputy Leader; Cllr Marilyn Ashton, Portfolio Holder Planning, Development and Enterprise; Cllr Camilla Bath, Portfolio Holder Housing; Cllr Christine Bednell, Portfolio Holder Lifelong Learning, Cultural Services and Issues Facing Older People; Cllr Eileen Kinnear, Urban Living - Community Safety and Public Realm; Cllr Chris Mote, Leader; Cllr Janet Mote, Portfolio Holder People First - Children's Services; Cllr Eric Silver, Portfolio Holder Adult Community Care Services and Issues Facing People with Special Needs; Myfanwy Barrett, Director Finance and Business Strategy; Paul Clarke, Director of Children's Service; Paula Foulds, Group Manager People First Finance; Penny Furness-Smith, Director of Community Care; Jill Rothwell, Acting Chief Executive; Andrew Trehern, Executive Director Urban Living.

This report has been compiled by the Members named on the front cover. The views expressed are solely ours.

Cllr Brian Gate, Chairman Budget Challenge Panel

INTRODUCTION

Scrutiny has an important role to play in challenging the assumptions behind the budget and supporting the executive in reaching the right decisions with regard to finances. Until this year, this challenge was delivered via the Overview and Scrutiny committee. However, this year scrutiny councillors decided to undertake this project by means of a challenge panel, as this approach was felt to be a more robust and challenging process than simply considering the document as an item on the Overview and Scrutiny committee agenda.

Challenge panels were introduced in July 2006. On many occasions – particularly when a policy is being developed – officers appreciate feedback on proposals from members. The committee environment may not be suited to this, mainly because of time constraints. Challenge panels comprise a small group of officers and members that are able to discuss a particular policy or strategy, or in this instance, preparation of the budget, more informally and in more detail. They provide an opportunity for members to provide an alternative, ‘real time’ perspective to council business, and lend additional accountability to the policy development process. This level of detailed challenge would not be possible as a single item on a packed committee agenda. The budget is a significant event, with long-term implications for the council, which merits this detailed level of consideration.

The panel took place on 18th December 2006 as a round table discussion between scrutiny councillors, executive members and council officers. At the meeting the panel was able to investigate a number of the key corporate issues relating to budget management and also used specific services to drill down and investigate the decision making process

The panel comprised:

Cllr Brian Gate (Chairman)

Cllr Thaya Idaikkadar

Cllr Salim Miah

Cllr Chris Noyce

Cllr Bill Stephenson

Cllr Anthony Seymour

Cllr Mark Versallion

The scope for the investigation was agreed by the Overview and Scrutiny committee in October and is attached as Appendix One

The panel’s findings and recommendations are included in the pages that follow.

DETAIL

Harrow Council is facing challenging financial situation. A combination of continuing poor grant settlement, increasing demand, existing shortfall and low level of reserves means that the council must find £18 million of savings in 2007/08, £6.7m in 08/09 and £7.5m in 09/10.

The panel received information from the Director of Finance and Business Strategy and the Deputy Leader of the Council on how this position has arisen and how it is being responded to. The major difficulty is the fact that the council is low spend/low grant authority – as part of a two year settlement the Council received only the minimum grant of 2% for 2006/2007 and 2.7%/£1.6m for 2007/2008. This has been compounded by a number of local pressures:

- Inflationary pressures of pay and pensions etc
- General inflationary pressures
- Impact of the cost of concessionary fares
- Increased demand for social care – Primary Care Trust decisions, government policy
- Reduced income from land charges

In addition to the current challenges, during 2004/05 and 2005/06 the council had sought to invest in particular services, funding this investment via efficiencies and new income streams. However, whilst the investment went ahead, the additional income and efficiencies did not materialise. This has meant that the council was forced to set a challenging budget for 2006/07, which identified £15m of savings. Not all of these savings were allocated and later on in 2006, additional pressures were identified and agreed. The ongoing shortfall in the budget is of particular concern in the context of the chronically low level of reserves (currently £1.8m)

For 2007/08 there is an £18m budget gap. Identifying savings to bridge the gap is difficult as only a small proportion of the overall budget (25%) is controllable – the schools and benefits budgets are ring-fenced and therefore cannot contribute to the savings plans. The proposed budget for 2007/08 closes this gap by:

- Reviewing risks and technical assumptions - £3.5m
- Directorate saving proposals - £10m
- Council tax increase (4.9%) £4.5m

In order to try to understand and respond to the budget challenge, 5 strategic savings projects were established at the beginning of 2006 and their findings have informed the budget for 2006/07. These projects considered:

- Organisational structure
- Service delivery
- Value for Money
- Land and property
- Finance

Two further projects are planned:

- An urgent review of the management structure to be completed and implemented by the end of March 2007, which it is anticipated will deliver

significant savings. These savings will be incorporated into the 2007/08 budget.

- Programme of fundamental service reviews in order to help address an anticipated shortfall in £6.7m in 2008/09 and £7.5m in 2009/10.

The council is considering a number of proposals for 2007/08 to further contribute to better management of the budget.

- Addressing real social cost pressures and the impact of demand led budgets – ‘Fair Access to Services’ criteria will be examined to ensure their equity and consistency. Comparison will be made with other boroughs and stricter monitoring will be carried out.
- £1m per year will be contributed to the borough’s reserve funds in order to safeguard against future budget shortfalls
- Fundamental service reviews and the management structure review will help to address the funding gap for 2007/8 - 10
- The council will lobby central government with local MPs with regard to the low level of government grant. This lobbying will be on the basis of the formula and will seek clarification of disparities for a long-term resolution rather than a short-term fix, e.g. the impact of diversity is not recognised in grants
- The council will also lobby, with London Councils regarding the 2.7% settlement this year
- Together with the Harrow Strategic Partnership and London Councils, the council will take a firm stance with regard to the Primary Care Trust’s decisions to manage its budgets by redefining eligibility for continuing care.

RECOMMENDATIONS

The text in paragraphs that follow identify those areas in which the scrutiny budget challenge panel endorses the activity proposed by the executive. The panel also makes the following additional recommendations:

1. The executive adopts a flexible and balanced approach to setting of council tax and targets for reserves in order to safeguard service delivery
2. Whilst proposals to increase external funding to the Council are welcome, a strategic approach is encouraged to minimise duplication and additional demands on staff, recognising that this approach is greatly determined by the Government's disparate and target-driven funding regime.
3. The programme of fundamental service reviews adopt an efficiencies/best value-based approach to their investigations
4. The proposed procurement transformation project considers the following possible options as part of its brief:
 - Shared services
 - Strategic partnerships
 - Super-procurement bodies

5. The proposed increased use of direct payments is coupled with safeguards particularly with regard to assessment of need, statement of needs, supporting service users to make appropriate choices and monitoring of care providers
6. As a part of the review of eligibility criteria, comparative research is undertaken to ensure that Harrow people are not treated less favourably than residents in similar authorities
7. The executive and senior management of the council identify and consider 'best practice' with regard to managing demand-led budgets
8. The executive and senior management of the council makes use of the support that can be provided by a number of other scrutiny projects:
 - **Demography review**– with regard to evidence for the purpose of lobbying central government and for managing demand-led budgets
 - **Standing scrutiny review of procurement** – to support the work regarding improved procurement processes
 - **Reviews of cultural services and obesity** – with regard to the potential preventative work that could be done to reduce demands made on local organisations by a future ageing population
 - **Standing Scrutiny Review of NHS Finances** – with regard to ongoing support from executive and senior managers to ensure the council is able to champion the needs of local people by holding local health care bodies to account
9. The executive and senior management continue to investigate the potential for income generation by identifying possible areas in which charges can be levied against local organisations.
10. The Deputy Leader and Director of Finance and Business Strategy provide the Overview and Scrutiny Committee with an update on the budget position at its next meeting on 29th January 2007

FINDINGS

The panel is pleased to note that, whilst urgent savings must be delivered to secure the financial future of the organisation, the executive and senior management of the council is developing a strategic approach to the delivery of these savings and the future financial viability of the organisation. We have grouped these arrangements and commented on them under the following titles.

Council Tax, Services and Reserves

The panel wished to investigate the balance that this budget is striking between council tax, service levels and reserves. We were concerned that in the light of the serious budget difficulties, the new administration would set one of these as a priority over the others and it seemed to the panel that a balanced approach to these individual components of the budget, at a particularly difficult time for the council and residents, is absolutely critical. Whilst on the one hand, the council tax needs to be set at a realistic level which will support the delivery of services

to our residents, we are also of the view that the tax must be set at a reasonable level in a borough which already experiences comparatively high levels of taxation – higher than the London average. Similarly, whilst we recognise the need to replenish the council's reserve fund as, at its current level it is dangerously low, we would like this need to be balanced again to ensure that service delivery to local people can be safeguarded.

The panel was advised of proposals to increase the council tax by 4.9% in 07/08, 3% in 08/09 and 0% in 09/10 and to increase the level of reserves by £1m per year for the next 4 – 6 years in order to reach a target of between £5m - £7m. The agreed minimum level of reserves (as identified in the 06/07 budget) is £3.5m. These decisions are encouraging and the panel was pleased to hear from the Deputy Leader that an increase in the level of council tax had been decided upon as it had become increasingly clear that to increase the tax by anything less than the 4.9% in 2007/08 would have had significantly damaging impact on services and would have resulted in unpalatable reductions on service levels. Whilst recognising the need to reduce the tax burden on local people, the panel would hope that the executive would have a flexible approach to future tax increase in so far as, should it become apparent that the proposed 3% and zero rises in 2008 – 2010 could have a similarly damaging impact on services, these will be reviewed. The panel would also hope that rather than pursuing a zero rise council for the future as matter of principle, the executive might consider using increased funding generated through council tax rises to reinstate some of the cuts proposed in the 2007/08 budget.

Again, it is clear that the council's position with regard to reserves is untenable. As the Deputy Leader pointed out, had the tornado that hit neighbouring Brent in December 2006 crossed Harrow's borders, the impact upon the council's financial viability could have been devastating. However, the panel again feels that the reserves must be replenished in balance with the delivery of services and would thus urge a flexible and considered approach by the executive when setting the target for the level of reserves.

Grant levels

The panel shares the concerns of the Deputy Leader and the Director of Finance and Business Strategy regarding Harrow's position with regard to grant funding. The level of funding that the council has secured has historically been very poor and we fully endorse the efforts proposed by the executive to try to address this. In particular we welcome the proposals to lobby along with other London boroughs, for an improved London deal. We also endorse the proposal to lobby for greater recognition to be given to the impact of diversity and the needs of transient populations in the grant formula. The executive should use the evidence generated by the scrutiny review of demography to support this lobbying position.

We are also please to see that the council will be increasing efforts to identify and exploit as many funding sources as possible. However we would recommend that a strategic and co-ordinated approach to this be adopted to ensure that there is no duplication of effort, that time is not wasted pursuing

pointless areas of funding and that it does not create additional pressures on an already over-extended workforce.

Efficiencies

Income generation/grant funding, whilst important is not the only means by which the council should address financial difficulties. The council must address some of the more fundamental issues of efficiencies that might improve the budget position and overall performance. It is clear that a number of the proposals being considered by the executive are focusing on a more strategic approach and the panel welcomes this more measured/evidence-based approach to securing reduced costs. In this context the panel offers the following observations/comments.

- **Programme of fundamental service reviews** – We would urge that the proposed fundamental service review programme adopt an efficiencies-based approach to its deliberations, investigating how service delivery can be improved through smarter working and more efficient use of resources to deliver long-term strategic improvements to service provision. The panel, on behalf of the Overview and Scrutiny committee would welcome sight of the terms of reference for these reviews and would also offer scrutiny support to this programme as appropriate.
- **Shared services** – the Deputy Leader made reference to proposals for the collective provision of transport services and commented that discussions are underway between NW London Chief Executives to investigate the feasibility of this. The panel notes this as an interesting proposal and would recommend that the council identify other services that could be provided on a cross-borough basis. This may be something that the proposed procurement transformation project could consider. It is also something that could be monitored via Overview and Scrutiny committee’s standing review of procurement.
- **Smart procurement** – the panel was advised of opportunities for procuring savings through strategic partnerships. In particular, and following the example of the strategic partnership with Accord MP, the Executive Director of Urban Living cited the possibility of further savings accruing from similar strategic partnerships. Again this is something that could be considered by the proposed procurement transformation partnership.

- **Direct Payments** – the panel heard that the council is considering providing cash to service users to purchase transport and generally promoting the use of direct payments by residents. This is a prudent suggestion and is an area in which the council's performance could be improved. However, we would suggest that care be taken, whilst encouraging choice and potentially securing savings, to protect vulnerable service users by:
 - ensuring that detailed and accurate assessment of need are undertaken and clear statement of this need are provided
 - supporting service users in their decision-making process and
 - monitoring the quality of the care being purchased.

- **Staffing** – the panel was advised of the need for the council to have a fundamental rethink of its structures, in particular the proposal to review the management structure of the organisation. Whilst this may be timely, particularly in the light of the programme of fundamental service reviews, the panel would seek reassurance that the lessons of the MMR have been taken into account in order that this review is delivered as constructively as possible. In the context of this review and of the overall reduction in staffing levels, the panel would encourage the executive and senior management of the council to ensure that the viability of the organisational structure is maintained and that staff reconfigurations do not put at risk the council's statutory responsibilities.

Demand-led budgets

Demand-led services, in particular social care services, have the potential to create significant pressure on a number of the council's budgets. The panel heard of a number of instances where a single case has massively distorted a budget. The activities of the Primary Care Trust in redefining the criteria for continuing care has been a significant contributor to such pressures – these are discussed in more detail below. Despite unpredictability in these areas, the council must consider how this can be managed and a number of options were put to the panel.

We were interested to hear about the review of eligibility criteria for adult services, in particular the proposal to introduce a more consistent process to address current weaknesses that suggest that the assessment of need depends upon who undertakes the assessment. We recognise that in the interest of equity it is important that there is consistency in assessment and welcome the proposals to ensure this happens. We also applaud the efforts of the Director of Community Care in identifying financial resources to train staff to improve their assessment skills and achieve this consistency.

We are concerned however, that the criteria are to be toughened and that only those assessed as having 'critical' needs will in future be eligible to receive services. The panel feels that this removes the authority's potential to undertake preventative work thus inevitably increasing the number of people whose conditions deteriorate. We are also concerned that provision of services at the 'heavy' end is more expensive in the longer-term – effectively this decision is simply putting off the inevitable of more expensive implications further down the line. We acknowledge that the executive is aware of these potential

contradictions. Bearing in mind the stated concerns regarding the toughening of the criteria, we welcome the executive's proposal to undertake further work regarding the operation of eligibility criteria in other boroughs to ensure Harrow residents are not unfairly treated in comparison.

We would also suggest that there may be useful learning to gather from those authorities that have managed to address some of the unpredictability of demand led services, the impact of these services has been felt in a number of boroughs and it is probable that there is useful experience that could benefit the authority's management of these budgets.

There may also be benefit from forming 'super procurement' bodies to secure best value from contract for demand-led services. Again this might be something that the proposed procurement transformation project could address.

We would also draw to the executive's attention the potential for the work of the demography review to inform future service planning and help minimise at least some of the unpredictability of demand-led services.

Income Generation

During the panel's deliberations a number of comments were made about generating income. For instance greater efforts should be made to access European and Government funds. This has been done successfully in other councils and last year by a dedicated fundraiser in People First. A number of comments were made regarding the possibility of generating income by charging realistic prices for services that were currently provided on a subsidised or free basis. This is in relation contract/block services rather than for individuals, for example, schools. The panel considers this is something that should be explored further but would suggest that an appropriate level of charges must be found in order that there will be sufficient uptake and to ensure that they do not damage other Council objectives such as working in partnership. The Director of Children's Services informed the panel of experiments in Kent and Rotherham of delivering the advisory services through an educational trust. This could lead to a more efficient and cost-effective service that was more attuned to what schools wanted. The panel would recommend that the council consider the results of these experiments and their applicability to Harrow. The panel would also recommend that the council investigate the possibility for charging in other areas of contract/block service provision.

Partners

PCT funding

A significant concern for the council is the Primary Care Trust's decision to address some of its own financial difficulties by redefining the eligibility criteria for continuing care and thus 'shunting' the costs for the care of some of the most vulnerable residents in the borough onto the council. The panel deplores this behaviour, not simply because of the impact on the council's own budget but most significantly because of the potentially devastating impact this can have on those most dependent upon the health and social care facilities in the borough. We fully support the executive's proposal to take a firm stance in challenging the

decisions of the Primary Care Trust through the Harrow Strategic Partnership and London Councils.

We would also draw the executive's and senior managers' attention to the Scrutiny Standing Review Group of NHS Finances that has been established to:

- 'review the effectiveness of respective financial recovery plans;
- receive regular financial updates from the respective Chief Executives on the delivery of these plans;
- consider strategic proposals of the trusts
- gather evidence of the specific experiences of local people; and
- investigate the impact of financial difficulties at the interface between health and social care'¹

On behalf of the Overview and Scrutiny committee, the panel would recommend that the executive and senior managers of the council continue to participate in this project to ensure that scrutiny's statutory function to hold NHS bodies to account on behalf of local people is carried out to the best effect.

Preventative work

We were pleased to hear from the Portfolio Holder Lifelong Learning, Cultural Services and Issues Facing Older People that the council is adopting a definition of older people as those over the age of 50. A focus on this group of people by the council and our partners could go some way to reducing the demands of the older population in years to come. It will however necessitate smart thinking by both organisations at what is a critical financial time for us in order to ensure services are put in place. Again, investment in this area can have some significant longer term benefits, short term reductions will potentially have some longer term costs. In this context, on behalf of the Overview and Scrutiny Committee the panel would draw the executive's attention to the scrutiny reviews of cultural services and obesity.

Ongoing management

Perhaps the most important, and obvious, recommendation that the panel would like to make to the executive is that monitoring of the budget outturn and the potential and actual implications of any changes is an integral part of their regular business. The impact of potential difficulties if identified early enough, can be minimised. We welcome the reassuring comments made by the Director of Finance and Business Strategy and the Deputy Leader in this context and would encourage them to ensure that this monitoring and ongoing management of the budget situation is maintained. We would also invite the Director of Finance and Business Strategy and the Deputy Leader to provide an update of the budget situation to the next meeting of the Overview and Scrutiny Committee on 29th January 2007.

CONCLUSION

This is a difficult time for Harrow Council. We are facing a significant financial challenge, the resolution of which can have long-term consequences for the borough and its residents. We have welcomed the opportunity to meet with the

¹ Scope for the Scrutiny Standing Review of NHS Finances

executive to discuss their proposed budget and hope that the observations that we have made are helpful.

The panel would again like to thank the members of the executive and senior management of the council for their honest assessment of the difficulties that face the council.

Members of the Scrutiny Budget Challenge Panel

APPENDIX ONE

SCOPE FOR THE BUDGET CHALLENGE PANEL

1	SUBJECT	Budget
2	COMMITTEE	Overview and Scrutiny Committee
3	REVIEW GROUP	To be confirmed
4	AIMS/ OBJECTIVES/ OUTCOMES	To challenge the assumptions behind the budget setting process and analyse the impact of changes in the budget
5	MEASURES OF SUCCESS OF REVIEW	Scrutiny panel able to input into the budget setting process
6	SCOPE	<ul style="list-style-type: none"> • Analysis of context within which the budget is being set – including policy drivers • Analysis of service finances • Investigation of particular areas of concern
7	SERVICE PRIORITIES (Corporate/Dept)	Tackling waste and giving real value for money
8	REVIEW SPONSOR	Director People, Performance and Policy
9	ACCOUNTABLE MANAGER	Director of Finance and Business Strategy
10	SUPPORT OFFICER	Service Manager Scrutiny
11	ADMINISTRATIVE SUPPORT	Scrutiny Review Administrator
12	EXTERNAL INPUT	External Auditor The committee might like to consider the involvement of the Open Budget Group and the cross cutting portfolio holders
13	METHODOLOGY	<p><i>Pre panel meeting</i></p> <p>To receive:</p> <ul style="list-style-type: none"> • Contextual information regarding the budget including key policy drivers • Analysis of service finance performance <ul style="list-style-type: none"> ○ <i>What are the priorities</i> ○ <i>What are the 'hot spots'</i> ○ <i>How are 'hot spots' being addressed</i> ○ <i>What are the risks in the budget</i> ○ <i>How are these being addressed</i> ○ <i>Impact of previous year's budget decisions</i>

		<ul style="list-style-type: none"> ○ <i>How does service measure value for money and how does it compare.</i> • Development of specific lines of enquiry for the panel meeting <p><i>Panel meeting</i></p> <ul style="list-style-type: none"> • Information from auditor re use of resources judgement • Presentation from Director of Finance and Business Strategy re context and key policy drivers • Investigation of specific lines of enquiry <p><i>Post panel meeting</i></p> <p>To consider evidence and formulate initial findings</p>
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14	EQUALITY IMPLICATIONS	The panel should consider the impact that the budget has on equalities in its considerations
15	ASSUMPTIONS/ CONSTRAINTS	
16	SECTION 17 IMPLICATIONS	The panel should consider the impact that the budget has on section 17 responsibilities in its considerations
17	TIMESCALE	October/November 2006
18	RESOURCE COMMIMTENTS	See attached
19	REPORT AUTHOR	Panel members Service Manager Scrutiny
20	REPORTING ARRANGEMENTS	Outline of formal reporting process: To Service Director [<input checked="" type="checkbox"/>] When November 2006 To Portfolio Holder [<input type="checkbox"/>] When..... To CMT [<input checked="" type="checkbox"/>] When December 2006 To Cabinet [<input checked="" type="checkbox"/>] When January 2007
21	FOLLOW UP ARRANGEMENTS (proposals)	Annual event

Union Comments

GMB

Harrow Public Services Branch response to the Draft Budget 2007-08 to 2009-10.

These comments are in response to the Draft Report on the Revenue Budget for the above period.

The GMB Union has serious concerns as to the level of the savings that Harrow Council is seeking to achieve and the adverse effect it will have on our members and the Community in general. In particular, figures we have scrutinised under the Review of Management structure identify savings of £2.34m. However following discussions with Senior Council officers it has been established is closer to £4m.

When the current administration was elected, Trade Unions in Harrow were given assurances that despite the various budgetary issues, there would be no compulsory redundancies. In order to achieve Council's objectives, we cannot see how compulsory redundancies can be avoided. To date, we have been given no information as to where the possible redundancies may occur, in relation to service reviews, thus leaving the Council vulnerable to unfair dismissal claims being lodged against it. Officers have informed the GMB that there could be somewhere in the region of 80 plus posts at risk, so therefore if the Council know the numbers then surely they must have an indication as to where they are. Please note these are additional posts over and above those specifically identified in the various appendices.

Inevitably, with the reduction in staffing levels this will lead to an increase in output expectations from amongst the rest of the workforce. This will lead to an increase in levels of stress which may also impact on employees work-life balance.

In our experience, where Councils aim to achieve major savings, this will lead to a significant increase in work for local trade union representatives. The GMB is concerned that together with the workload, the Council is proposing to make savings of £60k to Trade Union budget. The Trade Unions have not been provided details of where the savings may come from.

Savings identified in adult services and children's services will have a detrimental impact on the most vulnerable and young members of the community.

In Urban Living, our members have recently seen cuts to their Terms and Conditions of Employment as a way of achieving efficiency savings, and with a further service review proposed, we believe additional negative proposals cannot be avoided.

LONDON BOROUGH OF HARROW

MEMBERS' ALLOWANCES SCHEME

1. This scheme shall have effect until 31st March 2008. It replaces all former schemes.

Basic Allowance

2. A basic allowance of £5,526 per annum shall be paid to each Councillor.

Special Responsibility Allowance

3. (1) A special responsibility allowance shall be paid to those Councillors who have the special responsibilities in relation to the posts specified in Schedule 1 to this scheme. No Member may receive special responsibility allowances in respect of more than one post.

(2) The amount of each such allowance shall be the amount specified against that special responsibility in that schedule.

Up-rating the Basic and Special Responsibility Allowances

4. The basic allowance and special responsibility allowances will be up-rated annually in line with an index approved by the ALG Independent Panel. The index to be used will be the level of the Local Government Pay Settlement. When making the scheme for 2008/2009, the indexing arrangements will be reviewed.

Travel and Subsistence Allowances

5. The reimbursement of travel and subsistence expenses incurred in respect of **approved duties** (as set out in Schedule 2) **undertaken outside the Borough boundaries** can be claimed by Members, co-optees to formal Council committees and Independent Members of the Standards Committee at the rates paid and on the conditions specified in the officer scheme for travel and subsistence allowances.

Carers' Allowance

6. (1) The allowance shall only be paid for attendance at approved duties as listed in Appendix 1.

- (2) The maximum basic rate of pay is £2.77 per half hour for the duration of the meeting together with the Member's travel time between home and the place of the meeting and the carer's reasonable travelling time.
- (3) The allowance is claimable in respect of children aged 15 or under or where a professional carer is required to meet a specialist need (eg a nurse for an elderly person).
- (4) Actual costs will be paid **on production of an invoice or receipt**.
- (5) Where the length of the meeting cannot be predicted and payment to the carer is necessarily contractually committed then a payment of up to 4 hours will be made. (For day time quasi-judicial meetings, payment of up to 8 hours may be made if the estimated length of the meeting is for the whole day).
- (6) In addition, the reasonable travelling expenses of the person taking care of the dependent shall be reimbursed either at the appropriate public transport rate, or in cases of urgency or where no public transport is available, the amount of any taxi fare actually paid.
- (7) The allowance is not to be paid where the carer is a member of the Member's household.
- (8) Any dispute as to the entitlement and any allegation of abuse should be referred to the Standards Committee for adjudication.

Co-optees' Allowance

7. A basic allowance of £423 per annum shall be paid to co-optees to formal Council committees and Independent Members of the Standards Committee.

Claims and Payments

8. (1) A claim for allowances or expenses under this scheme shall be made in writing within two months of the date of undertaking the duty in respect of which the entitlement to the allowance or expense relates.
- (2) Payment shall be made
 - (a) in respect of basic and special responsibility allowances, in instalments of one-twelfth of the amount specified in this scheme each month;
 - (b) in respect of out-borough travel and subsistence expenses and Carers' Allowance, each month in respect of claims received up to one month before that date.

Backdating

9. Any changes made to this scheme during the year may be backdated to 1st April 2007 by resolution of the Council when approving the amendment.

Pensions

10. Allowances paid under the Harrow Members' Allowances Scheme will **not** be pensionable for the purposes of the Superannuation Act.

Renunciation

11. A person may, by notice in writing given to the Chief Executive, elect to forgo any part of his/her entitlement to an allowance under this scheme.

Withholding Allowances

12. (1) In the event that a Member is suspended from duties, that Member's basic allowance and special responsibility allowance (if any) will be withheld for the whole period of the Member's suspension.

(2) In the event that a Member is partially suspended from duties, that Member's basic allowance will be paid but their SRA, if any, will be withdrawn for the period of the partial suspension.

Approved duties for Carers' Allowance

- A meeting of the Executive.
- A meeting of a committee of the executive.
- A meeting of the Authority.
- A meeting of a committee or sub-committee of the Authority.
- A meeting of some other body to which the Authority make appointments or nominations, or
- A meeting of a committee or sub-committee of a body to which the Authority make appointments or nominations.
- A meeting which has both been authorised by the Authority, a committee, or sub-committee of the Authority or a joint committee of the Authority and one or more other authorities, or a sub-committee of a joint committee and to which representatives of more than one political group have been invited (if the Authority is divided into several political groups) or to which two or more councillors have been invited (if the authority is not divided into political groups).
- A meeting of a Local Authority association of which the Authority is a member.
- Duties undertaken on behalf of the Authority in pursuance of any Procedural Rule of the Constitution requiring a member or members to be present while tender documents are opened.
- Duties undertaken on behalf of the Authority in connection with the discharge of any function of the Authority conferred by or under any enactment and empowering or requiring the Authority to inspect or authorise the inspection of premises.
- Duties undertaken on behalf of the Authority in connection with arrangements made by the authority for the attendance of pupils at a school approved for the purposes of section 342 of the Education Act 1996.

SCHEDULE 1

SPECIAL RESPONSIBILITY ALLOWANCES (SRAs)

There are 10 bands of SRAs:-

<u>Band</u>	<u>Post</u>	<u>SRA £/annum</u>
1	Members/Chairmen of Licensing Panels (See Note (3) below)	258/411
2	Members of the following Quasi-Judicial Panels: Education Awards Appeals Panel NNDR Discretionary Rate Relief Appeal Panel Personnel Appeals Panel Social Services Appeals Panel	264
3	Leader of the third largest Group Deputy Leader of the second largest Group Chief Whips of the two largest Groups Chairman of the Audit Committee	1,233
4	Deputy Mayor	2,115
5	Chairman of Licensing and General Purposes Committee Chairman of the Standards Committee Vice-Chairmen of the Scrutiny Sub-Committees Support Members for the Cabinet	2,466
6	Chairmen of the Scrutiny Sub-Committees Chairman of the Traffic Advisory Panel Chairman of the Grants Advisory Panel Nominated Member of the largest party not holding the Chair of the Development Management Committee	4,932

<u>Band</u>	<u>Post</u>	<u>SRA £/annum</u>
7	Chairman of the Development Management Committee Chairman of the Overview and Scrutiny Committee Nominated Member of the largest party not holding the Chair of the Overview and Scrutiny Committee Leader of the Second Largest Group	6,936
8	The Mayor	10,050
9	Cabinet Members x 8 Deputy Leader	12,330
10	Leader	17,466

NOTES

- (1) In the Council for 2006 to 2010, the Groups are as follows:-
Largest Group = Conservative Group
Second Largest Group = Labour Group
Third Largest Group = Liberal Democrat Group
- (2) Only one SRA is payable per Member, with the exception of Band 1 SRA, which can be paid in addition to another SRA (see Note (3) below).
- (3) Members of the Licensing and General Purposes Committee are paid an SRA of £258 for their responsibilities in relation to Licensing Panels. Licensing Panel Chairs are paid an SRA of £411. Panel Members and Chairs also receive additional payment if they attend a certain number of meetings as shown below:-

Number of Meetings Attended	Panel Member's Allowance	Chair's Allowance
0-4	£258	£411
5-8	£513	£669
9-12	£771	£924
13-16	£1,026	£1,182
17-20	£1,284	£1,437
21-24	£1,542	£1,695
25-28	£1,797	£1,953
29 and above	£2,055	£2,208

Each meeting will consider a number of applications.

The allowance will be paid in 12 monthly instalments, starting at the basic rate, and will be adjusted depending on the number of meetings attended.

The SRA for licensing can be paid in addition to another SRA.

SCHEDULE 2

CLAIMS FOR OUT-OF-BOROUGH TRAVEL AND SUBSISTENCE EXPENSES

Duties Undertaken Out-of-Borough

Claims for travel and subsistence expenses incurred can normally only be paid in respect of approved duties undertaken at venues out of the Borough. Expenses will be reimbursed at the rates paid and on the conditions specified in the officer scheme for travel and subsistence allowances.

1. Members may claim travel and subsistence expenses in respect of the following out-of-Borough duties:-
 - (a) Attendance at any meeting which may be convened by the Authority provided that Members of at least two groups are invited and the meeting is not convened by officers.
 - (b) Attendance at a meeting of an outside body to which the Member has been appointed or nominated as a representative of the Council, where the Outside Body does not itself operate a scheme to reimburse travel and subsistence expenses.
 - (c)
 - (i) attendance at an appropriate out-of-Borough conference, seminar, meeting or other appropriate non-political event as a representative of an Outside Body to which that Member has been either nominated or appointed by Council to serve in a role with a specific pan-Authority remit;
 - (ii) attendance at meetings in the capacity of a direct appointee of a Local Authority Association, joint or statutory body or other London-wide or national body subject to the following proviso:

that the Member serves on the appointing body by virtue of an appointment made by Council to an authorised Outside Body;

subject in either case to the Outside Body/Bodies concerned themselves not making provision for any travel and subsistence expenses necessarily incurred.
 - (d) Attendance at a meeting of any association of local authorities of which the Authority is a member and to which the Member has been appointed as a representative.
 - (e) Attendance at a training session, conference, seminar or other non-political event, the attendance fees for which are being funded by the Council through a Departmental or a corporate budget.
 - (f) Attendance at any training session, conference, seminar or other non-political event for which there is either no attendance fee or any

attendance fee is being met by the Member him/herself (or from the relevant political group secretariat budget) subject to the relevant Director confirming that the content of the training, conference, seminar or event is relevant to the Member's responsibilities in respect of the services provided by the Authority or to the management of the Authority.

2. Duties for which out-of-Borough travel and subsistence expenses may not be claimed include:-
 - (a) Political meetings or events.
 - (b) Any meetings of 'Outside Bodies' to which the Member has not been appointed or nominated by the Council as its representative.
 - (c) Meetings of the Governing Bodies of Schools.

Glossary

Audit Commission

The national body responsible for ensuring effective audit and inspection of Councils and other public bodies.

Balances

See reserves below.

Base Budget

The Council's main budget for the year, taking into account pressures, savings and funding. This is also used as the basis for future years' budgets, updated for inflation, new pressures, savings etc.

Budget Review Working Group

A cross party group of members set up to consider in detail budget and financial issues affecting the Council.

Business Rates

See NNDR below.

Business Transformation Partnership

The Council has entered into a long term contract with Capita. Initially the contract will deliver a new contact centre, new systems and improved management information.

Capital

Spend on creating or enhancing assets such as roads, buildings and computer systems which is one-off and can be classified as an investment.

Chief Finance Officer

The Council's officer designated as carrying the statutory financial role under section 151 of the Local Government Act 1972. This is currently the Director of Financial and Business Strategy (Business Connections)

Collection Fund

A separate account which the Council is required to keep to monitor income from Council Tax and National Non Domestic Rates.

Council Tax

A tax based upon the value of a property which helps to support the council's general budget.

Council Tax Bands

A series of Bands (from A – H) based upon the value of a property which determines how much tax will be levied on each property.

Council Taxbase

The total number of properties in the Borough subject to Council Tax translated to their equivalent at Band D. This is required so that central government can compare the tax burden on each area of the country.

CPA (Comprehensive Performance Assessment)

The Audit Commission's Assessment of how well each Council is performing in a wide range of areas.

CPI (Consolidated Price Index)

The measure of inflation used by government which excludes pay and mortgages.

Demography

The changes in numbers of the population and the make up of those numbers by either age range, ethnicity or location.

External Auditor

The organisation charged with ensuring that the Council's accounts, budgets and finances comply with legislation and are true and accurate records. For the Council this is currently Deloitte & Touche.

Growth

Increased expenditure required to meet service expectations from changes to policy, legislation, demand etc.

HMO

Houses in multiple occupation

HRA (Housing Revenue Account)

A separate account which must be kept by the Council to track income and expenditure relating to its stock of council houses.

Local Area Agreement

An agreement between the Harrow Strategic Partnership and central government.

Medium Term Budget Strategy

The Council's plans for how it intends to form its budget in support of its objectives over the following 3 years.

NNDR (National Non-Domestic Rates)

Also called Business Rates. A rate charged on all businesses operating in the Council's area. It is calculated by applying a national figure to the rateable value of each business in the Borough. It is collected by the Council and paid to central government, who then redistribute it based on the Council's population.

PCT

Primary Care Trust

PFI (Private Finance Initiative)

A means whereby the Council enters into a partnership with a private provider to enable capital developments to be undertaken which the Council could not of itself afford and which generates value for money.

Procurement

The ways a council buys in goods and services.

Provisional Finance Settlement

The government's annual announcement of how much financial support each Council will receive in the following year. The final settlement is usually announced some 2 months after this, once the government has all the data it requires.

Repricing

The updating of a base budget to reflect inflation and more accurate costings of pressures and savings.

Reserves

Also called balances. Money held by the Council to cover emergencies and unforeseen expenditure which may occur in the year.

Revenue

Spend on day top day running expenses of the Council.

RPI (Retail Price Index)

The measure of inflation used by government which includes pay and mortgages.

RSG (Revenue Support Grant)

The main grant which central government provides to support overall council expenditure. This grant can be spent on any services the council wishes.

SEN (Special Educational Needs)

Pupils who have educational requirements in excess of standard educational provision

Specific Grants

Additional grant funding from central government in excess of the Revenue Support Grant. These grants are paid for specific purposes and the Council needs to spend the grant for the purposes detailed by central government.