

LONDON BOROUGH OF HARROW

Meeting: Cabinet

Date: 14 October 2003

Subject: Medium Term Budget Strategy 2004/05-2006/7

Key decision: No

**Responsible
Chief Officer:** Interim Director of Finance

**Relevant
Portfolio Holder** Portfolio Holder for Finance and Resources

Status: Part 1

Ward: All wards

Enclosures: Appendix 1: MTBS 2004-05 - 2006-07

1. Summary / Reason for urgency (if applicable)

1.1 This report outlines the Council's refreshed Medium Term Budget Strategy for 2004/05-2006/07 and compares the forecast level of available resources with identified service and budget requirements.

2. Recommendations

The Cabinet is asked to:

- i) note the report
- ii) consider what further guidance is to be provided at this stage, in particular in respect of budget planning targets for 2006-07

Reason

To enable further review and refinement of the current rolling budget forecast in advance of the Revenue Support Grant Settlement at the beginning of December.

For Consideration

3. Consultation with Ward Councillors

3.1 Not applicable

4. Policy Context (including Relevant Previous Decisions)

4.1 This report provides the Cabinet with information that has been compiled in accordance with the Budget Guidelines previously agreed

5. Relevance to Corporate Priorities

5.1 The Medium Term Budget Strategy (MTBS) provides the basis for prioritisation and future delivery of all of the Council's services.

5.2 There are many factors that Cabinet needs to consider when setting priorities. These include demographic growth, legislative changes and savings and efficiencies identified.

6. Background Information

6.1 The table attached as Appendix 1 summarises the current position for the financial years 2004-05 to 2006-07. The upper section of the table shows the projected Formula Spending Share (FSS) for Harrow for the next three years. The middle section shows the current projected draft budget requirement based on the refresh of the MTBS agreed as part of the 2003-04 budget setting process which has been undertaken by departments over the summer period. While draft figures are included for year 3 of the MTBS (2006-07) further detailed guidance on the budget framework to be adopted in that year is required as it extends the previously approved MTBS by another year. The lower section of the table shows an *indicative* council tax increase for the next three years. However, it must be stressed that this is not a *definitive* outcome at this stage.

6.2 Behind the projected FSS for future years is a more complex model but the basic assumption is that Harrow's FSS will increase in line with the Chancellor of the Exchequer's previously published forecast. Recent information also indicates that the incorporation of further updated 2001 census data for the 2004-05 RSG Settlement (and future years) will benefit Harrow and this has been incorporated into the model. A further key assumption is that the proportion of Government funding in support of the FSS (ie Revenue Support Grant and redistributed business rates) will not change for next year, although a relatively small shift can have a significant impact on Council Tax.

6.3 Although the upper part of the table shows the projected FSS by major sub-block, there is only a limited degree of correlation with Harrow's service groupings. However, it is reasonable to compare changes in spending on Schools, and on Social Services in broad terms, with the respective FSS components. Indeed, for schools the expectation is that the Government will again set targets for 'passporting' the increase in the FSS component and the attached table anticipates this.

6.5 As shown by the appendix, the draft budgets include a number of 'growth' items approved by Cabinet and Council as part of the MTBS last year.. However, there are some areas where it is difficult in practice to make a clear distinction between growth which is legitimately committed in this way and that which represents a completely new bid. At the same time, some amounts provisionally included in the MTBS as

'committed' may not have been accurately costed for a variety of reasons. Some items have therefore been completely excluded from the MTBS refresh pending further detailed assessment and challenge.

- 6.6 The anticipated efficiency savings of £1.9m included in the original MTBS for each of the two years 2004-05 and 2005-06 have been included in the 'refresh' position. Departments are currently analysing the opportunities for short term efficiency savings and increased fees and charges and a further report on progress on these two key issues will be provided as soon as possible. The draft figures for 2006-07 also include an efficiency savings target of £1.9m and Cabinet is asked to consider whether this additional target is appropriate for 2006-07.
- 6.7 Taking the above into account, the draft budget for 2004/05 indicates a potential council tax rise of about 11.6% (this compares to the original MTBS forecast for 2004-05 of 14.4%, as reported to Council in February this year)
- 6.8 Appendix 1 attached has been annotated and more detailed notes are included as part of the appendix drawing out a number of key points.
- 6.9 The Cabinet is invited to consider what further guidance should now be provided for the purpose of refining the budget and service forecasts in advance of the Revenue Support Grant Settlement anticipated at the end of November.

7. Consultation

- 7.1 None to date but a separate report on this agenda considers the public consultation process now required as part of the budget and service planning cycle.

8. Finance Observations

- 8.1 This is a report from the Interim Director of Finance and deals with financial matters throughout.

9. Legal Observations

- 9.1 No legal comments.

10. Conclusion

- 10.1 Further guidance from the Cabinet is required as the basis for refinement of the current budget forecast and to enable the MTBS figures for 2006-07 to be refined..

11. Background papers

Budget Guidelines approved by Cabinet in July 2003

12. Author

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