

Meeting:	Cabinet
Date:	14 February 2008
Subject:	Revenue Budget 2008-09 and Medium Term Financial Strategy 2008-09 to 2010-11
Key Decision:	Yes
Responsible Officer:	Myfanwy Barrett Corporate Director of Finance
Portfolio Holder:	David Ashton Portfolio Holder for Finance and Portfolio Co-ordination
Exempt:	No
Enclosures:	Appendices listed on Page 13

SECTION 1 – SUMMARY AND RECOMMENDATIONS

This report sets out the proposed revenue budget for 2008-09 and medium term financial strategy (MTFS) for 2008-09 to 2010-11.

RECOMMENDATIONS:

- 1) That Cabinet asks Council to approve the budget to enable the Council Tax for 2008-09 to be set
- 2) That Cabinet recommends to Council the model Council Tax resolution set out in Appendix O
- 3) That Cabinet approves the Medium Term Financial Strategy at Appendix B
- 4) That Cabinet notes the new investment in services, and, in relation to Access Harrow, approves the performance targets set out in Appendix F

- 5) That in relation to revenue income optimisation Cabinet is asked to approve:
 - a) The project outlined in Appendix I
 - b) The proposed framework at Appendix J
- 6) An average increase in non-statutory fees and charges of 2% from 1 April 2008
- 7) That, in relation to schools, Cabinet approves the budget and notes that there are no proposed changes to the LMS formula (Appendix K)
- 8) That Cabinet notes the reserves policy (Appendix M)
- 9) That Cabinet asks Council to approve the Housing Revenue Account (Appendix P) for 2008-09 and in particular to agree to:
 - (a) Increase rents by 5.61% on average from 1 April 2008
 - (b) Increase service charges by 4.26% on average from 1 April 2008
 - (c) Increase energy (heating) charges by £3.78 on average from 1 April 2008
 - (d) Increase water charges, garage rents and car park rents by 3% on average from 1 April 2008
- 10) That Cabinet approves the Medium Term Budget Strategy for the HRA at Appendix P
- 11) That Cabinet recommends the attached Members' Allowances Scheme (Appendix S) to Council for approval.

REASON: To publish the final budget proposals and set the Council tax and rents for 2008-09.

SECTION 2 - REPORT

Vision and Priorities

1. The new MTFs is being set in the context of the agreed vision for Harrow and the Council's corporate priorities.
2. The Council's vision is to be recognised as one of the best London Councils by 2012, in a borough that is cosmopolitan, confident and cohesive.
3. The vision must be delivered with the commitment of our staff, the Harrow Strategic Partnership and other partners across Harrow specifically to create:
 - **A place with quality neighbourhoods with clean and safe streets**
 - **A place where you can be proud of the Town Centre**
 - **A place which promotes the well-being of its communities**
 - **A place where the Council provides value for money services.**

4. In line with these vision statements, a focused set of corporate priorities has been determined as follows:
 - **Deliver cleaner streets, better environmental services and keep crime low**
 - **Redevelop the Town Centre**
 - **Improve the well-being of adults and children and the care of those who most need our help**
 - **Extend community use of schools while making education in Harrow even better**
 - **Improve the way we work for our residents**
 - **Develop communities where people from different backgrounds get on well together**
5. The Corporate Plan is being presented in parallel with the budget. Specific commitments in the form of Flagship Actions and other actions area contained within Directorate Service Plans.
6. This report covers both the main revenue account and the Housing Revenue Account. There is a separate report dealing with the capital programme for 2008-09 to 2010-11.

Financial Context

7. The Council has agreed its new vision and priorities and the budget must support the achievement of this vision. However the development of the medium term financial plan is increasingly challenging because:
 - The local government settlement is poor
 - Harrow is already a relatively low spending council
 - Large parts of the budget are outside the Council's control
 - Considerable savings have been made in previous years and this makes it increasingly difficult to identify new areas for efficiencies and reductions
 - The demand for services and expectations from central government are growing all the time
 - Reserves are very low
8. An extract from the London Council's briefing on the settlement is set out below:

London Councils is extremely disappointed with the local government finance settlements for the three years 2008/09 to 2010/11. The settlements completely fail to recognise the extent of service and financial pressures on local authorities in London

- Local authorities in London will receive an increase in grant well below the average for England in each of the three years covered by this announcement.
- 24 London boroughs will be on the grant floor in all three years, receiving only the minimum increase in grant.
- In total, 29 London boroughs will be on the grant floor in 2008/09, and 24 in 2009/10 and 2010/11.
- The Metropolitan Police Authority and the London Fire and Emergency Planning Authority are also on the grant floor for their class of authority for all three years.
- Further, London has a disproportionate number of authorities receiving only the minimum increase in formula grant - virtually half of all education and social services authorities on the floor in each of the three years are London boroughs.

These proposals represent a devastating announcement for London, unfairly penalising both the capital's councils and their communities. As the grant floor has been set each year at below the level of inflation, the settlements represent a real-terms cut in funding and will result in significant pressures on the budgets of London authorities and the services they provide. Furthermore, the proposals for the next three years follow below average increases in formula grant for London authorities in 2006/07 and 2007/08.

London Councils believes the poor settlements for local authorities in London for the next three years represent a very short-sighted strategy by the government. In particular, a striking feature of grant settlements in recent years is the increasing proportion of formula grant funded by income from non-domestic rates. London generates over 26% of the total income in England from non-domestic rates. But the failure to recognise adequately the challenges for local authorities in London arising from population increases and other spending pressures puts at risk the success of the London economy and thereby poses a threat to the growth in income from non-domestic rates.

9. Members will be aware that Harrow is a low spending authority which receives low levels of grant funding. Harrow's total grant income is £595 per head lower than the London average and £212 per head lower than its nearest neighbours¹. This equates to a shortfall of £45m compared with the nearest neighbour average.
10. The Council's gross revenue budget is in excess of £500m but the controllable budget is only around £115m. The controllable budget excludes schools funding, council tax and housing benefits (all of which are funded through ring-fenced government grants), internal recharges, accommodation costs and other items which are fixed in the medium term.
11. The Council has already made very substantial budget reductions in the last few years, including £19m in 2006-07 and £16m in the current year. These reductions have come from services across the Council and, whilst every

¹ The Audit Commission has defined a group of 15 outer London boroughs, which have similar characteristics to Harrow, as its nearest neighbours.

effort has been made to deliver efficiency savings, these reductions have inevitably resulted in a reduction in service levels in some areas.

12. Demand for services is growing rapidly and the expectations from central government and the public are also increasing. For example, demand for social care is growing. In addition landfill tax increases will significantly raise the cost of waste disposal in the next few years. Grant funding is not keeping pace with demand or the policy changes which expand the Council's responsibilities.
13. 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 valued by the public.
14. Reserves are currently £1.3m and forecast to increase to £2.1m at the end of 2007-08. This is still inadequate for such a large and complex organisation and it is critical that the Council continues to rebuild its reserves over the medium term.

Council Tax Strategy

15. The administration is committed to stabilising council tax over the medium term. The administration is also committed to producing prudent and achievable budgets and therefore must be mindful of the financial context outlined above, in particular the low levels of government funding and poor settlement. So far, Central Government has not engaged with Harrow to seek to address the shortcomings of the grant formula. In the circumstances, the MTFs reflects the difficulty of achieving the scale of cuts necessary to achieve a 0% increase in Council Tax.
16. Should Central Government become more responsive or if it becomes apparent that the budget gaps can be bridged without significant adverse impacts on service delivery, the MTFs will be adjusted to reflect that.
17. Therefore, given the continuing depressing outlook for poor settlements, the draft budget is predicated on a council tax increase of 2.95% in 2008-09 and 3% in each of the subsequent years. The council will endeavour to hold any increase below inflation, and less, if circumstances permit.

Revenue Budget (excluding HRA)

18. Appendix A shows an objective analysis of the budget for each service area. This is designed to give a flavour of how the Council will spend its resources in 2008-09.
19. Appendix B provides a summary of the figures and the resulting council tax increases of 2.95% in 2008-09, and 3% in 2009-10 and 2010-11.

20. The change in the budget requirement can be summarised as follows:

	£m
Budget Requirement 2007-08	155.1
Base budget and technical changes*	6.3
Inflation	3.3
New investment in priority services	1.9
Unavoidable growth pressures	6.1
Savings	(9.9)
Budget Requirement 2008-09	162.8

*includes £3.9m for specific grants that have been transferred into formula grant

21. Appendix C itemises the changes that have been made to the budget since the December cabinet meeting.

22. The detailed schedules attached at Appendix D set out all the proposals included in the budget. This includes pressures and savings proposals.

23. Appendix E provides some commentary on the assumptions and issues contained within the revenue budget.

Investment in Priorities

24. The budget includes £1.9m in 2008-09, £2.5m in 2009-10 and £2m in 2010-11 for investment in priority areas. The proposed allocation of these funds in 2008-09 is set out in Appendix D3. In line with the Council's vision and priorities, the main areas of focus are environmental services and customer service (Access Harrow).

25. Details of the anticipated impact of the new investment on performance in Access Harrow are attached at Appendix F, and members are asked to approve the performance targets for next year.

Business Transformation Partnership

26. There are three elements to the BTP savings built into the budget for 2008-09 to 2010-11. Firstly, there is a target of £1.5m in 2008-09 and a further target of £572k in 2009-10 which relates to the initial projects and the procurement strand of work. Information about the plans to achieve these savings is attached at Appendix G.

27. Secondly, an estimated saving of £600k from 2009-10 has been included in relation to the Housing, Revenues and Benefits and Planning (HARP) business case. The saving is net of additional running costs arising from the new technology. Note that a net saving is also included in the Housing Revenue Account.

28. Thirdly, an estimated saving of £400k has been included in relation to possible further projects in 2008-09. The projects are Adult Services transformation, Public Realm Transformation and a third service transformation (yet to be specified). The anticipated capital investment is £4m. At this stage the saving has been included from 2009-10 to just cover the additional capital financing costs, hence it has a neutral impact on the revenue budget. The projects will only proceed if the business case shows that there is a net financial benefit to the Council.

Impact of the budget proposals on services

29. Comments from the Council's five Corporate Directors about the impact of the budget proposals are set out below.

Children's Services

30. In November 2007 OFSTED assessed the performance of Harrow Children's Services and stated:

"The contribution of services to improving outcomes for children and young people is good.....Overall the council has taken significant steps to improve integrated working in the new Children's Services department and there is a good commitment to improving all services"

31. Children's Services' contribution to the council savings and value for money plan has been carefully considered. The identified needs of children and young people will be met within the authority's statutory requirements and by services delivered with our strategic partner agencies.

32. No staff redundancy or service closures have been required. Services will be targeted to meet statutory requirements of those in most need.

33. By the continuing innovation and hard work of staff, together with the active support of other agencies, we will strive to maintain standards and improve outcomes for children.

Adults and Housing

34. Overall 2008-09 is a critical year of investment in Adults & Housing services. Up to £3.7 million pounds will be invested in the services through the BTP (subject to sign off of the Adult Services business case) to support change which will yield benefits to users and efficiency savings in future years. In addition there is further capital programme investment planned in service development – notably for the new Neighbourhood Resource Centres.

35. In the revenue budget there is growth of £850k to reflect demographic change. In addition the services have contributed significantly to the Council's savings programme. In Housing this is reflected in the fact that

growth in homelessness costs is being absorbed within the existing budget through a range of projects to meet new demand.

36. In Adult services around £1.5 million is being found through genuine efficiency measures including new home care contracts with reduced costs and efficiencies in price negotiations with care providers.
37. There continues to be significant pressure and risks in both Adult and Housing service budgets which need to be closely monitored. The measures outlined are designed to manage budgets effectively in 2008-09. A transformation programme is being designed for 2009-10 and beyond which will deliver further efficiency savings and improvements in service quality.

Community and Environment

38. Many of the budget reductions for the Community & Environment Directorate are sourced from the Environment Department. However, the majority of the cost gains, which will be realised in 2008-09, are the full year effect of the 2007-08 budget, or management action during the current year to realise further efficiency gains (examples of this are the deletion of vacant posts, and the establishment of a Trust to reduce leisure centre business rate payments).
39. None of the Community and Environment savings' proposals will result in any further significant reduction in services to our customers.
40. Additionally, the 2008-09 budget provides for substantial additional resources across the Departments, but in particular for the Environment Services Department.
41. This additional resource will enable the Council to consolidate its position as one of the very best refuse collection services in London. Additionally, planned but prudent investment in 2008-09 and over the medium-term in our essential Public Realm Services, will gradually enable us to achieve our ambition for Harrow to be "a place with quality neighbourhoods with clean and safe streets".

Strategy and Business Support

42. Strategy and Business Support (SBS) provides a range of front line services including a number of statutory services such as Housing Benefits, Council tax collection, land charges, Registrars, Electoral Registration and student assessments. It also delivers services direct to the community via the Access Harrow One Stop Shop, contact centre and web site. SBS also supports the Council improvement programmes and ensures safe delivery of all council services through Legal and Governance services, HR, democratic services, performance management, Scrutiny, communications and support to the Harrow Strategic Partnership.

43. The required savings target has been achieved through deletion of vacant posts, utilising government grants and through efficiency measures such as increasing income, capitalising salaries and restructuring of services. Front line services are not put at risk as a result of these reductions.

Corporate Finance

44. Corporate Finance provides a range of services, mainly to internal customers. There is some growth in the budget for next year to ensure that resources are aligned with current activity levels. Savings are coming from more effective ways of working, additional charges and vacancy management.

Local Government Settlement

45. Details of the final local government settlement are included in Appendix H. The grant increase is 2% in 2008-09, 1.75% in 2009-10 and 1.5% in 2010-11.

Revenue Income Optimisation

46. The Council has commissioned a revenue income optimisation (RIO) project to identify the scope to increase fees and charges or introduce new fees and charges. An outline of the project is attached at Appendix I and the proposed framework for charging is attached at Appendix J. In total it is anticipated that additional net income of £400k can be generated in 2008-09. Further work is required to develop the detailed proposals and assess the impact of the project in the medium term.

Fees and Charges for 2008-09

47. The Council's fees and charges are generally increasing by 2% from 1 April 2008, but there are some exceptions to this.

48. In Children's services, charges for room hire at the Teachers centre will increase by 2.5% to 3% to cover costs. Playscheme charges will increase by around 7% in borough and 12% out of borough to cover additional salary costs. All other charges will increase by 2%.

49. In Adult Services, there will be no increase in the charges for home care or day care. Helpline charges will increase by around 9% for private subscribers (the charges are small and are being rounded). Housing charges for accommodation will increase by 2%.

50. In Community and Environment, there will be no increase in car parking charges or library charges. Hire of pitches and playing fields will increase by around 20% to ensure cost recovery. Cemetery fees will increase by 5%, reflecting increased maintenance costs. Arts centre charges (room hire) will increase by around 6% to cover costs and reflect market conditions. Charges for highways, environmental services (such as pest control, food safety, and some licencing activity) and civic centre lettings will generally increase by 2%.

51. In Corporate Strategy, there will be no increase in land charges or citizenship fees. All other charges will increase by around 2%.

52. A detailed list of the new charges is on deposit in the group offices.

Schools Budget

53. The Schools budget, funded through the Dedicated Schools Grant, is set by central government with no local involvement.

54. The Council does agree the formula for distribution of the total sum available between schools in the borough through the schools forum.

55. Appendix K contains details about the schools budget. There are no formula changes this year.

Risk Assessment and Reserves Policy

56. The risk assessment of the budget is attached at Appendix L and commentary to support the reserves policy is attached at Appendix M.

57. The Council agreed the following reserves policy in February 2007:

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

58. No changes are recommended to the policy at this time.

Report of the Chief Finance Officer

59. The report of the Chief Finance Officer is attached at Appendix N. In summary the budget is robust and complies with the agreed reserves policy.

Council Tax Resolution

60. The draft resolution is attached at Appendix O. Where party groups recommend changes to the budget to February Council, a revised resolution will be produced in each case.

Housing Revenue Account

61. The HRA for 2008-09 to 2010-11 is set out in Appendices P and Q. 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 housing strategy and HRA business plan which cabinet approved in 2007.

62. The planned average rent increase for 2008-09 is 5.61%. The planned average service charge increase for 2008-09 is 4.26%.

Consultation

63. Details of the stakeholder meetings where the budget was considered are outlined in Appendix R. Minutes from the meetings, where available, are in a separate pack.

Member Allowances

64. The proposed new scheme for member allowances is attached at Appendix S. The additional cost of the new scheme is built into the budget proposals.

Funding Gaps in Future Years

65. The three year plan shows a funding gap of £5.4m in 2009-10 and £6.9m in 2010-11. Officers are working on proposals for the next round of efficiency reviews which will be carried out in 2008-09. The efficiency reviews will be part of the Council's wider programme to close future funding gaps which includes:

- Business Transformation Partnership
- the strategic property review
- revenue income optimisation

66. Members will also be aware that a decision by London Councils to amend the allocation basis for freedom passes to usage data would significantly benefit Harrow.

Financial Implications

67. The budget requirement is £162.837m, which results in a Band D council tax of £1,152.55. This is an increase of £33.05 a year (64p a week) or 2.95%.

Reserve Powers to Limit Excessive Budget Requirements and Council Tax Increases

68. 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

69. 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.

70. The anticipated impact of the precept, based on the Mayor's consultation budget, is shown in the table below:

GLA Precept

Figures at Band D	2007-08 £	2008-09 £	Increase £	Increase %
Harrow Council services	1,119.50	1,152.55	33.05	2.95
GLA Precept	303.88	311.25	7.37	2.43
Combined Council Tax	1,423.38	1,463.80	40.42	2.84

71. The final decision on the GLA budget will be taken at the London Assembly meeting on 13 February. Therefore, final figures for the GLA precept will be available at the Cabinet meeting.

Performance Issues

72. There are no direct performance implications arising from this report. Clearly the Council's budget supports all of its functions and services throughout the year. Detailed performance measures for each service will be built into the Corporate Plan and Service Improvement Plans for 2008-09 to 2010-11.

Section 3: Supporting Information/Background Documents

Appendices are attached as follows:

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Section 3: Statutory Officer Clearance

Name: Myfanwy Barrett	<input checked="" type="checkbox"/>	Chief Finance Officer
Date: 24 January 2008		
Name: Hugh Peart	<input checked="" type="checkbox"/>	Monitoring Officer
Date: 31 January 2008		

Section 4: Performance Officer Clearance

Name: Tom Whiting	<input checked="" type="checkbox"/>	Divisional Director (Strategy & Improvement)
Date: 1 February 2008		

Section 5: Contact details and background papers

Contact: Myfanwy Barrett
Corporate Director of Finance
020 8420 9269

Background Papers:

- Report to Cabinet in December on the draft MTFS

APPENDIX A

Objective Analysis 2008-09

	Gross Controllable Expenditure	Total Gross Expenditure	Total Gross Income	Net Budget
	£000	£000	£000	£000
ADULTS AND HOUSING SERVICES				
Adults Services				
Strategic and Directorate Support	1,994	2,718	0	2,718
Community Care				
Assesment Care Management	925	1,170	-351	819
Older People	23,333	24,733	-5,683	19,050
Learning Disability	9,874	10,144	-1,706	8,438
Physical Disability	6,050	6,174	-332	5,842
Commissioning & Partnerships				
Catering Services	1,041	1,126	-522	604
Brokerage & Contracts	627	624	0	624
Mental Health	641	4,908	-579	4,329
Partnership Development	1,456	3,093	-1,227	1,866
Supporting People	258	4,034	-3,753	281
Modernisation & Integration				
Discrimination & Harassment	578	578	-157	421
Economic Wellbeing	1,687	1,877	-393	1,484
LD Residential	1,162	4,343	-120	4,223
Total Adults Services	49,626	65,522	-14,823	50,699
Housing				
Complaints	238	238	0	238
Housing Needs	1,954	2,589	-185	2,404
Housing Partnerships	481	521	0	521
Other GF Services	147	147	0	147
Resident Services-GF	391	391	-14	377
Travellers Site	30	35	-4	31
Total Housing Services	3,241	3,921	-203	3,718
Total Adults & Housing Services	52,867	69,443	-15,026	54,417

	Gross Controllable Expenditure £000	Total Gross Expenditure £000	Total Gross Income £000	Net Budget £000
CHILDREN'S SERVICES				
Young People's Services	9,161	9,484	-5,362	4,122
Safeguarding & Family Support Resources	4,295	4,437	-603	3,834
Schools	8,937	9,513	-796	8,717
Special Needs services	134,285	137,963	-134,286	3,677
Early Years	21,853	22,342	-15,360	6,982
Schools Development	10,881	11,057	-10,264	793
	8,022	8,510	-6,937	1,573
Total Children's services	197,434	203,306	-173,608	29,698
COMMUNITY AND ENVIRONMENT SERVICES				
Community and Cultural Services				
Libraries	3,832	5,080	-478	4,602
Community and Family Sports and Leisure	1,214	1,804	-987	817
Grants and Lettings	2,428	4,099	-1,817	2,282
	1,289	1,289	-288	1,001
Environment Services				
Community Safety	5,506	7,893	-5,709	2,184
Property and Infrastructure	8,686	24,540	-15,513	9,027
Public Realm	14,604	25,976	-5,881	20,095
Planning Services				
Historic Building Grant	0	15	0	15
Planning Operations	2,945	3,878	-2,689	1,189
Development & Enterprise	691	968	-43	925
Major Projects	994	4,390	-3,747	643
Directorate and Support	829	1,892	-1,366	526
Total Community and Environment Services	43,018	81,824	-38,518	43,306

	Gross Controllable Expenditure £000	Total Gross Expenditure £000	Total Gross Income £000	Net Budget £000
CORPORATE STRATEGY				
Chief Executive	276	778	0	778
Corporate Strategy and Business Support	374	410	-2,658	-2,248
Management Team Strategy and Business Support	637	637	0	637
Customer Service				
Access Harrow	2,473	2,475	-159	2,316
Assessments & Exchequer	3,213	99,342	-98,922	420
Business Transformation Partnership	2,872	9,792	-306	9,486
Revenues and Parking	1,221	1,907	-932	975
Legal and Governance				
Legal Services	3,282	3,703	-3,097	606
Governance	1,221	1,686	-1,140	546
Policy and Performance				
Human Resources Strategy	2,662	2,907	-1,850	1,057
Strategy and Performance	3,564	5,169	-1,901	3,268
Total Corporate Strategy	21,795	128,806	-110,965	17,841
CORPORATE FINANCE				
Finance	2,609	3,052	-1,940	1,112
Audit, Risk and Insurance	3,557	3,659	-3,349	310
Shared Services	1,832	2,357	-2,162	195
Procurement	263	11,767	-12,043	-276
Harrow Information Technology Services	3,807	5,571	-2,892	2,679
Directorate and Support	342	15,858	-2,275	13,583
Total Corporate Finance	12,410	42,264	-24,661	17,603
Total Directorates Budget	327,524	525,643	-362,778	162,865

APPENDIX B

MEDIUM TERM BUDGET STRATEGY 2008-09 to 2010-11

	2007-08 Budget £m	2008-09 Budget £m	2009-10 Budget £m	2010-11 Budget £m
Budget Requirement Brought Forward		155.074	162.837	167.479
Base Budget Changes and Technical		6.300	2.355	1.580
Basic Inflation		3.860	4.550	4.700
Additional Inflation		-0.544	0.300	0.300
Investment in priority areas		1.926	2.490	2.000
Business Transformation Partnership		-0.320	-1.662	0.000
Adults and Housing		-0.522	0.240	0.250
Children		-2.450	0.450	0.450
Community and Environment		-0.002	1.249	2.034
Corporate Strategy		-0.008	-0.020	-0.170
Corporate Finance		0.235	0.090	0.030
Corporate		-0.712	0.000	0.000
FUNDING GAP		0.000	-5.400	-6.935
Total Change in Budget Requirement		7.763	4.642	4.239
Revised Budget Requirement	155.074	162.837	167.479	171.718
Collection Fund Deficit	0.350	1.365	0.500	0.000
Formula Grant 2007-08	-60.349			
Transfers in to formula grant	-3.856			
Adjusted base for 2007-08	-64.205	-65.698	-66.786	-67.764
Amount to be raised from Council Tax	95.075	98.504	101.193	103.954
Council Tax at Band D	£ 1,119.50	£ 1,152.55	£ 1,187.09	£ 1,222.67
Increase in Council Tax (%)	4.90	2.95	3.00	3.00

Tax Base	84,926	85,466	85,245	85,022
Assumed collection rate	98.50%	98.50%	98.00%	97.50%

APPENDIX C

Summary of MTFs Changes

	2008-09	2009-10	2010-11
	£000	£000	£000
Funding Gap - December Cabinet	4230	6312	7814
Technical Changes to Budget			
Grant Settlement	-293	-488	-376
Collection Fund Deficit	365	-365	-500
Final Tax Base figure	-378	-13	-13
Revised Council Tax Strategy	43		
Inflation - pay, pensions and general price inflation	-275		
Concessionary Fares	-984		
Land Charges Income	-215	215	
Capital Financing	-500	1000	
Provision for bad debts/litigation	-125	125	
Contribution to Insurance provision (in line with actuarial review of claims)	-100	0	0
Contingency	-250	-250	
Capitalisation	-140	-75	415
Highways Maintenance			200
BTP business cases		-1000	
Audit Fees (as per Audit Commission consultation)	20	30	30
Copyright enforcement powers (added to RSG base)	16		
Total technical changes	-2816	-821	-244

	2008-09	2009-10	2010-11
	£000	£000	£000
New savings			
Children's Services	-411		
Adults and Housing			
- Per minute billing for home care	-28	-28	
- Purchasing budgets	-125		
Community and Environment			
- CA Site, trade waste	-25		
- Resident parking	-20		
- Merger of H&S with Env Health (see CF below)	75		
Corporate Strategy			
- Communications		-100	-170
- Collections staff	-25		
- Mayor's office	-27		
- Director of PPP post	-50	50	
Corporate Finance			
- IP telephony	-40		
- Health and Safety - hold vacancies whilst review carried out	-60	60	
Corporate items			
- Revenue Income Optimisation	-400		
- Procurement Quick wins	-20		
Total new savings	-1156	-18	-170
Other Changes			
Amend growth for waste disposal (includes reduction in WLWA levy)	-289	-73	-465
Investment Pot	26		
Delete part of growth for efficiency programme	-50		
Reduce growth pressure for parking enforcement	-125		
Public Law Family Fees	180		
Total other changes	-258	-73	-465
Revised Funding gap - February Cabinet	0	5400	6935

APPENDIX D1

Base Budget and Technical Changes

	2008-09 £000	2009-10 £000	2010-11 £000
Income Changes			
Land Charges Income	210	215	
Grant Changes			
Transfer from specific to general grant			
- Access and Systems	2,434		
- Delayed discharges	445		
- Children's Services	977		
LPSA Reward Grant	700		
Planning Development Grant	250		
Grant for anti-smoking legislation	109		
LAA Reward Grant		-200	
Levies and subscriptions			
Increases in payments to levying bodies over and above inflation	100		
Technical Changes			
Contribution to provisions for debt/litigation	125	125	
Insurance premium/provision	100	100	100
Review of capitalisation	650	615	415
Treasury Management - Capital Financing Costs and Investment Income	0	1,500	1,000
Members allowances	200		
Supplementary business rate on council premises			65
Total	6,300	2,355	1,580

APPENDIX D2

Basic & Additional Inflation

	2008-09	2009-10	2010-11
	£000	£000	£000
Basic Inflation			
Pay Award	2,380	2,600	2,700
Pension Contributions	80	250	250
Other inflation	1,400	1,700	1,750
Total Basic Inflation	3,860	4,550	4,700
Additional Inflation			
Concessionary Fares	-544	300	300
Total Additional Inflation	-544	300	300

APPENDIX D3

Investment in Priority Areas

	2008-09	2009-10	2010-11
	£000	£000	£000
Access Harrow	270	70	
Planning growth	250		
Spotlight on crime and grime - expansion of CCTV	148		
Flagship Action 1.7 - Tackle environmental crime and reduce fly-tipping, graffiti and litter through the work of the new Envirocrime Team.	125		
Town Centre Policing	210		
Harrow Business Against Crime	30		
Environmental Services	753		
Grants to Voluntary Groups	90		
Learning disability LIFT/PFI scheme		490	
Programme of efficiency reviews	50		
Future Investment - to be focused on residents' needs and concerns		1,930	2,000
Total	1,926	2,490	2,000

APPENDIX D4

Business Transformation Partnership

	2008-09 £000	2009-10 £000	2010-11 £000
<u>Pressures</u>			
Contract and Harrow costs	1,188	-90	0
Total Pressures	1,188	-90	0
<u>Savings</u>			
Savings from initial projects	-1,508	-572	0
Housing, Revenues & Benefits and Planning (HARP) business case		-600	
Adult Social Care Transformation, Public Realm Transformation, and EDRMS roll out in one further area		-400	
Total Savings	-1,508	-1,572	0
NET TOTAL	-320	-1,662	0

APPENDIX D5

Directorate: Adults and Housing

Proposal	2008-09 £000	2009-10 £000	2010-11 £000
<u>Pressures</u>			
Cost of and demand for social care placements & packages across all client groups	850	250	250
Rebuild Bessborough Road		178	
Redevelopment of Vaughan Centre		75	
Cost of Preserved rights clients exceeding grant	110		
Joint Director of Public Health Post	40		
Total Pressures	1,000	503	250
<u>Savings</u>			
Harrow Consortium for Special Needs (HCSN) Service Development	-105	-35	
Legal Services External Barristers		-200	
Re-tender of domiciliary care contracts	-550		
Full application of Access and Systems Grant	-550		
Saving on salaries	-44		
Adult Education Provision - users to take up mainstream services	-75		
Per minute billing for home care (and reduced payments to providers)	-28	-28	
Purchasing budgets - manage contract price increases	-125		
Housing finders fee - reduce fees payable to private landlords	-25		
Housing subscriptions - cease London Councils subscription	-20		
Total Savings	-1,522	-263	0
NET TOTAL	-522	240	250

APPENDIX D6

Directorate: Children

Proposal	2008-09 £000	2009-10 £000	2010-11 £000
<u>Pressures</u>			
SEN Transport (net of action to review provision and routes)	0	200	200
Cost of and demand for Children's Placements (net of action to review existing provision)	0	250	250
Special Schools PFI	40		
Public Law Family Fees	180		
Total Pressures	220	450	450
<u>Savings</u>			
Reduce Education Welfare Service	-75		
Achievement & Inclusion service to become self funded, and make more efficient use of grant	-476		
Reduce extended schools funding	-100		
Integrated early years and community services - more efficient use of grant	-255		
Special Needs services - efficiency savings	-880		
Safeguarding family placement & support - salary savings from vacant posts	-295		
Recruitment costs	-20		
Family placement - reduction in placement budgets	-250		
Children and Families Independent Review Unit - salary savings from vacant posts	-30		
Child Adolescent Mental Health Service - salary savings from vacant posts	-100		
Asylum/leaving care merger	-20		
Young People's Services - efficiency savings	-169		
Total Savings	-2,670	0	0
NET TOTAL	-2,450	450	450

APPENIDX D7

Directorate: Community and Environment

Proposal	2008-09	2009-10	2010-11
	£000	£000	£000
<u>Pressures</u>			
Waste Management			
- West London Waste Authority Levy	374	500	1000
- Section 52 (9) charges	366	84	168
- Collected Organic Waste Statutory Levy Offset Payment Scheme (COWSLOPS) Rebates	-141	-120	-240
- MRF Payments	199		
- LATS			250
Waste performance and efficiency grant	233		
DEFRA Letter - charging policy for waste collection	240		
Flats Recycling	35	214	-15
Increased composting	-55	-19	-19
Growth in number of households		90	90
New technology to develop service		300	100
Sub Total	1,251	1,049	1,334
Libraries - Reinstate saving on Gayton Road closure	59		
Street lighting PFI - professional fees	250		-300
Street lighting PFI - Affordability Gap			800
Highways maintenance	200	200	200
Parking Income	300		
Parking enforcement income	125		
Garden House rental	260		
Gayton Road Car Park (lost income net of running costs)	160		
Copyright Enforcement Powers	16		
Total Pressures	2,621	1,249	2,034
<u>Savings</u>			
COMMUNITY AND CULTURE			
Establish a leisure trust to save business rates	-175		
Reduce staffing levels across libraries service (in line with fundamental service review)	-128		
COMMUNITY SAFETY			
Take out one off budget for anti-smoking legislation	-85		
Increase HMO/Licensing income	-20		
Crime Disorder Reduction Partnership - more efficient use of grant	-50		
Harrow saves - small savings on miscellaneous spending such as catering and stationery	-10		

Proposal	2008-09	2009-10	2010-11
	£000	£000	£000
Trading standards cash freeze	-40		
PUBLIC REALM			
Management/staff reductions (full year effect of changes made in 2007-08 with no additional impact in 2008-09)	-1,200		
Fleet renewal	-125		
Amend and adapt brown bin routes	-70		
Review management structure across waste and PRS	-70		
More efficient use of Section 106 funding	-30		
Improve income control/debt management	-20		
Civic Amenity Site - trade waste charges	-25		
Resident Parking Permits - price increase	-20		
PROPERTY & INFRASTRUCTURE			
Ensure full recovery of cost of TfL schemes through grant	-200		
Reduction in street lighting electricity costs	-35		
Delete vacant senior energy officer post	-45		
Delete vacant senior traffic post	-50		
Delete vacant senior engineering post	-50		
Increase income from Civic Centre visitors car park	-25		
PLANNING			
Additional fee income	-150		
Total Savings	-2,623	0	0
NET TOTAL	-2	1,249	2,034

APPENDIX D8

Corporate Strategy

Proposal	2008-09 £000	2009-10 £000	2010-11 £000
<u>Pressures</u>			
Local Area Agreement	50	-100	
Communications	270	-100	-170
Performance and Data Services - reinstate saving from secondments	90		
Discretionary Rate Relief	15		
Reinstate Capitalisation of project costs	50		
Courier Charges	30		
Maternity Cover	12		
Peer Review every 18 months		30	
Annual Staff Survey	15		
Total Pressures	532	-170	-170
<u>Savings</u>			
Review Cash collection function	-25		
Reduced VFM work (eg updating profiles)	-25		
Charge HSP for Mori survey	-10		
Use DoH training grant to cover Learning & Development admin costs	-70		
Increased nationality checking income	-11		
Bring together land charges and registration	-35		
Delete vacant post in democratic services	-27		
Additional council tax collection income	-20		
Saving on housing benefit salaries through restructuring and deletion of vacant post	-30		
Additional Housing Benefit administration grant (confirmed for 2008-09)	-100	100	
Reduce BTP contingency	-25		
Capitalise Access Harrow salaries (web team)	-60		
Collections Staff	-25		
Mayor's Office	-27		
Vacant Director post	-50	50	
Total Savings	-540	150	0
NET TOTAL	-8	-20	-170

APPENDIX D9

Corporate Finance

Proposal	2008-09	2009-10	2010-11
	£000	£000	£000
<u>Pressures</u>			
IPT saving not achieved and additional running costs	310		
ERP support team	100		
Reinstate Capitalisation of project costs	50		
Audit Fees	20	30	30
Total Pressures	480	30	30
<u>Savings</u>			
Increase charges to West London Waste Authority	-50		
Review treasury management administration	-30		
Terminate external cash management contract	-45		
Share skills across insurance and risk functions with Brent	-20		
Saving on motor insurance premium	-30		
Full recovery of staff time spend on TfL projects from grant	-10		
Health and Safety - hold vacancies and conduct review	-60	60	
Total Savings	-245	60	0
NET TOTAL	235	90	30

APPENDIX D10

Corporate

	2008-09 £000	2009-10 £000	2010-11 £000
<u>Pressures</u>			
Corporate Funding Officer	45		
Total Pressures	45	0	0
<u>Savings</u>			
Review of management structure (full year effect)	-337		
Revenue Income Optimisation	-400		
Procurement Quick Wins	-20		
Total Savings	-757	0	0
NET TOTAL	-712	0	0

Commentary

1. This commentary explains the changes shown in summary in Appendix B and in detail in Appendix D.
2. The schedules show the changes that are proposed over the three years to 31 March 2011. The issues outlined in 2009-10 and 2010-11 remain indicative.
3. Appendix A shows the impact in each year of the changes as set out in the sheets and the cumulative impact on the Council Tax. The calculations of the Council Tax are based on the approved Council Tax base for 2008-09, being 85,466, and growth of 0.25% in the taxbase thereafter. In the three year strategy the collection rate is reducing from 98.5% in 2008-09, to 98% in 2009-10 and 97.5% in 2010-11. However actual collection performance will be monitored in the coming year to see if these further reductions are necessary.

RSG/Grant Changes

4. The settlement provides a grant increase of 2% for 2008-09, 1.75% for 2009-10 and 1.5% for 2010-11.

Base Budget Changes (Appendix D1)

5. It is anticipated that there will be significant reductions in the income from land charges due to competition from private firms, market conditions and changes in the regulations. The reduction of £425k is being phased in over 2 years.
6. A number of specific grants (totalling £3.856m) are being transferred into formula grant next year.
7. The LPSA reward grant will cease from 2008-09 (£700k).
8. Planning Development Grant will reduce by £250k in 2008-09.
9. The Council received a one-off grant to implement the anti-smoking legislation in 2007-08 (£109k).
10. An estimate of £200k has been included for LAA reward grant in 2009-10 and 2010-11. This will be reviewed as the work programme develops.
11. An additional £100k has been provided for levies and subscriptions over and above inflation.
12. The sum of £250k has been included to establish regular contributions to provisions for bad debts and litigation. This is phased over 2 years.

13. There is a planned increase in the annual contribution to the insurance provision over 3 years in line with a recent actuarial review of claims.
14. The sum of £650k in 2008-09, £615k in 2009-10 and £415k in 2010-11 has been provided to reduce the Council's reliance on capitalisation. This is supported by a detailed 4 year plan.
15. The budget includes a provision for capital financing costs consistent with the planned level of capital investment (reported separately on this agenda). This provision is nil in 2008-09, £1.5m in 2009-10 and £1m in 2010-11.
16. The budget includes £200k to bring members allowances towards the levels suggested in a recent report by London Councils. Harrow allowances are around the lowest in all the London boroughs. The £200k would bring allowances to around 70% of the London Councils recommendations. The detailed scheme is attached at Appendix T.
17. The budget includes a provision of £65k in 2010-11 for supplementary business rates (SBR) on council premises. This is on the assumption that the London Mayor will introduce a SBR to fund Crossrail.

Basic Inflation – Pay and Pensions (Appendix D2)

18. An annual provision of 2.5% has been made for the pay award for 2008-09 to 2010-11. The government has made clear its intention to hold public sector pay increases to 2% but there is considerable pressure from unions to secure higher settlements. A provision at 2.5% is deemed to be reasonable.
19. The draft report on the triennial actuarial valuation of the Council's pension fund recommends an increase in employer's contributions to the fund of 0.1% in 2008-09, and 0.25% each year thereafter. This will take the contribution rate to 19.35% over the next 6 years.

Basic Inflation – Other Costs (Appendix D2)

20. The budget for general running costs has been inflated at 2% a year in line with the government's underlying target.

Additional Inflation (Appendix D2)

21. In 2008-09 there will be a reduction in the cost of concessionary fares (freedom passes) of £544k. This is due to some new national funding for the scheme.
22. An additional provision of £300,000 has been made for concessionary fares in 2009-10 and 2010-11, which equates to around 5%. This allows for possible fare increases.
23. However, London Councils are due to consider the allocation method again in the coming year. These decisions could significantly reduce Harrow's costs.

Investment in Priority Areas (Appendix D3)

24. The planned investment of £1.9m for 2008-09 is itemised. A provision of £2.5m has been included for 2009-10 and £2m for 2010-11 for planning purposes but, with the exception of some further investment in Access Harrow and the LIFT PFI scheme in 2009-10, no decision has been made at this stage on how it should be allocated.

Business Transformation Project (Appendix D4)

25. The budget reflects the anticipated expenditure and savings arising from the projects which are being carried out in partnership with Capita.

26. The areas that will be targeted for savings in 2008-09 are shown in Appendix G.

27. Assumptions have been made about efficiency savings arising from new projects in 2009-10.

Directorate growth and savings (Appendices D5 – D10)

28. Growth pressures and proposed savings are shown by Directorate in Appendices B5 to B10:

- D5 Adults and Housing
- D6 Children's Services
- D7 Community and Environment
- D8 Corporate Strategy
- D9 Corporate Finance
- D10 Corporate items

29. The Directorate schedules show that a range of pressures exist, most notably:

- Demand for social care
- Waste management costs (particularly due to landfill tax increases)
- Reduced income from car parking and parking enforcement
- Pressures in the IT budget

30. Savings are fully itemised in the Directorate schedules. The emphasis is on efficiency. As indicated in the body of the report, there is no significant impact on service users.

Access Harrow Investment Plan

Improving Access Harrow performance is a flagship action, and also supports the Council's corporate objective of improving customer satisfaction in general. Given the huge level of contact with Harrow residents (Access Harrow is close to handling its one millionth contact) it has a significant effect upon a number of performance indicators.

The growth proposal follows a 6 month period of significant improvement in performance in Access Harrow, driven by rigorous performance management, overcoming technical and IT problems, and a fundamental change in team structures and patterns of work. The service is reaching the limit of further improvements through these methods, and now requires growth in key operational areas to reach the standards and targets required in 2008-09.

The range of performance that could be delivered at varying levels of growth is outlined below. Revenue growth of £300,000 (£270k general fund and £30k HRA) for 2008-09 will deliver, as a minimum, performance of 87% of calls answered in 30 seconds within Access Harrow, and an abandonment rate of 7% as shown below:

	Impact on Performance at Different Levels of Expenditure				
	+ £0	+ £100k	+ £200k	+ £300k	+ £400k
Calls answered in month	59,770	63,070	63,970	67,370	69,970
Calls in 60 seconds	78%	86%	87%	93%	95%
Calls in 30 seconds	63%	74%	76%	87%	91%
Average speed to answer	0:01:32	0:01:11	0:01:07	0:00:48	0:00:42
Abandoned Calls	21%	15%	14%	7%	6%

The levels of performance resulting from such growth will represent, in industry terms, a high performing contact centre.

Additional resource allocated to the one stop shop will improve performance from an average wait time of 23 minutes currently to an average wait time of 15 minutes.

Given that performance continues to improve in the current year the recommended performance targets for 2008/9, based on £300k of growth are:

- To answer 90% of calls within 30 seconds
- To have an abandoned call rate of 5% or less
- To have an average waiting time in the One Stop Shop of 15 minutes.

BTP Savings

The BTP savings target increases by £1.5m in 2008-09 to £4.8m. The team is on track to exceed the target this year, and this will reduce the target for next year.

The Capita Programme Director has been in discussion with the Council's Corporate Directors to identify areas of work going into 2008-09. The work falls into three broad categories and the team will focus on the following:

Improving the way services operate

- Complaints Handling
- Car Parking
- HR
- Access Harrow front and back office activities
- Special needs transport
- Children's services

Better procurement

- Waste disposal contract
- Vehicle Fleet
- Utilities
- Telecoms
- IT

Maximising the benefits of new technology

- Decommissioning old systems
- Eliminating duplicate payments
- Improving compliance/system usage (ERP)
- Debt management

With support from Sector, part of the Capita Group, the Council will also continue to improve its approach to treasury management to drive out further efficiencies.

Three year Settlement 2008-09 to 2010-11

Introduction

The details of the Local Government Finance Settlement were announced on 24 January. This largely confirmed the proposals made in the provisional settlement announced in December. The settlement reflects the detail following on from the Comprehensive Spending Review (CSR07) in October.

Key Points

The table below shows the key points from the settlement.

	2008-2009	2009-2010	2010-2011
AEF increase (England)	4.0%	4.3%	4.3%
Formula Grant Increase (England)	3.5%	2.8%	2.6%
Harrow Formula Grant	£65.699m	£66.786m	£67.764m
Harrow Increase adjusted for transfers	2.0%	1.75%	1.5%
Harrow Damping	£2.321m	£1.791m	£1.252m

Harrow is on the grant floor throughout the 3 year period, as it was in 2007/08.

London Position

London has generally fared badly in the settlement with 29 of 33 boroughs on the floor in 2008/09 together with the GLA in respect of both Police and Fire. The number of authorities on the floor decreases to 24 by 2010/11 as the damping starts to unwind.

Formula Changes

The most significant change compared to 2007-2008 is the removal of sub block damping from the children's and younger adults social care formulae which were introduced in 2006/07. This is the main reason for Harrow being £2.321m below the floor in 2008/09, compared to £0.605m in 2007/08. There have been more minor changes in the area cost adjustment with the weighting being reduced.

Changes From Provisional Settlement

The only significant change made was to adjust the Council's base position to reflect an adjustment in respect of a change to the charges for Public Law Family Fees. This has resulted in additional damping grant of £180k in 2008-2009.

Revenue Income Optimisation Project

Context

1. Harrow has experienced very severe financial pressures in recent years and is facing funding gaps in future. Therefore it is vital that the Council looks at all opportunities for reducing costs and increasing income.
2. Whilst revenue income makes a significant contribution to the way that Council's are funded, there is a common and growing consensus that this is an area that is not being exploited to the full either to reduce cost pressure or to create a consistent momentum to improve services.
3. The Local Government Act 2003 introduced new charging and trading powers but it is clear that these are not being used to full effect. There is also a large amount of regulation around charging.
4. In this context the Council commissioned PWC to carry out a revenue income optimisation (RIO) project.
5. The Audit Commission has recently published a report entitled "Positively Charged – Maximising the benefits of local public service charges". The report examines the contribution made by charging to council finances, and how decisions on charging can support strategic objectives for local government. The report looks at patterns in charging across local authorities and presents a series of barriers and constraints as well as considerations for setting charges. It puts forward a number of recommendations focusing on improving knowledge of customers and charges and understanding how these fit with the overall objectives of the council and service provision directly. Additionally, from 2009, the Audit Commission's use of resources assessments will take account of how councils and other public bodies are using charges.
6. The publication of the Audit Commission report makes the Council's own project very timely.

Objectives of Project

7. The objectives of the project are to:
 - Take a corporate approach to revenue generation
 - Improve the management information which supports charging decisions
 - Improve the understanding of market conditions
 - Ensure consistency in design of charges and application of concessions
 - Ensure that policy decisions relating to charges are explicit and clear
 - Generate new ideas and maximise the opportunities available
 - Ensure that Harrow generates income that is above average when compared with its nearest neighbours

- Establish effective governance and performance management arrangements going forward
- Establish an effective annual review process

8. The project has a number of steps as follows:

- i) Ideas generation – this produces a long list of ideas for discussion with managers and members
- ii) Ideas consolidation – this refines the list of ideas and identifies those where further work is recommended
- iii) Challenge – options are reviewed in detail
- iv) Business case development
- v) Cabinet approval
- vi) Implementation of approved business cases

9. It is anticipated that the project will make a significant contribution towards the Council's strategy for closing future funding gaps in the medium term.

Initial Findings

10. PWC commenced the project in November and produced an initial report in December which set out the long list of ideas for discussion and a draft framework.

11. The initial report indicated that there is considerable scope for Harrow to increase its revenue as it is currently generating considerably less income than other London boroughs. This is borne out by the Audit Commission report and comparison tool.

12. The Audit commission tool compares Harrow with its nearest neighbours (15 outer London boroughs). This shows that, using 2006-07 data, Harrow's total income from charging is the second lowest in the group at just over £20m (the highest is over £80m), and that Harrow's charging income as a proportion of total service expenditure is also the second lowest in the group at around 6% (the highest is around 15%).

13. Since PWC produced their initial report, officers have provided comments on the ideas and the framework has been developed further. PWC are conducting a series of workshops with managers and also carrying out a survey of existing concessions.

14. The proposed framework for charging is attached at Appendix J for approval by Cabinet.

Proposed Workplan

15. The ideas that will be prioritised in the next few weeks are as follows:

- i) The scope for the Council to raise income through advertising and sponsorship
- ii) A review of the catering arrangements, and in particular the scope for catering concessions
- iii) A review of land charges
- iv) A review of the charging opportunities in the Community and Environment Directorate including planning and building control, highways, parking enforcement, leisure services, libraries, cemeteries, waste disposal and CCTV

16. Further reports will come to cabinet for consideration once detailed proposals are ready in each area.

17. Later in the project reviews will be carried out in Children's services, Adults and Housing and Corporate Strategy.

18. The 2008-09 budget includes an income target of £400k (net of implementation costs). As the project develops a detailed model will be used to forecast income in the medium term.

Revenue Income Policy – A Framework

Preface

1. Whilst revenue income makes significant contribution to the way that Council's and other public services are funded, (current estimates suggest that 8% of Council revenues are raised through fees and charges), there is a common and growing consensus that this is an area which is not being exploited to the full either to reduce cost pressure or to create a consistent momentum to improve services. Identified barriers are:
 - Failure to surface debate within Local Authorities on the opportunities created by a corporate focus on revenue income generation. In particular how income generation in addition to reducing the net cost of services might also improve and extend the range of services offered. In this context it is important to reflect on how service managers and decision makers at senior officer and elected member level are incentivised to challenge themselves and their services to engage and be more creative around charging opportunities and decisions.
 - The focus on budgetary targets in isolation from how charges for service are 'designed' or fresh ideas for income generation are identified which creates a disconnect between income generation as an integral part of service planning and improvement.
 - Within a complex regulatory environment – what restrictions/opportunities are available for charging?
 - Lack of clear information on which to base charging decisions during the annual review process so that it is unclear which services are subsidised and by how much, and therefore whether low priority services are inadvertently subsidised at the expense of higher corporate priorities and opportunities to maximise income are lost.
 - Lack of management information on:
 - The full cost of providing the service, how is this defined and is information available to determine how it is established to take into account all direct and indirect costs?
 - Demand and usage profiles on which to base the level of charge through understanding what the impact might be, whether it could be differentiated by user/time of use to maximise take up and income and to ensure that low income users and other target groups are not disadvantaged.
 - The market context of income generating activity. Are prices too low or too high in relation to competing uses and what is the impact of this?
 - Lack of clarity over concessionary use and target groups.
 - 'Me too' thinking where benchmarks are used to drive levels of charge without having regard to local user requirements/preferences and the impact of local competition.

- Perceived risk and lack of commercial capacity in respect of new areas of charging and new models of delivery.
2. To a large extent the solution lies in creating clarity around the problems – real or perceived. The attached document sets out, as a basis for discussion, an approach to revenue income generation which establishes some key principles and a refined approach for revenue income generation which seeks to address and clarify some of the key barriers as set out above as:
- Aims and key principles which underpin the Council’s approach to income generation which sets out the circumstances where income generation is both acceptable and encouraged.
 - A standardised approach to concessionary charging.
 - The approach to identifying and defining income generating activity in terms of:
 - How charging decisions are made?
 - What management information is used to determine the level of charge?
 - How is the charge designed.
 - Performance management and an annual review process.

Section 1: Why a framework for income generation?

Context of a new approach to income generation

3. In 2006/07, councils in England raised £10.8 billion from charges for services, not including housing rents. This was around 8 per cent of their total income and is the equivalent of £210 for every person in England. Whilst revenue income makes a significant contribution to the way that Council’s and other public services are funded, there is a common and growing consensus that this is an area which is not being exploited to the full, either to reduce cost pressure or to create a consistent momentum to improve services.
4. The Council has therefore recognised that local people value the services it provides and that there is an opportunity to create choice and access to an extended range and quality of service through off setting the cost by charging a fee. Moreover, in the context of tough financial settlements for local government, appropriately targeted charging may also allow the continued delivery of some public services that might otherwise have struggled to be viable.
5. A properly considered approach to income generation is capable of supporting the development of new and existing services in response to local need and demand, for example, to pay for improvements which directly benefit service users who are willing to pay for them, to subsidise services for a particular group such as children or older people, to support particular strategic objectives of the Council, or to support

wider policy objectives such as changing behaviours or moderating demand for a particular service.

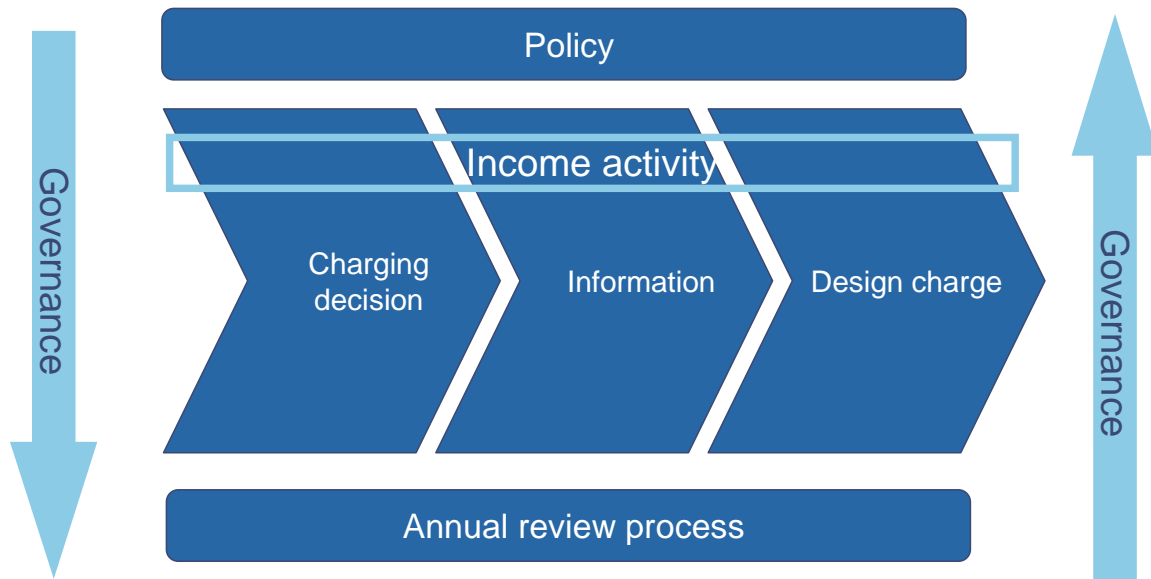
6. That said, the environment in which local government raises income is complicated by the nature of the Council as an organisation. The Audit Commission, Central Government and others, have identified that in the past the controversy and complexities attached to income generation coupled with a lack of a corporate focus and approach have resulted in local authorities failing to maximise the revenue opportunity presented by charging and trading despite changes to the regulatory regime which encourage this². These complexities include:
- Who should pay for services and who should be subsidised? This requires judgements to be made about who the beneficiaries of services are, the user or the wider community, and therefore what the balance should be between 'user pays' and 'taxpayer subsidises'.
 - Understanding of the regulatory restrictions on charging – both service specific where there may be prohibitions on certain types of charges, and in relation to the structure of the charge – whether it should be fixed to recover the cost of providing it, whether it may be set to generate a surplus.
 - In direct contrast with the above, understanding the opportunities created by the introduction of 'Freedoms and flexibilities' for income generation through charging and trading which mean that there are commercial opportunities for Councils to raise revenue to support wider objectives.
 - Concerns over the equity of charging and how this might impact on disadvantaged groups.
 - The social context of charging, and how this is supported by concessions and targeted support to specific groups to support the wider strategic objectives of the Council.
 - The capacity to take a more entrepreneurial approach to charging by applying commercial principles within a public sector service delivery context. In particular where this requires specific structures, investment and risk which are unfamiliar and untried.
 - The market context of services which compete with services provided by others.
 - Being able to access management information to support robust decision making on designing charges to take account of demand, user preferences and in many instances simply understanding the cost of the activity which could be recovered through the charge.
7. The consequence of failing to address the challenges set out above is that a significant revenue generation/service improvement opportunity is missed and that with a fragmented approach to income generation the structure and processes of local authority charging may appear to lack transparency and be confusing and illogical for users. For example, where there are a range of eligibility criteria for

² Freedoms and flexibilities Local Government Act 2003

reduced charges for low income users. What is needed is to establish clarity and a clear direction through a policy led and managed approach to income generation creating capacity and understanding within the organisation. Critical issues to take into account in any such approach include:

- A policy which sets out the aims and principles which underpin the overall approach, in particular how income generation will support the delivery of wider Council objectives, for example, income generation supporting investment in better quality or new services, a clear rationale for why a particular service or group of users is subsidised relative to others and a clear approach to concessions
 - The approach to income generation which includes:
 - The charging decision – how is the decision made and what factors are taken into account? Including any regulatory considerations, how the charge might be used to support wider Council policies and any subsidy implied by this.
 - An informed approach – what management information, market intelligence etc is used to inform the decision?
 - Designing the charge.- are charges well designed, taking proper account of recovering cost, (including how this is defined), the impact of the charge on users, the impact of any concessions etc
 - The review and scrutiny process for existing and new areas of income generation which makes sure that income decisions are consistent with for example the approach to recovering cost and maximising income.
8. This document therefore seeks to establish a framework to support and guide a practical approach and renewed focus on raising revenue within the Council under the following headings:
- Policy aims and principles.
 - The approach to charging/income generation
 - Review and scrutiny process.

9. The overall approach is represented by the diagram below:



Section 2: The income policy - Aim and key principles

Aim

10. The LB of Harrow is committed to ensuring that it maximises opportunities to raise income to reduce the overall net cost of providing services, as well as to expand the range and quality of services through re-investing income generated.
11. The Council will manage its income generation within an overall policy framework set out in the principles below.

Principles

12. The Council acknowledges that the circumstances in which it raises income currently and how it may raise income in the future are complex and diverse. It is both a commissioner and provider of services, and has advantages of scale presence when competing with the private sector, as well as operating as a monopoly in some services. It wishes to preserve equity for low income and disadvantaged users whilst using income generation to keep the net cost of services as low as possible. Therefore some key principles are needed to demonstrate that public stewardship is being preserved in the approach to generating income. These are as follows:
 - In the context of the Council's objectives, the benefits to citizens and the community generated by particular charges will significantly outweigh any costs. Charging will be integral to service planning, as part of our focus on responding to particular local needs and demands in Harrow and creating choice.

- Concessionary charges will be available in the following circumstances:

- 1 To individual low income users based on assessment criteria which are common across the Council, (except where these are superseded by service specific requirements such as 'Fairer Charging for Social Care for example).
NOTE: *The Council is in the process of defining a common set of eligibility criteria to be applied consistently across all service areas, which minimise duplicated processes and which are as simple as possible for the user to understand and to access.*
- 2 Subsidising groups of users where this supports a particular service objective, for example increasing participation in leisure activities by young people, access to services for people with disabilities etc.
- 3 To support marketing or business development activity aimed at increasing take up and the overall income yield for the service in the long term.

NOTE: 1 and 2 above will need to be agreed by Elected Members as part of the annual setting of fees and charges and any subsequent amendments to this policy. The Council will agree which services or groups of users will be eligible for any exemptions from charging and are therefore subsidised and this will be reconsidered as part of the annual review process. This will ensure that there is a logical decision supporting why a particular service or group is subsidised relative to others, and therefore how subsidy from mainstream budgets is used to support the top priorities of the Council.

3 will need to be based on business cases which set out the rationale for short term reduction in charges, including an evidence base in terms of projected volume increases, the impact on cost and income.

The current review of income by PricewaterhouseCoopers is seeking to identify the cost impact of existing concessionary charging.

- Discretionary income generating activity will be underpinned by a consistent rationale which will include:
 - That charges are always considered in relation to costs. As a minimum, the cost of providing the service will be recovered unless there is a positive decision to the contrary.
 - Reflect how users value the service, acknowledging that charging can create an image of quality and something to value as well as giving the user greater power to challenge the cost and quality of the service.
 - Maximising the potential to generate income, for example, through differential charging to tap into the value placed on the service by different users.
 - Where it is allowed within the regulatory regime to generate a 'surplus' over and above the cost of providing the service this should be assumed within any income targets. In particular where a service is 'demand led' and/or competes with others based on quality and cost the charge should be determined by the maximum that users are prepared to pay.

- Taking account of competitor pricing.
- Where a service is subsidised that this is as a result of a positive decision by the Council – which is regularly reviewed, and that this is published as part of the outcome of the annual review.
- Reflect the impact of any exemptions from of concessionary users.
- As part of the process of setting new or existing charges, clear targets will be established, (both qualitative and quantitative). For example, level of reduction in the net cost of the service, quality improvements arising from any investment, benchmark position of net cost against similar activities in other Councils.
- There may be circumstances where income generation is not the key driver for the way in which prices are set, for example, where the Council wishes to manage demand, or deter or incentivise certain behaviours such as encouraging re-cycling, discouraging trade use of civic amenity waste sites etc. In this context, however, the general principles of pricing should apply and in particular that any charged activities, enforcement etc must at least recover cost.
- As a significant organisation, the Council recognises that there may be opportunities to trade services with other public sector, private and voluntary sector organisations to increase the capacity of others to provide services, or to maintain the efficiency of its own cost base. Where it enters into commercial trading arrangements, these will be within the scope of its powers, be based on a prudent assessment of any risks to its core activities and will not be contrary to the values and philosophy of the Council.
- Charging structures may be used to incentivise environmentally sound and sustainable practice.
- When introducing new or making changes to existing income generation, the Council will have regard to the views of users and other stakeholders.
- There will be an annual review of income generation opportunities by Officers and Elected Members considered as part of the budget setting process. Whereas in the past, however, this may have been subject to an annual percentage uplift based on the previous year's charge, which may be historic, charging information will be set out in a format which demonstrates that the income stream has been developed in accordance with the principles and approach within this Income Generation Framework. (This is expanded on section 4 of the document).

What is this income generation framework for?

13. This income generation framework is intended to guide Officers and Elected Members in an organisation wide approach to income generation. As the framework is consolidated and agreed it may be appropriate to develop a 'public facing' document which captures the key principles and how they are being deployed to deliver benefit to local people.

What services and goods are covered by the framework?

14. Any service or goods that the Council has a power and discretion to provide to the community, or has a statutory duty to provide but has discretion to set a charge.

Section 3: Approach

15. The following section sets out the key issues and parameters for the way in which income is generated to support the aims and principles set out in Section 2.

Approach to structuring income proposals

16. In the past much of local authority income generation activity has been established on a historic basis. This section sets out a generic approach to elements which should be considered to make sure that income streams are viable, based on realistic evidence based assumptions and consistent with the Council's aim to maximise income, reduce the net cost of services and to improve the range and quality of services it offers.

17. Key considerations in this regard are:

- The decision to create an income stream or increase a charge.
 - Regulatory position. Can income be generated and on what basis?
 - Is charging consistent with the Council's policy on charging. Would there need to be exemptions from charging for some users or groups of users?
- An informed decision – what factors should be taken into account?
- Designing the charge to maximise income.

18. Guidance on each of the above steps is set out below

The decision to charge: Regulatory position – Can income be generated and on what basis?

19. The basis of the powers which local authorities' have to raise income is historic and complex. As part of building the case for a new income stream it will always be necessary to establish the lawful basis of any charge, but the broad principles are described below, so that the following categories of opportunities to raise income apply:

- For some areas there is a specific prohibition on charging, such as many areas of social care for children, education, book loans from libraries and waste collection, (under current regulations, although this is likely to change in the near future). A list of areas where a prohibition on charging/income generation applies will be developed.
- Areas of statutory charging where fees are prescribed such as planning, liquor and entertainments licensing, personal searches of the land charge register, or

areas where fees are prescribed with some element of discretion, such as social care. In both cases opportunities should be sought to consider where there may be potential to supplement charges with discretionary services which support the outcomes of the core statutory service, for example, advisory services such as pre-application planning advice.

- Discretionary income generation which must be in a 'function related activity', or contribute to 'wellbeing' outcomes as defined by the 2003 Local Government Act. Broadly the rules/guidance which apply are:
 - Councils are under a duty to ensure, that taking one year with another, the income from charges for discretionary services do not exceed the costs of provision;
 - Charges may be set differentially, so that users are charged different amounts, for example for parking at different times of the day or for different levels of service.
 - Authorities are not required to charge for discretionary services and may provide them free of charge if they wish.
 - Where discretionary services are not provided at cost recovery, this should be part of a positive decision by the Council to support a particular objective, or group of people in support of achieving its corporate objectives.
 - Where discretionary charging results in a surplus or profit over and above the costs attributable that activity, this shall be addressed in subsequent years by reducing charges to compensate for the level of over recovery. (There are some exceptions to this, however, see below).

20. The Council's income policy requires that there is at least a presumption towards 'full cost recovery' except where there is positive decision to support those on low incomes or a specific group of users. The Council has defined 'full cost recovery' in accordance with the CIPFA Best Value Code of Practice, (BVACOP), which states that as:

- Charging at full cost recovery should include all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost appears to be an appropriate definition of full cost and is defined to include all expenditure attributable to the service/activity, including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges.
- BVACOP also details 7 general principles in allocating or apportioning support services and overheads as shown overleaf

Complete recharging of overheads	All overheads not defined as Non Distributed Costs or Corporate and Democratic Core should be fully recharged to the service expenditure headings as defined by Section 3 of the <i>Best Value Accounting Code of Practice</i> . Note that Corporate and Democratic Core costs should receive an appropriate allocation of overheads.
Correct recipients	The system used must correctly identify who should receive overhead charges.
Transparency	Recipients must be clear what each recharge covers and be provided with sufficient information to enable them to challenge the approach being followed.
Flexibility	The recharging arrangements must be sufficiently flexible to allow recharges to be made regularly enough and to the level of detail appropriate to meeting both users' and providers' needs.
Reality	Recharging arrangements should result in the distribution of actual costs which has the basis of fact. Even if the link cannot be direct, reality should be the main aim.
Predictability/Stability	Recharges should be as predictable as possible, although there will be practical limitations to this
Materiality	It is unlikely that a simple system will be adequate to meet all other requirements noted above. However due regard should be made to materiality to minimise the costs involved in running the system.

- In certain circumstances income generation can include a 'surplus element', i.e. recovering more than the cost of providing the service. This is usually specific to certain services where the law allows it, such as leisure, car parking, trade waste and others, or where the Council has a part of full share in a company which has been established to trade. Where it is allowable to make a surplus this should be the starting point for 'designing' the income stream.

Is charging consistent with the Council's policy on charging? Would there need to be exemptions from charging for some users or groups of users?

21. When considering how to create an income stream or to increase income, thought should be given as to how this fits with the Council's general policy principles. How can income be maximised, how might it reduce net cost or contribute to service improvement? The impact of exemptions for concessions should be properly assessed and in particular consideration should be given to whether there is the potential to cross subsidise usage which is exempt from full price charging.

An informed decision

22. Where possible charging decisions should be based on management information which allows the basis of the charge to be calculated, for example, in relation to user preference, demand trends, elasticity of price and demand, knowledge of the full costs attributable to the service, the impact of competition and competitor pricing etc.

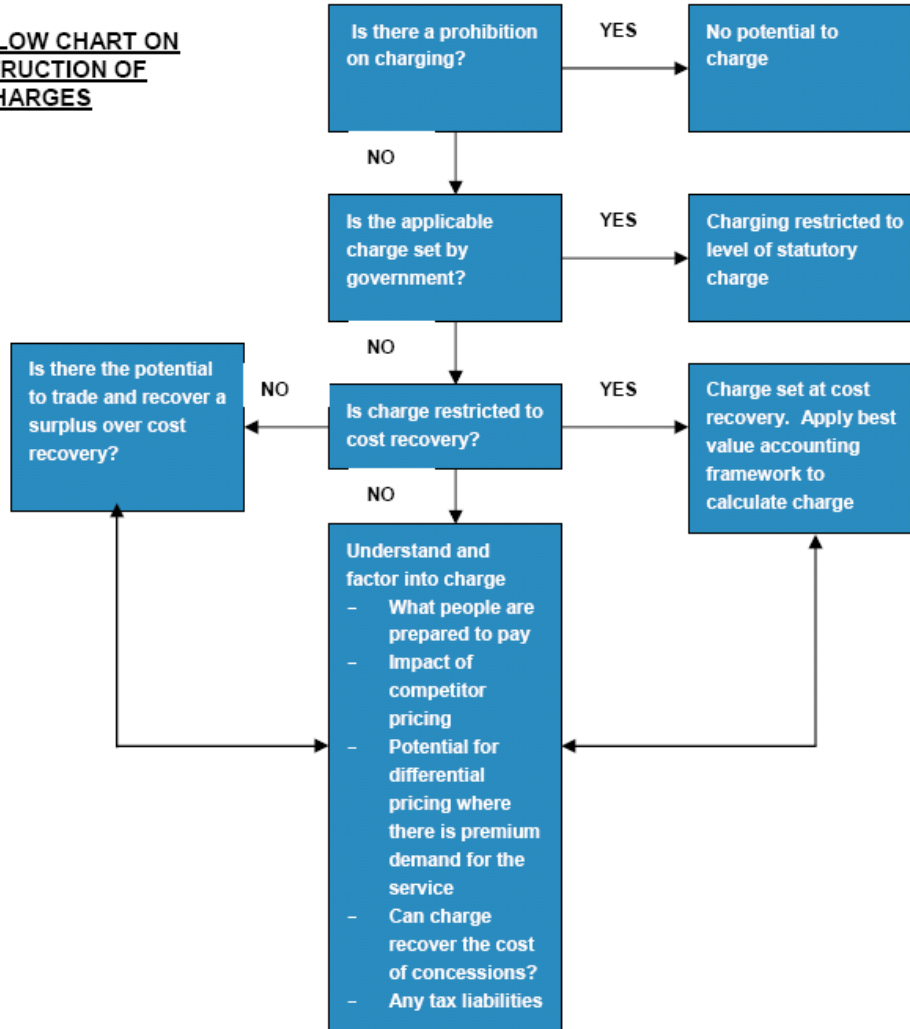
23. Where this information is not available as part of planning for the implementation of any new or re-based charging, it should be envisaged how the information required is to be developed over time.

Designing the charge

24. There are a number of elements which should be taken into account when designing a charge, building on the issues described above, as follows:

- Recovering full cost, which should include any direct, indirect and variable costs, for example the cost of collection.
- The impact of exempted users or target groups and whether the cost of this can be recovered through 'cross charging' those users who pay full price.
- Any positive decision to subsidise the service and how this links to corporate priorities.
- Where there is premium demand for a service, that this should be reflected in the pricing structure, for example where there is peak usage at certain times of the day.
- Impact of competition and competitor pricing.
- Understanding the impact of user preference and price sensitivity on the 'elasticity of price and demand'.
- The impact and cost of promotional activity and promotional pricing.
- Whether the charge creates any specific tax liabilities, for example VAT.

SIMPLE FLOW CHART ON CONSTRUCTION OF CHARGES



Section 4: Review and scrutiny process

25. New and adjusted income opportunities may be considered:

- during the year, and;
- as part of annual budget cycle

26. To maintain 'visibility' of the focus on income generation there will be an in year and annual review process which:

- Makes 'go and no go' decisions in relation to new and existing income opportunities.
- Ensures that income generation is being maximised within the framework set out in the policy principles/approach to setting charges within this document.
- Ensures that income decisions are based on evidence based principles which support realistic estimates of the level of income to be achieved.
- Creates a clear decision making process around where income generation might be used to support both the revenue sustainability of the Council and contribute to service improvement.

27. It makes sense that there should be some central management of income opportunities by a cross service group of officers and elected members, so that expertise and capacity evolves which can grow the momentum of opportunities, also that discipline is maintained around the income principles and approach. The Council will take a view on the Constitution of this group, whether it will be convened as required throughout the year, and how it will operate in advance of the budget setting process to ensure that there is appropriate scrutiny of proposed increases to fees and charges / new income decisions.

28. Key to making informed decisions about the viability of income opportunities is how it they are presented for consideration, both initially and at the annual review stage. As a minimum the information should include:

Reporting template

- Current charge.
- Proposed increase.
- Income estimate and target.
- Estimated gross and net costs, including an explanation of how this has been calculated.
- Benchmark data to compare with the position in similar services.
- Income as a % of expenditure.

- Subsidy/surplus per user – including the reason for subsidy if applicable.
- The cost impact of any concessions offered.
- Analysis of the impact of the proposed charge including any assumptions and user/market information used as an evidence base.
- Income target and service outcome target.

School Budget 2008-09

Introduction

- 1.1 This is the first year of the multi year cycle of the schools budget. Schools are being given three-year budgets for 2008-09, to correspond with the Comprehensive Spending Review (CSR).

Schools Funding 2008/09 basis of funding

- 1.2 It is estimated that the Dedicated Schools Grant (DSG) will be £133.6m overall, which is a 4.5% increase on last year. This is based on the January 2007 pupil level annual school census (Plasc) and the DSG will be updated after the January 2008 count. Local Authorities will not receive final allocations until May or June 2008. The minimum-funding guarantee (MFG) is set at 2.1% for all schools for each of the next three years. The 2.1% MFG assumes a 1% efficiency gain, which the government expects to be achieved across the schools sector.
- 1.3 Schools will be given the final 2008-09 budgets and indicative budgets for 2009-10 and 2010-11 in March 2008. The 2008-09 budgets will take into account not only the change in Plasc numbers but also changes in non-Age Weighted Public Unit (AWPU) data such as free school meal numbers, SEN pupil changes and Acorn data.

Schools formula funding

- 1.4 As part of setting multi-year budgets for schools, each Local Education Authority has to determine, before the beginning of funding period 1 (2008-09), the formula which they will use to determine and re-determine schools' budget shares in funding periods 1,2 and 3 (2008-09; 2009-10 and 2010-11).
- 1.5 There have been no exceptional circumstances which require the funding formulae to be changed for 2008/09.

Schools Budget 2008/09

- 1.6 The total Schools Budget is estimated to increase to £133.6m in 2008-09 from £127.9m in 2007-08. This is an increase of £5.7m. However, after the impact of the 2.1% minimum-funding guarantee (£3m) is taken into account, this leaves £2.7m headroom to be allocated.

- 1.7 Schools Forum were consulted regarding the allocation of the headroom and it was agreed that the following growth be funded from the headroom. Each of these issues is described in more detail below.

Table 1 Use of Headroom

	£'000
Headroom available	2,700
Less:	
Ministerial Priority - Pockets of Deprivation	(331)
SEN Higher Costed Statements	(490)
Extra places at Special School	(395)
Central Items Growth	(885)
Balance Left	599

Ministerial Priority

- 1.8 Schools Forum agreed that the pockets of deprivation funding should be allocated to schools on the basis of Free Schools Meals eligibility. This funding will assist those schools with pupils from deprived backgrounds.

SEN Higher Costed Statements

- 1.9 One of the big pressures in the 2007-08 financial year has been the interim funding given to SEN higher value costed statements, 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 £ 0.490m 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 each of the four Special Schools. The advantage of using the capacity within Harrow Special Schools is that more costly out of borough placements are avoided. Schools Forum agreed the sum of £395k required for this purpose.

Central Items

- 1.11 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 2.

Table 2 - Central Items 2008-09

Central Items	2007-08 Budget £'000	increase £'000	2008-09 Budget £'000
SEN	6,702	363	7,065
Early Years	2,811	520	3,331
Admissions	526	13	539
Other (inc PRU)	1,935	78	2,013
Schools specific contingency	1,049	350	1,399
Total	13,023	1,324	14,347

1.12 Central Items expenditure for 2008-09 is estimated to increase by £1,324k, comprising £439k of inflation and £885k growth. The growth is allocated as follows:

- £135k will be needed to address the demands of the SEN element of central items i.e. out of borough placements
- £400k will be needed for the increased expenditure in early years for the private, voluntary and independent sector
- £350k is for Schools specific contingency

1.13 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 supported these proposals.

Schools Specific Contingency

1.14 The Schools Specific Contingency forms part of Central Items. The Schools Specific Contingency for 2007/08 is shown in table 3.

Table 3 - Schools Specific Contingency

Description of Items	2007-08 Budget £'000	Growth/ Savings £'000	2008-09 Budget £'000
Pupil & FSM Trigger Funding	250	0	250
ASTs	162	0	162
SEN Adjustments	500	0	500
Formula contingency	40	0	40
Flexibility funding - Learning Centre	72	0	72
Krishna Avanti interim funding	0	100	100
Autism in Mainstream schools	0	65	65
Formula Funding Review	25	-25	0
Primary sector Projects	0	200	200
Pilot project for Children Looked After	0	10	10
Total	1,049	350	1,399

1.15 The growth is the following areas - interim funding for the new Krishna Avanti school (£100k); supporting autism in mainstream schools (£65k);

£200k for primary sector projects and £10k for improving the attainment of Children Looked After.

Remaining Headroom

- 1.16 After allocating funding from the headroom to the growth items, there remains a balance of approximately £600k. 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 Register

Risk Assessment

A risk assessment has been conducted using the methodology used for the previous budget review and budget monitoring.

Whilst individually none of the risks are particularly high, a view must be taken on the likelihood of several of these risks materialising in any one-year, and the combined impact. Of course, several of these risks could generate either an over-spend or under-spend – 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 income.

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 scenarios 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 table;
- The greatest risks are demand for social care, and achievement of savings.
- The total value of risk that has been quantified is £3.5m

**HARROW COUNCIL
BUDGET RISK REGISTER 2008-2009 TO 2010-2011**

	Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
			£000		£000			
	<u>POLITICAL RISKS</u>							
1	Change in government policy	B II	Cannot be quantified	Cannot be quantified	Cannot be quantified	No	Externally	There would usually be a long lead in time for a change in policy and provision would be made in the budget.
2	By-Election	D III	20	17%	3	No	Externally	Worst case is based on two By-Elections in one financial year.
	<u>ECONOMIC / FINANCIAL RISKS</u>							
3	Interest Rate instability	E III	1,000	6%	60	No	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 following year's budget.
4	Inflation	D III	500	17%	85	No	Externally	Inflation includes pay, contracts, special items such as utilities, and other supplies and service prices. At present inflation is relatively stable. The pay award for 2008-2009 has yet to be agreed. Contract price increases are normally known in advance.

	Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
			£000		£000			
5	Shortage of working capital	E III	250	6%	15	No	Internally	Fluctuations in working capital have been an issue in the past, however improvements are being made with the new financial system in relation to income collection, and payments, which should improve cash flow.
6	Poor management of long-term debt.	F III	0	0	0	No	Internally	The debt portfolio is largely at fixed interest rates. Hence there is minimal risk in this area. Debt restructuring is continually under review to identify savings.
7	Poor asset management.	F III	0	0	0	No	Internally	Improved asset management is in place representing a future opportunity.
8	Bad debts and adequacy of provision	D III	1,000	17%	170	No	Internally	More robust monitoring arrangements in place as part of the quarterly budget monitoring reports to Cabinet. Bad Debt Provisions for all debtor areas are continually reviewed.
9	Changes to grant regime	B III	0	0	0	No	Externally	Three year settlement for Harrow for 2008-09 to 2010-11 has been confirmed. Further research required during 2008-09 on the impact of Area Based Grants.
10	Settlement of grant claims	D III	1,000	17%	170	No	Externally	Experience shows there is a risk of claims for asylum seeker grants not being settled in full by the government.
11	Market developments: Property market	E II	300	6%	18	No	Externally	The anticipated changes in the structure of land charges are reflected in the MTFS

	Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
			£000		£000			
12	Market developments: Business growth	C III	0	0	0	No	Externally	The Business Growth Incentive Scheme (LABGI) allows Harrow to retain some non-domestic rate income locally. Given the current uncertainty around the scheme the income target has been removed from the budget entirely.
13	Market developments: Employment market	EIII	100	6%	6	No	Externally	This is a 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.
14	Litigation against the 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.
15	Major fraud	E III	100	6%	6	Yes - partially	Both	No major cases in recent years.
16	Increased Pension Fund contributions	B II	0	0	0	No	Externally	Triennial valuation to 31 March 2007 has been completed and the new employer's contribution rate is factored into the MTFS.

	Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
			£000		£000			
17	Council Tax: Collection Fund	D III	200	17%	34	No	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 and will be kept under review to eliminate this risk.
18	Capital Financing Charges	E III	250	6%	15	No	Internally	The revenue impact of the capital programme will be fully reflected in the revenue budget to ensure a low future risk of under provision.
19	Levies, Precepts and Subscriptions	EIV	50	6%	3	No	Externally	The Council pays a range of levies, precepts and subscriptions. These are set by other bodies and usually known before the budget approved. The waste levy will be a significant issue in future due to the significantly increasing cost of waste disposal.
20	Poor budget management	D III	1,000	17%	170	No	Internally	Budget holders have clear responsibilities and budgets are monitored during the year. Training, internal controls, and systems reviews are maintained to continually improve monitoring. However, overspends can occur during the year and impact on the overall financial position of the Council if management action is not taken.
	<u>SOCIAL RISKS</u>							
21	Demographic aspects: Children's services Adult services	C II C II	750 1,500	38% 38%	285 570	No	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.

	Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
			£000		£000			
22	Population growth rates	D III	0	0	0	No	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>							
23	System failure	D II	100	17%	17	Yes - partially	Both	Restoration costs are covered by insurance
	<u>LEGISLATIVE / REGULATORY</u>							
24	New legislation	B II	0	0	0	No	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, Licenses and gambling, Children's Act. Revenue budgets will reflect known changes.
	<u>LEGISLATIVE / REGULATORY</u>							
25	Natural disaster, accident or terrorist incident	EIII	720	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.

	Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
			£000		£000			
26	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>							
27	Gershon efficiency agenda	DIII	0	0	0	No	Internally	In medium term the BTP should contribute towards the majority of the Council's Gershon savings. There are no financial penalties for failing to achieve the targets.
28	Achievement of allocated savings included in the budget	C II	1,000	38%	380	No	Internally	The final 2008-2009 budget contains challenging savings and these will be very closely monitored during the year.
29	Achievement of unallocated savings included in the budget	F II	0	0	0	No	Internally	The 2008-09 budget includes a BTP target of £1.5m and a revenue optimisation target of £400k. Work on both projects is well advanced and the targets are prudent.
	<u>PARTNERSHIP / CONTRACTUAL RISKS</u>							
30	Partnership failure – LAA	EIII	950	6%	57	No	Externally	The LAA received pump-priming grant in 2007-2008. All projects will be closely monitored. Risk in not achieving the full Reward Grant in future years if targets not met.
31	Partnership failure – PCT	c II	1,000	38%	380	No	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 some disputed debts remain to be resolved.

	Risks	Risk rating	Worst case	Likelihood %	Estimated risk	Insured	Externally / Internally Controlled	Comments
			£000		£000			
32	Partnership failure – BTP	DIII	3,400	17%	578	No	Internally	The savings from the partnership as per the contract are built into the budget for 2008-09 and 2009-10 .
	TOTAL		16,290		3,462			

Reserves and Provisions

The approved 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 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 2006-07 and low level of balances at 31 March 2007 resulted in the Council scoring 1 for financial standing in the assessment carried out in 2007. 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 £3.5m. 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 has a low risk budget for 2008-09. The budget does contain savings of £9.9m including a target of £1.5m for the business transformation partnership

and £400k for the revenue income optimization project. Both these pieces of work are well advanced and the targets are prudent. Progress against all the savings in the budget will be carefully monitored during the year.

The Council is currently carrying out a financial effectiveness review and this will assist with further improvements to the budget monitoring arrangements. In addition more emphasis will be placed on balance sheet management going forward.

The Council still has very few earmarked reserves and provisions. However, the 2008-09 budget does include a new contribution to a provision for bad debts and litigation and an increase in the annual contribution to the insurance provision.

Taking all this together, the target level for reserves should be £5-£7m. The budget includes an annual contribution to reserves of £1m. As at 31 March 2007 the level of General Fund Reserves was £1.3m. The forecast to 31 March 2008 is currently £2.1m. Therefore, depending on the outturn in each year, general fund balances of £5m should be achieved in 3-4 years.

Report of the Chief Finance Officer

Under the Local Government Act 2003 the Corporate Director of Finance (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.

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
- 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 capital financing costs and investment income
- 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 2008 is £2.1m. This is not adequate but the budget includes a contribution to reserves of £1m a year which is consistent with the policy attached at Appendix M.

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 O

Council Tax Resolution 2008-2009

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 2008-2009 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 17 January 2008 the Council calculated the amount of 85,466 as its Council Tax Base for the year 2008-2009 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 2008-2009, 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**)

£518,871,202

(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**)

£356,033,572

(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.**

£162,837,630

(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)

£64,333,462

(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.

£98,504,168

(vi) Being the amount at (v) divided by the Council Tax Base, calculated by the Council at its meeting on 17 January 2008 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)**

£1,152.55

(vii) Valuation Bands

	A	B	C	D	E	F	G	H
£	768.37	896.43	1,024.49	1,152.55	1,408.67	1,664.79	1,920.92	2,305.10

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 2008-2009 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
£	207.50	242.08	276.67	311.25	380.42	449.58	518.75	622.50

(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
£	975.87	1,138.51	1,301.16	1,463.80	1,789.09	2,114.37	2,439.67	2,927.60

HARROW COUNCIL
REVENUE BUDGET SUMMARY 2008-2009

	2007-2008 Original Budget £000	2008-2009 Original Budget £000
Local Demand - Borough Services		
Adults and Housing	52,058	54,417
Children's	31,211	29,698
Community and Environment	41,303	43,306
Corporate Strategy	17,490	17,841
Corporate Finance	17,230	17,603
Total Directorate Budgets	159,292	162,865
Inflation and Corporate items	4,170	7,710
Capital Financing adjustments	(3,460)	(3,460)
Interest on Balances	(4,688)	(4,688)
Total – Baseline	155,314	162,427
Capitalisation	(1,240)	(590)
Contribution to Balances	1,000	1,000
Total Net Expenditure	155,074	162,837
Contribution re Collection Fund Deficit b/f	350	1,365
National Non-Domestic rate (NNDR)	(51,676)	(57,670)
Revenue Support Grant (RSG)	(8,673)	(8,028)
Local Demand on Collection Fund	95,075	98,504
Funds / Balances		
Balances Brought Forward	1,354	2,154
Adjustment to Balances	800	1,000
Balances Carried Forward	2,154	3,154
Council Tax for Band D Equivalent		
Harrow (£)	1,119.50	1,152.55
<u>Increase</u>		
Harrow (%)	4.90%	2.95%
Taxbase	84,926	85,466

APPENDIX P

HOUSING REVENUE ACCOUNT (HRA) 2008-09 to 2010-11

	Revised Budget 2008-09 (Feb 08)	Revised Budget 2009-10 (Feb 08)	Original Budget 2010-11 (Feb 08)	Key areas of change from the December budget report
Expenditure				
Employee Costs	3,065,408	3,000,389	3,045,395	Budgets from 2009-10 reflects savings from the new HARP project.
Supplies & Services	2,065,771	2,265,771	2,292,771	
Central Recharges	1,411,180	1,411,180	1,411,180	Increase to energy costs to reflect recent industry indicative price increases. Budgets from 2009-10 reflects savings from the new HARP project.
Employee Costs - Needs / Strategy	427,425	438,111	449,063	
Recharge to other services	-502,530	-502,528	-502,528	Contribution to Housing General Fund reflects actual estimated costs uplifted for pay inflation at 2.5%.
Home Ownership service	68,921	69,955	71,004	
Baseline expenditure	6,536,175	6,682,878	6,766,886	Reflects increased admin and insurance costs to be recovered from leaseholders.
Contingency	200,000	200,000	200,000	
Operating Expenditure	6,736,175	6,882,878	6,966,886	
Charges for Capital	5,520,644	5,866,672	6,020,207	Borrowing costs reflects a reduced estimated consolidate rate of interest (CRI) at 4.5% (previously 5.08%) in line with the Council's restructured debt.
Contribution to Repairs Account	4,617,000	4,661,000	4,705,000	
Bad or Doubtful Debts	100,000	100,000	100,000	Estimated service improvement costs to be contained within identified budget.
Total Expenditure	16,973,819	17,510,549	17,792,093	

	Revised Budget 2008-09 (Feb 08)	Revised Budget 2009-10 (Feb 08)	Original Budget 2010-11 (Feb 08)	Key areas of change from the December budget report
Income				
Rent Income – Dwellings	-21,160,318	-22,345,296	-23,592,163	Average rent to increase by 5.61% (previously 5.66%) in 08-09 in line with final determination.
Rent Income – Non Dwellings	-990,810	-1,013,599	-1,036,911	
Service Charges - Tenants	-1,079,423	-1,126,162	-1,175,375	Average tenant service charges to increase by 4.26% (previously 3.50%) in 08-09 in line with final determination.
Service Charges - Leaseholders	-210,000	-219,093	-228,667	Average leaseholder service charge to increase by 4.26% in line with charges to tenants.
Facility Charges	-469,980	-616,980	-643,980	Heating charges to increase to ensure full recovery of costs and to reflect recent indicative industry price increases.
Interest	-19,000	-19,000	-19,000	
Other Income	-8,010	-8,010	-8,010	
Transfer from General Fund	-83,000	-83,000	-83,000	
HRA Subsidy	6,837,598	7,678,736	8,607,902	Negative subsidy payable reflects the final determination and the revised CRI at 4.50%.
Total Income	-17,182,943	-17,752,404	-18,179,206	
Net Operating Expenditure	-209,124	-241,854	-387,113	
Revenue Contribution to Capital	1,000,000	1,000,000	1,000,000	
In Year Deficit / (Surplus)	790,876	758,146	612,887	
BALANCE	-5,287,534	-4,529,388	-3,916,501	

HOUSING REVENUE ACCOUNT (HRA)

Medium Term Financial Strategy (MTFS) - 2008-09 to 2010-11

1. The Council's 30 year HRA business plan was updated and submitted to GOL in July 2007. The plan sets out how the Council intends to manage and maintain its retained housing stock over the next 30 years. The financial strategy set out below relies on the business plan assumptions, which have been updated where relevant to reflect changing operational needs and priorities.
2. The medium term financial strategy budgets for the cost of delivering services at current levels and recognises the priorities identified in the Housing Strategy. It also takes account of areas of identified pressures and savings. It builds on the HRA forecast outturn position at quarter 3 and reflects the final HRA subsidy determination announced by government in January 2008. The strategy will be subject to changes that may be required to reflect any further changes to government policy and housing priorities.
3. The last budget report in December has been revised and updated where appropriate to reflect current position and known information. Key areas of change include
 - HRA final determination
 - Rent & Service Charge increases
 - Consolidated rate of Interest (CRI)
 - Energy costs and charges
4. Details of the updated assumptions that underpin the strategy and the 3year revenue budget summary are set out below.

Balances

5. The strategy will deliver in year deficits of £791k in 2008-09, £758k in 2009-10, and £613k in 2010-11. The accumulated balances are estimated to reduce from £6m in 2007-08 to £3.9m at the end of 2010-11. In line with the business plan, the HRA aims to maintain a minimum balance of £750k.

Income

Dwelling Rent

6. The Government now intends that by 2016-17 (previously 2011-12) similar properties in the same area will have similar rents even if owned by different social landlords. The aim is to deliver fairer rents, and 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 actual rents similar to the government guideline rent by 2016. The final determination increased average weekly guideline rent by 5% to £82.56.

7. In line with the final HRA subsidy determination, the 2008-09 rent increases are to be limited to RPI + 0.5% +£2. Government has based this limitation on RPI of 3.9% and the extension of the rent convergence period by 5 years to 2016-17. As a result, Government expects average rent to increase by no more than £5.40 per week per tenant.
8. In line with Government policy, an average rent increase of 5.61% is recommended in 2008-09 (5.13% in 2007-08). This means an average rent charge of £81.55 per week per tenant (£77.22 in 2007-08) representing an average rent increase of £4.33 per week per tenant (£3.77 in 2007-08). The strategy assumes a stock level of 5,073 at the start of April 2008 reducing marginally by an estimated five Right to Buy sales each year thereafter. A 1.5% rental loss from voids is assumed. These are reflected in the estimated rental incomes.

Service Charge – Tenant and Leaseholders

9. The Council separated service charges from dwelling rents in April 2007. The costs of delivering estate based communal services are recovered directly from tenants and leaseholders through the service charge. The estimated total cost of depooled services in the current year is £1.28m (£1.19m in 2006-07).
10. In line with Government guidance, service charges for tenants and leaseholders are recommended to increase by 4.26% in 2008-09 (3.6% in 2007-08) representing RPI + 0.5%. This equates to an average service charge of £4.16 per week per tenant (£3.99 in 2007-08), representing an average increase of £0.17 per week per tenant (£0.14 in 2007-08).
11. Recovery of costs for administering the leasehold team is recommended to remain at 20% of the service charge costs. Recovery of the costs of repairs from leaseholders remains at an estimated £85 per leaseholder. Building insurance is to be recovered at about £142 per year per leaseholder. It is estimated there will be 1077 leaseholders as at March 2008.

Facility Charges

12. Heating charges recovered from relevant tenants has lagged behind actual costs incurred. Costs have increased considerably during the year. To ensure full recovery of estimated costs to the HRA in 2008-09, and to reflect the recent energy industry price increases, charges to relevant tenants are recommended to increase to recover costs incurred. This means heating charges for relevant tenants are to increase to an average of £9.78 per week per tenant representing an average increase of £3.78 per week per tenant.

13. Charges for water are recommended to increase by 3%.

Other Rental Income

14. Other rental income from garages and car parks is recommended to increase by 3%. Similarly rent from HRA commercial properties subject to rent review in 2008-09 is recommended to increase by 3%.

15. The recommended rent increases will support the delivery of key services to tenants as identified and agreed in the Housing Strategy and the HRA business plan, and other priorities agreed with key stakeholders, and the delivery of decent homes.

HRA subsidy

16. The final HRA subsidy determination was announced in January 2008 and the strategy reflects the final determination. Key aspects of the determination are as follows:

- Date for conversion has been extended by 5 years to 2016-17 following response to consultation by local authorities and other stakeholders. Most authorities including Harrow would have struggled to converge rents by 2012. Given the extension, 86% of Harrow's rent is expected to converge to guideline rent by 2016-17.
- Guideline rent was increased by 5% to £82.56,
- Management (£566.36) & Maintenance (£1,136.78) Allowance were frozen,
- Major Repairs Allowance (MRA) was reduced by 1% to £701.48.
- Rental Constraint Allowance (RCA), which provided subsidy compensation for limiting rent to 5%, was removed and Government is to revert to the old regime of Caps and Limits from 2008-09.
- Negative subsidy payable to government by will increase by 44% to £6.8m in 2008-09.

Expenditure

17. Five RTB sales are assumed in 2008-09. The marginal reduction in stock levels is reflected in the assumed level of maintenance expenditure. No reduction is assumed for management costs.

Employee Costs

18. The financial strategy reflects anticipated pay increases for staff of 2.5% each year and additional pension contributions of 0.1% in 2008-09 and 0.25% in 2009-10 and 2010-11. It also reflects the proposed service improvement in housing.

Responsive Repairs

19. The strategy assumes a contribution to the responsive and cyclical repairs budget of £4.6m in 2008-09, £4.7m in 2009-10 and £4.7m in 2010-11. This reflects the assumed savings of £500k, phased in over the four years 2008-09 to 2011-12, arising from the new contractual relationship with Kier. The costs reflect the 3% inflationary increase assumed in the business plan. The cost of service improvements planned for 2008-09 is to be contained within the identified budget. The strategy assumes a reduction in the unit costs per dwelling from £920 in the current year to £844 by 2010-11.

Energy Costs

20. Gas and electricity are forecast to increase by 12% reflecting the part year effect of proposed industry price increases. The Housing energy contracts are subject to renewal within 2008-09. These costs are recovered directly from charges to tenants/leaseholders through the service and facilities charges.

Charges for Capital

21. The strategy reflects the HRA share of the Council debt redemption premium across all 3 years. It also reflects discounts due to the HRA from recent debt restructuring. Interest on the HRA balances is assumed at 4.93%. In calculating the cost of borrowing to support the decent homes programme, detailed below, a consolidated rate of interest (CRI) of 4.50% is assumed.

Capital Investment and Prudential Borrowing

22. The strategy assumes capital expenditure of £13.3m in 2008-09, £10.5m in 2009-10 and £6m in 2010-11 in line with the business plan. Capital expenditure is funded from Major Repairs Allowances (MRA) and capital receipts with the balance being financed through estimated borrowing of £7m in 2008-09, £5m in 2009-10 and £600k in 2010-11. Supported borrowing is assumed at £2.7m, in line with final determination. It is assumed that £500k of usable capital receipts will be applied in 2008-09, subject to the level of

capital expenditure. The cost of capital also reflects the revenue costs for the new HARP project to be implemented in 2009-10.

Revenue Contribution to Capital Outlay (RCCO)

23. A contribution from the HRA reserves of £1m for each of the 3 years is recommended to support housing capital investment on the decent homes programme.

General Contingency

24. The strategy sets aside £200k to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock.

Summary

25. The medium term financial strategy reflects increases in rental income in line with and/or above inflation to cover assumed increases in management and maintenance expenditure. The draft budget anticipates in year HRA deficits across the three years of the plan resulting in a reduction of balances by £2m. The business plan assumed a net call on balances of £1.5m across the three years.

26. The recommended HRA strategy is broadly consistent with the 30 year business plan and reflects current operational needs and priorities. It is expected that the strategy will support the continuing improvement to service levels in order to meet expectations of tenants and comply with Government requirements.

APPENDIX R

Stakeholder Meetings – Comments

Information about the budget was presented and discussed at the following stakeholder meetings.

Stakeholder	Meeting	Date
Tenants and Leaseholders	Tenants and Leaseholders Consultative Forum	9 January 2008
Public	Open Question Time	22 January 2008
Schools	Education Consultative Forum	29 January 2008
Open Budget Panel	Open Budget Panel	22 October 2007 13 December 2007 30 January 2008
Unions	Employees Consultative Forum	30 January 2008
Unions	Deputy Leader, Unison and GMB	5 February 2008
Local Businesses	Harrow Business Consultative Forum	31 January 2008
Statutory partners	HSP Board	12 Feb 2008
Older People	Older People's Reference Group	29 Jan 2008
Voluntary Sector	Community Cohesion Reference Group	14 March 2008

Minutes from the meetings, where available, are in a separate pack.

The Open Budget Panel

There have been three meetings of the Open Budget Panel during the budget round. At the first meeting, the group received an update on the Council's financial position, the budget process, the funding gaps for future years and the strategy for addressing them. They considered some of the key issues such as social care. The comprehensive spending review was also discussed.

At the second meeting in December the group reviewed the December cabinet reports and the provisional local government settlement. Key issues such as recycling, waste disposal costs, pension contributions and concessionary fares were discussed. Helpful suggestions were made about the presentation of the information for February cabinet, which have been taken on board.

At the January meeting the group reviewed progress towards the 2008-09 budget and the final settlement. There was a discussion about Harrow's meeting with the local government minister and an event arranged by Westminster council on the settlement. The relationship between savings and service reviews was discussed, along with social care and recycling. The role of MPs was also considered.

Open Question Time

At the Open Question Time meeting on 22 January the questions relating to the budget covered the steps the Council is taking to lobby the government for additional funding and the council tax strategy.

Standing Scrutiny Review

The Overview and Scrutiny Committee has established a standing review of the budget, now encompassing three members of the Open Budget Panel, and it is due to meet next on 19 February. The review will look at longer term issues rather than the 2008-09 budget proposals in particular.

LONDON BOROUGH OF HARROW

MEMBERS' ALLOWANCES SCHEME

1. This scheme shall have effect until 31st March 2009. It replaces all former schemes.

Basic Allowance

2. A basic allowance of £8,000 per annum shall be paid to each Councillor.

Special Responsibility Allowances and Mayoral Allowances

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

(2) An allowance of £10,050 per annum shall be paid to the Mayor and an allowance of £2,000 per annum shall be paid to the Deputy Mayor.

(3) No Member may receive special responsibility allowances in respect of more than one post. For the purposes of this paragraph, the mayoral allowances referred to in 3(2) above are considered to be special responsibility allowances.

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 £2.84 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 £435 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 7 bands of SRAs:-

<u>Band</u>	<u>Post</u>	SRA - £/annum
1	Leader of the third largest Group Deputy Leader of the second largest Group Chief Whips of the two largest Groups Chairman of Governance, Audit and Risk Management Committee Chairman of Licensing and General Purposes Committee Chairman of Standards Committee Support Members for Cabinet x 11	£2,000
2	Performance Lead Members for Scrutiny x 4 Policy Lead Members for Scrutiny x 4	£3,000
3	Nominated Member of the largest party not holding the Chair of the Strategic Planning Committee (see <i>Note 1</i>) Nominated Member of the largest party not holding the Chair of the Development Management Committee (see <i>Note 1</i>) Chairman of the Traffic Advisory Panel Chairman of the Grants Advisory Panel	£4,500
4	Chairman of the Performance and Finance Scrutiny Sub Nominated Member of the largest party not holding the Chair of the Performance and Finance Scrutiny Sub Nominated Member of the largest party not holding the Chair of the Overview and Scrutiny Committee	£6,500
5	Chairman of the Strategic Planning Committee (see <i>Note 2</i>) Chairman of the Development Management Committee (see <i>Note 2</i>) Chairman of the Overview and Scrutiny Committee Leader of the Second Largest Group	£8,500
6	Deputy Leader Cabinet Members x 8	£19,500
7	Leader	£30,500

NOTES

- (1) If the same person is the Nominated Member of the largest party not holding the chair on both the Strategic Planning Committee and the Development Management Committee, they will receive 1.5 times the Band 2 allowance.
- (2) If the same person is the Chairman of both the Strategic Planning Committee and the Development Management Committee, they will receive 1.5 times the Band 4 allowance.
- (3) 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

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.