

Meeting:	Cabinet
Date:	12 February 2009
Subject:	Revenue Budget 2009-10 to 2011-12
Key Decision:	Yes
Responsible Officer:	Myfanwy Barrett Corporate Director of Finance
Portfolio Holder:	David Ashton Leader and Portfolio Holder for Strategy, Partnership and Finance
Exempt:	No
Enclosures:	Appendices listed overleaf

Appendices

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Section 1 – Summary and Recommendations

This report sets out the proposed revenue medium term financial strategy (MTFS) for 2009-10 to 2011-12.

RECOMMENDATIONS:

- 1) That Cabinet asks Council to approve the budget to enable the Council Tax for 2009-10 to be set
- 2) That Cabinet recommends to Council the model Council Tax resolution set out in Appendix I
- 3) That Cabinet approves the Medium Term Financial Strategy at Appendix B
- 4) That Cabinet notes the planned investment in services and efficiency programme
- 5) That Cabinet approves the voluntary severance scheme outlined in paragraphs 31-36 and authorises the Chief Executive, Corporate Director of Finance, Director of Legal & Governance Services and the Divisional Director of Human Resources to implement the severance scheme.
- 6) That Cabinet approves an average increase in non-statutory fees and charges of 2% from 1 April 2009
- 7) That, in relation to schools, Cabinet approves the budget and the proposed changes to the LMS formula (Appendix E)
- 8) That Cabinet notes the reserves policy (Appendix G)
- 9) That Cabinet asks Council to approve the Housing Revenue Account (Appendix K) for 2009-10 and in particular to agree to:
 - (a) Increase rents by 6.15% on average from 1 April 2009
 - (b) Increase service charges for tenants by 5.5% and for leaseholders by 10.6% on average from 1 April 2009
 - (c) Increase energy (heating) charges by 2.5% on average from 1 April 2009
 - (d) Increase water charges, garage rents and car park rents by 2.5% on average from 1 April 2009
- 10) That Cabinet approves the Medium Term Budget Strategy for the HRA at Appendix K
- 11) That Cabinet recommends the attached Members' Allowances Scheme (Appendix M) to Council for approval.

REASON: To publish the final budget proposals and set the Council tax and rents for 2009-10.

Section 2 – Report

Introductory paragraph

1. The Council has adopted an integrated planning framework to ensure that the corporate plan and medium term financial strategy (MTFS) are developed in tandem.
2. Cabinet approved the Year Ahead Statement in September, including draft corporate priorities. The priorities have been subject to consultation (detailed in Appendix A) and refined as follows:
 - Deliver cleaner and safer streets
 - Improve support for vulnerable people
 - Build stronger communities
3. The corporate priorities provide the framework for the corporate plan which is being considered by Cabinet alongside the budget.

Options considered

4. The development of the corporate plan and MTFS is an iterative process which takes place over 6-9 months every year. During this process, numerous options and factors are discussed at the Corporate Strategy Board and with Cabinet members. The remainder of this report deals with the latest position on the MTFS.

Financial Context

5. The development of the medium term financial plan is increasingly challenging because:
 - 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 (£35m in the last 3 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
 - The local government settlement is poor
 - There is considerable uncertainty in a number of areas
 - Reserves are still very low

Economic Outlook

6. This is not an ordinary budget round. There is very significant added pressure in the medium term due to the recession.
7. The economic situation has been very widely reported and debated. There has been a slow down in economic growth and it is anticipated that the economy will contract in 2009 and possibly in 2010. Furthermore, the slow down is likely to have a disproportionate impact on London. The housing market has already

slowed down considerably, largely as a result of the credit crunch rather than a lack of demand.

8. For the Council, the recession is likely to result in additional demands on services, eg due to an increase in the number of people presenting as homeless, and a reduction in income.
9. Inflation has been very high in the last year (RPI and CPI were 0.9% and 3.1% respectively in December 2008 compared with rates around 5% last September), and whilst prices are expected to continue to fall off in the coming months such that inflation falls back down to 2% or below in 2009, there is considerable residual pressure, particularly in relation to contracts. There have also been exceptionally high price increases in relation to energy.
10. The recent unprecedented cuts in the base rate, from 5% last summer to just 1.5% in January, were designed to boost the economy, but the Council generally has fixed rate borrowing and variable rate investments and will therefore be adversely affected by this measure – albeit that every effort will be made to capitalise on low rates available for borrowing this year and mitigate the impact of further rate cuts as far as possible. In addition the credit crunch will prompt a more risk averse approach to investment which will affect returns.
11. The budget allows for additional costs or reduced income directly attributable to the economic position of £3.5m in 2009-10 as follows:
 - An additional £300k for energy costs
 - An additional £2m due to the inability to generate capital receipts (which means the council has to obtain additional borrowing and incur higher capital financing costs)
 - A reduction in land charges income of £165k
 - A reduction in investment income of £1m
12. In addition, Directorates are absorbing considerable cost pressures due to the economy, particularly in relation to general price inflation and contract costs. The budget includes a provision of 1.75% for general price inflation in 2009-10, but as noted above there is significant residual pressure on contracts.
13. Directorates are also absorbing the impact of other income reductions, for instance in building control, by cutting back their spending in affected areas to compensate.
14. Overall it is estimated that Directorates are absorbing pressures in the order of £1m between them.
15. The budget includes a small contingency of £250k to deal with the economic risk the council is facing such as increased demand for services. It is hoped that there will be some underspend or one-off windfalls in 2008-09 to top up this provision.
16. As there is a lack of consensus about how long the effects of the credit crunch and the economic slowdown will last, it is very difficult to predict the impact beyond 2009-10.

Central Government Funding

17. Last year the government announced a 3 year settlement for 2008-09 to 2010-11. The grant increase for Harrow was 2% this year and will be 1.75% in 2009-10 and 1.5% in 2010-11. Like the great majority of London councils, this settlement is the minimum it can be under the settlement, ie it is "on the floor". Harrow's settlements will remain on the floor for several years to come.
18. The government has suggested that it may seek to boost some aspects of public sector spending via major capital projects in order to try and mitigate the impact of recession – for instance through housing developments, schools programmes and infrastructure such as road building.
19. However, public expenditure is expected to rise to 45%+ of GDP and there is likely to be increasing pressure to control spending and/or increase taxes in the subsequent spending review (2011-12 to 2013-14). If the emphasis on health and education continues, the outlook for the local government settlement is poor. Therefore the assumed grant increase for 2011-12 is zero.

Council Tax Strategy

20. It is worth bearing in mind that council tax accounts for only 5% of taxes paid by the public, but is much more visible than other taxes such as VAT.
21. The proposed Council tax increase for 2009-10 is 2.95%. This is a challenging strategy given all the additional pressures created by the economic climate.
22. The administration is committed to stabilising council tax in real terms 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 added pressure due to the economy.
23. The council is carrying out a range of activity to help residents and businesses through these difficult economic times, but also has to deliver a balanced budget.

Revenue Budget 2009-10 to 2010-11

24. The MTFS in summary form is attached at Appendix B, with a detailed analysis attached at Appendix C.
25. The change in the budget requirement for 2009-10 can be summarised as follows:

	£m
Budget Requirement 2008-09	162.8
Technical changes	3.9
Inflation	4.2
Investment in services	4.4
Efficiency Programme	(6.5)
Budget Requirement 2009-10	168.8

Technical Changes and Inflation

26. All the assumptions behind the technical changes and inflation provisions are explained in Appendix D of the report.

Investment in Services

27. The draft MTFS includes investment in services of 4.4m in 2009-10, £4.8m in 2010-11 and £4.2m in 2011-12. These figures include £2m in 2010-11 and 2011-12 to allocate to priorities.

28. The main areas of investment in 2009-10 are:

- Adult care, £1.3m
- Children's social care, £0.7m
- Waste Disposal, £1.0m
- Environmental services, £0.8m
- Cultural and Community Services, £0.1m

Efficiency Programme

29. For this budget round, much of the emphasis has been on developing a comprehensive efficiency programme drawing on:

- Business Transformation Partnership
- Service Reviews
- Service transformation in Adults
- Strategic Property Review
- Revenue Income Optimisation
- Directorate proposals
- West London and pan-London initiatives
- A range of small savings across all service areas

30. The efficiency programme totals £6.5m in 2009-10, £2.3m in 2010-11 and £1.8m in 2011-12. The efficiencies are itemised for each Directorate in Appendix C. Further work is required to increase the value of the programme and extend it to cover a 5 year period.

Voluntary Severance Scheme

31. One important aspect of the efficiency programme is a voluntary severance scheme. In order to address the significant budgetary pressures arising from the economic down turn, a voluntary severance scheme is being introduced with the aim of achieving savings of £1m in 2009-10 and £2m in a full year.

32. The scheme will be applicable to all Harrow Council employees (excluding Schools based staff) and will operate from 2 February 2009 to 27 February 2009. Volunteers who are accepted will leave the council's service from April 2009.

33. Acceptance of volunteers will be at the discretion of the council and based on:

- The need to retain an appropriate balance of skills and experience in the workforce to ensure that services are maintained and delivered effectively;

- The financial implications of releasing an individual - volunteers will only be considered where there is an identifiable saving.
34. Volunteers who are accepted will receive a lump sum severance payment that will not exceed the lowest of:-
- I. 50% of an employee's annual contractual pay, **or**
 - II. The Cash Equivalent Transfer Value based upon a notional ill health retirement under Tier 3 conditions **or**
 - III. A sum which the authority deems to be reasonable and just payment.
35. Employees over the age of 50 who are members of the LGPS, will also be able to request that their pension benefits are placed into payment early under Regulation 30.
36. The lump sum severance payment is tax exempt (i.e. first £30K) under the Income Tax (Earnings and Pensions) Act 2003.

Outturn for 2007-08 and budget monitoring for 2008-09

37. The Council underspent in 2007-08. The budget monitoring report for the third quarter of 2008-09 shows that there are considerable pressures this year but all Directorates are working to deliver a net underspend.
38. The ongoing impact of underspends and pressures identified during 2007-08 and 2008-09 to date has been factored into the draft MTFS where appropriate and the situation will be kept under review.

Impact of the budget proposals on services

39. Comments from the Council's corporate management team about the impact of the budget proposals are set out below.

Children's Services

40. 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"

41. In 2008 the 3* rating for Children's services was confirmed with some aspects of the service achieving a score of 4.
42. 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.

43. No service closures have been required. Services will be targeted to meet statutory requirements of those in most need.
44. 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

45. Overall 2009-10 is a critical year of investment and improvement in Adults & Housing services to build on the promising prospects we now have for improvement from CSCI and the improved performance of housing services. The new Neighbourhood Resource Centres will come into operation and we are also investing further in safeguarding vulnerable adults and preventive services in the voluntary sector.
46. In the revenue budget there is growth of £670k to reflect demographic change. In addition the services have contributed significantly to the Council's efficiency 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.
47. In Adult services around £1.9m is being found through genuine efficiency measures including efficiencies in price negotiations with care providers. The efficiency programme has been developed to ensure no negative impacts on users. The HARP project implementation (using technology to cut down on paperwork) does result in the potential for a small number of redundancies in the housing service. We will ensure that all staff have full opportunities to secure redeployment opportunities.
48. 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 2009-10. The 1.75% increase in purchasing budgets for general inflation for adult care is very challenging and there is significant risk that this may not be deliverable. The contingency that is built into the 2009-10 budget is intended to deal with service pressures (eg homelessness) and contract price pressures resulting from the economic climate. The budget is predicated on adult services delivering an underspend in its purchasing budgets in 2008/9 to leave capacity for new placements in the 2009/10 budget.
49. A transformation programme is underway, which includes the transition to self directed care, and will deliver further efficiency savings and improvements in service quality.
50. Government policy is that commissioning and budget responsibility for learning disability social care should pass to local authorities from 1 April 2009. This change should ensure greater equity for service users, improve value for money and support integrated service development for this user group. It is anticipated that the amount of money to be transferred to the Council from the Primary Care Trust in Harrow's case will be of the order of £4m once the negotiations are complete. The decision to go ahead will be considered by Cabinet at the same meeting as this budget report.

Community and Environment

51. The major area of investment relates to waste management and the drive to increase recycling will continue. There will also be new investment in environmental services of £230k.
52. Efficiency savings are being delivered of £2.1m. These relate mainly to the benefits of new technology and services reviews in highways, parking and libraries.
53. None of the Community and Environment savings' proposals will result in a reduction in services to our customers.

Corporate Directorates

54. There is new investment in corporate services of £0.4m which includes £0.1m to improve the service level in Access Harrow and also improve management information.
55. Efficiency savings of £0.7m will come from the benefits of new technology and a range of small items.
56. The council is planning to save £1m in 2009-10 (and a further £1m in 2010-11) as a result of a severance scheme for staff. The scheme is voluntary and applications will be considered in light of the implications for the service.

Strategy for Closing Funding Gaps in 2010-11 and 2011-12

57. The Council is facing very substantial funding gaps of £8.9m in 2010-11 and £7.1m in 2011-12. These gaps are primarily a product of the fact that the demands on council services are growing far more rapidly than the resources available.
58. The future funding gaps are analysed below:

Budget item	2010-11 £m	2011-12 £m
Technical Changes (including capital financing costs, contributions to reserves and provisions and concessionary fares)	5.9	2.8
Inflation	4.5	5.0
Investment in services (primarily social care and waste disposal)	4.8	4.2
Efficiency programme	(2.3)	(1.8)
Grant increase	(1.0)	-
Council tax increase	(3.0)	(3.1)
Funding Gap	8.9	7.1

59. Whilst the efficiency programme is being developed it is not so far sufficient to bridge these gaps. A more radical approach may be required for the next planning round and options are currently being explored.

Fees and charges

60. The Council's fees and charges are generally increasing by 2% from 1 April 2008, but there are some exceptions to this. There will be no increase in charges for car parks or home care.

Schools Budgets

61. The schools budget was considered by the Schools Forum in January. The total of Dedicated Schools Grant for 2009-10 and 2010-11 will depend on the January 2009 and January 2010 pupil counts respectively. The DCSF has confirmed the per pupil funding for 2009-10 as £4,669 (a 3.6% increase on 2008/09) and for 2010-11 as £4,862 (a 4.1% increase on 2009-10).

62. More information on the schools budget and formula changes is attached at Appendix E.

Risk Assessment and Reserves Policy

63. The risk assessment of the budget is attached at Appendix F and commentary to support the reserves policy is attached at Appendix G.

64. Cabinet agreed the following reserves policy in December 2008:

The Council intends to add £0.5m to reserves and provisions each year until such time as general balances exceed £5m.

65. This policy is reflected in the budget proposals.

Report of the Chief Finance Officer

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

Council Tax Resolution

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

Capping

68. The Secretary of State has made it clear that large council tax increases are not acceptable. In a letter to all Local Authority Leaders dated 9 December 2008, John Healy MP wrote "the government expects the average council tax increase in England to be substantially below 5% in 2009-10 and we will not hesitate to use our capping powers as necessary to protect council taxpayers from excessive increases, including requiring authorities to re-bill if that proves necessary". 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. Appendix B excludes the GLA precept which is currently £309.82 for a band D property. On the basis of the Mayor's consultation budget, it is anticipated that there will be no precept increase next year. The combined tax in shown in the table below.

GLA Precept

Figures at Band D	2007-08	2008-09	2009-10	Increase	Increase
	£	£	£	£	%
Harrow Council services	1,119.50	1,152.55	1,186.55	34.00	2.95
GLA Precept	303.88	309.82	309.82	-	-
Combined Council Tax	1,423.38	1,462.37	1,496.37	34.00	2.32

70. The final GLA precept figures will be confirmed at the Cabinet meeting.

Housing Revenue Account

71. The Housing Revenue Account for 2009-10 to 2011-12 is attached at Appendices J and K, along with detailed schedules showing rents and charges.

72. In line with Government policy, which requires local authority rents to come into line with other social rents over time, an average rent increase of 6.15% is recommended in 2009-10 (5.66% in 2008-09). This means an average rent charge of £86.57 per week per tenant (£81.55 in 2008-09) representing an average rent increase of £5.02 (£4.37 in 2008-09). This will achieve rent convergence for 84% of Council dwellings by 2015/16.

Capital Programme

73. The capital programme is the subject of a separate report on the agenda. The revenue budget reflects the anticipated cost of financing the programme.

74. The Council is facing significant financial challenges as a result of the current state of the economy and the Capital Programme will be maintained under continuous review. Some items in the programme may be deferred or deleted. Detailed business cases will be prepared for schemes prior to commencement, and all schemes over £250k will require explicit approval from the Leader.

Consultation and Information Sharing

75. Details of the stakeholder meetings where the budget has been considered are outlined in Appendix L. Minutes from the meetings, where available, are in a separate pack.

Member Allowances

76. The proposed new scheme for member allowances is attached at Appendix M. The additional cost of the new scheme is built into the budget proposals. The proposed increase in allowances is 2% in line with the provision for the staff pay award.

Financial Implications

77. Financial matters are integral to this report.

Performance Issues

78. 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 Service Improvement Plans for 2009-10 to 2011-12 and progress will be monitored by Improvement Boards and reported to cabinet on a quarterly basis.

Environmental Impact

79. The Council's new Climate Change Strategy was approved for consultation by Cabinet in January. The corporate plan, detailed service plans and budget include actions designed to protect the environment such as reducing energy and fuel consumption and increasing recycling.

Risk Management Implications

80. As part of the budget process the budget risk register has been reviewed and updated. This helps to test the robustness of the budget and inform the reserves policy.

Section 3 - Statutory Officer Clearance

Name: Myfanwy Barrett	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 21 January 2009		
Name: Hugh Peart	<input checked="" type="checkbox"/>	Monitoring Officer
Date: 21 January 2009		

Section 4 – Performance Officer Clearance

Name: Tom Whiting	<input checked="" type="checkbox"/>	On behalf of the Divisional Director of Strategy and Improvement
Date: 21 January 2009		

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards	<input checked="" type="checkbox"/>	Divisional Director (Environmental Services)
Date: 29 January 2009		

Section 6 - Contact Details and Background Papers

Contact: Myfanwy Barrett, Corporate Director of Finance, 020 8420 9269

Background Papers: Draft Revenue Budget 2009-10 to 2011-12, December cabinet

Consultation on Corporate Priorities

Part 1: Residents' Panel

In September this year, Cabinet agreed the following draft corporate priorities for 2009-10 for the purposes of consultation with the Residents' Panel:

- Better streets;
- To improve support for vulnerable people; and
- To build stronger communities.

The Residents' Panel currently comprises 1,113 members. The questionnaires were mailed on 18th September and the last reply entered into the database was received on 27th October. A total of 617 responses were received giving a response rate of 55%.

Panel Members were asked whether they strongly agreed, agreed, were in between, disagreed or strongly disagreed that the each of the draft corporate priorities was an important issue that the Council should regard as a priority.

The percentage responding to each proposition is set out in the table below.

	Strongly agree	Agree	In between	Disagree	Strongly disagree
Better Streets	53.26%	37.83%	6.41%	1.48%	0.66%
Vulnerable People	37.66%	42.60%	15.79%	3.13%	0.82%
Stronger Communities	21.95%	35.31%	29.70%	10.23%	1.47%

The approval ratings for the proposed corporate priorities range from 91.09% for better streets, through 80.26% for improve support for vulnerable people to 57.26% for building stronger communities. An alternative way of looking at these results is the percentage disagreeing or strongly disagreeing with the propositions which shows 2.14% against better streets being a priority; 3.95% against improving support for vulnerable people being a priority and 11.70% against building stronger communities being a priority.

It should be noted that the above are un-weighted results and include a sample bias that over represents white residents, over represents disabled people, over represents males and under-represents residents under 35 years of age. The geographical spread of respondents across the borough is not exactly in accord with the distribution of the population with low responses from Edgware, Kenton East, and Roxbourne.

Consultation on Corporate Priorities

Part 2: “Have Your Say” Consultation

In October, residents had the chance to tell the council their views on where extra money should be spent in a consultation via the council website, Harrow People and the Harrow Times.

The following article appeared in the Harrow Times on Thursday 20 November 2008:

Residents speak out over council’s priorities

A three-strong judging panel has reviewed residents’ comments on Council priorities. Overall, the comments supported the Council’s three main priorities - better streets, building strong communities and supporting vulnerable people.

Over 70 residents told the council their views in the ‘have your say’ consultation, where people of Harrow had the opportunity to tell Harrow Council what they think next year’s priorities should be via the web, Harrow People and the Harrow Times.

Leader of the Council, Cllr David Ashton was joined by the Corporate Director for Finance, Myfanwy Barrett and Editor of the Harrow Times, Rachel Sharp to judge the comments received. The panel were impressed and interested with many of the points raised, many of which will be considered when drafting next year’s budget.

The three priorities – better streets, building strong communities and supporting vulnerable people – were all generally supported by respondents but the clear winner was better streets, with approx 90 per cent of people agreeing this was highly appropriate as a priority for funding next year.

Although Building Stronger Communities only received support from half the residents, their accompanying comments confirmed they were in fact in support of seeing more community events and providing residents with services that will cater for all the community. The Panel concluded that a better description might be useful.

Youth events were identified to be something that many residents in the borough would like to see more of. Harrow Council does provide young people with a wealth of opportunities, with events this year including the Summer Uni programme, Gig in the Park and Youth Question Time. Having said that, it is clear that more and better communication and information is needed.

Litter dropped near schools was noted as a problem and Cllr David Ashton is planning to take action on this by carrying out an experiment to see if more litter bins solve the problem around trouble areas.

Some residents suggested that more public toilets should be made available. Cllr Ashton has identified an interest in a programme that the Mayor of London, Boris Johnson is launching, whereby businesses open and run their toilets to the public, working with councils.

Cllr David Ashton, leader of the council, said: “Many thanks to all those that had their say about the budgets this year. We have taken a detailed look through the suggestions we have received and will utilise the feedback to give greater focus to our work as a council.

“We would like to make sure every one of your concerns is dealt with, but unfortunately our budget restricts us from achieving everything with the best results. But we are keen to listen to any residents’ concerns and take action where we can.”

All the results will be passed to the specific departments of the council to ensure they know the concerns of the residents. Councillor Ashton will respond directly to those residents with very specific comments on a particular road, where addresses are provided.

**MEDIUM TERM FINANCIAL STRATEGY
2009-10 to 2011-12**

	2008-09 Budget £m	2009-10 Budget £m	2010-11 Budget £m	2011-12 Budget £m
Budget Requirement Brought Forward		162.837	168.839	172.298
Technical changes		3.911	5.352	2.790
Inflation		4.150	4.450	5.000
Investment in priority areas - years 2 and 3		0.000	2.000	2.000
Adults and Housing		-0.598	0.743	0.250
Children's Services		-0.097	0.021	0.236
Community and Environment		-0.088	1.621	0.950
Corporate Directorates (Assistant Chief Executive, Legal, Finance)		-1.276	-1.844	-0.958
FUNDING GAP		0.000	-8.884	-7.128
Total Change in Budget Requirement		6.002	3.459	3.140
Revised Budget Requirement	162.837	168.839	172.298	175.438
Collection Fund Deficit/-surplus	1.365	-0.300	0.000	0
Government Grant	-65.698	-66.786	-67.764	-67.764
Amount to be raised from Council Tax	98.504	101.753	104.534	107.674
Council Tax at Band D	£ 1,152.55	£ 1,186.55	£ 1,222.10	£ 1,258.81
Increase in Council Tax (%)	2.95	2.95	3.00	3.00

Band D Equivalent Properties	86,768	87,282	87,282	87,282
Assumed collection rate	98.50%	98.25%	98.00%	98.00%
Tax Base	85,466	85,755	85,536	85,536

Detailed Budget Proposals – Technical changes

	2009-10 £000	2010-11 £000	2011-12 £000
Income Changes			
Land Charges Income	165	50	
Fees and Charges Income (Revenue Income Optimisation Project)	285		
Grant Changes			
Area Based Grant	-573	225	
Housing Benefit administration grant	-100	100	
Business Rates administration grant	5		
Local Area Agreement Reward Grant	-40		40
Concessionary Fares			
National funding and allocation scheme	-1,588	747	-450
Levies and subscriptions			
Increases in payments to levying bodies over and above inflation	82	200	250
Provisions and Reserves			
Contribution to provisions for debt/litigation	100	100	100
Contribution to insurance provision	250	350	350
Contribution to general reserves	-500		
Capital and Investment			
Reduce reliance on capitalisation	675	515	500
Capital financing costs and investment income	4,800	3,000	2,000
Miscellaneous			
Supplementary business rate on council premises		65	
Pension costs	100		
Contingency for economic pressures	250		
Total	3,911	5,352	2,790

Detailed Budget Proposals – Inflation

	2009-10 £000	2010-11 £000	2011-12 £000
Pay Award @ 2%	2,100	2,200	2,300
National Insurance Contributions @ 0.5%			400
Employer's Pension Contributions @ 0.25%	250	250	250
Inflation on goods and services @ 1.75%,2%,2%	1,500	1,750	1,800
Additional provision for electricity and gas price increases	300	250	250
Total Inflation	4,150	4,450	5,000

Detailed Budget Proposals – Future Investment

	2009-10 £000	2010-11 £000	2011-12 £000
Future Investment - to be focused on residents' needs and concerns		2,000	2,000
Total	0	2,000	2,000

Note that planned additional investment in 2009-10 is shown under the relevant service area

Detailed Budget Proposals – Adults and Housing

Proposal	2009-10 £000	2010-11 £000	2011-12 £000
Investment in Services			
Cost of and demand for social care placements & packages across all client groups	670	750	750
Byron Park residential facility		178	
Redevelopment of Vaughan Centre	75		
Preventative services	150		
Safeguarding services	120		
Catering and 14-19 grant no longer available		65	
Neighbourhood Resource Centres (PFI scheme)	267		
Sub Total	1,282	993	750
Efficiency Programme			
Efficiency projects in partnership with Capita	-140		
New technology in Housing (HARP project): system support	80		
New technology in Housing (HARP project): savings	-167		
Legal Services External Barristers	-200		
Per minute billing for home care (and reduced payments to providers)	-28		
Services provided in partnership with Support for Living	-135	-100	
Home care contracts	-50	-50	
Telecare	-250	250	
Support for clients after hospital stays	-50		
Catering review in partnership with Capita	-50		
West London Alliance joint procurement unit		-250	-500
Other purchasing efficiencies		-100	
Improved financial assessment process	-200		
Capacity in existing budget rolled forward (reflects underspend in 2007-08 and forecast underspend in 2008-09)	-690		
Total Efficiency Programme	-1,880	-250	-500
TOTAL	-598	743	250

Detailed Budget Proposals – Children’s Services

Proposal	2009-10 £000	2010-11 £000	2011-12 £000
Investment in Services			
Cost of and demand for social care placements & packages		250	250
Placement procurement	37	2	3
Child Protection Chair	24	1	1
School Improvement Partners	45	2	2
Services for 16-18 year olds	50	-25	-25
Children With Disabilities	41	1	2
Duty and Assessment function	37	2	3
Extended Schools	248	-400	
Positive Activity for Young People	95	68	
Carer's Grant (Children and Adults)	67	66	
Child and Adolescent Mental Health Service (CAMHS)	29	29	
Sub Total	673	-4	236
Efficiency Programme			
Efficiency projects in partnership with Capita	-140		
Corporate Director's budget	-24	24	
Young People's service	-6	1	
Integrated Early Years and Community Services	-203		
Children's Placements	-150		
Achievement and Inclusion	-2		
Special Needs Services	-50		
Unaccompanied Asylum Seeking Children (now over 18)	-100		
Honeypot lane children's home - take management back from voluntary organisation (£25k) and sell surplus places to other authorities (£70k)	-95		
Total Efficiency Programme	-770	25	0
TOTAL	-97	21	236

Detailed Budget Proposals – Community and Environment

Proposal	2009-10 £000	2010-11 £000	2011-12 £000
Investment in Services			
Waste Management			
- West London Waste Authority Levy	800	950	800
- Section 52 (9) charges for waste disposal	21	168	84
- Collected Organic Waste Statutory Levy Offset Payment Scheme (COWSLOPS) Rebates	-139	-240	-120
- Recycling contract payments	360	100	
- Landfill Allowance Trading Scheme penalties		250	250
- Flats Recycling		180	-15
- Increased composting		-19	-19
- Growth in number of flats requiring waste collection service		90	
Sub Total	1,042	1,479	980
Other Services			
Highways maintenance	200	200	200
Grant for Crime and Disorder Reduction Partnership	50		
Trading standards			
Town Centre policing	16		
Cost of CCTV	56		
Rubbish tip income	130		
Cemeteries income	100		
Business rates for Gayton Road Library site	30		
Business rates for Leisure Centre	34		
Maintenance at Arts Centre	37	38	
Leisure management contract procurement process		75	75
Commercial rents - loss of income due to disposals	80		
Planned additional investment in Environmental services	230		
Support for voluntary sector - funding officer	20	10	
Sub Total	2,025	1,802	1,255
Efficiency Programme			
Efficiency projects in partnership with Capita	-140		
New technology in Planning (HARP project): system support costs	111		
New technology in Planning (HARP project): savings	-160		
New technology in waste management: system support costs	60		
New technology in waste management: savings	-60	-58	-72

Proposal	2009-10	2010-11	2011-12
	£000	£000	£000
New technology in Community Safety (EDRMS project): system support costs	43	44	
New technology in Community Safety (EDRMS project): savings		-245	
New technology in Major and Minor works: system support costs	17	16	
New technology in Major and Minor works: savings		-88	
Street Lighting PFI - professional fees	-200	650	-750
Street Lighting PFI - affordability gap			1,017
Libraries service review	-141		
Highways service review	-133		
Parking Service Review	-1,400	-500	-500
Licensing income	-10		
Civic Centre and Libraries - business rate appeals	-100		
Total Efficiency Programme	-2,113	-181	-305
TOTAL	-88	1,621	950

Detailed Budget Proposals – Corporate Directorates

Proposal	2009-10 £000	2010-11 £000	2011-12 £000
Investment in Services			
Assistant Chief Executive's Department			
Access Harrow	70		
Business Transformation Partnership - contract costs	199		
Growth for performance management relating to 14-19 curriculum	42		
Education management system licences	15	12	
Finance Directorate			
Health and Safety - reinstate one off savings in 2008-09	60		
Additional charges to West London Waste Authority not achieved in 2008-09	25		
Information Manager - full year effect	35		
Sub Total	446	12	0
Efficiency Programme			
Efficiency projects in partnership with Capita	-152		
New technology in Revenues and Assessments (HARP project): system support	104		
New technology in Revenues and Assessments (HARP project): savings	-345		
Learning and Development transformation: net saving on service delivery	-44	-2	
Centralise and reduce training and development budget	-225		
New technology in Legal, Shared Services, and HR (EDRMS project): system support costs	35	35	
New technology in Legal, Shared Services, and HR (EDRMS project): savings		-305	
New technology in Legal, Shared Services, and HR (EDRMS project): additional support required from IT and scanning and indexing team	43	44	

Proposal	2009-10	2010-11	2011-12
	£000	£000	£000
New technology in waste management: additional support required from IT	4		
Learning and Development transformation: additional support required from IT	4		
"London Borough of Harrow Anywhere" project (invest to save)	175	175	-70
IT Service Review - new strategy and delivery model	-50	-100	-100
Roll out of employee and manager self service on payroll system		-30	-30
Centralisation of income collection		-30	-30
Reduce manual post delivery to members	-13	-13	-13
Increase Registrars' income	-10	-15	-15
Reduce production and distribution of hard copy agendas for meetings	-3		
Reduce support to Local Area Agreement projects	-100		
Increase charges for services to Harrow Strategic Partnership	-15	-15	
Reduce support for service reviews, value for money work, and strategy development	-40		
Reduce support for scrutiny	-20		
Communications contract	-50		
Finance - smaller savings from consolidation of budgets	-20		
Voluntary severance scheme	-1,000	-1,000	
Future BTP business cases		-600	-200
Freedom passes			-500
Total Efficiency Programme	-1,722	-1,856	-958
TOTAL	-1,276	-1,844	-958

Commentary

1. This commentary explains the technical and inflationary assumptions which support the summary MTFS in Appendix B.

Tax Base and Collection Fund

2. The tax base for 2009-10 is 85,755. The tax base was approved by Cabinet in December. The MTFS assumes no growth in the taxbase in 2010-11 and 2011-12.
3. The target collection rate is reducing from 98.5% in 2008-09, to 98.25% in 2009-10 and 98% in 2010-11.
4. The collection fund forecast to 31 March 2009 was reported to Cabinet in January and is reflected in the MTFS.

General Grant

5. Harrow's grant increase is 1.75% for 2009-10 and 1.5% for 2010-11. This is the minimum or "floor" increase. It is assumed for budgeting purposes that there will be no increase at all in 2011-12.

Technical Changes

Income

6. It is anticipated that there will be further reductions in the income from land charges and the target will be reduced by £165k in 2009-10 and a further £50k in 2010-11.
7. The shortfall on the revenue income optimisation project of £285k has been included.

Specific Grants

8. Area Based Grant will increase by £573k in 2009-10 and reduce by £225k in 2010-11.
9. It is anticipated that housing benefit administration grant will reduce by £100k in 2010-11. NNDR administration grant is due to reduce by £5k in 2009-10.
10. LAA reward grant of £40k has been included in 2009-10. The same amount is anticipated in 2010-11, and the grant will cease in 2011-12. The majority of the reward grant will go to partnership organisations.

Concessionary Fares

11. An agreement has been reached by London Councils to amend the allocation system for concessionary fares to one of usage (rather than number of freedom passes issued). This change benefits outer London boroughs and in particular

benefits Harrow by £1.6m in 2009-10. However, it is anticipated that there will be an increase in costs of £0.7m in 2010-11.

Levies and Subscriptions

12. An additional £82k in 2009-10, £200k in 2010-11 and £250k 2011-12 has been provided for levies and subscriptions over and above inflation. This is particularly to deal with an anticipated increase in the cost of the London Pension Fund Authority.

Provisions and Reserves

13. The sum of £100k a year has been included to increase the annual contributions to provisions for bad debts and litigation. This is an important element of the Council's drive to improve financial management.

14. A further £950k over three years has been included to increase the insurance provision to the level recommended by the actuary.

15. Cabinet agreed to amend the reserves policy in December to reduce the contribution to general reserves from £1m a year to £500k a year.

Capitalisation

16. The sum of £1.7m over three years has been provided to reduce the Council's reliance on capitalisation. This is part of a medium to long term strategy.

Capital Financing Costs and Investment Income

17. The budget includes a provision for the capital financing costs, consistent with the planned level of capital investment, and investment income. Both of these areas are significantly adversely affected by the economy in relation to the decline in forecast capital receipts and the cut in interest rates.

18. The position is compounded by the fact that a substantial proportion of education capital spend is funded through supported borrowing. In theory this means that the government provides revenue grant to support the cost of borrowing but in practice, as Harrow receives only the floor increase in revenue grant, this support is of no benefit to Harrow.

19. The combined impact of the growth in capital financing costs and the reduction in investment income is £4.8m in 2009-10, £3m in 2010-11 and £2m in 2011-12.

Supplementary Business Rates

20. The budget includes a provision of £65k in 2010-11 for supplementary business rates on council premises. This is on the assumption that the London Mayor will introduce an SBR to fund Crossrail.

21. A provision of £100k has been included for pension costs – the pensions in question are index linked and will increase by 5% next year.

Contingency

22. A provision of £250k has been included as a contingency to deal with additional economic pressures such as increases in homelessness costs or contract prices.

Inflation

23. The assumed pay award is 2% each year.

24. A provision of 0.25% a year has been made for increases in pension contributions in 2009-10 and 2010-11 in line with the last triennial actuarial valuation of the Council's pension fund. The next valuation will be carried out during 2010-11 and take effect from 2011-12. For the MTFS it is assumed that the current rate of increase in contributions will continue, but, given the very significant fall in the value of equities in recent months, there could be much higher increases. It is not possible to predict the extent to which equity values will recover in the coming two years.

25. An additional £400k has been included in 2011-12 to reflect the increase in national insurance contributions which was announced by the Chancellor of the Exchequer as part of the pre-budget report.

26. A provision of 1.75% in 2009-10 and 2% in the subsequent two years, has been made for general inflation on supplies and services.

27. An additional provision of £300k in 2009-10 and £250k in the subsequent two years has been made for gas and electricity costs. This reflects a detailed analysis of the Council's energy contracts and street lighting.

School Budget 2009-10

1. Introduction

Dedicated Schools Grant (DSG) is used to fund both the individual schools budget (ISB) and centrally retained items. The former goes to schools, whilst the latter is held by the Local Authority to spend on specific items such as Early Years (private and voluntary sector nurseries) and fees for out of borough pupils at independent special schools.

2009-10 is the second year of a three year Government funding cycle for schools. The Government has announced DSG funding allocations for the years 2008-09 (actual) and 2009-10 and 2010-11 (provisional).

2. 2008/09 to 2010-11 Settlement

The per pupil funding for 2009-10 has been confirmed as £4,669 (a 3.6% increase on 2008/09) and for 2010-11 as £4,862 (a 4.1% increase on 2009-10). The final calculation of the total of Dedicated Schools Grant for 2009-10 and 2010-11 will depend on the January 2009 and January 2010 pupil counts respectively.

Harrow received £133m DSG grant for 2008/09. The 3.6% increase per pupil in 2009-10 and 4.1% in 2010-11 results in an estimated grant of £137.5m, and £143m in the respective financial years, assuming pupil numbers remain constant. These projections were reported to School's Forum in November. Contained within these figures are amounts allocated for ministerial priorities, and Schools Forums and Local Authorities are expected to bear this in mind when setting the schools budget. For 2009-10 the settlement includes a provisional £1m for the ministerial priority of personalised learning in schools. This figure rises to £2.8m in 2010-11.

The January 2009 pupil count will differ from pupil projections used to estimate the grant, and this will result in a change in the final grant allocation. The final 2009-10 budget, based on the January pupil level annual school census (Plasc) numbers, will be reported to the School's Forum in March and provided to schools by the 31 March 2009. The final grant is not expected to be finalised by DCSF until summer 2009.

The minimum funding guarantee for 2009-10 is set at 2.1%, i.e. the minimum increase any school will receive is 2.1% per pupil.

3. Schools Budget 2009/10

The total Schools Budget is estimated to increase to £137.5m in 2009-10 from £132.8m in 2008-09. This is an increase of £4.7m. However, after the impact of the 2.1% minimum-funding guarantee is taken into account, this leaves £1.5m headroom to be allocated.

Schools Forum was 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	1,536
Less	
Ministerial Priority - Personalised Learning	(957)
SEN – Residential placements	(500)
Balance	79

Residential Placements

There is considerable cost pressure being experienced in relation to residential special school placements. In particular there has been an increased number of severely challenging children with autism whose needs cannot be met by special provision in Harrow or locally; in some cases it has been necessary to arrange more highly specialised residential provision. Schools forum agreed growth in 2009-10 of £500,000 to fund these pressures.

Schools Specific Contingency

The schools specific contingency forms part of central items. The schools specific contingency for 2009/10 agreed by School's Forum is shown in table 2.

Table 2 - Schools Specific Contingency

Description of Items	2009-10 Budget £'000	2008/09 Budget £'000
Pupil & FSM trigger funding	250	250
ASTs / AST co-ordinator	30	162
SEN adjustments	400	500
Formula contingency	40	40
Flexibility funding – Learning Centre	0	72
Krishna Avanti interim funding	80	100
Autism in mainstream schools	218	65
Primary sector projects	0	200
Pilot project for children looked after	0	10
Special Schools	118	0
Good to Outstanding	82	0
Leadership Development	30	0
Total	1,248	1,399

Growth items include additional funding for special schools, to fund an increase in both number of places and higher cost pupils, plus support for the Good to Outstanding and Leadership Development programmes.

4. School Budgets 2010/11

Schools will also receive provisional 2010-11 budgets before 31 March 2009. The 2010-11 budgets will take into account the changes to school organisation and the age of transfer. DCSF does not require budgets for 2011-12 to be issued at this stage, as it has not yet concluded a review of DSG for that year. This may result in a shift in resource allocation between Councils.

Schools Forum is currently considering the transitional support to be provided to primary schools to manage the change in the age of transfer. Individual schools will need to accrue some revenue over the next two years to offset reductions that will occur as pupils move from the primary to the secondary sector and to support the transition years in high schools.

5. Change to the Formula Funding

The current LA protection factor in the funding formula does not distinguish between planned and unplanned changes in school budgets. Given the change to the age of transfer a decision was made to direct the protection funding to unplanned changes and exclude schools with balances in excess of the Audit Commission's guidelines. Schools Forum agreed the following wording change to the funding formula:

"All schools receive an allowance to restrict any real terms year on year unplanned reduction in budget share to 5%. A school will not qualify for protection if its balances of the previous year exceed Audit Commission guidelines, ie. over 8% of budget for primary and special schools or 5% of budget for High Schools. For the purpose of this calculation balances exclude formula capital and any balances held on behalf of other schools".

It was agreed that special circumstances (eg. schools with reserves above 8%) be brought to the Schools Forum for adjudication.

Risk Assessment

A risk assessment has been conducted using the methodology outlined below.

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, after taking account of mitigation, has been identified and multiplied by the likelihood. The risks have been quantified as shown in the table.

The summary of risks and the detailed risk register are both attached.

The greatest risks are demand for social care, a disaster scenario, achievement of savings and loss of a treasury management deposit.

The total value of risk that has been quantified is £4.6m

Risk Assessment – Summary of Risks

1. Change in Government Policy
2. By-election
3. Inflation – pay
4. Inflation – general prices
5. Inflation – utilities
6. Shortage of working capital
7. Treasury Management – loss of a deposit
8. Treasury Management – interest rate changes
9. Treasury Management – Long term borrowing
10. Poor asset management
11. Income collection: Council tax/business rates
12. Income collection: housing benefit overpayments
13. Income collection: sundry debtors
14. Income collection: rents and service charges
15. Changes to grand regime
16. Settlement of grant claims
17. Economic risk – income levels
18. Economic risk – capital receipts
19. Economic risk – demand for services
20. Economic risk – labour market
21. Litigation against the Council
22. Major Fraud
23. Increased Pension fund contributions
24. Levies, Precepts and Subscriptions
25. Financial management
26. Severance scheme
27. Insurance
28. Demographic changes: additional demand for social care
29. Population growth rates
30. System failure
31. Lack of disaster recovery capability
32. New legislation
33. Safeguarding
34. Service transformation in Adults
35. Natural disaster /accident/terrorist incident
36. Adverse weather conditions
37. Government efficiency agenda
38. Achievement of savings
39. Partnership failure – LAA
40. Partnership failure – HSP
41. Partnership failure – Commercial

Risk Assessment – Summary of Risks

LIKELIHOOD	A Very High				
	B High		8, 15, 19, 23, 32, 33		
	C Significant		4, 5, 9, 12, 13, 17, 21, 26, 27, 34	28, 31, 38	7
	D Low		2, 3, 14, 25, 29, 36, 37	30, 40, 41	
	E Very Low	24	6, 11, 18, 20, 22, 35, 39		
	F Almost Impossible	13, 16	10		
		4 Negligible	3 Marginal	2 Critical	1 Catastrophic
	IMPACT				

The shaded area represents the most significant risks

Risk Register

Ref	Risks	Risk rating	Worst case	Likelihood	Estimated risk	Insured	Externally / Internally Controlled	Mitigation	Comments
	<u>POLITICAL RISKS</u>								
1	Change in government policy	Cannot be quantified	Cannot be quantified	Cannot be quantified	Cannot be quantified	No	Externally	Changes are usually subject to consultation and have a long lead in time	Impact of known changes is factored into MTFS
2	By-Election	D III	10	17%	1.7	No	Externally	There is provision in the budget for the scheduled elections and one by-election a year.	Worst case is based on two By-Elections in one financial year.
	<u>ECONOMIC FINANCIAL RISKS</u>								
3	Inflation - Pay	D III	500	17%	85	No	Externally	The MTFS is based on an assumed pay award of 2%, in light of inflation forecasts	Risk relates to an award above 2%. An additional 0.5% would cost £500k.
4	Inflation - general prices	C III	400	38%	152	No	Externally	The MTFS is based on an assumption of 1.75% in 2009-10 and 2% thereafter.	Risk relates mainly to contracts which are tied to particular indices.
5	Inflation - utilities	C III	200	38%	76	No	Externally	The MTFS includes additional provision of £300k in 2009-10 and £250k thereafter.	

6	Shortage of working capital	E III	250	6%	15	No	Internally	The Council's performance on income collection and payments to suppliers has improved considerably resulting in more predictable and stable cash flow.	
7	Treasury Management - loss of a deposit	C I	2000	38%	760	No	Externally	Lending list has been reviewed and new criteria were agreed by Cabinet in December.	Government support for banks will help to reduce the risk.
8	Treasury Management - interest rate changes	B III	250	65%	162.5	No	Externally	The MTFS is based on the assumption that the base rate will fall to 0.5%. Advice has been sought on the best way to mitigate the impact of such a reduction.	Interest rate forecasts vary. A reduction below 0.5% would adversely affect investment income.
9	Treasury Management - long term borrowing	C III	0	0	0	No	Internally	The debt portfolio is made up largely of long term loans at fixed rates from the PWLB. The MTFS reflects advice received on the best way to finance the capital programme in the short, medium and long term.	Interest rate forecasts vary. Further reductions in PWLB rates could be beneficial for new borrowing.

10	Poor asset management.	F III	0	0	0	0	No	Internally	The Council has consistently scored 3 for asset management under the Use of Resources assessment. The Council is on the look out for future opportunities in this area once the economy picks up.
11	Income collection: council tax, business rates	E III	250	6%	15	No	Internally	Collection performance has improved considerably in the last few years. The collection fund has a forecast surplus at 31-3-09 and a prudent collection rate is assumed for 2009-10.	Important to keep the position under review given the economic climate.
12	Income collection: housing benefit overpayments	C III	250	38%	95	No	Internally	Recovery has improved in the last few years. The Council is now making annual contributions to the bad debt provision.	
13	Income collection: sundry debtors	F IV	0	0%	0	No	Internally	Collection performance has improved considerably in the last few years. The policy means that any uncollectible amounts are written back to the service area.	Much more robust monitoring has been implemented in 2008-09.
14	Income collection: rents and service charges	D III	250	17%	170	No	Internally	The HRA reflects anticipated collection rates and includes a provision for bad debts.	

15	Changes to grant regime	B III	0	0	0	0	0	0	Externally	The MTFS reflects the 3 year settlement for 2008-09 to 2010-11 and assumes no grant increase in 2011-12.	It has been suggested that the settlement for 2010-11 could be re-opened due to the pressure on public finances but this is deemed to be a remote possibility. In previous years this was an issue but no longer problematic.
16	Settlement of grant claims	F IV	0	0%	0	0	0	0	Externally		
17	Economic risk - income levels	C III	200	38%	76	No	No	Externally	Externally	The MTFS reflects the forecast reduction in land charges income.	
18	Economic risk - capital receipts	E III	500	6%	30	No	No	Externally	Externally	The MTFS assumes no capital receipts in 2009-10.	This is a medium term issue as there are some assumptions about capital receipts in years 2 and 3 of the plan.
19	Economic risk - demand for services	B III	500	65%	325	No	No	Externally	Externally	There may be additional demands on services such as housing due to the recession. The MTFS does include a small contingency.	
20	Economic risk - labour market	EIII	0	6%	0	No	No	Externally	Externally	The recession may make recruitment and retention easier and reduce pressure on salary levels (eg, market supplements).	This is a long-term issue around the employment market and the Council's ability to recruit and retain staff. Strategies are in place.
21	Litigation against the Council	C III	1,000	38%	380	In some cases	Both	Both	Both	The MTFS includes an annual contribution to a provision for litigation.	Litigation could include Employment Tribunals, planning appeals, personal injury claims, cases involving clients in care, and even corporate manslaughter.

25A	Financial Management - poor budget management	D III	1,000	17%	170	No	Internally	Budget monitoring arrangements, refresher training, improvement boards.	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.
25B	Financial Management - weak control environment	D III	1,000	17%	170	No	Internally	Project being carried out in 2008-09 to strengthen control environment, eg control accounts and journals	
26	Severance scheme	C III	500	38%	190	No	Internally	The severance scheme is being launched in February and outcome will be known by 1 April 2009.	Contingency plan to be developed in case take up of the scheme is poor.
27A	Insurance - claims experience	C III	500	38%	190	No	Externally	Full actuarial review of the fund carried out in 2007-08 to measure liability and determine provision required. This is reflected in the MTFs through increases to the annual contributions. Also aiming to add to the provision at the end of 2008-09 if there is any capacity.	It will take 3-4 years to completely resolve this issue. Need to keep claims experience under review.

27B	Insurance arrangements - risk to London Authorities Mutual Limited (LAML) due to legal challenge	C III	250	38%	95	No	Externally	Contingency plan in place to provide continuous insurance cover from date of joining LAML.	Possible implications for next insurance renewal process.
	<u>SOCIAL RISKS</u>								
28	Demographic changes: additional demand for social care.	C II	1000	38%	380	No	Externally	The MTFS reflects anticipated increases in demand for social care.	Every effort is made to forecast demographic changes in the budget, however small changes in client numbers can have a significant impact on costs.
29	Population growth rates	D III	0	0	0	No	Externally	The MTFS reflects the grant settlement which in turn reflects the population figures.	Population figures in Harrow are relatively stable. If the population figures change in line with the national average then funding is not affected.
	<u>TECHNOLOGICAL RISKS</u>								
30	System failure	D II	100	17%	17	Yes - partially	Both	IT environment well managed and stable.	Restoration costs are covered by insurance
31	Lack of disaster recovery capability	C II	1000	38%	380	Yes - partially		The Council is developing a DR solution and provision is made to implement this in the MTFS. However, there is a risk whilst the new arrangements are put in place.	Some recovery costs would be covered by insurance.

<u>LEGISLATIVE / REGULATORY</u>										
32	New legislation	B III	0	0	0	0	No	Externally		Given the lead in time for legislative changes this is more of a medium to long-term budgeting issue.
<u>SERVICE RISKS</u>										
33	Safeguarding - recent high profile cases have resulted in a significant increase in referrals	B III	250	65%	162.5	No	Externally	Detailed plans put in place in Children's services including case reviews.		At present this risk is being managed within existing resources.
34	Service transformation in Adult	C III	250	38%	95	No	Internally	MTFS reflects the Adults transformation in terms of increase in demand and planned efficiencies.		
<u>EMERGENCIES</u>										
35	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.

36	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>EFFICIENCY RISKS</u>								
37	Government efficiency agenda	D III	0	0	0	No	Internally		Council has consistently achieved the government target and has plans in place to monitor the new performance indicator NI179
38	Achievement of allocated savings included in the budget	C II	1,000	38%	380	No	Internally		BTP savings have been allocated to Directorates in 2009-10 to improve ownership and joint working with Capita. Note that 2009-10 is the last year of the targets built into the MTFS.
	<u>PARTNERSHIP / CONTRACTUAL RISKS</u>								
39	Partnership failure – LAA	E III	0	6%	0	No	Externally		The LAA has been agreed and is being monitored. Prudent assumptions about reward grant have been included in the MTFS.

40	Breakdown of relationships with strategic partners (PCT, Police, businesses, voluntary sector)	D II	0	17%	0	No	Externally	The HSP governance arrangements have been revised. Good working relationships exist between partners. All disputed debt now settled with PCT.	
41	Commercial Partnership failure (Capita, Kier, Enterprise Mouchel)	D II	0	17%	0	No	Internally		The savings from the partnership as per the contract are built into the budget for 2008-09 and 2009-10 .
	TOTAL		14,380		4,642				

Reserves Policy

The approved reserves policy is as follows:

The Council intends to add £0.5m 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 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 £4.6m. 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

The risk environment has changed considerably since last year and as far as possible the risks the council is now facing have been reflected in the budget.

The Council is continually working to improve financial management and the emphasis in 2009-10 will be on budget monitoring and the control environment. 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 balance sheet has been strengthened considerably in the last two years

and the 2009-10 budget does include an increase in the contributions to provisions for insurance, bad debts and litigation.

Taking all this together, the target level for reserves should be £5m-£7m. As at 31 March 2008 the level of General Fund Reserves was £3m. Every effort is being made to ensure that the Council comes in on budget in 2008-09 and that general balances increase to £4m by 31 March 2009.

The budget includes an annual contribution to reserves of £0.5m from 2009-10 onwards. Therefore, depending on the outturn in each year, general fund balances of £5m should be achieved by the end of 2010-11.

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

Clearly the economic climate makes this budget round particularly challenging and there is considerable uncertainty about public sector pay, inflation, interest rates, the property market, and employment levels. All these issues affect the Council's own finances and every effort has been made to ensure that the technical assumptions underpinning the budget are robust. The economic climate also has major implications for Harrow's residents and businesses and may therefore create additional demand on services.

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 demand led 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

A sensitivity analysis for the key assumptions is attached.

The main risk in the budget relates to the severance scheme – however the impact of the scheme will be known by the end of March and a contingency plan is being developed.

Adequacy of Reserves

The Council has a small number of provisions and earmarked reserves to deal with particular issues such as insurance claims, bad debts and litigation, and employment matters. The council is working towards general balances of at least £5m and should achieve this by the end of 2010-11.

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.

2009-2010 Budget Sensitivities

Budget area	Assumption in 2009-10 budget	Change	Impact
Pay	Increase of 2%	+/- 0.5%	+/- £525k
General Prices Inflation	Increase of 1.75%	+/- 0.5%	+/- £425k
Utilities Inflation	Growth in the budget of £300k over and above basic inflation reflects prices increases during 2008-09 less anticipated price reductions in 2009-10.	+/- 10%	+/- £163k
Investment Income	Base rate is 0.5% for the year, and that the Council obtains 1.0% above base rate on its investments, i.e. 1.5%.	+/- 0.5%	+/- £220k
Council Tax collection rate	Collection rate of 98.25%	+/- 0.25%	+/- £300k

Harrow Council

Council Tax Resolution 2009-2010

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 2009-2010 in the light of the information on the precept and make the calculations set out in the resolution shown below.

- (1) To note that at its meeting on 18 December 2008 the Council calculated the amount of 85,755 as its Council Tax Base for the year 2009-2010 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)** £532,402,127
 - (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)** £363,563,769
 - (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.** £168,838,358
 - (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 to its General Fund from its Collection Fund in accordance with Section 97(4) of the Local Government Finance Act 1988 (Collection Fund Surplus) £67,085,763
 - (v) Being **the amount to be raised from Council Taxes** £101,752,595
Calculated as the amount at 2 (iii) above less the amount at 2 (iv.) above.

(vi) Being the amount at (v) divided by the Council Tax Base, calculated by the Council at its meeting on 18 December 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)**

£1,186.55

(vii) Valuation Bands

	A	B	C	D	E	F	G	H
£	791.03	922.87	1,054.71	1,186.55	1,450.23	1,713.90	1,977.58	2,373.10

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 2009-2010 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
£	206.55	240.97	275.40	309.82	378.67	447.52	516.37	619.64

(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 2009-2010 for each of the categories of dwellings shown below

Valuation Bands

	A	B	C	D	E	F	G	H
£	997.58	1,163.84	1,330.11	1,496.37	1,828.90	2,161.42	2,493.95	2,992.74

**HARROW COUNCIL
REVENUE BUDGET SUMMARY 2009-2010**

	2008-2009 Original Budget £000	2009-2010 Original Budget £000
Local Demand - Borough Services		
Adults and Housing	63,918	64,596
Children's	38,172	38,962
Community and Environment	46,594	47,867
Place Shaping	2,881	3,011
Legal and Governance	1,997	2,215
Assistant Chief Executive	3,212	3,389
Corporate Finance	19,210	19,986
Total Directorate Budgets	175,984	180,026
Inflation and Corporate items	4,973	4,212
Capital Financing adjustments	-6,972	-6329
Interest on Balances	-3,135	-185
Total – Baseline	170,850	177,724
Capitalisation	-590	-390
Contribution to Balances	1,000	500
Total Net Expenditure	171,260	177,834
Collection Fund Surplus()/Deficit b/f	1,365	-300
Redistributed Business Rates	-57,670	-54,261
Revenue Support Grant	-8,028	-12,524
Area Based Grant	-8,423	-8,996
Local Demand on Collection Fund	98,504	101,753
Funds / Balances		
Balances Brought Forward	2,154	4,031
Adjustment to Balances	1,000	500
Balances Carried Forward	3,154	4,531
Council Tax for Band D Equivalent		
Harrow (£)	1,152.55	1,186.55
<u>Increase</u> Harrow (%)	2.95%	2.95%
Taxbase	85,466	85,755

Housing Revenue Account (HRA) Medium Term Financial Strategy (MTFS) 2009-10 to 2011-12

1. The Council's 30 year HRA business plan was updated and submitted to the Government Office for London (GOL) in July 2006. The plan sets out how the Council intends to manage and maintain its housing stock over the next 30 years. The financial strategy, as 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 reflects the costs of delivering services at current levels and takes account of areas of identified pressures and savings. It builds on the quarter 2 HRA forecast outturn position as reported and is subject to changes that may be required to reflect government policy and housing priorities. The key areas of updated assumptions that underpin the strategy and the 3 year revenue budget summary are set out below.

Balances

3. The strategy will deliver an in year deficit of £1.26m in 2009-10, £0.86m in 2010-11, and £0.37m in 2011-12. The accumulated balances are estimated to reduce from £6.2m at the end of 2007-08 to £2.6m at the end of 2011-12, assuming a balance carried forward in to 2009-10 of £5.070m as reported in the quarter 2 outturn forecast for 2008-09.
4. The table below details the movement on HRA balances.

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	£'000	£'000	£'000	£'000	£'000	£'000
Balance Brought Forward	-5,193	-5,728	-6,240	-5,070	-3,810	-2,947
In year balance	-535	-512	1,170	1,260	863	370
Balance Carried Forward	-5,728	-6,240	-5,070	-3,810	-2,947	-2,577

5. In line with the business plan, the HRA aims to maintain a minimum balance of £0.75m.

Income

Dwelling Rent

6. The Government intends that by 2016 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.
7. In line with Government policy, an average rent increase of 6.15% is recommended in 2009-10 (5.66% in 2008-09). This means an average

rent charge of £86.57 per week per tenant (£81.55 in 2008-09) representing an average rent increase of £5.02 (£4.37 in 2008-09). Details of average rents are shown in Appendix 2. This will achieve rent convergence for 84% of Council dwellings by 2015/16.

8. The strategy assumes a stock level of 5,065 at the start of April 2009 reducing marginally by an estimated five right to buy sales each year thereafter. Rent loss resulting from voids is estimated at 1.44% of the rental income for dwellings and 0.58% for sheltered accommodation. These assumptions are reflected in the estimated rental incomes detailed in the appendix.
9. The transfer of 86 dwellings on the Mill Farm estate is anticipated to transfer, subject to successful tenant ballot on 31st March 2009. The potential rent loss in a full year is estimated at £350k, this will be offset from 2010-11 by a reduction in the level of subsidy payable to the Government. The impact of this transfer is not reflected in the draft budget now presented.

Service Charge – Tenant and Leaseholders

10. In line with Government guidance, the Council separated service charge from dwelling rent in April 2007. The costs of delivering estate based communal services are recovered directly from tenants through the service charge. The estimated total cost of de-pooled services in the current year is £1.9m. (£1.24m in 2007-08).
11. Service charge for tenants is recommended to increase by 5.50% in 2009-10 (3.5% in 2008-09) resulting in an average service charge of £4.39 (£4.13 in 2008-09), representing an average increase of £0.26 (£0.14 in 2008-09) per week per tenant. Details of average service charges are shown in Appendix 2.
12. Service charge for leaseholders is recommended to increase by 10.6% in 2009-10. The increase is significant as a consequence of the lower level of estimated service charges in 2008-09 and further information will be supplied to leaseholders with their bills. Should actual expenditure reduce during 2009-10, adjustments will be made to leaseholder accounts following the 2009-10 outturn.
13. Recovery of costs for administering the leasehold team is recommended to remain at 20% of the service charge costs. Building insurance is to be recovered based on an average of £157 per year per leaseholder. It is estimated there will be 1,172 leaseholders as at 31st March 2009.

Other Income

14. Other rent income from garages, car parking, commercial shops and facilities charges is recommended to increase by 2.5% as detailed in Appendices 3, 4 and 5.

Summary

15. The recommended rent increases will support the delivery of key services to tenants at their present level, to reflect increases to

management and borrowing costs to support the delivery of decent homes. The recommended rental increases have been adjusted for voids and right to buy sales where relevant.

Expenditure

16. Five RTB sales are assumed in 2009-10. The marginal reduction in stock levels is reflected in the assumed level of maintenance expenditure. No reduction is assumed for management costs.

Employee Costs

17. The financial strategy is based on estimated outturn and reflects pay increases for staff of 2% and pension contribution increases of 0.25% annually. It also reflects the proposed changes to the housing structure where confirmed. Variations caused by the agree pay award will be made to or from the HRA contingency provision.

Responsive Repairs

18. The strategy assumes contributions to the responsive and cyclical repairs of £4.8m in each of the next three years. This area is subject to further review, with benchmarking being progressed to achieve comparison for budget setting purposes. Discussions are progressing with Kier on a partnership basis to improve service delivery whilst containing and controlling costs.

Energy Costs

19. There is considerable volatility in the energy market at this time. The budget assumes an increase of 16.7% in energy costs in 2009-10 and 3% annually thereafter. These costs are recovered directly from charges to tenants/leaseholders through the service and facilities charges.
20. An increase of 2.5% in facility charges is proposed [paragraph 13 refers]. However, given that costs should be fully recovered based on actual charges at block level, this will require further review during 2009-10 to assess the impact on individual facility charges and may require mid year changes to the charges made to tenants, and which may result in reductions for some tenants.

Charges for Capital

21. The capital financing charges detailed in Appendix 1 includes a number of elements. The Major Repairs Allowance [£3.7m] and interest costs [£2.8m] reflecting the cost of borrowing to support the decent homes programme [paragraph 23 refers] which are based on a consolidated rate of interest [CRI] of 5.45%.
22. Also included is the HRA share of the Council debt redemption premiums and discounts from recent debt rescheduling exercises [£0.230m] and debt management expenses [£0.065m].
23. Interest on the HRA balances is assumed at an average of 2.1% reflecting the anticipated reduction in interest rates [£0.09m].

Capital Investment and Prudential Borrowing

24. The strategy assumes capital expenditure of £6.9m in 2009-10, £5.9m in 2010-11 and £6.1m in 2011-12 in line with the business plan. Capital expenditure is funded from Major Reserve Allowances (MRA) and capital receipts with the balance being financed through estimated borrowing of £1.9m in 2009-10, £817k in 2010-11 and £1m in 2011-12. This level of borrowing is within the supported borrowing figure of £2.7m included in the subsidy determination.
25. The forecast level of usable capital receipts has reduced from £0.5m to £0.25m. This reduction reflects the lower level of RTB sales.
26. Significant investment has been made in IT services during 2008-09 and will assist in delivering business efficiency during 2009-10. Additional costs in relation to borrowing and ongoing support costs of £123k have been included within capital financing costs.

Revenue Contribution to Capital Outlay (RCCO)

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

HRA subsidy

28. The financial position of the HRA is heavily influenced by the HRA subsidy system – the present system for delivering finance to council housing, and is based on notional income and expenditure calculated by the Secretary of State in the annual Determination.
29. The budget includes uplifts to all the allowances and guideline rents in line with final HRA Subsidy determination. Rental Constraint Allowance, as previously assumed, has not continued beyond 2007-08, with the Government reverting to the Caps and Limits regime from 2008-09.
30. Harrow is one of approximately 154 authorities, where the notional income exceeds the notional expenditure, requiring an annual payment to be made by Harrow to the Government. These repayments [often referred to as 'negative subsidy'] are captured and redistributed to other parts of the country to meet notional deficits for other authorities.
31. The Council has joined the Waverley Campaign which seeks to redress the imbalances in the current system and the subscription supporting this work has been charged to the HRA in 2008-09.
32. In March 2008 a review of Council Housing Finance was launched by the Communities and Local Government and HM Treasury Departments. The purpose of the review is to develop a sustainable, long term system for financing council housing, and one which is consistent with wider housing policy, including the establishment of a regulator of social housing. The review is due to report to Ministers mid 2009, setting out options for the subsidy system including proposals for changing to rent policy.

33. A formal consultation will follow the review and at this point it should be possible to advise the impact of the changes on both the HRA and the Business Plan.

General Contingency

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

Summary

35. 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 current service levels in order to meet expectations of tenants and comply with Government requirements.
36. The impact of the current economic climate has been estimated where possible within this three year budget position now being reported. The increase quantified within this budget totals approximately £0.5m and arises from the need to increase the bad debt provision for Council tenants, lower levels of rental income for non-dwelling HRA assets and a reduction in the investment income earned.
37. The budget estimates annual in year deficits over the three year period to 2011-12, resulting in a reduction of balances of £2.883m when compared with the business plan surplus of £5.460m anticipated at the end of 2011-12.
38. The impact of the lower level of balances will significantly shorten the period during which the Council has a viable HRA. If income and expenditure assumptions remain in line with the business plan, in year 7 [2013-2014] the balances will fall below the recommended level of £0.75m. By this point, the Council will have considered the options around the future of housing in this respect.

Housing Revenue Account 2009-10 to 2011-12

	Budget 2009-10	Budget 2010-11	Budget 2011-12	Comments
Expenditure				
Employee Costs	1,928,850	1,918,280	1,958,590	Pay inflation assumed as 2%
Supplies & Services	444,830	464,830	444,830	Increase 2010-11 represents bi-annual tenant survey
Utility cost (Water & Gas)	626,250	645,040	664,390	Inflation assumed at 16.7% 09-10 and 3% annually thereafter
Estate & Sheltered Services	1,956,980	1,988,600	2,020,950	
Central Recharges	1,971,700	2,020,990	2,071,530	Inflation assumed at 2.5%
Operating Expenditure	6,928,610	7,037,740	7,160,290	
Contingency - general	200,000	200,000	200,000	Provision for unforeseen expenditure
Charges for Capital	6,917,220	7,104,390	6,971,940	Includes £123k HARP costs, CRI @ 5.45%, interest on balances @ average 2.1%
Contribution to Repairs Account	4,800,680	4,800,680	4,800,680	
RCCO	1,000,000	1,000,000	1,000,000	Annual contribution
Bad or Doubtful Debts	250,000	250,000	250,000	
HRA Subsidy	6,874,870	7,387,500	8,088,030	Based on final determination issued by CLG [payment redistributed to other parts of the country]
Total Expenditure	26,971,380	27,780,310	28,470,940	
Income				
Rent Income – Dwellings	-22,671,580	-23,818,210	-24,941,900	Average increase 2009-10 6.15% in line with Government rent model
Rent Income – Non Dwellings	-869,840	-882,010	-894,490	Average increase of 2.5% for garages. Commercial premises reflect lease agreements

	Budget 2009-10	Budget 2010-11	Budget 2011-12	Comments
Service Charges - Tenants	-1,150,430	-1,184,940	-1,220,490	Average increase 2009-10 5.5% in line with Government rent model
Service Charges - Leaseholders	-424,350	-424,350	-424,350	Average rent increase 2009-10 10.6% reflecting leaseholder costs to be recovered
Facility Charges (Water & Gas)	-487,480	-499,490	-511,490	
Interest	-17,000	-17,000	-17,000	
Other Income	-8,010	-8,010	-8,010	
Transfer from General Fund	-83,000	-83,000	-83,000	Amenities shared by Council and non- Council residents.
Total Income	-25,711,690	-26,917,010	-28,100,730	
In Year Deficit / Surplus)	1,259,690	863,300	370,210	
BALANCE carried forward	-3,810,590	-2,947,290	-2,577,080	
BALANCE Business Plan	-4,764,000	-5,319,000	-5,460,000	

Appendix K (ii)

Average Rents & Service Charges

Property Type	No of Beds	No of Properties	Current Average Rent 2008-09 £	Current Average Service Charge 2008-09 £	Total of Rent & Service Charge 2008-09 £	Proposed Average Rent 2009-10 £	Proposed Average Service Charge 2009-10 £	Total of Rent & Service Charge 2009-10 £	Proposed Average Rent Increase 2009-10 £	Proposed Average Service Charge Increase 2009-10 £
Bedsit flat	0	102	62.54	2.95	65.48	66.33	3.11	69.44	3.79	0.16
Flat	1	1,246	70.06	3.11	73.17	74.35	3.28	77.63	4.28	0.17
Flat	2	827	77.02	3.33	80.34	81.96	3.51	85.47	4.95	0.18
Flat	3	45	80.87	3.50	84.37	86.46	3.69	90.15	5.58	0.19
Bedsit Bungalows	0	21	75.07	3.05	78.11	79.50	3.21	82.71	4.43	0.17
Bungalow	1	116	83.64	3.29	86.93	88.56	3.47	92.04	4.93	0.18
Bungalow	2	25	98.31	3.37	101.68	103.80	3.55	107.35	5.49	0.19
Non-Parlour Bungalows	2	1	95.72	3.37	99.09	100.84	3.55	104.39	5.12	0.19
Non-Parlour Bungalows	3	1	124.90	0.00	124.90	131.46	0.00	131.46	6.56	0.00
Non-Parlour Bungalows	7	1	164.37	3.79	168.16	171.67	4.00	175.67	7.30	0.21
Maisonette	1	6	69.05	3.37	72.42	73.14	3.55	76.69	4.09	0.19
Maisonette	2	96	76.80	3.37	80.17	81.69	3.56	85.25	4.89	0.19
Maisonette	3	61	81.00	3.58	84.58	86.61	3.78	90.39	5.61	0.20
Maisonette	4	1	89.04	0.00	89.04	95.88	0.00	95.88	6.84	0.00

Property Type	No of Beds	No of Properties	Current Average Rent 2008-09	Current Average Service Charge 2008-09	Total of Rent & Service Charge 2008-09	Proposed Average Rent 2009-10	Proposed Average Service Charge 2009-10	Total of Rent & Service Charge 2009-10	Proposed Average Rent Increase 2009-10	Proposed Average Service Charge Increase 2009-10
			£	£	£	£	£	£	£	£
Non-Parlour House	1	1	48.16	3.37	51.53	52.78	3.55	56.33	4.62	0.19
Non-Parlour House	2	526	88.74	3.52	92.26	94.03	3.71	97.74	5.29	0.19
Non-Parlour House	3	752	95.02	3.70	98.72	100.90	3.90	104.81	5.88	0.20
Non-Parlour House	4	28	105.93	3.49	109.42	112.46	3.68	116.14	6.53	0.19
Non-Parlour House	5	3	112.74	3.79	116.53	119.66	4.00	123.66	6.92	0.21
Parlour House	2	35	92.31	2.43	94.74	97.76	2.56	100.32	5.45	0.13
Parlour House	3	551	100.81	2.92	103.73	106.87	3.08	109.95	6.06	0.16
Parlour House	4	58	109.41	3.32	112.73	115.97	3.51	119.47	6.56	0.18
Parlour House	5	6	117.69	3.44	121.12	124.65	3.63	128.27	6.96	0.19
Parlour House	6	2	129.81	2.73	132.54	137.46	2.89	140.34	7.65	0.15
Sheltered	0	547	67.51	11.26	78.77	71.63	11.88	83.51	4.12	0.62
Sheltered other	1	9	80.93	11.56	92.48	86.54	12.19	98.73	5.62	0.64
		5067								

Appendix K (iii)

Garages & Parking Space Charges

	Current Weekly Rental 2008/09	Proposed Weekly Rental 2009/10
	£	£
Garages	13.13	13.50
Car Spaces	8.62	8.80

Appendix K (iv)

Facility Charges

Sheltered Block	No of Properties	Current average facility charge (Heating) 2008-09 £	Proposed average facility charge (Heating) 2009-10 £
Cornell House	30	9.91	10.15
Meadfield	29	9.91	10.15
Harrow Weald Park	31	8.13	8.35
Watkins House	43	10.38	10.65
Boothman House	30	9.87	10.10
Durrant Court	28	10.03	10.30
Grahame White House	29	9.89	10.15
Harkett Court	31	10.02	10.30
Sinclair House	27	9.89	10.15
Tapley Court	26	9.86	10.10
Alma Court	30	9.89	10.15
Belmont Lodge	30	9.87	10.10
Edwin Ware Court	30	8.30	8.50
Goddard Court	31	10.03	10.30
Grange Court	31	8.46	8.65
John Lamb Court	32	10.38	10.65
Thomas Hewlett House	30	9.92	10.15
William Allen House	29	8.98	9.20
Resident Warden Accommodation	9	13.15	13.50
Other Non Sheltered	129	9.16	9.40

Community Centre Charges

	Current 2008-09 Charges per 3 hour letting (additional hourly charge)		Proposed 2.5% uplift for 2009-10 Charges per 3 hour letting (additional hourly charge)	
	Evening Rate £	Daytime Rate £	Evening Rate £	Evening Rate £
Methuen Road Fully Let to Flash Musicals				
Augustine Road	72.01	36.27	73.80	37.20
Each Extra Hour	13.69	7.17	14.00	7.30
Marsh Road Hall	36.81	18.08	37.70	18.50
Each Extra Hour	9.31	4.92	9.50	5.00
Stonegrove Gardens Hall	80.78	40.13	82.80	41.10
Each Extra Hour	13.69	7.17	14.00	7.30
Churchill Place Hall	80.78	40.13	82.80	41.10
Each Extra Hour	13.69	7.17	14.00	7.30
Kenmore Park Hall	80.78	40.13	82.80	41.10
Each Extra Hour	13.69	7.17	14.00	7.30
Pinner Hill Hall	80.78	40.13	82.80	41.10
Each Extra Hour	13.69	7.17	14.00	7.30
Northolt Road Hall	80.78	40.13	82.80	41.10
Each Extra Hour	13.69	7.17	14.00	7.30
Brookside Hall	72.01	36.27	73.80	37.20
Each Extra Hour	13.69	7.17	14.00	7.30
Woodlands Hall	36.81	18.08	37.70	18.50
Each Extra Hour	9.31	4.92	9.50	5.00

Consultation - Stakeholder Meetings

A series of meetings took place with key stakeholders to share information in December, January and February. The stakeholders, together with the meetings suggested to pick up their comments, are listed below.

Minutes of the meetings, where available, have been circulated in a separate pack.

Stakeholder	Meeting	Date
Overview and Scrutiny	Standing scrutiny review of the budget	17 December 2008
Tenants and Leaseholders	Tenants and Leaseholders Consultative Forum	6 January 2009
Public	Open Cabinet	5 February 2009
Schools	Education Consultative Forum	27 January 2009
Unions	Employees Consultative Forum	28 January 2009
Local Businesses	Harrow Business Consultative Forum	19 January 2009
Older People	POP Panel	4 February 2009

LONDON BOROUGH OF HARROW

MEMBERS' ALLOWANCES SCHEME

1. This scheme shall have effect until 31st March 2010. It replaces all former schemes.

Basic Allowance

2. A basic allowance of £8,160 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 £10,250 per annum shall be paid to the Mayor and an allowance of £2,040 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 London Councils Independent Panel. The index to be used will be the level of the Local Government Pay Settlement. When making the scheme for 2011-12, 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 (i).
(2) The maximum basic rate of pay is £2.90 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 £445 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 2009 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:-

Band	Post	SRA £/annu m
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	£2,040
2	Performance Lead Members for Scrutiny Policy Lead Members for Scrutiny	£3,060
3	Nominated Member of the largest party not holding the Chair of the Strategic Planning Committee (see Note 1) Nominated Member of the largest party not holding the Chair of the Development Management Committee (see Note 1) Chairman of the Traffic Advisory Panel Chairman of the Grants Advisory Panel	£4,590
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	£6,630
5	Chairman of the Strategic Planning Committee (see Note 2) Chairman of the Development Management Committee (see Note 2) Chairman of the Overview and Scrutiny Committee Leader of the Second Largest Group	£8,670
6	Deputy Leader Cabinet Members	£19,890
7	Leader	£31,110

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 3 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 5 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.