

Meeting:	Cabinet
Date:	17 December 2009
Subject:	Draft Revenue Budget 2010-11 to 2012-13
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 below

Appendices are attached as follows:

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## Section 1 – Summary and Recommendations

This report sets out the draft revenue budget for 2010-11 and medium term financial strategy (MTFS) for 2010-11 to 2012-13.

### **RECOMMENDATIONS:**

The Cabinet is requested to:

1. Note the results of the consultation carried out on the draft corporate priorities set out in Appendix 1, and approve the priorities for 2010-11, as set out in paragraph 2.
2. Agree the draft revenue budget of £171.587m for 2010-11 and the draft MTFS.
3. Approve the reserves policy set out in paragraph 48.

**REASON:** To publish the draft budget.

## 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 July, including draft corporate priorities as follows:
  - Deliver cleaner and safer streets
  - Improve support for vulnerable people
  - Build stronger communities
3. Consultation has been carried out on these priorities via the residents' panel and via a campaign entitled "Have Your Say". The consultation activity produced consistent results and the three proposed priorities were supported. The detailed results of the consultation are attached at Appendix 1.
4. Cabinet is therefore asked to note the results of the consultation carried out on the draft corporate priorities, and approve the priorities for 2010-11 as set out above.
5. The corporate priorities provide the framework for the corporate plan which will come to Cabinet alongside the final budget in February.

## Options considered

6. 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

7. 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 (£45m in the last 4 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 for 2010-11 and the outlook for the next spending review is worse
  - The previously agreed settlement for concessionary fares for London for 2010-11 has been revisited very late in the day, see below
  - The UK is currently in recession
  - There is still more work to do to strengthen the Council's balance sheet
8. A consultation is underway which suggests that £30m of grant for concessionary fares will be removed from London in 2010-11. This equates to almost £1m for Harrow, which is equivalent to a 1% increase in Council tax.

### Economic Outlook

9. There has been extensive debate in recent months on the recession and the timing and extent of the recovery. In the current climate it is difficult to predict accurately what will happen to inflation, interest rates and grant levels.
10. In the previous budget round (to set the 2009-10 budget) the Council took account of the economic climate, and in particular provided for additional energy costs, reduced capital receipts and income levels, and the reduction in the base rate to 0.5%. Demand for services is being closely monitored.
11. For this budget round, the main change relates to the probable outcome of the next spending review – given various forecasts such as those provided by the Institute of Fiscal Studies. The Council is now expecting cash reductions in its government grants from 2011-12 onwards. The anticipated severity of the impact on government grant is illustrated by the fact that the budgeted grant for 2012-13 of £63.8m is less than that actually received for 2007-08, five years previously. The pre-budget report is due to be published by the government on 9 December and this may provide further indications on likely grant levels in future.

### Central Government Funding

12. In 2007-08 the government announced a 3 year settlement for 2008-09 to 2010-11. The general grant increase for Harrow will be 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”. For 2010-11, Harrow’s actual grant, based on the formula, is £1.25m below the floor settlement. In 2009-10, Harrow is £1.79m below the floor. It is difficult to predict whether Harrow will continue to be a floor authority throughout the next spending review period, as the quantum of the settlement is unknown and the formula itself is being reviewed. Changes to elements within the formula such as the area cost adjustment can have a significant impact on grant levels for particular authorities and regions.

13. The assumed grant reduction in the MTFs, for general grant and area based grant, for 2011-12 onwards is 3% in cash terms (around 4.5% in real terms).
14. It is also anticipated that there will be reductions in specific grants – Directorates are working on the implications of this on the assumption that costs will have to be reduced accordingly.

### Council Tax Strategy

15. The council plans to deliver a zero council tax increase in 2010-11. This is significantly below inflation (in October 2009 CPI was 1.5% and RPI was -0.8%)<sup>1</sup>.
16. The planned council tax increase for 2011-12 and 2012-13 is 2.5%.
17. In 2008 the Conservative Party published a policy green paper (no. 9) entitled “Control Shift: Returning Power to Local Communities” which stated the following:

“...in the first two years of a Conservative government, councils will also have the ability to contract with central government to freeze council tax. Those councils that take up the contract will have to undertake to hold the rate of rise in council tax to 2.5 per cent or less; and central government will correspondingly undertake to make a payment (found out of savings in central government advertising and consultancy budgets) equal to 2.5 per cent of that council’s council tax – so that bills can be frozen in each such council for the two year period.”
18. If there is a Conservative government after the next general election, and if the green paper becomes official policy, there would be no tax increase for Harrow residents in 2011-12 or 2012-13.

### Current position – funding gaps

19. The draft MTFs in summary form is attached at Appendix 2, with a detailed analysis attached at Appendix 3.
20. The current funding gaps are £1m in 2010-11, £15.4m in 2011-12 and £13.8m in 2012-13. These figures include:
  - Prudent amounts for capital financing and technical issues
  - Inflation
  - Additional investment in services to reflect priorities, demographic change, and the additional cost of waste disposal
  - The efficiency programme

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<sup>1</sup> Note that CPI increased from 1.1% in September to 1.5% in October, and RPI increased from -1.4% to -0.8%, largely due to transport costs

21. It has not been possible to produce a balanced budget for 2010-11 at this stage due to all the additional financial pressures the council is facing and the growing demand on services. However, there is a legal requirement to produce a balanced budget in February, and the strategy for closing the remaining funding gap is set out later in the report.

#### Issues and risks

22. It should be noted that, by the time of the December cabinet meeting, there should be more clarity on the West London Waste Authority (WLWA) Levy – the Authority is meeting on 9 December to consider its draft budget.

23. Further clarification is required on the Concessionary Fares scheme, and the impact on Harrow in 2010-11. It is hoped that there will be some improvement in the figures.

24. Cabinet members will be aware of the recent announcements by government on free personal social care. The proposal is to make home care free for those with critical needs. At national level, the total cost is estimated to be in the region of £650m. Approximately two thirds of the cost will be met from additional grant (to be diverted from the Department of Health to local government), and one third of the cost will have to be met by local authorities. Clearly, it is highly unlikely that the grant to Harrow will meet the full cost to the Council. A consultation is underway, and, if the changes go ahead they will take effect from 1 October 2010. It is difficult to quantify the implications for Harrow at this stage as there are a number of options in the consultation document for the allocation of grant, and the administration will be very complex. However, the picture should be clearer for final budget report in February.

#### Analysis of budget changes

25. The change in the budget requirement for 2010-11 can be summarised as follows:

	<b>£m</b>
Budget Requirement 2009-10	168.8
Capital financing costs and investment income	2.7
Technical changes	2.9
Inflation	1.0
Investment in services	4.5
Efficiency programme	(7.3)
Remaining funding gap (assuming no council tax increase)	(1.0)
Budget Requirement 2010-11	171.6

26. The investment and efficiency programme totals for each Directorate for 2010-11 are summarised overleaf:

Directorate	Investment in services £m	Efficiency Programme £m
Adults and Housing	1.9	(2.0)
Children's Services	1.1	(1.4)
Community and Environment	1.4	(2.4)
Place Shaping	0.0	(0.3)
Finance	0.0	(0.6)
Legal and Democratic Services	0.0	(0.2)
Assistant Chief Executive	0.1	(0.4)
Total	4.5	(7.3)

27. All the investment and efficiency proposals were reviewed in detail at a series of challenge panels for each Directorate. The challenge was carried out by the Leader, Portfolio Holder for Performance, Communication and Corporate Services, Chief Executive, Assistant Chief Executive and Corporate Director of Finance. Each of the proposals is supported by an impact assessment, which includes an equalities impact assessment. More details on the impact assessment will be included in the February report.

#### Technical Changes and Inflation

28. The assumptions behind the technical changes and inflation provisions are explained in Appendix 4 of this report.

#### Investment in Services

29. The draft MTFS includes investment in services of £4.5m in 2010-11, £4.6m in 2011-12 and £3.6m in 2012-13. These figures include £2m in 2011-12 and 2012-13 to allocate to priorities.

30. The main areas of investment in 2010-11 are:

- Social care for Adults and Children
- Waste management and disposal

#### Efficiency Programme

31. For this budget round, each Directorate has developed a comprehensive efficiency programme drawing on:

- The detailed review of the 2008-09 outturn
- Service reviews
- Better procurement
- Business process re-engineering
- West London and pan-London initiatives
- A range of small savings across all service areas

32. The efficiency programme totals £7.3m in 2010-11.

33. For the medium term, the Council is working on a wider transformation programme which includes five strands:

- Future Operating Model
- Cross Council Efficiency Review
- Place Shaping and Property
- Better Together (working with our residents to improve services)
- Service Efficiency Programme

34. The programme is at a relatively early stage and the potential savings have yet to be quantified. However, it is anticipated that the programme will make a very significant contribution towards the funding gaps in 2011-12 and 2012-13.

#### Outturn for 2008-09 and budget monitoring for 2009-10

35. The Council underspent in 2008-09. The budget monitoring report for the second quarter of 2009-10 shows that there are considerable pressures this year but Directorates are working to deliver a net underspend.

36. The ongoing impact of underspends and pressures identified during 2008-09 and 2009-10 to date has been factored into the draft MTFs and the situation will be kept under review. Most importantly the 2010-11 budget addresses the current overspend in Children's Services.

#### Strategy for Closing Funding Gaps

37. The council is legally required to set a balanced budget for next year. In order to close the remaining funding gap, officers will:

- Continue to review and refine the technical and economic assumptions
- Monitor the budget process for the West London Waste Authority
- Monitor developments in relation to concessionary fares
- Further develop the efficiency programme
- Consider whether the transformation programme will be sufficiently advanced to deliver savings in 2010-11

#### Contingency

38. The budget includes a contingency of £250k for unforeseen events.

#### Members' Allowances

39. In light of the economic position, it is assumed that members' allowances will be frozen in 2010-11.

#### Schools Budgets

40. The DCSF has confirmed the per pupil funding for 2010-11 as £4,862 (a 4.1% increase on 2009-10). The total of Dedicated Schools Grant for 2010-11 will depend on the January 2010 pupil count. As this data is not available until February 2010, the October 2009 pupil count has been used to provide an estimate of the funding available. Based on this data, the estimated DSG for 2010-11 is £142.6m.

41. The schools budget is being considered by the Schools Forum in November and December 2009, with the final schools budget due to be set by February 2010. More information on the schools budget is attached at Appendix 5.

#### Housing Revenue Account

42. There is a separate report on the Housing Revenue Account on the agenda.

#### Longer Term Outlook

43. As noted above, the funding gaps in years 2 and 3 of the plan are £15.4m and £13.8m respectively. It is expected that the annual funding gap will be in the order of £15m during the next two spending review periods, namely 2011-12 to 2013-14 and 2014-15 to 2016-17. This is based on:

- Inflation at 2% on pay and prices
- Ongoing pressures arising from the need to finance the capital programme and address other technical issues
- Ongoing demographic pressures and increases in landfill tax
- New investment in services at £2m per year
- Council tax increases of 2.5% a year

44. As part of its longer term financial strategy the Council is seeking to review the level of the capital programme and rebuild its balance sheet – in time this may reduce some of the pressure on the revenue budget.

45. A more detailed analysis of the longer term outlook will be included in the February budget report.

#### Reserves

46. The Council 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.**

47. As at 31 March 2009, general reserves were £5.7m. The second quarter monitoring report for 2009-10 shows that reserves are forecast to exceed £6m by 31 March 2010.

48. Given the huge pressure on the budget created by the economy, and the progress that has been made to improve the Council's financial position in the last few years, it is recommended that the reserves policy is amended as follows:

**From 2010-11, the first call on any underspend at the end of the year will be a contribution to general balances. The value of the contribution will be up to £0.5m, and will be determined with regard to the size of the underspend, the underlying strength of the balance sheet, and other priorities.**

49. The new policy will take effect from 2010-11, as the 2009-10 budget includes a planned contribution of £0.5m.



## GLA Precept

50. Appendix 1 excludes the GLA precept which is currently £309.82 for a band D property. It is anticipated that there will be no precept increase in 2010-11. Therefore the combined council tax for a Harrow resident, at Band D, will be as follows:

Council Tax at Band D	£	Increase
Harrow services	1,186.55	0%
GLA Precept	309.82	0%
Combined total	1,496.37	0%

## Capital Programme

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

## Consultation and Information Sharing

52. As noted above, the priorities for 2010-11 have been the subject of consultation with residents and are supported.

53. The Overview and Scrutiny Committee has established a standing review of the budget and the review group includes three representatives of the Open Budget Panel.

54. A series of meetings will be held with stakeholders in December, January and February to share information on the Council's budget plans and seek comments. These are set out in Appendix 6.

55. In addition, there will be a Harrow Strategic Partnership Summit on 28 January 2010 to engage stakeholders in the medium term planning process.

## **Financial Implications**

56. Financial matters are integral to this report.

## **Performance Issues**

57. 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 2010-11 to 2012-13 and progress will be monitored by Improvement Boards and reported on a quarterly basis.

58. The quality of the budgeting process and how it integrates with service and improvement planning is a key aspect of the Use of Resources assessment (part of the Comprehensive Area Assessment). The Council has made improvements to its integrated planning process this year. This process has contributed to the progress to date in reducing the funding gap for 2010-11.

## Environmental Impact

59. The draft budget incorporates the resources to deliver the Council's climate change strategy.

## Risk Management Implications

60. As part of the budget process the budget risk register will be reviewed and updated, extended to cover the three year planning period, and included in the report to February cabinet. This helps to test the robustness of the budget and support the reserves policy.

## Section 3 - Statutory Officer Clearance

Name: Myfanwy Barrett



Chief Financial Officer

Date: 23 November 2009

Name: Hugh Peart



Monitoring Officer

Date: 7 December 2009

## Section 4 – Performance Officer Clearance

Name: Tom Whiting



Assistant Chief Executive

Date: 26 November 2009

## Section 5 – Environmental Impact Officer Clearance

Name: John Edwards



Divisional Director  
(Environmental Services)

Date: 23 November 2009

## **Section 6 - Contact Details and Background Papers**

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

Background Papers: Integrated Planning 2010-11 to 2012-13, reports to July and October cabinet meetings

## Consultation on Draft Corporate Priorities

### Part 1: Residents' Panel

In July 2009, Cabinet considered the Year Ahead Statement which brought together the Council's performance and information about policy developments and public opinion, to enable a decision to be reached on the draft corporate priorities for 2010-2011. In the light of all the information then available, Cabinet decided to recommend that the existing corporate priorities should be retained for at least a further year.

In keeping with now established practice, the draft corporate priorities were then the subject of consultation with the Residents' Panel – a group of some 1,100 local people who are representative of the borough's over 18 population. At the same time, the draft priorities were also used as the basis for developing service improvement plans.

The Residents' Panel results are now available and are set out in detail in the table below. The main messages that the results convey are that each of the three draft corporate priorities have a good measure of support in the Borough, with delivering cleaner and safer streets attracting support or strong support from 93% of respondents and a majority of respondents supporting the other draft priorities. The pattern of support for each priority is the same as in the equivalent survey last year, but the level of support that each priority has attracted is higher than last year.

The survey also asked about the extent to which progress had been made against each priority to date. Here, the level of agreement with the proposition that good progress had been made varied, with 46% agreeing that good progress had been made in delivering cleaner and safer streets, and lower levels for the priorities relating to improving support for vulnerable people and building stronger communities. In the latter instances, however, the number reporting that they disagreed that good progress had been made was also low, and the majority in each case did not express a definitive opinion.

## Residents' Survey September to November 2009

	Question	Number of respondents answering as indicated					
		Total	Strongly Disagree	Disagree	In between	Agree	Strongly agree
1	Cleaner and Safer Streets is an important issue that the Council should regard as a priority	610	1 0.2%	6 1.0%	38 6.2%	252 41.3 %	313 51.3%
2	Improving support for vulnerable people is an important issue that the Council should regard as a priority	610	3 0.5%	16 2.6%	82 13.4%	290 47.5 %	219 35.9%
3	Building stronger communities is an important issue that the Council should regard as a priority	606	15 2.5%	47 7.7%	191 31.5%	237 39.1 %	116 19.1%
4	In the current year, good progress has been made in delivering cleaner and safer streets	603	23 3.8%	81 13.4%	223 37.0%	241 40.0 %	35 5.8%
5	In the current year, good progress has been made in delivering improved support for vulnerable people	543	5 0.9%	57 10.5%	351 64.6%	121 22.3 %	9 1.7%
6	In the current year, good progress has been made in building stronger communities	565	21 3.7%	87 15.4	334 59.1%	110 19.5 %	13 2.3%

Totals may not equal 100% due to rounding

## **Consultation on Draft Corporate Priorities**

### **Part 2: "Have Your Say" Consultation**

During October and November, residents were given the chance to give feedback on what next year's corporate priorities should be.

The Budget Consultation ran in the resident magazine Harrow People, Vitality Views – the new council magazine for older people, a series of articles in the Harrow Times and the council's 'Your Money' booklet, with nearly 60 responses received.

Cllr David Ashton also held a residents' surgery in Pinner to give residents a chance to voice their views or ask any questions to the leader of the council. One resident, Richard Jolliffe from Pinner, who spoke to Cllr Ashton at the Pinner restaurant about recycling, said: "It's nice to have had a discussion with the leader of the council. I appreciate being given the opportunity."

He also went into the town centre to ask residents what they want from the council. Owen and Jill Cock from Pinner, said: "Supporting vulnerable people has to be the most important priority of the council. It frustrates me that the council has to pay so much money to keep the streets clean, when this should be done by residents themselves. I think it would be great to encourage more people in the borough to volunteer - this really contributes to building a stronger community."

Wendy Dearborne, a Harrow resident 17 years ago, and visiting from Los Angeles, said: "I used to live in Harrow but moved to Los Angeles 17 years ago. I have seen a lot of changes in the borough and the town centre is really nice. I think building a stronger community is very important as there are more people with different backgrounds now living in Harrow."

An additional 1,200 people were asked about the budget as part of the resident's panel and these were the results:

Ninety-three per cent of people agreed that Cleaner and Safer Streets should be regarded a priority, while 84 per cent think Supporting Vulnerable People should receive priority funding. Alongside this, nearly 60 per cent support Building Stronger Communities.

## Appendix 2

### MEDIUM TERM FINANCIAL STRATEGY 2010-11 to 2012-13

	2009-10 Budget £m	2010-11 Budget £m	2011-12 Budget £m	2012-13 Budget £m
<b>Budget Requirement Brought Forward</b>		<b>168.839</b>	<b>171.587</b>	<b>171.266</b>
Capital Financing Costs		2.700	3.000	3.000
Technical changes		2.928	2.230	2.270
Inflation		0.975	5.500	5.500
Adults & Housing		-0.123	1.178	0.750
Children's Services		-0.231	-0.162	-0.012
Community & Environment		-1.000	1.290	0.990
Place Shaping		-0.280	0.000	0.000
Legal & Governance		-0.204	-0.007	0.000
Corporate finance		-0.567	0.000	0.000
Chief Executive		-0.427	0.000	0.000
Investment			2.000	2.000
<b>FUNDING GAP</b>		<b>-1.023</b>	<b>-15.350</b>	<b>-13.844</b>
<b>Total Change in Budget Requirement</b>		<b>2.748</b>	<b>-0.321</b>	<b>0.654</b>
<b>Revised Budget Requirement</b>	<b>168.839</b>	<b>171.587</b>	<b>171.266</b>	<b>171.920</b>
Collection Fund Deficit/-surplus	-0.300	-1.350	-0.500	-0.500
Government Grant	-66.786	-67.764	-65.731	-63.759
<b>Amount to be raised from Council Tax</b>	<b>101.753</b>	<b>102.473</b>	<b>105.035</b>	<b>107.661</b>
<b>Council Tax at Band D</b>	<b>£1,186.55</b>	<b>£ 1,186.55</b>	<b>£ 1,216.22</b>	<b>£1,246.62</b>
<b>Increase in Council Tax (%)</b>	<b>2.95</b>	<b>0.00</b>	<b>2.50</b>	<b>2.50</b>

Tax Base	85,755	86,362	86,362	86,362
Assumed collection rate	98.25%	98.25%	98.25%	98.25%

Gross Tax base	87,282	87,900	87,900	87,900
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## Detailed Budget Proposals – Technical Changes

	2010-11 £000	2011-12 £000	2012-13 £000
<b>Capital and Investment</b>			
Capital financing costs and investment income	2,700	3,000	3,000
<b>Total</b>	<b>2,700</b>	<b>3,000</b>	<b>3,000</b>
<b>Other Technical Changes</b>			
<b>Voluntary Severance Scheme (VSS)</b>			
Shortfall in VSS savings 2009-10	300		
<b>Income Changes</b>			
Land Charges Income	50		
<b>Grant Changes</b>			
Area Based Grant	225	270	270
Housing Benefit administration grant	100		
Local Area Agreement Reward Grant			40
<b>Concessionary Fares</b>			
National funding and allocation scheme	1,758		
<b>Levies and subscriptions</b>			
Increases in payments to levying bodies over and above inflation	100	250	
<b>Provisions and Reserves</b>			
Contribution to provisions for debt/litigation	100	100	100
Contribution to insurance provision	300	350	350
Contribution to General Reserves	-500		
<b>Capitalisation strategy/recharges strategy</b>			
Reduce reliance on capitalisation	415	500	500
<b>Miscellaneous</b>			
Supplementary business rate on council premises	80		
Provision for other items in years 2 and 3		760	1,010
<b>Total</b>	<b>2,928</b>	<b>2,230</b>	<b>2,270</b>



## Detailed Budget Proposals – Inflation

	2010-11 £000	2011-12 £000	2012-13 £000
Pay Award @ 0%, 2%, 2%	0	2,300	2,500
2009-10 award over provided	-700		
National Insurance Contributions increase of 0.5%		400	
Inflation on goods and services @ 1%,2%,2%	875	1,800	1,900
Additional provision for electricity and gas price increases		250	250
Contingency	550	250	350
<b>Inflation total</b>	<b>725</b>	<b>5,000</b>	<b>5,000</b>
<b>Pension contributions</b>			
Employer's Pension Contributions @ 0.25%, 0.5%, 0.5%	250	500	500
<b>Pensions total</b>	<b>250</b>	<b>500</b>	<b>500</b>
<b>Combined Total</b>	<b>975</b>	<b>5,500</b>	<b>5,500</b>

## Appendix 3(iii)

### Detailed Budget Proposals – Adults and Housing

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
<b>Investment in Services</b>			
Cost of and demand for social care placements & packages across all client groups	1,620	750	750
Supported Living Facility	0	178	0
Telecare	150	0	0
Cessation of Social Care Reform Grant	0	250	0
West London Alliance joint procurement unit	61	0	0
Social Care Panel Officer	30	0	0
Social Care Welfare Benefits Advisor	40	0	0
<b>Total Investment</b>	<b>1901</b>	<b>1178</b>	<b>750</b>
<b>Efficiency Programme</b>			
Bringing in house 8 residential care homes previously managed by Support for Living	-480	0	0
Efficiency through improved contract management	-250	0	0
West London Alliance joint procurement unit	-150	0	0
Use of Supporting People Grant for Telecare	-84	0	0
Capita review of Adult meals service	-50	0	0
Increased income from staff restaurant	-35	0	0
Strategic review of SLAs with voluntary organisations	-60	0	0
Use of Supporting People Grant for Age Concern	-50	0	0
Telelogging - introduction of IT system Finance Manager	-20	0	0
Special Needs Transport - Business Case Adults share of saving	-80	0	0
Use of Supporting People Grant for Helpline	-50	0	0
Modernisation of Mental Health day care services	-25	0	0
Reduction in number of families in Bed & Breakfast	-30	0	0
Closure of Anmer Lodge	-20	0	0
Transforming Community Equipment Services by moving to the retail model	-100	0	0
Use of Care Funding Calculator to reduce the cost of Adult care packages	-100	0	0
Change two registered care homes into supported living accommodation with care support	-170	0	0
CNWL MH Section 75 renegotiation	-100	0	0
Maximisation of welfare benefits	-140	0	0
PCT recharge re use of Kenmore NRC	-30	0	0
<b>Total Efficiency Programme</b>	<b>-2,024</b>	<b>0</b>	<b>0</b>
<b>Net Total</b>	<b>-123</b>	<b>1,178</b>	<b>750</b>

## Detailed Budget Proposals – Children’s Services

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
<b>Investment in Services</b>			
Special Needs Transport - adjustment to reflect current spending level	470		
Children Looked After Placements – Historic Growth In Numbers	570		
Children Looked After Placements – Projected Growth in Numbers	108	108	108
<b>Total Investment</b>	<b>1,148</b>	<b>108</b>	<b>108</b>
<b>Efficiency Programme</b>			
Reduction in Area Based Grant	-400		
Removal of concessionary rate at Stanmore Park Nursery	-24		
Review of the Parent Partnership Service	-30		
Review and reconfiguration of holiday playschemes	-115		
Additional rent from moving Harrow Tuition Service into Teacher's Centre	-40		
Social Enterprise/Learning Trust	-20	-50	-70
Restructure of the EMAS service	-30	-20	
Reconfigure PCT partnership funding	-100	-100	-50
Lean Review of Young People	-25	-25	
Lean review of Children with Disabilities	-50	-50	
Raise the age of transfer from children looked after to leaving care to 18	-100	-	
16-18 Transfer - Post to be funded from LSC funds	-25	-25	
Staff savings on National Strategies	-100		
More focused delivery of Connexions Service	-60		
Move 'That' magazine to an electronic publication to enable greater youth involvement and engagement	-25		
Transfer Duke of Edinburgh award to existing providers	-35		
Efficiency savings resulting from strategic review of placements	-200		
<b>Total Efficiency Programme</b>	<b>-1379</b>	<b>-270</b>	<b>-120</b>
<b>Net Total</b>	<b>-231</b>	<b>-162</b>	<b>-12</b>

## Appendix 3(v)

### Detailed Budget Proposals – Community and Environment

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
<b>Investment in Services</b>			
<b>Waste Management</b>			
Statutory levy payment to West London Waste Authority	955	800	800
Additional waste disposal charges under section 52(9)		50	50
Collected Organic Waste Statutory Levy Offset Payment Scheme (COWSLOPS) Rebates	-199	-160	-160
Recycling contract payments	100	0	0
Landfill Allowance Trading Scheme penalties	0	250	250
Growth of the number of flats requiring waste collection service resulting from the conversion of houses into flats	90	90	0
<b>Sub Total for Waste Management</b>	<b>946</b>	<b>1,030</b>	<b>940</b>
<b>Other investment</b>			
Neighbourhood Champions	100		
Highways maintenance - capital to revenue funding	200	200	200
Maintenance at Leisure Centre	38	0	0
Leisure management contract procurement process requirement	75	75	-150
Matched funding for voluntary sector funding officer	10	0	0
<b>Total Investment</b>	<b>1,369</b>	<b>1,305</b>	<b>990</b>
<b>Efficiency Programme</b>			
<b>Directorate Support &amp; Performance</b>			
Review of directorate projects	-200		
Restructuring of senior management team	-110	-15	
Review of smaller non-operational budgets	-200		
Management and reduction of directorate agency staff cost spend	-80		
<b>Property &amp; Infrastructure</b>			
Increase of income from Street works	-60		
Increase of income from the Civic Centre visitors car park	-20		
Reduction of staffing in the Asset Management department	-60		
Reduction of engineering mileage costs	-10		
Removal of the cost of street lighting contract procurement	-100		
Winter Maintenance - review of the procurement arrangements	-50		
<b>Community &amp; Development</b>			
Adult learning efficiencies	-40		
Community Lettings - additional efficiencies	-50		

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
<b>Cultural Services</b>			
Arts Centre redevelopment - saving in energy	-30		
Arts Centre redevelopment - saving from restructuring	-10		
Arts Centre redevelopment - additional income generation	-20		
Leisure Centre savings	-15		
Review of the Sport Development service structure	-30		
<b>Libraries &amp; Museum</b>			
Wealdstone Centre - additional income	-50		
Introduction of passport photo machines in libraries	-10		
Review of libraries staffing	-30		
Reduction of the library book fund	-25		
<b>Community Safety</b>			
Enforcement service - increased net income	-500		
Cashless parking/collections	-20		
Community Safety administration review	-40		
Zero based budgeting on Environmental Health	-10		
Review of trading standards	-30		
Review of animal and pest control service including charging	-84		
<b>Public Realm Services</b>			
Review of the ancillary facilities for the Public Realm Service - to include mileage claims, fleet provision and service procurements	-155		
Waste Management reductions through targeted programme to increase recycling and reduce landfill	-140		
Vehicle Mileage reductions through optimization of new technology within the fleet	-50		
Base budget rebuild through additional efficiency controls across the division	-100		
Additional savings to be identified	-40		
<b>Total Efficiency Programme</b>	<b>-2,369</b>	<b>-15</b>	<b>0</b>
<b>Net Total</b>	<b>-1,000</b>	<b>1,290</b>	<b>990</b>

## Detailed Budget Proposals – Place Shaping

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
<b>Investment in Services</b>			
<b>Total Investment</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Efficiency Programme</b>			
Reduction in consumable expenditure across Directorate	-80		
Property Review	-200		
<b>Total Efficiency Programme</b>	<b>-280</b>	<b>0</b>	<b>0</b>
<b>Net Total</b>	<b>-280</b>	<b>0</b>	<b>0</b>

## Detailed Budget Proposals – Finance

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
<b>Investment in Services</b>			
Disaster Recovery - alternative premises	33		
<b>Total Investment</b>	<b>33</b>	<b>0</b>	<b>0</b>
<b>Efficiency Programme</b>			
Collections and Benefits	-50		
Procurement: category management and corporate contracts	-100		
Risk, Audit and Fraud Group	-50		
Insurance arrangements	-50		
Shared Services (including HARP2)	-150		
Other efficiency projects (including payments in advance, concessionary travel, internal charging)	-200		
<b>Total Efficiency Programme</b>	<b>-600</b>	<b>0</b>	<b>0</b>
<b>Net Total</b>	<b>-567</b>	<b>0</b>	<b>0</b>

## Detailed Budget Proposals – Legal and Governance

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
<b>Investment in Services</b>			
<b>Total Investment</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Efficiency Programme</b>			
<b>Elections</b>			
Reduce level of canvass & role in Youth Parliament elections	-30		
<b>Registration</b>			
Introduce flexible opening hours	-21		
<b>Democratic Services</b>			
Withdraw support for certain meetings	-25		
Cease certain panels and committees	-50		
<b>Members Allowances</b>			
No inflationary increase in members allowances	-4		
<b>Group Offices</b>			
Revised staffing arrangements	-7	-7	
<b>Legal Services</b>			
Delete senior property solicitor post	-67		
<b>Total Efficiency Programme</b>	<b>-204</b>	<b>-7</b>	<b>0</b>
<b>Net Total</b>	<b>-204</b>	<b>-7</b>	<b>0</b>



## Detailed Budget Proposals – Assistant Chief Exec

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
<b>Investment in Services</b>			
Licence fee inflationary pressures	12		
Budget correction in Trade Union budget	15		
Outsourcing of Learning and Development administration to Capita (adjustment to saving in 2009-10)	12		
<b>Total Investment</b>	<b>39</b>	<b>0</b>	<b>0</b>
<b>Efficiency Programme</b>			
Negotiated reduction in periodic payment (support costs) to Capita for initial services contract	-204		
Access Harrow efficiencies	-36		
Council Learning and Development budget	-10		
Partnership, Development and Performance efficiencies	-110		
Net reduction of discretionary non salary budgets	-35		
Electronic Document Management in Human Resources team	-71		
<b>Total Efficiency Programme</b>	<b>-466</b>	<b>0</b>	<b>0</b>
<b>Net Total</b>	<b>-427</b>	<b>0</b>	<b>0</b>

### **Commentary**

1. This commentary explains the technical and inflationary assumptions which support the summary MTFS in Appendix 2.

### Tax Base and Collection Fund

2. The tax base for 2009-10 is 86,362 (this reflects a collection rate of 98.25%). There is a separate report on the agenda which sets out the tax base calculation in detail. Given the economic climate, no growth in the tax base is forecast in the medium term.
3. The collection fund forecast to March 2009 will be reported to Cabinet in January 2009. The anticipated surplus attributable to Harrow at 31 March 2010 is £1.35m.

### General Grant

4. Harrow's grant increase is 1.5% for 2010-11. This is the minimum or "floor" increase. It is assumed for planning purposes that there will be cash reductions of 3% from 2011-12 on general grant.

### Capital Financing Costs and Investment Income

5. The budget includes a provision for 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.
6. 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.
7. The combined impact of the growth in capital financing costs and the reduction in investment income is £2.7m in 2010-11, and £3m in 2011-12 and 2012-13.

### Technical Changes

#### **Voluntary Severance Scheme**

8. An adjustment has been made in 2010-11 to reflect the outcome of the voluntary severance scheme which delivered a total annual saving of £700k.

#### **Income**

9. It is anticipated that there will be further reductions in the income from land charges, and the target will be reduced by £50k in 2010-11.

## **Specific Grants**

10. Area Based Grant will reduce by £225k in 2010-11. Further reductions of 3% are expected in 2011-12 and 2012-13.
11. It is anticipated that housing benefit administration grant will reduce by £100k in 2010-11.
12. LAA reward grant will cease in 2012-13.

## **Concessionary Fares**

13. The additional cost of £1.8m in 2010-11 reflects the following factors:
  - Last year an agreement was 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 benefited outer London boroughs.
  - The five year deal between London Council's and Transport for London which wraps up fare increases
  - The government's proposal to withdraw grant of £30m from London in 2010-11
14. There is no clarity at this stage on the position for 2011-12 and 2012-13.

## **Levies and Subscriptions**

15. An additional £100k in 2010-11 and £250k in 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. However, an agreement has yet to be reached with the LPFA.

## **Provisions and Reserves**

16. 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 strength.
17. A further £1m over three years has been included to increase the insurance provision to the level recommended by the actuary.
18. As explained in the body of the report, it is recommended that the reserves policy is amended to delete the annual contribution to general reserves of £500k.

## **Capitalisation**

19. The sum of £1.4m over three years has been provided to reduce the Council's reliance on capitalisation. This is part of a medium to long term strategy.

## **Supplementary Business Rates**

20. The budget includes a provision of £80k in 2010-11 for supplementary business rates on council premises. This is on the assumption that the Mayor of London will introduce an SBR to fund Crossrail.

### Inflation

21. Given the outlook for public sector spending, and the references made to pay freezes in recent weeks, it is assumed that there will be a 0% pay award in 2010-11. The Pre-Budget Report is due to be published on 9 December and may give more clarity on this point. The provision for pay is being maintained at 2% in 2011-12 and 2012-13 for the time being, but it is recognised that, in the context of the forthcoming spending review, this may be generous.

22. The ongoing impact of the 2009-10 pay award, which was below budget, has been factored into the plan.

23. An additional £400k has been included in 2011-12 to reflect the increase in national insurance contributions.

24. A provision of 1% has been made for general price increases in 2010-11. The provision is 2% in 2011-12 and 2012-13.

25. No additional provision is required for utilities in 2010-11 due to recent price movements, but provision of £250k has been included in years 2 and 3 of the plan to reflect the risk of such increases.

26. Finally, a contingency has been included for inflation risks, relating to both pay and prices.

### Pension Contributions

27. A provision of 0.25% has been made for the increase in pension contributions in 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. Following informal discussions with the actuary, it is assumed that the increase in contributions will be 0.5% a year from 2011-12.

## Appendix 5

### School Budget 2010-11

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#### 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 fees for pupils at independent special schools and out of borough special schools.

2010-11 is the final year of a three year Government funding cycle for schools, and the provisional DSG funding for 2010-11 has been announced.

#### 2. 2008-09 to 2010-11 Settlement

The per pupil funding for 2010-11 has been confirmed as £4,862 (a 4.1% increase on 2009-10). Contained within this figure is £2.8m for the ministerial priority of personalised learning in schools, and Schools Forums and Local Authorities are expected to bear this in mind when setting the schools budget.

The final allocation of Dedicated Schools Grant for 2010-11 will depend on the January 2010 pupil count. Based on indicative pupil numbers it is estimated that the council will receive £142.6m of DSG in 2010-11. The January 2010 pupil count will differ from the pupil projections used to estimate the grant, therefore this figure is subject to change. The final 2010-11 budget, based on the January pupil level annual school census (Plasc) numbers, will be given to schools before March 2010 (although the grant is not expected to be finalised by DCSF until summer 2010).

#### 3. School Budgets 2010-11

2010-11 sees major changes to the schools funding formula. In addition to amending the formula to take account of the change to the age of transfer, there is a statutory requirement to bring in a single funding formula for nursery pupils. This formula would apply to maintained, private, voluntary and independent nurseries. A working group of key stakeholders was set up to develop the formula. The draft formula has been out to consultation and will be submitted to Schools Forum for consideration in December.

The council is facing a substantial increase in expected pupil numbers due largely to an increase in the child population. In September 2009, in order to meet the demand for reception places, 5 schools ran additional reception classes above their planned numbers. Schools Forum agreed to revise the school funding formula to provide funding to schools to cover the cost of these additional classes. It is anticipated that a similar number of additional reception classes will be required in September 2010, which will require additional in-year funding.

Schools Forum has begun a process of considering the formula factors and data which may need to be updated for 2010-11. These include the following:

- Protection funding for schools losing pupils as a result of the change to the Age of Transfer effective from September 2010. Protection funding will be allocated in line with the agreed protection funding model.
- The need to make adequate contingency provision for in-year increases in pupil numbers including funding any additional classes required
- Increasing pressure on special educational needs including growth in Special Schools, specialist provision for autistic pupils and in-year increases in statements of special educational need.
- School improvement initiatives, including the coordination of the leadership development in schools and support for schools aspiring to move from good to outstanding.

Final decisions will be made by Schools Forum in December/January.

The minimum funding guarantee for 2010-11 is set at 2.1%, i.e. the minimum increase any school will receive is 2.1% per pupil. Due to the change in the age of transfer, the authority is requesting that the DCSF set aside the statutory minimum funding guarantee for schools losing funding from the change. The Age of Transfer protection funding model will provide transitional relief to schools facing significant budget reductions where they have balances below recommended levels.

The DCSF does not require budgets for 2011-12 and 2012-13 to be issued at this stage, as it has not yet concluded a review of DSG for those years. The review may result in a shift in resource allocation between councils. Despite the uncertainties, indicative budgets based on 1% growth in Dedicated Schools Grant are being prepared and will be distributed to schools by 31 March 2010.

## Stakeholder Meetings

There will be a series of meetings 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:

Stakeholder	Meeting	Date
Voluntary Sector	Community Cohesion Reference Group	14 December 2009, 2pm, CR 1 & 2
Tenants and Leaseholders	Tenants and Leaseholders Consultative Forum	6 January 2010, 7.30pm, CR1&2
Statutory partners	HSP Board	7 January 2010, 6pm, CR1 & 2
Older People	Disability Forum	25 January 2010, 2.30pm, CR 1 & 2
Local Businesses	Harrow Business Consultative Forum	25 January 2010, 7.30pm, CR1 & 2
Unions	Employees Consultative Forum	26 Jan 2010, 7.30pm, CR1 & 2
Older People	Older People's Reference Group	26 January 2010, 10am, CR 1&2
Schools	Education Consultative Forum	27 January 2010, 7.30pm, CR1 & 2
Statutory partners	HSP Summit	28 January 2010, 12noon, Premier Banqueting Suite, Harrow Weald
Overview and Scrutiny	Special meeting of O&S, drawing on standing scrutiny review of the budget and Finance and Performance sub-committee work	28 January 2009, 7.30pm, CR 1&2
Public	Open Cabinet	9 Feb 2010, 7pm, Harrow Arts Centre
Voluntary Sector	Voluntary Sector Forum	To be confirmed

CR = committee room