

REPORT FOR: CABINET

Date: 11 February 2010

Subject: 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

**Decision subject to
Call-in:** Yes (Applies only to those
recommendations falling within the
remit of Cabinet)

Enclosures: Appendices listed overleaf

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Section 1 – Summary and Recommendations

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

RECOMMENDATIONS:

- 1) That Cabinet asks Council to approve the budget to enable the Council Tax for 2010-11 to be set
- 2) That Cabinet recommends to Council the model Council Tax resolution set out in Appendix 12
- 3) That Cabinet approves the Medium Term Financial Strategy at Appendix 2
- 4) That Cabinet notes the planned investment in services and efficiency programme
- 5) That, in relation to schools, Cabinet approves the budget and the proposed changes to the formula (Appendix 8)
- 6) That Cabinet refers the risk assessment (Appendix 9) to the Governance, Audit and Risk Management Committee for consideration
- 7) That Cabinet notes the reserves policy (Appendix 10)
- 8) That Cabinet recommends to Council that the current approved Members' Allowances Scheme is adopted for 2010-11

REASON: To ensure that the Council sets a balanced budget along with the council tax for 2010-11

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 2009, and approved the corporate priorities in December as follows:
 - Deliver cleaner and safer streets
 - Improve support for vulnerable people
 - Build stronger communities
3. Consultation was carried out on these priorities via the residents' panel and via a campaign entitled "Have Your Say". The consultation activity produced consistent results, and increased endorsement compared with the previous year, and the three

proposed priorities were supported. The detailed results of the consultation are attached at Appendix 1.

4. The corporate priorities provide the framework for the corporate plan which is included on this agenda.

Options considered

5. 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 recommended budget for 2010-11 and the proposed MTFS.

Financial Context

6. The development of the medium term financial strategy 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 hovering between recession and slow recovery
7. A consultation on concessionary fares was recently carried out which suggested that £28.63m of grant would be removed from London in 2010-11. This equated to almost £1m for Harrow, which is equivalent to 1% on Council tax. The deadline for responses was 30 December. The outcome of the consultation has just been published, and it is now proposed that a further £1.59m of grant, in addition to the £28.63m included in the original consultation, i.e. £30.22m in total, will be withdrawn from London. At the same time, negotiations between Transport for London and transport providers are ongoing, which may slightly improve the position. Final detailed figures for Harrow are awaited from London Councils.

Economic Outlook

8. 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.
9. 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.

10. 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.

Central Government Funding

11. 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, i.e. it is "on the floor". For 2010-11, Harrow's actual grant, based on the formula, will be £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 and personal social services can have a significant impact on grant levels for particular authorities and regions.
12. The Council has assumed a grant reduction in the MTFs, for general grant and area based grant, for 2011-12 onwards of 3% in cash terms (around 5-6% in real terms).

Council Tax Strategy

13. The report recommends a **zero council tax increase** in 2010-11. This is significantly below inflation (in December 2009 CPI was 2.9% and RPI was 2.4%).
14. The planned council tax increase for 2011-12 and 2012-13 is 2.5%.
15. 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."
16. 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.

Budget for 2010-11 and MTFS

17. The MTFS in summary form is attached at Appendix 2, with a detailed analysis of the proposed changes attached at Appendix 3.
18. The current funding gaps are nil in 2010-11, £16.0m 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

Issues and risks

19. 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 certain people with critical needs. At national level, the total cost is estimated to be in the region of £670m. Approximately two thirds of the cost, £420m, will be met from additional grant (to be diverted from the Department of Health to local government), and the remaining £250m 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. 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.
20. It is estimated that free personal care will cost the council something in the order of £0.5m a year. This has been factored into the MTFS from 2011-12, and is a considerable additional pressure. For 2010-11, if the proposal goes ahead, the cost will be met from the forecast underspend in 2009-10 carried forward into 2010-11.

Analysis of budget changes

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

	£m
Budget Requirement 2009-10	168.8
Capital financing costs and investment income	2.7
Technical changes	2.2
Inflation	1.0
Investment in services	4.3
Efficiency programme	(7.3)
Budget Requirement 2010-11	171.7

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

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	1.2	(2.4)
Place Shaping	0.0	(0.3)
Legal and Governance	0.0	(0.2)
Finance	0.0	(0.6)
Chief Executive	0.1	(0.4)
Total	4.3	(7.3)

23. 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. This process ensured that the budget for each Directorate is realistic and savings are achievable.

24. The budget contains no unallocated savings/efficiencies, and a comprehensive review of expenditure and income budgets has been conducted in all Directorates to ensure that a prudent approach has been taken.

Technical Changes and Inflation

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

Investment in Services

26. The MTFs includes investment in services of £4.3m in 2010-11, £5.1m in 2011-12 and £3.8m in 2012-13. These figures include £2m in 2011-12 and 2012-13 to allocate to priorities.

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

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

Efficiency Programme

28. 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

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

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

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

31. 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.

Impact Assessment

32. A statement from each Directorate, giving an overview of the budget proposals, is set out below:

Adults and Housing

For the last two years, Adults and Housing Services have made substantial service improvements and delivered significant efficiency savings while minimising impact on service users. This approach continues in 2010-11.

The growth in the budget is driven by demographic pressures and financial challenges being experienced by NHS Harrow. It also includes a small number of invest to save projects.

The savings programme for the directorate is made up of management efficiencies, robust contract management and procurement, reviewed use of grants, service reviews, and increased income generation.

There is a managed impact on staff of the transition to the retail model for community equipment, which is being fully consulted on with staff and Trade Unions. It is also important to ensure that care packages for Adult Service users are appropriate to need and reflect the impact of increased independence for users where appropriate.

Children's Services

In December 2009 Ofsted stated in their annual rating letter that Harrow Children's Services performs well.

The unannounced inspection of Safeguarding Services in January 2010 stated that child protection enquiries are thorough and timely and are always carried out by a qualified social worker. Appropriate and effective action ensures that safeguarding risks for children are managed well.

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.

Whilst significant efficiencies are being made in Children's Services in 2010-11, it is the first time in many years that we have also had growth in the budget for services to vulnerable children, reflecting the Council's priority to ensure that children in Harrow are kept safe.

Savings have in the main been actioned by improving the efficiency of the service and working more closely with partners in the private and voluntary sector. Children's Services is also working with Capita to drive down costs, for example in Special Needs Transport and Placements, so we achieve good value for money.

Community and Environment

The Directorate is making considerable efficiency savings across all of its major controllable budgets and through repositioning and exercising tighter controls on spending.

Through the introduction of new technology, improved contract management and controls on deployment of services we will save considerable sums across Public Realm Services. We will save additional amounts in Community Safety and Property and Infrastructure through a fundamental review of how we deliver services.

Through improved use of technology and our assets we will achieve over £600k increased income across the Directorate.

We are saving other considerable sums across the Community and Culture division through efficiencies around staffing structures and improved use of our assets. Across our proposals we have targeted our efficiency programme to protect current levels of customer service.

Place Shaping

Place Shaping Directorate resources will be focused on the delivery of the key objectives set out within the Corporate Plan, which includes the development of area action plan for the "Heart of Harrow". Additionally, the ongoing organisational development of the Planning Service will be a key feature of the Directorate's business activity.

The £300K efficiency gains will be realised through reductions in consumables expenditure and operational property related costs. There should therefore be no adverse impact on service delivery.

Legal and Governance

Registrars are working with Access Harrow so that its comprehensive facilities can support many aspects of its services. This should mean that the budget reductions have little impact on levels or standards of customer service. The other reductions in the directorate budget will have no impact on front line services.

Finance

Next year the Finance Directorate will be focused on

- Driving the financial strategy of the council and improving financial health and financial management
- Paying the right benefits at the right time
- Continuous improvement across all services for our internal customers

The Directorate is delivering significant savings next year through a range of efficiency projects, designed to deliver more for less, including:

- Procurement of new contracts for insurance and occupational health, and other services
- A fundamental review of the way in which the Council's IT service is delivered
- A review of the way in which risk, internal audit, and fraud services are delivered
- Implementation of new IT systems to reduce administration costs and paperwork

Chief Executive

The next year will be a critical year for the Chief Executive's Department in managing and supporting the Council's Better Deal for Residents Programme, working alongside our partners.

There will be continued improvement in our levels of customer service and communications to maintain our improvement in customer satisfaction levels. Our Human Resources department is planning a re-organisation that will enable it to be more customer focused and our Partnership Development and Performance team will continue to support the Harrow Strategic Partnership in delivering the aspirations in the Community Plan

Savings have been identified in such a way as to have minimal impact on front line services. Our annual payments to Capita are reduced next year and we will achieve efficiencies in Human Resources and Development by investing in better IT and workflow. There will be further efficiencies in Partnership, Development and Performance through streamlining the performance management process, recognising the step change in Council performance to date.

33. Each of the individual budget proposals (set out in Appendix 3) is supported by a more detailed explanation and impact assessment, which includes an equalities impact assessment. This ensures that appropriate action will be taken when implementing the proposal.

34. For example, in relation to the review and reconfiguration of playschemes, a full analysis of public, private and voluntary sector provision is being conducted to ensure that there is an appropriate level of provision and good quality holiday childcare available across the borough. The council will move to a commissioner role, with school clusters using grant where appropriate to subsidise the provision for the most disadvantaged. This will help mitigate the impact on the most vulnerable families.
35. In relation to the team restructuring in Partnership, Development and Performance within the Chief Executive's Department, full consultation is being carried out with the staff and Unions.

Budget Book

36. An extract from the budget book for 2010-11 is attached at Appendix 5. This shows the total budget for each service area. The virement policy included in the financial regulations is based on this level of analysis.
37. Some further minor changes to budgets will be required to reflect the final figures for concessionary fares, the final WLWA levy, the charges to West London Waste Authority for support services, and the negotiations with London Pension Fund Authority. These amendments will not be material and will be made prior to finalising the budget book.

Contingency

38. The budget includes a contingency of £125k for unforeseen events.

Specific Grants

39. The Council receives specific grants to support a range of services. The grants for 2010-11 are shown in Appendix 6. The government has provided no indication of grant levels beyond 2010-11.
40. Directorates are considering the impact of a freeze or reduction in specific grants from 2011-12, and working on the implications of this on the assumption that costs will have to be reduced accordingly.

Levies, Contributions and Subscriptions

41. The main levies, contributions to other bodies, and subscriptions paid by the Council are shown in Appendix 7. For 2010-11 they total £16.6m.

Fees and Charges

42. There is a separate report on the agenda on fees and charges.

Members' Allowances

43. In light of the economic position, it is proposed that members' allowances will be frozen in 2010-11. There are no changes to the members' allowances scheme.

Schools Budgets

44. The Department for Schools, Children and Families (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 (DSG) 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.
45. The schools budget was 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 8.
46. There are a number of proposed changes to the formula which is used to allocate funding to individual schools. These changes have all been agreed by the Schools Forum and reflect the work on the change to the age of transfer, increasing pupil numbers and the changes to the Early Years formula. Cabinet is asked to approve the formula changes.

Risk Assessment and Reserves Policy

47. The risk assessment of the budget is attached at Appendix 9.
48. The most significant financial risks in 2010-11 are as follows:
- Uncertainty about the pay award and inflation for 2010-11
 - Uncertainty about capital receipts for 2010-11
 - The need to achieve revenue income targets
 - Possible increases in demand for services due to the recession and demographic growth
 - The need to ensure that Children's services can manage within the approved budget next year, given the current overspend
 - The risk of litigation including planning appeals
 - The cost of disaster recovery
 - The introduction at short notice of new policies/legislation such as free personal care
 - The need to ensure that the savings identified are delivered
 - The funding challenges facing partner organisations, particularly the health service
49. The Service Efficiency Board, which is chaired by the Corporate Director of Finance, will be monitoring progress on the achievement of savings.
50. The risk level is higher in 2011-12 and 2012-13 due to the funding gaps in those years.
51. The Cabinet agreed the following reserves policy in December 2009:
- 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.**

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

53. Commentary to support the reserves policy is attached at Appendix 10.

Report of the Chief Finance Officer

54. The report of the Chief Finance Officer is attached at Appendix 11. In summary the budget is robust and reserves are adequate.

Council Tax Resolution

55. The model council tax resolution is attached at Appendix 12. If party groups recommend changes to the budget to February Council, a revised resolution will be produced in each case.

Capping

56. The proposed Council Tax increase for Harrow is zero, and as such the risk of capping has been eliminated.

GLA Precept

57. 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%

58. The final budget and precept for the GLA will be set at the London Assembly meeting on 10 February and a verbal update will be provided to Cabinet.

Longer Term Outlook

59. As noted above, the funding gaps in years 2 and 3 of the plan are £16.0m and £13.8m respectively. It is expected that the annual funding gap will be in the order of £10m-£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

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

61. A more detailed analysis of the longer term outlook is attached at Appendix 13, along with a reserves and provisions forecast at Appendix 14.

Strategy for Closing Funding Gaps

62. 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

63. A more detailed explanation is included in the Corporate Plan.

64. 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 the medium term.

Housing Revenue Account

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

Capital Programme

66. 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

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

68. A series of meetings has been 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 15. Minutes have been circulated separately where available.

69. 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. Overview and Scrutiny held a question and answer session with the Leader and Chief Executive on 28 January on the corporate plan and budget.

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

Financial Implications

71. Financial matters are integral to this report.

Performance Issues

72. There are no direct performance implications arising from this report. Clearly the Council's budget supports all of its functions and services throughout the year. Detailed performance measures for each service will be built into the Service Improvement Plans for 2010-11 to 2012-13 and progress will be monitored by Improvement Boards and reported on a quarterly basis.

73. 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.

Environmental Impact

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

Risk Management Implications

75. As part of the budget process the budget risk register has been reviewed and updated, and extended to cover the three year planning period. This helps to test the robustness of the budget and support the reserves policy.

Corporate Priorities

76. The budget for 2010-11 supports all of the Council's priorities.

Section 3 - Statutory Officer Clearance

Name: ...Myfanwy Barrett.... Chief Financial Officer

Date: ...14 January 2010.....

Name: ...Hugh Peart..... Monitoring Officer

Date: ... 14 January 2010

Section 4 – Performance Officer Clearance

Name:Tom Whiting. Assistant Chief Executive

Date: 19 January 2010.....

Section 5 – Environmental Impact Officer Clearance

Name:John Edwards.... Divisional Director
(Environmental Services)

Date: 14 January 2010.....

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,
- Draft Revenue Budget 2010-11 to 2012-13, reported to December Cabinet

**Call-In Waived by the
Chairman of Overview and
Scrutiny Committee**

NO

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 clear 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. 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 2009, 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."

Cllr David Ashton 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.

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
Budget Requirement Brought Forward		168.839	171.685	171.266
Capital Financing Costs		2.700	2.250	3.000
Technical Changes		2.121	3.000	2.250
Inflation		0.972	5.500	5.500
Adults & Housing		-0.123	1.678	0.750
Children's Services		-0.206	-0.162	-0.012
Community & Environment		-1.200	1.290	0.990
Place Shaping		-0.280	0.000	0.000
Legal & Governance		-0.144	-0.012	0.000
Finance		-0.567	0.000	0.000
Chief Executive		-0.427	0.000	0.000
General Investment Provision			2.000	2.000
FUNDING GAP		0.000	-15.963	-13.824
Total Change in Budget Requirement		2.846	-0.419	0.654
Revised Budget Requirement	168.839	171.685	171.266	171.920
Collection Fund Deficit/-surplus	-0.300	-1.448	-0.500	-0.500
Government Grant	-66.786	-67.764	-65.731	-63.759
Amount to be raised from Council Tax	101.753	102.473	105.035	107.661
Council Tax at Band D	£1,186.55	£1,186.55	£1,216.22	£1,246.62
Increase in Council Tax (%)	2.95	0.00	2.50	2.50

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

Detailed Budget Proposals – Technical Changes

	2010-11 £000	2011-12 £000	2012-13 £000
Capital and Investment			
Capital financing costs and investment income	2,700	2,250	3,000
Total	2,700	2,250	3,000
Other Technical Changes			
Voluntary Severance Scheme (VSS)			
Shortfall in VSS savings 2009-10	300		
Income Changes			
Land Charges Income	50		
Grant Changes			
Area Based Grant (ABG)	-3,756	270	270
Supporting People Grant (transferred into ABG)	3,833		
Housing Benefit administration grant	100		
Local Area Agreement Reward Grant			40
Concessionary Fares			
National funding and allocation scheme	1,624		
Levies and subscriptions			
Increases in payments to levying bodies over and above inflation	100	250	
Provisions and Reserves			
Contribution to provisions for debt/litigation	0	100	100
Contribution to insurance provision	0	350	350
Contribution to General Reserves	-500		
Capitalisation strategy/recharges strategy			
Reduce reliance on capitalisation	415	500	500
Miscellaneous			
Supplementary business rate on council premises	80		
Reduction in economic contingency	-125		
Deletion of BTP target		750	
Provision for other items in years 2 and 3		780	990
Total	2,121	3,000	2,250

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%	872	1,800	1,900
Additional provision for electricity and gas price increases		250	250
Contingency	550	250	350
Inflation total	722	5,000	5,000
Pension contributions			
Employer's Pension Contributions @ 0.25%, 0.5%, 0.5%	250	500	500
Pensions total	250	500	500
Combined Total	972	5,500	5,500

Appendix 3(iii)

Detailed Budget Proposals – Adults and Housing

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
Investment in Services			
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
Free Personal Care initiative	0	500	
Total Investment	1901	1678	750
Efficiency Programme			
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		
Automated home care billing	-20	0	0
Special Needs Transport - Business Case	-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
Total Efficiency Programme	-2,024	0	0
Net Total	-123	1,678	750

Appendix 3(iv)

Detailed Budget Proposals – Children’s Services

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
Investment in Services			
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
Independent Safeguarding Chair	25		
Total Investment	1,173	108	108
Efficiency Programme			
Savings to match 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		
Establishment of a Social Enterprise/Learning Trust to deliver school improvement programme	-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		
Total Efficiency Programme	-1379	-270	-120
Net Total	-206	-162	-12

Appendix 3(v)

Detailed Budget Proposals – Community and Environment

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
Investment in Services			
Waste Management			
Statutory levy payment to West London Waste Authority	755	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
Sub Total for Waste Management	746	1,030	940
Other investment			
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
Total Investment	1,169	1,305	990
Efficiency Programme			
Directorate Support & Performance			
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		
Property & Infrastructure			
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	-100		
Reduction of engineering mileage costs	-10		
Removal of the cost of street lighting contract procurement	-100		
Review of the highways maintenance revenue budget	-50		

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
Community & Development			
Adult learning efficiencies	-40		
Community Lettings - additional efficiencies	-50		
Cultural Services			
Arts Centre - saving in energy	-30		
Arts Centre - saving from restructuring	-10		
Arts Centre - additional income generation	-20		
Leisure Centre savings	-15		
Review of the Sport Development service structure	-30		
Libraries & Museum			
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		
Community Safety			
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		
Introduce an improved variable charging structure for animal and pest control services	-84		
Public Realm Services			
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		
Total Efficiency Programme	-2,369	-15	0
Net Total	-1,200	1,290	990

Appendix 3(vi)

Detailed Budget Proposals – Place Shaping

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
Investment in Services			
Total Investment	0	0	0
Efficiency Programme			
Reduction in consumable expenditure across Directorate	-80		
Property efficiency review	-200		
Total Efficiency Programme	-280	0	0
Net Total	-280	0	0

Detailed Budget Proposals – Legal and Governance

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
Investment in Services			
Total Investment	0	0	0
Efficiency Programme			
Elections			
Reduce level of canvass & role in Youth Parliament elections	-30		
Registration			
Introduce flexible opening hours for the service	-21		
Democratic Services			
Withdraw support for a range of meetings	-20	-5	
Members Allowances			
No inflationary increase in members allowances	-4		
Group Offices			
Revise staffing arrangements	-7	-7	
Legal Services			
Delete senior property solicitor post	-62		
Total Efficiency Programme	-144	-12	0
Net Total	-144	-12	0

Detailed Budget Proposals – Finance

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
Investment in Services			
Disaster Recovery - alternative premises	25		
Total Investment	25	0	0
Efficiency Programme			
Collections and Benefits	-50		
Procurement: category management and corporate contracts	-50		
Risk, Audit and Fraud Group efficiency reviews	-50		
Insurance arrangements	-250		
Shared Services (including HARP2)	-92		
Other efficiency projects (including payments in advance, internal charging)	-100		
Total Efficiency Programme	-592	0	0
Net Total	-567	0	0

Detailed Budget Proposals – Chief Executive

Proposal	2010-11	2011-12	2012-13
	£000	£000	£000
Investment in Services			
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		
Total Investment	39	0	0
Efficiency Programme			
Negotiated reduction in periodic payment (support costs) to Capita for initial services contract	-204		
Access Harrow efficiencies	-36		
Council Learning and Development budget	-10		
Team restructuring in Partnership, Development and Performance	-110		
Net reduction of discretionary non salary budgets	-35		
Electronic Document Management in Human Resources team	-71		
Total Efficiency Programme	-466	0	0
Net Total	-427	0	0

Commentary

1. This commentary explains the technical and inflationary assumptions which support the MTFs in Appendices 3 (i) and 3 (ii).

Tax Base and Collection Fund

2. The tax base for 2010-11 is 86,362 (this reflects a collection rate of 98.25%). The calculation of the tax base was reported to Cabinet in December 2009. Given the economic climate, no growth in the tax base is forecast in the medium term.
3. The collection fund forecast to March 2010 was reported to Cabinet in January. The surplus attributable to Harrow at 31 March 2010 is £1.45m.

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, £2.2m in 2011-12 and £3m in 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 £77k in 2010-11, however £3,833k is transferring from Supporting People Grant into ABG, giving a net increase of £3,756k. Further reductions in ABG of 3% are expected in 2011-12 and 2012-13.
11. An increase in Housing Benefit Administration Grant was reflected in the budget for 2009-10 and is being reversed out in 2010-11 to ensure consistency of treatment for specific grants.
12. Local Area Agreement (LAA) reward grant will cease in 2012-13.

Concessionary Fares

13. The additional cost of £1.6m 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 Councils and Transport for London which wraps up fare increases
 - The government's decision to withdraw grant of £30.22m from London in 2010-11
 - Negotiations between Transport for London and providers
14. Final figures are still awaited for 2010-11, and 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. An agreement has yet to be reached with the LPFA.

Provisions and Reserves

16. Over the last few years the Council has been building up annual contributions to its provisions for bad debts, litigation and insurance. A recent review shows that no further increase is required in 2010-11 as the provisions are now adequate to cover the liabilities concerned.
17. However, the sum of £100k has been included in 2011-12 and 2012-13 to increase the annual contributions to provisions for bad debts and litigation.
18. In addition, the sum of £350k has been included in 2011-12 and 2012-13 to increase the annual contribution to the insurance provision from £1.3m to £2m –the target level recommended by the actuary.
19. As explained in the body of the report, the reserves policy was amended by Cabinet in December 2009 and hence the annual contribution to general reserves of £500k has been removed from the base budget.

Capitalisation

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

Supplementary Business Rates

21. 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.

Contingency

22. The contingency for economic issues has been reduced from £250k to £125k in 2010-11.

Inflation

23. 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 provision for pay is being maintained at 2% in 2011-12 and 2012-13 for the time being, although the Pre-Budget report suggested that public sector pay increases would be capped at 1% in these years.
24. The ongoing impact of the 2009-10 pay award, which was below budget, has been factored into the plan.
25. An additional £400k has been included in 2011-12 to reflect the 0.5% increase in national insurance contributions. In the Pre-Budget Report a further increase of 0.5% in 2011-12 was suggested. This is not yet a formal decision. However, the overall provision for pay and price inflation should be able to accommodate the proposed change.
26. A provision of 1% has been made for general price increases in 2010-11. The provision is 2% in 2011-12 and 2012-13.
27. 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.
28. Finally, a contingency of £550k in 2010-11, £250k in 2011-12 and £350k in 2012-13 has been included for inflation risks, relating to both pay and prices.

Pension Contributions

29. 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 as at 31-3-10 and will be carried out during 2010-11. Any changes in the contribution rate will 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.

Budget Book Analysis

ADULTS & HOUSING

Objective Analysis 2010-2011	Controllable Expenditure £000	Uncontrollable Expenditure £000	Total Expenditure £000	Grant £000	Recharges £000	Other £000	Total Income £000	Net Budget £000
Community Care								
Older People	26,203	1,101	27,304	-236	-5,616	0	-5,852	21,452
Learning Disabilities	14,989	1,630	16,619	-47	-4,865	-406	-5,318	11,301
Physical Disabilities	6,329	1,800	8,129	-216	-377	-7	-600	7,529
Self Directed Support	686	75	761	0	-30	-154	-184	577
Safeguarding	168	2	170	0	0	0	0	170
Transport	2,064	0	2,064	0	0	0	0	2,064
Transformation Grant	0	712	712	-962	0	0	-962	-250
	50,439	5,320	55,759	-1,461	-10,888	-567	-12,916	42,843
Commissioning & Partnerships								
Catering	1,370	357	1,727	0	-1,137	-17	-1,154	573
Training	533	2	535	0	0	0	0	535
Strategic Commissioning	251	3,975	4,226	0	-144	-15	-159	4,067
Contracts & Supporting People	1,016	806	1,822	0	-281	-88	-369	1,453
ICES & Helpline	957	814	1,771	0	-755	-369	-1,124	647
Framework-i	534	920	1,454	0	0	0	0	1,454
LD Residential	3,254	330	3,584	0	-188	0	-188	3,396
Mental Health	1,742	4,761	6,503	0	-856	0	-856	5,647
Partnership Development	2,263	2,690	4,953	-1,543	-513	0	-2,056	2,897
	11,920	14,655	26,575	-1,543	-3,874	-489	-5,906	20,669

Objective Analysis 2010-2011	Controllable Expenditure £000	Uncontrollable Expenditure £000	Total Expenditure £000	Grant £000	Recharges £000	Other £000	Total Income £000	Net Budget £000
Housing General Fund								
Complaints	256	36	292	0	0	0	0	292
Housing Needs	2,134	1,309	3,443	-200	-37	0	-237	3,206
Housing Partnerships	391	210	601	0	-1	0	-1	600
Other GF Services	329	249	578	0	-8	0	-8	570
Resident Services-Watkins	614	84	698	0	-14	-76	-90	608
Travellers' Site	29	1	30	0	-2	0	-2	28
	3,753	1,889	5,642	-200	-62	-76	-338	5,304
Strategic Management	847	345	1,192	0	0	-74	-74	1,118
ADULTS & HOUSING TOTAL	66,959	22,209	89,168	-3,204	-14,824	-1,206	-19,234	69,934

ADULTS & HOUSING

Analysis of Changes	2009-10 Budget £000	Virement / restructuring 2009-10 £000	Inflation £000	Investment £000	Efficiencies £000	Other £000	2010-11 Budget £000
Community Care							
Older People	19,989	2,850	152	182	-298	-1,423	21,452
Learning Disabilities	11,543	193	53	975	-271	-1,192	11,301
Physical Disabilities	7,619	72	85	493	-100	-640	7,529
Self Directed Support	1,399	-904	-1	150	-84	17	577
Safeguarding	1,280	-1,110	0	0	0	0	170
Transport	0	0	21	0	-80	2,123	2,064
Transformation Grant	0	-250	0	0	0	0	-250
	41,830	851	310	1,800	-833	-1,115	42,843
Commissioning & Partnerships							
Catering	695	-2	-21	0	-85	-14	573
Training	565	-30	0	0	0	0	535
Strategic Commissioning	0	236	0	0	0	0	236
Contracts Supporting People	1,435	-24	-1	61	-20	3,833	5,284
ICES & Helpline	937	-134	-3	0	-150	-3	647
Framework-i	1,447	3	0	0	0	4	1,454
LD Residential	4,661	48	0	0	-560	-753	3,396
Mental Health	5,133	44	27	0	-215	658	5,647
Partnership Development	2,105	-503	42	0	-110	1,363	2,897
	16,978	-362	44	61	-1,140	5,088	20,669

Analysis of Changes	2009-10 Budget £000	Virement / restructuring 2009-10 £000	Inflation £000	Investment £000	Efficiencies £000	Other £000	2010-11 Budget £000
Housing General Fund							
Complaints	284	2	1	0	0	5	292
Housing Needs	2,898	-19	-1	0	-50	378	3,206
Housing Partnerships	628	4	0	0	0	-32	600
Other GF Services	494	2	0	0	0	74	570
Resident Services-Watkins	467	6	0	0	0	135	608
Travellers' Site	27	1	0	0	0	0	28
	4,798	-4	0	0	-50	560	5,304
Strategic Management	1,586	-512	4	40	0	0	1,118
ADULTS & HOUSING TOTAL	65,192	-27	358	1,901	-2,023	4,533	69,934

CHILDREN'S SERVICES

Objective Analysis 2010-2011	Controllable Expenditure £000	Uncontrollable Expenditure £000	Total Expenditure £000	Grant £000	Recharges £000	Other £000	Total Income £000	Net Budget £000
Young Peoples Services	6,579	2,605	9,184	-1,494	-9	-202	-1,705	7,479
Children's Services Management & Other Services	1,587	869	2,456	-152	-60	-128	-340	2,116
Safeguarding, Family Placement and Support	11,854	1,944	13,798	-120	-10	-160	-290	13,508
Schools	108	150,665	150,773	-145,372	0	-31	-145,403	5,370
Special Needs Service	5,107	15,216	20,323	-8,764	-2,080	-619	-11,463	8,860
Early Years	1,126	11,653	12,779	-11,026	-9	-375	-11,410	1,368
School Development	3,525	4,127	7,652	-3,241	-26	-2,457	-5,724	1,928
CHILDREN'S SERVICES TOTAL	29,886	187,079	216,965	-170,169	-2,194	-3,972	-176,335	40,629

CHILDREN'S SERVICES

Analysis of Changes	2009-10 Budget £000	Virement / restructuring 2009-10 £000	Inflation £000	Investment £000	Efficiencies £000	Other £000	2010-11 Budget £000
Young Peoples Services	7,795	-53	41		-260	-44	7,479
Children's Services Management & Other Services	2,043	44	29	25	-25	0	2,116
Safeguarding, Family Placement and Support	13,116	56	55	678	-400	3	13,508
Schools	3,824	240	0			1,306	5,370
Special Needs Service	8,140	71	31	470	-55	203	8,860
Early Years	1,687	42	21		-424	42	1,368
School Development	2,230	-126	-6	65	-215	-20	1,928
CHILDREN'S SERVICES TOTAL	38,835	274	171	1,238	-1,379	1,490	40,629

COMMUNITY & ENVIRONMENT SERVICES

Objective Analysis 2010-2011	Controllable Expenditure £000	Uncontrollable Expenditure £000	Total Expenditure £000	Grant Income £000	Recharges £000	Other Income £000	Total Income £000	Net Budget £000
COMMUNITY & CULTURAL SERVICES								
Libraries	4,209	2,069	6,277	-2	-8	-560	-569	5,708
Community & Development & Grants	3,010	625	3,634	-877	-26	-382	-1,285	2,349
Cultural Services	2,864	1,087	3,951	-196	-244	-1,473	-1,912	2,039
ENVIRONMENT SERVICES								
Community Safety	5,125	3,744	8,869		-428	-9,439	-9,867	-998
Property & Infrastructure	11,618	14,168	25,786	-142	-10,911	-1,503	-12,557	13,229
Public Realm Services	15,824	13,327	29,151	-794	-11	-5,028	-5,833	23,318
Directorate & Support	160	503	663		-62		-62	600
COMMUNITY & ENVIRONMENT TOTAL	42,809	35,521	78,330	-2,010	-11,689	-18,386	-32,085	46,245

COMMUNITY & ENVIRONMENT SERVICES

	2009-10 Budget £000	Virement / restructuring 2009-10 £000	Inflation £000	Investment £000	Efficiencies £000	Other £000	2010-11 Budget £000
COMMUNITY & CULTURAL SERVICES							
Libraries	5,797	38	6		-115	-19	5,708
Community & Development & Grants	2,252	162	15	10	-90	0	2,349
Cultural Services	1,843	26	-8	113	-105	169	2,038
						0	
						0	
ENVIRONMENT SERVICES							
Community Safety	222	-634	20	10	-694	79	-998
Property & Infrastructure	13,048	-202	51	200	-340	472	13,229
Public Realm Services	22,570	132	50	1,045	-644	165	23,318
Directorate & Support	1,185	2	4		-590	0	601
COMMUNITY & ENVIRONMENT TOTAL	46,917	-477	139	1,378	-2,578	866	46,245

PLACE SHAPING

Objective Analysis 2010-11	Controllable Expenditure £000	Uncontrollable Expenditure £000	Total Expenditure £000	Grant Income £000	Recharges £000	Other Income £000	Total Income £000	Net Budget £000
Corporate Estate	484	739	1,223		-667	-873	-1,540	-317
Economic Development & LDF	621	388	1,008		-165	-9	-174	834
Planning Service	2,807	1,845	4,651		-162	-1,861	-2,023	2,628
Directorate	71	7	78		-77		-77	0
Business Management	1,139	394	1,533	-7	-472		-480	1,053
PLACE SHAPING TOTAL	5,121	3,373	8,493	-7	-1,544	-2,744	-4,295	4,199

	2009-10 Budget £000	Virement / restructuring 2009-10 £000	Inflation £000	Investment £000	Efficiencies £000	Other £000	2010-11 Budget £000
Corporate Estate	-283	7	1		-2	-41	-317
Economic Development & LDF	836	3	1		-10	4	834
Planning Service	2,860	-406	2			173	2,629
Directorate	190	10	0		-200		0
Business Management	761	309	3		-68	49	1,053
PLACE SHAPING TOTAL	4,364	-77	7	0	-280	185	4,199

CHIEF EXECUTIVE

Objective Analysis 2010-2011	Controllable Expenditure £000	Uncontrollable Expenditure £000	Total Expenditure £000	Grant £000	Recharges £000	Other £000	Total Income £000	Net Budget £000
Chief Executive Department	293	219	512	0	-54	0	-54	458
Customer Services & BTP	6,599	8,867	15,466	0	-16,246	-135	-16,381	-915
Partnership Policy & Development	4,615	903	5,518	0	-68	-1,453	-1,521	3,997
Human Resources	2,075	884	2,959	0	-2,419	-762	-3,181	-222
Communications	893	166	1,059	0	-977	-100	-1,077	-18
CHIEF EXECUTIVES TOTAL	14,475	11,039	25,514	0	-19,764	-2,450	-22,214	3,300

Analysis of Changes

	2009-10 Budget £000	Virement / Restructuring 2009-10 £000	Inflation £000	Investment £000	Efficiencies £000	Other £000	2010-11 Budget £000
Chief Executive Department	455	586	0	0	0	0	1,041
Customer Services & BTP	-744	430	17	0	-240	-1,066	-1,603
Partnership Policy & Development	3,718	-124	19	12	-145	-67	3,413
Human Resources	-900	802	0	327	-81	319	467
Communications	-21	3	0	0	0	0	-18
CHIEF EXECUTIVES TOTAL	2,508	1,697	36	339	-466	-814	3,300

LEGAL & GOVERNANCE

Objective Analysis 2010-2011

	Controllable Expenditure	Uncontrollable Expenditure	Total Expenditure £000	Grant £000	Recharges £000	Other £000	Total Income £000	Net Budget £000
Legal & Governance	4,969	1,458	6,427	-2	-4,662	-887	-5,551	876
LEGAL & GOVERNANCE TOTAL	4,969	1,458	6,427	-2	-4,662	-887	-5,551	876

Analysis of Changes

	2009-10 Budget £000	Virement / Restructuring 2009-10 £000	Inflation £000	Investment £000	Efficiencies £000	Other £000	2010-11 Budget £000
Legal & Governance	943	29	2	50	-144	-4	876
LEGAL & GOVERNANCE TOTAL	943	29	2	50	-144	-4	876

FINANCE

Objective Analysis 2010-2011	Controllable Expenditure £000	Uncontrollable Expenditure £000	Total Expenditure £000	Grant £000	Recharges £000	Other £000	Total Income £000	Net Budget £000
Finance & Procurement	6,959	8,017	14,976	0	-14,948	-208	-15,156	-180
Audit, Risk, Insurance	1,924	2,515	4,439	0	-4,255	-79	-4,334	105
Shared Services	4,868	8,985	13,853	0	-3,910	-59	-3,969	9,884
HITS	3,548	4,464	8,012	0	-5,413	-178	-5,591	2,421
Revenues & Parking	1,808	2,072	3,880	-251	-9	-850	-1,110	2,770
Benefits & Assessments	1,975	127,027	129,002	-127,824	-12	-81	-127,917	1,085
Corporate and Democratic Costs	5,598	4,118	9,716	0	-1,344	-69	-1,413	8,303
CORPORATE FINANCE TOTAL	26,680	157,198	183,878	-128,075	-29,891	-1,524	-159,490	24,388

Analysis of Changes

	2009-10 Budget £000	Virement / Restructuring 2009-10 £000	Inflation £000	Investment £000	Efficiencies £000	Other £000	2010-11 Budget £000
Finance & Procurement	4,421	59	42	0	-50	-273	4,199
Audit, Risk, Insurance	334	456	24	25	-300	-434	105
Shared Services	99	-53	74	1,624	-92	169	1,821
HITS	1,831	295	0	0	-100	396	2,422
Revenues & Parking	2,390	52	0	0	-10	339	2,771
Benefits & Assessments	9,520	-283	0	100	-40	-111	9,186
Corporate and Democratic Costs	3,888	-4	0	0	0	0	3,884
FINANCE TOTAL	22,483	522	140	1,749	-592	86	24,388

Appendix 6

Specific Grants 2010-11

	2009-10	2010-11	Change
	£ 000	£ 000	£ 000
Children's Services			
Asylum Seekers	613	605	-8
Crime Reduction Grants (Youth Justice Board)	620	620	0
Dedicated Schools Grant (DSG)	137,487	142,553	5,066
London Pay Addition	533	760	227
ContactPoint	62	152	90
School Standards Grant (including Personalisation)	6,097	6,292	195
Standards Fund (excluding elements now in ABG)	11,702	11,574	-128
Sure Start, Early Years and Childcare Grant	4,966	6,200	1,234
Parenting Practitioner Grant	41	0	-41
Targeted Mental Health in Schools	0	223	223
Youth Opportunity	116	116	0
Adult and Community Learning from Learning and Skills Council (LSC)	577	577	0
Sixth forms funding from Learning and Skills Council (LSC)	346	346	0
Volunteer Project	142	142	0
Connexions January Guarantee	0	10	10
sub total Children	163,302	170,170	6,868
Adults & Housing			
AIDS Support	126	126	0
Social Care Reform	783	962	179
Homelessness	200	200	0
Learning Disability Campus Closure	29	47	18
Stroke Strategy	90	90	0
The Private Finance Initiative (PFI)	1,779	1,779	0
Supporting People Grant - Social Care (transferred into ABG)	3,833	0	-3,833
sub total Adults & Housing	6,840	3,204	-3,636
Community & Environment			
Housing strategy, advice, advances, enabling, renewals and licensing	50	50	0
Standards Fund (excluding elements now in ABG)	268	268	0
Adult and Community Learning from Learning and Skills Council (LSC)	818	818	0
Music Hire Grant	10	5	-5
sub total Community & Environment	1,146	1,141	-5

	2009-10	2010-11	Change
	£ 000	£ 000	£ 000
Chief Executive			
Drug Action Teams	170	170	0
Finance			
Housing Benefit and Council Tax Benefit Administration	2,299	2,199	-100
The Private Finance Initiative (PFI)	80	80	0
Council Tax Benefit Subsidy	18,865	18,865	0
Mandatory Rent Allowances Subsidy	90,959	90,959	0
Rent Rebates Subsidy	15,721	15,721	0
sub total Finance	127,924	127,824	-100
Place Shaping			
Planning Development Grant	7	7	0
Total All Departments	299,389	302,516	3,127

Note: A number of the grants above are subject to confirmation

Levies, Contributions and Subscriptions

The table below shows the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2010-11. These sums are set by other bodies and are outside the Council's control. With the exception of the subscriptions to London Councils and the Local Government Association, the payments are compulsory.

	2009-10	2010-11	Change	Change	Comments
	£000	£000	£000	%	
West London Waste Authority	6,248	7,003	755	12%	Draft
Lee Valley	264	264	0	0%	Draft
London Councils	223	221	-2	-1%	
London Boroughs Grants	748	747	-1	0%	
Freedom Passes	5,782	7,463	1,681	29%	Draft
Environment Agency	176	178	2	1%	Draft
Traffic Control	295	304	9	3%	
Local Government Association	63	50	-13	-21%	
London Pension Fund Authority	348	330	-18	-5%	
Total	14,147	16,560	2,413		

School Budget 2010-11

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.

2. 2008-09 to 2010-11 Settlement

2010-11 is the final year of a three year Government funding cycle for schools. The per pupil funding for 2010-11 has been confirmed as £4,862 (a 4.1% increase on 2009-10). The 2010-11 settlement includes a provisional £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. In line with previous years Schools Forum agreed to allocate this funding based on age weighted pupil units (AWPU).

The final allocation of Dedicated Schools Grant for 2010-11 is dependent on the January 2010 pupil count. Based on the most recent pupil count the total DSG for 2010-11 is forecast at £142.5m. The January 2010 pupil count will differ from the pupil projections used to estimate the grant, and this will result in a change in the final grant allocation. The final 2010-11 budget, based on the January 2010 pupil count numbers, will be reported to the School's Forum in March and provided to schools by the 31 March 2010. The final grant is not expected to be finalised by the Department for Children, Schools and Families (DCSF) until summer 2010.

3. Schools Budget 2009-10

The estimated total Schools Budget of £142.5m in 2010-11 is an increase of £5m from £137.5m in 2009-10. The 2010-11 schools budget was considered by Schools Forum in November. After providing for inflation and the impact of the 2.1% minimum-funding guarantee, it leaves £3.2m headroom to be allocated. Schools Forum was consulted regarding the allocation of the headroom and it was agreed that the following items be funded (see overleaf).

	£'000
Headroom Available	3,277
Funding as follows:	
Special School Growth	(550)
Age of Transfer Transitional Protection Funding	(360)
Growth in High Value Costed Statements	(500)
Additional funding for additional resources in mainstream schools (ARMS) places	(100)
Schools Specific Contingency	(1,372)
Balance	395

Special School Growth

£550k has been allocated to fund an expansion of special school places including the new category of behavioural support.

Age of Transfer Transitional Protection Funding

Based on initial projections it is estimated that £360k will be required to fund the age of transfer transitional protection funding in 21010/11.

Growth in High Value Costed Statements

There have been significant year on year increases in the funding required to enable schools to make provision for children with high value costed statements. It is therefore anticipated an additional amount of £500k may be needed within the individual school budgets to cover the growth in 2010-11.

Additional Funding for ARMS places

In order to provide continuity of provision for children with specific language impairment it is proposed to make provision equivalent to that currently available in year 3 at Welldon Park First School in year 3 at Welldon Park Middle School from September 2010.

Schools Specific Contingency

The schools specific contingency forms part of central items. The majority of the areas to be funded from contingency in 2010-11 have now been considered by Schools Forum and will be finalised in February. The draft details are shown below. The contingency includes an increase in the budget for trigger funding as the projected increase in pupil numbers is likely to lead to additional trigger funding payments to schools following the October 2010 and January 2011 school census. The provision for new high value costed statements has also been increased to reflect actual levels of expenditure in recent years.

Description of Items	2010-11 Budget £'000	2009-10 Budget £'000
Pupil & Free School Meals trigger funding	500	305
Special Educational Needs (SEN) - New Statements	450	250
Formula Contingency	0	5
Krishna Avanti interim funding	50	80
Autism in mainstream schools	232	218
Good to Outstanding	80	82
Advanced School Teachers Co-ordinator	30	30
Leadership Development	30	30
Adjustment for London Pay Addition		(32)
Total	1,372	968

After allocating funding from the headroom to these growth items, there remains a balance of approximately £395k. Any remaining balances after funding the above from headroom will be shared pro rata in sectors (i.e. Special Schools getting the appropriate share based on place factors not on pupil numbers).

Central Items

The budget for the central items within the Dedicated Schools Grant has been reviewed and consulted with Schools Forum. Central items expenditure for 2010-11 is estimated to increase by £225k for inflation. Further details are shown in the table below.

Central Items	2009-10 Budget £'000	Inflation £'000	2010-11 Budget £'000
SEN – Out of Borough	6,218	130	6,348
SEN & Specialist Support Services	2,050	43	2,093
Pupil Referral Unit	1,210	26	1,236
Admissions	692	15	707
Early Years	540	11	551
Other	4	0	4
Total	10,714	225	10,939

The 2010-11 school budgets are being prepared to take account of the change to the age of transfer effective from September 2010. The Schools Forum has developed a transitional protection funding model to assist primary schools adversely affected by the change. Protection funding is limited to schools that have balances below the Audit Commission recommended maximum levels as at 31 March 2008. As this change is effective from September 2010, Schools Forum has agreed a methodology for calculating the part year effect on the 2010-11 school budgets.

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

as a result of 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.

4. School Budgets 2011-12

The DCSF does not require indicative 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 and funding levels are unknown. The consultation on the revised DSG formula is expected in early spring 2010. This may result in a shift in resource allocation between councils. To assist schools with their financial planning, indicative 2011-12 and 2012-13 budgets will be issued based on a 1% increase in the DSG rate per pupil. These will be reviewed and updated when the details of the DSG review are confirmed.

5. Change to the School Formula Funding

There are a number of issues impacting the 2010-11 schools budget that have necessitated changes to the schools funding formula. The following changes have been considered and agreed by Schools Forum.

- a) **Early Years Single Funding Formula** - The DCSF issued notice that all authorities would be required to introduce a single funding formula for maintained, private, voluntary and independent nurseries from April 2010. A working group of key stakeholders was set up to develop the formula. The revised formula went out to consultation in September 2009 and was subsequently approved by Schools Forum. However in December 2009 the DCSF announced it is delaying the statutory implementation date as some authorities were experiencing difficulties in implementing the change. The DCSF have asked that authorities who wish to proceed with the original implementation date apply for pathfinder status. Schools Forum supports the application for pathfinder status as the proposed formula was supported by all key stakeholders and provides funding to support service priorities such as incentivising the employment of qualified leaders in the Private, Voluntary and Independent (PVI) sector.

The following Early Years Single Funding Formula was agreed by Schools Forum.

Basic Rate - common across all settings allocated as a rate per pupil per hour. The aim was to allocate the majority of funding based on pupil numbers to ensure that funding follows the pupil. The proposed model currently allocates 80% of the funding based on pupil numbers.

Supplementary Factors - The remaining 20% of the funding is allocated on the following supplements. These supplements have been developed to compensate for differences in costs and to encourage service objectives.

Supplement 1 - Statutory Requirements in Maintained Settings

This factor reflects the additional costs required by legislation on the maintained settings and includes the following 3 elements:

- **Recognising cost of Teacher in Maintained Settings**

To recognise the cost of a qualified teacher. The difference between a qualified teacher and the level 3 leader assumed as the base is included in the formula. This is the cost of a teacher (equal to M6 including on costs) less the average of level 3 in a sample of PVI settings.

- **Head teacher costs**

A supplement of £7,367 to recognise the statutory requirement to have a head teacher. This is based on the average of head teacher salaries including on costs and total pupil numbers of 300 with 26 places in the nursery.

- **Planning, Preparation and Assessment (PPA) Time**

This element reflects the additional costs of providing cover for the Teacher's statutory PPA. It has been set at 10% of M6 and with on costs this generates a PPA cost of £3,789.

Supplement 2 - Administrative time for PVI sector

To reflect the administrative burden of complying with the DCSF's data requirements the formula provides a visible amount for administration in the PVI sector of £1,330 (£35pw @ 38weeks).

Supplement 3 - Qualification in the PVI sector

Providing an incentive for qualified leaders in the PVI setting was a key priority of the working group. This supplement is designed to provide the funding to recruit and retain high quality leaders. Settings will receive a supplement for having a qualified leader, linked to the National Institute of Childcare and Education (ICHED) NVQ level.

Level 4 £750

Level 5 £4,000

Level 6 £5,000

Supplement 4 - Deprivation Factor

It is a requirement that the formula allocates some funding based on deprivation. Using the same methodology as the schools funding formula it would allocate an amount for every child in Acorn Category 4 or 5 (Acorn is the deprivation index). The actual amount is weighted so that if a setting has a higher proportion of children in these categories they receive more per pupil. The following rates are proposed for the formula:

- *For qualifying children up to 25% of total number = £191 per child*
- *For qualifying children between 25% to 40% of total number = £287 (£191 plus 50%)*
- *For qualifying children above 40% of total number = £431 (£287 plus 50%)*

b) Age of Transfer (AoT) Transitional Protection Funding.

The Schools Forum has agreed the following transitional protection funding model to assist primary schools whose budgets are adversely affected by the change.

- *No transitional protection is payable to High Schools.*
- *Middle Schools whose budgets increase will also not receive any protection.*
- *First, Middle, and First and Middle Schools whose budgets decrease as a result of AoT will receive transitional protection of 50% of the decrease in the 2010-11 academic year and 25% of the decrease in the 2011-12 academic year. The transitional protection scheme will cease in the 2012-13 academic year. To determine the impact of the change to the age of transfer on the 2010-11 school budgets, two versions of the 2010-11 budgets are being prepared, the actual school budgets, which takes account of the change to the age of transfer, and a dummy unadjusted version prepared on the assumption that the change to the age of transfer had not taken place. For each school the 2010-11 formula funding on which protection is based will be discounted by the following amounts before the protection is calculated:*
 - *For First Schools £59,000 per group of 30 pupils that transfer to High Schools (pro rata for 7 months Sept 2010 to March 2011).*
 - *For First & Middle Schools £72,000 per group of 30 pupils that transfer to High Schools (pro rata for 7 months Sept 2010 to March 2011).*
 - *For Middle Schools the 2009-10 formula funding will be discounted by £13,000 per form of entry – this being the difference between the Year 7 figure of £72,000 and the Year 3 figure of £59,000 above. (pro rata for 7 months Sept 2010 to March 2011).*
- *In 2010-11 schools will be eligible for 50% of the difference between their discounted unadjusted 2010-11 formula funding and their actual 2010-11 formula funding to be paid as transitional protection. An exception to this will be made for schools with balances in excess of the Audit Commission guideline as at 31 March 2008 (i.e. 8% of base budget). In these cases the protection will be reduced by the amount of balances as at 31 March 2008 in excess of the 8% guideline.*
- *Premises funding for secondary schools is increased from September 2010 to take account of increases in floor area. The agreed reduction in first and first and middle schools, of 54sqm per group of 30 pupils that transfer, will not take effect until the 2011-12 budgets.*

- *The current formula includes a Small School Allowance for primary schools whose numbers are below 95% of capacity. "Capacity" for the purpose of calculating this factor is to reduce from 300 pupils to 270 pupils with effect from 1 September 2010.*
- *No minimum funding guarantee (MFG) will be paid in respect of changes that are caused by the change to the age of transfer. This is subject to formal approval by the Secretary of State.*

c) **Additional Class Funding** - The Council is experiencing an actual and projected increase in pupil numbers largely due 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. 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 agreed the following revision to the school funding formula to provide funding to schools to cover the cost of these additional classes.

- *The 8% exclusion does not apply to additional classes; schools will receive funding for every pupil in the Additional Class.*
- *So as not to double count trigger funding, the additional class will be excluded when calculating the current 4% and 8% trigger funding.*
- *There is a factor in the main school funding formula that provides compensation for small class sizes and a similar factor be provided for additional classes. This will ensure that schools with additional classes receive minimum funding to finance the additional class teacher. It will also provide protection to schools should class numbers not fully materialise.*
- *Adjustments will continue to be made where appropriate, for example to ensure they would still be eligible for any small school allowance. From 2010-11 this will include a review of whether they still are eligible for AoT transitional protection funding.*

Risk Assessment

A risk assessment has been conducted. 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 scenario in terms of possible overspend or income shortfall has been identified and multiplied by the likelihood. The risks have been quantified as shown in the table above. The total value of risk that has been quantified for 2010-11 is £4.1m.

The risk level is greater in 2011-12 and 2012-13 due to the scale of the funding gaps and the need to identify savings via the transformation programme.

Budget Risk Register – 2010-11

1. By-election
2. Inflation – pay and prices
3. Inflation – utilities
4. Treasury Management
5. Asset management
6. Income collection
7. Income from enforcement
8. Income from land charges
9. Changes to grand regime
10. Economic risk – capital receipts
11. Economic risk – demand for services
12. Litigation against the Council
13. Major Fraud
14. Increased Pension fund contributions
15. Levies, Precepts and Subscriptions
16. Poor budget management
17. Financial control environment
18. Insurance claims
19. Demographic changes: additional demand for social care
20. Population growth rates
21. System failure
22. Lack of disaster recovery capability
23. New policy/legislation
24. Safeguarding
25. Natural disaster /accident/terrorist incident
26. Adverse weather conditions
27. Government efficiency agenda
28. Achievement of savings
29. Transformation programme
30. LAA
31. Strategic partnerships
32. Commercial partnerships

Likelihood	A Very High				
	B High		10,11,23,24		
	C Significant		2,3,7,8,12,21	19,22,28	
	D Low	1	9,16,17,20,26,27	31,32	
	E Very Low	15	6,13,18,25,30	4	
	F Almost Impossible	29	5,14		
		4 Negligible	3 Marginal	2 Critical	1 Catastrophic
		Impact			

Risk Register 2010-11 to 2012-13

Ref	Risks	Risk rating	2010-11			Risk rating	2011-12			Risk rating	2012-13			Mitigation/ Comments
			Worst case £0	Likelihood %	Net risk £0		Worst case £0	Likelihood %	Net risk £0		Worst case £0	Likelihood %	Net risk £0	
	<u>POLITICAL RISKS</u>													
1	By-Election	D IV	10	17%	1.7	D IV	10	17%	1.7	D IV	10	17%	1.7	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 year.
	<u>ECONOMIC / FINANCIAL RISKS</u>													
2	Inflation - Pay and prices	C III	1000	38%	380	D III	1000	17%	170	D III	1000	17%	170	The 2010-11 budget is based on 0% pay and 1% prices plus a contingency of £0.5m. There is some risk as general inflation is increasing and the pay award has yet to be agreed. For years 2 and 3 the MTFs is based on 2% so risk is lower.

3	Inflation - utilities	C III	200	38%	76	D III	200	17%	34	D III	200	17%	34	The 2010-11 budget reflects current prices. The MTFS includes additional provision of £250k in 2011-12 and 2012-13.
4	Treasury Management - investments and borrowing	E II	2000	6%	120	E II	2000	6%	120	E II	2000	6%	120	The risk of losing a deposit is low as the lending list has been revised and funds have been moved out of building societies over the last year. The budget reflects the current base rate and anticipated borrowing costs.

5	Asset management.	F III	500	2%	10	F III	500	2%	10	F III	500	2%	10	The Council has consistently scored 3 for asset management under the Use of Resources assessment. Backlog maintenance is significant and the capital programme funds the highest priority work.
6	Income collection: council tax, business rates, housing benefit overpayments, parking enforcement, sundry debtors, rents and service charges	E III	250	6%	15	E III	250	6%	15	E III	250	6%	15	Collection performance has improved considerably in the last few years, and the bad debt provision is reviewed quarterly
7	Income from enforcement	C III	500	38%	190	C III	500	38%	190	C III	500	38%	190	The 2010-11 budget includes an additional £500k of enforcement income. There is some risk given the current climate.

8	Income from land charges	C III	250	38%	95	C III	250	38%	95	C III	250	38%	95	The 2010-11 budget includes an income target of £250k. There is some risk given the recent Information Commissioner decision.
9	Changes to grant regime	D III	500	17%	85	C III	500	38%	190	C III	500	38%	190	The MTFS reflects the settlement for 2010-11 and assumes a cash reduction of 3% from 2011-12. This is consistent with IFS and CIPFA forecasts. It is assumed that, where specific grants reduce, that costs will be reduced accordingly.
10	Economic risk - capital receipts	B III	500	65%	325	B III	500	65%	325	B III	500	65%	325	The MTFS assumes capital receipts of £5m in 2010-11. There is risk due to the economic climate, however the risk is based on alternative financing costs.

11	Economic risk - demand for services	B III	500	65%	325	B III	500	65%	325	B III	500	65%	325	There may be additional demands on services such as housing due to the recession. The MTFS does include a small contingency.
12	Litigation against the Council	C III	1,000	38%	380	C III	1,000	38%	380	C III	1,000	38%	380	The MTFS includes an annual contribution to a provision for litigation including employment and planning related matters. Some of this risk will be covered by insurance, but individual cases can have significant cost.
13	Major fraud	E III	100	6%	6	E III	100	6%	6	E III	100	6%	6	No major cases in recent years.

14	Increased Pension Fund contributions	F III	500	2%	0	D III	500	17%	6	D III	500	17%	6	The MTFS provides for an increase in employers contributions at 0.5% per year following the next triennial valuation. This reflects advice from the actuary.
15	Levies, Precepts and Subscriptions	EIV	50	6%	3	EIV	50	6%	3	EIV	50	6%	3	The Council pays a range of levies, precepts and subscriptions. These are set by other bodies and usually known before the budget is approved. The risk in relation to LPFA has been covered.
16	Financial Management - poor budget management	D III	1,000	17%	170	D III	1,000	17%	170	D III	1,000	17%	170	Risk mitigated by budget monitoring arrangements, refresher training, improvement boards.
17	Financial control environment	D III	1,000	17%	170	D III	1,000	17%	170	D III	1,000	17%	170	The control environment was strengthened in 2009-10.

18	Insurance claims	E III	500	6%	30	E III	500	6%	30	E III	500	6%	30	An actuarial review was carried out in 2009-10 and the balance in the provision now reflects the claims liability.
	<u>SOCIAL RISKS</u>													
19	Demographic changes: additional demand for social care.	C II	1000	38%	380	C II	1000	38%	380	C II	1000	38%	380	The MTFS reflects anticipated demand for social care for both Children and Adults. However, small fluctuations can generate considerable cost. There is a substantial overspend in Children's services in 2009-10 which must be managed in line with the growth provided going into 2010-11.

20	Population growth rates	D III	0	0	0	D III	0	0	0	D III	0	0	0	The MTFS reflects the grant settlement which in turn reflects the population figures.
<u>TECHNOLOGICAL RISKS</u>														
21	System failure	C III	100	38%	38	C III	100	38%	38	C III	100	38%	38	IT environment relatively stable. Restoration costs are covered by insurance. However, the risk is heightened by the possible changes to the IT service in 2010-11.
22	Lack of disaster recovery capability	C II	1000	38%	380	C II	1000	38%	380	C II	1000	38%	380	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>POLICY/LEGISLATIVE / REGULATORY</u>													
23	New policy/legislation	B III	500	65%	325	B III	1000	65%	650	B III	0	65%	0	Generally changes have a long lead in time, but there are specific risks in this budget due to the free personal care announcement, with new arrangements due to commence in October 2010, and Independent Safeguarding Authority requirements.
	<u>SERVICE RISKS</u>													
24	Safeguarding - recent high profile cases have resulted in a significant increase in referrals	B III	250	65%	162.5	B III	250	65%	162.5	B III	250	65%	162.5	Detailed plans put in place in Children's services including case reviews.

EMERGENCIES														
25	Natural disaster, accident or terrorist incident	EIII	824	6%	43	EIII	824	6%	43	EIII	824	6%	43	The government has a scheme (the Bellwin scheme) that covers authorities for 85% of costs of a major disaster above 0.2% of annual budget (£616k). The risk to the Council is 100% of costs below the threshold and the 15% above it, so if the total cost of the incident was £2m the council would be liable for £824k.
26	Adverse weather conditions	D III	100	17%	17	D III	100	17%	17	D III	100	17%	17	There is some provision in the budget for seasonal work. This risk relates to exceptionally bad weather.

EFFICIENCY RISKS														
27	Government efficiency agenda	DIII	0	0	0	DIII	0	0	0	DIII	0	0	0	Council has consistently achieved the government target and has plans in place to monitor the new performance indicator NI179
28	Non-achievement of allocated savings included in the budget	C II	1,000	38%	380	C II	1,000	38%	380	C II	1,000	38%	380	The MTFS includes efficiency savings totalling £6.5m in 2009-10. Progress will be carefully monitored.
29	Transformation programme fails to deliver substantial contribution to the funding gap in years 2 and 3 of the MTFS	F IV	0	2%	0	C II	15,000	38%	5700	C II	15,000	38%	5700	The transformation programme is well advanced and the likely outcome will be clearer when the 2011-12 budget is developed.

	<u>PARTNERSHIP / CONTRACTUAL RISKS</u>													
30	Partnership failure – LAA	EIII	0	6%	0	EIII	0	6%	0	EIII	0	6%	0	The LAA has been agreed and is being monitored. Prudent assumptions about reward grant have been included in the MTFS.
31	Breakdown of relationships with strategic partners (PCT, Police, businesses, voluntary sector)	D II	0	17%	0	D II	0	17%	0	D II	0	17%	0	The HSP governance arrangements have been revised. Good working relationships exist between partners. All disputed debt now settled with PCT.
32	Commercial Partnership failure (Capita, Kier, Enterprise Mouchel)	D II	0	17%	0	D II	0	17%	0	D II	0	17%	0	
	TOTAL		15,134		4,107		30,634		9,991		29,634		9,341	

Reserves Policy

The approved reserves policy is 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.

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 managing finances, governing the business and managing natural resources. This forms part of the Council's Comprehensive Area 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 £4.1m for 2010-11. 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 Council is continually working to improve financial management and the emphasis in 2010-11 will be on the accuracy of forecasting and the financial control environment. In addition more emphasis will be placed on balance sheet management going forward.

The Council has built up suitable provisions for debt, litigation and insurance in the last few years, and strengthened its balance sheet, but still has few earmarked reserves.

Taking all this together, the target level for reserves should be £5m-£7m.

As at 31 March 2009 the level of General Fund Reserves was £5.7m, and the forecast at 31 March 2010 is £6.4m. This means the Council will be close to the upper end of the target range by the end of 2009-10.

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
- Grant increases have been confirmed by the relevant government departments
- The current consultation on concessionary fares funding has been fully reflected in the budget
- 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.

Adequacy of Reserves

The Council has suitable provisions and some earmarked reserves to deal with particular issues such as insurance claims, bad debts, litigation and employment matters.

General balances are adequate.

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.

2010-11 Budget Sensitivities

Budget area	Assumption in 2010-11 budget	Change	Impact
Pay	Increase of 0%	+ 0.5%	+ £550k
General Prices Inflation	Increase of 1%	+/- 0.5%	+/- £440k
Utilities Inflation	Increase in line with general inflation at 1%	+/- 1%	+/- £17k
Investment Income	Base rate is 0.5% for the year	+/- 0.5%	+/- £220k
Council Tax collection rate	Collection rate of 98.25%	+/- 0.25%	+/- £260k

Note that a variation in the collection rate would be managed within the collection fund in year and have an impact on the revenue budget the following year

Draft Council Tax Resolution

Harrow Council

Council Tax Resolution 2010-2011

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 2010-2011 in the light of the information on the precept and make the calculations set out in the resolution shown below.

- (1) To note that at its meeting on 17 December 2009 the Council calculated the amount of 86,362 as its Council Tax Base for the year 2010-2011 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 2010-2011, 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)** £551,155,712
 - (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)** £379,471,174
 - (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.** £171,684,538
 - (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, increased by the amount of the sums which the Council estimates will be transferred in the year from its Collection Fund its Collection Fund in accordance with Section 97(4) of the Local Government Finance Act 1988 (Collection Fund Surplus) £69,211,707

(v) Being **the amount to be raised from Council Taxes**

Calculated as the amount at 2 (iii) above less the amount at 2 (iv.) above.

£102,472,831

(vi) Being the amount at (v) divided by the Council Tax Base, calculated by the Council at its meeting on 17 December 2009 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 2010-2011 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 2010-2011 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 2010-2011**

	2009- 2010 Original Budget £000	2010- 2011 Original Budget £000
Local Demand - Borough Services		
Adults and Housing	65,192	69,934
Children's	38,835	40,629
Community and Environment	46,917	46,245
Place Shaping	4,364	4,199
Legal and Governance	943	876
Assistant Chief Executive	2,508	3,300
Corporate Finance	22,483	24,388
Total Directorate Budgets	181,242	189,571
Inflation and Corporate items	3,669	1,964
Capital Financing adjustments	-6,917	-6148
Area Based Grant	-9,020	-12922
Interest on Balances	-245	-690
Total – Baseline	168,729	171,775
Capitalisation	-390	-90
Contribution to Balances	500	0
Total Net Expenditure	168,839	171,685
Collection Fund Surplus b/f	-300	-1448
Formula Grant	-66,786	-67,764
Local Demand on Collection Fund	101,753	102,473
Funds / Balances		
Balances Brought Forward	4,031	5,716
Adjustment to Balances	500	0
Balances Carried Forward	4,531	5,716
Council Tax for Band D Equivalent		
Harrow (£)	1,186.55	1,186.55
<u>Increase</u> Harrow (%)	2.95%	0.00%
Taxbase	85,755	86,362

Longer Term Outlook

	2010-11 Budget £m	2011-12 Budget £m	2012-13 Budget £m	2013-14 Budget £m	2014-15 Budget £m	2015-16 Budget £m	2016-17 Budget £m
Gross Budget B/F	571.500	574.346	588.990	602.568	615.318	627.668	639.618
Capital Financing Costs	2.700	2.250	3.000	2.000	2.000	2.000	2.000
Technical changes	2.121	3.000	2.250	2.000	1.500	1.000	1.000
Inflation	0.972	5.500	5.500	5.600	5.700	5.800	5.900
Adults & Housing	-0.123	1.678	0.750	0.800	0.800	0.800	0.800
Children's Services	-0.206	-0.162	-0.012	0.250	0.250	0.250	0.250
Community & Environment	-1.200	1.290	0.990	1.000	1.000	1.000	1.000
Place Shaping	-0.280	0.000	0.000	0.000	0.000	0.000	0.000
Legal & Governance	-0.144	-0.012	0.000	0.000	0.000	0.000	0.000
Corporate finance	-0.567	0.000	0.000	0.000	0.000	0.000	0.000
Chief Executive	-0.427	0.000	0.000	0.000	0.000	0.000	0.000
Investment		2.000	2.000	2.000	2.000	2.000	2.000
Saving to match specific grant reductions		-0.900	-0.900	-0.900	-0.900	-0.900	-0.900
Total Change in Gross Budget	2.846	14.644	13.578	12.750	12.350	11.950	12.050
Revised Gross Budget	574.346	588.990	602.568	615.318	627.668	639.618	651.668

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	£m	£m	£m	£m	£m	£m	£m
Income from specific grants, ABG, fees and charges, investment and recharges	-402.661	-401.761	-400.861	-399.961	-399.061	-398.161	-397.261
Budget Requirement	171.685						
Collection Fund Deficit/-surplus	-1.448	-0.500	-0.500	-0.500	-0.500	-0.500	-0.500
Government Grant	-67.764	-65.731	-63.759	-61.846	-59.991	-58.191	-56.446
Amount to be raised from Council Tax	-102.473	-105.035	-107.661	-110.352	-113.111	-115.939	-118.837
Total Income	-574.346	-573.027	-572.781	-572.660	-572.663	-572.791	-573.044
Funding Gap	0.000	15.963	29.787	42.658	55.005	66.827	78.624

Annual Funding Gap

15.963

13.824

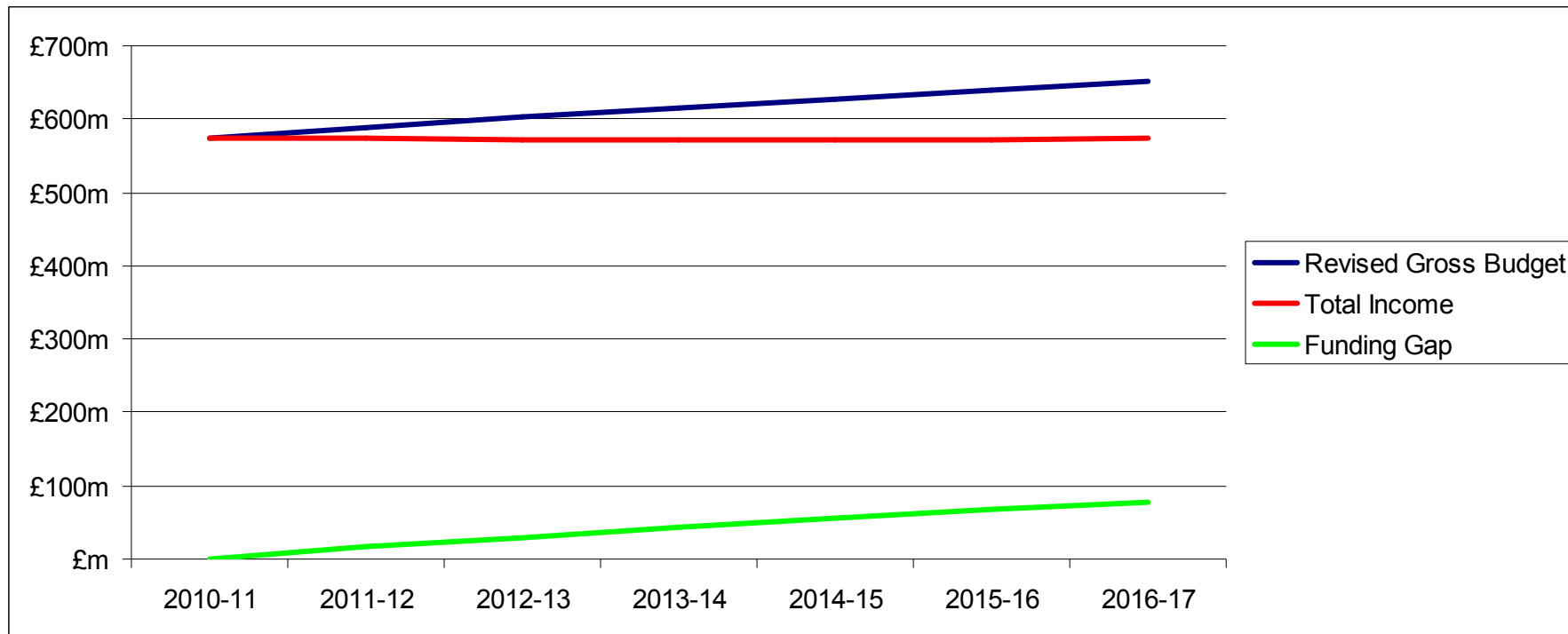
12.871

12.347

11.822

11.797

Longer Term Outlook - Summary



Forecast reserves and provisions

General Balances	2010-11 £000	2011-12 £000	2012-13 £000
Estimated balances at start of year	6.800	6.610	6.094
Maximum Contribution included in Reserves Policy (1)	0.500	0.500	0.500
Estimated Use of balances in year (2)	-0.690	-1.016	-0.366
Estimated Balances at year end	6.610	6.094	6.228

Notes:

1. The Reserves Policy is at Appendix 10. This policy is reviewed annually as part of the MTFS process.
2. The Estimated use of balances draws on the Risk Assessment at Appendix 9. It covers categories A-B of the risk rating. Directorates are expected to be able to take action to contain pressures in categories C –E. Potential pressures in A-B are also reduced by contingencies or reserves available as well as further management action that could be taken (such as slippage of capital programme where capital receipts are short of target). The estimated use of balances should be worst case scenario where no other viable funding mechanism remains.

Earmarked Reserves	Estimated Reserves at start of year 1 April 2010 £000	Planned Contributions included in MTFs £000	Estimated Use of reserves in year £000	Estimated Reserves at year end 31 March 2011 £000
Employee and Litigation Related	0.098	-	- 0.098	0
Insurance Reserve	0.500 -	-	- 0.500	0
Building Schools for the Future	0.400	-	0	0.400

Note:

- Employee and Litigation: Balance transferred to E & L Provision in year to fulfil in year requirements
- Insurance Reserve: Balance transferred to Insurance Provision in year

Provisions	Estimated position at 1 April 2010 £000	Contribution in the MTFs	Forecast Movement in Year	Forecast Balance at 31 March 2011
Insurance Provision	4.900	1.300	-1.500	4.700
Employee Related Provision	1.300	0.125	- 0.300	1.125
HRA Disrepair Provision	0.080	-	-0.080	0
Litigation Provision	0.924	0.100	-0.535	0.489
Sundry Bad Debt Provision	0.947	-	-0.100	0.847

Note:

- Insurance Provision: Assumes that the additional reserve of £0.5m utilised in 10/11
- Employee Related Provision: £1m at year end represents on-going liability on CAYs (contributions for added years for early retirements). Only £0.125m available for other purposes.
- Litigation Provision: Assumes that additional reserve of 0.098m transferred to the provision in 10-11
- Sundry Bad debt Provision. Directorates are required to meet their own debt requirements in year. BDP should go down as income collection improves.

Stakeholder Meetings

A series of meetings with key stakeholders to share information took place in December, January and February. They 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	21 January 2010, 7.30pm, 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
Voluntary Sector	Voluntary Sector Forum	3 February 2010, 2pm, Members' Lounge
Unions	Meeting with the Leader of the Council	4 February 2010, 12.30pm, Leader's Office
Public	Open Cabinet	9 Feb 2010, 7pm, Harrow Arts Centre

CR = committee room