

REPORT FOR: **CABINET**

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|---|---|
| Date: | 15 December 2010 |
| Subject: | Draft Revenue Budget 2011/12 to 2015/16 |
| Key Decision: | Yes |
| Responsible Officer: | Myfanwy Barrett, Corporate Director of Finance |
| Portfolio Holder: | Councillor Bill Stephenson, Leader and Portfolio Holder for Finance and Business Transformation |
| Exempt: | No |
| Decision subject to Call-in: | Yes |
| Enclosures: | Appendices listed below |

Appendices are attached as follows:

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Section 1 – Summary and Recommendations

This report sets out the draft revenue budget for 2011-12 and medium term financial strategy (MTFS) for 2011-12 to 2015-16.

RECOMMENDATIONS:

- 1) That Cabinet approves the draft budget for 2011-12 and the MTFS
- 2) That Cabinet notes the planned investment in services and efficiency programme
- 3) That Cabinet approves the revised reserves policy at Paragraph 56

REASON: To ensure that the Council publishes a draft budget for 2011-12

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 October 2010, and approved a new draft vision and corporate priorities as follows:

Vision

Working together: our Harrow, our community

Proposed priorities:

- Keeping neighbourhoods clean, green and safe
 - United and involved communities: a Council that listens and leads
 - Supporting and protecting people who are most in need
 - A Town Centre to be proud of: changing Harrow for the better
3. Consultation is being carried out on these priorities via the residents' panel and a campaign entitled "Let's Talk". A stakeholder event will be held early in 2011 to feed back on the results of the consultation on the new vision and priorities. The results of the consultation will then be reported back to Cabinet in February 2011 as part of the new Corporate Plan.

Options considered

4. The development of the corporate plan and MTFS is an iterative process which takes place over 6-9 months every year. During this process, numerous options and factors are discussed at the Corporate Strategy Board and with Cabinet members. The remainder of this report deals with the recommended draft budget for 2011-12 and the proposed MTFS.

Financial Context

5. The development of the medium term financial strategy is extremely 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 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 Spending Review 2010 suggests that there will be significant funding reductions in the next few years
6. Harrow is still experiencing the effects of the recession – for instance the number of benefit claimants has increased from 16,600 to 19,500 from April 2008 to date, an increase of 17%.
7. The demands on Children's and Adults services due to demographic growth, court decisions, new guidance and regulations, and increasing complexity of need are growing all the time.
8. There is considerable risk in relation to the impact of changes to benefits, initially housing benefit, on the community. There is a concern that Landlords will not accept reduced rents due to the amount of surplus demand and that the cap on housing benefit will therefore push families from Inner to Outer London, and perhaps from Outer London into the rest of the UK.
9. Inflation is still running at over 4% which is putting added pressure on spending levels.

Central Government Funding

10. The Spending Review 2010 was published on 20 October. Various briefings were provided by the Local Government Association and London Councils soon afterwards. A summary of the headlines is attached in Appendix 4 to this report. The key message is that it is still not clear what the Council's funding levels will be in 2011-12 and beyond, and there is real concern about the extent to which the reductions in local government funding will be front-loaded into 2011-12 rather than spread evenly over the 4 year life of the spending review. There are also changes proposed to the funding formula, the impact of which is unclear.

11. Within the spending review, new social care funding of £530m in 2011-12 rising to £1bn in 2014-15, and a further £1bn of additional funding through the NHS budget to support joint working between the NHS and Councils was announced. There will also be a new non-ring-fenced Early Intervention Grant (which will include former Sure Start funding) which will be worth £2bn by 2014-15. However, the additional Council funding for both Adults and Children will come via formula grant so it may be difficult to see exactly how much the Council is getting and whether this has in effect been funded from cuts elsewhere. Guidance on how the new NHS funding will be applied will be included in the NHS Operating Plan which is due to be published in December.
12. It is anticipated that the Local Government Settlement will be announced during week commencing 13 December. If this is before the cabinet meeting, time permitting, a further note will be circulated, to supplement Appendix 4, about the settlement for Harrow. In the meantime a cautious view has been factored into the draft budget.

Council Tax Strategy

13. The report recommends **a zero council tax increase** in 2011-12. The government is providing support which equates to a 2.5% increase to keep council tax levels down.
14. The planned council tax increase thereafter is 2.5% per year.

Budget for 2011-12 and MTFS

15. The MTFS in summary form is attached at Appendix 1, with a detailed analysis of the proposed changes attached at Appendix 2.
16. The current funding gap is £5.6m in 2011-12.
17. The funding gaps in the medium term include:
 - Prudent amounts for capital financing and technical issues such as grant reductions, concessionary travel and contributions to reserves
 - Inflation
 - Additional investment in services to reflect priorities, demographic change, and the additional cost of waste disposal
 - The transformation programme

Analysis of budget changes

18. The change in the budget requirement for 2011-12 can be summarised as follows:

| | £m |
|--|-----------|
| Budget Requirement 2010-11 | 171.7 |
| Capital financing costs and investment income | 0.0 |
| Technical changes (including specific and area based grant reductions and concessionary fares) | 5.5 |
| Inflation | 2.7 |
| Investment in services | 5.7 |
| Transformation programme | (12.6) |
| Remaining Funding Gap | (5.6) |
| Budget Requirement 2011-12 | 167.4 |

19. The investment and efficiency programme totals for each Directorate for 2011-12 are summarised below:

| Directorate | Investment in services £m | Efficiency Programme £m |
|------------------------------|---------------------------------|-------------------------------|
| Cross-Cutting Transformation | | (0.5) |
| Adults and Housing | 1.5 | (4.0) |
| Children's Services | 1.3 | (2.2) |
| Community and Environment | 0.6 | (2.9) |
| Place Shaping | 0.4 | (0.5) |
| Legal and Governance | 0.1 | (0.0) |
| Finance | 1.8 | (1.8) |
| Chief Executive | 0.0 | (0.7) |
| Total | 5.7 | (12.6) |

20. 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, Customer Services 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.

21. Further work is required to allocate the savings from cross-cutting transformation projects and procurement (within Finance) to individual Directorates.

Technical Changes and Inflation

22. The assumptions behind the technical changes and inflation provisions are explained in the commentary at Appendix 3 of this report.

Investment in Services and Transformation Programme

23. The planned investment and impact of the transformation programme over 5 years is summarised below:

| | 2011-12 £m | 2012-13 £m | 2013-14 £m | 2014-15 £m | 2015-16 £m |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Planned investment | 5.7 | 2.5 | 1.9 | 1.5 | 1.5 |
| Unallocated investment | | 2.0 | 2.0 | 2.0 | 2.0 |
| Transformation programme | (12.6) | (8.2) | (4.4) | (0.1) | 0.0 |
| Net Total | (6.9) | (3.7) | (0.5) | 3.4 | 3.5 |

24. The planned investment addresses demographic pressures, the impact of landfill tax on waste disposal costs, and the need to improve the Council's IT.

25. The MTF5 reflects the Better Deal for Residents programme which includes a wide variety of projects in all Directorates, savings from enhanced technology and business processes, property rationalisation, and better procurement.

26. It is clear from the table that much progress has been made to generate savings over the next 3 years, but that this needs to be extended to cover a longer period given the funding outlook.

Services subject to consultation

27. There are currently two consultation exercises underway – one in relation to Adults Services and one in relation to support for the Voluntary and Community Sector.

28. Adults services have launched a major consultation with stakeholders. It is focused on generating ideas for making the service financially sustainable over the next few years. A number of ideas are being put forward for discussion with stakeholders but it is hoped that the consultation will generate other proposals. This pre-consultation will be completed by Christmas. Consideration will then be given to which ideas should be put forward for full consultation. The full consultation is scheduled to conclude at the end of April 2011. Stakeholders are clear that ways to save money have to be found even if specific ideas are not supported.

29. A consultation is taking place between 1 December 2010 and 28 January 2011 to seek views on Voluntary and Community Grants, Community Lettings and Community Premises.

Children's Services

30. The Children's services budget has been under considerable pressure in the last few years. The pressures on the placements budget last year

exceeded £0.9m. Whilst growth was provided in the 2010-11 budget, this was supplemented by a further £1m at the start of the year, recognising the increasing demands on the service.

31. Extensive work has been undertaken in the current year by the Corporate Director for Children's Services, her management team and the finance team to minimise the overspend. The current forecast overspend is £0.2m.
32. Our Looked After Children Care population is now at its lowest in 4 years and one of the lowest in London. The Corporate Director has also put in place systems, strategies (eg, Teenage Placement) and a culture which has brought costs down without a corresponding decrease in service.
33. The draft budget for 2011-12 includes growth of £1.3m to deal with both the underlying pressure and forecast demographic growth of 7% a year. There are still risks associated with the budget as the growth is building upon a very low base line. The Children's Directorate are clear that the strategy is to keep numbers low and costs down, however, if children and young people need to come into care the council has to be able to fulfil its statutory duties and has legal obligations to protect children in the community. There is a risk that, with the increased stress on families, and the withdrawal of Education Maintenance Allowance and other support systems for young people, the care population may increase. To recognise this risk the draft budget also includes a contingency (see para 41 below).

Public Health

34. Responsibility for public health is due to transfer from the Primary Care Trust to the Council from April 2013. The recent White Paper on Health suggests that the funding will be ring fenced and that the amount will be based on the spend in 2009-10. However, it is not clear at this stage exactly how much funding will be transferred to the Council to support these new duties.

Waste Collection and Disposal

35. The Council acts as a waste collection authority and therefore collects recycling, organic waste and residual waste from households, businesses and other bodies. Organic and residual waste are disposed of via the West London Waste Authority (WLWA), which is a joint authority for six boroughs. The costs of disposal are covered by the six boroughs through a levy and a mechanism for dealing with any excess tonnage over and above the estimated amount at the start of the year. The cost of waste disposal per tonne is increasing year on year due to the increase in landfill tax.
36. Next year the WLWA is, subject to approval by all six boroughs, moving to a new "Pay as you throw" levy mechanism which is designed to better incentivise the boroughs to minimise waste and maximise recycling, and therefore take the pressure off landfill. In addition WLWA is embarking on a major procurement to provide alternative treatment and disposal facilities to increase diversion from landfill in the medium to long term.

37. The forecast cost of waste disposal next year is therefore entirely dependant on estimated tonnage. Harrow's tonnage estimate is currently being updated. The final WLWA authority budget for 2011-12 will be set in January 2011.

Outturn for 2009-10 and budget monitoring for 2010-11

38. The Council underspent in 2009-10. The budget monitoring report for the third quarter of 2010-11 shows that there are considerable pressures this year but all Directorates are working to come in on budget.

39. The ongoing impact of underspends and pressures identified during 2009-10 and 2010-11 to date has been factored into the draft MTFs and the situation will be kept under review. Most importantly the 2011-12 budget seeks to address the underlying issues in Children's Services.

Impact Assessment

40. Each of the individual budget proposals (set out in Appendix 2) is supported by a more detailed explanation and impact assessment, which includes an equalities impact assessment test of relevance. This ensures that implications of each of the proposals have been considered and where relevant appropriate action will be taken when implementing the proposal. Full equalities impact assessments will be carried out on those proposals where tests of relevance indicate they should be.

Contingency

41. The draft budget includes a contingency which can be analysed as follows:

| | |
|--|--------------|
| Contingency 2011-12 | £000 |
| General contingency for high priority one-off projects and unforeseen events | 665 |
| Specific addition for Children's services risk | 250 |
| Specific addition for homelessness risk | 250 |
| Specific addition for land charges risk | 200 |
| TOTAL | 1,365 |

42. The contingency in the base budget for the current year is £125k (which was fully allocated to support grants to voluntary groups). This has been supplemented from unused pension provisions and other "technical" parts of the budget to provide £665k. Specific additions are included in the draft budget to deal with specific risks.

43. During the current year the Council has received a grant of £300k for homelessness and this has been set aside as an earmarked provision for future years.

44. A formal policy for managing the contingency is being developed. Funds will only be allocated from the contingency where there is clear evidence to support the case.

Fees and Charges

45. Cabinet approved the new fees and charges policy in October.

46. Work is progressing within directorates to update fees and charges in line with the new fees and charges policy. The proposed fees and charges will be reported to Cabinet in February 2011.

47. The default position is for fees and charges to be increased by 2% in line with the government's target rate for inflation measured by CPI. This is against a backdrop of RPI increasing by 4.5% and CPI by 3.2% as at October 2010.

48. A review of parking is taking place, which may include consideration of charging for car parks that are currently not charged for.

49. The consultation taking place with the community and voluntary sector includes consideration of the charges made for community lettings and community premises.

50. The Adults services consultation includes consideration of the contributions clients make to the cost of services.

Strategy for Closing Funding Gaps

51. The funding gap for 2011-12 will be affected by the Local Government Settlement. Once the exact position is known the remaining gap will be addressed through:

- Further review of the technical assumptions, including the collection fund and levies
- Re-examination of growth pressures
- Identification of further savings as required

Schools Budgets

52. The outlook for schools is set out in Appendix 5. The schools budget is also dependent on the local government settlement.

Risk Assessment and Reserves Policy

53. The detailed risk assessment of the budget will be updated for February cabinet.

54. The most significant financial risks in 2011-12 are as follows:

- Uncertainty about the pay award and inflation for 2011-12
- Uncertainty about capital receipts for 2011-12
- The need to achieve revenue income targets
- Possible increases in demand for services due to the recession, benefit changes and demographic growth

- The need to ensure that Children's services can manage within the approved budget next year, given the underlying pressures
- The risk of litigation including planning appeals
- The need to ensure that the transformation projects and other savings identified are delivered
- The funding challenges facing partner organisations, particularly the health service

55. 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.

56. It is recommended that this is amended to put greater emphasis on the Council's transformation programme as follows:

The risk assessment of the budget dictates the minimum level of general balances required.

One of the calls on any underspend at the end of the year will be a contribution to general balances. The value of the contribution will be determined with regard to the size of the underspend, the underlying strength of the balance sheet, the need to support the transformation programme, and other priorities.

57. If agreed, the new policy will take effect in the current year.

Housing Revenue Account 2011-12 to 2015-16

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

Capital Programme 2011-12 to 2015-16

59. Planning totals for the Capital Programme were approved by Cabinet in October. The draft revenue budget reflects the anticipated cost of financing the programme at these levels, and takes into account the forecast outturn for 2010-11 set out in the second quarter monitoring report. The detailed capital programme is being developed and will be the subject of a report to cabinet in February.

Consultation and Information Sharing

60. This is a draft budget and it is at a formative stage. If it is approved detailed consultations will take place where necessary. The results of these consultations will be taken into account in the final budget report which will be put before Cabinet in February 2011. This consultation will include:

- As noted above, the vision and priorities for 2011-12 will be the subject of the "Let's Talk" consultation with residents, and consultation

exercises are also underway in relation to both Adults Services and support for the voluntary and community sector.

- A series of meetings will be held with stakeholders in January to share information on the Council's budget plans and seek comments. These are set out in Appendix 6.
- The Overview and Scrutiny Committee has established a standing review of the budget. Overview and Scrutiny will hold a question and answer session with the Leader and Chief Executive on 12 January 2011 on the draft budget. In addition, there will be a meeting of Overview and Scrutiny on 27 January 2011.
- Detailed consultation will be carried out with staff and other stakeholders where appropriate on individual items in appendix 2.

Legal implications

61. It is important that robust equalities impact assessments are completed and that consultation is done whilst the budget is in a formative stage prior to final approval in February 2011.
62. The Adults services consultation mentioned above is scheduled to finish at the end of April 2011, with a report back to Cabinet in the summer. Therefore specific proposals arising from the matters subject to consultation will not be included in the final budget report for 2011-12.

Financial Implications

63. Financial matters are integral to this report.

Performance Issues

64. 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 2011-12 to 2015-16 and progress will be monitored by Improvement Boards and reported on a quarterly basis.
65. With the reductions in budgets proposed for 2011-12, and the funding gaps within future years it will be important to track the performance of all Council services to ensure that any reductions in service levels are quickly reported and mitigating actions are put in place. This report already covers a number of the performance challenges that the Council will face over the life of the Medium Term Financial Strategy and some of the specific challenges are as follows:
- Children's Services: With rising levels of contacts and referrals of vulnerable children within the borough there will be increased pressure on the service in a time of reducing budgets. The new integrated Children's Services model will support the delivery of a more joined-up service for children and provide efficiencies;
 - Adult Services: An aging population and a rise in the number of adults with complex needs is increasing the pressure on budgets, and

impacting on services. Transformation projects such as the recently launched Reablement Service will shape the service to better support residents to live independently whilst making efficiencies;

- **Public Realm:** The cost of waste disposal continues to increase, which is mitigated to some degree by the high levels of performance in recycling and composting. Further efficiencies are being delivered by the better use of technology, allowing for current service levels to be maintained, despite the funding climate.
- **Customer Contact:** Telephone calls answered within timescales and the number of residents seen within 15 minutes when they visit the Council. Further roll out of channel migration towards web based contact and further integration of more services into Access Harrow will support the maintaining of performance whilst allowing for efficiencies;

45. The Government's plans to change the National Indicator Set will mean that the Council has to review the performance indicators it uses to measure services. Officers are currently reviewing these indicators in tandem with a Scrutiny Review so that the suite of indicators the Council uses in future represents the best way of measuring the impact of services on residents and the community.

Environmental Impact

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

Risk Management Implications

67. As part of the budget process the detailed budget risk register will be reviewed and updated. This helps to test the robustness of the budget and support the reserves policy.

Corporate Priorities

68. The draft budget for 2011-12 supports delivery of the Council's new draft vision and priorities.

Section 3 - Statutory Officer Clearance

Name: Myfanwy Barrett Chief Financial Officer

Date: 3 December 2010

Name: Jessica Farmer On behalf of
Monitoring Officer

Date: 8 December 2010

Section 4 – Performance Officer Clearance

Name: Alex Dewsnap On behalf of
Assistant Chief
Executive

Date: 2 December 2010

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards Divisional Director
(Environmental
Services)

Date: 7 December 2010

Section 6 - Contact Details and Background Papers

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

Background Papers:

- Integrated Planning 2011-12 to 2015-16, reports to July and October cabinet meetings,

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

NOT APPLICABLE

Appendix 1

Medium Term Financial Strategy 2011-12 to 2015-16

| | 2010-11 Budget £m | 2011-12 Budget £m | 2012-13 Budget £m | 2013-14 Budget £m | 2014-15 Budget £m | 2015-16 Budget £m |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Budget Requirement Brought Forward | | 171.685 | 167.389 | 165.584 | 164.844 | 164.170 |
| Capital Financing Costs | | 0.000 | 0.000 | 0.000 | 1.000 | 1.000 |
| Technical Changes | | 5.517 | 4.790 | 4.505 | 4.350 | 5.910 |
| Inflation | | 2.688 | 2.650 | 5.500 | 5.500 | 5.500 |
| Adults | | -2.180 | 0.080 | 0.400 | 1.500 | 1.500 |
| Housing | | -0.280 | -0.180 | -0.150 | 0.000 | 0.000 |
| Children's Services | | -0.871 | 0.128 | 0.119 | -0.095 | -0.036 |
| Community & Environment | | -2.260 | -0.096 | 0.114 | 0.000 | 0.000 |
| Place Shaping | | -0.099 | -0.445 | -0.424 | 0.000 | 0.000 |
| Legal & Governance | | 0.021 | -0.050 | -0.071 | 0.000 | 0.000 |
| Corporate Finance | | -0.003 | -2.123 | -2.000 | 0.000 | 0.000 |
| Chief Executive | | -0.725 | -0.887 | -0.562 | 0.000 | 0.000 |
| Cross Cutting Transformation Projects | | -0.535 | -2.086 | 0.000 | 0.000 | 0.000 |
| General Investment Provision | | 0.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| FUNDING GAP | | -5.569 | -5.586 | -10.171 | -14.929 | -16.480 |
| Total Change in Budget Requirement | | -4.296 | -1.805 | -0.740 | -0.674 | -0.606 |
| | | | | | | |
| Revised Budget Requirement | 171.685 | 167.389 | 165.584 | 164.844 | 164.170 | 163.564 |
| Collection Fund Deficit/-surplus | -1.448 | -1.500 | -0.500 | -0.500 | -0.500 | -0.500 |
| Formula Grant | -67.764 | -62.484 | -59.094 | -55.704 | -52.314 | -48.924 |
| Amount to be raised from Council Tax | 102.473 | 103.405 | 105.990 | 108.640 | 111.356 | 114.140 |
| | | | | | | |
| Council Tax at Band D | £1,186.55 | £ 1,186.55 | £1,216.21 | £ 1,246.62 | £ 1,277.78 | £ 1,309.73 |
| Increase in Council Tax (%) | - | 0.00 | 2.50 | 2.50 | 2.50 | 2.50 |
| | | | | | | |
| Tax Base | 86,362 | 87,148 | 87,148 | 87,148 | 87,148 | 87,148 |
| Assumed collection rate | 98.25% | 98.25% | 98.25% | 98.25% | 98.25% | 98.25% |
| Gross Tax Base | 87900 | 88700 | 88700 | 88700 | 88700 | 88700 |

Detailed Budget Proposals – Technical Changes

| | 2011-12 £000 | 2012-13 £000 | 2013-14 £000 | 2014-15 £000 | 2015-16 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Capital and Investment | | | | | |
| Capital financing costs and investment income | 0 | 0 | 0 | 1,000 | 1,000 |
| Total | 0 | 0 | 0 | 1,000 | 1,000 |
| Technical Changes | | | | | |
| Grants | | | | | |
| Area Based Grant | 1,290 | 650 | 650 | 650 | 650 |
| Specific Grants | 3,400 | 1,900 | 1,900 | 1,900 | 1,900 |
| Council Tax Support Grant | -2,560 | | | | 2,560 |
| Local Area Agreement Reward Grant | 40 | | | | |
| Concessionary Fares | | | | | |
| Freedom pass costs | 874 | 300 | 300 | 300 | 300 |
| Withdrawal of Transport for London funding for Taxicard mobility assessments | 28 | | | | |
| Levies and Subscriptions | | | | | |
| Local Government Association /London Councils - reduction of 25% | -70 | | | | |
| London Fire and Emergency Planning Authority new levy | 17 | | | | |
| Provisions and Reserves | | | | | |
| Contribution to provisions for debt/litigation | 100 | 100 | 75 | | |
| Contribution to insurance provision | 350 | 350 | 300 | | |
| Contingency | | | | | |
| Land charges income | 200 | | | | |
| Housing Benefit changes impact on housing | 250 | | | | |
| Children's services demand pressures | 250 | | | | |
| Capitalisation strategy/recharges strategy | | | | | |
| Reduce reliance on capitalisation | 1,000 | 1,000 | 1,000 | 1,000 | |
| Miscellaneous | | | | | |
| Carbon Reduction Commitment scheme | 303 | | | | |
| Additional Trade Union facility time during Transformation | 45 | | | | |
| Provision for other items in years 2 to 5 | | 490 | 280 | 500 | 500 |
| Total Technical Changes | 5,517 | 4,790 | 4,505 | 4,350 | 5,910 |

Appendix 2(ii)

Detailed Budget Proposals – Inflation

| | 2011-12 £000 | 2012-13 £000 | 2013-14 £000 | 2014-15 £000 | 2015-16 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | | | | |
| Pay Award @ 0% for 2 years, then 2% | 0 | 0 | 2,150 | 2,150 | 2,150 |
| | | | | | |
| Provision for 2010-11 pay award brought forward | -550 | | | | |
| | | | | | |
| National Insurance Contributions increase of 1% with banding adjustments | 700 | | | | |
| | | | | | |
| Inflation on goods and services @ 2% | 1,800 | 1,900 | 1,950 | 1,950 | 1,950 |
| | | | | | |
| Additional provision for electricity and gas price increases | 140 | | | | |
| National Non Domestic Rates on Council properties @ 4.5% | 48 | | | | |
| | | | | | |
| Contingency | 300 | 500 | 1,150 | 1,150 | 1,150 |
| | | | | | |
| Inflation total | 2,438 | 2,400 | 5,250 | 5,250 | 5,250 |
| | | | | | |
| Pension contributions | | | | | |
| | | | | | |
| Employer's Pension Contributions @ 0.25% | 250 | 250 | 250 | 250 | 250 |
| | | | | | |
| Pensions total | 250 | 250 | 250 | 250 | 250 |
| | | | | | |
| | | | | | |
| Combined Total | 2,688 | 2,650 | 5,500 | 5,500 | 5,500 |

Appendix 2(iii)

Better Deal for Residents Programme

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|-------------|--------------|----------|----------|----------|
| | £000 | £000 | £000 | £000 | £000 |
| Customer Contact and Assess and Decide project – indicative figures | -436 | -501 | | | |
| Business Support Project – indicative figures | -233 | -1451 | | | |
| Mobile & Flexible Working - to be confirmed | | | | | |
| Human Resources and Finance support to programme | 134 | -134 | | | |
| Total | -535 | -2086 | 0 | 0 | 0 |

Detailed Budget Proposals – Adults and Housing

Adults

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|--------------|--------------|--------------|-------------|-------------|
| | £000 | £000 | £000 | £000 | £000 |
| Investment in Services | | | | | |
| Demography - Learning Disabilities | 1000 | 1000 | 1000 | 1000 | 1000 |
| Demography - Physical Disabilities | 500 | 500 | 500 | 500 | 500 |
| Demography - Older People | 0 | 0 | 0 | 0 | 0 |
| Demography - Mental Health | 0 | 0 | 0 | 0 | 0 |
| Total Investment | 1500 | 1500 | 1500 | 1500 | 1500 |
| | | | | | |
| Transformation | | | | | |
| Adults Transport (Special Needs Transport) | -100 | -20 | | | |
| Total Transformation | -100 | -20 | 0 | 0 | 0 |
| | | | | | |
| Other Efficiencies | | | | | |
| Productivity | | | | | |
| Contract Management | -500 | -200 | -100 | | |
| West London Alliance Adults Joint Procurement | -350 | 0 | 0 | | |
| Social Care Realignment | -1000 | 0 | 0 | | |
| Reduction in external day care provision | -300 | 0 | 0 | | |
| In house Residential Accommodation | -100 | -250 | 0 | | |
| Financial Assessment Team | -100 | 0 | 0 | | |
| Voluntary Severance Scheme | -200 | 0 | 0 | | |
| Supporting People | -250 | 0 | 0 | | |
| Prevention | | | | | |
| Reablement | -350 | -750 | -900 | | |
| Partnership | | | | | |
| CNWL: Mental Health efficiencies | -250 | -100 | -100 | | |
| Voluntary Sector Service Level Agreements | -180 | -100 | 0 | | |
| | | | | | |
| Total Other Efficiencies | -3580 | -1400 | -1100 | 0 | 0 |
| | | | | | |
| Total Efficiencies | -3680 | -1420 | -1100 | 0 | 0 |
| | | | | | |
| Net | -2180 | 80 | 400 | 1500 | 1500 |

Housing

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|-------------|-------------|-------------|----------|----------|
| | £000 | £000 | £000 | £000 | £000 |
| Efficiency Programme | | | | | |
| Housing Register Administration | -12 | | | | |
| Temporary Accommodation | -143 | | | | |
| Increase salary allocations to Housing Revenue Account | -85 | | | | |
| Income Generation - charging for advice provided to developers | -40 | | | | |
| Housing Needs | | -180 | | | |
| West London Housing Needs Partnerships | | | -150 | | |
| | | | | | |
| Total Efficiency Programme | -280 | -180 | -150 | 0 | 0 |

Detailed Budget Proposals – Children’s Services

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|--------------|------------|-------------|------------|------------|
| | £000 | £000 | £000 | £000 | £000 |
| Investment in Services | | | | | |
| Shortfall in Unaccompanied Asylum Seekers Grant | 280 | | | | |
| Two Qualified Social Worker posts to ensure safe caseload following increase in child protection cases | 84 | | | | |
| Special Education Needs Home to School Transport –New Routes | 120 | | | | |
| Special Education Needs Home to School Transport – loss of spot hire savings | 120 | | | | |
| New short breaks for disabled children duty from 1.4.11 | 45 | | | | |
| New parental right of Special Education Needs appeal | 35 | | | | |
| Safeguarding - Funding for current pressure on children looked after placements | 375 | | | | |
| Safeguarding - Demographic growth | 225 | 225 | 225 | | |
| Chair of Child Protection Review Panel | 25 | | | | |
| Integrated Children’s System | 40 | | | | |
| Total Investment | 1,349 | 225 | 225 | 0 | 0 |
| Transformation | | | | | |
| Special Needs Transport 2 - Savings | -303 | -101 | -56 | -45 | -36 |
| Special Needs Transport 2 - Costs | 148 | 4 | - | | |
| Review of Achievement & Inclusion | -450 | 0 | -50 | -50 | |
| Total Transformation | -605 | -97 | -106 | -95 | -36 |
| Other Efficiencies | | | | | |
| Reductions in the contract for universal Connexions | -300 | | | | |
| Reduction in youth workers and services for targeted activities | -400 | | | | |
| Reduction in Staffing in the Youth Offending Team | -94 | | | | |
| Stop Development of youth website | -10 | | | | |
| Savings on Admin plus Charging for Summer Uni | -30 | | | | |
| Stop/Charge for programmes delivered in schools and Ethnic Minority Achievement Service | -42 | | | | |
| Rationalisation of Buildings | -63 | | | | |
| Review operating model of Wealdstone Youth Centre to reduce subsidy | -10 | | | | |
| Extended School Start Up grant – Area Based Grant passported to clusters | -293 | | | | |
| Reduction in subsidy on After School Clubs and play schemes | -50 | | | | |

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|---------------|------------|-------------|------------|------------|
| | £000 | £000 | £000 | £000 | £000 |
| | | | | | |
| Management Restructure in Fostering/Adoption Support | -50 | | | | |
| Children Looked After post | -44 | | | | |
| Reduction in training | -11 | | | | |
| Management Restructure in Children with Disabilities/Special Education Needs Assessment | -65 | | | | |
| Moving of Sensory & Communication Team into Alexandra Ave | -23 | | | | |
| Children with disabilities Client Costs | -50 | | | | |
| Stop/Charge for Special Education Needs services to schools | -50 | | | | |
| Carer's Grant | -30 | | | | |
| Total Efficiency Programme | -2,220 | -97 | -106 | -95 | -36 |
| | | | | | |
| Net Total | -871 | 128 | 119 | -95 | -36 |
| | | | | | |

Detailed Budget Proposals – Community and Environment

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|---------------|--------------|------------|----------|----------|
| | £000 | £000 | £000 | £000 | £000 |
| Investment | | | | | |
| WLWA Levy | 350 | 1,040 | 150 | | |
| | | | | | |
| Environment - above inflationary increases/budget pressures | | | | | |
| Automatic Signals(Transport for London) | 20 | | | | |
| Winter Gritting - Low emission zone vehicles | 91 | | | | |
| TOTAL above inflationary pressures | 111 | 0 | 0 | 0 | 0 |
| | | | | | |
| Materials recycling | 27 | | | | |
| Loss of income from Schools Service Level Agreement/Grant - to be confirmed | 139 | | | | |
| Total Investment | 627 | 1,040 | 150 | 0 | 0 |
| | | | | | |
| Transformation | | | | | |
| Radio-frequency identification (RFID) / Libraries re-org: efficiencies | -780 | -343 | | | |
| Radio-frequency identification (RFID) / Libraries re-org: on going costs | 41 | 3 | | | |
| Radio-frequency identification (RFID) / Libraries re-org: one off marketing costs | 10 | -10 | | | |
| Streets / Grounds efficiencies | -791 | -296 | | | |
| Streets / Grounds - one off marketing costs | 5 | -5 | | | |
| Streets / Grounds - ongoing costs | 78 | | | | |
| Trading Standards review | -200 | | | | |
| Property and Infrastructure review | -300 | | | | |
| TOTAL from Transformation | -1,937 | -651 | 0 | 0 | 0 |
| | | | | | |
| Other Efficiencies | | | | | |
| | | | | | |
| Environment Savings | | | | | |
| 10% reduction in energy costs council wide | 0 | -60 | | | |
| Vehicle Fleet contract | -100 | | | | |
| Full cost recovery for grounds maintenance to Schools / housing | | -110 | | | |
| Parking Review | -75 | | | | |
| SALIX energy efficiency savings at Queens House car park | -8 | | | | |
| London Permit Scheme | -230 | | | | |
| Total from Environment | -413 | -170 | 0 | 0 | 0 |
| | | | | | |

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|---------------|---------------|------------|----------|----------|
| | £000 | £000 | £000 | £000 | £000 |
| Community and Culture Savings | | | | | |
| Review Community Premises | -65 | -40 | 0 | 0 | 0 |
| Review Community Lettings | -59 | -30 | 0 | 0 | 0 |
| Community Development Restructure | -51 | -65 | 0 | 0 | 0 |
| Cultural Strategy Review | 0 | -300 | 0 | 0 | 0 |
| Harrow Arts Centre business plan | -54 | -38 | -36 | 0 | |
| Review of Music Service | -100 | -27 | 0 | 0 | 0 |
| Harrow Arts Centre Electricity savings from Salix investment | -23 | | | | |
| Gayton Library premises costs | -185 | 185 | | | |
| Total from Community & Culture | -537 | -315 | -36 | 0 | 0 |
| Total Other Efficiencies | -950 | -485 | -36 | 0 | 0 |
| Total Efficiency Programme | -2,887 | -1,136 | -36 | 0 | 0 |
| Net Total | -2,260 | -96 | 114 | 0 | 0 |

Detailed Budget Proposals – Place Shaping

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|-------------|-------------|-------------|----------|----------|
| | £000 | £000 | £000 | £000 | £000 |
| Investment | | | | | |
| Local Development Framework - One off Resource to complete core strategy and policy documents | 219 | -219 | | | |
| One Off National Non Domestic Rates refund in 2010-11 included in base | 200 | | | | |
| Total Investment | 419 | -219 | 0 | 0 | 0 |
| | | | | | |
| Other Efficiencies | | | | | |
| | | | | | |
| Business Management | | | | | |
| Consumables | -27 | -18 | 0 | | |
| Revenue Projects | -10 | -6 | -8 | | |
| Agency staff | -49 | 0 | 0 | | |
| sub total Business Management | -86 | -24 | -8 | 0 | 0 |
| | | | | | |
| Corporate Estates | | | | | |
| Staffing reductions/restructuring proposals | | | -99 | | |
| sub total Corporate Estates | 0 | 0 | -99 | 0 | 0 |
| | | | | | |
| Economic Development | | | | | |
| Staffing reductions/restructuring proposals | -70 | 0 | -82 | | |
| Consumables | -8 | 0 | 0 | | |
| Review of support for Harrow in Business | -76 | 0 | 0 | | |
| Grant to Harrow In Business for transition period | 50 | -25 | -25 | | |
| Rates budget from Harrow in Business premises | 0 | -9 | 0 | | |
| Revenue Projects | -20 | -6 | 0 | | |
| sub total Economic Development | -124 | -40 | -107 | 0 | 0 |
| | | | | | |
| Major Projects | | | | | |
| Revenue Projects | -30 | 0 | 0 | | |
| sub total Major Projects | -30 | 0 | 0 | 0 | 0 |
| | | | | | |
| Planning Services | | | | | |
| Staffing reductions/restructuring proposals | -217 | -162 | -195 | | |
| Introduce charge for all site specific householder pre application duties other than Duty Planner | -15 | 0 | 0 | | |
| Introduce Planning Performance Agreements for major strategic applications with associated re-charge provision. | -20 | 0 | 0 | | |
| Introduce differential charging policy for planning applications to provide for fast track income generation | 0 | 0 | -15 | | |
| sub total Planning Services | -252 | -162 | -210 | 0 | 0 |
| | | | | | |
| Other | | | | | |
| Technical Support | -26 | 0 | 0 | | |
| sub total Other | -26 | 0 | 0 | 0 | 0 |
| | | | | | |
| Total Efficiency Programme | -518 | -226 | -424 | 0 | 0 |
| | | | | | |
| Net Total | -99 | -445 | -424 | 0 | 0 |

Detailed Budget Proposals – Legal and Governance

| Proposal | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-----------------------------------|------------|------------|------------|----------|----------|
| | £000 | £000 | £000 | £000 | £000 |
| Investment in Services | | | | | |
| Elections | 31 | | | | |
| Mayoralty | 20 | | | | |
| Total Investment | 51 | 0 | 0 | 0 | 0 |
| | | | | | |
| Efficiency Programme | | | | | |
| | | | | | |
| Legal Practice | -30 | -50 | -71 | | |
| | | | | | |
| Total Efficiency Programme | -30 | -50 | -71 | 0 | 0 |
| | | | | | |
| Net Total | 21 | -50 | -71 | 0 | 0 |

Detailed Budget Proposals – Finance

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|---------------|---------------|---------------|----------|----------|
| | £000 | £000 | £000 | £000 | £000 |
| Investment | | | | | |
| Information Technology Service | 1,608 | | | | |
| Strengthening corporate accounting team | 160 | | | | |
| Total Investment | 1768 | 0 | 0 | 0 | 0 |
| Transformation Programme | | | | | |
| Corporate Services Review | -45 | -103 | | | |
| Procurement review including strengthening team | -1,500 | -2,000 | -2,000 | | |
| Reduction in external audit fees | -100 | 0 | | | |
| Concessionary travel assessment and renewal process | 30 | | | | |
| Concessionary travel –Taxicard: reduction in scheme contribution | -58 | | | | |
| Total Transformation Programme | -1,673 | -2,103 | -2,000 | 0 | 0 |
| Other Efficiencies | | | | | |
| Insurance efficiency review | -30 | | | | |
| Parking income team | -28 | | | | |
| Corporate Anti Fraud Team income - proceeds of crime | -5 | -20 | | | |
| Occupational Health contract | -35 | | | | |
| Total Other Efficiencies | -98 | -20 | 0 | 0 | 0 |
| Total Efficiency Programme | -1,771 | -2,123 | -2,000 | 0 | 0 |
| Net Total | -3 | -2,123 | -2,000 | 0 | 0 |

Detailed Budget Proposals – Chief Executive

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|-------------|-------------|-------------|----------|----------|
| | £000 | £000 | £000 | £000 | £000 |
| Transformation | | | | | |
| Resourcing Contract | -290 | -210 | | | |
| Total Transformation | -290 | -210 | 0 | 0 | 0 |
| Other Efficiencies | | | | | |
| Partnership Development & Performance | | | | | |
| Restructuring | -169 | -229 | -165 | | |
| Non Payroll | -79 | -16 | -10 | | |
| Human Resources & Development | | | | | |
| Corporate Training | -50 | 0 | 0 | | |
| Learning and Development Commissioning Arrangements | -15 | -45 | 0 | | |
| Restructuring | 0 | -75 | -75 | | |
| Trades Union Reductions | 0 | 0 | -40 | | |
| Business Transformation & Customer Service | | | | | |
| Access Harrow Staff Reduction | -50 | 0 | 0 | | |
| Programme Management Office Reduction | 0 | -40 | 0 | | |
| Access Harrow | 0 | -200 | -200 | | |
| Communications | | | | | |
| Reduction | -72 | -72 | -72 | | |
| Total Other Efficiencies | -435 | -677 | -562 | 0 | 0 |
| Total Efficiency Programme | -725 | -887 | -562 | 0 | 0 |
| Net Total | -725 | -887 | -562 | 0 | 0 |

Commentary

1. This commentary explains the technical assumptions which support the draft MTFS attached at Appendices 1 and 2.

Tax Base and Collection Fund

2. The tax base for 2011-12 is 87,148 with a collection rate of 98.25%. The draft MTFS currently assumes no growth in the number of band D households each year thereafter due to the economic climate and no change in the collection rate.
3. It is assumed that there will be a surplus on the collection fund of £1.5m at the end of 2010-11. This is consistent with last year's outturn.
4. The final Council Tax base for 2011-12 and collection fund position will be subject to approval by Cabinet in December 2010 and January 2011 respectively.

Capital Financing Costs and Investment Income

5. The budget includes a provision for capital financing costs consistent with the planned level of capital expenditure. The detailed figures are affected by anticipated capital expenditure and capital receipts in the current year and future years, and asset types, as well as interest rates. As part of the Spending Review, the borrowing rates for PWLB were increased by 1%. The investment income estimates are based on forecast cash flow and interest rates for lending. There is still considerable uncertainty in this area and more work is required to finalise the figures.

Government Grants

6. A briefing on the Spending Review which was published on 20 October is attached at Appendix 4.
7. The draft MTFS reflects the worst case scenario in light of the Spending Review, namely that half of the cash reduction will occur in the first year. In summary this is as follows:

| | 2010-11 Level £m | Forecast Cut £m |
|--|---------------------|--------------------|
| Formula Grant | 68 | 6.8 |
| Area Based Grant | 13 | 1.3 |
| Specific Grants (excluding DSG and Benefits) | 34 | 3.4 |
| Total grant support | 115 | 11.5 |
| | | |
| Support for Council Tax Freeze | | (2.5) |
| Concessionary Travel funding | | (0.5) |
| Adults and Children's Funding | | (1.0) |
| Net Total | | 7.5 |

8. The actual level of Formula Grant, Area Based Grant and Specific Grants will not be known until the draft Local Government Finance settlement is announced in December.
9. The Council will not receive any LAA reward grant next year.

Concessionary Fares

10. There are considerable uncertainties around the settlement with TfL and government grant funding. However, the information from London Councils suggests that there will be increased costs of £0.9m next year. This will be offset to some extent by the transfer of grant from London Councils to individual boroughs, an estimate of which is included in the grant figures above.
11. An annual increase of around 4% is expected from 2012-13 onwards.
12. The sum of £28k has been provided to offset the withdrawal of funding by TfL for taxicard assessments.

Levies and Subscriptions

13. A reduction of 25% in the subscriptions to LGA and London Councils is expected.
14. An additional £17k has been provided for London wide resilience – a service delivered by the London Fire and Emergency Planning Authority (LFEPA).

Provisions and Reserves

15. The sum of £275k over 3 years has been included to increase the annual contributions to the provisions for bad debts and litigation. The sum of £1m over 3 years has been included to increase the annual contributions to the provision for insurance. This is in line with actuarial advice. The establishment of reasonable provisions and earmarked reserves is an important element of the Council's drive to improve financial stability.

Contingency

16. There is a contingency of £125k in the base budget. This has been supplemented by using available capacity in pension provisions and other technical parts of the budget to create a contingency of £665k for 2010-11. This will be used to fund high priority projects and deal with unforeseen events.
17. It is anticipated that there will be further reductions in the income from land charges. However, due to uncertainty, £200k will be added to the contingency to cover this risk and drawn down if required.
18. Similarly the sum of £250k will be added to cover the risk relating to housing benefit changes, and a further £250k to cover the risks around Children's services.
19. At the end of the year, unspent contingency amounts will be available to supplement reserves.

Capitalisation

20. The sum of £4.0m over 4 years has been provided to reduce the Council's reliance on capitalisation.

Carbon Trading

21. The spending review made it clear that whilst Councils will have to make payments on the basis of carbon emissions there will no longer be any rebates. This is an extra cost of £303k next year. The costs for later years are uncertain.

TU Facility Time

22. The previous administration made a commitment to increase the TU facility time budget for the duration of the transformation programme.

Pay and Pensions

23. The pay award has been assumed to be 0% for the next 2 years, and thereafter 2% per year. This will be kept under review in the light of this year's pay negotiations.

24. The Council provided £550k for this year's pay award which is unlikely to be needed and can be rolled forward into next year.

25. The sum of £700k has been provided for the increase in national insurance contributions of 1%, and this figure is net of the impact of the band changes.

26. A provision of 0.25% has been made for the increase in pension contributions in each year. The triennial valuation as at 31 March 2010 is being carried out during 2010-11 and any changes to the contribution rate will take effect from 2011-12. The increase of 0.25% per year is consistent with early discussions with the actuary. The Hutton Review may have a significant impact on future pension costs.

Inflation

27. A working assumption of 2% has been used for price inflation in each year. Both RPI and CPI are currently above 2% (4.5% and 3.2% respectively in October) and Directorates will have to absorb the difference. All Directorates are expected to negotiate with suppliers to minimise the cost of any increase in contract prices.

28. An additional provision has been made of £140k for inflationary increases above 2% for utility costs. This is being reviewed in the light of current market conditions and the terms of the Council's contracts.

29. An allowance of £48k has been made for the increase in the Council's business rates above 2% (ie the rates payable on its own properties).

30. An inflation contingency of £300k in 2011-12, £500k in 2012-13 and £1,150 in the three subsequent years has been included, given the uncertainty around pay and the fact that price inflation currently exceeds 2%.

Spending Review 2010 and Local Government Settlement

Spending Review 2010 – Impact on Harrow

Headlines

The headlines that will affect Harrow are:

- 28% reduction in LG funding over 4 years in real terms
 - It has been suggested that the cut will be 21% in cash terms
 - Importantly the cuts will be front loaded, so there will be a bigger impact in 2011-12 than in later years
- The 0% council tax pledge will be funded, so Councils that set a 0% increase will get funding equivalent to the council tax that would have been raised by a 2.5% increase. The funding will be provided across the 4 year spending review period.
- Some extra funding for Adults (via formula grant) and Children's (via Early Intervention Grant, also non-ring-fenced)
- Most specific grants will be rolled into formula grant (except DSG and Public Health funding), but no certainty on Area Based Grant
- HRA reform will continue
- Council benefit to be a local responsibility from 2013-14 and cut by 10%
- Capital funding will be cut by almost 50%
- Changes to the Carbon Reduction scheme

Areas of Uncertainty

There are still major areas of uncertainty:

- The funding formula results in vast discrepancies between authorities before any damping is applied. The position of the floors and ceilings is therefore critical to the outcome.
- The impact of the transfer of specific grants into formula grant is uncertain – will they be added to the base and then cut to the same degree as everything else?
- Similarly the treatment of concessionary fares is a key factor – the grant is due to be distributed to London boroughs but, again, will this be added to the base or lost in the floor?

- These factors could make a difference to Harrow's settlement of millions of pounds
- Whilst the new Adults and Children's funding is supposedly non-ring-fenced, the government is drawing specific attention to it giving the impression that it may be "morally" ring-fenced

When will we know more?

- The full settlement is likely to be published in the first week in December – probably in detail for 2 years with indicative figures for years 3 and 4 (known as 2+2)

How does this compare with our MTFs and planning assumptions?

- The grant picture is potentially a bit worse than expected, particularly due to front loading
- The impact of rolling specific grants into formula grant is important – the planning assumption was that spending would be cut to mirror cuts in specific grants – this may be difficult to do now as it may be difficult to tell which grants have been cut
- On the other hand the extra funding for Adults and Children will be welcome, assuming it is not lost in the grant floor
- It was assumed that there would be no funding for the Council tax freeze – this is worth £2.5m
- It was assumed that there would be carbon reduction rebates under the scheme, but this no longer appears to be the case – extra cost of around £300k in 2011-12
- The capital funding cuts will have limited impact on Harrow as the Council gets such a small amount of external capital support at present

Other matters

- PWLB borrowing rates have gone up by 1%, this was unexpected and increases future borrowing costs by up to 25%

School Budget 2011-12

1. Dedicated Schools Grant (DSG) is used to fund both the individual schools budget (ISB) and centrally retained items. The former goes to schools, whilst the latter is held by the Local Authority to spend on specific items such as fees for out of borough pupils at independent special schools.
2. The Department for Education (DfE) has yet to confirm school funding for 2011/12. The Comprehensive Spending Review indicated an annual 0.1% increase in real terms for schools nationally, however this has to fund the growth in pupil numbers plus the new proposed pupil premium. The DfE have factored in £1bn of procurement and back office savings and have assumed savings from public sector pay freeze. Based on this information it is anticipated that individual school budgets are unlikely to rise in 2011/12 and may fall slightly.
3. The final 2011/12 DSG is based on pupil numbers, as recorded on January 2011 pupil level annual school census (Plasc), multiplied by a per pupil unit of funding. The per pupil funding for 2011-12 is expected to be confirmed in December 2010 which will enable a robust forecast of the DSG funding for 2011/12.
4. It is anticipated that minimum funding guarantee will be retained for 2011-12 although this has not been confirmed. If it is retained it will be lower than the current rate of 2.1% and may even be a negative rate. Due to the change in the age of transfer, if the MFG is retained the authority will need to request that the DfE set aside the statutory MFG for schools losing funding from the change. The Age of Transfer protection funding model will provide transitional relief to schools facing significant budget reductions due to the change in the age of transfer, where they have balances below recommended levels.
5. It is proposed that a pupil premium for disadvantaged children will be introduced from September 2011. It is anticipated that it will use Free School Meals as the indicator of deprivation, though this is still to be confirmed, and in 2011/12 will be based on data from the January 2011 census. It is proposed to roll out the premium over 4 years (2011/12 to 2014/15), so there is likely to be a smaller grant in 2011/12 increasing each year until 2014/15. In 2011/12 it is expected to be a specific grant that the council merely passports to schools. Schools can decide how they will use the additional funding to achieve improved outcomes for deprived children
6. Schools Forum considered the 2011/12 budget in November. Potential calls on the DSG of £3.5m were reported however due to the lack of detail about future funding levels all decisions were deferred to the January meeting.
7. Currently there are no school funding formula changes agreed for 2011/12 although when the actual details of the 2011/12 settlement are known it may require some changes.

Stakeholder Meetings

A series of meetings with key stakeholders to share information are scheduled to place in December, January and February. They are listed below:

| Stakeholder | Meeting | Date |
|--------------------------|--|-----------------|
| Tenants and Leaseholders | Tenants and Leaseholders Consultative Forum | 5 January 2011 |
| Partner organisations | Harrow Chief Executives | 10 January 2011 |
| Local Businesses | Harrow Business Consultative Forum | 24 January 2011 |
| Unions | Employees Consultative Forum | 25 January 2011 |
| Schools | Education Consultative Forum | 26 January 2011 |
| Overview and Scrutiny | Meeting of O&S, drawing on standing scrutiny review of the budget and Finance and Performance sub-committee work | 27 January 2011 |