

REPORT FOR: **CABINET**

Date: 15 December 2011

Subject: Draft Revenue Budget
2012-13 to 2014-15

Key Decision: Yes

Responsible Officer: Julie Alderson, Interim Director
Finance
Tom Whiting, Assistant Chief
Executive

Portfolio Holder: Councillor Bill Stephenson, Leader of
the Council 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 2012-13 and medium term financial strategy (MTFS) for 2012-13 to 2014-15. The budget will return to Cabinet in February for final approval and recommendation to Council.

RECOMMENDATIONS:

- 1) That Cabinet approves the draft budget for 2012-13 and the MTFS for consultation
- 2) That Cabinet notes the remaining budget gaps of £2.387m in 2012-13, £6.109m in 2013-14 and £5.805m in 2014-15
- 3) That Cabinet notes the planned investment in services and efficiency programme

REASON:

To ensure that the Council publishes a draft budget for 2012-13

Section 2 – Report

Introduction

1. This year's budget setting has taken place within the context of one of the most difficult financial environment's local government has ever faced. Despite this, Harrow is working towards setting a three-year budget which is innovative, transformational and has involved residents in many of its key decisions. The key issues set out in this report are;
 - Cabinet agreed a strategy for closing the future funding gap in July 2011 which combined the development of business transformation with medium term budgeting and financial planning. As a result of this, a new budget planning process was introduced around the principles of commissioning.
 - Each directorate was asked to set out its vision for the next three years which contribute to the council's vision and priorities but are within the context of reduced resources.
 - As well as coping with reduced resources the council is also facing significant external pressures both from new legislation and policy proposals, for example the Localism Bill, and demographic pressures, for example a rise in the number of homeless asking for help and an ageing population.
 - At the beginning of 2011, the year was designated the year of conversation with a programme of Let's Talk events. During that period a number of council services have consulted with residents on their future shape, for example children's centres, adult social care, cultural and parks services, housing, the Area Action Plan. This feedback has helped shape the council's budget.
 - The draft budget set out in these papers is not yet balanced as the council as the council is still awaiting its annual Government settlement and has further work to do before the February Cabinet.

Background

2. Cabinet launched the Better Deal for Residents: Shaping Harrow for the Future programme in July 2010. A three-year savings programme to position the Council as a more efficient and effective organisation that can live within its means, joins up and personalises customer services and builds on the community spirit of residents to become more involved in their borough. The programme identified £31.5m worth of savings.
3. Cabinet agreed the vision and priorities for 2011/12 along with the Corporate Plan and 2011/12 budget in February 2011. This followed extensive engagement and consultation with residents through Lets Talk - a new conversation with residents about what they want from the council and how they could give back to the community. The vision and priorities for the administration are:

Vision: Working together: our Harrow, our community

Priorities:

- Keeping neighbourhoods clean, green and safe
 - Supporting and protecting people who are most in need
 - United and involved communities: a Council that listens and leads
 - Supporting our town centre, our local shopping centres and businesses
4. The MTFs in February 2011 set out the scale of the remaining funding gaps up to 2015/16 as a result of a number of financial pressures including the Government's Comprehensive Spending Review in October 2010, which set out cuts of 29% to local government funding over four years and meant Harrow Council had to find an additional £31.4m over the next four years. The strategy for closing the funding gaps, as agreed by Cabinet in July 2011, was based on the following principles:
 - Directors, Managers and staff across the council must be empowered to develop creative solutions to the challenges ahead
 - The council must be outcome based, being clear where its activities are making a difference to the end customer
 - The future operating model for the council must recognise difference across services that are transactional, neighbourhood, personal or part of the strategic core
 - Quality relationships and engagement will be undertaken to make the change happen
 - The role of commercial partners must be recognised
 - All areas must be reviewed and challenged
 5. This paves the way for a second phase of business transformation (to be launched by Cabinet in the new year) that would take a longer-term view of the challenge of balancing the medium term budget and think more creatively about the kind of services the Council should deliver and the role the Council should play in the community.
 6. The future funding gaps as set out in the MTFs in February 2011 were:
 - 2012-13 £6.8m
 - 2013-14 £11.2m
 - 2014-15 £13.4m
 7. The MTFs has been reduced from a 5 year to a 3 year plan given the uncertainty after 2014-15 when the current CSR period finishes.

8. Since the launch of the Better Deal for Residents: Shaping Harrow for the Future programme in July 2010 the extent of the cuts to public spending and the Government's agenda for public service reform has become clearer. The results are that Local Government is facing some of the biggest challenges within the public sector which is driving radical thinking about new organisational models that: deliver services in fundamentally different ways; bring about a new relationship with residents and have the potential to unlock major savings.
9. In this context the Council has undertaken a series of major consultation exercises during 2011 as part of the 'Year of Community debate.' Consultations have taken place on the future of key council services including:
 - Lets Talk about Council vision & priorities
 - 'Your Future, Our Future,' an Adult services consultation on changes to: Meals on Wheels, Transport, concessionary travel and contributions to care.
 - The future of Children's Centres and how they are run
 - Lets Talk about Cultural services, parks, open spaces and sports facilities
 - Housing consultation on leaseholder services and legislation changes
 - Review of parking and permit charges, including the introduction of payment by phone using credit and debit cards.
 - Harrow & Wealdstone Area Action Plan which will guide regeneration and development in the area
 - The high schools move to academy status
 - How to reduce energy consumption and costs from street lighting.
10. The views and feedback gathered from these consultations have all fed into the development of proposals for the medium term financial plan.

Current Policy Environment

11. Over the last year there have been a number of high profile and wide ranging legislative changes to local government and other public services. Many of these changes will impact on the Council's revenue budget and ability to deliver services. The specific impact of these changes on the Council's finances was discussed as part of the Commissioning panel process and summarised below.
12. The Localism Act, which is due to largely come into effect from April 2012 introduces a General Power of Competence, which gives Councils the power to do anything that is not unlawful. However, it does contain some important restrictions in relation to existing legislation and trading and charging powers. It also abolishes the Standards Board for England, leaving the Council to draw up its own code of conduct to maintain standards. It also creates a new criminal offence in relation to financial interests.
13. The Localism Act will also give community groups and council employees the right to bid to take over running Council services and community groups the right to bid to buy community assets that are due to be sold. Any proposal to raise council tax above a Government defined limit will require the Council to hold a referendum, but the Act does provide more freedom for the Council to offer business rate discounts to help regenerate local areas.
14. The Localism Act also contains major reform of the planning system, including allowing communities via parish and town councils or the establishment of neighbourhood forums, to draw up neighbourhood development plans for their local

area in line with national policy. These plans would be subject to a referendum. The Act also contains a community right to build, which is also subject to a referendum and reforms the community infrastructure levy to allow some of the money raised to be spent on things other than infrastructure and in the local area.

15. Finally, in relation to housing, the Act gives local authorities more freedom in determining allocation policies and allows social landlords to grant fixed term tenancies to new tenants. Further details are set out in a separate cabinet report on housing changes review.
16. The Open Public Services white paper sets out the Government's vision for modernising public services and moving away from the presumption that the state will deliver public services, towards allowing charities, businesses and voluntary and community groups to bid to run public services. In order to facilitate this, Government is promoting early intervention and increasing use of personalised budgets and payment by results.
17. The Welfare Reform Bill proposes the merger of various means-tested benefits into an integrated working-age Universal Credit capped at £26,000 and available to people aged 18 and over, not in education and out of work from October 2013. It is proposed that housing benefit administration will be centralised and taken out of Council control. In April 2011 housing benefit was capped at £20,800 a year for a four-bed property, the result is that family sized housing at 80% market rent is no longer affordable to those in receipt of benefit in Harrow which in turn is increasing the number of households being placed in bed and breakfast accommodation. Conversely, the Government is planning to localise Council Tax benefit from April 2013. In addition, there will be a 10% cut in the grant Councils receive. This could place a significant burden on the Council especially given the intention to protect pensioners and other vulnerable groups and the uncertainty over how the administration of the scheme will be paid for.
18. The Academies Act 2010 and Education Act 2011, support the Government's drive towards increasingly autonomous schools. There will be a presumption that any new school will be an academy or free school. Academies will be able to provide 14-19 age education and alternative education provision. Schools will become responsible for careers advice; the requirement to have an admissions forum will be removed and the remit of independent exclusions appeals will be curtailed. This legislation is already impacting on Harrow with seven out of the twelve High Schools (including Special schools) in the borough opting to become Academies this year.
19. The Health and Social Care Bill will fundamentally restructure health care, public health and social care. It will abolish Primary Care Trusts and instead set up Clinical Commissioning Groups comprising GPs and clinical professionals. Councils will be required to set up Health and Wellbeing Boards. Harrow has already set up a shadow health and wellbeing board to ensure a smooth transition.
20. Responsibility for public health is due to transfer from the Primary Care Trust to the Council from April 2013 with a new statutory post of Director of Public Health created. 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.

National Financial Outlook

21. From a financial perspective, a key policy of the Government is deficit reduction. The implications for Local Government were set out in the Government's Comprehensive Spending Review in October 2010 which set out average grant reductions for local government of 29% over four years. The Government's plans assume that the deficit reduction plan will be achieved by 2014-2015. This would imply that the public sector would be back to a 'steady state' of funding from 2015-2016. However, there are many factors which risk this not being the case and mean the overall financial outlook for local government remains one of uncertainty with the prospect of spending restraint continuing until 2017/18, these include:
- Increasing demands from new Government policy i.e. Council Tax localisation, welfare reform
 - Legislative changes i.e. Localism Act
 - The impact of the Local Government Resource Review
 - The unresolved question of how to fund adult social care
 - Wage demands
 - Pension reforms and impact on employer contributions
 - Rate of inflation
 - Increasing fuel and energy prices
 - Demographic pressures and population growth
 - Below forecast pace of economic recovery both in the UK and Europe
22. The funding gap for 2012-13 will be affected by the Local Government Settlement which is due to be announced week commencing 5th December. It is anticipated that the grant settlement for Harrow will be lower by £1.6m than in the CSR. This is due to two main factors: it is anticipated that there will be a reduction of around £0.75m in relation to the 7 Secondary Schools which have adopted Academy status, and around £0.85m in New Homes Bonus, on the basis of the total grant available nationally. The £1.6m reduction assumed has been incorporated into the proposed budget, and therefore any change to these assumptions will be reflected once the settlement is known.
23. In March, the Government published terms of reference for its Local Government Resource Review (LGRR). The review is piloting whole-place and neighbourhood level community budgets and consulting on reforms to allow local authorities to retain a significant proportion of the business rates generated in their area. The belief is that this will provide Councils with greater financial autonomy and a stronger incentive to promote local economic growth. It is intended that the review will lead to the implementation of a new system of financing local authorities in 2013-2014. As yet it is not certain if Harrow Council would gain or lose from these reforms, however initial indications are that Harrow will probably lose.
24. The public sector was asked to accept a two year pay freeze, in 2011-12 and 2012-13, with employees paid less than £21,000 receiving a £250 flat rate increase each year. The pay award in local government was also nil in 2010-11. This year the unions at National level have requested a pay increase in line with inflation but the Autumn Budget Statement stated that pay increases would be capped at 1% for the following two years.
25. The government announced a grant to be payable from 2011-2012 to reduce the Council Tax increase from 2.5% to nil in 2011-2012. For Harrow this is worth £2.58m. The Government has also announced a council tax freeze scheme for 2012/13. If Harrow freezes its council tax for another year it will receive a one off

grant equivalent to raising council tax by 2.5%. DCLG estimate that Harrow will receive £2.6m from Government for 2012/13. It is not expected that this scheme will be repeated again for 2013/14, which places increased pressure on Council funding that year.

26. The Localism Act abolishes the housing subsidy system and introduces self-financing. It is the most significant change to the way council housing is financed since the introduction of the 'ring fence' 20 years ago. The reforms are based on a calculation of the individual value of each local authority's housing business, which is compared to the existing housing debt in order to give each a sustainable self-financing settlement. Self-financing will put all local authority landlords in the position where they can support their own stock from their own rental income. All local authorities will need to have a 30 year business plan which will consider the investment requirements in the stock, the rent strategy and treasury management policy to support the HRA over the life of the plan.

Local Financial Outlook

27. The Council under spent in 2010-11. The Revenue and Capital Monitoring Report for the second quarter of 2011-12 shows that there are pressures on Adults Social Care, Housing General Fund, and Community and Environment in relation to the reduction in the Capital Programme. A Spending Protocol has been put in place which is explained in the Revenue and Budget Monitoring Report elsewhere on the Agenda. It is anticipated that the actions being taken to manage the pressures will bring expenditure back within budget. All Directorates are working to come in on budget.
28. A Transformation and Priority Initiatives Fund was set up as part of the outturn for 2010-11. The total fund established was £2.5m, of which £1m has been allocated in year and £1.5m remains. The purpose of the Fund is to fund Invest to save and severance costs of the Transformation Programme, and for priority initiatives. It will be necessary as part of the Budget proposals to consider the amount required for severance purposes in 2011-12 and 2012-13 to support the Budget and MTFS proposals. The Council has imposed a Spending Protocol in year in order to contain expenditure within budget and if further risks are contained, deliver an under spend to ensure there is an adequate redundancy provision for future plans.
29. The underlying pressure in Adults largely due to demographic pressures is built into the MTFS and referred to at paragraph 55. The pressure on Community and Environment is being dealt with in year through the implementation of a Property Services Restructure which is intended to realise savings of £0.7m and through the decapitalisation strategy, which was agreed as part of the previous Budget and MTFS agreed in February 2011. Children's Services are delivering an under spend of £0.6m, and the underlying saving is built into the MTFS.
30. Housing Services are experiencing budgetary pressures from a sharp increase in homelessness in year. The pressure is £0.4m at quarter 2 reduced by a drawdown from an earmarked reserve of £0.3m, to £0.1m. However, this is a one off application and the underlying pressure is addressed in the MTFS, and referred to in paragraph 56.
31. There is also a growing trend for payment by results in relation to a wide range of services and grants including the: early intervention grant, youth justice, voluntary sector contracts and welfare to work programmes, which transfers significant risk to the council and innovative new forms of financing such as social impact bonds and tax increment financing which the Council will need to consider.

32. The Children's services budget is under spending in the 2011-12 year by £0.600m, mostly due to savings made on the new integrated model for Children's Services, savings on the new model for Children's Centres and savings on the number of children in care. The position on children in care is volatile and could change. Therefore, the contingency provided in the budget, provides a safeguard, if an increase in demand materialises. 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 successfully implement the new operating model. The go live is planned for January 2012 when all outlying staff will be relocated to the civic centre, and the new Business Support hub.

Harrow's Performance

33. Over the last few years the Council has a strong record in reducing its costs while improving performance. The Council has saved £45m since 2006/07. The Better Deal for Residents: Shaping Harrow for the Future Programme identified a further £31.5m of savings whilst the Council continued to invest in reserves (now up to £7m) and freeze Council tax, but the Council still needs to find a further £31.4m over the next 3 years which does not include the anticipated budget gap for 2015/16.

34. Harrow is one of the lowest funded councils in London. Published data shows that Harrow receives the 7th lowest formula grant funding per head of population in London, putting it in the bottom quartile for government funding. All of the Council's services are low cost and above average performers. Highways, adult social care, benefits and waste and cleansing are notable high performing areas. Community safety, planning and economic development and housing are also all much better than average. Some notable achievements include:

- Adult social care is the most improved service in London and 3rd nationally.
- Children's Services have just been judged as excellent in this year's Ofsted assessment.
- The Council has one of the best adoptions services in the country.
- 89% of Harrow schools are rated as good or outstanding.
- Harrow has the second lowest number of young people not in education, employment or training in the country,
- Harrow has one of the best recycling rates in London of around 50%
- Harrow is one of London's safest boroughs, contributing only 2% of London crime.

35. There has been a 30% increase in perception of customer care. Overall tenant satisfaction with the housing service is up from 66% to 75% in 2 years, 83% of adult social care service users felt that their lives had improved over the last year and 98% of older people feel that they are given more choice and control.

36. Recent staff survey results show that satisfaction with working for the council is up from 50% to 63%. Advocacy of the council as a place to work is up from 34% to 48%. Sickness levels are down 30% from 2008/09 delivering 15,000 extra work days annually. Staff feel well informed about changes (up from 27% to 54%) and more staff feel the Council is good at managing change, up from 16% to 32%.

Harrow's Residents

37. Harrow's population has been steadily increasing over the past 25 years, reaching an estimated 230,100 by 2010 – nearly 12% higher than in 1985. Harrow's

population will continue to increase and over the next five years (2011-2016) there are expected to be:

- significant increases in the number of children in the borough;
- more modest growth in the working age population;
- steady growth in the over 65s (the post WW2 baby boomers);
- significant growth in the population group aged 80+.

38. Harrow's population is one of the most diverse in the country and Harrow is ranked the fourth highest local authority area in England, for the proportion of the population who are not White-British. Harrow's ethnic profile is expected to change over the next 15 years with the ethnic minority population likely to grow from 52.8% to 59.8% by 2026. Suburban Asian families on moderate incomes (the largest customer profile group in Harrow) are projected to grow the most, while relatively affluent sections of the population in Harrow such as ambitious young professionals are predicted to experience the weakest growth.
39. Keeping neighbourhoods clean, green and safe and crime and anti-social behaviour are likely to continue to be among the most important priorities for residents in Harrow in the future. Support for more sustainable modes of transport will need to be set against a forecast increase in commuting by car to employment hotspots. An increase in working from home could offset this pressure.
40. Projections for age-related illnesses suggest that there will be an increase in long-term illnesses in the 65+ age group. Due to longer life expectancy there will also be an increase in the number of older people who develop complex health problems and need support with daily living tasks. Based on national averages, the number of adults with a learning difficulty is also expected to increase slightly.
41. School roll projections show a significantly increased demand for school places in the next few years. 6-8 permanent additional forms of 30 pupils will be required in the primary sector by 2016, in addition to the bulge classes (4 – 6 per year) provided by a rolling programme. Planning will take place for the additional places that will be needed in the secondary sector as the increased number of pupils move from primary to secondary school in 2016/17 and for the special schools.
42. Children's Services is also seeing an increase in the number of children who are the subject of a Child Protection Plan, Children with complex Special Educational Needs, Older Looked After Children with challenging behaviours and complex needs.
43. Employment forecasts show that the number of jobs in Harrow will increase over the next five years and beyond. Harrow has a large number of micro-sized businesses, employing fewer than four people and accounting for 78% of all businesses in the borough. This sector is set to expand, whilst, if current trends continue, the number of large businesses in the borough will further decline. This strong culture of entrepreneurship in Harrow is expected to continue in the future.

Harrow as a place

44. Alongside the hard decisions and transformation we are undertaking as a council over the next few years, we also have a major opportunity to deliver significant and positive change for the borough over the next 15 years with the regeneration of the Harrow and Wealdstone corridor and rejuvenation of Harrow town centre by attracting over £1bn of investment. By 2026 new development and economic growth in the borough will have provided 5,350 net new homes, created over 4,000 additional new jobs and funded essential local infrastructure that will benefit all in

the community. The Harrow & Wealdstone Intensification Area will deliver at least 2,500 of these net new homes and 3,000 of the additional new jobs.

- 45. The expected new housing developments in the borough will add more pressure to council services in particular school places and landfill unless offset by an increase in recycling and the creation of a new primary school.
- 46. Housing in Harrow is becoming less affordable, particularly for first time buyers and this is likely to continue, based on past trends. Even being able to afford to rent new social housing units will be unattainable for most families under the new affordable rents regime and there are likely to be future constraints in affordable housing delivery, largely due to cuts in public sector funding and the recession.

Options considered

- 47. There are a number of proposals being considered by the Directorates to close the funding gap for 2012-13. The strategy for closing the funding gap for 2013-14 and 2014-15 will be considered over a longer period as part of the new Commissioning model.
- 48. The various consultations undertaken throughout 2011 as part of the 'Year of Community Debate,' considered a range of options for transforming services and delivering savings. These fed into the Commissioning panel process where Portfolio Holders, Corporate Directors and their teams presented a vision for the service over the next three years and how this will take forward the Council's vision whilst closing the identified funding gap. The Leader, Portfolio Holder for Performance, Customer Services and Corporate Services, Chief Executive, Assistant Chief Executive and Interim Director of Finance, carried out the challenge to those proposals. This process ensured that all services and the methodology for delivering them is being reviewed and challenged, and that the budget proposed for each Directorate is realistic and savings are achievable.

Budget Proposals

2012-13 Budget

- 49. The MTFs in summary form is attached at Appendix 1, with a detailed analysis of the proposed changes attached at Appendix 2. Some of the key achievements already made and details of the proposals per Directorate are referred to below in paragraphs 52 to 60.
- 50. The budget requirement for 2012-13 can be summarised as follows:

	£m
Budget Requirement 2011-12	175.509
Capital financing costs and investment income	0.221
Technical changes (including Specific Grant changes)	-3.953
Inflation	2.563
Investment in services	7.437
Transformation programme/Efficiencies	-10.454
Funding Gap	-2.387
Budget Requirement 2012-13	168.936

51. The funding gap as identified in February 2011 of £6.8m for 2012 -13 has not yet been closed. The gap remaining for 2012-13 is £2.4m. The remaining gaps for 2013-14 and 2014 -15 are £6.1m and £5.8m reduced from £11.2m and £13.4m respectively from the February MTFS. This means that the Council has identified a total of £17.0m in savings for the three year period of the MTFS through the Commissioning Panels and service reviews conducted throughout the year.
52. The assumptions behind the technical changes and inflation provisions are explained in the commentary at Appendix 3 of this report. Significant items included are:
- £2.5m of Government funding routed via the PCT, which will support additional Adults expenditure.
 - £0.8m additional Collection Fund surplus in 2012-13 compared to that projected in February 2011.
 - An increase in Taxbase from 87,148 in 2011-12 to 88,140 in 2012-13 which gives an additional £1.2m of Council Tax without an increase in the Council Tax rate.
 - Additional revenue costs of capital financing of £0.221m in 2012-13, £1.571m in 2013-14 and £0.1m in 2014-15. This is however dependent on the capital programme that is being developed and will be agreed in February 2012.
53. The draft budget includes a contingency of £1m in 2012-13 which is increased in future years split between budget planning and unallocated as follows: by £0.780m in 2013-14 and by a further £1m in 2014-15. The Contingency in the current year has so far been drawn down by £0.565m leaving £0.435m still to be allocated. The build up of the Contingency is intended to provide for unforeseen risks. It is important that a contingency is included in the budget so that, after consultation and a full equalities impact assessment, decision makers have the option of making another decision that has a less negative equalities impact.
54. The Children's draft budget for 2012-13 includes growth of £0.562m to deal largely with the forecast demographic growth and the loss of Youth Justice Board funding (£0.123m). The savings proposals in 2012-13 are £2.289m and £4.465m over the 3 year period. £1.2m in savings over 3 years will come from the new operating model for Children's Centres (which is the subject of a separate report elsewhere on the Agenda), of this £0.800m is to be delivered in 2012-13. £1.370m has been identified as general procurement savings over 2 years, of which £0.870m is in 2012-13. There are additional procurement savings of £0.210m spread over 3 years on placements. This has been made possible through the appointment of an interim procurement business partner for Children's services as part of the Council's strategy to strengthen procurement, which commenced in 2010/11. There are substantial savings on staff of £0.452m over 2 years, of which £0.352m is in 2012-13, achieved through the integrated service delivery model outlined at paragraph 32. There are also further savings on top of the £0.303m realised in year (£0.198m over the next 3 years net of costs) planned for increasing independent travel in the Special Needs Transport service, and another £0.260m is planned in 2014-15, where different options for delivery of the service are being examined.
55. Adults and Housing are experiencing pressures in year as set out in the Revenue and Capital Monitoring Report. Management action is focussed on reducing the underlying pressures. However, recognition of this has been built into the Budget and MTFS proposals to cover demographic pressures. The total included for demography in 2012-13 is £3.0m, which includes £1.5m arising from the full year effects of demographic pressures in year. Efficiency savings are being proposed of

£9.9m over 3 years, of which £2.8m is in 2012-13 £0.750m is built in as the full year effect of Reablement, with a further £0.900m saving in 2013-14. There are planned savings of £4.550m over 2013-14 and 2014-15 from the strategic review of Residential Care. This will depend upon some investment in community based services of £2.275m over the same period. Procurement savings of £2.8m are proposed over 3 years, of which 0.750m are proposed for 2012-13; this includes working with the West London Alliance to secure £0.500m in savings on Residential Care over 3 years; and £0.900m in 2013-14 from improved contract management with home care providers.

56. Housing has growth of £0.740m built into the Budget for 2012-13 to address the on-going pressure arising from homelessness. The total growth required is £0.820m, offset by efficiency proposals of £0.278m.

57. Community and Environment are proposing growth of £1.1m excluding West London Waste Authority (WLWA) set out at paragraph 59. Of this £0.450m in 2012-13, is one off investment to implement transformation projects; the resultant efficiencies offered up are £3.4m over 3 years, of which £0.650m is in 2012-13.

58. 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.

59. In the current year the WLWA has moved 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. However, Harrow has experienced an increase in tonnages due to the increase in households in year and is building in a further £0.700m in next year’s budget to allow for this. This was still a saving on the amount allowed for in the MTFs in February 2011, which assumed £1.5m increase in 2012-13, as opposed to £1.143m required. This is mainly due to a large decrease in the Fixed Cost Levy which is the charge across the Borough’s for providing the waste transfer facilities. WLWA has embarked on a major procurement to provide alternative treatment and disposal facilities to increase diversion from landfill in the medium to long term. It is intended that this should be operational from 2014-15 when the costs should be a significant improvement in terms of avoiding further landfill tax on residual waste.

60. The final WLWA authority budget for 2012-13 will be set in January 2012.

61. The investment and efficiency programme totals for each Directorate for 2012-13 are summarised below:

Directorate	Investment in services £m	Efficiency Programme £m
Cross-Cutting Transformation		-0.922
Adults and Housing	4.000	-3.041
Children’s Services	0.562	-2.289
Community and Environment	2.261	-1.526

Place Shaping	-0.219	-0.226
Legal and Governance	0	-0.315
Finance	0.493	-0.753
Chief Executive	0.340	-1.382
Total	7.437	-10.454

62. In addition to the £31.5m savings identified from the Better Deal for Residents: Shaping Harrow's Future Programme, there are a further £0.9m of savings in 2012-13 and £1.4m in future years. This includes further savings on Business Support and Customer Contact, Assess and Decide (CCAD); the review of Terms and Conditions. Further work is required to allocate the savings from cross-cutting transformation projects to individual Directorates.

63. The following proposals underpin the budget and are subject to further consideration of the vision, model and outcomes for the council as well as the development of business cases and further consultation. Authority is also sought to progress other such ideas, which meet the objectives of the programme as agreed between Corporate Directors and Portfolio Holders.

- A project started in September to look at a more commercial approach to providing services to schools and other bodies in the light of the move of several of the Secondary Schools to Academy status. The aim of the project is to raise overall income levels whilst maintaining vital subsidies to vulnerable residents. There are three main areas of activity:
 - The Academy School's tender for HR & Payroll Services;
 - The services provided to schools, and;
 - The overall income yield generated through external fees and charges.
- The performance of each service and delivery standards are being considered, alongside an assessment of individual costs and cost drivers and the market in which the service operates. Recommendations are being identified and provided that will reduce the cost of delivery and increase yield, to move budgets to a more balanced position. Measures such as providing new services, improving delivery methods, increasing customer base, setting new market level prices and streamlining payment mechanisms will have a positive impact on the 2012/13 budget. These changes are not yet sufficiently developed to build into the Budget proposals at this stage. Delegated authority to the Interim Corporate Director of Finance and the relevant Portfolio Holder will be used in year to introduce these, as and when appropriate.
- The proposed fees and charges for 2012-13 will be reported to the Cabinet in February 2012. 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 5.4% and CPI by 5.0% as at October 2011.
- Review contractual arrangements for: highways maintenance, fleet vehicles, Library Management system, Children's placements, home care, residential, and nursing providers and re-negotiate rates to optimise value for money from our contract management.

- Replace interim procurement team with a permanent in-house team and explore opportunities to share the service with another borough or across the West London Alliance.
- Review provision for insurance/self-insurance in discussion with the actuary and auditors.
- Undertake the development of a draft infrastructure charging schedule as part of the development and introduction of a Community Infrastructure Levy following the adoption of the Core Strategy.
- Review fees & charges to cover the full cost of services such as planning, registrars and allotments.
- Introduction of a Fairer Contributions Policy based on ability to pay for all adult community service users.
- Implementation of a review of concessionary travel scheme.
- Seek to generate income from the Council's Help2Let scheme that matches landlords with prospective tenants and offers management services to landlords and by charging for advice to developers.
- The delivery of further procurement savings from large contract renewals, low value spend, category management and better controls to minimise the impact of budget reductions on service delivery.
- A senior management restructure to reduce number of senior manager from 30 to 20. Centralising, merging and restructuring services across the council including: Centralising performance, merging policy & partnerships with Community Development, Adults commissioning team, property & real estate services, Development & building control and finance.
- Encourage more people to transact with the council over the internet by rolling out the MyHarrow account and the development of further web forms.
- Close face-to-face and telephone contact in designated service areas and introduce voice recognition software onto the Council's Switchboard so that calls can be automatically transferred to the correct extension.
- A review of administrative support will be implemented with the aim of reducing spend and improving the quality of service provided.
- Modernise and simplify staff terms and conditions to support the future needs of the Council and reduce cost.
- Implementation of a project to work with families with the most complex needs in the borough and improve the join up of services to these families from a range of public sector organisations.
- Reconfiguration of the operating model for the 16 Children's Centres through the implementation of a hub and spoke model with staff working more efficiently over a number of centres which are geographically located. The range of services provided by the children's centre staff will be across each hub and will

be specifically targeted according to identified needs in each area, which means that in some centres there will be increased focus on income generation and partnership working.

- A new model for Children's Services designed to deliver early intervention and reduce demand on statutory services relating to care and offending.
- A strategic review of residential care to identify current and future needs for all user groups, identify market opportunities, explore opportunities to reduce the costs of residential and nursing care spend by providing reablement and preventative care services, to promote independence and delay dependency on long term residential care.
- A review of day services to ensure that only high quality cost effective services are commissioned and provided and that opportunities for community and day activities are available to personal budget holders.
- Further development of the integrated shop4support online market place so that it can evolve at the same rate as the increase in allocation of personal budgets and is able to meet the needs of those who use the Citizen Portal to arrange and manage their support in the most cost-effective way.
- Consider combining the Gayton and Civic Centre libraries in one town centre site and combining the Hatch End library into Harrow Arts Centre to provide a more cohesive arts and leisure offer.
- Integration of a number of public realm, regulatory and enforcement functions to form a single team of multi-skilled service providers.
- Council property assets that are no longer required will be decommissioned and disposed of when favourable market conditions are available.
- It is proposed not to extend the remaining school based Connexions provision, apart from special schools.
- Rationalise the Council's property and real estate function to reflect the decrease in the scale of the Council's construction, maintenance and capital programmes.
- Reduce the benefit fraud service if function is centralised to DWP as part of the welfare reforms.
- Take a risk-based approach to scaling back HR in line with changes to the size of the Council.
- Return some parks to open spaces
- Working with the West London Alliance (WLA) to create a sub-regional collaborative approved list for residential and nursing care services for older people in the first instance to bring down the weekly costs of placements.

- Explore the potential to collaborate on facilities management with one or a number of other local authorities.
- Seek to share Corporate Health and Safety service delivery with a neighbouring borough.
- Seek to provide Housing review and housing needs services to other councils or via a West London Alliance partnership.
- Explore the delivery of a shared legal practice with Barnet.
- The Council will continue to roll out personalised budgets to users of adult care services, mental health services and to carers.
- Residents will be encouraged to help look after and support the most vulnerable in society through the creation of a membership organisation whereby up to 2000 older and vulnerable people (both FACS and non-FACS eligible), plus others less vulnerable people can purchase support and services through a network of paid and volunteer helpers.
- Providing tenants, leaseholders and freeholders the opportunity to be actively and regularly involved in jointly developing the service and scrutinising performance.
- Implementation of commissioning and small grants model for main grant funding programme.
- Alternative models for the provision of the special needs transport service will be assessed.
- Explore the possibility of introducing new arrangements for the supply of simple aids to daily living such as sign posting people to high street vendors of these pieces of equipment.
- Soft market testing on whether aspects of waste collection, recycling, grounds maintenance and similar services could be incorporated into a potential social enterprise, mutual or community Interest Company.
- Consideration of community trust for cultural services potentially in partnership with other boroughs in addition to the modernisation of the library service by upgrading the public IT and revising opening hours to better suit users' needs.

64. Each of the individual budget proposals (set out in Appendix 2) has been through the commissioning panel process and has been subject to an initial equalities impact assessment. Full equalities impact assessments will be carried out on those proposals where the initial equalities impact indicates that it is necessary. An equalities impact assessment has also been carried out on the whole budget to ensure that decision makers are aware of any overall negative impact on any particular protected group. This identifies that two areas have the potential to produce significant disadvantage – staff reorganisations and the Contributions Policy for Adult Social Care. In the case of all staff re-organisations, a full EqIA has to be undertaken and a full EqIA has been prepared in respect of Adult Social Care.

65. This is a draft budget based on feedback from a range of consultations undertaken in 2011 as part of the 'Year of Community Debate.' where a number of conversations have taken place across most of the Council's main services (see Paragraph 9 for more detail). As part of the Council's commitment to engaging with residents and communities in a different way, a stakeholder event took place on the 6th December to share the Council's plans with residents for the budget, not just for 2012/13 but for the next two years as well. This event aimed to inform residents of the challenging circumstances the Council faces, with growing demographic pressures and the impact of government policy changes, but also to talk with residents on what can be done differently and in partnership to tackle the problems ahead in line with the Council vision: Working Together: Our Harrow, Our Community.

66. The final budget report will be put before Cabinet in February 2012. Further consultation will include:

- A series of meetings to be held with stakeholders in January to share information on the Council's budget plans and seek comments. These are set out in Appendix 5.
- The Overview and Scrutiny Committee has established a standing review of the budget.
- Detailed consultation will be carried out with staff and other stakeholders where appropriate on individual items in appendix 2 including focus group research on proposals for future years.

67. As part of the development of proposals for 2013/14 and 2014/15 detailed consultation and engagement will take place with the public where necessary on these proposals so that as they take shape and are put forward for consideration the Council will be able to take evidence based decisions using the feedback received from residents. The programme of Let's Talk events will be used to support these consultations and the Council will continue to run these consultations by coming out to where residents are and at a time convenient to them rather than asking residents to come to the Council at a time that suits us.

Next Steps

68. This report has identified over £17m of savings additional to those identified in February 2011. There does however still remain a budget gap of £2.4m in 2012-13 and a total of £14.3m over the period to 2014-15. Directorates are working with members and stakeholders to identify further savings to close the 2012-13 gap in the next few weeks in order to present a balanced budget to February Cabinet. This process is likely to result in some difficult choices given the scale of the savings already found.

69. Work will also commence on identifying proposals for 2013-14 and 2014-15 to close the gaps in those years.

Proposals for General Reserves

70. The detailed risk assessment of the budget will be updated for February cabinet. The Cabinet agreed the following reserves policy in February 2011:

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

One of the calls on any under spend 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 under spend, the underlying strength of the balance sheet, the need to support the transformation programme, and other priorities.

71. The reserves policy is considered to continue to be fit for purpose and no changes are proposed to the policy as adopted.
72. The outlook for schools is set out in Appendix 4. The schools budget is also dependent on the local government settlement.
73. There is a separate report on the draft Housing Revenue Account on the agenda.
74. The detailed Capital Programme is being worked on and proposals have been put forward by all Directorates which are being considered. However, it is intended that the overall Capital Programme should be reduced in order to constrain capital financing costs of the Programme. The Programme will be presented to the February Cabinet for approval.

Legal implications

75. Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed. Consideration of the duties should precede the decision. It is important that Cabinet has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

A public authority must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;*
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;*
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.*

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;*
- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;*
- (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.*

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) Tackle prejudice, and*
- (b) Promote understanding.*

Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- *Age*
- *Disability*
- *Gender reassignment*
- *Pregnancy and maternity*
- *Race,*
- *Religion or belief*
- *Sex*
- *Sexual orientation*
- *Marriage and Civil partnership*

76. 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 2012.

Financial Implications

77. Financial matters are integral to this report.

Performance Issues

78. These are set out in the body of the report.

Environmental Impact

79. The draft budget incorporates the resources to meet the council's financial commitments under the Carbon Reduction Commitment - Energy Efficiency Scheme.

Risk Management Implications

80. 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

81. The draft budget for 2012-13 supports delivery of the Council's vision and priorities.

Section 3 - Statutory Officer Clearance

Name: Julie Alderson Chief Financial Officer

Date: 5 December 2011

Name: Jessica Farmer on behalf of
Monitoring Officer

Date: 5 December 2011

Section 4 – Performance Officer Clearance

Name: Liz Defries on behalf of
Assistant Chief Executive

Date: 2 December 2011

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards Divisional Director
(Environmental Services)

Date: 5 December 2011

Section 6 - Contact Details and Background Papers

Contact: Steve Tingle
Finance Business Partner, 020 8420 9384

Background Papers:

- Integrated Planning report to cabinet 21 July 2011
- Equalities Impact Assessments

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

NOT APPLICABLE

[Call-in applies]

	2011-12 Budget £m	2012-13 Budget £m	2013-14 Budget £m	2014-15 Budget £m
Budget Requirement Brought Forward		175.509	168.936	166.676
Capital Financing Costs		0.221	1.571	0.100
Grant Changes		-6.691	3.360	1.603
Other Technical Changes		2.738	1.534	1.800
Inflation		2.563	4.426	4.410
Adults		0.417	-1.575	-2.550
Housing		0.542	-0.400	-0.395
Children's Services		-1.727	-0.592	-0.676
Community & Environment		0.734	-3.460	-0.442
Place Shaping		-0.445	-0.724	-0.290
Legal & Governance		-0.315	-0.273	-0.020
Corporate Finance		-0.260	-0.141	-0.101
Chief Executive		-1.042	-0.882	-0.451
Cross cutting Transformation Projects		-0.922	-0.997	-0.423
General Investment Provision			2.000	2.000
FUNDING GAP		-2.387	-6.109	-5.805
Total Change in Budget Requirement		-6.573	-2.260	-1.240
Revised Budget Requirement	175.509	168.936	166.676	165.436
Collection Fund Deficit/-surplus	-1.978	-1.335	-0.500	-0.500
Formula Grant	-70.126	-63.019	-58.979	-55.059
Amount to be raised from Council Tax	103.405	104.582	107.197	109.877
Council Tax at Band D	£ 1,186.55	£ 1,186.55	£ 1,216.21	£ 1,246.62
Increase in Council Tax (%)		0.00	2.50	2.50
Tax Base	87,148	88,140	88,140	88,140
Assumed collection rate	98.25%	98.50%	98.50%	98.50%
Gross Tax Base	88,700	89,482	89,482	89,482

TECHNICAL BUDGET CHANGES

	2012-13 £000	2013-14 £000	2014-15 £000
Capital and Investment			
Capital financing costs and investment income	221	1571	100
Total	221	1,571	100
Grant Changes			
Specific Grant Changes	-497	1900	1900
New homes bonus	-929	-650	-530
SSCF Grant received from GLA	-160	48	
Council Tax support Grant 2012-13 scheme	-2,608	2,608	
PCT Funding	-2,497	-546	233
Total	-6,691	3,360	1,603
Freedom Passes	689	300	300
Levies and subscriptions			
LGA subscription - likely to be reduced by 6.4% in line with Formula Grant	-2		
London Boroughs Grant Scheme	-44		
Provisions and Reserves			
Contribution to provision for litigation	100	75	
Contribution to insurance provision	350	300	
Capitalisation strategy/recharges strategy			
Reduce reliance on capitalisation	1,000	1,000	1,000
Miscellaneous			
Carbon Reduction Commitment scheme	-224		
Agency worker directive costs	388		
Academy SLA income reduction	60		
Print Contract Costs	421	-421	
Budget planning contingency		280	500
Total Other Technical Changes	2,738	1,534	1,800

INFLATION PROVISION

	2012-13	2013-14	2014-15
	£000	£000	£000
Pay and Inflation			
Pay Award @ 0% 2012-13, then 2% pa		1,900	1,900
Employer's Pension Contributions @ 0.25%	200	200	200
Inflation on goods and services @ 2%	1,810	1,810	1,810
Additional provision for electricity and gas price increases	493		
Excess of September RPI (5.2%)on National Non Domestic Rates on Council properties above 2%	60	16	
Unallocated Contingency		500	500
Total Pay and Price Inflation	2,563	4,426	4,410

CROSS CUTTING TRANSFORMATION PROGRAMME

	2012-13	2013-14	2014-15
	£000	£000	£000
Business Support Phase 1	-301	-260	
CCAD	-369		
Mobile and Flexible working	182	-207	-423
Terms and conditions	-300	-530	
Human Resources and Finance support to programme (2 posts)	-134		
Total	-922	-997	-423

ADULT SERVICES

	2012-13	2013-14	2014-15
	£000	£000	£000
Investment in Services			
Demographic Growth [existing]	1,500	1,500	1,500
Demographic Growth [2011/12 FYE]	1,500		
Reablement [replace HSP funding]	80		
Circles of Support		300	-300
Telecare	100		
Sub Total	3,180	1,800	1,200
Procurement			
Contract Management - managing inflation	-200	-100	
Contract Management - efficiencies		-150	-100
Contract Management - Home Care Providers		-900	
WLA Joint Procurement: APC Res Care 12/13 onwards	-200	-150	-150
Supporting People	-250		-200
CNWL: Mental Health Efficiencies	-100	-100	
Voluntary Sector Funding Model			-200
Productivity			
In-house Residential Accommodation	-150		
Residential Care Strategic Review: JB UoR		-1,550	-3,000
Investment in Community Based Services	0	775	1,500
Day Services Strategic Review: JB UoR		-300	-300
Purchasing Budget [Community Based efficiencies]			-1,000
Commissioning Staff			-300
Prevention			
Reablement	-750	-900	
Adults Contribution Policy	-513		
Cessation of Funding for Transport clubs	-150		
Hit Squad [safeguarding]	-25		
Hit Squad [ICES, transition]	-425		
Total Adults	-2,763	-3,375	-3,750
Net	417	-1,575	-2,550

HOUSING SERVICES

	2012-13	2013-14	2014-15
	£000	£000	£000
Investment in Services			
Homelessness [100 families & anticipated B&B HB changes]	740	-250	-250
Prevention Grant Reduction	100		
Watkins House [Creative Support}	40		
Out of London promotion [Invest to save]	45		
Out of London promotion [Invest to save]	-105		
Sub Total	820	-250	-250
Efficiency Programme			
Income Generation - charging for advice provided to developers	35		
Housing Needs	-205		-75
West London Housing Needs Partnerships		-150	
Housing Service Efficiency Review			-70
Review of Salary Allocations	-108		
Total Housing	-278	-150	-145
TOTAL	542	-400	-395

CHILDREN'S SERVICES

	2012-13	2013-14	2014-15
	£000	£000	£000
Investment in Services			
Conference Chair	65	-	-
Demographic growth – Placements	62	62	62
Demographic growth – Staffing	110	110	-
CLA Changing Demographic - Placements	90	90	90
CLA Changing Demographic - Staffing	30	30	30
Growth in CWD numbers	82	82	82
Loss of Youth Justice Board funding	123	-	-
Transfer of duties in respect of Children on remand		270	
Sub Total	562	644	264
Efficiency Programme			
Transformation Programme			
Special Needs Transport - net of costs	-97	-56	-45
Integrated Childrens services - Staff	-352	-100	
Integrated Childrens services - Premises	-100		
Achievement & Inclusion		-50	-50
Procurement Savings	-870	-500	
Procurement - Placements	-70	-70	-70
Legal Advocacy		-20	
Connexions		-240	
Children's Centres	-800	-200	-200
Reduction in Mental Health professional			-100
SNT 3			-260
Respite Care for CWD (short breaks)			-100
SLAs to Youth Groups (previously YOF)			-115
Total Children's services	-2,289	-1,236	-940
Net Children's Services	-1,727	-592	-676

COMMUNITY AND ENVIRONMENT

	2012-13	2013-14	2014-15
	£000	£000	£000
Budget pressures			
Income pressure in Public realm	413		
Reduce Parking income budget estimate to reflect actual income due to downturn in the economy	100		
Other Property growth for insufficient budget	80		
Total Investment	593	0	0
TRANSFORMATION			
Growth for one off investment			
Cultural Strategy Review growth and efficiencies	150	-150	
Property Co/FM growth and efficiencies	100	-100	
PRISM growth and efficiencies	200	-200	
TOTAL TRANSFORMATION GROWTH	450	-450	0
OTHER C&E GROWTH			
WLWA Levy to be confirmed	1,143	306	344
Increase in R&M for Gas installations	27		
Rates NNDR	39		
LEP funding - Procurement and energy/CRC management - pan London	9		
TOTAL OTHER C&E GROWTH	1,218	306	344
Total C&E Growth	2,261	-144	344
TRANSFORMATION EFFICIENCIES			
Cultural Strategy Review efficiencies		-200	0
Radio-frequency identification (RFID) / Libraries re-org: efficiencies	-343		
Radio-frequency identification (RFID) / Libraries re-org: on going costs	3		
Radio-frequency identification (RFID) / Libraries re-org: one off marketing costs	-10		
Streets / Grounds efficiencies	-296		
Streets / Grounds - one off marketing costs	-5		
Property Co/FM growth and efficiencies		-688	
PRISM efficiencies		-750	-350
Public Realm soft market testing		-750	
TOTAL EFFICIENCIES TRANSFORMATION	-651	-2,388	-350
DEPARTMENT EFFICIENCIES			
Management Efficiencies		-75	
Environment Efficiencies			
Met Police Match funding	-74		
Highways maintenance Procurement	-200		
Highways & Infrastructure review	-200		
Property Repairs and Maintenance Procurement Value Chain	-85		
Parks to Open Space		-100	
Closure of loss making car parks		-150	
Allotment Charging	-20		
Total from Environment	-579	-250	0

COMMUNITY AND ENVIRONMENT

	2012-13	2013-14	2014-15
	£000	£000	£000
Community and Culture Savings			
Community Development review of structure and service re-provision	-192	-48	-15
Harrow Arts Centre business plan	-38		0
Review of Music Service	-27	0	0
Gayton Library Premises costs	185		
Libraries transformation 2	-49	-25	-71
Leisure Contract	-75		
Total from Community and Culture	-196	-73	-86
PROCUREMENT EFFICIENCIES - TBD			
Procurement Savings - others TBD	-100	-180	-350
Procurement - Fraikin Review TBD		-350	
TOTAL PROCUREMENT EFFICIENCIES - TBD	-100	-530	-350
TOTAL C&E	-1,526	-3,316	-786
Net C&E	734	-3,460	-442

PLACE SHAPING

	2012-13	2013-14	2014-15
	£000	£000	£000
Investment			
Local Development Framework - One off Resource to complete core strategy and policy documents	-219		
Total Investment	-219	0	0
Other Efficiencies			
Business Management			
Consumables	-18	0	
Revenue Projects	-6	-8	
sub total Business Management	-24	-8	0
Corporate Estates			
Staffing reductions/restructuring proposals		-99	
sub total Corporate Estates	0	-99	0
Economic Development			
Staffing reductions/restructuring proposals	0	-32	
Grant to Harrow In Business for transition period	-25	-25	
Rates budget from Harrow in Business premises	-9	0	
Revenue Projects	-6	0	
sub total Economic Development	-40	-57	0
Planning Services			
Staffing reductions/restructuring proposals	-162	-195	
Introduce differential charging policy for planning applications to provide for fast track income generation		-15	
Further staffing reductions		-200	
sub total Planning Services	-162	-410	0
Other			
Additional staffing reductions		-150	
Additional planning fees income following change from central government			-290
sub total Other	0	-150	-290
Total Place Shaping	-226	-724	-290
Net Total	-445	-724	-290

LEGAL AND GOVERNANCE

	2012-13	2013-14	2014-15
	£000	£000	£000
Efficiency Programme / Service Project			
Legal Practice			
Efficiency savings already agreed	-50	-71	
Continuation of code of conduct for councillors		43	
Service efficiencies	-150	-150	
Registrars			
Review of Fees	-75		
Share/reduce management costs		-75	
Democratic Services			
Reduced cost of Mayoral support	-20		
Elections			
E-canvass Project	-20	-20	-20
Total Efficiency Programme	-315	-273	-20

CORPORATE FINANCE

	2012-13	2013-14	2014-15
	£000	£000	£000
Investment in Services			
Collections and Benefits			
PFI Grant Cancellation		38	43
DWP HB Reduction in Admin Grant	137	128	119
DWP Reduction in Recession Grant	28	170	
Reduction in Council Tax Summons Income	100		
Increase in Parking County Court Fees	33		
Funding for Localised CTB consultation & Implementation	100	-100	
Loss of Housing Benefits Overpayments Income Stream			320
subtotal	398	236	482
Corporate Finance			
Pension augmentation - anticipated increase in pension increase order above 2%	80		
Reduction in SLA Income from Academies	15		
subtotal	95	0	0
Total Investment	493	236	482
Efficiency Programme / Service Project			
Collections and Benefits			
Deletion of 2 FTE posts in Revenues - CT&NDR		-60	
Deletion of 4 FTE posts in Housing Benefits			-140
Introduce Bailiff Income stream	-50		
Reduction in the awards of Discretionary Rate Relief	-50		
Deletion of 1 post in Parking Back Office		-25	
Giving up DWP Recession Grant Capacity	-150		-48
Conc Travel - Changes to multiple services entitlement	-130		
Conc Travel - Changes to TfL grant distribution	-55	-105	-102
Conc Travel - Introducing charges for lost Passes	-40		
subtotal	-475	-190	-290
Corporate Finance			
Pension augmentation	-60		
Car Leasing	-10		
Audit Fees	-20		
Training	-15		
Finance restructure			-100
WLWA - additional contribution to overheads from increased service	-33	-17	
subtotal	-138	-17	-100
Procurement			
procurement team restructure	-140	-170	-193
Total Efficiency Programme	-753	-377	-583
TOTAL	-260	-141	-101

CHIEF EXECUTIVE'S DEPARTMENT

	2012-13	2013-14	2014-15
	£000	£000	£000
Investment in Services			
PDP			
Local Information System Licences and Running Costs		18	
Licence Costs for Experian Data	14		
Reduction in DAT contribution due to PCT budget reductions	25	-25	
Domestic Violence	82		
subtotal	120	-7	0
HRD			
Licence and support fees for BACS software (growth)	8		
Growth for professional indemnity insurance for providing services to Academies	4		
subtotal	12	0	0
Customer Services			
Web development & licences	67	10	
IT & text alerts	18	50	
Security	6		
subtotal	91	60	0
IT / PMO			
Telephone line	55		
Growth in Verto costs	7		
BTP Periodic Payments Inflation	55	30	
Total Chief Executive Growth	340	83	0
Efficiencies			
PDP			
Increase contribution to management time spent on SIMS and to marginally increase the SLA to schools	-40		
Education and Social Care Performance Teams saving - reduction of 1 post (0.5FTE for each team)	-41		
Education Performance Team saving - reduction of another post	-35		
Scale back of non-payroll budget lines (committed to in 2010/11)	-16		
Rolling out the Performance Management Business Case, to provide a centralised performance management resource for all Directorates across the Council.	-34	-34	

CHIEF EXECUTIVE'S DEPARTMENT

	2012-13	2013-14	2014-15
	£000	£000	£000
Merging the Policy and Partnerships Team with the following elements of the Community Development Team:	-21	-58	
• Community Grants • Third Party Hate Crime Reporting • Community Development work			
Merger of Divisions within a Corporate Resources Directorate, reducing Divisional Directors by one.		-118	
Merger of Corporate Performance Team and Service Performance Team, reducing Service Managers from 2 to 1			-93
sub total PDP	-187	-210	-93
HRD			
Reduction of 2 Service Managers			-65
Scale back of contingency in miscellaneous budget lines	-30		
Corporate Service Project savings	-103		
Salary savings from merger of CAP/CAR & ERP	-48		
Re-negotiate Contact 3 contract fees	-40		
Phase 2 Business Support Project Potential merger of S&I and Postroom	-5		
Print Contract Savings	-100	-100	
Capita OBC on Business Systems development	TBC		
Reduction in HRD posts		-75	-75
Re-negotiate L&D managed service contract fees	0	-50	
Early termination of funding for Joint Secretary	-45		
Reduction in TU facility budget		-30	
Improved L&D Commissioning	-45		
Agency Worker Contract	-210		
sub total HRD	-626	-255	-140
Risk Audit and Fraud			
CORPORATE ANTI-FRAUD TEAM			
Proceeds of Crime Act - pursue recoveries of fraudulent gains in partnership with Brent, plus additional income recovery	-20	-20	-19
INTERNAL AUDIT			
Regrade senior professional post	-10		
Reduce co-sourcing budget (leaving £12k)			-16
CORPORATE HEALTH & SAFETY SERVICE			
Delete administrator post as part of re-structure	-26		
Delete H&S co-ordinator post through joint service delivery with Ealing	-28		
Delete H&S advisor post through mature joint service delivery with Ealing		-42	

CHIEF EXECUTIVE'S DEPARTMENT

	2012-13	2013-14	2014-15
	£000	£000	£000
OCCUPATIONAL HEALTH SERVICE			
Net effect of reduced contract costs & increased SLA income - academies SLA	-30		
Reduce cost of Contract through procurement / possible joint provision of Occupational Health and Employee Assistance Programme through 1 provider (Contract due for renewal 1.4.12)	-18		
INFORMATION MANAGEMENT TEAM			
Merge IMT with IT Client Team, delete Records Manager post	-32		
RISK MANAGEMENT SERVICE			
Reduction in co-sourcing budget, possible merger with performance management.	-36		
CIVIL CONTINGENCIES TEAM			
Merge team with insurance team, replace service manager with senior professional post and delete 1 emergency planning officer post through joint working arrangements with Ealing		-35	
INSURANCE SERVICE			
Reprocure/bring in house insurance legal work	-70		
LEAN review restructure efficiency (£25K in 2011/12)			
Future trading with Academies	-25		
Reduced broker fees through more in-house handling and increased income on third party insurance schemes	-4	-2	-3
Future trading with Academies		-25	
Phase 2 restructure, reduced assistant post from claims handling transfer to Access Harrow / further LEAN efficiencies		-20	
sub total RAF	-299	-144	-38
Communications	-25		
Customer Services			
Move PCN Appeals and Parking Permits to web only	-90		
Move landlords online with F2F by appointment only on fixed days		-90	
Merger of training and Management Information posts	-40		
Reduction in staff hours to meet demand through fewer full time posts	-60	-60	
Use of Artificial Intelligence to divert switchboard calls		-60	-60
Restructure of Reception to ensure all day cover		-10	
Further channel shift through roll out of My Harrow account			-120

CHIEF EXECUTIVE'S DEPARTMENT

	2012-13	2013-14	2014-15
	£000	£000	£000
Staffing reductions but source not yet identified			
subtotal Customer Services	-190	-220	-180
IT / PMO			
Reduced consultancy budget to support advise on and challenge proposals	-15		
ITO reductions		-88	
Deletion of Project Control Officer post	-40		
Deletion of Project Manager		-48	
subtotal IT / PMO	-55	-136	0
Total Chief Executive	-1,382	-965	-451
Net	-1,042	-882	-451

Technical 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 88,700 before a 1.75% allowance for collection losses, giving a net of 87,148. The draft MTFS assumes an increase in the gross Taxbase to 89,482 and a reduction in the losses on collection to 1.5%, giving a net of 88,140. No further changes are assumed in subsequent years, given the current economic uncertainty.
3. It is projected that there will be a surplus on the collection fund of £1.335m at the end of 2011-12 and then reduce to £0.5m in future years. This compares to £0.5m in each year in the February 2011 MTFS.
4. The final Council Tax base for 2012-13 and Collection Fund surplus will be subject to approval by Cabinet elsewhere on the agenda for December 2011.

Capital Financing Costs and Investment Income

5. The budget includes a provision for capital financing costs consistent with the planned level of capital expenditure agreed at the February 2011 Council. The Capital programme is still being developed and will be agreed at the February 2012 Council.

Government Grants

6. Indicative figures were received last year in relation to most Government Grants. There are however likely to be a number of changes, which it is anticipated will be available as part of the provisional local government finance settlement in late November 2011, or shortly after. The final settlement is anticipated to be in January 2012.
7. The Government has recently consulted on a review of the Local Government Finance System, with a view to implementing changes from 2013-14. There is considerable uncertainty about the long term implications, although it is anticipated that there will be a limited impact in 2013-14, with impacts being progressively felt in future years. Harrow is a potential loser under the proposals as the intended changes reward authorities that grow their business rates and penalise those whose business rates decline. Harrow's business rates have been gradually declining in recent years and this trend is expected to continue to do so in the medium term. No specific account of this has been taken in the current MTFS proposals, beyond the assumptions on declining formula grant as part of the Government's deficit reduction plan. This is considered to be reasonable at this stage, as changes are expected to be longer term in nature, i.e. beyond the current planning horizon.
8. **Formula Grant – top-slicing re Academies:** It is anticipated that Harrow's Formula Grant will be reduced in relation to central costs in respect of the High Schools that have become Academies. The provisional settlement announced in February 2011 had assumed a total deduction of £1,098k. It is anticipated that the

DFE will make further adjustments and in the light of the seven new Academies for Harrow: this is anticipated to increase by a further £750k.

9. **New Homes Bonus:** The Council has received £679k in 2011-12 in relation to increases in homes (+507) to October 2010. This level of grant will be payable for a further 5 years. It is anticipated that the data (+643) submitted in October, together with other information on affordable homes (+45) will give a further £921k p.a. for 6 years commencing 2012-13. From 2013-14 it has been assumed that there will be an increase of 353 homes p.a. This would give an additional £470k p.a. growth in grant. It is difficult to predict this far ahead and so this represents a prudent assumption which will be revisited each year.
10. **Formula Grant – top-slicing re New Homes Bonus:** There is a provision for the New Homes Bonus of £250m in 2012 and subsequently within the Government's overall planning totals. If the total grant exceeds the national planning total then the excess will be top-sliced from Formula Grant. Given that the amount of grant distributed in 2011-12 and continuing for 5 further years is £200m, then there is only funding for a small increase. The Government has said that the excess would be funded by topslicing Formula Grant. For Harrow's planning purposes, it has been assumed that the increase in New Homes Bonus anticipated will be largely offset by reduced formula grant giving a net grant increase of £100k.
11. **Other Specific Grants:** For 2012-13 an increase of £497k has been assumed, mainly in respect of Early Intervention Grant as notified as part of the 2011-12 Settlement. It has been assumed that there will be further reductions of £1.9m p.a. after 2012-13, in line with the government's deficit reduction plans.
12. **SSCF (Safer and Stronger Communities Fund) Grant:** This grant is now paid to the GLA, instead of London Boroughs. It was not budgeted for in the 2011-12 MTFs as the distribution to Harrow was not agreed until very late. In the event Harrow received £219k in 2011-12. It is anticipated that this grant will be reduced to approximately £160k in 2012-13 and £112k in 2013-14. This will however be subject to a bidding process and this projection assumes that Harrow maintains its share of the grant available.
13. **Council Tax Support Grant (2011/12 Scheme).** The Council is receiving £2.58m grant in 2011-12, which will last for 4 years.
14. **Council Tax Support Grant (2012/13 Scheme).** The new scheme announced by the government in October is for one year only and is payable to councils who limit their Council Tax increase to 2.5% (which would reduce the increase to the taxpayer to zero). It has been assumed that the Council will agree to this scheme. This does give the Council a difficulty, as this grant falling out in 2013-14 giving a funding shortfall in 2013-14 of £2.6m in order to replace the grant lost.
15. **PCT Funding:** The indicative allocation from the DoH has been included. The DoH have advised that this funding continues for the next 3 years, but it is not clear what will happen after this period.

Freedom Passes

16. Initial indications for the 2012-13 Freedom Pass settlement suggest that there will be an increase for Harrow of £689k, reflecting the current high rate of inflation and increases in fares. Future years reflect an assumption that transport fares will increase by about 3.5% p.a.

Levies and Subscriptions

17. There have been few indications of the level of these in future years. The LGA have indicated that they anticipate their subscription decreasing by the national formula grant decrease. More will be known later in the budget preparation process, but there is no reason to believe there will be any big changes to current levels. The general inflation amount of 2% has been assumed. Initial indications are that the levy for the London Boroughs Grant Scheme will reduce by £44k.

Provisions and Reserves

18. Litigation Provision: £100k has been provided in 2012-13 and a further £75k in 2013-14 for debt and litigation reserves.

19. Insurance Provision: The sums of £350k in 2012-13 and £300k in 2013-14 have been included to continue building the provision 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

20. There is a contingency of £1,000k in the base budget. Given the uncertainties in relation to a number of service pressures e.g. demography it is proposed that a similar level of contingency is maintained at this level.

21. At the end of the year, any unspent contingency amounts will be available to supplement reserves.

22. There are additional budget planning contingencies in 2013-14 and 2014-15 of £280k and £500k. These are to allow for events that are unknown at this stage.

Capitalisation

23. The sum of £3.0m over 3 years has been provided to reduce the Council's reliance on capitalisation.

Carbon Reduction Commitment

24. The council has a base budget of £303k for the cost of carbon reduction commitment. The latest projection for 2011-12 is for this to be £233k with £154k of this charged against the schools' delegated budget. There is therefore a saving to the General Fund of £224k in 2011-12, which is projected to continue for 2012-13.

Pay and Pensions

25. **Pay Award.** The pay award has been assumed to be 0% for 2012-13, and thereafter 2% per year.

26. **Employer's Pension Contributions:** A provision of 0.25% has been made for the increase in pension contributions in each year, in line with the last triennial actuarial review. The next triennial valuation as at 31 March 2013 is being carried out during 2013-14 and any changes to the contribution rate will take effect from 2014-15.

27. **Agency Worker directive:** The agency worker directive will result in a number of agency staff costing more where they receive lower payments than in-house staff undertaking a similar role or receive less leave. This is estimated to be £388k p.a.
28. **Academies SLA Income.** An allowance has been made of £60k, for reduced income that cannot be compensated for by reduced costs.

Inflation

29. **Inflation on goods and services:** RPI and CPI as at October are currently at 5.4% and 5.0%, but are expected to fall. A working assumption of 2% has been used for price inflation in each year. All Directorates are required to negotiate with suppliers to minimise the cost of any increase in contract prices.
30. **Electricity and gas price increases:** Energy costs have been increasing significantly. Based on increases of 29% for gas and 19% a provision of £493k has been made.
31. **NNDR increase:** The NNDR multiplier is tied to the September RPI increase and therefore is expected to be an increase of 5.6% in 2012/13. The MTFS has fully provided for this which costs an additional £60k in 2012-13 and a further £16k in 2013/14.
32. **Unallocated Contingency:** The Council has a contingency in the base budget of £1m. It is not anticipated that any of the contingency allocations in 2011-12 will be permanent, so this will be available each year. The current draft MTFS provides for this to be maintained at £1m in 2012-13 and increased by £500k p.a. thereafter.

Miscellaneous Items

33. **Print Contract.** This one-off growth is to provide for the end-of-contract 'balloon payment' which is contractually committed on the corporate printing and copying contract.

School Budgets

2012/13 Settlement

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 final 2012/13 DSG is based on pupil numbers, as recorded on January 2012 pupil level annual school census (Plasc), multiplied by a per pupil unit of funding. The Department for Education (DfE) has yet to confirm the per pupil unit of funding for 2012/13 and in the absence of a confirmed figure a cash freeze has been assumed for budget setting purposes. This equates to £5,536 per pupil, which based on projected pupil numbers, equates to a forecast DSG of £171.54m. The final per pupil funding is expected to be confirmed in December.
3. The forecast DSG includes the funding in respect of academies. Under the current regulations the council continues to calculate the basis of the academy budgets through the Harrow Schools Funding Formula. The DfE then recoup the DSG in respect of the academy budgets and pass this funding onto the academies in their General Annual Grant. Based on the 2011/12 school budgets the clawback of DSG anticipated in respect of academies is expected to be £45m.
4. A clawback of DSG in respect of centrally retained items is also expected in 2012/13, forecast to total £189k. This will reduce the DSG available for central items in 2012/13. Buyback from the academies is expected in respect of the admissions and Harrow Tuition Service however there is a significant impact for the Ethnic Minority Improvement Services. To address this a review of the service is being undertaken to ensure its long term viability.
5. It is anticipated that minimum funding guarantee for schools will be retained for 2012-13 although this has not yet been confirmed. For the purposes of budget setting it is assumed it will remain at minus 1.5%. Again this is due to be confirmed in December.
6. Schools Forum considered the 2012/13 budget on 29 November. Potential calls on the DSG of £1.742m were reported however due to the lack of detail about future funding levels all decisions were deferred to the January meeting. The majority of the pressures result from the significant increase in pupil numbers especially in respect of the primary sector.
7. In addition schools will receive a pupil premium in respect of pupils eligible for free school meals and children looked after. In 2011/12 the rate per eligible pupil was £488. The rate has not yet been confirmed for 2012/13. The total funding available nationally for pupil premium is expected to double however it may be extended to include a wider cohort of children so will not necessarily translate into a doubling of the pupil rate. The pupil premium is a specific grant that the council has to passport onto schools. Schools can decide how they will use the additional funding to achieve improved outcomes for deprived children.
8. Currently there are no school funding formula changes agreed for 2012/13 although formula factor changes are being considered in respect of the use of schools contingency following a change in how the DfE treat schools contingency in respect

of academies. Further changes may be required following confirmation of the 2012/13 DSG funding settlement.

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
Overview and Scrutiny	Special meeting of O&S to review the budget	10 January 2012
Tenants and Leaseholders	Tenants and Leaseholders Consultative Forum	11 January 2012
Partner organisations	Harrow Chief Executives	16 January 2012
Local Businesses	Harrow Business Consultative Forum	23 January 2012
Unions	Employees Consultative Forum	24 January 2012
Schools	Education Consultative Forum	25 January 2012