

Harrow Business Consultative Panel

SUPPLEMENTAL AGENDA

DATE: Monday 28 January 2013

AGENDA - PART I

8. INFORMATION REPORT - DRAFT REVENUE BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2013-14 TO 2016-17 (Pages 1 - 60)

Report of the Corporate Director of Resources.

Note: In accordance with the Local Government (Access to Information) Act 1985, the following agenda item has been admitted late to the agenda by virtue of the special circumstances and urgency detailed below:-

Agenda item

Special Circumstances/Grounds for Urgency

8. Information Report – Draft Revenue Budget and Medium Term Financial Strategy 2013-14 to 2016-17

This report was not available at the time the agenda was printed and circulated as it was still being consulted upon. Members are requested to consider this item, as a matter of urgency to allow consultation on the budget with the Forum.

AGENDA - PART II - NIL

This page is intentionally left blank

**REPORT FOR: HARROW BUSINESS
CONSULTATIVE FORUM**

Date of Meeting: 28 January 2013

Subject: **INFORMATION REPORT** – Revenue Budget and Medium Term Financial Strategy 2013-14 to 2016-17 and Draft Capital Programme 2013-14 to 2016-17

Responsible Officer: Julie Alderson, Corporate Director of Resources

Exempt: No

Enclosures: Draft Revenue Budget and Medium Term Financial Strategy 2013-14 to 2016-17 report to Cabinet 13 December 2013
Draft Capital Programme 2013-14 to 2016-17 report to Cabinet 22 January 2013

Section 1 – Summary

This report sets out the Council's proposals for the budget and Medium Term Financial Strategy 2013-14 to 2016-17 and also the Draft Capital Programme 2013-14 to 2016-17 for consultation.

Section 2 – Report

The Draft reports listed above were considered by Cabinet on 13 December in the case of the revenue report and January in the case of the capital report. The Corporate Director of Resources will give a presentation on the proposals at the meeting.

Section 3 – Further Information

The minutes of this meeting will be reported to Cabinet in February to enable the views of this meeting to be taken into account before setting the budget and Medium Term Financial Strategy and Capital Programme.

Section 4 – Financial Implications

The financial implications are contained in the attached cabinet reports.

Section 5 - Equalities implications

Was an Equality Impact Assessment carried out? No

An initial Equality Impact Assessment has been carried out on a number of the proposals. Full equalities impact assessments will be carried out on proposals where appropriate. An equalities impact assessment will be carried out on the whole budget and the Capital Programme, to ensure that decision makers are aware of any overall negative impact on any particular protected group.

Section 6 – Corporate Priorities

The proposals impact on all of the corporate priorities as identified in the reports.

Name: Steve Tingle.	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 23 January 2013		

Section 7 - Contact Details and Background Papers

Contact: Steve Tingle, Finance Business Partner, email:
steve.tingle@harrow.gov.uk

This page is intentionally left blank

REPORT FOR: **CABINET**

Date: 13 December 2012

Subject: Draft Revenue Budget and Medium Term Financial Strategy 2013-14 to 2016-17

Key Decision: Yes

Responsible Officer: Julie Alderson, Corporate Director of Resources
Tom Whiting, Assistant Chief Executive

Portfolio Holder: Councillor Sachin Shah, Portfolio Holder for Finance

Exempt: No

Decision subject to Call-in: Yes

Enclosures: Appendices listed below

Appendices are attached as follows:

No	Appendix	Page
1	Budget Summary	15
2	Budget Detail	16
3	Technical Commentary	31
4	Schools Budget	37
5	Stakeholder Meetings	42

Note: the page numbers in the table above refer to the small page numbers (bottom right of page) on the report itself and not the large numbers (bottom middle of page) that run throughout the agenda pack.

Section 1 – Summary and Recommendations

This report sets out the draft revenue budget for 2013-14 and medium term financial strategy (MTFS) for 2013-14 to 2016-17. The budget will return to Cabinet in February for final approval and recommendation to Council.

RECOMMENDATIONS:

- 1) That Cabinet approves the draft budget for 2013-14 and the MTFS for consultation
- 2) That Cabinet notes the remaining budget gaps of £5.2m in 2013-14, £3.3m in 2014-15, £16.9m in 2015-16 and £14.3m in 2016-17 and plans to close the gap.
- 3) That Cabinet notes the planned investment in services and efficiency programme
- 4) That Cabinet notes the statutory changes to school funding and approves the proposed changes to the school funding formula at Appendix 4
- 5) That Cabinet agree the proposed level of contribution to the London Boroughs Grant Scheme of £263,831 for Harrow.

REASON:

To ensure that the Council publishes a draft budget for 2013-14

Section 2 – Report

Introduction

1. Context - Current Financial Situation:

In 2010 the Government's austerity measures meant Local Government (along with the Welfare System) received the most challenging funding settlement in decades, resulting in a 28% cut to the Council's controllable costs over the 4 years to 2014/15, some £62m in Harrow's case from 2010/11 levels of expenditure. This is on top of the £45m we have already saved before this, meaning that by 2015 we will have been making savings of over £10m a year for the last nine years. By and large we have demonstrated a successful track record in delivering these savings by identifying efficiencies, adopting a more commercial approach to our major contracts and procurement to secure better value for money, taking advantage of new technologies in our libraries and refuse vehicles and introducing new and innovative ways of delivering services such as children's centres, reablement and customer service. This has meant that we have been able to contain growth and inflation, reduce our costs and make real improvements to some areas whilst protecting frontline services. Efforts have also been made to reduce management and staffing costs through a commitment to reduce the number of senior managers from 30 to 20 and the staff terms and conditions project. Overall, our workforce is now 20% smaller than it was 6 years ago.

The budget set in February 2012 showed how we would find £51m of the £62m we needed but this meant we were still left with a gap of £11m to find over the next two years. However, all councils, not just Harrow are finding themselves in a very uncertain and volatile situation with a significant number of external events, beyond our control, adversely impacting on our funding position and the nature of demand for our services. Since February, the position we find ourselves in has changed considerably as the census results were released, the economy re-entered recession, the Government's austerity drive continued and impacts of the legislative reform agenda became clearer. The result is a virtual doubling of the level of savings we now find ourselves having to make over the next two years. This creates a very challenging environment for the very real role that local government plays in the local community and the positive impact that the Council can have on people's quality of life.

The draft budget set out in these papers is not yet balanced. There are funding gaps as follows:

2013-14 £5.2m

2014-15 £3.3m

2015-16 £16.9m

2016-17 £14.3m

The process by which the remaining gaps will be addressed is set out at section 12.

The draft budget includes an indicative assumption that Council Tax will increase at 2% each year. Given the considerable uncertainties surrounding the Local Government Finance Settlement, it is not possible to be more definite at this stage.

2. External Environment:

The challenging environment we face is caused by a number of external factors, which whilst we were aware of them this time last year and recognised them as risks, we have only been able to start understanding the full budgetary implications of them as further detail became available during the year. In order to accommodate this major shift in risk from central government to local government we have had to make further provision to fund additional growth pressures over the next two years and review our approach to contingency in order to fund the following:

- Harrow is one of the lowest funded councils in London. Harrow receives the 8th lowest **formula grant** funding per head of population in London, meaning we currently get £1,608 per person whereas Brent for example gets £3,317. We do not expect to know our grant settlement from Government for next year until the 19th December but we are anticipating our overall Government funding to reduce by at least £18m over the next two years, which would also include a number of government grants falling out of the council's budget. We are also expecting Government to announce that the squeeze on public spending will continue until at least 2018 if the Government finances are to be brought under control, which means we could be facing a further 20% cut to our budget in the years to come.
- Government grant will also reduce to take account of the fact Councils will be able to keep more of the **business rates** they raise from April 2013. The idea is that Councils will be able to keep 50% of any increase they achieve in business rate collection as an incentive to encourage local economic growth. Although Councils can keep 50% we have to share that 60:40 with the GLA so we only actually keep 30% of increases in Business Rates. Conversely we only suffer 30% of losses. Harrow's business rates have fallen by 17%

over the last 10 years and the trend is continuing downwards as we are predominantly a residential borough and large employers have been relocating out of the borough (Kodak etc).

- The Government has announced **Council Tax Freeze Grants** as part of each Local government Finance Settlement over the last couple of years. But, the characteristics and impact of these has been different each year.
 - In 2011-12 the Freeze Grant was payable to enable authorities setting a Council Tax increase at or below 2.5% to reduce the increase by 2.5%. For Harrow this was worth £2.58m and is payable for 4 years.
 - 2012-13. The Freeze Grant also enabled authorities setting a Council Tax increase at or below 2.5% to reduce the increase by 2.5%. For Harrow this grant was worth £2.6m but was only payable for one year, the effect being to give a budget pressure of £2.6m in 2013-14 when it ends.

The 2013-14 Freeze Grant scheme allows authorities setting a Council Tax increase below 1% to reduce the increase by a further 1%. This grant, worth £0.9m would be payable for 2 years, but has not been assumed to be receivable to be consistent with the indicative Council Tax increase of 2%.

- From April 1st 2013 the responsibility for the **Council Tax Reduction Scheme** will transfer to the Council but with a 10% cut in budget meaning Harrow Council has to save £3.8m to be able to fund the scheme in the first year alone. The impact will be that many people who have previously not had to pay council tax or received a reduction will now be asked to pay more towards their council tax bill. In November, after we closed our consultation on a new scheme Government announced a £100m grant to councils if they designed a scheme according to Government criteria. Unfortunately for Harrow, the cost of such a scheme would be an extra £1.67m and the grant Government are offering would only cover around £0.38m of this, still leaving us with a significant shortfall to find. There may also be additional pressures through the localisation of this scheme to council tax collection rates which have been estimated as being in the region of over £1m. There is a separate report elsewhere on this agenda on the proposed Council Tax Reduction Scheme.
- On top of this, Government are also implementing the largest ever reform to the **benefits** system since 1940 in an effort to save £18bn from the welfare bill. The complex changes will affect the amount of housing benefit people can claim and put an overall cap on the amount of benefits families can receive each week to ensure people are better off in work. However, our analysis shows that there is a large correlation between those households likely to be impacted by welfare reform and those impacted by the Council Tax reduction scheme. The combined effect could push more people into poverty and homelessness and coming to the Council for help. To date our numbers of families in bed and breakfast accommodation have been some of the best in London due to innovative local solutions such as Help2Let. However, with an over-heating private rental market and the supply of suitable homes behind the market demand across London as a whole, the impact of the welfare changes and the general economic conditions are creating a significant unfunded financial pressure on the council to house families whose benefits cannot cover the rent they owe the council. We are therefore having to make provision for growth of £1m to help deal with this alongside a package of mitigation support.

- The wide-ranging **Government reform agenda** also means that new responsibilities are being transferred to the Council that are underfunded as the level of funding the Council is set to receive is insufficient to meet the current demands for these services, for example; the transfer of public health, children on remand, Youth Justice Board, Council Tax Scheme and social fund. This means the council has to effectively implement new schemes that reduce the level of service on offer or find savings to make up the shortfall. This comes on top of additional cuts or delays to grants that also affect the council's budget including delayed business-rate payments, education grant being switched from local authorities to academies and a £2m reduction in the early intervention grant to pay for central government schemes.
- The Health service is facing continuing pressures which create risks of pressures on the Council's social care budgets.
- Finally, the 2011 **Census** data has started to be released this summer enabling us to update our demographic projections. The data shows there has been a 15% increase in population in the last 10 years with the biggest growth being in the birth rate with a 33% increase in 0-4 year olds and an estimated 1000 more people aged over 80 increasing the demand for both school and nursery places and adult social care which add a further £2.8m to our budget in 2013-14.

3. Difficult Decisions:

The reduction in spending we are facing will inevitably start to impact on some of the services residents value and trust the most, but it is clear we are no longer in a position to continue to fund the breadth, depth & quality of services we currently offer. We are therefore faced with some very difficult decisions, including whether or not to put up council tax in order to help prevent bigger cuts to some of our most important service areas and help fund some of the much needed improvements and demand pressures we are facing. Any proposal to raise council tax above a Government defined limit will require the Council to hold a referendum. For 2013-14 the limit is 2%.

To this end the draft budget put forward in this report seeks to realign expenditure to key outcomes within the Council's Corporate priorities:

1. Keeping neighbourhoods clean, green and safe,
2. Supporting and protecting people who are most in need,
3. United and involved communities and
4. Supporting our town centre, our local shopping centres and businesses.

And reflects 5 key principles:

- Continuing to make savings in the Civic Centre
- Ensuring the services residents care about are protected from drastic cuts
- Protecting residents most in need, in particular, by helping them get out of poverty and back to work
- Encouraging growth and investment in Harrow, supporting the Town Centre, local businesses, district centres and by opening up our land to investment.
- Working with our partners and listening to our residents to make sure the right decisions are made for the community

As far as is possible we want to try to limit the levels of cuts and savings required from service areas that play a vital role in delivering key outcomes in priority areas.

We are making provision to invest in house building, employment programmes, more social workers, and launch a Harrow Help scheme to help those affected by welfare reforms. We also want to do what we can to support our local businesses and district centres by delivering £1bn of regeneration investment over the next ten years, introducing a Harrow Card, continuing to make improvements to Harrow town centre. This does not mean these areas are immune from having to find any savings at all, as there are always new ways of delivering the same outcome for less in a more effective, efficient and sustainable way. So we will continue to drive out as many savings from the civic centre as we can through improved procurement, modernising staff terms & conditions, reducing the number of senior managers from 30 to 20, trading services and reducing the number of formal committee meetings.

But Harrow Council will be a very different organisation in the future. A council that is even more innovative and ambitious in the way we deliver our services and that works even better with our community.

4. Growth & Investment:

Whilst there are some tough times ahead, by being clear about our priorities and the outcomes we want to achieve for Harrow we will be able to realign our expenditure and resources and even invest in certain priority areas.

The regeneration programme for Harrow will bring in £1bn worth of investment into the borough over 10 years in terms of house building and job creation which also in turn raise money from the Community Infrastructure Levy, Business Rate Retention and New Homes Bonus to invest in social infrastructure that the people of Harrow can be proud of. It is a once in a generation opportunity to make a real difference to Harrow and people's quality of life. It is only through encouraging growth in the local economy and building new houses that we can provide the much needed jobs for local people that will help reduce their dependency on benefits, meet their housing needs and alleviate the pressures on housing waiting lists and homelessness.

Housing Revenue Account reform has helped by enabling us to invest more in both house building, the supply of affordable housing and repairs and major works which are allowing us to deliver work we would not previously have been able to. In addition, savings from more effective procurement mean that we will actually be able to deliver more improvements within the same budget. We are developing an Asset Management Strategy in full consultation with tenants and leaseholders that will detail how to invest the money saved.

We will also use our Capital Programme to support our regeneration ambitions by investing in additional school places, maintaining our roads and pavements, facilitating town centre improvement schemes and changing the way we work in the Civic Centre, reducing the need for staff to come into the office thus enabling them to spend more time with residents or out in the community and enabling us to reduce our office footprint and bring other business and partners into the same building to help provide better joined up services.

We are also looking into the possibility of introducing a 'Harrow Card' for Harrow residents to obtain discounts at local Harrow businesses and council facilities as a way of supporting local businesses, residents and the local economy in these difficult economic times. We want to put in place a 'Harrow Help Scheme' to help and support those affected by welfare reform and council tax changes to stay in the community and avoid spiralling problems as a result of multiple changes to benefits.

And we want to be able to improve the way in which we support, supervise and empower young people to be involved in decision making and make an effective contribution to community life.

Options considered

- Directorates were tasked with reviewing their services with a view to transforming services and delivering savings. The proposals developed were considered as part of a Commissioning panel process where Portfolio Holders, Corporate Directors and their teams presented a vision for the service whilst closing the identified funding gap. The Leader, Portfolio Holders for Finance and Performance, Customer Services and Corporate Services, Chief Executive, Assistant Chief Executive and Corporate Director of Resources, 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

The Council under spent in 2011-12 by £1.3m. The Revenue and Capital Monitoring Report for the second quarter of 2012-13 indicates net budget pressures of £0.4m, which directorates are working to manage. There has however been no drawdown against the £1m contingency as yet.

A Transformation and Priority Initiatives Fund was set up as part of the outturn for 2010-11. The balance remaining at the end of 2011-12 was £0.38m, to which was added £0.8m from the 2011-12 underspend to give £1.18m. The extent to which this fund can be used for the one off costs to achieve savings initiatives is being considered. The Council has also imposed a Spending Protocol in year in order to deliver an under spend in 2012-13 to add to the funding available to fund start up costs for initiatives.

2013-14 Budget

- 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 set out below.
- The budget requirement for 2013-14 can be summarised as follows:

	£m
Budget Requirement 2012-13	173.1
Capital financing costs and investment income	1.1
Technical changes (including Specific Grant changes)	18.9
Inflation	3.2
Budget Pressures	12.2
Savings including Transformation Programme	-20.3
Funding Gap	-5.2
Increase in Council Tax	-1.8
Draft Budget Requirement 2013-14	181.2

8. The assumptions behind the technical changes and inflation provisions are explained in the commentary at Appendix 3 of this report. Significant items included in the draft budget include:
 9. £0.545m additional Collection Fund surplus in 2012-13 compared to that projected in February 2012, but projected to decrease to zero over the following 2 years.
 10. An additional 650 band D equivalents added to the Council Tax base from new build and bringing empty homes back into use.
- Additional revenue costs of capital financing of £1.1m in 2013-14 and £1.3m in 2014-15. This is dependent on the level of the capital programme that is being developed and will be agreed in February 2012.

Contingency

- The 2012-13 budget includes a contingency of £1m in the base budget. For 2013-14 it is planned to increase this to £2m in recognition of the increased financial risks faced, especially in relation to welfare reform. The Contingency is intended to provide for unforeseen risks, especially but not limited to the following areas:
 - Homelessness, particularly resulting from changes to the Housing Benefits system
 - Demographic pressures
 - Social Care placements
 - Cost pressures in relation to the services delivered jointly with Health partners.
 - To give flexibility so that where there are proposals requiring consultation and a full equalities impact assessment, decision makers have the option of making another decision that has a less negative equalities impact.
- A budget planning contingency of £3m p.a. from 2014-15 is provided in order to allow for budget pressures that cannot be readily quantified now.
- Housing has growth of £1m built into the Budget for 2013-14 to address the anticipated pressure arising from homelessness arising from Housing Benefit changes from April 2013, with the contingency providing further cover for unavoidable pressures.

Inflation

- Pay awards have been zero for 3 years and are provided for at 1% in 2013-14 and 2014-15. They are assumed to be 2% p.a. subsequently.
 - Pension contributions are anticipated to increase from the current level of 19.10% by 0.25% in 2013-14 and then 0.5% p.a. from 2014-15 when the effect of the triennial review takes place. It should be noted that there is a risk that the actuary might require a higher level of increase than this, dependent on the triennial review of the pension fund.
 - Prices inflation is provided for at 2%. CPI is currently running at 2.7% but projected to fall.
 - Utilities inflation is provided for at 10% in 2013-14.
11. Growth of £1.2m is anticipated in relation to the waste disposal levy by West London Waste Authority (WLWA). This is based on initial indications by the authority and reflects both increases in landfill tax and the need to replenish its

balances. The final WLWA authority budget for 2012-13 will be set in January 2013.

12. The investment and efficiency programme totals for each Directorate for 2013-14 are summarised in the following table:

Table 2: Investment and Efficiency Programme for 2013-14		
Directorate	Investment in services £m	Efficiency Programme £m
Cross-Cutting Transformation	0.1	0.9
Community Health and Wellbeing	4.2	5.9
Children and Families	1.8	2.6
Environment and Enterprise	3.5	6.9
Resources	2.6	4.0
Total	12.2	20.3

- The proposed fees and charges for 2013-14 are reported elsewhere on this agenda. The effect of the changes proposed has been allowed for in the draft MTFS.
- Treasury Management savings are planned from extending the amount that the Council is prepared to lend to the part-nationalised banks.
- Reducing the number and frequency of formal Committees.
- Reducing the discounts and exemptions granted to Council Tax payers using the flexibility granted under the Government's Technical Reforms for Council Tax.
- 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.
- 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.
- Print Contract savings.
- Reduced telephony costs utilising Session Initiation Protocol (SIP).
- Council property assets that are no longer required will be decommissioned and disposed of when favourable market conditions are available.

- 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 Housing Benefits and benefit fraud service staffing as the function transfers to DWP as part of the welfare reforms.
- Reduction in the costs of back office functions.
- Provision for the increased cost of the levy from West London Waste Authority in respect of the costs of Waste disposals

13. Each of the individual service budget proposals (set out in Appendix 2) has been through the commissioning panel process and many have been subject to initial equalities impact assessments. Full equalities impact assessments will be carried out on proposals where appropriate. An equalities impact assessment will be carried out on the whole budget, when all proposals have been identified, to ensure that decision makers are aware of any overall negative impact on any particular protected group. Some areas have the potential to produce significant disadvantage such as staff reorganisations. In the case of all staff reorganisations, a full EqIA has to be undertaken.

Consultation

14. The final budget report will be presented to Cabinet in February 2012, before final agreement by Council. Further consultation will include:

- A series of meetings to be held with stakeholders in December and 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.
- There are a number of items which are subject to consultation. If members decide not to proceed or to proceed with a different saving following consultation this would be a priority call on the contingency.

15. 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. Some items will be subject to separate cabinet reports in 2013/14.

London Boroughs Grants Scheme

16. The London Boroughs Grants Committee have proposed a scheme for London that would cost London Boroughs £9m in 2013-14 compared to £11.5m in 2012-13. This would give Harrow a saving of £74k in 2013-14. For the reduction to come into effect, two thirds of London Boroughs must approve the scheme. There is likely to be little impact in Harrow from the reduction as there are currently no organisations based in Harrow that receive grant funding from the scheme and it is recommended that the proposed scheme is supported.

Next Steps

17. This report has identified £12.9m of savings additional to those identified in February 2012. There do however still remain budget gaps of £5.2m in 2013-14 and £3.3m in 2014-15 and larger gaps in subsequent years. Directorates are working with members and stakeholders to identify further savings to close the 2013-14 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. The following areas are being developed:

- Review of the Council's major contracts.
- Category management of non core expenditure
- Further reviewing growth proposals.
- Aggregating services.
- Further savings across a range of services

18. Work will also commence on identifying proposals for 2014-15 to 2016-17 to close the gaps in those years.

Proposals for General Reserves

19. The detailed risk assessment of the budget will be updated for February cabinet. The Cabinet agreed the following reserves policy in February 2012:

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.

20. The reserves policy is considered to continue to be fit for purpose and no changes are proposed to the policy as adopted.

21. The outlook for schools is set out in Appendix 4. The schools budget is also dependent on the local government settlement.

22. There is a separate report on Housing on the agenda that contains proposals for the Housing Revenue Account budget.

23. The draft Capital Programme is still being developed and will be reported to February Cabinet. The revenue implications of the capital programmer have been included based on the capital allocations included in the Capital Programme approved at Council in February 2012. Where savings proposals rely on capital investment then the required investment will be included in the programme.

Legal implications

24. 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*

25. 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 2013.

Financial Implications

26. Financial matters are integral to this report.

Performance Issues

27. There are significant performance issues across the authority associated with delivering the proposed savings, but these are beyond the scope of this report. Each Directorate has identified performance implications in developing proposals for Commissioning Panels and the impact on performance will continue to be analysed and managed as the programme is implemented.

Environmental Impact

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

Risk Management Implications

29. 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

30. The draft budget for 2013-14 supports delivery of the Council's vision and priorities.

Section 3 - Statutory Officer Clearance

Name: Steve Tingle	<input checked="" type="checkbox"/>	On behalf of Corporate Director of Resources
Date: 3 December 2012		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	On behalf of Monitoring Officer
Date 3 December 2012		

Section 4 – Performance Officer Clearance

Name: Alex Dewsnap

On behalf of
Divisional Director
Strategic Commissioning

Date: 3 December 2012

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker

On behalf of Divisional
Director
(Environmental Services)

Date: 21 November 2012

Section 6 - Contact Details and Background Papers

Contact: Steve Tingle

Finance Business Partner, email steve.tingle@harrow.gov.uk

Background Papers:

- Commissioning and Integrated Planning 2013-14 to 2016-17, report to Cabinet 12 September 2012

<http://www2.harrow.gov.uk/documents/s100294/Commissioning%20and%20Integrated%20Planning.pdf>

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

NOT APPLICABLE

[Call-in applies]

	2012-13	2013-14	2014-15	2015/16	2016-17
	£000	£000	£000	£000	£000
Budget Requirement Brought Forward		173,113	181,116	174,922	169,676
Capital Financing Costs		1,102	1,316	-390	841
Grant Changes		14,414	-358	-525	-525
Other Technical Changes		2,519	3,500	3,360	3,370
Inflation		3,234	3,160	5,060	4,060
Transformation		-764	-296	-140	0
Community Health and Wellbeing		-1,740	-5,046	2,800	2,500
Children and Families		-761	-1,687	413	413
Environment and Enterprise		-3,470	-1,971	675	753
Resources		-1,302	-1,493	370	-225
Total		13,233	-2,875	11,623	11,187
FUNDING GAP		-5,230	-3,319	-16,869	-14,317
Total Change in Budget Requirement		8,003	-6,194	-5,246	-3,130
Revised Budget Requirement	173,113	181,116	174,922	169,676	166,546
Collection Fund Deficit/-surplus	-1,335	-1,045	-500	0	0
Formula Grant	-67,196	-87,032	-79,522	-72,878	-67,812
Amount to be raised from Council Tax	104,582	93,039	94,900	96,798	98,734
Council Tax at Band D	£1,186.55	£ 1,210.28	£ 1,234.49	£ 1,259.18	£1,284.36
Increase in Council Tax (%)		2.00	2.00	2.00	2.00
Tax Base	88,140	76,874	76,874	76,874	76,874
Collection rate	98.50%	97.50%	97.50%	97.50%	97.50%
Gross Tax Base	89,482	78,845	78,845	78,845	78,845

TECHNICAL BUDGET CHANGES

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Capital and Investment				
Capital financing costs and investment income	1,102	1,316	-390	841
Total Capital and Investment Changes	1,102	1,316	-390	841
Grant Changes				
New homes bonus	-1146	-591	-525	-525
SSCF Grant received from GLA	98			
Council Tax Support Grant 2012-13 scheme	2,608			
PCT Funding	-546	233		
Grants rolled into Formula Grant	13,714			
Early Intervention Grant Spend Transferred to DSG	-314			
Total Grant Changes	14,414	-358	-525	-525
Other Technical Changes				
Freedom Passes	500	350	360	370
Provisions and Reserves				
Contribution to insurance provision	300	0	0	0
Capitalisation strategy/recharges strategy				
Reduce reliance on capitalisation	1,000	0	0	0
Miscellaneous				
Print Contract Costs	-421			
Pinner Road costs prior to disposal	-10			
Change in SSC charge to HRA	150	150		
Budget planning contingency	0	3,000	3000	3000
Contingency for Welfare Reform	1,000			
Total Other Technical Changes	2,519	3,500	3,360	3,370

INFLATION PROVISION

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Pay and Inflation				
Pay Award @ 1% 2013-14 and 2014-15, then 2% pa	950	950	1850	1850
Employer's Pension Contributions @ 0.25%	200	400	400	400
Increased NI from 2015 from ending contracted out rebate			1000	
Inflation on goods and services @ 2%	1,810	1,810	1810	1810
Additional provision for electricity and gas price increases	257			
Excess of September RPI (2.9%)on National Non Domestic Rates on Council properties above 2%	17			
Total Pay and Price Inflation	3,234	3,160	5,060	4,060

CROSS CUTTING TRANSFORMATION PROGRAMME

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Mobile and Flexible working - implementation and running costs	96	24		
Terms and conditions	-960	-320	-140	
Commercialisation project. Benefits incorporated into Directorate proposals	100			
Total	-764	-296	-140	0

COMMUNITY HEALTH AND WELLBEING

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
New Proposals				
Demographic Growth [above existing MTFS]	1,300	1,100	2,800	2,500
Mental Health Properties	50			
West London Alliance	10			
Housing				
Homelessness	1,000			
Invest to Save in PSL	289			
Community & Culture				
London Youth Games	8			
Under One Sky	25			
Support for specialist welfare advice services	90			
Total New Growth Proposals	2,772	1,100	2,800	2,500
Adults				
Share Complaints team with another local authority and/or aggregate within the Council		-104		
Supporting People Service - targetted efficiency savings through specific contracts		-450		
Reduce Supporting People Service - targetted savings through specific contracts		-400		
Sharing of Joint Assessment Team with another local authority		-93		
Secure further earmarked investment from PCT / CCG in Adult Social Care	-500			
Decommission Greenview services - saving on Harrow's contribution to the service following its closure by Health partner	-230			
Housing				
Reallocation of staff time from GF to HRA as a result of HRA reform leading to a change in emphasis of work - saving in GF.	-215			
Deletion of vacant Enabling Project Officer post	-36			
Invest to Save - cash incentives for council tenants to move into other housing options	-48			
Invest to Save - cash incentives for council tenants to move into other housing options		-48		
Affordable PSL accommodation product - 45 units.	-240			
Reduced management and maintenance costs of Travellers site	-10			
Empty homes project initiative - bringing empty homes back into use to reduce homelessness costs		-300		
Community & Culture				
Reduce Adult Learning Subsidy	-73			
Reduce Adult Learning Subsidy		-50		
Cease subsidy to Harrow Young Musicians	-58			
Share responsibility for Community Cohesion across the Council	-63			
Combine Gayton & Civic Centre Libraries		-75		

COMMUNITY HEALTH AND WELLBEING

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Hatch End Pool, Arts Centre, Museum and Bannister stadium, reduce subsidy through commercialisation and investment opportunities	-117	-238		
Public Health				
Contribution to DPH salary to be funded by ring fenced grant from April 2013	-50			
Contribution to overheads from Barnet/Harrow	-150			
Additional CHW savings still being developed	-209	-1080		
Total CHW New Savings	-1,999	-2,838	0	0
Net New Proposals	773	-1738	0	0
Existing MTFS				
Adults				
Demographic Growth [existing MTFS]	1,500	1500		
Circles of Support	300			
Housing				
Homelessness [100 families & anticipated B&B HB changes]	-250	-250		
Community & Culture				
Cultural Strategy Review growth and efficiencies	-150			
Total Existing CHW MTFS Investment	1,400	1,250	0	0
Efficiencies				
Adults				
Contract Management - managing inflation	-100			
Contract Management - efficiencies	-150	-100		
Contract Management - Home Care Providers	-900			
WLA Joint Procurement: APC Res Care 12/13 onwards	-150	-150		
Supporting People		-200		
CNWL: Mental Health Efficiencies	-100			
Voluntary Sector Funding Model - Investment		-100		
Voluntary Sector Funding Model - savings		-200		
Residential Care Strategic Review: JB UoR	-1,550	-3,000		
Investment in Community Based Services	775	1,500		
Day Services Strategic Review: JB UoR	-300	-300		
Purchasing Budget [Community Based efficiencies]		-1,000		
Commissioning Staff		-300		
Reablement	-900			
Cessation of Funding for Transport clubs	-75			
Housing				
Housing Needs - Private Sector Leasing scheme		-75		
West London Housing Needs Partnerships	-150			

COMMUNITY HEALTH AND WELLBEING

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Housing Service Efficiency Review		-70		
Community & Culture				
Community Development review of structure and service re-provision	-48	-15		
Libraries transformation 2 - savings associated with the Library Management system and review of opening hours.	-25	-71		
Cultural Strategy Review efficiencies - savings subject to tendering exercise with Ealing and Brent	-200	-400		
Procurement efficiencies	-40	-77		
Total Existing MTFS Savings	-3,913	-4,558	0	0
Net Changes Built into Feb MTFS	-2,513	-3,308	0	0
Net Community Health and Wellbeing	-1,740	-5046	2800	2500

CHILDREN & FAMILIES

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
New Proposals				
Investment in Services				
Demographic growth – Placements	26	26	88	88
Demographic growth – Staffing	13	123	123	123
CLA Changing Demographic - Placements			90	90
CLA Changing Demographic - Staffing			30	30
Growth in CWD numbers - Demographic			82	82
Loss of Youth Justice Board funding	90	10		
SEN post to undertake new statutory duties	50			
R&R Market Supplement	150			
Creation of Advanced Practitioner SW posts	310	70		
Principal SW role - post-Munro post	70			
Ofsted - Health Coordinator at NWP	50			
Youth Scrutiny Proposals	70			
Project Management Costs SNT Outsourcing	27	-27		
Project Management Costs children's centre proposals	20	-20		
Project Management costs - Joint solution	100	-100		
Future Efficiency Programme - error in MTFS		260		
Business Support				
Shortfall in targeted savings from business support model	185			
CIS Staffing	45			
Total New Investment	1,206	342	413	413
Efficiency Programme				
Introduction of Charging for non Stat Educ Phy	-125	-90		
Conduct in house parenting assessment	-20	0		
Consolidation of Early Years training functions	-100	-50		
Profit Sharing with HSIP	-30			
Deletion of Head of ESSO	-50	-50		
Reduction of Divisional Director		-125		
Consolidation of staffing structure - proposed deletion of 6 posts	-217	-78		
Consolidate and recommission all contracts relating to drug & alcohol	-100			
Recommission and consolidate parenting support	-130			
Savings from commissioning budgets	-109			
Reduction in semi-supported provision		-410		
Relocation of Youth Stop into Council premises		-50		
Consolidation of Clinic in a Box commission	-21	0		
Further children's centre remodelling	-173			
SNT 3 additional (pre-school route and uniform provision)	-40			
Total of Children and Families Savings	-1,115	-853	0	0
Net New Savings Proposals	91	-511	413	413

CHILDREN & FAMILIES

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Existing MTFS				
Investment in Services				
Demographic growth – Placements	62	62		
Demographic growth – Staffing	110	0		
CLA Changing Demographic - Placements	90	90		
CLA Changing Demographic - Staffing	30	30		
Growth in CWD numbers	82	82		
Transfer of duties in respect of Children on remand	270			
Total Existing Growth	644	264	0	0
Efficiency Programme				
Transformation Programme				
Special Needs Transport II - demand management including Independent Travel Training	-56	-45		
Special Needs Transport III - full market engagement		-500		
Integrated Childrens services - Staff	-100			
Harrow School Improvement Partnership	-50	-50		
Procurement Savings	-500			
Procurement - Placements	-70	-70		
Legal Advocacy	-20			
Reduction in the contract for Connexions services	-240			
Children's Centres remodelling	-200	-200		
Reduction in Mental Health provision		-100		
Respite Care for CWD (short breaks)		-100		
Reduction in commissioning		-115		
Future Efficiency Programme		-260		
Business Support Savings	-260			
Total Existing Children and Families savings	-1,496	-1,440	0	0
Net Existing MTFS	-852	-1,176	0	0
Net Children's Services	-761	-1,687	413	413

ENVIRONMENT AND ENTERPRISE

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Budget Pressures and Growth				
PRS - Vehicle early termination payments	832	-832		
Transformation growth	163	-163		
Parking review	522	46		
Additional Harrow Town Centre cleaning following from OLF2	167			
CCTV camera income decline		70	56	45
CRC/EA increase in cost of CRC scheme	93			
Welfare to work Xcite:	108			
WLWA Levy	912	345	677	708
Growth Total	2,797	-534	733	753
Procurement related pressures due to change in market price and profit share for Dry recyclables	256			
Maintenance of CCTV cameras	121			
Pressures Total	377	0	0	0
TOTAL PRESSURES AND GROWTH	3,174	-534	733	753
Additional income				
Increase Income and rental from Corporate Estate	-80	0	0	0
Increasing the level of fees recharged for adaptations undertaken using Council or DFG funding. Business as usual	-75	0	0	0
Introduction of Civic Centre staff car parking charges	-135	-45	0	0
Licensing - scope for additional income	-40	0	0	0
Revenue maximisation - Fleet sponsorship: Explore advertisement opportunities for PRS fleet	0	-25	0	0
SLA Income - HRA, Schools & Other Bodies. Increased income from revised SLA with schools	-19	0	0	0
Textile recycling	-10	0	0	0
ADDITIONAL INCOME TOTAL	-359	-70	0	0
Environment Savings				
Climate Change - Flexible retirement and consumables	-31	0	0	0
Environment Consumables	-100	0	0	0
Further management reductions in Environment	0	-240	0	0
Reduce highways maintenance budget	-273	0	0	0
Public Realm service reduction	-673	-81	0	0
Public Realm Post reductions	0	-24	0	0
Traffic & Highways post reductions	-251	0	0	0
Consolidation of Civic Centre accommodation to secure utility cost savings. Transformation Project	0	-122	-58	0

ENVIRONMENT AND ENTERPRISE

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Consolidation of property services within old Environment and Enterprise Directorates. Transformation Project	-180	0	0	0
Cost reduction of maintaining parking equipment	-30	0	0	0
Establishing the Harrow Home Improvement Agency as a stand alone organisation. Transformation Project	-75	-75	0	0
Reduce the number of off-street car park sites and dispose of selected car park sites	0	-100	0	0
Review Animal Services	-40	0	0	0
Review operations of the CCTV control room during the night	-30	0	0	0
Review Brent-Harrow Trading Standards consortium and / or provide Trading Standards on a reduced scale.	-140	0	0	0
Review Trade Waste	-220	0	0	0
Undertake maintenance and cleaning of corporate premises only to the minimum standard necessary for statutory compliance.	-100	0	0	0
TOTAL ENVIRONMENT SAVINGS	-2,143	-642	-58	0
ENTERPRISE SAVINGS:				
Part residual Research and Development budget	0	-56	0	0
Residual from Major Projects budget	-25	0	0	0
Procurement savings on Northgate contract	-6	0	0	0
Enterprise Post Deletions	-457	0	0	0
Enterprise Consumables	-60	0	0	0
TOTAL ENTERPRISE SAVINGS	-548	-56	0	0
Total Environment and Enterprise Savings	-3,050	-768	-58	0
Net of New Proposals	124	-1,302	675	753
EXISTING MTFS:				
WLWA Levy	306	344		
Closure of loss making car parks	-150			
Management Efficiencies	-75			
Parking permit charge increase	-40			
Returning Parks to Open Space	-350			
Soft Market testing of statutory animal services	-20			
Trading Standards and Proceeds of Crime Act savings (linked to review of SLA with Brent trading Stds)	-50	-100		
Existing - Environment efficiencies Total	-685	-100	0	0
Additional planning fees income following change from central government		-290		
Additional staffing reductions	-100			

ENVIRONMENT AND ENTERPRISE

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Further staffing reductions	-200			
Grant to Harrow In Business for transition period	-25			
Introduce differential charging policy for planning applications to provide for fast track income generation	-15			
Revenue Projects	-8			
Staffing reductions/restructuring proposals	-326			
Existing - Enterprise Total	-674	0	0	0
Procurement Savings - others	-140	-273		
Procurement - Transport Review	-350			
Existing procurement Total	-490	-273	0	0
PRISM growth and efficiencies (2012-13 reversal)	-200			
Property Co/FM growth and efficiencies (2012-13 reversal)	-100			
	-300	0	0	0
PRISM efficiencies	-1,500	-350		
Property Co/FM growth and efficiencies	-251			
	-1,751	-350	0	0
Total Existing MTFS Savings	-3,900	-1,013	0	0
Net Existing MTFS	-3,594	-669	0	0
Net Environment and Enterprise	-3,470	-1,971	675	753

RESOURCES

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
New Proposals				
Investment in Services				
BTP Contract Indexation	30	30		
Software Licences	88			
Experian & LIS	3	22	-25	
Refresh of Residents Panel	10	-10		
Aggregation Options now in New Proposals	644	25		
Helpline Income shortfall	80			
Card Payment System	92			
Cashiers Service Resilience	50			
Increased Resources in Payroll	35			
Legal Expansion of Child protection	120			
Individual Electoral Registration	100	-100		
Finance Improvement Plan	300	-300		
Finance - Ending Service to WLWA	40	27		
Reduced Schools SLA Income	20			
DWP Housing Benefit Reduction in Administration Grant		250	500	
Loss Housing Benefits Overpayments Income Stream		-120	320	110
Additional Staff Revenues CTS collection	150			
Harrow HELP scheme	250			
Reduced WLWA Income Payroll	20	15		
Investment in Procurement Team to size of team for 2011/12	310	193		
Total Investment	2,342	32	795	110
Close F2F and Telephony Channels for Public Realm Enquiries	-30	-70	-50	-50
Reconfigure One Stop Shop	-50	-100	-190	-100
Further channel shift through roll out of My Harrow account		60	-60	
Datacentre to remain at the Civic Centre	-250			
Recharge utility costs for computer room to Capita	-177			
Telephony Over SIP	-200			
ITO Unit Based Pricing	TBC	TBC	TBC	TBC
Delete post of Senior Professional SIMS	-60			
Performance, Research & Analysis Business Case and New Operating Model Strategic Commissioning	-132	-97		
Merger of Consultation Officer into Communications team	-40			
Communications	-46	-46		
Additional Print Contract Savings	-250	-100		
Cessation of External recruitment Advertising	-25	-75		
Reduction of 1FTE Anti Fraud Investigator Post	-50			
Reprocurement Occupational Health	-30			
Deletion of Corporate Risk Management Support Service	-30	-30		
Cross Council Insurance Claims	-30	-70		

RESOURCES

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Reduced Contribution to Insurance Provision		-100		
Reduced Number and Frequency Formal Committees	-100			
Efficiency savings in Mayor's office	-26			
Scaled Back Councillor Investigation Process	-50			
Increase to Registrars Fee Income Target	50	-100		
Reduction in Corporate Finance staffing		-200		
Treasury Management	-462			
Revenues Staffing Reductions				-40
Housing Benefits Staffing Reductions			-125	-145
Withdraw Discretionary Rate Relief from Charity Shops	-25			
Funding Administration of Emergency Relief Scheme	-85			
Resources Savings	-2,098	-928	-425	-335
Net of New Proposals	244	-896	370	-225
Existing MTFS				
PDP				
Local Information System Licences and Running Costs	18			
Reduction in DAT contribution due to PCT budget reductions	-25			
Customer Services				
Web development & licences	10			
IT & text alerts	50			
IT / PMO				
BTP Periodic Payments Inflation	30			
Collections and Benefits				
PFI Grant Cancellation	38	43		
DWP HB Reduction in Admin Grant	128	119		
DWP Reduction in Recession Grant	170			
Funding for Localised CTB consultation & Implementation (one off growth)	-100			
Loss of Housing Benefits Overpayments Income Stream		320		
Total Existing Resources Directorate Investment	319	482	0	0
Efficiencies				
PDP				
Rolling out the Performance Management Business Case, to provide a centralised performance management resource for all Directorates across the Council.	-34			

RESOURCES

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Merging the Policy and Partnerships Team with the following elements of the Community Development Team: •Community Grants • Third Party Hate Crime Reporting • Community Development work	-58			
Merger of Corporate Performance Team and Service Performance Team, reducing staffing		-93		
HRD				
Reduction in HRD Management team		-65		
Print Contract Savings	-100			
Reduction in HRD posts	-75	-75		
Re-negotiate L&D managed service contract fees	-50			
Reduction in TU facility budget	-30			
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	-19		
INTERNAL AUDIT				
Reduce co-sourcing budget		-16		
CORPORATE HEALTH & SAFETY SERVICE				
Delete H&S advisor post	-42			
CIVIL CONTINGENCIES TEAM				
Joint working opportunity with other boroughs	-35			
INSURANCE SERVICE				
Reduced broker fees through more in-house handling and increased income on third party insurance schemes	-2	-3		
Future trading with Academies	-25			
Phase 2 restructure, reduced assistant post from claims handling transfer to Access Harrow / further LEAN efficiencies	-20			
Customer Services				
Move landlords online with F2F by appointment only on fixed days	-90			
Reduction in staff hours to meet demand through fewer full time posts	-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		
IT / PMO				
ITO reductions	-88			
Deletion of Project Manager	-48			
LEGAL AND GOVERNANCE				
Legal Practice				
Efficiency savings already agreed	-71			

RESOURCES

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Continuation of code of conduct for councillors	43			
Shared Service efficiencies	-150			
Registrars				
Share/reduce management costs	-75			
Elections				
E-canvass Project	-20	-20		
Collections and Benefits				
Deletion of 2 FTE posts in Revenues - CT&NDR	-60			
Deletion of 4 FTE posts in Housing Benefits		-140		
Deletion of 1 post in Parking Back Office	-25			
Staff reductions to match DWP Admin grant reduction		-48		
Conc Travel - Changes to TfL grant distribution	-105	-102		
Corporate Finance				
Finance restructure		-100		
WLWA - additional contribution to overheads from increased service	-17			
Procurement				
procurement team restructure	-170	-193		
Merger of Divisions within a Resources Directorate	-118			
Efficiencies from merging the Chief Executive's, Corporate Finance and Legal and Governance Directorates into a single Directorate	-250	-25		
Total Existing Resources Savings	-1,865	-1,079		
			0	0
Net Changes Built into Feb MTFS	-1,546	-597	0	0
Net Resources Directorate	-1,302	-1,493	370	-225

Technical Commentary

Council Tax Raised.

This section shows the projected changes in the amount of Council Tax raised, there are a number of factors influencing this.

In 2012-13 the cost of Council Tax benefit is met from a ring fenced 100% grant. The move to Council tax Support will involve a significant number of claimants who are currently 100% funded needing to make a contribution in future. In recognition of the difficulties in collecting Council Tax from this group a 1% reduction in the overall collection rate is proposed.

There have been approximately 650 additional band Ds added to the taxbase, offsetting the increased loss on Collection.

The MTFS approved in February assumed that there would be a 2.5% Council Tax increase in 2013-14 and 2014-15. This indicative assumption has been revised down to 2% in accordance with the Government's cap before a referendum is required. The eventual Council Tax proposed is however heavily dependent on the Local Government Finance Settlement, which is not known at the time of writing.

Collection Fund Surplus

A report on the Collection Fund surplus is being considered elsewhere on this agenda. The surplus for 2012-13 indicated in that report, to be applied in 2013-14 is £1,045k. This is a reduction of £290k on the surplus applied in 2012-13 but an increase on that indicated in the Feb 2012 MTFS of £545k.

Given the anticipated collection difficulties following the introduction of the Council Tax Support Scheme it is proposed to reduce the anticipated surplus included in the MTFS to £500k in 2014-15 and then zero from 2015-16. The figures will be revised in the light of actual performance in each year.

Capital Financing Costs

Capital Financing costs have been calculated based on the existing Capital Programme approved in February 2012 and quarter 2 monitoring of the 2012-13 programme. The growth in financing costs reflects changes arising from the following causes:

- The later receipt of the proceeds of asset disposals than assumed in February 2012.
- Slippage in the Capital Programme.
- more pessimistic interest assumptions in relation to the delay in the recovery of the economy which reduces interest received on deposits but has little impact on borrowing costs.

Grant Changes

The number of grants that the Council receives will significantly reduce from 2013-14. This is because they are being rolled into Formula Grant. In some case there are also distributional changes occurring and reductions at a national level. The main grants with significant reductions are Formula Grant, Early intervention Grant and Council Tax Benefit.

Overall Grants are anticipated to decrease by £8.5m in 2013-14 in cash terms compared to the MTFS with further reductions in subsequent years. It is likely that there will be a 2 year finance settlement in December but with little certainty for future years, although the outlook is challenging.

Grants Being Rolled into Formula Grant

The following is a list of Grants being rolled into Formula Grant in 2013-14.

Grant	2012-13 Allocation £000
Early Intervention Grant	-8,544
Lead Local Flood	-175
Learning Disability and Health Reform	-4,395
Homelessness Prevention Grant	-600
Total	-13,714

Formula Grant and Business Rates Localisation

This line takes account of Formula grant and the transition to the business rates retention scheme. It has been assumed that the impact formula and data changes have on formula Grant will be broadly neutral, based on consultation papers issued by the Government. The additional grant resulting from recognising Harrow's increased population will be offset by changes that give a greater weight to sparsity. The underlying reduction in rateable value has been assumed to continue at -1%. The substantial increases from major developments in the pipeline are anticipated to be outside the timescale of the MTFs. It should also be borne in mind that when they do occur 70% of the benefit will go to the Government and the GLA. Formula Grant is estimated to increase by £19.8m in 2013-14 compared to 2012-13 but this is a reflection of the grants transferred in to Formula Grant.

Early Intervention Grant

The budgeted grant in 2012-13 is £8.544m. At the same time as this grant is rolled in to Formula grant there is also a significant reduction in the level of Grant the Government is proposing to give authorities. The funding taken from local authorities is being used to fund the government's 2 year old offer. At a National level the level of Grant is being reduced from £2.370bn in 2012-13 to £1.726bn in 2014-15 and £1.632bn in 2014-15. Given that Harrow's share of the national total is approximately 0.36% this translates to grant reductions of £2.3m in 2012-13 and a further £0.8m in 2014-15. This reduction has been reflected in the estimate of Formula Grant. There is a small offsetting corresponding reduction in Council spend of £314k arising from schools becoming responsible for the 2 year old offer in 2013-14, however the balance of grant reduction of £2.8m represents growth for the Council.

Council Tax Support Grant

This is a new grant consequent on the introduction of the localisation of Council tax benefits. Unlike previous years this grant is not credited to the Collection Fund but to the General Fund and is expected to be part of formula Grant. The indicative notification for Harrow as part of CLG's consultation in May 2012 was £14.073m. This indicative allocation has been reduced by 10% compared to the 100% funding under the current scheme. Following the Government's announcement of a Council Tax Freeze grant for 2013-14 it is possible that the indicative indication will be further reduced, but this has not been factored in at this stage. The allocation is subject to confirmation, which is anticipated November / December.

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Existing MTFs	0	0	0	0
Proposed	-14,073	0	0	0
Change	-14,073	0	0	0

New Homes Bonus

This grant rewards authorities for new build and for net homes brought back into use. There is also an addition of £350 for each affordable home built. The data is largely based on the CTB1 form as at October each year but also affordable homes built in the last financial year. Each year's allocation is payable for 6 years.

The projections of grant below are based on 723 new homes in 2012-13, based on near final data and then a more cautious figure of 353 new homes per year.

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Existing MTFS	-650	-530	0	0
Proposed	-1146	-591	-525	-525
Change	-496	-61	-525	-525

Council Tax Freeze Grant 2012-2013

This grant was made in 2012-13 to enable Council Tax to be reduced by 2.5%. This was a one off grant and so gives rise to growth of in 2013-14 of £2.608m growth.

PCT Funding

This is funding that is paid to the PCT in the first instance and there is an agreement to pay this to the Council. Harrow receives £2.497m in 2012-13 and the changes to this are set out below. The future after 2014-15 is not certain, however the risk around this funding is captured as part of the Formula Grant assumptions.

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Existing MTFS	-546	233	0	0
Proposed	-546	233	0	0
Change	0	0	0	0

Community Safety Grant

This grant is paid to the Mayor of London who subsequently distributes it to boroughs and the police. The grant has declined as part of the coalition's deficit reduction proposals, however Harrows share declined a further £50k in 2012-13 when grant anticipated to be directed to Harrow was redirected to the police. The projected grant to be received from 2013-14 is £62k after the changes shown below. This is not confirmed and it is not anticipated that confirmation will be received until 2013. There is therefore some risk that the assumption of a remaining grant of £62k might not be achieved.

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Existing MTFS	48	0	0	0
Proposed	98	0	0	0
Change	50	0	0	0

Freedom Passes

The cost of Freedom Passes is met by a levy on London Boroughs to cover the cost of the scheme for their residents. In 2012-13 the levy is £8.3m. The distribution is mainly on the basis of oyster card data averaged over a 2 year period. The main driver for increases is the level of fares set by the mayor. In recent years increases have tended

to be higher than either RPI or CPI and initial indications received from London Councils are that there will be a 5.5% increase for 2013-14. For future years a 4% increase has been assumed as the increase in fares tends to exceed other inflation indicators.

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Existing MTFS	300	300	0	0
Proposed	500	350	360	370
Change	200	50	360	370

Contribution to provision for litigation

There is a base budget contribution of £425k, which the existing MTFS planned to increase to £500k. A review of the current level of likely provision required indicates that it is not necessary to increase the contribution further.

Contribution to insurance provision

Harrow maintains an insurance provision in order to facilitate self insurance, which is cheaper than external insurance, although needs to be set against the risk carried. The existing contribution to the insurance provision is £1.5m, and the balance on the provision was £6.1m at 31 March 2012. This matched the value of outstanding claims. The advice of the actuary is that we should increase the annual contribution to £1.8m. The planned increase of £300k would take the annual contribution to £1.8m.

Reduce reliance on capitalisation

The Council has been reviewing the way costs are split between capital and revenue in line with best practice and has had a programme to transfer recurring costs to revenue. £1m is required to complete this exercise, and is not anticipated that any further transfers will be required after 2013-14.

Print Contract Costs

A one off budget of £421k was provided for the end of contract costs of the main Annodata contract in September 2012. This budget will no longer be required in 2013-14.

Pinner Road Costs Prior to Disposal

A £10k budget was provided in 2012-13 for the anticipated costs incurred on the building prior to its disposal. This budget will no longer be required in 2013-14.

Change in SSC Charge to HRA

As the total cost of providing support services reduces the amount charged to the HRA will also reduce. Work is still taking place on updating SSCs, however it is estimated that this will reduce by £150k in 2013-14 and a further £150k in 2014-15.

Budget Planning Contingency

Given the uncertainties facing the Council and the limited knowledge currently available in relation to many of them, directorate proposals inevitably are not completely comprehensive in relation to future years. This provision makes allowance for this. For 2013-14 this budget will be removed on the basis that the growth and budget pressure proposals remove the need for this. For future years there is a provision of £3m p.a. to allow for as yet unidentified growth.

Contingency

There is a base budget of £1m for contingency items. It is proposed to add a further £1m in respect of the additional financial uncertainties the Council faces in 2013-14, including in relation to Welfare Reform.

Pay and Inflation

Pay Award

The existing MTFS provided for 2% pay awards p.a. The Government has announced a public sector pay policy of 1% p.a. for 2013-14 and 2014-15. This has been reflected in the figures below, returning to 2% p.a. from 2015-16.

Employers pension contributions

The current employer contribution rate is 19.10%. This has been increasing at the rate of 0.25% p.a. in order to address the fund deficit over a period of years. The next revaluation is due at 31 March 2013 with any changes as a result of this starting in 2014-15. Initial discussions with the actuary indicate that the financial position of the pension fund has deteriorated for the following reasons

- The new scheme not delivering the expected savings for the fund.
- The cost of accrual increasing due to the falling gilt yields (and therefore discount rate); and
- Deficit repair contributions increasing to meet the widening funding gap.

It is clear that higher contributions than previously planned will be required from 2014-15 and an assumption has been made that employer contributions will increase by 0.5% p.a. from 2014-15, however there is a risk that the increase required will be higher.

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Existing MTFS	200	200	0	0
Proposed	200	400	400	400
Change	0	200	400	400

Ending of contracted out NI rebate

The Government signalled in the March 2012 budget that the contracted out rebate would end in 2015-16. This is the discount given to employers and employees where employees are members of pension schemes. The estimated cost of the loss of the employer discount is £1m.

Prices Inflation

Prices inflation has been provided at 2% p.a. As at October 2012 CPI stood at 2.7% and RPI 3.2%.

The actual inflation suffered on individual spending areas will vary from this either up or down depending on market pressures. Where inflation is more than 2% directorates will manage expenditure to keep within the funding available, primarily by negotiating prices down.

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Existing MTFS	1,810	1,810	0	0
Proposed	1,810	1,810	1,810	1,810
Change	0	0	1,810	1,810

Gas and Electricity

Gas and Electricity increases above 2% are anticipated and an allowance has been made of 10%.

National Non Domestic Rates

Business rates vary in line with RPI and £17k has been allowed for the excess over 2% in 2013-14 provided for inflation generally.

Transformation

Mobile and Flexible working

The current MTFS assumes that the savings arising from this project will be treated as corporate savings. It is proposed to remove the corporate saving target and allow for the savings to be included within directorate proposals.

The anticipated implementation and running costs of the project are being provided corporately.

Terms and Conditions

The savings from Terms and conditions assumed in the February MTFS have been updated with the latest estimate of the savings.

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
Existing MTFS	-530	0	0	0
Proposed	-960	-320	-140	0
Change	-430	-320	-140	0

Review of Fees and Charges and maximising existing income

The current MTFS assumes that the savings arising from this project will be treated as corporate savings. There is a corporate adjustment of £100k to remove this saving target with savings being included within individual directorate proposals.

School Budget 2013-14

- **Introduction**

The Dedicated Schools Grant (DSG) is a ring fenced grant the majority of which is used to fund individual school budgets. It also fund certain central services provided by the local authority such as Early Years (private and voluntary sector nurseries) and fees for out of borough pupils at independent special schools.

In March 2012 the DfE announced their intention to introduce a new school funding methodology with effect from April 2013. A summary of the changes and the impact on Harrow school funding, including the revised school funding formula, is detailed below.

- **School Funding Reform**

In the future the DSG will be split into the following three blocks:

- School Block
- High Needs Block
- Early Years Block

The DfE have issued the draft 'School and Early Years Finance (England) Regulations 2013' which introduces significant changes to school funding with effect from April 2013. The regulations:

- Require the implementation of a new school funding formula from 2013/14 which can only use a few limited factors and must use the data provided by the DfE
- Introduce new funding arrangements for pupils with high value special educational needs
- Significantly restrict the DSG that can be held by the local authority to fund central services

3. Implementing a revised School Formula Funding for 2013/14

The legislation requires all authorities to revise their school funding formula, details of which had to be submitted to the DfE by 31 October 2012. Schools Forum, through a dedicated working group, looked to develop a revised formula that would:

- Comply with the new statutory requirements
- Minimise turbulence in school budgets
- Recognise pupil need
- Preserve funding across sectors, which prevents movement between the primary and secondary sectors

The draft revised formula was issued to all Harrow schools for consultation in September and was formally agreed by Schools Forum on 16 October. This enabled the proposed revised formula to be submitted to the DfE by the 31 October deadline.

Cabinet are asked to approve the following factors to be included in the 2013/14 school funding formula:

1) Basic Per Pupil Entitlement

Primary – The DfE only allows one rate to be used for primary age pupils (reception to year 6)

Secondary - The DfE is allowing separate Key Stage (KS) 3 and KS4 per pupil funding in secondary and the formula maintains the current relativity of 22% between Key Stages 3 and 4.

2) Deprivation

A deprivation factor is mandatory. The deprivation factor in the revised formula is:

50% of deprivation funding is allocated based on eligibility for Free School Meal (FSM) in the current year

The remaining 50% is allocated using the Income Deprivation Affecting Children Index (IDACI) across 6 banding levels, with higher levels of deprivation attracting a higher funding rate.

3) Looked After Children (LAC)

The Looked After Children factor allocates funding to support pupils who have been LAC for at least 12 months allocated at the level of IDACI 6 banding.

4) Low Cost High Incidence SEN - Use of Prior Attainment Data

Funding allocated as follows:

Primary: pupils who score fewer than 73 points as measured by the Early Years Foundation Stage Profile.

Secondary: pupils who fail to achieve a level 4 in both English and Maths at Key Stage 2

5) English as an Additional Language (EAL)

Funding allocated to EAL pupils recorded on the census as follows:

Primary Schools using 3 years data

Secondary Schools using 1 year's data

6) Pupil Mobility

Funding to be allocated to pupils identified by the DfE mobility data.

7) Lump Sum

The agreed rate is £154,230, which must be applied to all mainstream schools. This figure includes additional delegation of £12,000 in respect of funding for 2 high cost statements.

8) Rates

Rates are the only factor where Local Authorities must fund schools on an actual cost basis. Any in year adjustments arising from timing differentials must be adjusted for in the following year's budget.

- **New funding arrangements for pupils with high value special educational needs**

The most significant area of change is in respect of SEN provision with local authorities becoming commissioners of provision for high needs pupils aged up to 25. The DfE are defining high needs pupils as those which require provision costing more than £10,000 per year. In addition it includes school age pupils in Alternative Provision (AP).

These pupils will be funded from the High Needs Block which includes funding for the following:

1. Harrow Special Schools
2. Additional resourced provision in Harrow mainstream schools
3. Places in out of borough special schools and independent special schools
4. High Value Costed Statements in mainstream schools
5. Post-16 SEN expenditure including FE settings
6. Special Educational Needs (SEN) support services and support for inclusion
7. Alternative Provision including Pupil Referral Units & education out of school

From April 2013 high needs pupils will be funded on a mixture of places and pupils, which the DfE is referring to as 'place-plus'. Under the place-plus approach funding comprises the following three elements, which is being applied across all provision for high needs pupils.

Element 1, or 'core funding': the mainstream unit of per-pupil education funding (DfE assumed level of £4,000).

Element 2, or 'additional support funding': a clearly identified budget for providers to provide additional support for high needs pupils or students with additional needs up to an agreed level (DfE assumed level of £6,000).

Element 3, 'top-up funding': funding needed in addition to Elements 1 & 2 to meet the total cost of the education provision required by an individual high needs pupil or student, as based on the pupil's or student's assessed needs. This is commissioned and funded by the local authority from the High Needs Block

From April 2013 the place plus funding replaces the current formulas for both Harrow special schools and additional resourced provision in mainstream schools.

The introduction of place plus funding for high value costed statements in mainstream schools has necessitated changes to the school funding formula. Schools will receive Element 3 top up funding from the local authority whereas Element 1 and 2 has to be allocated through the schools budget. This has necessitated additional delegation of SEN funding for high value costed statements agreed as a two stage process:

- Allocate £12,000 (2 places at £6,000 per place) through lump sum
- Allocate further £6,000 per high value costed statement in excess of 2, as recorded on the previous October census.

There are growing concerns about the financial risks posed by the changes to the funding for SEN provision. The 2013/14 High Needs Block is frozen at the 2012/13 budget level and does not make any allowance for the increase in pupil numbers. The DfE have not confirmed how they will fund growth in the High Needs Block in the future. In addition from August 2013 new responsibilities are being transferred in respect of Post 16 responsibilities.

The legislation also removes the current inter authority recoupment arrangements for SEN funding. This duty now transfers to individual schools.

- **Restrictions on the DSG that can be held to fund central services.**

For services currently funded from centrally retained DSG these are either included in the High Needs block or Early Years block where appropriate, with the remaining falling into the School block. All the funding in the schools block has to be passed to schools apart from the following named exceptions which can still be retained but are frozen at 2012/13 levels:

- Co-ordinated Admissions,
- Carbon Reduction Commitment
- Servicing of Schools Forum

In addition the following services will be delegated to schools from 2013/14:

- Behaviour Support Services
- Support to underperforming ethnic minority groups and bilingual learners
- Trade Union Facilities Time

If maintained schools in a phase collectively agree – through the Schools Forum – these services can be provided centrally by returning funding to the local authority. Academy schools will not be part of these collective agreements. They would receive the funding and would have to buy back separately. These proposals remove the DSG clawback in respect of academies and enable the Education Funding Agency to fund academies directly. Schools Forum have indicated they would consider a de-delegation request is expected in respect of Trade Union Facilities Time.

The legislation also allows authorities to seek Schools Forum approval to create a ring fenced Growth Fund from the DSG in order to fund in year pupil growth. This is important for Harrow given the scale of additional classes identified through the Primary Expansion Programme. The following funding for pupil growth and the draft Growth Fund for 2013/14 was agreed by Schools Forum on 16 October:

- **Additional Class Funding**

The growth fund will allocate £63,000 of revenue funding for each additional class for to provide for staffing plus some equipment for the period September to March (this equates to 7 months 2012/13 reception per pupil funding). This will cover additional classes in both maintained and academy schools but not Free Schools.

It is proposed that this funding is allocated by Schools Forum from the Growth Fund in the preceding summer term to enable the funding to be allocated prior to incurring the additional expenditure in September.

At this stage it was not felt that a similar funding allocation is needed for the secondary sector. This will be reviewed annually and is likely to be reconsidered when the growth in pupil numbers feeds through to the secondary sector.

- **Trigger funding**

In the secondary sector in year pupil growth is concentrated in just a few schools where there are spare places. For the secondary sector it is proposed to provide

additional funding where pupil numbers on the January census exceed those recorded in the previous October by more than 2%. The funding is based on average per pupil funding though it will be capped at £100,000. Again this would be paid to maintained schools and academies but not to Free Schools.

- **2013/14 Settlement**

The DSG in 2012/13 totalled £173.4m based on a per pupil funding rate of £5,536. The Department for Education (DfE) are expected to confirm the final school funding settlement for 2013/14 in December. Under the new funding methodology the DSG will be made up of the following:

- School Block Funding – based on a revised school per pupil funding multiplied by pupil numbers in primary and secondary schools as recorded on the October 2012 census. The DfE have issued an indicative per pupil rate of £4,919
- Early Years Block Funding - based on a revised early years per pupil funding multiplied by pupil numbers in primary and secondary schools as recorded on the January 2013 census. The DfE have issued an indicative per pupil rate of £4,314.
- High Needs Block Funding – frozen at 2012/13 level regardless of pupil growth. The 2013/14 funding will not be confirmed until at least December as it is being adjusted for hospital school funding, the ending of recoupmnt and the transfer of post 16 responsibilities.

A legal Minimum Funding Guarantee (MFG) is retained for individual schools budgets to provide some protection to school funding however it is a negative figure. The regulations state that no school will experience a reduction in their school budget greater than 1.5% per pupil.

Schools also receive the Pupil Premium in respect of pupils who have ever been eligible for Free School Meals (FSM) in the last 6 years plus Children Looked After continuously for more than 6 months. In 2012/13 the rate per eligible pupil was £619. The rate has not yet been confirmed for 2013/14 although given the total funding available nationally it is expected to rise. In addition a pupil premium is allocated to children of service personal at a rate of £250 in 2012/13. Again the rate has not been confirmed for 2013/14. 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.

4. School Budgets 2014/15 onwards

The DfE have yet to confirm any details of the school funding settlement for 2014/15 however they have confirmed the MFG of -1.5% will remain in place. They also wrote to the authority in October to state that there is likely to be a MFG in subsequent years however they did not confirm an amount. The revisions to schools funding are been viewed as a step towards a national school funding formula that could be in place as early as 2015/16.

Stakeholder Meetings

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

Stakeholder	Meeting	Date
Overview and Scrutiny	Special meeting of O&S to review the budget	9 January 2013
Tenants and Leaseholders	Tenants and Leaseholders Consultative Forum	January 2013
Partner organisations	The Partnership Board	6 December 2012
Local Businesses	Harrow Business Consultative Forum	28 January 2013
Unions	Employees Consultative Forum	31 January 2013
Schools	Education Strategy Consultative Forum	30 January 2013

REPORT FOR: **CABINET**

Date:	22 January 2013
Subject:	Draft Capital Programme 2013-14 to 2016-17
Key Decision:	Yes
Responsible Officer:	Julie Alderson, Corporate Director of Resources
Portfolio Holder:	Councillor Sachin Shah, Portfolio Holder for Finance
Exempt:	No
Decision subject to Call-in:	Yes
Enclosures:	Appendix 1 – Proposed and indicative Summary Capital Programmes

Section 1 – Summary and Recommendations

This report sets out the proposed capital programme for 2013-14 and the indicative resources levels for 2014-15 to 2016-17 that forms part of the annual budget review process.

Recommendations:

- That Cabinet approves the draft capital programme, as detailed within Appendix 1, for consultation, with the final version to be presented at the February meeting of Cabinet.

Reason: (For recommendation)

To enable the Council to have an approved capital programme for 2013-14.

Section 2 – Report

Development of the Capital Programme

1. The proposed capital programme has been prepared in the current climate of increased revenue pressures, reduced external funding from Central Government as well as difficult property market conditions (limiting potential capital and s106 planning receipts).

In order to meet the authority's obligations and priorities, and consistent with the approach introduced last year, this has resulted in the consideration of a range of funding and accounting options and inclusion of projects/items over and above the main Capital Programme.

2. The existing capital programme is a three year rolling programme. In order to align with the four year revenue Medium Term Financial Strategy programme totals have been set for four years. There are however significant uncertainties in the level of future capital resources and it is therefore proposed that the programme is detailed in the first year only with an indicative funding level thereafter.

The approved Capital Strategy continues to provide a clear approach to Capital Programme development and requires the incorporation of the corporate priorities and alignment with the Council's Asset Management Plans and Property Strategy, equalities and health and safety implications. The strategy thus results in a greater visibility and accountability of capital programme development.

Service directorates were invited to bid for capital resources, and each proposal requiring Council resources was considered by a Capital Bid Validation panel.

The results were then reviewed by CSB in conjunction with portfolio holders, and the attached draft programme has been produced (Appendix 1).

3. As well as the pressures highlighted in the first paragraph, the capital programme is also constrained by a number of factors:

- Unavoidable spending requirements such as major repairs to the Council's buildings and carriageway and footway resurfacing, and providing school places.
- Restrictions in the way funding can be used e.g. ring fenced funding such as Transport for London and DfE grants for schools.
- The availability of capital receipts
- Limited capacity to fund borrowing. Although there are no specific limits to borrowing in order to fund capital expenditure, since the introduction of the prudential borrowing framework, Councils must however consider the revenue implications in the context of the overall revenue budget commitments in the medium term. Proposals must be

affordable and the revenue resources available to the Council have reduced and are anticipated to continue to reduce in the medium term.

4. The proposed capital programme includes provision for:

- Keeping neighbourhoods clean, green and safe
 - Public Realm improvements
 - Street Lighting Improvements
 - Harrow Green Grid
- Supporting and protecting people who need it most
 - Disabled Facility Grants
 - Empty property and Private Sector initiative grants
 - Schools Expansion Programme
- United and involved communities: a Council that listens and leads
 - Housing Programme
 - Upgrading of People's Network
 - Neighbourhood Investment Scheme
 - Harrow Card
- Supporting our Town Centre, our local shopping centres and businesses
 - Town Centre Improvements
 - Harrow Card
- Other/Combination of priorities
 - Highways Improvements
 - Civic Centre modernisation and development
 - New projects emerging from the Transformation Programme
 - ICT infrastructure to facilitate a number of transformation projects, including mobile and flexible working
 - High priority major works to corporate buildings
 - Headstone Manor Tithe Barn

The Summary Capital Programme is attached at Appendix 1.

5. The gross value of the proposed General Fund programme is £29m for 2013-14, with external funding of £9m and a net cost to the Council of £20m. This is higher than the target envelope of £18m that Directorates were asked to work to. Particular areas that have caused difficulty are Business Transformation where there is additional spend that leads to revenue savings and Public Realm where there is a need to fund infrastructure to mitigate health and safety risks arising from backlog maintenance. There has been an increase in the capital receipts anticipated, compared to the summer of 2012 when the target envelope was set.

In order to meet the authority's obligations and priorities, in the light of considerable financial pressures, and consistent with the approach introduced last year, a range of funding and accounting options have been considered. This has resulted in the inclusion over and above the main Capital Programme of three project areas

- School Expansion Programme - Financing costs of the earlier years to be met by s106 planning resources if insufficient capital grant is available. This is assumed to be £4.9m in 2013-14 but would reduce if the allocation of grant from DfE were greater than the £5.1m assumed.

We routinely negotiate section 106 planning resource (S106) contributions from developers, including specific allocations for additional school places. To ensure we can meet our urgent statutory obligations for the provision of additional school places, we plan to use these S106 contributions to fund the financing costs associated with the borrowings required for the first three years. However, financing costs beyond this initial short-term, providing there are no other changes in appropriate S106 contributions, will be phased in to the Council's MTFs at that time.

- Transformation New Projects with business cases confirming payback within ideally 3 years - any financing implications to be funded from reserves, with reserve reimbursement from subsequent savings.

Approval is sought for £3m pa for any new transformation projects which would achieve savings paying for the project and financing costs within three years. Business cases would still be required to be submitted and approved by Cabinet.

Land acquisition - All financing costs to be capitalised as part of the development cost. £4.5m in 2013/14, comprising £3m expected to be carried forward from the 2012-13 programme but unused plus an additional £1.5m in 2013-14. This would allow for opportunities / developments to be progressed on a timely basis.

Backlog Maintenance

6. The Council has considerable backlog maintenance – the figures from the latest Asset Management Plan are as follows:

- i) School buildings - £58m (excludes academies)
- ii) Corporate, Education and Miscellaneous buildings - £12m
- iii) Highways – in excess of £150m

The level of investment contained within this programme does not clear the full backlog. It should be noted that the Council cannot afford to fully address the backlog in the short-term, however, the Council will do at least what is

necessary in order to comply with health and safety legislation. The programme does include projects which address some of the backlog and also the investment in the civic centre will free up buildings for disposal and hence remove some of the backlog maintenance requirement.

7. ICT Investment

The Council outsourced the provision of IT services to Capita in November 2010. The programme of work allows for improved disaster recovery, increased resilience, flexible working and a scaleable service. As part of this outsourcing there is a significant capital investment in software and equipment. The capital investment under the contract has not progressed as rapidly as originally envisaged and is now anticipated to complete in 2013-14.

The improved IT infrastructure provides a step towards being able to take advantage of more cost effective, flexible and responsive offerings likely to be coming available in the market over the next few years.

8. Business Transformation

In the last seven years the Council has embarked upon an ambitious programme of Transformation in order to help meet the revenue funding gaps it was facing without, as far as possible, adversely affecting frontline services. Indeed, in some cases the transformation has led to improvements in services. These projects normally require capital investment up front in order to realise savings. In 2012-13 there has been continuation of a number of projects approved in 2011-12. Two significant new projects for public realm transformation (PRISM) and mobile and flexible working have recently been approved and are being initiated. The programme for future years includes provision for a number of schemes that are currently at an early stage of development. It is anticipated that these will result in significant revenue savings, however they will only proceed following approved cost justified business cases.

9. Children's Services

Following successful lobbying Harrow received additional funding in 2012-13, giving a total DfE grant allocation of £8m. Future funding levels remains uncertain and the Council is currently assuming that £5.1m of grant funding will be available in 2013-14. The level of grant will not be confirmed by the Government until late January 2013. If grant levels are lower than this the proposed programme will need to be revisited to bring it within the net capital budget for Children and Families, supplemented by £4.9m where the revenue costs can be financed from s106 funding.

There is a potential pressure on the capital programme envelope in 2014-15 of up to £10m dependent on the level of DfE grant received. If insufficient grant is received there could be a need for the Council itself to fund a large element of the school expansion programme required to provide additional primary school places to meet its statutory obligations. Were this to be the case the revenue consequence would be an increase in capital financing

costs of approximately £600k p.a. from 2015-16, which has not currently been provided in the revenue MTFS but is recognised as a risk.

10. Environment and Enterprise

Even in the light of the financial pressures on the programme the initial 2013-14 Environment proposed allocation will be maintained.

This allocation allows for substantial highways works, to address some of the backlog, improvement to the ageing street lighting and drainage infrastructure, as well as taking forward a number of Carbon reduction schemes. Carbon reduction schemes result in savings in both energy costs and carbon costs.

In addition to the main programme items there is provision for £4.5m “below the line” to enable site acquisition for development and later disposal to be taken forward.

The proposed programme in this area is not as large as the Directorate would have liked. A balancing act has been necessary between affordability and ensuring that health and safety risks are addressed. The recently appointed Corporate Director of Environment and Enterprise will be reviewing the programme in detail to ensure that the risks in relation to the infrastructure are addressed.

11. Capital Receipts

The capital programme assumes a programme of property disposals that are expected to raise £12m in 2013-14 and £10m in 2014-15 and thereafter £2m p.a.

12. Housing Revenue Account (HRA)

The HRA Capital Programme will be detailed in a separate report to the February Cabinet.

13. Capital funding

The capital programme is funded from a number of sources. These include:

- External Funding of the order of £9m in 2013-14 expected to be primarily from the DfE, Transport for London and the Outer London Fund;
- Borrowing;
- Capital receipts;
- s106 planning agreements;
- Major Repairs Allowance (Housing Revenue Account).

It is anticipated that the General Fund programme will be financed as follows:

Table 1: New borrowing requirement

<u>General Fund Programme</u>	2013-14	2014-15	2015-16	2016-17
	£m	£m	£m	£m
Planned spending	29.4	25.3	22.8	22.8
External funding	(9.0)	(7.8)	(7.8)	(7.8)
Capital Receipts	(12.0)	(10.0)	(2.0)	(2.0)
Net Additional Borrowing	8.40	7.50	13.00	13.00

Main General Fund and Other items (maximum impact)

	2013-14	2014-15	2015-16	2016-17
	£m	£m	£m	£m
Planned spending	41.8	25.3	22.8	22.8
External funding	(9.0)	(7.8)	(7.8)	(7.8)
Capital Receipts	(12.0)	(10.0)	(2.0)	(2.0)
Net Additional Borrowing	20.80	7.50	13.00	13.00

The revenue implications of this new borrowing, in the context of the Council's treasury management activity, are set out in the table below. The revenue implications will be factored in to the revenue budget report for 2013-14 to 2016-17 being considered by Cabinet in February. The table below shows for each year what the full year's effect of that year's capital programme and capital receipts are. The table only includes the revenue effects of the programme that is proposed and excludes the revenue implications of previous years' capital programmes. It also excludes the impact of other changes to funding the existing programme e.g. interest rate changes.

Table 2: Capital Financing Implications of Capital Programme

	2013-14	2014-15	2015-16	2016-17
	£000	£000	£000	£000
MRP		3,027	5,625	7,852
Interest	408	1,516	1,994	2,491
Impact of Capital receipts		-2400	-4,400	-4,800
Total cumulative additional cost	408	2,143	3,219	5,543

The table above reflects the impact of the 2013-14 to 2016-17 programmes to each financial year. There is no MRP impact in 2013-14 as MRP in relation to expenditure in 2013-14 does not commence until 2014-15.

There is no new planned borrowing in respect of the HRA programme. This is because under HRA Reform, the HRA is allowed to keep all of its net income rather than transferring some to the Government. This income will allow the HRA to maintain its capital programme without the need for further borrowing. In addition, the HRA will be at its "borrowing cap" so cannot borrow any more. These issues will be more fully explained in the HRA budget report to February Cabinet.

It should be noted that the capital financing costs are based on a number of assumptions about the level of capital expenditure, level of capital receipts, timing of any borrowing, interest rates, and use of the minimum revenue provision. The revenue budget reflects the best estimate based on these assumptions.

14. Community Infrastructure Levy

During summer 2013, the Council expects to introduce a local Community Infrastructure Levy (CIL) on new development. Harrow's CIL will be an additional levy on top of the London Mayor's existing Crossrail CIL. The Harrow CIL will be accompanied by an infrastructure delivery plan which will need to set out how receipts from CIL will support the delivery of the infrastructure required to enable investment and growth in the Borough. The CIL regulations require a level of public consultation on the spending of CIL and investors looking at Harrow will equally expect to see a pro-active programme of investment in infrastructure if they are to choose Harrow as a place to invest. Officers from the Planning Division are leading the project, working with colleagues across the Council to develop an appropriate protocol to ensure that there is a single, transparent, infrastructure investment programme for the Council upon which members and the community can comment and "monitor" delivery. For this reason, before spending of CIL receipts takes place, it is expected that public consultation on the infrastructure delivery plan will have had to take place. A full programme of CIL expenditure is therefore only likely to take place from 2014.

15. Governance Structure For Delivery Of The Programme

During 2012-13 the processes and procedures implemented in 2011-12 have continued and will be further developed during 2013-14. The major changes and improvements are as follows:

- Review of the Capital Forum terms of reference and membership;
- Production of a capital strategy - including the introduction of an objective scoring mechanism to prioritise activity within the programme;
- Introduction of procedures to ensure that any new project or scheme required the production of full business cases before the allocation of any capital budgets;

Governance of the Capital Programme in 2013-14 will continue to include monitoring and review by Capital Forum on a monthly basis, with reporting to Cabinet at the end of each quarter.

Financial Implications

16. Financial matters are integral to the report.

Performance Issues

17. There are no direct implications for individual performance indicators. Service Directorates were required to put forward their capital proposals as part of the Council's budget setting process which commenced in the summer of 2012.

Monitoring of the approved programme, including Capital Forum, is ongoing and is essential for good financial management. As well as performing project assessments on completed projects it will be important to develop and track performance measures to ensure that the Council can evidence and demonstrate good value for money (VFM).

Environmental Impact

18. The Council adopted the climate change strategy in September 2009 and set an annual target to reduce corporate and borough carbon emissions by 4% a year.

The Council has to purchase carbon allowances for each tonne of carbon it emits from its corporate buildings and schools. The price of carbon has now been set out for the future and will rise to £16/tonne in 2014/15 and then rise by RPI. Reduced carbon emissions reduce carbon costs as well as reducing energy costs.

Capital expenditure of this scale will have an environmental impact on the Council's operations (and the wider borough). The investment carries the risk of increasing carbon emissions. Hence each proposed project is required to consider their respective carbon impacts and include measures to ensure that the above target is supported.

Some of the projects will specifically support the strategy in terms of mitigation and adaptation.

Risk Management Implications

19. The individual schemes within the programme will either be incorporated within departmental registers or have individual registers. A significant consideration in developing the programme has been the risks arising from not keeping our infrastructure in good order. Not doing so would lead to an increase in health and safety risks and additional costs in replacing assets when they deteriorate too much to repair.

Corporate Priorities

20. Individual projects within the capital programme support the Council's corporate priorities as described in paragraph 4.

Equalities/Legal implications

21. Was an Equality Impact Assessment carried out?

The draft Capital Programme is still subject to amendment and an Equality Impact Assessment will be carried out on the programme before it is presented to Cabinet and Council in February for final decision.

One of the aims of the Capital Strategy is to ensure the responsible allocation of funding in line with the Council's priorities and legislative requirements such as equalities legislation. Equalities implications form part of the way that the projects are prioritised. The officers initial views are that no protected group is adversely affected by the proposals. Following consultation, the impact will be further reviewed before the programme is finalised.

Each project bid proposal required the completion of an Equality Impact Assessment. Also the equalities impact of particular projects should be re-considered based upon latest positions prior to implementation.

Decision makers should have due regard to the public sector equality duty in making their decisions. 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 material in the press and letters from residents. 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.*

The relevant protected characteristics are:

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

Consultation responses received on this draft programme will be taken into account in drafting the final EIA.

Section 3 - Statutory Officer Clearance

Name: Julie Alderson Chief Financial Officer

Date: 11 January 2013

Name: Jessica Farmer on behalf of the
Monitoring Officer

Date: 11 January 2013

Section 4 – Performance Officer Clearance

Name: Alex Dewsnap Divisional Director
Strategic Commissioning

Date: 10 January 2013

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker on behalf of
Divisional Director
(Environmental Services)

Date: 10 January 2013

Section 6 - Contact Details and Background Papers

Contact: Steve Tingle Email: steve.tingle@harrow.gov.uk

Background Papers: Capital Strategy – annex 2 to Capital Programme report to Cabinet 9 Feb 2012

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

NOT APPLICABLE

[Call-in applies]

Draft Capital Programme 2013-14

Appendix 1

Project Title	Gross £000	External Funding £000	Net £000
Resources:			
ITO Transformation	833	0	833
BTP Hardware Refresh	373	0	373
SAP Minor Developments	100	0	100
Business Transformation Programme - Mobile and Flexible working	1,814	0	1,814
Business Transformation Programme - PRISM	1,520	0	1,520
ICT Infrastructure and Corporate Applications	500	0	500
SAP Interfaces	250	0	250
Resources Total	5,389	0	5,389
Community, Health & Wellbeing:			
Refurbishment of 64 Pinner Road	15	0	15
Stanmore Library - Meeting Room	5	0	5
Leisure Centre Capital Infrastructure	150	0	150
Headstone Manor Tithe Barn	850	0	850
Disabled Facilities Grants	1,710	510	1,200
Mosaic Implementation - Adults and Children's Services	500	0	500
Empty Properties and Private Sector Initiatives grants	200	0	200
Mental Health Supported Housing Repairs	45	0	45
Renovation Grants	70	0	70
Community, Health & Wellbeing Total	3,545	510	3,035
Children and Families			
Schools Expansion Programme Phase I	1,104	604	500
Schools Capital Maintenance	1,350	1,350	0
Special Educational Needs Provision	1,500	1,500	0
Information Technology	800		800
Schools Expansion Programme Phase 2	1,000	1,000	0
Bulge Classes	150	150	0
Amalgamation	500	500	0
Children and Families Total	6,404	5,104	1,300
Environment and Enterprise			
TFL Local Implementation Plan Programme	1,864	1,864	0
Highways Programme	4,790	0	4,790
Flood Defence	350	0	350
Highway Drainage	180	0	180
Street Lighting	1,500	0	1,500
HC Parking Management Programme	300	0	300
Waste & Recycling - CA site improvement and replacement wheeled bins	220	0	220
Parks Buildings	130	0	130
Parks Improvements	250	0	250
High Priority Plan Maintenance Corporate Property	275	0	275
Street Trees - replacement programme	50	0	50
Corporate Accommodation Maintenance	250	0	250

Draft Capital Programme 2013-14

Appendix 1

Project Title	Gross £000	External Funding £000	Net £000
Carbon Reduction - Efficiency projects	250	0	250
Neighbourhood Investment Scheme	210	0	210
Harrow Card	460		460
Outer London Fund- Harrow Town Centre	1,340	1,340	0
St Ann's Road Environmental Improvements	500	0	500
Lowlands Recreation Ground	250	0	250
Green Grid	350	150	200
Pinner Park Farm	500	0	500
Environment and Enterprise Total	14,019	3,354	10,665
Total General Fund	29,357	8,968	20,389

Below The Line Items			
Business Transformation Projects	3,000		3,000
Land acquisition - All financing costs to be capitalised as part of the development cost	4,500		4,500
School Expansion programme funded via s106	4,911		4,911
Total Below the Line	12,411		12,411

This page is intentionally left blank