Cabinet AGENDA

DATE: Thursday 15 February 2018
TIME: 6.30 pm
VENUE: Committee Rooms 1 & 2, Harrow Civic Centre, Station Road, Harrow, HA1 2XY

MEMBERSHIP

Chair: Councillor Sachin Shah (Leader of the Council, Strategy, Partnerships and Devolution Portfolio Holder)

Portfolio Holders:

Councillor Sue Anderson Community, Culture and Resident Engagement
Councillor Simon Brown Adults and Older People
Councillor Keith Ferry Deputy Leader, Business, Planning and Regeneration
Councillor Glen Hearnden Housing and Employment
Councillor Graham Henson Environment
Councillor Varsha Parmar Public Health, Equality and Community Safety
Councillor Kiran Ramchandani Performance, Corporate Resources and Customer Services
Councillor Mrs Christine Robson Children, Young People and Schools
Councillor Adam Swersky Finance and Commercialisation

(Quorum 3, including the Leader and/or Deputy Leader)

Contact: Daksha Ghelani, Senior Democratic Services Officer
Tel: 020 8424 1881 E-mail: daksha.ghelani@harrow.gov.uk
Useful Information

Meeting details:

This meeting is open to the press and public.

Directions to the Civic Centre can be found at: http://www.harrow.gov.uk/site/scripts/location.php.

Filming / recording of meetings

The Council will audio record Public and Councillor Questions. The audio recording will be placed on the Council’s website.

Please note that proceedings at this meeting may be photographed, recorded or filmed. If you choose to attend, you will be deemed to have consented to being photographed, recorded and/or filmed.

When present in the meeting room, silent mode should be enabled for all mobile devices.

Meeting access / special requirements.

The Civic Centre is accessible to people with special needs. There are accessible toilets and lifts to meeting rooms. If you have special requirements, please contact the officer listed on the front page of this agenda.

An induction loop system for people with hearing difficulties is available. Please ask at the Security Desk on the Middlesex Floor.

Agenda publication date: Wednesday 7 February 2018
AGENDA - PART I

1. APOLOGIES FOR ABSENCE
   
   To receive apologies for absence (if any).

2. DECLARATIONS OF INTEREST
   
   To receive declarations of disclosable pecuniary or non pecuniary interests arising from business to be transacted at this meeting from:
   
   (a) all Members of the Cabinet; and  
   (b) all other Members present.

3. PETITIONS
   
   To receive any petitions submitted by members of the public or Councillors.

4. PUBLIC QUESTIONS *
   
   To receive any public questions received in accordance with paragraph 16 of the Executive Procedure Rules.

   Questions will be asked in the order in which they were received. There will be a time limit of 15 minutes for the asking and answering of public questions.

   [The deadline for receipt of public questions is 3.00 pm, Monday 12 February 2018. Questions should be sent to publicquestions@harrow.gov.uk
   
   No person may submit more than one question].

5. COUNCILLOR QUESTIONS *
   
   To receive any Councillor questions received in accordance with paragraph 17 of the Executive Procedure Rules.

   Questions will be asked in the order agreed with the relevant Group Leader by the deadline for submission and there be a time limit of 15 minutes.

   [The deadline for receipt of Councillor questions is 3.00 pm, Monday 12 February 2018].

6. KEY DECISION SCHEDULE - FEBRUARY TO APRIL 2018  (Pages 7 - 24)

7. PROGRESS ON SCRUTINY PROJECTS  (Pages 25 - 26)
   
   For consideration.
COMMUNITY

KEY 8. GRANGE FARM ESTATE REGENERATION UPDATE  (Pages 27 - 56)
Report of the Divisional Director of Housing.

KEY 9. PROCUREMENT OF KITCHENS AND BATHROOMS FOR 2018/19 HOUSING CAPITAL PROGRAMME  (Pages 57 - 70)
Report of the Divisional Director of Housing.

KEY 10. HIGHWAYS CONTRACT RE-PROCUREMENT  (Pages 71 - 78)
Report of the Corporate Director of Community.

KEY 11. WATER PROCUREMENT STRATEGY  (Pages 79 - 88)
Report of the Corporate Director of Community.

KEY 12. VEHICLE SUPPLY AND MAINTENANCE CONTRACT RE-PROCUREMENT  (Pages 89 - 96)
Report of the Corporate Director of Community.

KEY 13. FACILITIES MANAGEMENT CONTRACT RE-PROCUREMENT  (Pages 97 - 104)
Report of the Corporate Director of Community.

RESOURCES AND COMMERCIAL/COMMUNITY CORPORATE

KEY 14. CORPORATE PLAN - 2018 UPDATE  (Pages 105 - 164)

KEY 15. APPROVAL OF AMENDED BUSINESS RATES INCOME RESOURCE BASE FOR 2018 - 2019 IN LIGHT OF A LONDON POOL PILOT HAVING BEEN AGREED  (Pages 165 - 170)
Report of the Director of Finance.

KEY 16. FINAL REVENUE BUDGET 2018/19 AND MEDIUM TERM FINANCIAL STRATEGY 2018/19 - 2020/21
Report of the Director of Finance.

KEY 17. HOUSING REVENUE ACCOUNT BUDGET 2018-19 AND MEDIUM TERM FINANCIAL STRATEGY 2018-19 TO 2020-21  (Pages 171 - 194)
Joint report of the Corporate Director of Community and Director of Finance.
KEY 18. REVENUE AND CAPITAL MONITORING 2017/18 - QUARTER 3 AS AT 31 DECEMBER 2017 (Pages 195 - 236)

Report of the Director of Finance.

KEY 19. FINAL CAPITAL PROGRAMME 2018/19 TO 2020/21 (Pages 237 - 264)

Report of the Director of Finance.

KEY 20. TREASURY MANAGEMENT STRATEGY STATEMENT INCLUDING PRUDENTIAL INDICATORS, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2018/19 (Pages 265 - 310)

Report of the Director of Finance.

21. ANY OTHER URGENT BUSINESS

Which cannot otherwise be dealt with.

22. EXCLUSION OF THE PRESS AND PUBLIC

To resolve that the press and public be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

<table>
<thead>
<tr>
<th>Agenda Item No</th>
<th>Title</th>
<th>Description of Exempt Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>23.</td>
<td>Grange Farm Estate Regeneration Update – Appendices 2 and 3</td>
<td>Information under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, relating to the financial or business affairs of any particular person (including the authority holding that information)</td>
</tr>
<tr>
<td>24.</td>
<td>Revenue and Capital Monitoring 2017/18 - Quarter 3 as at 31 December 2017 – Appendix 5</td>
<td>Information under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, relating to the financial or business affairs of any particular person (including the authority holding that information)</td>
</tr>
<tr>
<td>25.</td>
<td>Final Capital Programme 2018/19 to 2020/21 – Appendix 3</td>
<td>Information under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, relating to the financial or business affairs of any particular person (including the authority holding that information).</td>
</tr>
</tbody>
</table>
AGENDA - PART II

23. **GRANGE FARM ESTATE REGENERATION UPDATE**  (Pages 311 - 340)

Appendices 2 and 3 to the report of the Divisional Director of Housing at item 8 above.


Appendix 5 to the report of the Director of Finance at item 18 above.

25. **FINAL CAPITAL PROGRAMME 2018/19 TO 2020/21**  (Pages 345 - 346)

Appendix 3 to the report of the Director of Finance at item 19 above.

* **DATA PROTECTION ACT NOTICE**

The Council will audio record items 4 and 5 (Public and Councillor Questions) and will place the audio recording on the Council’s website, which will be accessible to all.

[Note: The questions and answers will not be reproduced in the minutes.]

<table>
<thead>
<tr>
<th>Deadline for questions</th>
<th>3.00 pm on 12 February 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publication of decisions</td>
<td>16 February 2018</td>
</tr>
<tr>
<td>Deadline for Call in</td>
<td>5.00 pm on 23 February 2018</td>
</tr>
<tr>
<td>Decisions implemented if not Called in</td>
<td>24 February 2018</td>
</tr>
</tbody>
</table>
London Borough of Harrow

KEY DECISION SCHEDULE ( FEBRUARY 2018 - APRIL 2018 )

MONTH: February

The following is a list of Key Decisions which the Authority proposes to take at the above Cabinet meeting. The list may change over the next few weeks. A further notice, by way of the Cabinet agenda, will be published no less than 5 clear days before the date of the Cabinet meeting, showing the final list of Key Decisions to be considered at that meeting.

A Key Decision is a decision by the Executive which is likely to:

(i) result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council’s budget for the service or function to which the decision relates; or

(ii) be significant in terms of its effects on communities living or working in an area of two or more wards or electoral divisions of the Borough.

A decision is significant for the purposes of (i) above if it involves expenditure or the making of savings of an amount in excess of £1m for capital expenditure or £500,000 for revenue expenditure or, where expenditure or savings are less than the amounts specified above, they constitute more than 50% of the budget attributable to the service in question.
Decisions which the Cabinet intends to make in private

The Cabinet hereby gives notice that it may meet in private after its public meeting to consider reports which contain confidential information. The private meeting of the Cabinet is open only to Members of the Cabinet, other Councillors and Council officers.

Reports relating to decisions which the Cabinet will take at its private meeting are indicated in the list of Key Decisions below with the reasons for the decision being made in private where appropriate. The Schedule also contains non-Key Decisions which involve Cabinet having to meet in private. Any person is able to make representations to the Cabinet if he/she believes the decision should instead be made in the public Cabinet meeting. If you want to make such representations please contact Democratic & Electoral Services. You will then be sent a response in reply to your representations. Both your representations and the Cabinet’s/Leader’s response will be published on the Council’s website http://www.harrow.gov.uk/www2/mgListPlans.aspx at least 5 clear days before the Cabinet meeting.

The Cabinet/Leader will be considering a report prepared by the relevant Directorate. The report together with any other documents (unless they contain exempt information) will be available for inspection 5 clear days before the decision is taken by Cabinet/Leader from Daksha Ghelani, Senior Democratic Services Officer, on 020 8424 1881 or by contacting daksha.ghelani@harrow.gov.uk or by writing to Democratic & Electoral Services, Harrow Council, Civic Centre PO Box 2, Station Road, Harrow, HA1 2UH or on the Council’s website. Copies may be requested but a fee will be payable. Reports to be considered at the Cabinet’s public meeting will be available on the Council’s website 5 clear days before the meeting.

The KDS looks 3 meetings ahead and will be published 28 clear days before the Decision Date / Period of Decision.
<table>
<thead>
<tr>
<th>Subject</th>
<th>Nature of Decision</th>
<th>Decision Maker</th>
<th>Decision date / Period of Decision</th>
<th>Cabinet Member / Lead officer</th>
<th>Open or Private Meeting</th>
<th>Additional Documents to be submitted and any Consultation to be undertaken</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FEBRUARY 2018</strong></td>
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<tr>
<td>Grange Farm Estate Regeneration Update</td>
<td>To approve a revised business plan and procurement strategy for delivery of the Grange Farm estate regeneration</td>
<td>Cabinet</td>
<td>15 February 2018</td>
<td>Councillor Glen Hearnden and Adam Swersky Nick Powell, Divisional Director, Housing Services <a href="mailto:alison.pegg@harrow.gov.uk">alison.pegg@harrow.gov.uk</a> Tel: 020 8424 1933</td>
<td>Part exempt Information relating to the financial or business affairs of any particular person (including the authority holding that information)</td>
<td>Agenda Report and any related appendices: Procurement Options, Business Plan Consultation: The residents of the Grange Farm estate are regularly involved and consulted in respect of the estate regeneration plans. A Resident Steering Group has been established supported by an Independent Tenant Advisor. Neighbouring residents and businesses are</td>
</tr>
<tr>
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<tr>
<td>Corporate Plan</td>
<td>To recommend the approval of the Corporate Plan to Council</td>
<td>Cabinet Council</td>
<td>15 February 2018 22 February 2018</td>
<td>Councillors Sachin Shah and Kiran Ramchandani Tom Whiting, Interim Chief Executive (Head of Paid Service, Corporate Director, Resources &amp; Commercial) <a href="mailto:rachel.gapp@harrow.gov.uk">rachel.gapp@harrow.gov.uk</a> Tel: 020 8416 8774</td>
<td>Open</td>
<td>Agenda Report and any related appendices: Corporate Plan 2018/19 update, EqIA Consultation: N/A</td>
</tr>
<tr>
<td>Revision of Calculation of Business Rates Tax Base for 2018-2019 in lieu of London Pool Implementation</td>
<td>To approve the Council’s revised Business Rates Retention amount for 2018-19</td>
<td>Cabinet</td>
<td>15 February 2018</td>
<td>Councillor Adam Swersky Dawn Calvert, Director of Finance <a href="mailto:fern.silverio@harrow.gov.uk">fern.silverio@harrow.gov.uk</a> Tel: 020 8736 6818</td>
<td>Open</td>
<td>Agenda Report and any related appendices Consultation: N/A</td>
</tr>
</tbody>
</table>

also consulted.
<table>
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<tr>
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</table>
| Final Revenue Budget 2018/19 and Medium Term Financial Strategy 2018/19-2020/21 | To recommend to Council:  
- the proposed revenue budget 2018/19 and the Medium Term Financial Strategy 2018/19 to 2020/21 to enable the Council Tax to be set  
- the members allowance scheme 2018/19  
- the 2018/19 pay policy statement  
- the 2018/19 schools' budget | Cabinet Council | 15 February 2018  
22 February 2018 | Councillor Adam Swersky  
Dawn Calvert, Director of Finance funmi.ogunnaie@harrow.gov.uk  
Tel: 0208 424 7544 | Open | Agenda Report and any related appendices  
Consultation: None, except consideration of consultations undertaken with various bodies following the approval of the draft budget |
<table>
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<td>Capital Programme 2018/19 to 2020/21</td>
<td>To recommend the Capital Programme 2018/19-2020/21 to Council for approval To provide an update on the Regeneration Programme.</td>
<td>Cabinet Council</td>
<td>15 February 2018 22 February 2018</td>
<td>Councillor Adam Swersky Dawn Calvert, Director of Finance <a href="mailto:funmi.ogunnaike@harrow.gov.uk">funmi.ogunnaike@harrow.gov.uk</a> Tel: 020 8424 7544</td>
<td>Part exempt Information relating to the financial or business affairs of any particular person (including the authority holding that information)</td>
<td>Agenda Report and any related appendices Consultation: None</td>
</tr>
<tr>
<td>Revenue and Capital Monitoring 2017/18 - Quarter 3 as at 30 December</td>
<td>1. To note the Revenue and Capital position reported as at Q3 for 2017-18 2. To approve virements. 3. To approve any amendment in the capital programme delegated to Cabinet</td>
<td>Cabinet</td>
<td>15 February 2018</td>
<td>Councillor Adam Swersky Dawn Calvert, Director of Finance <a href="mailto:funmi.ogunnaike@harrow.gov.uk">funmi.ogunnaike@harrow.gov.uk</a> Tel: 020 8424 7544</td>
<td>Part exempt Information relating to the financial or business affairs of any particular person (including the authority holding that information)</td>
<td>Agenda Report and any related appendices Consultation: None</td>
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<td>HRA Budget 2018-19 and MTFS 2019-20 to 2020-21</td>
<td>Recommend HRA Budget 2018-19 &amp; MTFS to Council to approval</td>
<td>Cabinet Council</td>
<td>15 February 2018 22 February 2018</td>
<td>Councillors Glen Hearnden and Adam Swersky Nick Powell, Divisional Director, Housing Services Dawn Calvert, Director of Finance <a href="mailto:milan.joshi@harrow.gov.uk">milan.joshi@harrow.gov.uk</a> Tel: 020 8416 8662</td>
<td>Open</td>
<td>Agenda Report and any related appendices Consultation: Council tenants, leaseholders, private residents and staff</td>
</tr>
<tr>
<td>Vehicle Supply and Maintenance Contract-Re-procurement</td>
<td>To approve the re-procurement of the Vehicle Supply and Maintenance Contract</td>
<td>Cabinet</td>
<td>15 February 2018</td>
<td>Councillor Graham Henson Venetia Reid-Baptiste, Divisional Director of Commissioning Services <a href="mailto:hanif.islam@harrow.gov.uk">hanif.islam@harrow.gov.uk</a> Tel: 020 8424 8317</td>
<td>Open</td>
<td>Agenda Report and any related appendices Consultation: Relevant Member(s)</td>
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<tr>
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<td>Highways Maintenance Contract Procurement</td>
<td>To approve the re-procurement of the Highways Maintenance Contract</td>
<td>Cabinet</td>
<td>15 February 2018</td>
<td>Councillor Graham Henson</td>
<td>Open</td>
<td>Agenda Report and any related appendices</td>
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<td>Venetia Reid-Baptiste, Divisional Director of Commissioning Services <a href="mailto:may.patel@harrow.gov.uk">may.patel@harrow.gov.uk</a> Tel: 020 8424 8317</td>
<td></td>
<td>Consultation: Relevant Member(s)</td>
</tr>
<tr>
<td>Procurement Strategy - Water Supply</td>
<td>To approve the strategy for the procurement of water supply</td>
<td>Cabinet</td>
<td>15 February 2018</td>
<td>Councillor Graham Henson</td>
<td>Open</td>
<td>Agenda Report and any related appendices</td>
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<td></td>
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<td>Venetia Reid-Baptiste, Divisional Director of Commissioning Services <a href="mailto:saeed.atlas@harrow.gov.uk">saeed.atlas@harrow.gov.uk</a> Tel: 020 8424 1030</td>
<td></td>
<td>Consultation: Relevant Member(s)</td>
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<tr>
<td>2018/19 Kitchen &amp; Bathroom Programme</td>
<td>Authority to go to market and procure a contract. Seek delegated authority to award the contract following the outcome of the tendering process</td>
<td>Cabinet</td>
<td>15 February 2018</td>
<td>Councillors Sachin Shah and Glen Hearnden Nick Powell, Divisional Director, Housing Services <a href="mailto:ben.curling@harrow.gov.uk">ben.curling@harrow.gov.uk</a> <a href="mailto:rukshan.kariy@harrow.gov.uk">rukshan.kariy@harrow.gov.uk</a> Tel: 020 8424 1800/7669</td>
<td>Open</td>
<td>Open</td>
</tr>
<tr>
<td>Facilities Management Contract Procurement</td>
<td>To approve the re-procurement of the Facilities Management</td>
<td>Cabinet</td>
<td>15 February 2018</td>
<td>Councillor Graham Henson Venetia Reid-Baptiste, Divisional Director of Commissioning Services <a href="mailto:may.patel@harrow.gov.uk">may.patel@harrow.gov.uk</a> Tel: 020 8424 8317</td>
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<tr>
<td>Review of Homelessness Strategy</td>
<td>To approve the amendments to the Homelessness Strategy</td>
<td>Cabinet</td>
<td>15 March 2018</td>
<td>Councillor Glen Hearnden Nick Powell, Divisional Director, Housing Services <a href="mailto:jon.dalton@harrow.gov.uk">jon.dalton@harrow.gov.uk</a> Tel: 020 8416 8647</td>
<td>Open</td>
<td>Agenda Report and any related appendices: Homelessness Strategy, EqIA, Temporary Accommodation Allocation Policy, Temporary Accommodation Procurement Strategy, Housing Evidence Base Consultation: Consultation is planned with residents on 11 January 2018 and with providers and VCS representatives on 17 January 2018, as well as online.</td>
</tr>
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<tr>
<td>Harrow Local Development Scheme (LDS) (2018-2021) and draft Statement of Community Involvement (SCI) (for consultation)</td>
<td>To approve the timetable for the review of the Harrow Local Plan (as outlined in the LDS 2018-2021) and agree to consultation on the draft Statement of Community Involvement (which outlines the approaches to consultation on the Local Plan review)</td>
<td>Cabinet</td>
<td>15 March 2018</td>
<td>Councillor Keith Ferry</td>
<td>Open</td>
<td>Agenda Report and any related appendices: Draft Local Development Scheme (LDS), draft Statement of Community Involvement (SCI) and draft minutes from the Planning Policy Working Group meeting and any related officers</td>
</tr>
<tr>
<td>Big Lottery Life Chances Fund ‘Adolescent Collaborative Multi - Channel Service’</td>
<td>To approve procurement of a new Adolescence Collaborative Multi – Channel Service on the conditional basis</td>
<td>Cabinet</td>
<td>15 March 2018</td>
<td>Councillors Christine Robson and Adam Swersky</td>
<td>Open</td>
<td>Agenda Report and any related appendices: Life Chances ‘Adolescent Collaborative Multi- Channel Service’</td>
</tr>
<tr>
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<tr>
<td>Harrow receive ministerial approval from the Life Chances Fund For Cabinet to approve delegated authority to Corporate Director: Peoples Service following consultation with Portfolio Holders for Children, Schools and Young People and Finance and Commercialisation to issue the contract once a provider is selected</td>
<td>Children and Young People Services <a href="mailto:charisse.monero@harrow.gov.uk">charisse.monero@harrow.gov.uk</a> Tel: 0208 424 7505</td>
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<td>Service’ – Business Case Consultation: There is no external consultation required. During the development of the Adolescent Collaborative Multi-channel Service a comprehensive consultation programme took place engaging young people, parents and professional stakeholders. Appropriate engagement will take place with Members in the lead up to the Cabinet decision.</td>
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<td>Cabinet Member / Lead officer</td>
<td>Open or Private Meeting</td>
<td>Additional Documents to be submitted and any Consultation to be undertaken</td>
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APRIL 2018 - Currently no Key or Exempt items
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<th>Portfolio</th>
<th>Councillor</th>
<th>Address</th>
<th>Telephone no.</th>
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<tbody>
<tr>
<td>Leader, Strategy, Partnerships &amp; Devolution</td>
<td>Sachin Shah</td>
<td>Labour Group Office Room 102, PO Box, 2, Civic Centre Station Road HARROW HA1 2UH</td>
<td>Mobile: 07949 949745</td>
<td>Email: <a href="mailto:sachin.shah@harrow.gov.uk">sachin.shah@harrow.gov.uk</a></td>
</tr>
<tr>
<td>Deputy Leader, Business, Planning &amp; Regeneration</td>
<td>Keith Ferry</td>
<td>Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH</td>
<td>Mobile: 07922 227147</td>
<td>Email: <a href="mailto:keith.ferry@harrow.gov.uk">keith.ferry@harrow.gov.uk</a></td>
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<tr>
<td>Adults &amp; Older People</td>
<td>Simon Brown</td>
<td>Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH</td>
<td>Group Office: (020) 8424 1897</td>
<td>Email: <a href="mailto:simon.brown@harrow.gov.uk">simon.brown@harrow.gov.uk</a></td>
</tr>
<tr>
<td>Children, Young People &amp; Schools</td>
<td>Christine Robson</td>
<td>Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH</td>
<td>Mobile: 07712 278832</td>
<td>Email: <a href="mailto:christine.robson@harrow.gov.uk">christine.robson@harrow.gov.uk</a></td>
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<tr>
<td>Community, Culture &amp; Resident Engagement</td>
<td>Sue Anderson</td>
<td>Labour Group Office Room 102, PO Box 2, Civic Centre Station Road</td>
<td>Mobile: 07875 094900 Group Office: (020) 8424 1897</td>
<td>Email: <a href="mailto:sue.anderson@harrow.gov.uk">sue.anderson@harrow.gov.uk</a></td>
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<td>HARROW HA1 2UH</td>
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<tr>
<td>Environment</td>
<td>Graham Henson</td>
<td>Labour Group Office Room 102, PO Box 2, Civic Centre Station Road</td>
<td>Mobile: 07721 509916 Group Office: (020) 8424 1897</td>
<td>Email: <a href="mailto:graham.henson@harrow.gov.uk">graham.henson@harrow.gov.uk</a></td>
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<tr>
<td>Finance &amp; Commercialisation</td>
<td>Adam Swersky</td>
<td>Labour Group Office Room 102, PO Box 2, Civic Centre Station Road</td>
<td>Mobile: 07904 466987 Group Office: (020) 8424 1897</td>
<td>Email: <a href="mailto:adam.swersky@harrow.gov.uk">adam.swersky@harrow.gov.uk</a></td>
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<td>HARROW HA1 2UH</td>
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<tr>
<td>Public Health, Equality &amp; Community Safety</td>
<td>Varsha Parmar</td>
<td>Labour Group Office Room 102, PO Box 2, Civic Centre Station Road</td>
<td>Mobile: 07535 064495 Group Office: (020) 8424 1897</td>
<td>Email: <a href="mailto:varsha.parmar@harrow.gov.uk">varsha.parmar@harrow.gov.uk</a></td>
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<tr>
<td>Housing &amp; Employment</td>
<td>Glen Hearnden</td>
<td>Labour Group Office Room 102, PO Box 2, Civic Centre Station Road</td>
<td>Group Office: (020) 8424 1897</td>
<td>Email: <a href="mailto:glen.hearnden@harrow.gov.uk">glen.hearnden@harrow.gov.uk</a></td>
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<tr>
<td>Performance, Corporate Resources &amp; Customer Service</td>
<td>Kiran Ramchandani</td>
<td>Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH</td>
<td>Mobile: 07957 549741 Group Office: (020) 8424 1897</td>
<td>Email: <a href="mailto:kiran.ramchandani@harrow.gov.uk">kiran.ramchandani@harrow.gov.uk</a></td>
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<td>Type of report</td>
<td>Expected date for report to Cabinet</td>
<td>Comments</td>
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<tr>
<td>Continue participation in Joint Overview &amp; Scrutiny Committee (JHOSC) for Shaping a Healthier Future Programme</td>
<td>Joint Committee</td>
<td>Update reports will be provided for O&amp;S/Health and Social Care sub committee and Cabinet (for information)</td>
<td>As required</td>
<td>The JHOSC meeting held on 23 January 2018 included the following items; an update from the London Ambulance Service; investment into Charing Cross Hospital; and performance metrics for the Shaping a Healthier Future Programme and STP. Details can be found at <a href="http://ealing.cmis.uk.com/ealing/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/5793/Committee/87/SelectedTab/Documents/Default.aspx">http://ealing.cmis.uk.com/ealing/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/5793/Committee/87/SelectedTab/Documents/Default.aspx</a> Minutes of the meeting will be reported to the next Health and Social Care Scrutiny Sub Committee on 14 March 2018. The next JHOSC meeting is on 13 March 2018.</td>
</tr>
<tr>
<td>Regen Financing</td>
<td>Challenge Panel and Field Visits</td>
<td>Final Report to O&amp;S and Cabinet (Scrutiny Report)</td>
<td>27 Nov 2017</td>
<td>Final report was submitted for consideration at November O&amp;S and was referred to Cabinet in November, at this meeting it was deferred for consideration at the December meeting of Cabinet. Members of the Panel will be invited to the February O&amp;S meeting to consider the revised regen finance model and an addendum to the report produced in order to complete the Review.</td>
</tr>
<tr>
<td>Centre for Public Scrutiny – Review of Scrutiny in Harrow</td>
<td>CFPS led review comprising research and workshops</td>
<td>Final report to O&amp;S, cabinet and possibly Council</td>
<td>TBC</td>
<td>An action plan for how the Council intends to take forward and implement the recommendations has been agreed. The action plan will focus on: 1. A new shared vision/focus for scrutiny 2. A new process for devising the scrutiny work programme 3. Changes to business in committee 4. Information sharing protocol and scrutiny leads role profile 5. Behaviours 6. Other mechanisms for member engagement A workshop for all Members took place on 30th Jan to address action 1, a Cllr working group has been established for action 5 and officers are progressing all other actions.</td>
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<tr>
<th>Annual Health Scrutiny Research</th>
<th>Health Sub-Committee led review comprising research, field visits</th>
<th>Final report to Cabinet (Scrutiny Report)</th>
<th>March 2018</th>
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<tr>
<td>• Visit to extra care and sheltered accommodation in the borough of Waltham Forest was carried out in October</td>
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<td>• Visit to extra care accommodation in Southwark took place on Monday 27&lt;sup&gt;th&lt;/sup&gt; November</td>
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<tr>
<td>• Visit to Watkins House took place on 30&lt;sup&gt;th&lt;/sup&gt; November</td>
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<tr>
<td>• Visit to Milmans (Annie’s Place) to consult with carers of residents diagnosed with dementia took place on Thursday 30&lt;sup&gt;th&lt;/sup&gt; November.</td>
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<tr>
<td>• Roundtable meeting on dementia friendly housing took place on Wednesday 31 January with external dementia care experts, Commissioners from LB Barnet, PH for Adult Social Care, Housing and Employment and Directors of Adult Social Care</td>
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<tr>
<td>• Scrutiny Report is currently being drafted for submission at March 14&lt;sup&gt;th&lt;/sup&gt; Health Sub-Committee.</td>
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**Contact:** Rachel Gapp, Head of Policy. **Tel:** 020 8416 8774
REPORT FOR:  CABINET

Date of Meeting:  15 February 2018

Subject:  Grange Farm Estate Regeneration Update

Key Decision:  Yes

Responsible Officer:  Nick Powell, Divisional Director of Housing

Portfolio Holder:  Councillor Glen Hearnden, Portfolio Holder for Housing and Employment

Exempt:  No, apart from Appendices 2 and 3 which contain exempt information under paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) in that they contain information relating to the financial or business affairs of any particular person (including the authority holding that information)

Decision subject to Call-in:  Yes

Wards affected:  Harrow on the Hill

Enclosures:  Appendix 1: Progress update against existing Cabinet approvals  
Appendix 2: Current financial model - Exempt  
Appendix 3: Risk Register - Exempt  
Appendix 4: Plan of Phase 1
Section 1 – Summary and Recommendations

This report provides a comprehensive update on the housing regeneration plans for the Grange Farm estate and a revised procurement strategy for the delivery of the project.

Recommendations:
Cabinet is requested to:

1. Note the progress on the Grange Farm Estate regeneration project;

2. Note the current business model and funding options set out in Appendix 2;

3. Note the approval requested in the Housing Revenue Account (HRA) budget report also on this Cabinet agenda to increase the HRA capital budget by £15,688,670 to fund the delivery of Phase 1 of Grange Farm subject to additional borrowing approval;

4. Authorise officers to bid for additional headroom borrowing approval as soon as the government has announced the bidding process;

5. Authorise officers to extend the contracts with Hawkins Brown Architects, Peter Brett Associates and Potter Raper Partnership for Phase 1 of the Grange Farm regeneration project and other professional services necessary for the successful delivery of the project, costs to be contained within the additional approved budget;

6. Delegate authority to the Corporate Director Community, following consultation with the Portfolio Holder for Housing and Employment and the Director of Finance and Director of Legal and Governance, to commence the procurement process for Phase 1 as outlined in para 2.25 and enter into a build contract provided the tendered construction costs do not exceed the estimate contained with the Grange Farm business model attached at Appendix 2 by more than 5%, and subject to planning permission and additional borrowing approval;

7. Authorise officers to carry out detailed investigation, including soft market testing, into the most appropriate joint venture or other delivery model for Phase 2 and 3 of the Grange Farm regeneration project and bring a report back to Cabinet for decision;

8. Following the authority that was given by Cabinet in May 2016 that the Director of Legal and Governance Service is given authority to commence Compulsory Purchase Order in phases starting with phase 1 shown on the plan attached at Appendix 4 and as set out in the report;

9. Delegate authority to the Corporate Director Community, following consultation with the Portfolio Holder for Housing and Employment,
together with Director of Finance and Director of Legal and Governance to accept tenders and enter into contracts, submit grant applications and bids for additional resources and enter into any related legal agreements for any matters referred to in this report and which may contribute towards the Council’s housing regeneration initiatives.

**Reason: (For recommendations)** To enable the regeneration of the Grange Farm estate to proceed and replace the current poor quality and uneconomic homes with a mixed tenure high quality scheme including a vibrant community hub and improved access to local facilities and public transport.
Section 2 – Report

Grange Farm estate regeneration

2.1 Cabinet approved a comprehensive redevelopment of the Grange Farm estate in July 2014 as the majority of the current council homes are beyond economic repair. In order to deliver a redevelopment that makes best use of the land, responds to planning constraints and delivers comprehensive improvement to the local area. A summary of progress against each of the Cabinet resolutions to date is attached at Appendix 1.

2.2 This project contributes to the priorities set out in the Council’s Regeneration Strategy and specifically it will:

- Build a Better Harrow for future generation by replacing the poor quality existing housing with well designed, high quality new homes, improved landscaping and public open space and improved community facilities;
- Increase the supply of housing and ensure the reprovision of better quality social housing;
- Make better use of council land assets to provide the above;
- Create a quality place and improve pedestrian routes to Northolt Road, South Harrow station and Waitrose supermarket;
- Contribute in maximising benefit for the local economy by creating opportunities for local apprenticeships and training schemes and building local supply chains.

Options considered

Option 1: Do Nothing – continue with the current approved procurement strategy
Option 2: Direct Delivery by the Council of the regeneration project
Option 3: Joint Venture to deliver the regeneration project
Option 4: Hybrid between option 2 and 3, with the Council directly delivering Phase 1 and entering into a Joint Venture for Phase 2 and 3
Option 5 Disposal to a Registered Provider/Developer

Planning application update

2.3 There have been significant delays on this project since October 2016 following a statutory objection by the Ministry Of Defence (MOD) to the planning application submitted in July 2016.

2.4 The planning application was submitted for 549 homes (237 rent, 312 sale) and a community centre. Phase 1 of the scheme was submitted as a full application and phase 2 as an outline application. An objection from the MOD was received on 6th October 2016 on the basis most of the proposed buildings were too high and breached various safeguarding surfaces. The maximum
building heights imposed by the MoD resulted in the loss of around 50 homes which had a significant adverse impact on scheme viability.

2.5 The council commissioned a specialist aeronautical consultant to assist in negotiations with the MOD which have been ongoing since October 2016. The MOD took some time to respond to queries and proposals. After much discussion the MOD commissioned a report to respond to the council’s proposal seeking approval to a revised height restriction similar to existing buildings already in the surrounding area. The MOD’s report concluded the council’s proposal would not affect current flight procedures for RAF Northolt although it would breach the conical safeguarding surface. Existing building such as St Mary’s church already breach this surface. However the MOD were not willing to agree any of the council’s proposals and are maintaining their original height restrictions.

2.6 A decision was therefore taken to redesign the scheme so that it does not breach the conical safeguarding surface and this work has been ongoing since late summer 2017. A successful bid to the governments Estate Regeneration Fund was made to partially offset the redesign costs. The objective to maintain the same level of new homes, and specifically the same level of social housing remained. Through careful design, amendments to the planning application were submitted formally in December 2017. This has resulted in an application for 574 new homes, of which 216 are replacement social rented housing, 25 are for shared ownership and 333 for private sale.

2.7 The overall level of affordable housing is therefore 42% which is in compliance with local plan policy. There is no net loss of social housing, as required by the Mayor, when measured by floor space as whilst the number of social homes has reduced this is because we are providing some 3 and 4 bedroom family homes to meet existing household needs as well as wider community needs and which are not currently provided on the existing estate.

**Procurement and delivery update and proposals**

2.8 Housing Regeneration schemes are always very difficult to deliver from a financial viability perspective. The basic funding model has always been to cross subsidise the rebuilding of the social housing (including the costs in decanting and moving both existing tenants and leaseholders) by building additional homes for private sale. This is the model used to deliver both the Rayners Lane and Mill Farm regeneration projects. However both of these projects also received significant grant funding from the GLA as well as internal subsidy from the housing associations who acquired the estates. The council transferred these estates at nil value because the financial viability did not support a land receipt. An overage mechanism meant that a capital receipt was provided to the council by the housing association on the Mill Farm project when it was completed.

2.9 The initial options appraisal for Grange Farm identified a potential funding gap of up to £13m. No assumptions were made about receipt of grant as none was available at this time. Scheme viability was therefore dependent on maximising the number of overall homes via redevelopment to maximise private sale income.
2.10 It has always been the intention for the council to take forward the redevelopment of the Grange Farm estate and retain the reprovided social housing. The loss of rental income from the existing 233 council homes if they were transferred to a housing association would have a significant impact on the council’s Housing Revenue Account. However due to the borrowing cap, Harrow is not on a level playing field when considering the options for direct development as compared to a housing association. Before the 1% rent reduction was imposed by central government the council had taken a decision to inject capital funding into the Grange Farm project on the basis that over the life of the business plan it would need to spend a significant amount on maintaining the poor quality existing Resiform housing on Grange Farm.

2.10 As the scheme has been taken forward a number of other cost pressures have arisen:

- Significant increases in build costs;
- The need for other land acquisition to maximise the development potential of the site;
- The cost impact of necessary design approaches to planning constraints such as retaining maximum amount of public open space, emphasis on design quality;
- Design costs relating to the MOD statutory objection

2.11 The approved procurement process was to seek a developer through an Official Journal of the European Union (OJEU) compliant tender process to deliver the social housing and community facilities at no cost to the council paid for by sale of the land part of which would be developed for private sale. The developer would take all of the risk of building the private sale homes and hence all of the profit as well as building the new social housing and community centre for the council. The council would receive overage if sales values exceeded an agreed level.

2.12 The procurement process began and shortlisted developers were invited to make bids on the basis of the July 2016 planning application. At this stage no grant was available for the affordable housing. Feedback from the developers indicated the level of affordable housing to be provided was not achievable and the proposed scheme would not be viable without additional public subsidy and value engineering.

2.13 As the scheme required redesign to mitigate the MOD statutory planning objection, the OJEU procurement process was put on hold and delivery options reviewed with a view to improving the viability of the project.

2.14 The delivery options considered were:

1. **Continue with the approved process.** Of the 4 tenderers, 2 had dropped out but the remaining 2 were keen for the existing procurement procedure to continue. The redesigned scheme allowed for a value engineering exercise but did not address the way
in which the affordable housing would be funded and therefore ran
the risk of still being unviable. The financial modelling indicated there
was still a significant funding gap to be closed. From a legal
perspective too many changes to the original tender documentation
could mean a new OJEU process would be required. Additionally the
proposed phasing required the decanting of more than half the
estate residents at the start and residents were unhappy about the
impact of this whilst the decanted homes were being used as
temporary accommodation;

2. Direct delivery by the council of the entire project – this option would
not be possible without ability to borrow within the HRA ( not
available to Harrow at the time) and other public subsidy and was
considered too risky for a number of reasons particularly in relation
to the level of building for sale;

3. Joint Venture for the entire project – the benefit of this option to the
one above is that it provides an opportunity to bring an experienced
development partner on board whilst allowing for sharing of risk and
profit between the JV partners. However it would take significantly
more time to progress and mean further delays in starting on site. It
would still require additional public subsidy;

4. Hybrid between option 2 and 3, with the Council directly delivering
Phase 1 and entering into a Joint Venture for Phase 2 and 3 – The
redesigned scheme allows for a smaller first phase of 86 affordable
homes the majority of which are for social rent. The remaining
phases would provide approximately 450 mixed tenure homes and
the community facilities. The advantages of this proposal are that
subject to funding, delivery of Phase 1 could commence once
planning permission is granted as there would be a straightforward
Design and Build procurement process via an existing OJEU
compliant framework. The smaller phase requires less decanting at
the start and early provision of social rent homes will assist
decanting for Phase 2 and 3 meaning more residents only having to
move once. The OJEU process for selecting a JV partner can take
place during the construction of Phase 1. There is an array of
options for a Joint Venture contract depending on the level of risk,
level of capital, market conditions and viability gap in the scheme.
The options can include the formation of a separate Limited Liability
Partnership for the delivery of the scheme, a Development
Agreement or a Development Agreement with Design and Build
principles to construct the project. It is proposed the procurement
process is undertaken with a degree of flexibility to enable the
private sector to put options to the Council. As Phase 1 will be wholly
affordable this will improve the viability of future phases as the
proportion of affordable will reduce proportionately whilst still
allowing a mix of tenure across the future phases.

2.15 The hybrid option is preferred as it meets all of the following objectives:

- The first phase could commence in early 2019, subject to planning,
aquisition of leasehold interests and rehousing of remaining secure
and temporary residents and funding;
- It means more existing residents can be rehoused at an earlier stage;
• It should improve viability by combining the experience of an experienced development partner and the assets of the council and the sharing of risks and profit.

2.16 However the preferred procurement option depends on the viability gap being met through the provision of additional public subsidy and the council being able to fund the costs of Phase 1. This is explored in the following section.

Financial Position

2.17 As referenced above, this project has always had an estimated funding gap which has varied considerably as the scheme has developed. As the model makes many assumptions for example about projected sales income and build costs, funding gaps and/or estimated profit will vary depending on the economic situation at the time.

2.18 During the last six months, considerable progress has been made in developing a scheme that is as viable as possible in design and cost terms and securing public subsidy towards the cost of development. There have been many discussions with both DCLG and the GLA who are highly supportive of the scheme. The key achievements are as follows:

1. Successful application for affordable housing grant funding from the GLA of £12.6m;
2. Design review leading in a reduction in estimated costs of the scheme detailed in the original planning application from £150m to the scheme submitted on the 1 December 2017 of £132m;
3. Successful application for Estate Regeneration Grant funding of £356k contributing to the costs of the redesign.
4. Successful application to the Housing Infrastructure Fund (HIF) for £10m.

2.19 Officers have also been lobbying government with proposals to enable Harrow to continue with its council house building programme and directly deliver Phase 1 of Grange Farm by allowing an increase in the HRA borrowing cap. The recent budget announcements are encouraging in this respect as the HRA borrowing cap is to be increased for some local authorities from 2019 subject to a bidding process.

2.20 The Grange Farm business model included in the exempt Appendix 2 has been updated with the recently updated cost plan information based on the revised planning application. At the time of the HIF bid in October 2017 the estimated funding gap was £16m. A detailed cost plan has now been developed based on the submitted planning application. The total project costs are now estimated to be c£158m and the funding gap estimated to be £11.7m. This includes the grant that has already been allocated by the GLA, for which the formal grant agreement has now been signed. With the announcement of our successful bid to the Housing Infrastructure Fund on the 1 February 2018, the estimated funding gap is now £1.7m. It is hoped this small funding gap could be managed out through the joint venture approach for Phase 2 and 3. Additionally, a further development site on Northolt Road
will become available once the new Community Centre in Phase 3 of the development is completed and this could be sold to the JV partner to cross subsidise any remaining funding gap. In January 2018, at the request of MHCLG, a bid for additional Estate Regeneration grant has also been submitted to contribute towards the cost of further design work on Phase 1 to enable the contractor selection process to commence and remaining acquisition costs.

2.21 The model has also been aligned with the HRA business plan to model the impact of the council directly delivering Phase 1 of the scheme as set out above in para 2.14 (4) through a combination of grant funding, HRA capital and additional HRA borrowing. Phase 1 is estimated to cost £22,938,900 including demolition and construction, acquisitions of leasehold properties, moving costs of remaining secure tenants and on-costs.

2.22 The total approved budget for the Grange Farm regeneration scheme is £12,262,600. Expenditure as at 18 December 2017 is:

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<tr>
<td>Leasehold and other acquisitions</td>
<td>£3,501,554</td>
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<tr>
<td>Consultant and professional fees including architect, employers agent, engineer, planning, legal, Independent Tenant Adviser</td>
<td>£2,291,700</td>
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<tr>
<td>Home Loss, disturbance and move payments</td>
<td>£609,618</td>
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<tr>
<td>Planning application costs</td>
<td>£102,258</td>
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<td>Staffing, SSC's and miscellaneous</td>
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<td>Less government grant</td>
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<tr>
<td>Total</td>
<td>£6,460,245</td>
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2.23 To proceed with the direct delivery of Phase 1 by the council will require an additional budget of £15,688,670 funded as set out in the table below.

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<tr>
<th>Item</th>
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<td>Estimated cost</td>
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<td>Already spent and approved for Phase 1</td>
<td>£7,250,230</td>
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<td><strong>Additional budget required</strong></td>
<td><strong>£15,688,670</strong></td>
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<tr>
<td>GLA grant</td>
<td>£4,668,000</td>
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<td>HIF</td>
<td>£5,000,000</td>
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<td>Capital receipts</td>
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<td>Borrowing</td>
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<td><strong>Total funding</strong></td>
<td><strong>£15,688,670</strong></td>
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2.24 The additional budget requirements for Phase 1 have been modelled as part of the HRA budget report also on this agenda. This assumes Phase 1 is funded as set out above. The HIF funding is assumed to be made available in 2018/19 and has been apportioned across the scheme. The borrowing is assumed to be bid for from MHCLG in 2018/19 and applied from 2019/20 onwards.
Conclusions

2.25 The recommendation is therefore to proceed with the procurement of Phase 1 subject to grant of planning permission and an application for additional borrowing being successful. An approved Framework has already been identified and the process will be to undertake soft market testing with contractors prior to issuing a formal tender via the portal. This will incur additional professional fees primarily for architect services, Engineers and our Employers Agent to prepare drawings and Employers Requirements, which are budgeted for within the overall costs for Phase 1. It is proposed to continue using the existing consultants who were originally appointed through a competitive process and have demonstrated their value to the project through submission of the planning application and provision of the cost plan underpinning the business model.

2.26 For Phase 2 and 3, it is recommended that further detailed work is undertaken to determine the most appropriate form of joint venture that will ensure the delivery of the remaining replacement social housing, the proposed community centre and for sale housing in the most cost efficient way that maximises private subsidy for the scheme. This should include soft market testing with potential partners.

2.27 With the HIF funding now confirmed the proposed delivery strategy as outlined in the report can be taken forward. This will enable the council to own and manage the new affordable homes replacing the existing Grange Farm homes.

Decanting and rehousing

2.28 This regeneration scheme requires some residents to be moved away from the estate to allow the first new homes to be built as there is no vacant land to build on. Secure tenants were given the option to move voluntarily, with the right to return to a new home. These residents have been given homes which meet their current housing need, for example some moving to larger family homes and others into sheltered housing. Tenants moving as a result of the regeneration received statutory Home Loss and disturbance payments.

2.29 There are now 107 secure tenants remaining on the Grange Farm estate with 9 secure tenants remaining in the existing homes needing to be decanted for Phase 1. These residents will move either to a home in Phase 2 or off site and be offered a new home in Phase 1.

2.30 The existing homes vacated by secure tenants are being used as temporary accommodation as an alternative to Bed and Breakfast accommodation. In order to ensure vacant possession of properties in Phase 1 to allow development to commence, the temporary tenants will be served Notice to Quit. The council will support the tenants to find alternative accommodation. We aim to minimise the time that properties will be empty before development starts.

2.31 We have now acquired 13 leasehold properties on the estate through voluntary negotiation with a further 16 remaining. There are 3 leaseholders
remaining in Phase 1, and we will now be progressing the Compulsory Purchase Order already approved by Cabinet in May 2016.

Consultation and Engagement

2.32 There has been considerable consultation and engagement since 2014 primarily with secure tenants and leaseholders on the Grange Farm estate, but also with community groups adjacent to the estate and the wider community. This is documented in previous Cabinet reports and in the Statement of Community Involvement submitted as part of the planning application.

2.33 Since the last report to Cabinet there has been the following consultation and events:

- Ongoing monthly meetings with the Resident Steering Group who are supported by an Independent Tenant Adviser (ITA) funded by the Council. These meetings have enabled residents to be involved in developing the revised plans for the estate as well as agreeing the approach to the ongoing management of the estate. For example we now have monthly estate walkabouts to identify and tackle management and maintenance issues on the estate;
- Ongoing bi-annual estate fun days which provide opportunities for the community to come together as well as enable engagement on the plans with all residents;
- Monthly newsletters;
- Meetings with community groups regarding the new community centre;
- Consultation event in November 2017 for estate residents and the wider community to provide comments on the revised plans prior to submission for planning. This included models of the proposed flat layouts as well as an interactive “fly though” of the estate;
- A public exhibition on 13th January for all those consulted through the formal planning process to see the revised plans and models for the estate.

2.34 In November 2017, the council acquired the existing community centre on the estate. The Steering Group and ITA have worked really hard and have successfully secured funding to provide activities for the community including a youth group run by Ignite. The council now also has a dedicated Resident Involvement Officer working specifically with the Grange Farm estate to take forward community activities. The Council will also be using the Community Centre as a temporary estate office for 2 days per week.

Performance Issues

This scheme contributes to the council ambition to build new council houses and regenerate the Grange Farm estate. It also contributes to our London Plan target to build new homes, including affordable homes.

If the regeneration of Grange Farm does not proceed it will adversely impact on our ambition and targets as:
574 new homes will not be built, of which 241 are affordable housing; The existing homes are at the end of their economic life, are poor quality and contribute to fuel poverty.

**Environmental Implications**

The planning application for the Grange Farm estate places great emphasis on the importance of high quality landscaping. The landscape design has taken account of surveys of existing plant and wildlife habitats, including bat migration paths and the quality of existing mature trees. Some existing higher quality trees are to be retained and complimented with further tree planting of semi mature trees. There is limited scope for green roofs due to the location of the site beneath the RAF Northolt flight path and the potential for adding to bird strike issues.

The new homes will be built to high thermal comfort standards and there are no north facing single aspect dwellings. Heat and hot water for dwellings on the site will be provided by a central Combined Heat and Power system. This is intended to provide economies and minimise carbon emissions. This provision is largely driven by GLA policy and would offer future scope for integration into wider energy network initiatives in future years.

The energy efficiency of the individual dwellings will be to a much enhanced standard over the current provision and are designed to achieve the previous target embodied in Sustainable Homes Code 4.

**Risk Management Implications**

Risk included on Directorate Risk register? Yes
Separate Risk register in place? Yes

Key risks are:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigation/Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning: Ministry of Defence (MOD) maintain their statutory objection</td>
<td>Scheme is now designed within the height restrictions imposed by the MOD. In advance of the revised planning application there have been detailed discussions with the MOD. Our consultant has submitted a final report to the MOD confirming the new buildings do not breach any safeguarding surfaces. (Note: awaiting confirmation the MOD agree with our report.)</td>
</tr>
<tr>
<td>Planning: GLA do not agree to support the no net loss of social housing measured by floor space rather than in terms of units or</td>
<td>Discussions held with GLA and officers are supporting our approach to no net loss of social housing by floor space measurement.</td>
</tr>
<tr>
<td>habitable rooms; 50% affordable housing insisted on as this is public land;</td>
<td>Discussions to be held with the Deputy Mayor’s and Mayor. If future viability improves the amount of social housing will be increased. Phase 1 is 100% affordable, the majority being social housing to enable the decant of Phase 2.</td>
</tr>
<tr>
<td>GLA requires a ballot of secure residents on the estate;</td>
<td>Transitional arrangements are proposed which may not require a ballot at Grange Farm. The council has consulted and involved residents in the regeneration proposals for Grange Farm since 2014 and there is overwhelming support for comprehensive regeneration.</td>
</tr>
<tr>
<td>Scheme is not financially viable</td>
<td>A value engineering exercise has resulted in a significant reduction in scheme costs. HIF funding was announced for Grange Farm on the 1/2/18.. Additional HRA capital receipts identified. In discussion with MHCLG re additional borrowing which the government announced in the November budget would be available to some councils in 2019/20. Business model updated and aligned with the HRA business plan. Sensitivity testing done with +/- 5% change in projected house prices and build costs</td>
</tr>
<tr>
<td>Preferred procurement option is not affordable</td>
<td>There are other options to deliver the scheme although one would have significant adverse impact on the HRA.</td>
</tr>
<tr>
<td>Developers not interested in scheme</td>
<td>Developers have been kept informed and are still indicating interest. The scheme has been de-risked with the input of some public subsidy and other measures being pursued.</td>
</tr>
</tbody>
</table>
|Achieving vacant possession of the remaining leasehold properties – 3 properties in Phase 1 still to be secured;| Negotiation can be accelerated once planning permission is received and the CPO process proceeds. If all negotiations fail the CPO will be progressed and the appropriate compensation paid. Although if the CPO is appealed and a Public Inquiry
Legal Implications

Housing Regeneration schemes have a range of legal implications and previous Cabinet reports have given authority to proceed with a number of legal processes to enable the project to move forward. The current position is as follows:

1. Initial Demolition notices were served on the 29 January 2015. This allows the suspension of Right to Buy applications on the estate whilst the regeneration plans are being progressed;
2. An application was made to the Secretary of State in December 2017 for approval to use Ground 10A possession proceedings, if necessary, to ensure vacant possession of secure tenancies can be obtained to allow development to proceed. The application was made following a statutory consultation process with the secure tenants on Grange Farm;
3. The formal possession process for the non-secure tenancies in Phase 1 is about to commence.
4. Authority was granted in May 2016 to make a Compulsory Purchase Order (CPO) for the estate. This can now be progressed as the revised plans are submitted. It is proposed to commence with a CPO of Phase 1 of the development.
5. Authority was granted in September 2016 where the relevant statutory requirements are satisfied, for the chief executive in consultation with the portfolio holders to appropriate such parts as may be necessary of the land on the Grange Farm Estate now owned by the Council or later acquired, under the control of the Housing Revenue Account or held for other purposes, for planning purposes and to override third party rights and covenants in relation to such parts of the Grange Farm Estate as may be necessary. It is now necessary for officers to consider appropriations for Phase 1 of the regeneration.

6. The proposed new procurement approach for Phase 1 is relatively straightforward as by utilising an approved Framework that has already been established in compliance with The Public Contracts Regulations 2015 to procure a Design and build contract, the tender process is simplified. Further work will be required to assess the best procurement options with regard to a Joint Venture arrangement for later phases.

7. Cabinet granted authority to make bids for funding relevant to this regeneration project in July 2014 and a recommendation is added to make clear that authority has been delegated to enable the signing of any legal agreements relating to successful funding bids.

Financial Implications

The funding of Phase 1 requires additional council resource of £15,688,670 over the current approved budget, some of which can be funded from unspent capital receipts including the overage payment received from the regeneration of the Mill Farm estate. A breakdown of the proposed funding is given in paragraph 2.23 and is subject to additional borrowing being approved by DCLG. Having funded Phase 1 direct and de-risked Phase 2 and 3 through enabling vacant possession and on the basis of the assumptions in the business model, it is anticipated that land receipts/overage in later phases could offset some of the additional resource requirement.

Equalities implications / Public Sector Equality Duty

An Equalities Impact Assessment has been produced and is now being reviewed now that the planning application is submitted. However no significant changes are anticipated as the objectives are unchanged and the amount and type of affordable housing being replaced is also unchanged.

The initial assessment was based upon a Housing Needs Assessment carried out in 2014. The assessment did not identify any disproportionate impact upon any protected categories. The needs of those with physical disabilities will be specifically accommodated in the new buildings with 10% of all new rented homes being built to full wheelchair standard and remaining properties meeting Lifetimes Homes Standards. Rehousing options available to all
secure tenants includes a guarantee that they can return to the new
development should they choose and as an alternative a permanent offer of
rehousing should they wish to remain in their decant property. To date 138
tenants have accepted decanting. A number have had overcrowding
alleviated by these decant moves, as the council has confirmed that actual
housing need will be met in decanting or rehousing to the new Grange Farm
development even if this exceeds what might have been offered under the
current allocations policy. Older tenants have moved to sheltered housing
where this was needed and requested.

All secure tenants having to move as a result of the regeneration scheme are
paid a Home Loss amount set nationally (currently £6,100) and all reasonable
expenses of removal are met.

A separate Health Impact Assessment has also been undertaken which will
be used to track the long term impact of the regeneration scheme. To date
this impact assessment has identified a number of positive benefits that
should flow from the regeneration, including improvements in living
environment (internal and external), economic benefits, lifestyle opportunities
and community enhancement.

Council Priorities

The Council’s vision:

Working Together to Make a Difference for Harrow The Council's strategy
to deliver its vision is set out in the Harrow Ambition Plan 2020 under three
themes. Under the theme **Build a Better Harrow** the Homes for Harrow
Programme, which includes the Grange Farm regeneration project, will
contribute positively to the Council’s vision, Ambition Plan and priorities in the
following ways:

- Making a difference for the vulnerable – building a range of new
  affordable homes including homes for those who are most in need.

- Making a difference for communities – we are involving and engaging
  residents on the Grange Farm estate and from the wider community in
  the development of new homes, the replacement of poor housing, the
  reprovision of community facilities and improvements to the external
  environment.

- Making a difference for families – Improving the worst social housing in
  Harrow and building homes to meet family needs. Other benefits
  flowing from the regeneration programme include the creation of
  apprenticeships, jobs and training opportunities to help those most in
  need, especially the young.
Section 3 - Statutory Officer Clearance

<table>
<thead>
<tr>
<th>Name: Tasleem Kazmi</th>
<th>on behalf of the</th>
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</thead>
<tbody>
<tr>
<td>x Chief Financial Officer</td>
<td></td>
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<tr>
<td>Date: 5 February 2018</td>
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</table>

<table>
<thead>
<tr>
<th>Name: Matthew Adams</th>
<th>on behalf of the</th>
</tr>
</thead>
<tbody>
<tr>
<td>x Monitoring Officer</td>
<td></td>
</tr>
<tr>
<td>Date: 5 February 2018</td>
<td></td>
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</tbody>
</table>

Ward Councillors notified: YES

EqIA carried out: YES

EqIA cleared by: Dave Corby, Chair of Community DETG as per the Grange Farm Cabinet report in May 2016

Section 4 - Contact Details and Background Papers

Contact: Alison Pegg, Head of Housing Regeneration, Tel 020 8424 1933 alison.pegg@harrow.gov.uk

Background Papers:


http://www.harrow.gov.uk/www2/documents/g61429/Public20reports%20pack%20Thursday%202013%20Cabinet.pdf?T=10
Cabinet report 10 April 2014 Affordable Housing Programme Update

http://www.harrow.gov.uk/www2/documents/g61438/Public%20reports%20pack%20Thursday%2010-Apr-2014%2018.30%20Cabinet.pdf?T=10

Cabinet report 17 July 2014 Homes for Harrow


Cabinet report 15 January 2015 Grange Farm Regeneration Scheme


Cabinet report 17th June 2015 Grange Farm Regeneration Progress Planning and Implementation


Cabinet report 24th May 2016 Grange Farm Estate land issues, including Compulsory Purchase

http://moderngov:8080/documents/g62624/Public%20reports%20pack%20Tuesday%2024-May-2016%2018.30%20Cabinet.pdf?T=10

Call-In Waived by the Chair of Overview and Scrutiny Committee

NOT APPLICABLE

[Call-in applies]
Appendix 1: Summary of previous Cabinet approvals and progress

<table>
<thead>
<tr>
<th>Cabinet decision</th>
<th>Current Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 17&lt;sup&gt;th&lt;/sup&gt; July 2014 Cabinet</td>
<td>Consultants were appointed through a competitive tendering exercise to develop the designs and submit a planning application from 2014. The core design team consists of Hawkins Brown Architects, Peter Brett Associates (Engineers), Potter Raper Partnership (Employers Agent), DPP One Planning Consultants, Red Loft Client advisors (and also providing interim Project Management support). Detailed plans have been developed for the regeneration of the estate.</td>
</tr>
<tr>
<td>Cabinet considered the outcomes of an options appraisal on a number of council estates, including Grange Farm. With regard to Grange Farm the following decisions were made: That officers work up detailed plans for the regeneration of the Grange Farm Estate and enter into discussions with any adjacent landowners and interested parties and appoint consultants to assist in progressing the plans; A consultancy and staffing budget for Grange Farm of £1.1m was approved; Officers start negotiating the repurchase of former Council housing properties within the Grange Farm Estate, and use these either as decants or as temporary accommodation. An initial budget of £1m was approved;</td>
<td>See final approved budgets below</td>
</tr>
<tr>
<td></td>
<td>Negotiations to buy back former Council properties started in 2014. To date 13 properties have been purchased and are being used for either temporary decants or as temporary accommodation.</td>
</tr>
</tbody>
</table>
Future permanent lettings of properties on the Grange Farm Estate be suspended to avoid creation of further Secure Tenancies and use them instead for decants or temporary housing use;

The Interim Head of Paid Service and Corporate Director of Community, Health and Wellbeing, following consultation with the Portfolio Holder for Housing, together with Director of Finance and Assurance, following consultation with Portfolio Holder for Finance and Major Contracts, be authorised to accept tenders and enter into contracts for any matters referred to in this report and to submit grant applications and bids for additional resources which may contribute towards the Council’s housing regeneration initiatives;

Officers continue to develop proposals within the range of financial parameters set out in this report and report back to Cabinet if there are substantive changes;

No new permanent tenancies have been created since 2014 and there are now 125 properties being used as temporary accommodation.

As set out above, the design team and related project development contracts have been entered into. Successful bids have been made for central government Estate Regeneration Grant funding (£365k), GLA funding for the new affordable homes (£12.6m). A bid has been submitted for Housing Infrastructure Funding totalling £10m.

<table>
<thead>
<tr>
<th>2. 15 January 2015 Cabinet</th>
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<tbody>
<tr>
<td>To enable the estate regeneration to progress Cabinet made the following decisions:</td>
</tr>
<tr>
<td>To delegate authority to the Corporate Director - Community, Health and Wellbeing to serve initial demolition notices under the Housing Act 1985 (as amended) on tenants of the Grange Farm Estate the period of the notices to be 6.5 years.</td>
</tr>
<tr>
<td>The Initial Demolition Notices were served on the 29 January 2015.</td>
</tr>
</tbody>
</table>
To authorise the commencement of all preparatory work required for the making of any future CPO(s), including (but not limited to):

i) appointing land referencers to review all relevant proprietary interests with a view to producing a draft schedule and plan for use in any future CPO(s);

ii) the service of requests for information notices under the Local Government (Miscellaneous Provisions) Act 1976 on those who may be affected by future CPO(s).

To delegate authority to the Corporate Director - Community, Health and Wellbeing following consultation with the Portfolio Holder for Housing to proceed with the submission of a Planning Application once the design process has been completed.

Land referencers are appointed and preparatory work for the CPO has commenced. However, this has not progressed as a result of the planning application delays.

A planning application was submitted in July 2016 but a statutory objection was received in September 2016. Following discussions with the Ministry of Defence revised plans were submitted on the 1 December 2017.

3. 17th June 2015 Cabinet

Further approvals were required to progress the regeneration plans including the ability to purchase property and land not in the council’s ownership, and the process to enter into a joint venture / contract with a development agent. The following decisions were made:

Approve the purchase of various land parcels and buildings delegate to the Director of Housing in consultation with the Housing Portfolio Holder authority to enter into negotiations and contracts for purchase of land where the scheme will be enhanced and/or is forecast to recover the expenditure in the

The Community Centre, owned by Roxeth Church, was purchased by the Council on the 3 November 2017. Negotiations are well progressed with Genesis for the purchase
interest of land assembly.

Delegate the Director of Housing in consultation with the Housing Portfolio Holder for Housing authority to negotiate with existing leaseholders to repurchase leases at rates compatible with minimising costs while reducing the risk of a full CPO process.

Authorise the making of payments to leaseholders in line with their entitlement to statutory Home Loss and Disturbance costs

Authorise officers to either proceed with:

a) the selection (in compliance with EU Procurement Rules and council standing orders) of a constructor on the basis of a joint venture or Design & Build contract allowing for a parcel of the site to be transferred to the constructor /developer in order to minimise the council's initial costs.

Or b) recommend that the council retains overall control of the project and undertakes the full development including the sale of private units.

(In the event that b) is the preferred option and in the best interests of the Council a further report will be produced for Cabinet to consider).

Approve the principle of an equity share scheme for those resident leaseholders or freeholders who would otherwise be unable to raise sufficient capital to purchase outright or, via

of the 20 homes they own.

See above. Repurchase of remaining leasehold properties continues. A summary of purchase costs and statutory compensation costs is included in the exempt financial appendix.

A competitive selection process for a constructor/developer on the basis set out in option a commenced in 2016. However this process was put on hold in November 2016 when it became apparent the MOD objection meant the scheme submitted for Planning could not proceed.
shared ownership, a replacement property.

Authorise the appointment of external legal advisors to give guidance on contracts required to appoint the construction partner and to transfer the land for the private element of the development, where the Director of Legal & Governance Services identifies that this would be beneficial.

Confirm that officers can begin preparatory work in relation to a Compulsory Purchase Order.

Authorise the creation of capital budget within the Housing Account of £6.102m as described in this report. In addition to authorise the Director of Housing, after consultation with the Housing Portfolio Holder to vire money between the existing budget allocation of £6.2m identified for the purchase of 20 properties for the HRA and the Grange Farm repurchase of properties / land assembly as required.

See below

Bevan Brittan are appointed as the Council's external legal advisors.

See above

The total approved budget for the Grange Farm project including money vired from the budget for the HRA property purchase scheme is currently £12,262,600. Details of expenditure against this budget is set out in the report.

<table>
<thead>
<tr>
<th>4. 10 December 2015 Cabinet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabinet was asked to made decisions on the details of an equity loan scheme for resident owners of the Grange Farm estate and on other land acquisitions as follows:</td>
</tr>
<tr>
<td>To approve the proposed scheme for giving equity loans to resident owners living on Grange Farm where they are unable to afford suitable alternative accommodation with the sale proceeds</td>
</tr>
<tr>
<td>The approved scheme was offered to all resident leaseholders on the estate. To date no-one has taken up the opportunity,</td>
</tr>
</tbody>
</table>
from their existing home and to delegate to the Divisional Director for Housing acting in consultation with the Portfolio Holder for Housing the power to use discretion in the exercise of the equity loan scheme to increase the council’s loan where owners face additional difficulty in securing comparable property.

To approve the potential to include land currently occupied by the Northolt Road community centre and adjacent flat block 29 in the negotiations with bidding developers and the negotiation and conclusion of any necessary agreements with existing occupiers, and taking of all other necessary steps, in order to secure vacant possession of the site.

To approve the negotiation and conclusion of an agreement with the Ministry of Defence for the acquisition of the land used by Air Cadets at Northolt Road as outlined in the report.

To delegate authority to the Corporate Director Communities acting in consultation with the Portfolio Holder for Finance & Major Contracts and the Portfolio Holder for Housing to agree any final terms relating to the above recommendations and to enter into necessary contracts.

<table>
<thead>
<tr>
<th>5. 24 May 2016</th>
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<tbody>
<tr>
<td>Cabinet was asked to declare A Compulsory Purchase Order for the estate and commence the formal consultation process with secure tenants about the proposal as follows:</td>
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<table>
<thead>
<tr>
<th></th>
<th>largely due to the planning delays and delays in scheme delivery. One leaseholder is considering equity share of a newly built property when they are completed.</th>
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<tbody>
<tr>
<td></td>
<td>This site is now included as an additional site. The community centre users and community offices are to be relocated in the new Community Centre on Grange Farm. Flats in 29 Northolt Road are being let on temporary tenancies as voids arise.</td>
</tr>
<tr>
<td></td>
<td>Discussions have commenced with the MOD and a relocation opportunity within the new development identified. Other opportunities are also being explored. The relocation of the Air Cadets is not required until Phase 3.</td>
</tr>
<tr>
<td>Authorise the making up of Compulsory Purchase Order pursuant to the statutory powers contained in section 226(1)(a) of the Town and Country Planning Act 1990 (as amended) and section 13 of the Local Government (Miscellaneous Provisions) Act 1976 and section 17 of the Housing act 1985 for the acquisition as necessary of the land outlined in red on the map at Appendix 1 in order to enable the redevelopment of the Grange Farm Estate.</td>
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</tr>
<tr>
<td>Authorise the Director of Legal &amp; Governance Services following consultation with relevant Portfolio Holder(s) to make and seal the Compulsory Purchase Orders notices and certificates in connection with making of the order and to submit the Orders for confirmation by the Secretary of State to confirm the Compulsory Purchase Order in the event that no objections are received, or to request modifications to the Orders if this is considered expedient to the confirmation of the Orders.</td>
<td></td>
</tr>
<tr>
<td>Authorise the Director of Legal &amp; Governance Services following consultation with the relevant Portfolio Holder(s) to make all necessary applications or requests (as the case may be) for a “stopping up order” to be made pursuant to section 247 of the Town and Country Planning Act 1990 or under section 116 of the Highways Act 1980 or any other relevant enabling power for the stopping up or diversion of any existing highways within or around in the land subject to the compulsory purchase order, to enable the regeneration proposals to go ahead.</td>
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<tr>
<td>Authorise the Director of Legal &amp; Governance Services following consultation with the relevant Portfolio Holder(s) to sign all Notices and certificates in connection with the Compulsory Purchase Orders and, if objections are received, to make</td>
<td></td>
</tr>
<tr>
<td>The CPO has not been progressed due to delays with the planning application. Work has re-commenced on progressing this now the revised planning submission is in.</td>
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</tbody>
</table>
arrangements for public inquiries and to take all actions in connection with such inquiries including the appointment of Counsel.

Authorise the Director of Legal & Governance Services following consultation with the relevant Portfolio Holder(s) to make one or more General Vesting Declarations under the Compulsory Purchase (Vesting Declarations) Act 1981 in the event of the Compulsory Purchase Orders being confirmed and/or serve notices to treat and notices or entry and to take all other requisite steps pursuant to the compulsory acquisition procedures to obtain possession of properties if it is considered appropriate to do so, and to deal with any compensation issues, if necessary by way of reference to the Lands Tribunal.

Authorise the Director of Legal & Governance Services or the Corporate Director of Community (as appropriate) following consultation with the relevant Portfolio Holder(s) to take any further actions required to make and implement the respective Compulsory Purchase Order and to acquire the relevant properties.

Authorise the Corporate Director of Community or other officer delegated by him following consultation with the relevant Portfolio Holder(s) to authorise and serve demolition notices to suspend or end the Right to Buy on properties due for demolition (as required by the regeneration scheme) pursuant to sections 138A and 138B and schedule 5 and 5A of the Housing Act 1985 (as amended).

Authorise the Corporate Director of Community, or other officer delegated by him, following consultation with the relevant
<table>
<thead>
<tr>
<th>Portfolio Holder(s) to:</th>
<th>The formal Ground 10A consultation process was concluded in July 2017 and the application to the Secretary of State was submitted in December 2017. Consent was granted on the 8 January 2018.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) start the statutory consultation of secure tenants pursuant to Ground 10A of the Housing Act 1985 (as amended), (b) consider the feedback from the consultation, and then (i) subject to the feedback, apply to the Secretary of State for consent. (ii) subject to Secretary of State approval, take all further steps necessary to recover possession of secure tenants homes.</td>
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</tbody>
</table>

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### 6. 15 September 2016

Cabinet was asked to approve the procurement approach for the provider of the CHP for the new Grange Farm development and to appropriate land for planning purposes:

1. the strategy proposed for the procurement of the Combined Heat and Power Procurement (CHP), including the option of a Joint Venture with an existing Energy Services Company (ESCo), be endorsed;

2. the Corporate Director of Community, following consultation with the Portfolio Holder for Housing and Employment, be authorised to commence the procurement of the CHP for Grange Farm Estate which could ultimately include entering into a Joint Venture and/or inclusion of elements within the main Development Contract with the successful Development Partner, depending on the responses to the procurement process which would be reported to Cabinet in the New Year;

3. the decision or decisions where the relevant statutory

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The strategy needs to be reviewed alongside the strategy for the District Heat Network in the Harrow Housing Zone and provision of a number of CHP’s for which there may be development of a council owned (either wholly or partially) Energy Services Company (ESCo).

The original procurement of a Development Partner for Grange Farm has been stopped so delivery of the CHP will be included in the revised developer procurement strategy for Phase 2 and 3 of Grange Farm. The CHP will not be delivered for Phase 1 of the development. There will be a temporary energy solution for Phase 1 which will be connected to the CHP at a later stage.
requirements are satisfied to appropriate such parts as may be necessary of the land on the Grange Farm Estate now owned by the Council or later acquired, under the control of the Housing Revenue Account or held for other purposes, for planning purposes and to override third party rights and covenants in relation to such parts of the Grange Farm Estate as may be necessary, be delegated to the Chief Executive following consultation with the Portfolio Holders for Housing and Employment and Business, Planning and Regeneration and it be noted that the use of such powers might be required more than once.

The appropriation process has been delayed due to the planning delays but will commence now that the revised plans have been submitted.
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No implied license exists. This drawing should not be used to calculate areas for the purposes of valuation. Do not scale this drawing. All dimensions to be checked on site by the contractor and such dimensions to be their responsibility. All work must comply with relevant British Standards and Building Regulations requirements. Drawing errors and omissions to be reported to the architect.

First Issue

Updated to include existing buildings

1 22/01/18

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hawkinsbrown.com

Planning Application Outline

Existing Buildings

Existing Buildings to be demolished

Phase 01 CPO Area

Legend

Existing Application Outline

Outline application development zone

Detail application development zone
REPORT FOR: CABINET

Date of Meeting: 15 February 2018

Subject: Procurement of Kitchens and Bathrooms for 2018/19 Housing Capital Programme

Key Decision: Yes

Responsible Officer: Nick Powell, Divisional Director of Housing

Portfolio Holder: Councillor Glen Hearnden, Portfolio Holder for Housing and Employment

Exempt: No

Decision subject to Call-in: Yes

Wards affected: Stanmore, Harrow Weald, Wealdstone, Belmont, Marlborough, Headstone North, Hatch End, Headstone South, Kenton West, Greenhill

Enclosures: Gateway 1 Procurement reports as per appendix
Section 1 – Summary and Recommendations

This report seeks Cabinet approval to go to the market and procure two contractors to deliver Kitchen & Bathroom refurbishments across various wards in the borough, as part of the 2018/19 Housing Capital Programme. This approach is based on the success of the Kitchen & Bathroom trial carried out in 2017/18 to award three separate Lots to attract local SME’s to tender. For the 2018/19 programme of Kitchen & Bathrooms it is intended to split the new contract into two Lots, with the option to extend for a year.

This procurement route should give SME’s fair access to the opportunity to tender. It is therefore hoped that the approach will encourage small and medium sized enterprises (SME’s) to participate. The London Borough of Harrow recognise that it is vital that SMEs are successful in winning public sector construction contracts as they employ local people including apprenticeship schemes, and they also typically spend money with local suppliers.

Recommendations:
Cabinet is requested to:

1. Grant approval for officers to undertake a procurement process for the selection of two contractors to deliver Kitchens & Bathrooms refurbishments for one year commencing in June 2018 on the 2018/19 Housing Capital Programme with the option to extend for a further year for both Lots.
2. Delegate authority to award and to arrange the execution of contracts with the successful tenderer(s) to the Corporate Director of Community, following consultation with the Portfolio Holders for Housing and Employment and Finance and Commercialisation.

Reason: (For recommendations) £2.2m (aggregate value) split across 2 Lots
Due to the estimated value of the project detailed above (and the possibility of one year’s contract extension) is required in order Cabinet authorisation to comply with the Council’s Contract Procedure Rules.

Section 2 – Report
1.0 Introduction

1.1 The Housing Capital Programme is now detailed on a four year programme agreed by Cabinet in February 2015. There are a number of projects on the 2018/19 programme that will take several months to deliver. To enable these projects to be delivered in year it is necessary to commence procurement as soon as practical so that works can start on site as early as
possible in the new financial year. This programme forms part of the wider capital programme going forward for 2018/19.

1.2 Cabinet approval is required to begin the process of procuring contractors for all projects with an estimated value in excess of £500k.

1.3 Cabinet is asked to delegate authority to award and to arrange the execution of a contract or contracts with the successful tenderer(s) to the Corporate Director of Communities, in consultation with the Portfolio Holders for Housing and Finance and Commercialisation because of the tight timescale for this procurement exercise.

2.0 Options considered

2.1 The procurement options considered were as follows:

a) **Open tender and award to 1 provider**
Engaging in an open tender in this instance would allow for wider competition. However with the total contract value standing at £1.1m, it is probable that we would attract large scale contractors who would more than likely sub-contract the project. The larger supplier is likely to have increased preliminary costs and while they subcontract the project, they would still maintain relatively high profit and overhead costs.

The previous Harrow Framework for Kitchen & Bathrooms was awarded to large suppliers. All the programmes that were let under this framework, were all sub-contracted by the main contractor. While each programme was delivered, it showed that the Housing Team had to manage the sub-contractors while also paying a premium to the main contractors.

This proposed option would not encourage some of our smaller local SME’s to tender.

b) **Setting up another framework**
This would be a time consuming process that would require OJEU notification. The Kitchen & Bathrooms Framework set up in 2012 resulted in five larger scale contractors awarded onto it. It is likely that if it was tendered again, similar size suppliers would be successful onto the framework. Once a framework has been awarded, the suppliers are fixed and no other suppliers can be added to the framework.

The 2012 framework has now expired and this allows LBH the option to explore alternative procurement by trialling the SME route for one year. The framework option may be considered after this year.

c) **Accessing other Frameworks e.g. LHC**
Framework suppliers are based on regional Lots, enabling companies of all types to apply, from small local suppliers to large multi-nationals. The frameworks are OJEU tendered and drawing from them can be a relatively quick process. However, again we would attract similar suppliers as b) above.
d) **Do nothing**
The option to do nothing comes with inherent risks to the delivery of the capital programme. Failure to deliver the programme will result in further deterioration of kitchens, bathrooms and a possible Health and Safety breach if electrical upgrades are neglected by the Council.

e) **One open tender with 2 Lots (with the option to extend)**
Based on the success of the 2017/18 trial to attract SME’s by offering smaller packages of work, this proposal is to advertise an open tender that has 2 separate Lots and the option of an extension with the hope to attract local SME’s. By having the tender split into Lots it allows for SMEs to tender as the main contractor which is the preferred approach for LBH. The benefit of an SME firm acting as the principal contractor are numerous and include:

- £750k savings from the 2017/18 programme against the initial budget forecast of £2.2m.
- The three contractors achieved a customer satisfaction score of 93% against a benchmark figure of 90% for 2017/18 Kitchen and Bathroom programme.
- Local firms create local employment opportunities and other local economic benefits.
- Small firms are responsible for the majority of apprenticeship training in the construction industry.
- Local firms understand where to source local materials and are not required to travel long distances, meaning that there are both economic and environmental benefits to be gained from using smaller, local businesses.
- It is also advantageous in terms of reduced transactional costs such as preliminary rates, sub-contacting costs.
- There are a number of SME’s contractors that have been carrying out this work for Harrow over the last four years but under the name of a larger contractor.
- The option of an extension will be based on Key Performance Indicators. The option to do so will further encourage SME’s to tender for the package of works and offer the inherent advantage of stability, growth and sustained local employment.
- Extensions will also give the added benefit to Harrow of less downtime in future procurement and office costs and the opportunity to renegotiate rates. Whilst also allowing for an established contractor to further improve on their quality of delivery and standards.
Option (e) is the preferred procurement route and LBH is seeking to actively help SME’s tender for this project. The 2017/18 procurement of SME’s proved to be extremely successful, saving £750k) and the use of smaller contractors is in line with Harrow’s values.

In addition to the points mentioned above smaller contractors were more responsive to instructions and works were found to be of a very high quality whilst still displaying innovation (one of the contractors gave electronic tablets to residents so that they could track progress and liaise more closely with the contractor).

3.0 Background

3.1 The individual project is included on the four year Housing Capital Programme. Details of the project, the tendering process, evaluation criteria, timescale and financial implications are included in the Gateway report at Appendix 1.

4.0 Performance Issues

4.1 The new contractors will be managed effectively from mobilisation, and performance statistics. These will be reviewed on a monthly basis and monitored through a combination of regular site visits and formal meetings. This will ensure that any concerns raised can be rectified promptly.

4.2 In addition we intend to form monthly project groups, inviting residents and Members to support the management and monitoring of the schemes throughout their implementation.

5.0 Environmental Implications

5.1 It is the intention that the delivery of any contract will contribute to the Council’s objectives around social, economic and environmental sustainability. We want to do all we can to ensure that we support Harrow’s economy by buying locally wherever practical and maximise opportunities for local people in employment and training. The project will ensure that tenderers provide detailed information about their contribution to the environment and sustainability. We also require bidders to sign up to the Considerate Contractor Scheme

5.2 Specific requirements on social, economic and environmental matters will vary according to the value and duration of each contract and are detailed in the appendices.
6.0 Risk Management Implications

The risks are included on the Directorate Risk Register as part of the wider capital programme delivery.

There is no separate Risk Register in place yet, but one will be developed for the project once contractors have been procured.

6.1 The risks relating to the delivery of the capital programme are included in the Housing Risk Register which contains overarching risks in relation to delivery of the Capital Programme. Specific risks will be monitored on the project as it moves forward.

6.2 There is a potential outcome that a single contractor could come in with the lowest price for all 2 Lots, however as it is the Council’s priority is to engage with local providers, we are limiting the number of Lots a contractor can win so that we can attract SME’s for this opportunity. The Asset Management team can now confirm that by engaging with SME’s, this has ultimately resulted in reduced transactional costs such as preliminary rates and sub-contracting/supply chain costs.

7.0 Legal Implications

7.1 The value of these procurements falls below the financial threshold for works contracts and so whilst strict adherence of the Public Contract Regulations 2015 is not required for the running of this tender procedure, the Council must ensure it complies with the general treaty principles of equal treatment, transparency, mutual recognition and proportionality.

7.2 The award of the contract will comply with the Council’s Contract Procedure Rules.

8.0 Financial Implications

8.1 The project is included in the four year capital programme for which funds are set aside in the HRA business plan for the delivery of the external improvements over the next 30 years. The contract will be entirely funded from the HRA.

8.2 The planning estimated annual value of the contract is £1,100,000, including relevant fees. The term of the project will be for a period of 1 year commencing in June 2018 and the works will be split geographically across Harrow into 2 Lots with an estimated value of £500k per Lot, with an option to extend for a year (at £1,100,000) based on the contractor’s performance. These will be raised as 2 separate contracts.

9.0 Equalities implications / Public Sector Equality Duty
9.1 The procurement exercise is designed to deliver existing policies and strategies maintaining the current level of equality in service provision. The project will be very clear on the equalities related duties on contractors, given the wide range of needs of our customers.

9.2 An initial Equality Impact Assessment has been prepared for the delivery of the overall Housing Capital Programme. This identified no need for a full assessment at this stage because it did not identify any potential for unlawful conduct or disproportionate impact. All opportunities to address diversity, particularly vulnerability for all tenants will be addressed through the contract specification and ensure residents receive the same service regardless of, but taking into account specific needs. We will address these in our tendering documents and processes. The assessment will be updated as the project moves forward.

10.0 Council Priorities

10.1 The Council’s vision:

**Working Together to Make a Difference for Harrow**

This report incorporates the administration’s priorities to:
- Making a difference for the most vulnerable
- Making a difference for communities
- Making a difference for local businesses and SME’s
- Making a difference to families

10.2 Projects on the Housing Capital Programme are provided to some of the Council’s tenants - many of whom are vulnerable. All are targeted to improve the quality of the housing stock and the environment in which our tenants live.

10.3 Specifications for all contracts will ensure that the successful contractor is equipped to provide a high level of customer service to all our residents. In addition every effort will be made to ensure that local businesses are encouraged to submit tenders and that added social value to support communities will be a part of the evaluation process.

**Section 3 - Statutory Officer Clearance**

<table>
<thead>
<tr>
<th>Name: Tasleem Kazmi</th>
<th>on behalf of the Chief Financial Officer</th>
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<td>Date: 15 January 2018</td>
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<tr>
<th>Name: Sarah Inverary</th>
<th>on behalf of the Monitoring Officer</th>
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<td>Date: 12 January 2018</td>
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Ward Councillors notified: Yes, through consultation events

EqIA carried out: YES

EqIA cleared by: An initial Equality Impact Assessment was carried out for the whole Capital Programme.

Section 4 - Contact Details and Background Papers

Contact: Ben Curling, Project Manager/Quantity Surveyor, Asset Management 0208 424 1800 Ben.Curling@harrow.gov.uk

Background Papers: None

Call-In Waived by the Chairman of Overview and Scrutiny Committee NOT APPLICABLE [Call-in applies]
**Procurement Gateway One - Authority to Procure**

This report is required for:

- All procurement intentions valued at between £100,000 and £499,999 and presented to and approved by the Directorate Procurement Board.

- Approval by the Commissioning & Commercial Board if details on the procurement strategy and evaluation criteria were not included in any prior report approved by Cabinet.

- Approvals of all Gateway 1 reports are required by the Cabinet Member, Finance and Commercialisation.

Please do not use this report template for procurement intentions valued at £500,000 and above. Procurement at this value threshold requires Cabinet approval. If you required further guidance and/or support please refer to the Contract Procedure Rules or contact the Commercial, Contracts & Procurement team.

**Project Details**

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<thead>
<tr>
<th>Name of Procurement</th>
<th>HAM 0101 – Kitchen &amp; Bathroom refurbishment 2018/19</th>
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<tbody>
<tr>
<td>New Procurement or Renewal</td>
<td>New</td>
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<tr>
<td>Sponsor</td>
<td></td>
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<tr>
<td>Name</td>
<td>Ben Curling</td>
</tr>
<tr>
<td>Job title</td>
<td>Project Manager/ QS</td>
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<tr>
<td>Team</td>
<td>Housing</td>
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<tr>
<td>Directorate</td>
<td>Communities</td>
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<tr>
<td>Project Manager name and number</td>
<td>Ben curling – Ext. 2800</td>
</tr>
<tr>
<td>Annual value of proposed contract</td>
<td>£1,100,000.00</td>
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<tr>
<td>Aggregate value of proposed contract (Including any extension options)</td>
<td>£2, 200,000.00 Single Contract – awarded over 2 Lots with estimated value of £550k per Lot (inclusive of the option to extend for an additional year for each Lot 1+1yrs)</td>
</tr>
<tr>
<td>Proposed contract term (including any extension options)</td>
<td>38 weeks per Lot with an option to extend for 38 weeks per Lot (based on KPI and VFM)</td>
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**Governance:**

| Has an EQIA been completed? | Yes (forms part of the Housing Capital Programme EQIA) |
| Name of procurement officer [on behalf of the Director for Procurement] clearing the report: | Name: Jessica Covey |
| Cleared by Finance Business Partner | Name: Tasleem Kazmi |
| Cleared by Legal | Name: Sarah Inverary |
1.0 Objectives

Following on from the expiry of the Capital Projects Framework developed in 2012, and in conjunction with the Local Government Act 2000, The London Borough of Harrow is keen to move in new direction and engage with local small and medium enterprises (SME’s) recognising that they are a powerful engine for local economic growth.

This was achieved last year, through the award of 3 separate Lots to deliver the Better Homes Kitchen, Bathroom and Electrical rewire refurbishments across various addresses in the London Borough of Harrow. Based on the success of this approach, the intention is to take this procurement strategy further with 2 Lots this year and offer the opportunity to extend for one additional year.

Contractors are open to bid for each of the 2 Lots, but can only be awarded 1; therefore 2 different suppliers will be carrying out works across the borough. It is hoped that this will encourage competitive tendering amongst local SME’s although LBH recognise that large firms will still be able to tender for the project.

The works package to be delivered includes:

Lot 1: 59 kitchens, 46 bathrooms
Lot 2: 77 kitchens, 64 bathrooms

2.0 Savings & Essential Spending

2.1 This contract will be competitively tendered online through London Tenders portal. Tenders will be selected through a point system covering three categories: Quality/ Technical, Social Value and pricing. The proportional split is 30%, 10% social value and 60% accordingly.

2.2 The funding stream for this contract will come from the HRA capital account.

2.3 The works are essential for kitchen and bathroom upgrades and overall stock maintenance.
Failure to deliver the programme will result in further deterioration of kitchens, bathrooms and a possible Health and Safety breach if electrical upgrades are neglected by the Council.

3.0 Benefits

There will be 2 medium size JCT contracts with specialist elements in the works package and it is therefore expected to be suited to SME’s and smaller contractors which should potentially stimulate a greater number of returned tenderers with stronger competition in the ITT e-tender to give the best current market price.

The utilisation of smaller local companies contributes positively to economic and sustainability agendas can provide training and employment opportunities, and a range of derivative social benefits. It is also advantageous in terms of reduced transactional costs such as preliminary rates as many of the smaller local contractors may have their own operational facilities in which they can work out of.

We aim to extract as much local benefit from this scheme as we can. This has included previous presentations to local businesses to encourage local contractors to tender for our 2017/18 Housing capital Programme. As a result of feedback from this event and the 2017/18 projects, we will be offering the opportunity to extend the contracts for an additional year to encourage SMEs to grow and employ a larger local workforce with the added stability and longevity of awarded works.

Other sustainability initiatives including encouraging recycling and carbon footprint for site energy through targets will be set within the ITT criteria together with other sustainability KPI indicators.

Customer satisfaction for the proposed works will be recorded against given KPI targets.

4.0 Critical Success Factors and Dependencies

The procurement process needs to be open and transparent to ensure that contracts are awarded fairly and on merit, whilst offering Harrow the best value for money. Harrow Council aims to improve the process and better support local businesses and introduced supplier open day training sessions and guidance to help SMEs better understand the procurement process. This was done in coordination with our colleagues in procurement.

5.0 Social Value Considerations

This project is to be procured by open tendering, it is hoped the scale, value and nature of these works would attract contractors within a 15-mile radius more able to use local supply chains and sub-contractors.

It is expected this will encourage local contractors to be involved in the bidding process. Local contractor involvement is more likely to bring with it a greater proportion of staff living locally.
Social value will be included as part of the evaluation criteria for this project. Tenders will be asked to provide details of their commitments to social value through the delivery of this contract with consideration to the councils sustainable procurement policy that commits the Council and its supply chains to deliver a set of principles that improve the sustainability of the Council, our supply chains and the community that we serve.

6.0 Change and Risk Management

Utilising an e-tendering process provides an audit trail of decision making and analysis. The tender documentation and tender responses are stored on a centralised internet hub and so this makes it easier for any HAM team member or procurement services to pick up and continue with the ITT evaluation process in the Project Managers absence.

There is a potential outcome that a single contractor could come in with the lowest price for all 2 Lots, however as it is the Council's priority to engage with local providers, we are limiting the number of Lots a contractor can win to a single Lot. It is the Asset Management’s teams hope that by engaging with SME’s, this will ultimately result in reduced transactional costs such as preliminary rates and subcontracting/supply chain costs.

Having 2 separate contractors in the borough delivering similar contracts offers Harrow the opportunity to directly compare performance and spread its risk of delivery failure. With either contractor able to absorb additional programming if the other shows signs of failure.

Financial health checks will be part of the stringent procurement process on the e-tendering portal.

There will be in increased need for resourcing by the Council in terms of the project management team. It is envisaged that 1 Project manager will manage the 2 Lots along with 2 Clerk of Works and 2 RLO’s.

A large degree of support will need to be offered to SME’s and smaller contractors should they be successfully appointed in terms of resident communication and KPI data collection. However given the Asset Management teams’ track record in terms of managing larger scale contractors, this should not pose any issues and save on third party resource costs, such as further Resident Liaison Officers.

7.0 Procurement Options and Evaluation Criteria

7.1 The recommended approach to market for this procurement is to carry out an open tender process. The procurement will be advertised on the London Tender Portal and on Contracts Finder which is expected to attract suppliers interested in bidding for this contract.

7.2 Bidders will be measured in both their quality and commercial submissions, with a quality weighting of 30%, social value of 10% and commercial weighting of 60%. The Most Economically Advantageous Tender will be recommended for award of the contract.
The anticipated ITT evaluation is shown below and will be confirmed during the development of the ITT documents:

- Quality 30%
- Social Value 10%
- Cost 60%

8.0 Legal Comments and Clearance

The value of these procurements falls below the financial threshold for works contracts and so whilst strict adherence of the Public Contract Regulations 2015 is not required for the running of this tender procedure, the Council must ensure it complies with the general treaty principles of equal treatment, transparency, mutual recognition and proportionality.

The award of the contract will comply with the Council’s Contract Procedure Rules.

9.0 Contract Management

The proposed contract to be used is JCT Intermediate Building Contract 2011 with contractor’s design which accommodates detailed contractor / manufacturer design of the proposed Kitchens in conjunction with the Council’s LHC approved kitchen supplier ‘Symphony’.

The contract will be managed by holding monthly progress meetings which will measure actual physical and financial progress against projected spend.

The Contract Review form will be completed every month with the contractor input. This measures the outcomes, outputs and performance of the contract.

Project managers will attend a monthly capital/contract challenge sessions with the Planned Investment Manager and Finance Staff.

Capital/Contract Information is reported regularly to Departmental Contracts Board.

10.0 Recommendations

That permission is sought to compile the specification and drawing documentation for the tendering process.

That Permission is granted to tender into the enveloping and external works through an open ITT route using the e-tendering system.

That permission is granted to Housing Asset Management to enter into contract with the 2 successful contractors.
Approvals

I have seen this report and approve it for onward submission to the Directorate Procurement Board:

Signature _________________________________________ Date _____________

(Nick Powell)
Divisional Director Housing

I approve the above recommendations:

Signature _________________________________________ Date _____________

(David Woosey)
Chair of Directorate Procurement Board

Signature _________________________________________ Date _____________

(Tom Whiting)
Chair of Commissioning and Commercial Board [for Values above £500,000 only]

[No further signatures are required at the Gateway 1 stage. The scheme of delegation does not apply at this stage. All other clearances must be recorded in the table at the front of this gateway template.]
REPORT FOR: CABINET

Date of Meeting: 15 February 2018

Subject: Highways Contract Re-Procurement

Key Decision: Yes

Responsible Officer: Paul Walker, Corporate Director of Community

Portfolio Holder: Councillor Graham Henson, Portfolio Holder for Environment

Exempt: No

Decision subject to Call-in: Yes

Wards affected: All

Enclosures: None

Section 1 – Summary and Recommendations

This report seeks Cabinet approval to embark on a procurement exercise for the provision of the Council’s Highways maintenance services.

Recommendations:
Cabinet is requested to:

1. grant approval to procure and select the provider(s) for the Highways
maintenance service.

2. delegate authority to the Corporate Director of Community, following consultation with the Portfolio Holder Environment, and the Portfolio Holder for Finance and Commercialisation to finalise the procurement and award of the contract/s.

Reason: (For recommendations)

To ensure the Council fulfils its statutory responsibilities to maintain its highways.

Section 2 – Report

2.1 Harrow has a statutory duty to maintain its highway infrastructure and has committed financial and staff resources to discharge this responsibility. The highway infrastructure is the most used and highest valued asset that Harrow has. It is extensive as it is not just roads and footways, but includes drainage, bridges; signs, lines and all lighting infrastructure.

2.2 The Council undertakes its responsibilities in line with policies and strategies that are agreed with Transport for London (TFL) who provides funding for significant elements of the highways maintenance regime.

2.3 There are broadly four types of works undertaken in the Highways maintenance regime, namely:

- Reactive repairs such as pot-hole filling, dealing with flooding, faulty street lights, which, if neglected, would pose a potential danger to road users. This work is undertaken on the basis of agreed intervention levels identified by the Council’s highway compliance officers. Every section of every street is inspected 3-4 times per year and any defects identified for repairs.

- Routine maintenance such as gully emptying, cleaning and clearing of drainage pipes, ducts and water channels, mostly carried out to a defined frequency to ensure that everything functions as it should and minimises any reactive work.

- Planned, programmed or structural maintenance such as resurfacing, reconstruction, surface treatments, which is aimed at keeping roads structurally sound and reducing long term maintenance costs. Condition surveys are undertaken annually in accordance with the national UK Pavement Management System (UKPMS) standards and assessments of the data undertaken in order to determine the work priorities. This type of work is funded from capital resources.
• Planned or programmed transport improvements to the highway network such as junction improvements, parking controls, safety schemes and other local transport initiatives which are annually funded by grant from (TfL) to deliver the Council’s agreed Transport Local Implementation Plan.

3. Background

3.1 The Council currently commissions its Highways maintenance services in two ways. There are external contracts with Kiers Highways Services for all roadways, footways and lighting maintenance and improvement schemes. The gully cleansing service is provided by a combination of in-house and external resources. The design of the schemes is done internally by traffic, highways and drainage engineers, who with the Community Directorate Contract Management team form the Council’s in-house client function. The current contract with Kier will expire at the end of March 2019 and having been extended in 2017, there is no further option to extend.

3.2 As the level of funding for all local authority services reduces there is a greater need to ensure that the optimum funding levels and intervention strategies are identified for each of the transport and highway asset types. The procurement exercise is a key mechanism to ensure value for money in the provision of these services.

4. Options considered

4.1 The options considered are:

(A) **Do Nothing** – this is not a viable option as the current contract ends.

(B) **Deliver the service in-house** - This option is not viable as the Council does not have the resources (labour, machinery and equipment) to deliver this service internally at this stage. Even if the capital funding was made available to provide the relevant machinery, the Council does not have the time to create the required labour force necessary to deliver this service in-house. Additionally the revenue cost of labour makes this option unviable in terms of current available budget.

(C) **Re-procure the contract via competitive tender** – This generally maintains the current delivery model as well as offer opportunities to secure best value.

4.2 In progressing Option C the procurement options and strategy considered included:
• Accessing a Highways Maintenance framework and call of the services required. This option is not recommended, because although it saves time, it eliminates the opportunity to use terms and conditions specific to Harrow and therefore reduces the opportunity to maximise value for money and social value commitments.

• A procurement tender exercise following the OJEU Restricted Tender process which would include a two stage procurement phase with the top 5 bidders from the Selection Questionnaire (SQ) stage being invited to submit final bids. This process is recommended over the negotiated process which not only adds more time but given the maturity of the market and the certainty around the Authority Requirements has been discounted.

• The contract will be for 5 years plus and option to extend for a further two years at the Authority’s sole discretion.

• The pricing mechanism will incorporate a schedule of rates based on sample work packages to enable a Base Case Price List that would be subject to change control over the contract term.

5. **Recommendations**

It is recommended that **option C** above is progressed and a competitive tender process is undertaken to re-procure the Highways contract.

6. **Risk Management Implications**

Risk included on Directorate risk register? No
Separate risk register in place? No

There are no risk management implications.

7. **Legal Implications**

The Highways Act 1980 (HA 1980) places an obligation on highway authorities in England and Wales to maintain its highways and related assets. The Council as the highway authority has a duty to ensure a safe passage for the highway user through the effective application of the legislation available to it, mainly in accordance with the HA 1980.

The procurement process undertaken by the Council for a new highways maintenance provider will be carried out in accordance with the Public Contract Regulations 2015 taking into consideration required thresholds for services and works contracts and the general treaty principles of equal treatment, transparency, mutual recognition and proportionality.
The award of the contract will be in accordance with the Council’s Contract Procedure Rules (CPRs).

8. **Financial Implications**

The costs of Highways contract are currently funded from both revenue and capital budgets including external funding such as TfL, S106 and CIL.

The revenue expenditure on reactive repair works is forecast to be around £1.2m in 17/18. Saving targets exist in the current MTFS and will mean that the revenue budget will reduce by £162k in 18/19. The new contract will commence in April 2019. Any financial savings secured from this procurement exercise will contribute to the contracts re-procurement saving target in the 18/19 MTFS (£250k in 19/20 which is expected to be generated from various procurements).

The budgets for structural maintenance and transport programme are included in the 3 year capital programme for Highway Services, and are around £8m per annum including TfL funding. There may be additional capital works subject to successful bids of other external funding. Capital works will be commissioned to the contractor(s) within the budget availability.

9. **Equalities implications / Public Sector Equality Duty**

The proposals described above do not adversely impact upon persons within the protected categories.

10. **Council Priorities**

This report incorporates the following administration’s priority:

- **Making a difference for communities**

By procuring the highways services in the most competitive manner possible, enables the effective and efficient delivery of a service used by all residents

- **Be more Business-like and Business Friendly**

  Undertaking a competitive provides value for money.
Section 3 - Statutory Officer Clearance

<table>
<thead>
<tr>
<th>Name: Jessie Mann</th>
<th>on behalf of the Chief Financial Officer</th>
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<td>Date: 5 January 2018</td>
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<td>Date: 8 January 2018</td>
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Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: NO

EqIA cleared by: This is an existing service and no change is being projected in terms of delivery model.

Section 4 - Contact Details and Background Papers

Contact: Venetia Reid-Baptiste
Tel: 020 8424 2492
Venetia Reid-Baptiste @harrow.gov.uk

Background Papers: None
Call-In Waived by the Chair of Overview and Scrutiny Committee

NOT APPLICABLE

[Call-in applies]
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REPORT FOR: CABINET

Date of Meeting: 15 February 2018

Subject: Water Procurement Strategy

Key Decision: Yes

Responsible Officer: Paul Walker, Corporate Director of Community

Portfolio Holder: Councillor Graham Henson, Portfolio Holder for Environment

Exempt: No

Decision subject to Call-in: Yes

Wards affected: All

Enclosures: None
Section 1 – Summary and Recommendations

This report sets out the water procurement strategy for the period of 2018 – 2020 and seeks approval from the Cabinet to procure a new framework contract.

Recommendations:

The Cabinet is requested to note the contents of this report and:

1. Approve Harrow Council entering into a Framework Agreement with Crown Commercial Services (CCS) for Water, Wastewater and Ancillary Services, accessed by call-off from YPO\(^1\), to appoint a single water retailer to meet Harrow’s multi-site business requirements and water efficiency product and services, for a period of two years starting from May 2018 with the option to extend for a further two years.

2. Delegate authority to the Corporate Director of Community Directorate following consultation with Portfolio Holder for Finance and Commercialisation and the Portfolio Holder for Environment to enter into a Memorandum of Understanding with YPO to manage the mini-competition to procure a water retailer through the CCS Water, Wastewater and Ancillary Services Framework

3. Authorise the Corporate Director of Community to finalise any specific terms of the contract with the preferred bidder, award and enter into the call off contract under the framework agreement.

4. Endorse the use of the London Energy Project (LEP) Team to manage supplier performance and service development to deliver services in line with LEP authorities’ collective business requirements post award to maximise benefits

Reason:

To procure water at competitive rates for the Council’s corporate sites and the 56 participant Schools through an efficient and government approved process, meeting the water deregulation policy which came into effect from 1\(^{st}\) April 2017.

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1: YPO is one of the UK’s largest public sector buying organisation - (https://www.ypo.co.uk)
2: https://www.ofwat.gov.uk/regulated-companies/markets/business-retail-market
Section 2 - Report

2.1 Introduction

The water market has been deregulated from 1st April 2017. As a result of water market deregulation non-domestic water consumers in England are no longer restricted to buying retail water services from their regional water company. Instead, they are now free to choose the water retailer who can offer the most competitive prices and high quality customer services.

2.1.2 Under the water deregulation, the Council as a non-domestic water consumer will have up to one year from the above date to enter into an agreement with a licenced water retailer. The market operates in a similar fashion to deregulated electricity and gas markets. Eligible' customers are non-household premises that pay business rates.

2.2 Background

In 2008, Scotland became the first country in the world with a deregulated water market\(^3\). Customers in Scotland have already received a better deal as a direct result of deregulation and more competition. Since then it has noted a number of significant improvements including in water delivery, in customer service and in generating efficiencies.

Since the water and sewerage sectors were privatised in 1989 until 1 April 2017, most people in England and Wales received their water services from one of 22 licensed regional monopoly suppliers and their sewerage services from one of 10 licensed regional monopoly suppliers. Only very large business customers were able to choose their supplier.

The disadvantages of this policy were that there were no opportunities for price competition and if water consumers were unhappy with the service they received, all they could do was complain.

2.2.1 Key benefits of the water industry competition

Introducing more competition into the marketplace will lead to more benefits for consumers who can choose their water supplier. The main benefits are:

- Lower prices - as retailers compete to win business
- Better quality - billing and data services
- Additional services - such as water efficiency

It also benefits the environment through:

- More efficient use of water
- Reduced carbon emissions from cuts in water use
- More innovation and better use of technology

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3 : https://www.scotlandontap.gov.uk/
2.2.2 How the Council will benefit from the water de-regulation

- Harrow Council, which operates across multiple sites, can simply deal with a selected water supplier for all corporate sites and Schools across the borough instead of various water suppliers for individual sites. This will create an opportunity for us to develop an effective working system and water saving policy for better use of water in our buildings as part of the Council’s centralized water management services.

- The Council’s centralized water purchasing approach ensures that the costs of our clean and waste water become as low as possible.

2.3 Current situation

Unlike gas and electricity contracts, which are managed through the Council’s centralised purchasing arrangement, water market operates differently. Under the existing water supply regime set up when the industry was privatised in 1989, the small and medium business, along with domestic consumers could only buy water from their area water supplier.

Non-households are usually charged for water and sewerage services on the basis of the amount of water they use. Harrow corporate buildings and state Schools are still using Affinity water under their new name of Affinity business for their clean water and Castel Water for the sewerages and waste water services.

2.3.1 Summary of Harrow’s water consumption and cost

The annual water consumption over the last 5 years is summarised in the table below. The average consumption is 294,884 m³ per annum. The unit price of clean water based on 2017/18 prices was 107.76 pence/m³ and waste water 82.140 pence/m³. Therefore the average spend is £318k for clean water and £242k for waste water per annum respectively.

<table>
<thead>
<tr>
<th>Date</th>
<th>Harrow’s Annual Water Consumption (m³)</th>
<th>Harrow’s Annual Water Cost (£)</th>
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<tbody>
<tr>
<td>Total Schools</td>
<td>164,164</td>
<td>163,426</td>
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<tr>
<td>Total Corporate</td>
<td>94,409</td>
<td>128,711</td>
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<tr>
<td>Total School + Corporate</td>
<td>258,573</td>
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3.0 Procurement Option appraisals

To meet the new water legislation and selecting a water and waste water licenced retailer who can meet our water saving objectives, we have carefully considered all the available procurement options, which are discussed below.

3.1 The main objectives to consider are:

- To receive high quality and efficient customer service
- To obtain better value for money
- To decrease our total water bills and charges
- To gain tailored services for our sites

3.2 Water Market De-regulation-Procurement Options

The Water market is more stable and predictable compared to the wholesale energy market, so procurement of water is expected to be less complex than purchasing energy supplies. However we need to select the right water retailer who can meet the Council's water saving objectives and offer some added value services such as:

- Automatic meter reading (AMR) technology to avoid estimated bills
- Leak detection coupled with water efficiency measures
- Electronic and consolidating billing
- Harvesting rainwater for reuse

Taking the above priorities into account, this document presents four existing options, which have been considered for our future purchase of water and waste water services:

3.2.1 Option 1 – Do nothing

This option has not been considered for the following reason:

If the Council stays with our existing supplier Affinity for business, there is a maximum price (known as a default tariff) they can charge us for a standard level of service. In addition authorities are required to conduct a competitive process to select a retailer for water and waste water services.

2.2 Option 2- Become a retail licensee

Since 1 April 2017, the open water market authorises large organizations with multiple sites to become a self-supply licensee. Holders of new water supply and/or sewerage licences (WSSL) are authorised to use an appointed water company’s supply system for supplying water and sewerage services to eligible non-household premises. Some licensees may be limited to providing water supplies or sewerage services to their own sites and those of persons associated with them (known as self-supply).
There are two types of licence, water supply licences and sewerage licences, each of which can have one or more different authorisations.

This option has not been considered for the following reasons:

a. This is an underdeveloped sector with limited experience.
b. The volume and value of water needs to be more than our total annual water consumption to make the option financially justifiable.

3.2.3 Option 3 - Tenders/Mini Competition

This Service is subject to OJEU procurement regulations and will therefore need to be competitively tendered. The Council can go out to tender either by advertising the opportunity in OJEU, to the water and wastewater market. Or an alternative would be to run a separate mini competition by utilising one of the available frameworks which can meet our water procurement objectives i.e. Crown Commercial, Laser, YPO

The option of conducting a Harrow own tender or mini-competition through a framework is not recommended for following reasons:

a. The risk associated with the complexity of the procurement in a new and underdeveloped sector.
b. Cost of tender due to a pre-market engagement process with bidders.
c. Risk of receiving a less attractive price and quality service as an individual customer compared to a group of authorities by retailers which brings with it some economy of scale.

3.2.4 Option 4 – Group aggregated approach to water procurement

Considering the above analyses and disadvantages of running our own mini-tenders as an individual authority in such a new and undeveloped sector particularly potential contractual risks, lead us to the advantages of using “Group aggregated approach” with a group of authorities.

Pan LEP Contracting Options

London Energy Project (LEP)\(^4\) who represents a group of 36 authorities (primarily in London) in consultation with its members has set up a pan-London approach to water procurement to manage a collaborative procurement exercise on behalf of all London (LEP) authorities

Benefits of collaboration within the LEP group in the water market:

\(^4\) LEP is a group of 36 authorities (primarily in London) that together spends approx. £0.5 b p.a. on energy and water. The group’s principle purpose is to use authorities’ combined spending power to minimise risk; reduce procurement cost and achieve better commercial outcomes. More info: [www.londoncouncils.gov.uk/who-we-are/committees-and-networks/london-councils-capital-ambition-programme/london-energy-project](http://www.londoncouncils.gov.uk/who-we-are/committees-and-networks/london-councils-capital-ambition-programme/london-energy-project)
- Reduced procurement costs by approaching the market with a common set of requirements and a single engagement on behalf of LEP members at no additional cost.
- The Pan-LEP aggregated customer base is both extremely attractive and prestigious, this means retailers are more likely to respond with high quality, well priced bids with services that meet LEP business requirements.
- Develop a common way of accessing and implementing water efficiency measures and other demand reduction services.
- Larger stake/influence. The LEP London authorities will be in a better position to shape the supply market as a customer group.

The LEP Team has already managed a pre-market engagement with 3 Central purchasing bodies (CPBs) (public sector buying organisations) and 5 water retailers to establish what products, services and innovation are available within the retail market and whether these will meet local authority multi-site business requirements. It has also assessed which products best attract market interest and obtain competitive pricing and whether a pan-LEP water retailer contract will provide authorities with better value and the opportunity to develop and shape this market.

3.2.5 Recommendations

Following the evaluation of the available framework options, the option to join the LEP collaborative procurement through which the LEP Team will manage (at no additional cost) a Pan-LEP mini competition for all LEP members including Harrow to access a single retailer through a single CPB framework, is the recommended option.

In selecting this option it is also proposed that the contract term is two years with the option to extend for a further period of up to two years. A contract of less than two years will not represent value for money, as the retailer set-up costs and migration process will be priced into one year, rather than an up to four-year deal. However, given that the water industry price review will take effect in 2020 and its impact will need to be considered as part of any contract extension, i.e. if the retailer margin is increased, the Council would need to ensure additional service or a relative reduction in margin can be negotiated as part of any contract extension.

5. Risk Management Implications

The risk associated with such a new unprepared water market and new policy changes can be managed in more effective ways by joining to the LEP’s Pan-London contracting option mini competition.

6. Legal Implications

The Council will be procuring a new single water supplier to meet the needs of Harrow’s multi-sites by way of a Framework Agreement run by the Crown Commercial Services (CCS) for Water, Wastewater and Ancillary Services. The Public Contract Regulations 2015 permit the calling off of frameworks and sets out
the rules and controls for their use. This negates the need for the Council to undertake a separately advertised procurement process.

The tendering process including any mini-competition undertaken, is being carried out in accordance with the requirements of the Public Contract Regulations 2015 and the Council's Contract Procedure Rules.

7. Financial Implication

The current budget for all corporate sites (excluding HRA properties) is approximately £250k which covers both clean water and waste water charges. More competitive rates are anticipated by procuring water through the framework agreement. Any financial savings secured from this procurement exercise will contribute to the contracts re-procurement saving target in the 18/19 MTFS (£200k profiled in 19/20 which is expected to be generated from various procurements). Schools spend around £300-350k per annum on water charges. The costs are met from their own budgets.

8. Corporate Priorities

Making a difference for communities - Harrow's central water purchasing policy allows Harrow state schools to benefit from lower water prices and additional water efficiency services.

Section 3 - Statutory Officer Clearance

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<tr>
<th>Name: Jessie Man</th>
<th>on behalf of the Chief Financial Officer</th>
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Ward Councillors notified: NO, as it impacts on all Wards.
EqIA carried out: YES
EqIA cleared by: David Corby, DETG Chair for Community Directorate

Section 4 –Contact Details and Background papers

Contact: Saeed Atlas (Corporate Energy Manager)
Telephone: 020 8424 1030 (Ext: 2030)
Email: saeed.atlas@harrow.gov.uk

Background Papers: None

Call-In Waived by the Chairman of Overview and Scrutiny Committee NOT APPLICABLE
[Call-in applies]
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REPORT FOR:  CABINET

Date of Meeting:  15 February 2018

Subject:  Vehicle Supply and Maintenance Contract
           Re-procurement

Key Decision:  Yes

Responsible Officer:  Paul Walker, Corporate Director of Community

Portfolio Holder:  Councillor Graham Henson, Portfolio Holder
                  for Environment

Exempt:  No

Decision subject to Call-in:  Yes

Wards affected:  All

Enclosures:  None

Section 1 – Summary and Recommendations

This report seeks Cabinet approval to embark on a procurement exercise for the vehicle supply and maintenance services.

Recommendations:
Cabinet is requested to:

1. grant approval to procure and select the provider for the Council’s vehicle
supply and maintenance service.

2. delegate to the Corporate Director of Community, following consultation with the Portfolio Holder Environment and the Portfolio Holder for Finance and Commercialisation, to finalise the procurement and award of the contract.

Reason: (For recommendations)

To ensure the Council fulfils its statutory responsibilities to provide those services that are enabled by the vehicles provided under this contract, such as waste collection and special needs transport services.

Section 2 – Report

2.1 Harrow has a statutory duty to provide a range of services that depend on having access to a variety of vehicles. These services include, but are not limited to environmental services such as waste collection and street cleaning; parking enforcement services as well special needs transport. The effective operations of these statutory functions depend on having reliable vehicles that are readily available and operate safely.

2.2 The Council undertakes its responsibilities using an externally provided service. Since the launch of the Directorate’s Commercialisation programme, Project Phoenix in 2015 there have been changes in delivery model which have expanded the Council’s vehicle supply and maintenance needs. This includes the provision of a shared Special Needs Transport Service with Brent Council which includes the supply and maintenance of all Brent transport buses. The changes also encompass Barnet’s use of the vehicle maintenance contract as part of their operating highways, winter maintenance and waste collection services from Harrow’s depot.

2.3 Additionally the Council opened an MOT Bay in April 2016 and the current vehicle supply and maintenance contractor is the Council’s partner in this commercial endeavour. Harrow has also been asked to share its vehicle maintenance procurement strategy with the West London Alliance boroughs.

2.4 These changes will enable greater economy of scale in any new procurement as there is a larger value with which Harrow will approach the market. It is to be noted that exploring this at market engagement sessions will help to inform the final procurement strategy.

3. Background

3.1 The Council has a vehicle supply and maintenance contract with Fraikin. This has been in place since February 2003 and expires on December 31st 2018. This contract covers circa 320 vehicles with an average age of 7
years, with the Transport buses showing an average age of 8 years. The vehicle allocation is as follows:

- Grounds Maintenance - 88 vehicles
- Waste and Recycling - 33 vehicles
- Street Cleansing - 15 vehicles
- Special Needs Transport - Harrow – 60 vehicles
- Special Needs Transport - Brent – 85 vehicles
- Pest Control and Animal Services
- Parking - 19 vehicles
- Housing - 5 vehicles

3.2 These vehicles are supplied on a lease arrangement which includes repairs and maintenance over the economic life of the vehicles. Over the term of the contract since 2003, there has been the replacement of vehicles as they are fully depreciated.

3.3 It is expected that at December 31, 2018 there will be vehicles that have not yet been fully written down in line with the contract. These vehicles will be novated to the winning provider.

3.4 In addition to the main contract with Fraikin, the Council has hired vehicles on an ad hoc basis, where different type of vehicles were needed and cheaper alternatives were found outside the main contract. Currently there are 12 of these short term hire vehicles from a variety of suppliers.

3.5 The Fraikin contract is operated from space rented at the Council's depot. This space includes offices and a workshop. This enables rapid response as vehicles are repaired at source.

4. Options considered

4.1 The options considered are:

(A) Do Nothing – this is not a viable option as the current contract with Fraikin ends and there is no option to extend the contract term

(B) Deliver the service in-house - This option would require capital funding to purchase the fleet required. Additionally, there would be the capital outlay for workshop machinery. The Council would need to also develop the workforce required to provide workshop services.

(C) Re-procure the contract via competitive tender This maintains the current delivery model as well as offer opportunities to secure best value.

4.2 In progressing Option C the procurement options and strategy considered included:
• Accessing a vehicle supply framework and call of the services required. This would not deliver value for money, particularly given the interest from other boroughs in assessing this contract.

• A procurement tender exercise following the OJEU Restricted Tender process which would include a two stage procurement phase with the top 5 bidders from the Selection Questionnaire (SQ) stage being invited to submit final bids. This process is recommended over the negotiated process which not only adds more time but given the maturity of the market and the certainty around the Authority Requirements has been discounted.

• The contract will be for 10 years plus an option to extend for a further five years in two increments at the Authority’s sole discretion.

4.3 The pricing mechanism will incorporate detailed change control as well as gain share arrangements and the associated share of any third party income. This will secure a financial benefit to Harrow when other organisations buy into the service. Additionally the Change Control mechanism will ensure that any changes based on service reviews can be accommodated in the contract.

5. Recommendations

5.1 It is recommended that option C above is progressed and a competitive tender process is undertaken to re-procure the vehicle supply and maintenance contract.

6. Risk Management Implications

Risk included on Directorate risk register? No
Separate risk register in place? No

There are no risk management implications.

7. Legal Implications

7.1 The current contract between Harrow Council and Fraikin for the provision of vehicle supply and maintenance expires in December 2018 and there is no further scope within its terms to extend the contract period.

7.2 Therefore it is imperative that a procurement exercise is carried out to replace the current contract so that the Council continues to meet all of its statutory obligations in relation to services dependent upon its fleet of vehicles. It is will be necessary for the tender process to be
conducted in accordance with the Public Contract Regulations 2015 taking into consideration required thresholds for the acquisition of goods and services and the general treaty principles of equal treatment, transparency, mutual recognition and proportionality.

7.3 The award of the contract will be in accordance with the Council’s Contract Procedure Rules (CPRs).

8. Financial Implications

8.1 The Council currently spends around £3m per annum on Harrow fleet for both contract hire and ad hoc hire vehicles, and maintenance only service for some vehicles. As part of the shared Special Needs Transport (SNT) service with Brent Council, their vehicles are now being provided and maintained by our vehicles contractor. The service is in the process of completing the replacement of all old Brent SNT vehicles. It is anticipated that Brent will have a completely new fleet from April 2018. Their annual spend on vehicle hire will be around £1.2m. This will need to be included in the estimated contract value for the re-procurement exercise. In addition, the contract includes the provision of vehicles maintenance service, the expenditure of which is subject to repair/maintenance needs and any other Councils other than LB Barnet who wish to use our contractor to carry out the work.

8.2 Any financial savings secured from this procurement exercise will contribute to the contracts re-procurement saving target in the 18/19 MTFS (£250k profiled in 19/20 which is expected to be generated from various procurements).
9. Equalities implications / Public Sector Equality Duty

9.1 The proposals described above do not adversely impact upon persons within the protected categories.

10. Council Priorities

10.1 This report incorporates the following administration’s priority:

- Making a difference for communities - The provision of this service is essential for meeting the transport needs of the borough’s vulnerable residents.

- Be more Business-like and Business Friendly - Undertaking a competitive process provides value for money.

Section 3 - Statutory Officer Clearance

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<tr>
<th>Name: Jessie Mann</th>
<th>on behalf of the Chief Financial Officer</th>
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Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: NO

EqIA cleared by:

This is an existing service and no change is being projected in terms of delivery model.
Section 4 - Contact Details and Background Papers

Contact: Venetia Reid-Baptiste
Tel: 020 8424 2492
Venetia Reid-Baptiste @harrow.gov.uk

Background Papers: None

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This page is intentionally left blank
This report seeks Cabinet approval to embark on the procurement exercise for the re-procurement of the Facilities Management Contract for the maintenance, cleaning and security of the Council’s buildings and for those schools that buy these services from the Council.
**Recommendations:**
Cabinet is requested to:

1. grant approval to procure and select the provider(s) for the Facilities Management services and approve the mutual termination of the current contract.

2. delegate authority to the Corporate Director of Community, following consultation with the Portfolio Holder Environment and the Portfolio Holder for Finance and Commercialisation, to finalise the procurement and award of the contract/s.

**Reason: (For recommendations)**

To ensure the Council fulfils its statutory responsibilities for maintaining its building and related assets.

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**Section 2 – Report**

2.1 The Council has a responsibility to maintain its array of buildings including those used for corporate purposes, schools and academies (via Service Level Agreements), those in parks and open spaces; communal areas on housing estates and the Council’s commercial portfolio depending on leasing arrangements.

2.2 The services to be procured includes:

- Cleaning – covering routine clearing, periodic deep cleans, external litter picking; reactive/ad hoc cleaning and window cleaning services
- Repairs and Maintenance – covering cyclical maintenance services to meet statutory compliance obligations. This also includes planned preventative maintenance regimes as well as reactive maintenance. It also incorporates the contracts for the provision of minor works or refurbishment, roofing and building works below OJEU level, as well as the associated professional services.
- Security services – this is limited to alarm call outs, key holding and ad hoc security requirements. It does not include the security services provided as routine at the Civic centre as that remains in house.

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**3. Background**

3.1 The Facilities Management Services are currently delivered under a Total Facilities Management contract with Engie. There has been a range of performance challenges with the contract which has made it necessary for the Council to let framework contracts, the most recent
being in December 2017. These framework contracts provide resilience to the Engie service to ensure that the Council meets its obligations, not just in regard to its buildings but importantly to those third party organisations whose FM services are managed by the Council.

3.2 The Council continues to exercise all performance remedies under the contract and not only is this costly to Engie, it also means that the Council extends significant contract management time, particularly in ensuring back up arrangements.

3.3 The re-procurement of the contract/s provides the opportunity to deliver greater value for money as well as more efficient contract management arrangements.

4. Options considered

4.1 The options considered are:

(A) **Do Nothing** – and continue the service delivery with Engie for a further two years. This option is not viable as performance issues have resulted in the Council providing alternative back-up arrangements. Continuing these arrangements will negate the savings already built into the MTFS for these FM services. This is not a viable option as the current contract ends.

(B) **Deliver the service in-house** - This option is not viable as the Council does not have the resources or the in-house skills to deliver this service internally. Additionally the timeline required for these arrangements eliminates the opportunity for the Council to change the service delivery model. However over the next two years the Council will be exploring the commercial benefits, or otherwise of delivering these internally and selling this to other boroughs.

(C) **Re-procure the contract via competitive tender** – This generally maintains the outsourced current delivery model and provides opportunities to secure best value.

4.2 In progressing Option C the procurement options and strategy considered included:

- Accessing a Facilities Management framework and call off the services required. This option is not recommended, because although it saves time, it eliminates the opportunity to use terms and conditions specific to Harrow and therefore reduces the opportunity to maximise value for money and social value commitments.

- A procurement tender exercise following the OJEU Open Tender process which would include a single stage procurement phase.
This route is recommended as Facilities Management is a mature market for bidders and the Council’s requirements are fairly standard. This allows for procurement in lots to maximise revenue. Additionally the minor works element will provide a framework of suppliers to supplement the repairs and maintenance elements of the contract/s.

- The contract/s will be for three years plus an option to extend for a further three years at the Authority’s sole discretion.

5. **Recommendations**

It is recommended that option C above is progressed and a competitive tender process is undertaken to re-procure the FM services.

6. **Risk Management Implications**

Risk included on Directorate risk register? No  
Separate risk register in place? No  

There are no risk management implications.

7. **Legal Implications**

1. The Facilities Management service covers a range of statutory requirements in relation to the maintenance of assets:

   - The Control of Asbestos Regulations 2012 - The Regulations apply to all non domestic premises and place a duty to manage on the person in control of a building so as to make sure that persons working in the building or visitors are not subject to risks associated with coming into contact with Asbestos Fibres

   - The Fire Reform Order 2005 - The Fire Reform Order consolidated all earlier legislation and applies to all types of buildings other than private dwellings

   - The Electricity at Work Regulations 1989 - The Regulations simply state that all electrical systems must be maintained in a safe condition at all times. This can be achieved by an effective maintenance regime and cyclical testing

   - Gas Regulations 1998 - Under the regulations users of Refrigeration and Air Conditioning systems must put in place a strict regime of testing and record keeping
- Lifting Operations and Lifting Equipment Regulations 1998 (LOLER) - These Regulations place duties on people and companies who own, operate or have control over lifting equipment (inspect, service & maintain)

- Legionella Code of Practice (LCoP8) - Risk assessments and management plan must be in place and monitoring carried out regularly

- Construction Design and Management Regulations 2007 - The CDM Regulations apply to almost all construction work undertaken in commercial buildings and Clients have certain specific and potentially onerous duties under the Regulations.

The procurement process undertaken by the Council for the new FM provider/s will be carried out in accordance with the Public Contract Regulations 2015 taking into consideration required thresholds for services and works contracts and the general treaty principles of equal treatment, transparency, mutual recognition and proportionality.

The award of the contract/s will be in accordance with the Council’s Contract Procedure Rules (CPRs).

8. Financial Implications

The costs of FM contracts are currently funded from both revenue and capital budgets depending on the nature of the works/services.

The revenue expenditure on reactive repair works is forecast to be around £1m in 17/18 excluding schools. The new contracts/s will commence from April 2018. Any financial savings secured from this procurement exercise will contribute to the contracts re-procurement saving target in the 18/19 MTFS (£250k in 19/20 which is expected to be generated from various procurements).

9. Equalities implications / Public Sector Equality Duty

The proposals described above do not adversely impact upon persons within the protected categories.

10. Council Priorities

This report incorporates the following administration’s priority:

- Making a difference for communities

By procuring the FM services in the most competitive manner possible, enables the effective and efficient delivery of a service used by all residents
• Be more Business-like and Business Friendly – Undertaking a competitive provides value for money.

Section 3 - Statutory Officer Clearance

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<th>Name: Jessie Mann</th>
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Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: NO

EqIA cleared by: This is an existing service and no change is being projected in terms of delivery model.

Section 4 - Contact Details and Background Papers

Contact: Venetia Reid-Baptiste  
Tel: 020 8424 2492  
Venetia Reid-Baptiste @harrow.gov.uk

Background Papers: None
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Section 1 – Summary and Recommendations

This report sets out the 2018 annual update of the Corporate Plan. It sets out the key activities and targets that will evidence delivery of the plan over the next year and the progress that has been made against these in the past 12
months. Together with the Final Revenue Budget 2018-19, they outline what the Council intends to do and how those actions and services will be funded.

The Plan was considered by Overview and Scrutiny Committee at their annual draft budget question and answer session with the Leader and Interim Chief Executive on 23rd January 2018.

**Recommendations:**
Cabinet is requested to:

1. Note the annual update to the Corporate Plan (Harrow Ambition Plan)
2. Recommend the Corporate Plan to Council and to authorise the Leader to make any minor amendments to the Plan as necessary prior to the matter going to Council.

**Reason:** To update the Council’s Policy Framework and set out the Council’s direction of travel for the next year.

### Section 2 – Report

**Introductory paragraph**

The Corporate Plan sets out the strategic direction for the authority, it’s vision, priorities, core outcomes and key initiatives which describe and illustrate the programme of activity for next year and against which the Council is happy to be judged. Together with the Final Revenue Budget 2018-19, it outlines what the Council intends to do, how those actions and services will be funded and the progress we are making towards achieving them. The funding detail is set out in the budget reports.

**Options considered**

The Corporate Plan needs to be updated annually to align with the budget. It is important that the Council have a Corporate Plan. Therefore no other options have been considered.

**Background**

The budgetary and demand pressures on public services and local government in particular continue and present on-going significant challenges for Harrow and most other local authorities. The Corporate Plan is designed, not only to set out how this Borough is responding to those challenges, but it also sets out our aspirations for the Borough, and our strategy to deliver on our vision of ‘Working together to make a difference for Harrow’. That strategy, between now and 2020, is to Build a Better Harrow, Protect the Most Vulnerable and Be More Business Like.
The Corporate Plan, entitled ‘Harrow Ambition Plan 2020’ is set in three parts: A first section that sets out the context, ambition and strategy; section two which is the delivery plan, and sets out the projects, initiatives and targets we aspire to achieve and an update on progress towards achieving these; and a third section which is aimed internally at staff which sets out what all of this will mean for the Council as an organisation and a place to work.

Where necessary, further consultation will be undertaken with residents and communities to shape the delivery of the proposals within the Corporate Plan, in keeping with the ambition of the Administration to consult and engage.

**Risk Management Implications**

Risk included on Directorate risk register? Yes
Separate risk register in place? Yes

Risks identified as barriers to the achievement of corporate priorities in the Corporate Plan and are captured in the corporate risk register and also in supporting directorate risk registers.

The Corporate Risk Register is reported to CSB, the Portfolio-Holder and GARMS quarterly. The Risk Strategy (which includes Risk Appetite Statement) is reported to CSB/GARMS/PH/Leader/Cabinet annually or as and when updated.

Risks identified as part of individual programmes and projects referenced with the Corporate Plan will have their own specific risk assessments.

**Legal Implications**

Approving the Council’s policy framework is reserved to full council. The Corporate Plan will therefore be considered on 22nd February 2018.

**Financial Implications**

The financial implications of the Corporate Plan are set out in the Final Revenue Budget 2018-19. The Corporate Plan incorporates those key activities that the Administration wish to be delivered between now and 2019 within the current spending envelope.

**Equalities implications / Public Sector Equality Duty**

Where activities are proposals and final business cases are still being developed, EQIAs will be developed to support these.

**Council Priorities**

The Corporate Plan sets the delivery plan for making the Council’s corporate priorities a reality.
Section 3 - Statutory Officer Clearance

Name: Dawn Calvert □ on behalf of the
Chief Financial Officer
Date: 15 January 2018

Name: Jessica Farmer □ on behalf of the
Monitoring Officer
Date: 17 January 2018

Ward Councillors notified: YES, as it impacts on all Wards

EqIA carried out: NO
EqIA cleared by: There is no change in vision or priorities contained within the Corporate Plan

Section 4 - Contact Details and Background Papers

Contact: Rachel Gapp, Head of Policy 0208 416 8774
Background Papers: None.

Call-In Waived by the Chair of Overview and Scrutiny Committee

NOT APPLICABLE
[Call-in does not apply as the decision is reserved to Council]
Draft Harrow Ambition Plan 2020

Working Together to Make a Difference for Harrow

2018 Update
Leader's Introduction

As part of my role as Leader of the Council, I have spent a lot of time talking to groups and residents from across Harrow, listening to the concerns that they have. They have included dealing with Harrow’s housing crisis, making Harrow clean and ensuring Harrow is a safe and fair place to live in.

Despite large cuts in the council’s budget, I am very proud of the work that Harrow Council staff have done since 2014. Since that time, we have helped over 500 young people into new jobs and apprenticeships. In 2017, we have secured a Good Ofsted rating for our children’s services, placing us in the top 25% of Councils in the country, showing our dedication and care towards those who need us the most. We have supported numerous local businesses through mentoring schemes, new business associations and pop-up spaces. I am determined to ensure that Harrow becomes an even livelier and more business-friendly borough. We have improved numerous parks in Harrow such as Rayners Mead and more will be improved in the next few months, such as Kenton Rec and West Harrow Rec, helping make Harrow a better and healthier place to live.

Harrow Council has an ambitious regeneration programme and I’m pleased we’re making good progress on ‘Building a Better Harrow’. I’m determined that all our residents feel the benefits of this regeneration and that we spread the benefits of regeneration. We will ensure Harrow residents get priority on any new housing developments on council land, building more Harrow Homes for Harrow residents. We will use our powers to make sure that not only do developers live up to their obligations in providing affordable homes, but that those homes are truly affordable to Harrow residents. We will expect the highest standards on any new builds in Harrow, especially on fire safety, as we should never see a repeat of Grenfell Tower.

We have built the first council houses in Harrow in over 30 years and we are aiming to build even more affordable housing, ensuring that more Harrow residents have better housing available for them.

This year’s focus on ‘little big things’ - issues that seem small to the council, but are big for our residents - has been successful, with over 8,000 fines being given for littering, the continued roll out of LED lights in the borough and the installation of 2,000 new bins in order to reduce the amount of fly-tipping. But there is more work to be done. We need to ensure those who make Harrow dirty pay for the cost of cleaning up after them and making sure landlords who are not fulfilling their duties are fined. Despite Harrow being one of the safest boroughs in London, the fear of crime remains high among residents and our work to make Harrow even safer with the help of the police will continue.

Lastly, following the discovery of the chalk mine underneath the school car park at Pinner Wood School, all council departments have worked tirelessly together and I am proud to announce that the school has returned to its original site in time for the Spring Term.

Only together can we strive to make Harrow Council even better and only together can we build a better Harrow.

Cllr Sachin Shah
Leader of Harrow Council
How we will deliver our Vision

The Council’s strategy to deliver its vision of ‘Working together to make a difference for Harrow’, between now and 2020 is to:

- **Build a Better Harrow**

Together we are building a better Harrow, for today, and for future generations, creating the places and the opportunities that all our residents deserve: a thriving, modern, inclusive and vibrant borough that makes Harrow a home to be proud of. Harrow is a good place to live, but we want to make Harrow a great place to live.

We will make sure that all Harrow residents feel the benefits of regeneration. We know that for residents living near a regeneration site there can be extra disruption during the building works and as more people come into the areas there is greater competition for space, greater demand for resources such as parking and more rubbish is created. As a council we will do more to recognise it and will do more to help. This means that for local areas around a regeneration site, we will look at ways to use the money we will receive from the regeneration scheme. We will talk to residents about what improvements they want to see in their area and do what we can to help. That could mean helping with parking places, it could be dealing with an unsightly alleyway or it could mean extra money to make the local high street more attractive. This will be locally led wherever possible.

Making Harrow a great place to live also means focusing on the small things that make a big difference to people’s lives like the streetlight outside their house or the potholes in their road. Like removing fly-tips within one working day and taking action against those that break the rules or engage in anti-social behaviour.

We want all our residents to have the opportunity to get a good job, access good education, improve their skills and live in a property they are proud to call home. We need to create more jobs that will remain in Harrow and offer our residents, from school leavers to parents, the chance to move onwards and upwards. We have over £1.75bn of public and private investment lined up to deliver thousands of affordable homes, new schools and an improved entertainment, cultural and leisure offer to bring a new buzz to our high streets. Harrow is already a destination for good food and people travel here to visit our restaurants. We want to build on that by promoting our restaurants and cafes as well as attracting new establishments into the borough that our residents can enjoy. We also want to focus on bringing up standards across all restaurants and to promote healthy food to make Harrow a healthier borough.

We want our local businesses to be successful and able to reach their full potential with access to more commercial workspace and the ability to employ local people in the many jobs they are able to create. We want local businesses to be able to tender for work locally and benefit from the £1.75bn investment in Harrow by investing in their workforce to help build prosperous communities.

Finally, we want Harrow to be an attractive place to live, work and invest in. We want young people who grow up in Harrow to be able to afford to build a life here. We also want a good cultural, leisure and night-life offer that is celebrated and well used. We want to support people to be healthy and our environment to be safe, clean and
accessible. We want local people to take pride in their neighbourhoods. We want to help our communities to help themselves, either by increasing their skills, getting a better job, or accessing information and advice that can solve a problem. We will seek to empower and inspire local people to become more active citizens, able to contribute to local decision-making and play a greater part in their community.

- **Be More Business-like and Business Friendly**

We want to be seen as a Council that understands the needs of local businesses, and supports them to grow and be successful. We also want to be seen as a well-run Council, with our residents supporting our growing set of business ventures. We want our commercial services to be profitable and used by local residents and businesses, so the profits can then be re-invested back into those services most valued by our residents.

Our efforts to increase business growth in Harrow will increase as the government grant to councils continues to reduce. Businesses are essential to Building a Better Harrow, so we will focus our efforts on increasing business activity in the borough. We will also use the opportunities from devolution to London and our work with the West London Economic Prosperity Board to continue to invest in skills and apprenticeships so our residents can benefit from growth, and we can gain income from a growing and profitable business base.

We want to have as lean a management structure as we can, enabling as much of our money as possible to be spent on those services that matter most to residents. It is important that we are able to manage the levels of demand for services so the Council will still be focussed on early intervention - preventing problems from escalating. This will be important in our regeneration programme, for example by designing out crime and making homes more energy efficient to avoid fuel poverty, but also through those services that help older people remain healthy and stay in their homes for longer, and working with children and families to solve problems before they get worse where it is in everyone’s interest to do so. Where residents are vulnerable, we will ensure that vital services are still available, even if we are not providing those services.

We want to deliver an excellent customer experience for our residents when they contact us, which will increasingly be online, meaning residents can contact us when it suits them, enabling the remaining capacity to be used to deal only with the most complex cases on the phone or in person.

Finally, we want to maintain our position as one of the top recycling boroughs in London and increase recycling to 50% so we can reduce the overall costs to residents of disposing of waste in landfill.

- **Protect the Most Vulnerable and Support Families**

In Harrow you can live up to 10 years longer if you live in the richest parts of the borough compared to the poorest. This means some of the most vulnerable people
in Harrow are disadvantaged twice. Having to live in poverty during their life and living for a shorter period of time. We want to address this problem and carry out research to make sure that we tackle the right issues at the right time.

We want to make sure that those who are least able to look after themselves are properly cared for and supported. We want to safeguard adults and children from abuse and neglect, keep them safe and ensure they have access to opportunities and a good quality of life.

We want to develop a new relationship with our voluntary and community sector, so they are able to continue supporting our most vulnerable residents. We want to promote a model of community resilience that complements the adult social care pathway; transforming care from a model of need to one of strengths and empowering people to make meaningful community connections, utilising community assets including the voluntary and community sector.

We want to increase the choice that our service users have through a more personalised approach so they are more in control of the services they receive and can access the things that will make the biggest difference to their lives.

We want our most vulnerable children to have access to the key services that will help to reduce child poverty and give them the best start in life and support those families at risk of losing their homes to find the means to help themselves.

Families are at the heart of our communities in Harrow, and we recognise that for some, almost a decade of ‘austerity’ has meant a real struggle. We want to make sure that Harrow is a place where families can thrive, from good quality housing and safe neighbourhoods, to good schools for their children and jobs which enable the aspiration of families to be met. We know that the cost of living continues to rise in Harrow and across London more broadly, and we will do all we can to support families through this, targeting our resources as best we can so that families can feel the full benefits of economic growth and regeneration.

Our Budget:
This is what we have to spend on delivering this plan.

<table>
<thead>
<tr>
<th>Net Controllable Revenue Budget</th>
<th>Budget 2018/19 £000</th>
<th>Description of service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources &amp; Commercial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Council contribution to freedom passes scheme</td>
<td>10,055</td>
<td>Every resident should have their independence. This funding allows our older residents and those with a disability to have access to the independence and better quality of life that free travel across Harrow and London can ensure.</td>
</tr>
<tr>
<td>Category</td>
<td>Amount</td>
<td>Description</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
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<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>The Council's call centre, main reception and website administration</td>
<td>3,955</td>
<td>Residents want to contact the authority in a number of different ways. This funding support those channels of communication, so that residents can contact the council in the way that is most convenient for them, whether it is online or over the phone. We want to ensure that we are accessible to residents, especially those most vulnerable and who do not have access to the Internet, offering a timely response.</td>
</tr>
<tr>
<td>Support for residents revenue and benefit claims</td>
<td>2,279</td>
<td>This funding provides assistance to those residents in need with benefit claims, helping them access the support they need and offering a timely response.</td>
</tr>
<tr>
<td>Resources</td>
<td>19,949</td>
<td>Providing good frontline services relies on strong back office functions, including Legal, HR, procurement and IT support. This budget ensures a high quality support function for the Council.</td>
</tr>
<tr>
<td><strong>Community</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Keeping Harrow clean &amp; green</td>
<td>14,681</td>
<td>The council undertakes street cleaning, grounds maintenance, collection of refuse, recycling, food and garden waste to all residential properties within the borough, including collecting and preventing fly-tipping, managing and maintaining parks, maintaining highway verges, licensing and preventing Anti-Social Behaviour. This budget includes investing in neighbourhood facilities and pro-active action to stop our streets becoming dirty in the first place. The council is determined to make Harrow clean again- which means Intelligence led street cleansing to ensure that those areas that require high frequency cleaning receive it; picking up your bins on time; and finding and fining those who blight our borough with litter and fly-tips. We are renewing our street lighting to more efficient and cost effective ones, monitoring and maintaining all the road surfaces in the Borough and taking the initiative to reduce road accidents.</td>
</tr>
<tr>
<td>Promoting culture in the Borough</td>
<td>438</td>
<td>Libraries and cultural facilities are important to us and our residents and they form an essential part of our plan to build a better Harrow. This money maintains our well used and popular libraries, as well as other cultural facilities in the Borough.</td>
</tr>
<tr>
<td>Housing General Fund</td>
<td>4,273</td>
<td>The Council has a duty to ensure all our residents have somewhere to live. This money is spent providing temporary accommodation for residents and families in need. This also goes towards housing vulnerable residents, who, for example, are fleeing domestic violence.</td>
</tr>
<tr>
<td><strong>People - Adults and Public Health Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support for Adults and Children with a disability and older people.</td>
<td>48,306</td>
<td>We spend millions of pounds on caring for older residents, and those with a disability. This covers thousands of residents in the Borough and includes day care centres, overnight respite care and home visits by support workers, as well as residential care for the most complex. Our support helps give our residents, dignity, independence and support for their carers and family.</td>
</tr>
<tr>
<td>Quality Assurance, commissioning &amp; strategic management services</td>
<td>9,345</td>
<td>We want to ensure our residents receive the care they deserve. This is the money we spend on safeguarding to ensure that the care our residents receive in the borough - including in private care centres - adheres to the highest standard of care, and commissioning and strategic management to ensure we have appropriate services in place to meet the needs of our residents.</td>
</tr>
<tr>
<td><strong>People - Public Health Services</strong></td>
<td>(1,841)</td>
<td>The Public Health grant support statutory duties such as NHS Health Checks, Health Visiting and Sexual Health, in addition to supporting non statutory duties such as drug misuse prevention and wider health improvement activities, to ensure the general health and wellbeing of the local population.</td>
</tr>
<tr>
<td><strong>People - Children’s Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children &amp; Young People’s Services</td>
<td>25,759</td>
<td>We provide valuable support to families and young people across the Borough. This includes Children’s Centres to support young families and social workers to work with our most vulnerable children and families. We want our youngest and most vulnerable children to have access to key services that will help reduce child poverty and give them the best start in life. This also includes adoption and fostering services.</td>
</tr>
</tbody>
</table>
The Council is very proud of its schools and the quality of education provided in the borough as we remain one of the top boroughs in the country in terms of education results. We are keen to offer the appropriate support services for vulnerable children, such as education services for children in care or with special educational needs.

The council team that works with local businesses and employers to create hundreds of jobs, apprenticeships and training opportunities, particularly for our young people. They also bid for grants from Government to support businesses and regenerate Town Centres in the Borough. We want our local businesses to be successful and able to reach their full potential with access to more commercial workspaces and the ability to employ local people in the many jobs they are able to create. It is this team that is one of the reasons we were awarded the best small business friendly Borough in London.

As a Planning Authority, the Service processes planning applications and enforces planning standards across the Borough.

Further information can be found in the Council’s Budget.
Our Achievements in Difficult Circumstances

Despite the difficult financial situation we find ourselves in, we continue to provide many vital services to residents and address some of the key challenges we face. This is a summary of what we have achieved during the period 2014-2018.

Build a Better Harrow

Regeneration

In 2015 we started an ambitious regeneration programme for the borough focussed on three key Council owned sites: Poets’ Corner (the existing Civic Centre site), Byron Quarter (leisure centre and neighbouring sites), and Wealdstone/Peel Road Car Park including a new Civic Centre. The aim is to create a thriving, modern, inclusive and vibrant borough that residents are proud to call home. This forms part of the wider £1.75bn of public and private investment in the Borough, which will deliver 5,500 new homes and around 3,000 new jobs over the period to 2026.

Over the past two years the key regeneration schemes have been taken through masterplanning and design stages and a number have been, or are about to be, submitted to Planning. This has included an extensive programme of community and stakeholder engagement on the regeneration schemes for the Poets’ Corner, Byron Quarter and the new Civic Centre, as well as for the smaller schemes at Haslam House, Vaughan Road and Waxwell Lane. The Haslam House and Vaughan Road schemes have both received Planning approval and contractor procurement is in progress to enable them to start on site in 2018. Waxwell Lane and the new Civic Centre were submitted for Planning in December 2017. Byron Quarter and Poets Corner will be submitted early in 2018. There has also been a review of the financing, commercials and governance of the regeneration programme and refinement of scheme designs to ensure that they meet their commercial and financial objectives.

Work is also progressing on the potential for a shared district heating network to serve the major new developments in Wealdstone. Following on the earlier work to develop an energy masterplan and feasibility study, a business case is now being prepared.

We know that unemployment and low wages are key concerns for residents. Our successful employment projects have helped 936 residents into work, and we have supported over 500 young people into jobs and apprenticeships. Harrow’s role engaging with businesses to address low skills was highlighted by the Learning and Work Institute in the evaluation of the Skills Escalator pilot (October 2017). This year Harrow’s Xcite programme was the winner of best Employment Project, whilst the recent Ofsted inspection of Harrow’s Adult Community Learning stated that “Learners continue to receive good-quality education. They raise their own expectations of what they can achieve, and are well supported to progress to further learning, volunteering or employment. Many develop their personal and social skills well, helping them into employment and improving their confidence and capacity within their families and local communities.”
Housing

Over the past four years housing supply and the affordability of housing has been one of the biggest issues we have faced as a country. Our response since 2014 has been to start building the first new council houses in a generation with a target of 500 new council homes built by 2020; to regenerate the Grange Farm estate and invest in building our own Private Rented housing.

To date we have completed 16 new council homes, with 91 more council homes in development and a further 30 for which we have secured planning permission. Plans have also been submitted for 241 new homes on the Grange Farm Estate.

We know that quality of housing has a big impact on people’s health and well-being which is why we have been working to improve the standards of rented properties in Harrow by introducing licensing schemes in Edgware, Wealdstone and South Harrow and tackling unlicensed Houses of Multiple Occupation. We have also continued to improve our own housing stock, by investing £20m in a 5 year programme to upgrade the quality of our homes with new more efficient boilers, new kitchens and bathrooms, upgraded door entry systems and fire safety works and new doors and windows. The Warm Homes, Healthy People programme has helped over 1000 people over the past 3 years.

Harrow takes the issue of fire safety in all our housing stock seriously. We do not have any tower blocks in our housing stock but following the Grenfell fire tragedy we have increased the frequency of our programme of fire risk assessments, audits and inspections, and have also prioritised fire safety works on the capital programme. We ran a communication campaign with our tenants and leaseholders to increase awareness and reassurance of fire safety, including holding fire safety talks at our sheltered schemes.

School Places

Harrow, along with the rest of London, has experienced an increasing demand for school places, due to higher birth rates and internal and international migration. Since 2008, 5 new schools have opened in Harrow, we have expanded 27 primary schools since September 2013, and an additional 150 Special Educational Needs places have been created. We have been able to offer every Harrow child a school place during this time of increasing demand.

Environment

We know that the quality and cleanliness of the local environment is really important to residents. We want Harrow to be an attractive place to live, work and invest in and our environment to be cleaner, safer and more accessible. So over the last four years we have focussed on: improving street cleaning across the borough; introducing on the spot fines; ensuring fly-tips are removed within one working day of their being reported and driving up recycling rates, as we set out to make Harrow clean again.

In 2016 we introduced a green garden waste collection scheme. With over 28,000 residents signed up it is the largest scheme in London. Greenhouse gases from the council’s operations have reduced by 6.4% and Harrow is part of the Transport for London funded ‘Neighbourhoods of the Future’ project which will see electric car charging points installed in Harrow town centre. We have also been developing and testing a phone reporting app to enable rapid and easy reporting of fly tips and other
issues. A growing number of our residents are now involved in looking after their streets and parks and daily litter picking volunteers have undertaken clean up days and cleared rivers.

**Sports and Cultural Offer**

As part of our regeneration plans we also want to make sure that we deliver a thriving cultural offer that reflects the diversity of our communities. Sport and culture play an important role in bringing people together and creating a sense of community. But also have a huge impact on people’s health and well-being by reducing obesity and social isolation and improving people’s mental health.

In 2015 the Council invested almost £1m in the restoration of the Great Barn at Headstone Manor. In 2016 it was successfully opened as a wedding and function venue. We also secured Heritage Lottery funding to restore the Manor House and open it as a free public museum in November 2017. In 2015 Arc house – a community performance space, was opened next to Harrow on the Hill tube station. The Council took control of the venue in 2017 and will be running a programme of film screenings and music festival there.

To help attract more residents to our parks and improve people’s health, we have invested in building cafés in three parks, installed green gyms and Green Flag status has been retained in five parks. We have encouraged schools to take up the Daily Mile and over 400 residents take regular walks with the Harrow Health Walks programme. The walks are led by trained volunteers and take place every day across the borough with some linked to GP surgeries; and the volunteer led Park Run has now become a regular feature at Harrow Rec and Canon’s park.

In 2016/17 there were 799,856 library visits across all 6 libraries in Harrow, and 755,637 stock issues. Stanmore Library was refurbished in March 2016, and the refurbishment of Kenton Library will start in January 2018. Work has commenced on the new Town Centre Library as part of the development of the site at 51 College Road in Harrow Town Centre.

In 2016/17 the audience and attendance figure at Harrow Arts Centre was 158,183 generating an income of £433,500. Over 7,700 classes, workshops, community meetings and events were held.

**Voluntary and Community Sector**

We want residents to be able to play a greater role in their communities. In 2017 we celebrated 10 years of our flagship community event – Harrow’s Heroes, celebrating the hard work, and dedication of local people and teams who make Harrow a special place to live and work. The awards are an opportunity to say thank you to our tireless army of unsung heroes. More than 200 people attend the awards each year and hundreds of volunteers and members of the community have been congratulated and thanked for their hard work and efforts in making Harrow a great place to live and work.

To bring residents into the heart of decision making and problem solving, the number of Park User Groups has doubled over the past two years and they are now formally constituted organisations. More parks are developing five year visions and improvement plans and the range of volunteering activity has grown. The Community
Champion scheme – the Council’s largest volunteering scheme, continues to grow its membership and scope.

Over the course of the last 4 years the Council’s relationship with the Voluntary and Community Sector has changed significantly as a result of a reduction in funding available. In 2017 we launched the Council’s first ever Information, Advice and Advocacy Strategy, procured a new General Information and Advice provider in Citizen’s Advice Harrow and launched #Crowdfund Harrow, where the Council can pledge towards local community run projects that have attracted the support of the community. To date our £17,000 worth of pledges have resulted in over £60,000 worth of activity taking place in the community. We also launched a review into the relationship between the Council and the sector which will result in a new shared vision for how the two partners will work together going forwards by identifying shared objectives and ambitions in respect of social action, community resources, premises, service delivery, leadership and governance.

**Community Safety**

Harrow is one of the safest boroughs in London but the safety of our residents remains a key priority. Through our Safer Harrow partnership we are working with the Police and a range of other statutory and voluntary and community based organisations to keep Harrow as one of the safest boroughs in London. The new Community Safety Strategy 2017 retains a clear commitment to tackle high volume crime such as burglary, but also now gives a greater focus to high harm crimes, including youth violence, domestic abuse and drug and alcohol misuse. Given this greater focus on high harm crimes, our Domestic and Sexual Violence Strategy has now been merged into a single overarching Community Safety and Violence, Vulnerability and Exploitation (VVE) Strategy.

Over the last 4 years we have received funding from the Mayor’s Office for Policing and Crime (MOPAC) via the London Crime Prevention Fund (LCPF) to address key priorities related to crime reduction. We have worked with our voluntary and community sector (VCS) partners to design a range of interventions, which include early intervention programmes around gang and youth violence, child sexual exploitation, and drug and alcohol abuse. By working with the VCS to deliver some of these programmes we have been in a better position to leverage in additional funding and resource to support this agenda in addition to what the Council can provide.

We continue to run a full ‘Days of Action’ programme to tackle all issues identified in an area where Harrow Council works together in partnership with local services including Police, Fire Brigade, DVLA and Trading Standards and have introduced a Public Space Protection Order so the Council and Police can robustly deal with Anti-Social Behaviour such as street drinking, driving across grass verges and pavements and not picking up dog mess.

**Youth Offending**

Harrow Youth Offending Team continues to deliver and improve services despite a backdrop of complex issues affecting young people today. The Youth Offending Team continues to engage in a wide variety of work with young people who offend (those aged between 10-17 years) in order to: reduce the number of First Time
Entrants (FTEs) into the Youth Justice System; to reduce Re-offending and to reduce the Use of Custody.

The prevention of offending and re-offending and anti-social behaviour by children and young people is a priority for all partners in Harrow, we believe this is best achieved through effective collaborative working with other council services, the Safer Harrow Partnership and the Voluntary and Community Sector. The Youth offer within the newly redesigned Early Support is committed to further developing a robust preventative framework in which to reduce first time entrants and reoffending.

**Be More Business-like and Business Friendly**

*What we are doing for businesses*

Harrow is a small business borough, therefore it is important that as a council we understand the needs of local businesses and support them to grow and be successful. In 2014 we introduced 20 minutes of free on-street parking to support businesses on our local high streets. We set up Harrow Deals in 2015, a platform for local businesses to be able to advertise promotions and offers to local residents.

Over the last four years we have supported 3,110 businesses. This has included business to business mentoring, the provision of pop up space for new entrepreneurs, workshops, and our popular Business Den which has provided opportunities for new businesses to compete and demonstrate they are the best in Harrow. The HA1 Business Improvement District was formed in 2014 and since then we have gone on to support business and community groups in our district centres. Vacancy levels in the district centres are 3% and in Harrow Town Centre are 5.4%, lower than the UK and London figures.

We have secured funding and implemented a number of schemes to support businesses, this has included public realm and shop front improvements on Station Road, and the creation of affordable artists’ studios in Wealdstone. Our business start-up and survival rates compare favourably with the rest of London and last year over 100 businesses reported improved performance thanks to our support. Our work has been recognised by the Federation of Small Businesses that awarded Harrow “Best All-Round Small Business Friendly Borough” in 2016.

Harrow is cited as an example of best practice in the Future of London’s report on “Making the Case for Place”. The report outlines how the council uses social value clauses in its procurement of goods and services to deliver benefits for Harrow’s residents and businesses, and how economic development support the council’s suppliers to recruit local residents and apprentices.

**Commercialisation**

In 2015 we launched a commercialisation strategy as a major contribution to our medium-term budget planning. Commercialisation is a positive agenda for Harrow as it provides for the profits from a range of new services and ventures to be re-invested back into vital services and off-set some of the reduction in grant from Government that we are facing. It is inherently risky and this is considered alongside alternative options and risk mitigations in the budget planning cycle.

Project Phoenix aims for cost neutrality in Environmental services by 2020. So far eight new commercial ventures have been approved. Highlights include the launch of the Harrow & Brent transport hub, the Training Academy – Centre of Excellence,
Harrow Cookery School, MOT testing and the commercial food waste service. Trade waste, confidential waste and the gardening services are also expanding. Harrow Meals Service has been extended to deliver hot meals to our vulnerable and elderly residents and greater utilisation of our assets has seen Council buildings used for major film locations and commercial events offered in our parks.

We are also generating income from advertising on the Council’s website and our magazine - Harrow People. External sponsorship has enabled flagship events such as Harrow’s Heroes and Harrow Business Den to continue. Our Investment Property Strategy is investing in a commercial property portfolio with a gross yield of 7.5%. We set up a Lettings Agency in 2015 to manage a portfolio of properties including: 100 homes that the Council has acquired through the Property Purchase Initiative and new build Council houses and Private Rented Homes as part of the regeneration programme.

**Customer service**

The experience residents have when they contact the Council is very important to us. Over the last four years we have moved to make more and more services available through self-service, making it easier for residents to contact or transact with the council at a time that suits them. Over 87% of Council transactions are now self-serve. In 2012 we launched the MyHarrow Account, and by December 2017 there were over 106,000 My Harrow Accounts open, producing nearly 40,000 logins per month.

**Efficiencies and Productivity**

Given the financial circumstances the council faces, it is important that we ensure the council is as lean and efficient as it can be. The 2016 peer review concluded that Harrow was a ‘good council with committed and passionate staff who have enthusiastically embraced the authority's commercialisation objectives.’ It also recognised that the Council has made great strides in strengthening its financial base since 2006. Despite challenging financial circumstances we have been able to set a balanced budget for each of the last four years.

To support these challenging times, it is of paramount importance that we collect local taxes from all appropriate properties in the borough. We have over the last three years brought an additional 2,800 new properties into local taxation increasing annual revenue by over £3m before inflation was added. We have also maintained collection rates in year at around 97.3% and over time at 99% which is an excellent achievement in these tough economic times.

Regarding Business Rates, we have seen the introduction of localised business rates retention in 2015/16 where Harrow kept 30% of all business rates generated locally and we are now working with all London Boroughs to implement 100% rate retention under the London Rate Retention Pool pilot which will commence in 2018/19. This could potentially see additional money coming into Harrow.

Since 2014 we have introduced a range of new and expanded shared service arrangements. A new HR Shared Service with Bucks County Council went live in August 2016. Work to expand the Legal Practice has continued and HB Public Law now covers the legal work of five councils: Harrow, Barnet, Hounslow, Aylesbury Vale District Council and Buckinghamshire County Council. Work is also being undertaken for Slough.
With regards to our staff, we have made sure that our staff are paid at least the London Living wage when working directly for the Council. We have introduced Mobile & Flexible working, new values and a new staff performance management and appraisal system.

Protect the Most Vulnerable and Support Families

Homelessness

Harrow has witnessed a rise in homelessness over the last five years due to a combination of lack of availability of affordable housing and Government welfare reforms. It has been a priority of the Council to reduce the levels of homelessness and bring down the length of time families have to stay in temporary bed and breakfast (B&B) accommodation. We have successfully brought down the number of households in emergency B&B accommodation by over 60% from a peak of 307 families in June 2016 to 116 families by the end of 2017. We have largely done this through our Property Purchase programme; actively working with private landlords to prevent homelessness so families don’t have to move and offering longer term private rented accommodation in London and elsewhere to end the uncertainty of homelessness.

Families & children

Families are at the heart of our communities in Harrow and we want to ensure that Harrow is a place where children, young people and their parents can thrive. In 2017, Harrow’s Children’s services were judged by Ofsted to be ‘Good’ - a great endorsement of the hard work and dedication of all the staff who work with children, young people and their families. The Ofsted follow-up visit was also very positive and as a result Harrow Council has been added to the Department for Education’s Strategic Framework, which means we can be asked to support other authorities who are performing poorly.

We are on track to work with over 400 vulnerable families as part of the Together with Families programme. An integrated disabilities team has been established and is working towards a seamless service for children, young people and adults and good progress is being achieved in recruiting to front line Children’s social work posts to deal with the highest numbers of children in care and with child protection plans in at least 12 years.

The new Early Support model is up and running. The Children’s Centre Core Offer remains strong in Harrow and continues to be delivered under the umbrella of Early Support despite budget constraints. We continue to deliver a wide range of pre-school activities and programmes in partnership with our Health Visiting colleagues and continue to broaden participation of children and families at risk of social exclusion, those with Special Educational Needs and those at risk of under achieving. Through Early Support Hubs where specialist health colleagues are often based, we are building our capacity of providers to deliver on the changing Government initiatives, for example the 30 hours free funded childcare places and initiatives designed to improve outcomes for children with Special Educational Needs and or Disability.
The Firs continues deliver high standards, and has achieved a 9th successive Ofsted grading of Outstanding.

**Education**

Harrow is very proud of its schools and the quality of education provided in the borough as we remain one of the top boroughs in the country for education results. 96% of Harrow schools are judged by Ofsted to be ‘Good’ or ‘Outstanding’. Our primary schools rank in the top 10% nationally for key stage 2 results in reading, writing and maths and our secondary schools rank 15th out of 150 local authorities for pupils achieving Grade 5 or above in English & maths and 22nd for the Attainment 8 score at KS4. Harrow has also been ranked joint 4th best performing area nationally in 2017 for pupils progress (progress 8 score) and in December 2016 a report by the Education Policy Institute ranked Harrow top nationally for the highest density of high performing schools in England by local authority between 2010 – 2015. 98.7% of 16-18 year olds are in education, employment or training.

**Domestic Violence**

In 2014 the Council pledged to invest an additional £200k in Domestic Violence services, this enabled the council to secure services in the borough for victims of domestic violence up until 2019. This investment has meant that we could provide Independent Domestic Violence Advocate (IDVA) 1-1 support to over 600 victims of domestic abuse in Harrow a year. Of these, our IDVAs have referred over 160 high risk cases to the Multi Agency Risk Assessment Conference (MARAC), where safety plans are put in place for these victims. The investment has also enabled the continuation of refuge provision in the Borough and support and advice provided to the women placed here.

In 2016 the Council worked with the renowned Tavistock Relationships to deliver a pilot programme, providing mentalisation therapy to 10 couples who have experienced domestic violence in their relationship and who want to work together to become better parents. The evaluation concluded the project was worth continuing and scaling up and was successful in securing funding from the Department for Education to extend the pilot for a further 30 couples in 2017.

**Welfare and Benefits**

Over the past four years the government has introduced a number of changes to welfare benefits which have impacted on the local authority and residents. To support residents impacted by these reforms the Council has invested in a new General Information and Advice service from August 2017 to give residents access to information and advice about their benefits, employment, housing and other issues.

To support homelessness, we have ensured our allocation of Discretionary Housing Payments (DHP) from the Department of Work and Pensions (DWP) has been fully spent annually. Whilst this has reduced from almost £2m to £892k in 2017/18, this has contributed positively to supporting families at key stages, ensuring that they did not have to move to alternative cheaper accommodation, until they were ready (for example when children finished key exam years).
We take very seriously Harrow’s corporate parenting duties, and believe firmly in the underlying principle that every local authority should seek the same outcomes for children and young people in care that every good parent would want for their own children. We have therefore introduced a Care Leavers Discount Scheme which will ensure care leavers are eligible for council tax discounts. This will help to relieve some of the initial pressure that young care leavers feel when they begin to manage their own budget fully for the first time.

**Adults**

We want people to be able to look after themselves and reduce their need for repeated professional interventions. Over the last four years we have strived to protect key services for the most vulnerable and re-design services to get the best outcomes for the resources available.

With people living longer we have seen increases in the number of people needing support especially those with dementia and increases in the number of people with disabilities. In response to these increasing demands, adult social care has developed a new vision that will transform the care offer and improve outcomes and satisfaction levels. We are working to help people to maintain their independence and stay healthy and well longer at home with the support of family and friends and accessing the wider community.

Central to this new vision is the principle of aiming to give the right level and type of support at the right time and in the right place to help prevent, reduce or delay the need for on-going support and to maximise people’s well-being and independence.

The Care Act 2014 was the most significant change in social care law for 60 years. The legislation set out how people’s care and support needs should be met and is now embedded in the way adult social care is delivered. The transformation from a model of need to one of strengths and empowering people to make meaningful community connections and utilising community assets, aims to confront the challenges facing health and social care.

Harrow continues to have a high proportion of its clients with learning disabilities who are supported to take up employment opportunities. At 18% the rate is the second highest in London and Harrow also had the third highest usage of direct payments among long term service users in London during 2016-17.

In a first in the Country Harrow is working with IBM, a global IT vendor to develop a new self-directed care solution that will benefit Harrow and other Local Authorities and Health partners. This new system will use cognitive technology to deliver better outcomes for service users and patients.

**Health, Wellbeing and Equality**

The Council places great importance on addressing all forms of inequality from health inequality to economic opportunities. This is a long-term aspiration, but positive developments over the last 4 years include: the adoption of a Child Poverty Strategy which looks at how all the teams in the council can reduce the impact of poverty on children and working with the CCG and the voluntary sector to raise awareness of tuberculosis (TB) and promote screening for latent TB for those who have lived in high prevalence countries around the world.
A new sexual health service was commissioned in 2017 which will ensure that residents in the borough receive prompt information, support and care at the right place. There will also be improved prevention in the community for groups with higher sexual health needs, including young people, gay and bisexual men and minority ethnic groups.

We continue to deliver services with partners to ensure adults, parents and young people with substance misuse issues and their children are supported and harm/risk is minimised. We continue to perform better than the national average for successful completions of treatment for alcohol dependency and are establishing a multi-agency local Drug and/or Alcohol-Related Death Review Panel to increase our understanding of the factors contributing to this and therefore how to reduce the risk of further related deaths occurring in the borough.

In September 2016, the Council unanimously agreed to sign up to the Centre for Mental Health’s Local Authority Challenge to reduce the stigma of mental health in the workplace, and appointed two Mental Health Champions: Councillor Kareema Marikar and a senior officer Champion (Tom Whiting, Corporate Director of Resources and now Interim Chief Executive). We also launched Thrive Harrow, the first borough-level Thrive initiative in London and signed the Time 2 Change pledge. A range of activities have taken place to raise awareness and promote mental health issues within the workplace and community including Mental Health First Aider courses delivered to Council staff and 20 local schools.

In 2015 as part of our commitment to promote equality of opportunity and develop ‘an inclusive workforce that feels valued, respected and reflects our community’, we signed up to Stonewall’s Diversity Champions Programme to enable the council to build on its work around Lesbian Gay Bisexual Transgender (LGBT) equality and ensure it supports staff and service users who identify as LGBT. In 2017 the Council was ranked 153 out of 439 organisations in the Stonewall Workplace Equality Index and was confirmed as the most improved organisation.

Finally, residents who are disabled or require mobility assistance continue to benefit from DisabledGo, an online access guide to over 1040 venues across the borough which provides a range of information from step-free access, to usable toilet facilities and hearing loops via a free App.
Why this Strategy – our local context

Population Growth: 7.2% of the population are aged 0-4; 13.4% are aged 5-15; 64.2% are aged 16-64 and 15.2% are aged 65 plus. As with most areas in the country, the borough has an aging population. It is expected that the number of residents aged 65 plus will increase by 42% and those aged 85 plus could increase by 62% by 2029.

Diversity: 42.6% of the population identify as being Asian which ranks 2nd nationally. Since 2001 there has been a 59.4% increase in the number of residents who are Asian. Harrow has a higher proportion of residents whose main language is not English and who cannot speak English or cannot speak English well, compared to the national and London averages.

Housing: At just 10% Harrow has the third lowest proportion of social housing of any of the London boroughs and around 24% of households live in private rented accommodation. Several thousand households contact the Council for assistance each year, applications for social housing have doubled over the last 7 years and the number accepted as being eligible, unintentionally homeless and in priority need has risen tenfold (45 in 2009/10 to 449 in 2016/17), mostly due to loss of private rented accommodation. We continue to help families remain in their accommodation whenever possible and to find new housing solutions for those who need to move, working in partnership with private sector landlords. Despite the huge emphasis on homelessness prevention there has been a 50% increase in demand for temporary and emergency accommodation over the last three years. The majority of households are placed into temporary accommodation leased from a private landlord. Evictions in social housing are normally very low, around 7 per year for rent arrears. In 2016/17 this increased to 25 after all options to assist the tenant to sustain their tenancy had been explored.

Health: Health in the borough is generally good; however, in 2011 the census showed that 14.6% of residents in Harrow had a limiting long-term illness or disability. This was an increase of 13.2% (+4,000) since 2001. Harrow’s rate is now higher than the average for London (14.2%). In 2016-17, 18.4% of all 4-5 year olds are classified as having excess weight with 8.3% of them being considered obese. Obesity rates in the reception year for children are falling although overweight rates increased in 2016-17 compared to the previous year after falling for the previous three years. The rates for reception year children are lower than both the London and National averages. 36.5% of 10-11 year olds are classified as having excess weight with 20.6% being classified as obese. The rates are lower than the

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1 2016 Mid-Year Estimates, Office for National Statistics (ONS)
3 2011 Census, ONS
4 2016, Dwelling Stock Table 100, DCLG
5 2011 Census, ONS
London rates but higher than the National rate.

According to the most recent Public Health England data (PHE 2016) Harrow has a lower than national rate of newly diagnosed sexually transmitted infections (STIs) (664.0 per 100,000 residents compared to 750 per 100,000 in England). More specifically Harrow has the 70th highest rate (out of 326 local authorities in England) of new STIs (excluding chlamydia diagnoses in 15-24 year olds) with a rate of 773.5 per 100,000 residents (compared to 795 per 100,000 in England). 43% of diagnoses of new STIs in Harrow were in young people aged 15-24 years (compared to 51% in England). Harrow has also seen an increase in its opiate and/or crack cocaine using population from 898 individuals in 2011/12 to 1193 individuals in 2014/15. The most recent PHE estimates for alcohol dependency indicate that Harrow has 1,607 alcohol dependent adults in need of specialist assessment and treatment. The ONS similarly published its latest statistics on drug poisoning and Harrow has seen a rise in the number of drug related deaths which is reflective of the national picture.

Life expectancy in Harrow for both men and women is higher than the national and London rates and is increasing but the gap between those in affluent areas and those in deprived areas within the borough is also increasing. Men in the most affluent parts of Harrow can expect to live 6.6 years longer than those in the most deprived. Similarly women in the most affluent parts of Harrow live 4.3 years longer than their deprived counterparts. This difference is even more marked when we consider how much of their lives are spent in good health. On average men in Harrow live 69.2 years in good health but men in the most deprived parts of the borough live 8.5 years more in poor health. For women the picture is similar. Women can expect to live to 70 in good health on average but women in the most deprived parts of the borough live almost a decade more of their lives in poor health than those in the affluent parts. The impact of poverty and deprivation is to reduce the length of peoples’ lives and to increase the proportion of their lives spent in poor health.

Education: There are 59 schools in the borough, of which 96% are judged as good or outstanding by Ofsted. Despite population growth every Harrow child has been offered a school place at a Harrow school, achieved through our successfully delivered school expansion programme.

Crime: Over the year to October 2017, crime levels rose by 2.51%. The most common crime in the borough was anti-social behaviour, followed by theft (in particular associated with motor vehicles), although relative to London rates are low.

Violence with injury is the most common high harm crime in Harrow, but remains the lowest rate in London.

Drug related crime has the seen the highest increase over the past year (11.51%), while robbery rates have fallen by nearly 20%.
The local community safety partnership is working hard to respond to emerging concerns around violence and knife crime. Overall, the borough had a crime rate of 45.5 offences per 1,000 population in April 2017, which is the 2\textsuperscript{nd} lowest rate in London.

**Environment:** Over 20\% of the area of the Borough is Green Belt. 42\% of household waste is currently recycled or composted.

**Employment and Skills:** Unemployment in the year to September 2017 averaged 1.2\%, below the London and national average of 1.9\% and 1.8\% respectively\(^6\). 45\% of Harrow’s residents (aged 16-64) have higher level qualifications (NVQ Level 4+), with 2.8\% having no qualifications at all. The borough has a high percentage of residents with ‘Other’ qualifications (including foreign qualifications), at 11.5\%, compared to London (8.2\%) and England overall (6.7\%)\(^7\). Wages paid in Harrow workplaces (average £575.00/week for full-time workers) are generally lower than in London (£692.20) and in most of the West London Boroughs (£575-£689). Earnings of Harrow residents (estimated average of £714.80/week for full-time workers) are the second highest of the West London Boroughs and a little over the London average (£701.40).\(^8\) At 2.1\%, the borough has the lowest level of 16-17 year old NEETs (not in education, employment or training) nationally\(^9\).

\(^6\) ONS Claimant Count data  
\(^7\) ONS Annual Population Survey, 2016  
\(^8\) Source: ONS Annual Survey of Hours and Earnings 2017 – Residents and Workplace analyses – using median of full-time workers’ gross pay  
\(^9\) DFE, 2016 Figures. Isles of Scilly excluded, due to very low counts overall
This is the third annual update of the 4 year Harrow Ambition Plan which builds on and reports on the progress made against achieving the first Plan issued in February 2016. All Councils are experiencing immense budgetary pressures and Harrow is no different. This document is designed, not only to set out how this Council is responding to those challenges, but it also sets out our aspirations for the Borough, our commitment to the residents of the Borough and our commitment to staff.
1. **Build a Better Harrow**

Our aim is by 2020 to:

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<tr>
<th>What we will do</th>
<th>Ambition</th>
<th>Progress so far (as at Quarter 2, 2017/18)</th>
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<tbody>
<tr>
<td>Deliver the largest number of new homes in a decade</td>
<td>5,400 new homes by 2020/21</td>
<td><strong>Regeneration being led by others:</strong> In 2016/17 we delivered over 650 new homes in the borough and are on track to exceed our target of 5,400 new dwellings completed in the borough by 2020/21. Over 60 houses were completed on the (former Kodak) Harrow View West site by the end of November 2017 and work continues. Reserved matters were approved on the Harrow View East site in December 2017 for Phase A, enabling work to soon get underway on the construction of 650 homes, as well as commercial uses, health centre, care home and green space. Construction has started on the site of the former Townsend and Eaton Houses, one of the three Origin Housing sites in the borough. The Palmerston Road/George Gange Way site planning permission is expected to be completed soon and a new planning application on the Cumberland Hotel site has been approved, subject to legal agreement. The College Road (Harrow Square), Gayton Road (Lexicon) and Lyon Road (Lyon Square) developments are all progressing well, with the release of over 80 units expected at Lyon Square before the end of FY 2017/18. <strong>Regeneration programme on Council owned sites:</strong> Planning consents on the Haslam House/Chichester Court sites in Stanmore and the Vaughan Road car park have been secured and a start on site at Haslam House is imminent. Planning applications were submitted in December 2017 on the Waxwell</td>
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<td>What we will do</td>
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<td>Deliver the biggest Council Estate Regeneration scheme in decades</td>
<td>500 new council houses by 2020</td>
<td>To date 16 new council homes have been completed, with a further 91 council homes in development (of which the first six new-build infill properties were completed in July 2017), planning permission has been secured for a further 30 units and plans have been submitted for 241 new council homes on the Grange Farm estate.</td>
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<td>Improve the quality of our homes and estates by implementing the Harrow Better Homes Standard and rolling 5 year Better Homes Programme</td>
<td>Successfully deliver our capital programme, maximising value for money, social value and collection of any income due from leaseholders</td>
<td>We have made huge advances with social value, continuing to deliver apprenticeships and encouraging local contractors to tender for works. We expect £400k investment in the local community from the Cowan Avenue scheme which is currently on site.</td>
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<td>Approved rolling 5 year Better Homes programme</td>
<td></td>
<td>A £20m rolling programme is in place and the advantages of this are now showing clear improvement in our delivery. The current year’s programme is going well, we have been able to substitute delayed projects and procurement for the 2017/18 programme is already underway with delivery commenced. The programme has been reviewed in line with work being delivered on the HRA Business Plan. Compliance and revenue reduction schemes are being prioritised within our resource levels.</td>
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<td>Continue to improve the appearance of our estates working closely with caretakers, tenants and</td>
<td>Improved service performance – measured by tenant and leaseholder</td>
<td>Following comments made in our tenant and leaseholder survey, the appearance of our estates was a concern, particularly the cleaning of the communal areas in our blocks. The Estate Services team started a communal cleaning pilot in July 2017</td>
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Lane car park in Pinner and for the new Civic Centre in Wealdstone. Planning applications on the Poets’ Corner (current Civic Centre) and Byron Quarter (Leisure Centre/Byron Recreation Ground) sites are due to be submitted before the end of 2017/18.
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<th>Progress so far (as at Quarter 2, 2017/18)</th>
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<td>leaseholders.</td>
<td>feedback surveys</td>
<td>using existing staff. 30 blocks have been targeted during this pilot and the response from tenants and leaseholders to date has been very positive.</td>
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</table>
| Reduce housing fraud | Complete 600 leasehold audits to confirm occupation and the protection of our freehold  
Recover 10 properties in 2016/17 where fraud is identified and allocate to those in genuine housing need | All leasehold properties have been visited for the purpose of auditing. A small number still need to be accessed. We are on track to complete 600 audits by the end of the financial year.  
The Housing Tenancy fraud recovery rate is also on target for 2017/18. Eight properties had been recovered by the end of quarter 2. |
| Deliver a thriving cultural offer through regeneration and commercialisation projects (arts, libraries, heritage, sports & leisure and night-life) | Six libraries will have been refurbished or rebuilt, Headstone Manor Museum will be completely refurbished, Harrow Arts Centre will be delivering from improved buildings, an improved or new Harrow Leisure Centre will be at the centre of a new residential and leisure led quarter next to Byron Park | Listed building consent planning application approved for Kenton Library refurbishment. Refurbishment to start in January 2018.  
Specification for the new Town Centre Library progressed with the developer Barratt Homes to ensure the optimal design and operational functionality. Issues relating to deliveries to the new library now resolved. Work on the shell and core of the library has started.  
Detailed design work undertaken for the Byron Quarter site for the development of a residential and leisure quarter prior to the submission of planning applications. The development will include an improved or new Harrow Leisure Centre. Leisure Centre Contract and Management Options appraisal being developed to inform the business case for the new Harrow Leisure Centre. Indicative illustrations for the new leisure centre and Byron Hall presented to the Design Review Panel.  
Headstone Manor Museum - The renovation has now been |
completed with the grand opening held on the 1\textsuperscript{st} December 2017. The site opened to the public for the first time on the 9\textsuperscript{th} December 2017.

The development of an options appraisal for the redevelopment of the Harrow Arts Centre site was approved by Cabinet in September 2017, subject to the identification of funding.

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<th>In 2020 the annual Active Lives Survey will show 75.8% of the population aged 16+ as Active or Fairly Active</th>
<th>The Active People survey, referred to in the original Ambition, has been discontinued and the Active Lives survey now measures the proportion of those aged 16+ classed as Active or Fairly Active. For the period May 2016 to May 2017 Harrow’s result was 72.5%, compared with an average of 74.4% nationally and 75.8% in London.</th>
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<td>By 2020, there will be at least 2.5 million visits per annum across our cultural offer, which would include Harrow libraries, Harrow leisure centres and Headstone Manor</td>
<td>More than 2.28m visits occurred over the financial year 2016/17 and over 1.25m visits took place in the first half-year of 2017/18. The number of wedding functions in the Great Barn at Headstone Manor Museum exceeded targets – weddings are an important part of the Business Plan for the site. The Studio Café opened to the public at Harrow Arts Centre to improve the service offer and generate additional income. Other cross-directorate work includes the Arc House café and performance space, and cafés in parks.</td>
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<td>Harrow will be seen as the place for creative industries/artists to locate and conduct business (e.g. Artisan Place)</td>
<td>Whitefriars studios have now been completed. This provides Harrow’s first affordable artists studios and a new gallery. The bulk of the studios have already been let. The move on space at Stanmore Business Innovation Centre is now being let.</td>
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<td>Deliver S106 funded improvements to outdoor sports facilities as identified</td>
<td>Planning permission was granted for improvements to the playing pavilion at Harrow Weald Recreation Ground in September 2017.</td>
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<td>Deliver a new Civic Centre in the heart of Wealdstone, providing the catalyst for total regeneration of that part of the Borough, and regenerate Harrow Town Centre</td>
<td>To have moved into a new civic centre by 2019</td>
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<td>Create over 500 new jobs</td>
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<td></td>
<td>Support 500 young people into apprenticeships and jobs</td>
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<td>Support over 5,000 adult community learners</td>
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Site surveys have been completed in relation to the installation of a 3G artificial pitch at Bannister Sports Centre prior to the submission of a planning application. The planning application is scheduled to be submitted in early 2018 subject to the results of a transport study which has been commissioned.

Work commenced on Football Foundation funding applications for 50% of the cost of improvements to the playing pavilion at Harrow Weald Recreation Ground and the 3G pitch at Bannister Sports Centre. Heads of Terms and a Development Agreement for improvements to grass pitches at Bannister Sports Centre have been agreed with the contractor. Two full-sized pitches and two smaller pitches will be created. The pitch works are scheduled to start in summer 2018.

Resident feedback: 90% of library users rate the Library Service as Very Good or Good

An overall 91.69% of users rated the service Excellent, Very Good or Good in the 2016/17 surveys. The next surveys are due in 2018/19.
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<tr>
<th><strong>Prevent homelessness whenever possible</strong></th>
<th><strong>Helped 300 unemployed residents back into work</strong></th>
<th><strong>We have helped 167 residents into work by November 2017, and 936 residents since 2014.</strong></th>
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<tr>
<td>By 2020 all families facing homelessness in the borough will be helped to remain in their accommodation or be offered an alternative housing solution. No families will stay in shared bed and breakfast accommodation longer than 6 weeks</td>
<td></td>
<td>We are continuing to prioritise homelessness prevention and finding housing solutions for statutory homeless households (mainly families with children) to reduce the numbers who have to go into Bed &amp; Breakfast accommodation. Maintaining this performance will depend upon homelessness pressures and it is difficult to forecast the impact of the Homelessness Reduction Act (April 2018) at this stage.</td>
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<th><strong>We will continue to support local private landlords and work with our social lettings agency (Help2Let) to offer well managed private rented accommodation in the borough</strong></th>
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<tr>
<td>We aim to double the number of training sessions for Harrow Landlords by 2020 so as they can be accredited or re-accredited and keep their knowledge up to date (the course is offered through the London Landlord Accreditation scheme)</td>
<td></td>
<td>We continue to promote accreditation through landlord forums and our contacts with landlords, who can attend any of the 100 or so sessions a year in London. We have planned and booked 5 sessions in 2018 to be held in Harrow, and we offer subsidised places to the landlords we work with.</td>
</tr>
</tbody>
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<tr>
<th><strong>Continue to be one of the safest boroughs in London</strong></th>
<th><strong>Crime rates continue to fall and are the best in London</strong></th>
<th><strong>Harrow has the lowest rate in London for violent crime and one of the lowest overall crime rates at October 2017, notwithstanding an increase in overall numbers of offences.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Remain one of the best places in London for people from different backgrounds to get on</td>
<td></td>
<td>In an August 2017 survey, 77% of respondents thought people from different backgrounds got on well together in the local area, against a target of 70%.</td>
</tr>
<tr>
<td><strong>We will regularly review our Road Safety Plan</strong></td>
<td>The road safety plan is reviewed at the same time as the Local Transport Implementation Plan (LIP) because the targets and objectives are aligned. The LIP will be rewritten during the next 12-18 months as a requirement of a new London Mayoral Transport Strategy. The Road Safety Plan will be reviewed as a part of preparing a new LIP. Performance targets in the road safety plan are monitored annually.</td>
<td></td>
</tr>
<tr>
<td><strong>Aim for a year on year reduction in people killed or seriously injured on our roads</strong></td>
<td>The latest figures show that there were 44 people killed or seriously injured in 2016. Harrow is in the top 25% of safest Boroughs.</td>
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<tr>
<td><strong>Ensure sufficient places in childcare for vulnerable 2 year olds and encourage uptake</strong></td>
<td>Uptake of formal childcare to improve from 48% to 67% and increase to 80% by 2018. Harrow has a high proportion of funded children accessing good or outstanding early years provision. In January 2017, 98% of 2, 3, and 4 year olds received their funded early education in settings rated ‘good’ or outstanding’ by Ofsted.</td>
<td></td>
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<tr>
<td><strong>Support our schools to continue to be among the best in the country</strong></td>
<td>95% of Harrow’s maintained schools to be judged as good or outstanding by Ofsted for all children. 96% of Harrow schools are judged to be good or outstanding as at 31st March 2017. There has been an increase in the number of Harrow’s Schools achieving Healthy Schools London Awards. Currently 16 have a silver award and 6, Gold. We hope to have more in coming years with a target of 10 Gold awards by the end of 2017-8 school year.</td>
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<tr>
<td><strong>No “Coasting” schools</strong></td>
<td>Harrow did not have any ‘Coasting’ schools at Key Stage 2 or Key Stage 4.</td>
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</table>
Harrow school’s Key Stage 2 results remain in the top 10% nationally and 5+A* to C GCSEs including English & Maths in the top 20% nationally

PROVISIONAL Key Stage 2:
Percentage of pupils achieving the expected standard in Reading, Writing & Maths in Harrow’s schools in 2016-17 ranked in the top 10% nationally.

PROVISIONAL Key Stage 4:
Harrow’s schools have ranked (1) 15th out of 150 local authorities for their 2016-17 percentage of pupils achieving Grade 5 or above English & maths GCSEs result; and (2) 22nd for the Attainment 8\(^{10}\) score at Key Stage 4.

<table>
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<tr>
<th>Maintain one of the lowest rates of young people Not in Education, Employment or Training in the country</th>
<th>Increase the number of young people who partake successfully in Apprenticeships and on Pre-Apprenticeship programmes</th>
<th>98.7% of 16-18 year olds were in education, employment or training at Quarter 2.</th>
</tr>
</thead>
</table>
| Promote wellbeing and reduce inequalities in the borough | Reduce life expectancy differences in the borough | This is a generational ambition and progress will only be evident over several years. The life expectancy gap in the borough is currently an average of 6.6 years for men and 4.3 years for women.

The Harrow Health and Wellbeing Board have committed to a five-year vision ‘to help all in Harrow to start, live, work and age well concentrating particularly on those with the greatest need.’ |

Deliver improvements against our Corporate Equality Objectives | Good progress is being made against the Corporate Equality Objectives Action Plan with 71% of staff having completed equalities matters training, being the most improved organisation in the Stonewall workplace equalities index and a range of |

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\(^{10}\) Attainment 8 is the new way government calculates school achievement by comparing an individuals attainment 8 score (across 8 GCSE subjects) with the school average score
<table>
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<tr>
<th>Action</th>
<th>Target</th>
<th>Outcome</th>
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<tr>
<td>Promote and support volunteering and greater community action</td>
<td>Increase number of volunteers and volunteer hours across the borough</td>
<td>We are working with the local VCS on the Big Lottery funded borough wide Volunteering 4 Change project which is being led by Harrow Community Action, involving eight other voluntary sector organisations in supporting and enabling disadvantaged people to volunteer on a wide range of projects. The project has engaged 439 new volunteers in a wide range of activities (exceeding outcomes targets for the first year of the project), accessed additional funding for events and provided additional value in establishing a youth volunteering plan. Preparations have begun for a new programme for mental health users and reducing social isolation for older people. The Council is also making sure all our own Council volunteering opportunities are advertised on the ‘Do It’ website.</td>
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<tr>
<td>Achieve a target of 1100 trained Community Champions by 2016/17</td>
<td>Target achieved as at quarter 4, 2016/17.</td>
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<tr>
<td>To have established a Park User Group in every major park by the end of 2016/17</td>
<td>Achieved – 23 groups were active at the end of 2016/17, exceeding the target of 18.</td>
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<tr>
<td>Continue to be tough on enforcement including on-the-spot fines for littering our streets and other anti-social behaviour</td>
<td>Fly tipping will be removed within one working day. We will carry out targeted enforcement and education activity based on areas with fly-tipping problems.</td>
<td>Fly-tips are removed within one working day of being reported. Work has taken place to identify fly tip hot spots, targeting problem areas such as Mollison Way, Rayners Lane and Wealdstone. The ASB, Crime and Policing Act powers have been used to target these areas, including use of Community</td>
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<tr>
<td>Objective</td>
<td>Progress and Achievements</td>
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<td>Protection Notices served on landowners to take responsibility of their land, use of Public Spaces Protection Order on orphaned land to control it and working with TfL to improve areas around Rayners Lane station. The effectiveness of using these powers is being reviewed and the plan is then to roll out across other key areas. In addition the Communications team is working with Keep Britain Tidy to raise the profile of this area and educate people around fly tipping.</td>
<td>Reduction in the total number of anti-social behaviour incidents per 1,000 residents. Numbers of ASB calls have reduced from 2.02 to 1.44 per 1,000 residents between September 2016 and September 2017 and this is the lowest rate amongst neighbouring London Boroughs.</td>
<td></td>
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<tr>
<td><strong>To have a good quality, clean and sustainable environment</strong></td>
<td>The new Recycling and Waste Strategy Manager has been appointed and a key objective will be to develop a community engagement plan that will focus on improving recycling performance (in particular flats recycling and food waste) as well as looking at elements such as fly tipping.</td>
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<tr>
<td>To maintain our position as one of the top recycling boroughs in London and develop a recycling strategy to meet our ambition to be the top performer in London achieving a target of 50% by 2020.</td>
<td>Recycling and composting stood at 42% at quarter 1, 2017/18.</td>
<td></td>
</tr>
<tr>
<td>To increase sustainable modes of transport in the borough to support improvements in air quality and public health by: Reducing the % of children travelling to school by car Increasing the % of trips by walking and cycling.</td>
<td>Schools and businesses are increasingly developing travel plans to minimise their impact on the environment and to address parking issues.</td>
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<tr>
<td>Schools and businesses in Harrow can access free advice and support to develop their travel plans. School travel plans are in place for 40 of Harrow’s schools so far.</td>
<td>Data against these measures will be assembled at the year end.</td>
<td></td>
</tr>
<tr>
<td>Improve the cleanliness of the local environment and increase resident satisfaction</td>
<td>Intelligence led street cleansing will be implemented across the borough to ensure that those areas that require high frequency cleaning receive it, whilst still providing an efficient use of resources. We have continued with a programme of estate action events bringing together repairs, public realm, capital works and contractors to make improvements to Edwin Ware Court, Grange Court and Stuart Avenue. A successful communal cleaning pilot was started in July 2017 in response to concerns raised in the last tenants' survey and a rolling programme to enforce the clearance of communal areas was introduced at the end of August following Grenfell. We are working on a means of measuring resident satisfaction.</td>
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2. Be More Business-like and Business Friendly

Our aim is by 2020 to:

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<tr>
<th>What we will do</th>
<th>Ambition</th>
<th>Progress so far (as at Quarter 2, 2017/18)</th>
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<tr>
<td>Generate new sources of income for the Council to pay for vital services</td>
<td>Bring in commercial contributions worth £15m by 2019/20</td>
<td>A Commercialisation Strategy was agreed in June 2015 and is contributing to our budget planning. Sources of income are being raised to invest in the local services that our residents value. Our pioneering deal with IBM for Project Infinity has been signed. However the draft budget is not relying on income from Infinity and the budget is purposely being de-risked in this respect. The delivery of the IBM product continues and will be available early in 2018 with a commitment to market the product and bring in income. Project Phoenix is commercialising Depot based services such as trade waste, gardening, MOTs, parks and events. We are investing in commercial property to generate a return. We are investing in Housing through our development of new housing as part of Building a Better Harrow.</td>
</tr>
<tr>
<td>Deliver 2000+ new homes on council-owned land in the next decade and use any profit to support council services and become more</td>
<td></td>
<td>Planning submissions for the major schemes were approved in September 2017 and work will progress throughout Q3 to enable construction to take place in 2018. September Cabinet agreed redevelopment of the Waxwell Lane car park and detailed design work on a mews/townhouse scheme for this site, is now in</td>
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<tr>
<td>To aim for cost neutrality in Environmental Services by 2020, with 70% complete by 2018, through the work of the Project Phoenix commercialisation programme</td>
<td>self-sustaining.</td>
<td>A number of Phoenix Commercialisation Projects have been approved at the Commercial Board:</td>
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<td></td>
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<td>- Trade Waste;</td>
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<td>- Grounds Maintenance/Gardening Service;</td>
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<td>- Pest Control;</td>
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<td>- Events/Filming;</td>
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<td>- Training Academy;</td>
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<td>- Catering</td>
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<td></td>
<td>- Sancroft Care Company.</td>
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<tr>
<td>Launch a new Private Lettings Agency</td>
<td>Have a portfolio of c.500 homes for letting and management</td>
<td>Smart Lettings was launched in 2016 as part of Concilium Business Services, one of the Council’s new companies. There were 75 homes in the portfolio by 2017/18 Q2.</td>
</tr>
<tr>
<td>Deliver more workspace for Harrow’s enterprising businesses</td>
<td>Create workspace to support the needs of growing local businesses, and attract new businesses into Harrow</td>
<td>Gayton Road development will create new workspace in 2019/20 to be under council management. Whitefriars studios have now been completed. This provides Harrow’s first affordable artists’ studios and a new Gallery. The bulk of the studios have already been let. The ‘move on space’ at Stanmore Business Innovation Centre is now being let.</td>
</tr>
<tr>
<td>Continued growth of Harrow’s business base through our spend with local businesses</td>
<td>15% of council spend will be with local businesses</td>
<td>We are currently at 16% and therefore already achieving our 2020 target.</td>
</tr>
<tr>
<td>Improve resident satisfaction with our services, despite our need to do more for less</td>
<td>Resident satisfaction will be constantly above 60%</td>
<td>49% of residents are satisfied with the way Harrow Council runs things (August 2017). This is down from last year. Challenges also exist in improving whether people feel well informed by the Council and whether we act on their concerns.</td>
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<tr>
<td>Have a reputation for being a good employer and an inclusive organisation, attracting and retaining the best staff</td>
<td>Maintain Investors in People (IIP) and Disability ‘2 tick’ accreditation.</td>
<td>Corporate Strategic Board (CSB) has decided not to proceed with the organisation Investors in People accreditation for 2017/18 due to cost pressures. The Disability 2 tick scheme has been replaced by the Disability Confident Scheme. The Corporate Equalities Group are undertaking a review of current processes for access to work equipment and a gap analysis of what needs to be done to achieve accreditation.</td>
</tr>
<tr>
<td>Improve our Stonewall Equality Index Score to achieve Top 100 employer status by 2020</td>
<td></td>
<td>At January 2018 the Council maintained its position, ranking 154th out of 440 organisations.</td>
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<tr>
<td>Improve our staff survey ‘engagement’ scores.</td>
<td></td>
<td>Our new Council Values and the Harrow Ambition Plan are the foundation of our staff engagement and we are continuing with our plan to embed the values. Feedback from the recent Peer Review indicates that this work is successful. CSB decided not to undertake a staff survey in 2017 due to cost pressures. This will be reviewed in 2018.</td>
</tr>
<tr>
<td>Achieve London Healthy Workplace Charter Excellence Award</td>
<td>We have achieved the Commitment level and are working towards Achievement and Excellence levels. Resources in Public Health next year will determine when this can be achieved. A strategy and action plan has been developed, in conjunction with Public Health, to address achievement of the Excellence Award. Public Health has run a series of wellbeing activities for staff that were well supported. The Council also engaged in the Dementia Friends programme and has committed to focusing on mental health and wellbeing in 2017.</td>
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### What we will do

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<thead>
<tr>
<th>Ambition</th>
<th>Progress so far (as at Quarter 2, 2017/18)</th>
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<tbody>
<tr>
<td>Have a reputation for being an innovative council</td>
<td>National reputation for being a commercial council</td>
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<tr>
<td>Leader in West London for shared services</td>
<td>Activity around Legal services and Human Resources are good evidence of this. The arrangements with Bucks County Council are now embedded and further opportunities are being explored. Legal services are now also working with Slough Borough Council.</td>
</tr>
<tr>
<td>Involve residents more in decisions that impact them and their neighbourhoods, devolving decisions where we can</td>
<td>Community consultation is at the heart of our regeneration activities though the active involvement and engagement of the Residents' Regeneration Panel</td>
</tr>
<tr>
<td>Increase number of residents who feel able to influence local decisions</td>
<td>Although this went down to 21% in August 2017, with the number of engagements now active with the regeneration programme the Council expects this to rise.</td>
</tr>
<tr>
<td>Continue to deliver excellent customer service and the right ‘First Impression’</td>
<td>Improved resolution at the first point of contact</td>
</tr>
<tr>
<td>Reduction in avoidable contact</td>
<td>Avoidable contact is now reducing, following improvements to the</td>
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<td>What we will do</td>
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| contact        | Garden Waste service. | In August 2017, 49% of residents surveyed were satisfied with the way the Council runs things. This represents a reduction since last year.  
In the second quarter of 2017/18, 93% of My Harrow Account users and 92% of web form users were satisfied or very satisfied with the service.  
67% of tenants are satisfied with the overall service provided by the Housing Department. This is a result maintained since 2012, in spite of the overall external environment being more challenging. |
| Increased Customer Satisfaction | The percentage of customer contact by self-service (including web forms, kiosks, web visits) has increased to 87% from 85% last year |
| Enhanced self-service offering | We have already reduced our adviser appointments by 30%, and our advisor answered phones calls by 12.5% exceeding our 10% targets.  
We have already reduced our email traffic by 22.8% in 2016/17 and a further 28% already this year |
| Become a truly digital Council with residents increasingly dealing with the Council online, enabling the remaining capacity to be used to deal only with the most complex cases on the phone or in person. | We are on target as achieving 40,000 logins to the MyHarrow account per month.  
The number of web forms being used has risen by over 26% in two years |
<p>| Reduce advisor appointments by 10%, advisor answered phone calls by 10% and email traffic by 20% by 2020 | The Council spent over £300,000 on postage in 2016/17 and is on target to reduce this by £30,000 during the year. |</p>
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<tr>
<td>Continue to develop shared service arrangements with other Councils in order to save money</td>
<td>Save £100K in 2016/17 on Procurement services, £250K on HR services by 2018/19, and £280K on Legal services in 2016/17</td>
<td>These projects have now been completed.</td>
</tr>
<tr>
<td>Embed effective standards for countering fraud and corruption in the organisation to minimise impact on service provision</td>
<td>Ensure that risks associated with fraud &amp; corruption are managed effectively across all parts of the council by identifying fraud risks; developing a counter fraud strategy; providing resources to implement the strategy; and taking action in response to identified fraud &amp; corruption</td>
<td>Fraud risks – The fraud risk register is currently under development with an estimation of it being established by April 2018. Corporate Anti-Fraud &amp; Corruption Strategy – following consultation with a number of groups, the reviewed strategy went to Council in February 2017 for adoption into the constitution. Providing resources and taking action – Internal Audit &amp; the Corporate Anti-Fraud Team’s have reported to the GARMS Committee with a mid year update in December 2017.</td>
</tr>
<tr>
<td>Support a sustainable voluntary sector to deliver services in the borough</td>
<td>Develop and deliver a strategy for working with the Voluntary and Community Sector in Harrow</td>
<td>Rocket Science have been commissioned to undertake the review with a final report with recommendations expected by January 2018. The review is being overseen by a working group made up of the Council and voluntary sector representatives.</td>
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## 3. Protect the Most Vulnerable and Support Families

**Our aim is by 2020 to:**

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<tr>
<td>Safeguard vulnerable children and adults in need of protection and be pro-active in reducing the risk of abuse within families</td>
<td>Pro-actively counter all forms of abuse; including child trafficking, child sexual exploitation, serious youth violence, gangs, on-line grooming, modern slavery and elder abuse</td>
<td>Work to counter abuse and exploitation is being co-ordinated through Local Safeguarding Children’s Board (LSCB) and the Multi-Agency Sexual Exploitation panel (MASE). A co-ordinated programme on Violence, Vulnerability and Extremism has been developed with Police involving People Directorate, Community Safety Team and others across Council. The Council and Safer Harrow are developing their approach to the new modern slavery legislation.</td>
</tr>
<tr>
<td>Reduce rate of first time entrants to the youth justice system</td>
<td>The most recent verified data available shows a reduction in the rate of first time offenders per 100,000 population from 83 (April 2015 - March 2016) to 72 (April 2016 to March 2017). Work continues to be co-ordinated with police and other local agencies to better understand and reduce violence, vulnerability and exploitation, including gang-related activity.</td>
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<tr>
<td>Reduce rates of reoffending amongst young offenders</td>
<td>There is a significant time lag due to the nature of this indicator and the cross-referencing of national offender data. The most recent data shows reoffending for those who originally offended in 2014-15, and shows both a reduction in the numbers of reoffenders, and a decrease in the rate of reoffending.</td>
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<tr>
<td>The independent Local Safeguarding Adults Board (LSAB) judges that safeguarding adults work is person centred</td>
<td>Safeguarding Adults arrangement accredited Silver Level. Without significant funding and a University partner this is the highest level of achievement. In the most recent user interviews, the independent social worker who speaks with victims at the end of the Safeguarding Adults Team’s involvement found 100% understood and felt in control of the process.</td>
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<tr>
<td>The LSAB judges that prevention of abuse of adults at risk is a high priority in Harrow</td>
<td>At its annual review and business planning day the Local Safeguarding Adults Board included the production of a new business plan to prioritise prevention of abuse.</td>
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<tr>
<td>Continue to support those residents who are victims of domestic and sexual violence, including female genital mutilation</td>
<td>Improve the ‘Outcome Star’ performance for those residents who use our Domestic and Sexual Violence services, meaning they feel more safe as a result of our interventions</td>
<td>Good progress is being made as a result of our interventions, with all individuals who use the services achieving at least 80% of their feeling more safe outcomes. In quarter 2, we also had one of the lowest unsuccessful referral rates across London.</td>
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<td></td>
<td>Deliver the ‘Harrow Couples Domestic Violence Project’ in 2016</td>
<td>The pilot has been completed and the evaluation has been drafted. Funding now received from the Department for Education to extend the pilot during 2017. We are working with the Tavistock Centre for Relationships to understand the future of the service and how funding can be guaranteed.</td>
</tr>
<tr>
<td>To improve the lives of vulnerable families with multiple problems through the transformation of local services</td>
<td>1360 families have measurably improved outcomes by 2020</td>
<td>At end of September 2017, we were able to claim for reward funding for 264 families with positive outcomes, following successful social care intervention. We have worked with 1198 families in the year to date, with 447 families currently on this programme.</td>
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<tr>
<td>Deliver Project Infinity, an innovative programme to achieve outcomes and commercial ambitions for the Watson Care Manager Self Directed Care was launched in the UK at the IBM Integrated Care Summit and National Children’s</td>
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<tr>
<td><strong>What we will do</strong></td>
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<td><strong>Progress so far (as at Quarter 2, 2017/18)</strong></td>
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<tr>
<td>develop a contemporary, fresh and leaner adult social care system so the most vulnerable, their carer(s) and their family are at the centre of adult social care</td>
<td>Infinity programme</td>
<td>and Adults Social Care (NCAS) Conference in Bournemouth in October 2017. The system is on schedule to be implemented in Harrow from 31st March 2018.</td>
</tr>
<tr>
<td>Integrate adult social care services and health services further</td>
<td>Partners agree Better Care Fund plans</td>
<td>Our 2017-19 Better Care Fund plan has been submitted and assured. Funding has been agreed for 2017-18 subject to review for 2018-19.</td>
</tr>
<tr>
<td>Continue to ensure people have maximum choice and control over the care services they receive through personalisation</td>
<td>Increase the % of long term service users who report having as much control over daily life as they would like</td>
<td>67.8% of clients reported having as much control over daily life as they would like, a slight increase over the previous year. 86.6% of people responded in the latest national survey (2017) that care and support services helped them in having more control over their daily life. This continues the year-on-year increase (85.6% 2016; 83.3% 2015) in this result.</td>
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<td></td>
<td>Increase the % of long term service users who report having choice over care and support services</td>
<td>63.5% of users surveyed said they had enough choice over care and support services. This is slightly down (64.9%) on 2016 when this question was first introduced. The new care pathways being developed as part of the new Adults vision should lead to improvements in this result.</td>
</tr>
<tr>
<td>Deliver an effective health visiting service to ensure children get the best start in life</td>
<td>Increase the percentage of births that receive a face to face New Birth Visit within 14 days by a Health Visitor with a target of 88-90% by April 2017</td>
<td>We achieved 93% against a target of 90% at Q1 2016/17 increasing visits by 6% from the previous year.</td>
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<tr>
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<tr>
<td>Continue to deliver effective intervention services through our Early Support Hubs</td>
<td>Increase reach of Early Support Hubs to Harrow’s most vulnerable children and families</td>
<td>The new Early Support model up and running and being delivered via Early Support Hubs (formerly called Children’s Centres) and youth centre hubs. We are keeping Early Support Hubs and youth centres open and accessible to residents in the areas of greatest need, despite budget constraints.</td>
</tr>
<tr>
<td>Establish a new respite care unit and increase the offer of respite care for children with disabilities within the borough</td>
<td>Sign off business case and identify site by end of 2016/17</td>
<td>A cross-council working group investigated potential options for new or expanded respite provision. The current route to secure respite care is via a new special school. Three local special schools are submitting a bid to Department of Education funding for a new free school which will include respite provision. The Department of Education have yet to announce the details for the next round of submissions.</td>
</tr>
<tr>
<td>Continue our School Expansion Programme</td>
<td>Every Harrow child has a school place each year to 2020</td>
<td>School place planning is in place to meet the demand for school places up to 2020 in accordance with current school roll projections as follows:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Primary: it is anticipated that delivery of the primary free schools announced to be opened in Harrow will meet the need for primary school places in Harrow without the need for further expansions of existing primary schools.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Secondary: there is sufficient capacity at high schools up to 2020. Currently, prior to increased primary pupils transferring to secondary, there is some surplus capacity.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Special educational need: The need has been identified for a new special free school to meet future demand. Alternative options to increase capacity are also being explored in the short term.</td>
</tr>
<tr>
<td>What we will do</td>
<td>Ambition</td>
<td>Progress so far (as at Quarter 2, 2017/18)</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Improve access to high quality local contraception and sexual health services</td>
<td>To reduce sexually transmitted infections and unplanned pregnancies in Harrow</td>
<td>Targets met for HIV tests offered (97.7% of new attendances vs target of 97%) and HIV tests accepted (91% vs target of 84%) at Q1 2017/18</td>
</tr>
<tr>
<td>Improve mental health and wellbeing and in particular pilot an integrated employment/mental health support offer</td>
<td>Increase the percentage of adult social care users/adult carers who have as much social contact as they would like</td>
<td>Latest score of 41% was a slight improvement from last year. Social contact remained one of the key factors that improves clients' level of control. Benchmarking results show us as about average in London. Those with the best results have anecdotally told us this may be due to ensuring in-house day care opportunities remain available. However, this result is not solely related to social care services and is also affected by environmental factors such as housing, access to local facilities, public transport etc.</td>
</tr>
<tr>
<td>Residents with common mental health problems who are out of work are supported to return to employment</td>
<td>See next entry</td>
<td></td>
</tr>
<tr>
<td>Increase the proportion of adults in contact with secondary mental health services in paid employment</td>
<td>Employment levels are above our target. The mental health indicator measures the average level of employment from monthly data. Benchmarking confirmed Harrow achieved average results in the national indicator for 2015-16.</td>
<td></td>
</tr>
<tr>
<td>Reduce number of working days lost due to stress and mental ill health in the Council</td>
<td>We now have trained 16 mental health first aiders in the Council who will be able to provide support for their colleagues and also will train other staff and managers to become more aware of the importance of good mental health. We have provided sessions of Mental Wellness courses for staff which is run by Peer Educators from across the council who have been trained to deliver it.</td>
<td></td>
</tr>
<tr>
<td>What we will do</td>
<td>Ambition</td>
<td>Progress so far (as at Quarter 2, 2017/18)</td>
</tr>
<tr>
<td>-----------------</td>
<td>----------</td>
<td>------------------------------------------</td>
</tr>
<tr>
<td>Improve the emotional wellbeing of children looked after</td>
<td>The proportion of children who have been looked after for at least 4 months and are aged between 4 and 16, who have a 'strengths and difficulties' questionnaire completed in the last 12 months by their carer.</td>
<td>This is measured by the proportion of children who have been looked after for at least 4 months and are aged between 4 and 16, who have a ‘strengths and difficulties’ questionnaire completed in the last 12 months by their carer. There has been a marked increase – the current proportion of children looked after was 93.4% (Q2 2017/18) improving from 74.8% (Q3 2016/17).</td>
</tr>
<tr>
<td>Develop community assets aimed at keeping people independent for longer</td>
<td>Improve Quality of Life measure in annual adult social care user survey</td>
<td>The Quality of Life score is based on a combination of key questions from the survey. There was no significant change year on year, but remains low when compared to other London boroughs. The reason for the decline appears to be adult social care clients reporting they feel more socially isolated than last year and finding it more difficult to get information and advice about services.</td>
</tr>
<tr>
<td>Ensure there is a range of accessible information, advice and advocacy available so the whole community knows how to access support and report concerns</td>
<td>Increase the proportion of people who use adult social care services who find it easy to find information about services</td>
<td>There has been a drop in the percentage of people reporting information was easy to find (though not statistically significant). The provision of Care Act information and advice in Harrow is via SWISH (Support and Wellbeing Information Service Harrow) and is reflected in this year’s results. The result is in the third quartile among London councils. A new General Information &amp; Advice Service was launched in August 2017 with a requirement to work closely with the Care Act Information and Advice service and establish an Information and Advice network for the borough to improve access and referrals for residents.</td>
</tr>
<tr>
<td>Increase accessibility and participation in sport and physical activity at the Council’s leisure facilities, for all our residents.</td>
<td>An increased number of users of Harrow’s leisure facilities from specific target groups including females, those with a disability, those</td>
<td>We have met our targets for female, BAME, disabled, 17-24 year old users of Harrow’s leisure facilities. We fell slightly short of our target for 60 plus. However we have delivered recent campaigns aimed at older people such as a week of free activities for older adults held in September 2017, table tennis sessions for 60+ at</td>
</tr>
<tr>
<td>What we will do</td>
<td>Ambition</td>
<td>Progress so far (as at Quarter 2, 2017/18)</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------------------------------------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>aged 60+, and those who are Black, Asian, and Minority Ethnic (BAME)</td>
<td>Bannister Sports Centre and Active Community Mondays sessions.</td>
</tr>
</tbody>
</table>
What it means for the Council and Our Staff

The Administration see staff as the lifeblood of the organisation and the foundation to making ‘Our Harrow Ambition Plan’ a reality
What will it be like working for Harrow?

By 2020 we will be a smaller organisation, with a new Civic Centre that is an open and accessible community building. We aspire to be an employer of choice offering a range of modern and flexible working arrangements and reflecting the diversity of the borough throughout the organisation. Our new values will support us in achieving this so that wherever people work, they will know they work for Harrow Council in the way they are treated and the opportunities they have access to.

We will have shared service arrangements for many of our back office functions, which means that more staff will increasingly work for more than one Council, or will have transferred to other organisations to deliver services for Harrow residents. They may or may not work in the new Civic Centre, but our technology will link them ensuring they feel part of Harrow Council.

We will be working with a range of suppliers and partner organisations from the private sector, voluntary and community sector and other Councils to deliver services, and together with our partners, we will look at all ways of maintaining the services that residents value.

Our biggest innovation will be our commercial strategy to bring in new income to support other services in the Council. Our commercial strategy will mean that trading companies will be a part of our delivery structure, to allow us to generate income. We will look to market services to other Councils, residents and local businesses where we believe that we can offer something that meets a real need in the borough.

Finally, digital access to information, advice and transactions will be the default position, enabling the remaining capacity to be used to deal only with the most complex cases face to face.
Harrow Council Vision and Priorities
Harrow Ambition Plan 2020
Culture & Staff Values
Directorate Plans
Divisional Plans
Team Plans and Individual Appraisals
Our Workforce Ambition

In order to deliver our ambitions we need a leaner, more flexible and resilient workforce. We need a workforce that is commercially skilled and equipped and incentivised to work together in this more complex environment. We want to be an employer of choice with a diverse workforce that embodies our values and behaviours and who:

- Are committed to delivering for Harrow
- Are ‘can do’
- Collaborate to get the best outcomes for customers
- Put the customer at the centre of their thinking
- Demonstrate increased cost consciousness
- Are risk aware not risk averse
- Look for opportunities to do things differently

Our values have been developed by our staff and they are the foundation for the behaviours that will shape the way we work with each other, our partners and the way in which we deliver our services. Our values and behaviours are:

Be Courageous

It means I will –
- Challenge the status quo and be ready to step up and accept a challenge
- Make brave decisions to achieve success – be risk aware not risk averse
- Look for ways to do things differently
- Be conscious of my actions and take responsibility for the outcomes
- Look for opportunities to learn and develop
- Trust myself to have a go – change starts with me
- Learn from failure, accept and act on feedback

When I work with others –
- Give and earn trust
- Challenge others and be open to challenge back
- Stop and review. Have the courage to speak up when it’s not working, seek out solutions to achieve success

Do it Together

It means I will –
- Actively seek the views of others and share knowledge
- Break down silos
- Think ‘Us’ not ‘I’
- Build effective relationships across the organisation
- Treat everyone with respect and value diversity
- Involve all stakeholders. Think through the issues and impact, engaging with
all those affected or impacted

- Put myself in others’ shoes

When I work with others –

- Communicate honestly
- Tackle problems together
- Praise the work of others, acknowledge contribution
- Value the views of others – my colleagues and my customers
- Show I care
- Celebrate success
- Establish clear roles and responsibilities

Make it Happen

It means I will –

- Be positive
- See things through
- Be agile and quick to act
- Act with confidence
- Take initiative, be proactive and less reactive
- Be outcomes focused
- Stop when it’s not working
- Know what to do and have the conviction to do it

When I work with others –

- Take responsibility – don’t pass the buck
- Be clear about expectations
- Agree clear outcomes
- Have a common purpose
- Support others’ enthusiasm

Our leadership commitments set out how the Senior Management Team of the Council will support the workforce to embody our values in order to deliver our ambitions to: build a better Harrow; protect the most vulnerable and support families; and be more business-like and business friendly.

The Senior Management of the Council is made up of the Council’s Directors and Divisional Directors, led by the Interim Chief Executive Tom Whiting.

Who we are:

Interim Chief Executive: Tom Whiting
Corporate Director Community: Paul Walker
Corporate Director People: Chris Spencer
Corporate Director Resources & Commercial: Tom Whiting
Director of Finance: Dawn Calvert
Director of Legal & Governance: Hugh Peart
Director Adult Social Services: Visva Sathasivam
Director Public Health: Andrew Howe
As leaders we will:

1. Be Courageous

- Encourage freedom within a framework
- Provide the framework and guidance for others to perform
- Set clear expectations and outcomes
- Take ownership and work to prevent a blame culture
- Be ambitious about what’s possible, inspiring others to ‘Think Big’
- Have high expectations of others
- Hold others to account
- Review performance regularly
- Be authentic
- Deliver on my promises
- Build on experience and adapt. Plan, review, do.

2. Do it Together

- Be visible, have a presence with our teams and across the organisation
- Drive collaboration with others who share the same outcome
- Actively seek the views of the customer
- Listen to others opinions to inform decision making
- Engage, not just communicate
- Move from ‘them’ and ‘they’ to ‘us’ and ‘we’
- Listen and ask, don’t tell
- Involve members
- Adapt my style to support people to deliver results
- Create a coaching environment, mentoring and developing others
- Openly share my knowledge and experience

3. Make it Happen

- Give responsibilities to others, let go of control
- Remove barriers. Enable others to be more effective
- Be decisive
- Trust staff to work on the basis of results not tasks
- Make the process for change faster and more dynamic
- Articulate clearly what success looks like
- Celebrate and encourage innovation
- Set and review priorities

We have also put in place a culture change programme with a range of communications, activities and tools for managers and employees so that they can:

- understand the Harrow Ambition Plan and are aware of how they, as
individuals, contribute to that vision
- understand our values and what they mean for their team
- demonstrate those values and behaviours in the workplace
- develop the skills to work in a commercially minded, customer focused and innovative way
# Harrow Ambition Plan 2020: Culture Change

Our aim is by 2020 to:

<table>
<thead>
<tr>
<th>What we will do</th>
<th>Ambition</th>
<th>Progress so far (as at Q2 2017-18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop and deliver a set of activities, tools and communications that enable colleagues to demonstrate the new values and behaviours</td>
<td>All staff understand the new values and demonstrate the behaviours (measured at appraisal)</td>
<td>The values section of the new staff induction has received good feedback and is ensuring that new employees gain an understanding of how the values have been developed and why they are important to all council employees and that we all have a responsibility to live our values. Values based recruitment has been introduced to ensure that new starters are being recruited to behaviours as well as skills. New recruitment training is being rolled out to all hiring managers. The new digital staff appraisal process is in its first mid-year review stage where staff have been measured against performance and values behaviours. Compliance reporting is underway.</td>
</tr>
<tr>
<td>Develop and deliver a culture change programme that supports the mobile and flexible working programme</td>
<td>All staff are working in a mobile and flexible way and are comfortable doing so (measured at appraisal)</td>
<td>The Mobile and Flex programme is now complete following the roll-out of SharePoint. A range of staff engagement events have taken place during the year to consult with staff on ways of working in the new Civic Centre.</td>
</tr>
<tr>
<td>Develop and deliver a strategy to position Harrow Council as an employer of choice that attracts and retains commercially</td>
<td>Positions are filled at first time of asking. Turnover (resignations) is better than London Boroughs' mean. Staff feedback positively about being employed by Harrow (measured</td>
<td>The new recruitment and selection toolkit has been launched, allowing candidates to apply with a CV to improve the candidate experience and hiring managers to use values based recruitment questions.</td>
</tr>
<tr>
<td>Put in place a set of learning solutions – e-learning, coaching, workshops - that enable staff to work in a commercially minded, agile and digital way</td>
<td>All staff have the appropriate skills for their role (measured at appraisal)</td>
<td>A coaching pool has been set up and we are now recruiting a second cohort. Feedback from the first cohort is very positive. Piloted manager as coach which will now be added to the corporate programme. Running commercial awareness training for both teams and individuals. Facilitation skills course piloted and now added to the corporate programme. New induction programme which covers commercial and agile for all new staff. Work is underway on developing e-learning. Working with workforce development groups to identify skills gaps and address with appropriate training interventions.</td>
</tr>
</tbody>
</table>
| Develop and deliver a leadership programme that enables leaders to lead commercially minded, collaborative and digital teams | All managers have the required skills (measured via the staff survey and at appraisal) | 100 members of staff undertook the CMI management qualification last year and will graduate this March. The following have been introduced to the Corporate learning and development Programme:  
- MACE – workshop designed to help people manage ambiguity in complex environments and support a collaborative style of working.  
- 1 day and 2 day intermediate Project mgmt course, 2 day course based on Prince 2  
- Commercial Awareness/insight  
- Higher level course on Applying Commercial Capacity and Strategic thinking  
- INlogov have developed a level 7 postgrad qualification Public Management and Leadership Executive Apprenticeship which we will be offering April 18 – this can
| Develop and deliver an Employee Wellbeing Strategy that promotes healthy living, the right work/life balance and builds a resilient and resourceful workforce. | Staff feedback positively about wellbeing at work (measured via the staff survey) Sickness absence is better than London Boroughs’ mean | Public Health continues to support the Council to work towards ‘excellence’ on the GLA healthy workplace charter. As a result of this, we have now published a Wellbeing Strategy and a variety of campaigns are being run in the Council – particularly around mental health and physical activity. The Health & Safety board has been joined with Wellbeing Board to create a joint committee to ensure greater efficiency. Staff survey was not commissioned in 2017. This decision will be reviewed in 2018 |
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## Section 1 – Summary and Recommendations

The Local Government Finance Act 1988 places a duty on the authority to calculate the business rates for the area annually as part of its budget setting process.

This report amends the earlier estimates of the business rates yield for 2018-2019, as agreed by Cabinet on the 7/12/17, in light of Government having agreed a London Business Rates Pool and updated NDR figures.
Recommendations:
That Cabinet considers the information given in this report and agrees:

1. To replace the figures previously agreed by Cabinet on the 7/12/17 with those set out below.

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected NDR Income 2018/19</td>
<td>53.810</td>
</tr>
<tr>
<td>Less Payable to the Greater London Authority (36%)</td>
<td>(19.371)</td>
</tr>
<tr>
<td>Equals Amount to be retained by Harrow (64%)</td>
<td>34.439</td>
</tr>
</tbody>
</table>

Reason:
To fulfil the Council’s statutory obligation to provide estimates and calculations in relation to NDR for 2018-2019.

Section 2 – Report

1 Introduction

1.1 The Autumn Budget 2017 confirmed government commitment to the London Business Rates retention pilot for 2018/19. This was formally confirmed in a Memorandum of Understanding on the London 100% business rates retention pilot 2018/19 signed by the Mayor, the Chair of London Councils, the Minister for London and Secretary of State for Communities and Local Government.

1.2 From 1 April 2018 London authorities will retain 100% of their non-domestic rating income Income. Harrow will retain 64% and, the GLA will retain 36%.

1.3 As such it is necessary to revise the rate retention figures to take into account the change, which has been done using the latest NDR figures.

1.4 Harrow’s Revised National Non Domestic (NDR) retained amount for 2018/19 under 100% Rate Retention Pilot

1.5 The calculation of Harrow’s NDR income figure for 2018/19 and for the formal outturn is therefore as follows;
## Projected NDR income calculation for 2018/19
### Using current year data (2017 List @ 27/12/2017)

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>Harrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td></td>
</tr>
<tr>
<td>Gross Rateable value - Rating List 2018</td>
<td>141,692,216 a</td>
</tr>
<tr>
<td>Small Business Rate Multiplier 2018/19</td>
<td>0.466 b</td>
</tr>
<tr>
<td>Inflation Assumption / CPI @ Sept 2017</td>
<td>3.00% c</td>
</tr>
<tr>
<td>Assumed Small Business Rate Multiplier 2018/19</td>
<td>0.480 d</td>
</tr>
<tr>
<td><strong>Notional gross yield figure</strong></td>
<td>68,009,430 e</td>
</tr>
<tr>
<td>Less In year RV fluctuations - 1.00%</td>
<td>0</td>
</tr>
<tr>
<td><strong>Expected Notional gross yield figure</strong></td>
<td>68,009,430 e</td>
</tr>
<tr>
<td>Losses due to Small business rate relief</td>
<td>5,050,000 f</td>
</tr>
<tr>
<td>Change in notional gross yield</td>
<td>3.00% g</td>
</tr>
<tr>
<td>Projected small business rate relief 2018/19</td>
<td>5,201,500 h</td>
</tr>
<tr>
<td>Losses due to Empty property exemptions</td>
<td>1,460,000 i</td>
</tr>
<tr>
<td>Change in notional gross yield</td>
<td>3.00% j</td>
</tr>
<tr>
<td>Projected Empty property exemptions 2018/19</td>
<td>1,503,800 k</td>
</tr>
<tr>
<td>Losses due to Mandatory relief</td>
<td>5,330,000 l</td>
</tr>
<tr>
<td>Change in notional gross yield</td>
<td>3.00% m</td>
</tr>
<tr>
<td>Projected Mandatory Relief 2018/19</td>
<td>5,489,900 n</td>
</tr>
<tr>
<td>Losses due to Discretionary relief</td>
<td>40,000 o</td>
</tr>
<tr>
<td>Change in notional gross yield</td>
<td>3.00% p</td>
</tr>
<tr>
<td>Projected Discretionary Relief 2018/19</td>
<td>41,200 q</td>
</tr>
<tr>
<td>Additional Yield generated from SBR supplement</td>
<td>-900,000 r</td>
</tr>
<tr>
<td>Less Cost of collection</td>
<td>244,000</td>
</tr>
<tr>
<td><strong>Projected contribution to the pool</strong></td>
<td>56,429,030 s</td>
</tr>
<tr>
<td>Losses in collection 2%</td>
<td>1,128,581 t</td>
</tr>
<tr>
<td>Losses due to appeals</td>
<td>1,000,000 u</td>
</tr>
<tr>
<td>Losses due to Enterprise Zones</td>
<td>0 v</td>
</tr>
<tr>
<td>Gain due to Renewable Energy schemes</td>
<td>0 w</td>
</tr>
<tr>
<td>Gain due to New Developments</td>
<td>0 x</td>
</tr>
<tr>
<td>Net Transitional relief (gain) - IGNORE</td>
<td>0 y</td>
</tr>
<tr>
<td><strong>Net contribution to the pool</strong></td>
<td>54,300,449 z</td>
</tr>
<tr>
<td>Less Other Reductions - DCLG S31 Initiatives</td>
<td>490,000</td>
</tr>
<tr>
<td>Contribution to pool</td>
<td>53,810,449</td>
</tr>
<tr>
<td>Less GLA Transport (36%)</td>
<td>-19,371,762</td>
</tr>
<tr>
<td><strong>Equals Harrow NDR Income retained (64%)</strong></td>
<td>34,438,688</td>
</tr>
</tbody>
</table>

### 2.1 Legal Implications
The legal comments entered in paragraphs 2.16 to 2.19 of the 7/12/18 Cabinet report still apply. This supplementary report simply changes the retention percentages in light of further details following the agreed London Pool for the financial year 2018/19 and updated NDR figures.
2.2 Financial Implications
The retained amount for Business Rates has been determined to be £34,439m and this amount will be reflected in the Council’s Final Revenue Budget for 2018-19.

2.3 Environmental Impact
None

2.4 Equalities implications
None

2.5 Corporate Priorities
The Business Rates Baseline allows the Council to raise local funding which is fundamental in supporting all corporate priorities as Business Rates Retention is a key element of the Council’s overall budget.

Section 3 - Statutory Officer Clearance

<table>
<thead>
<tr>
<th>Name: Sharon Daniels</th>
<th>on behalf of the Chief Financial Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: 16 January 2018</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name: Baljeet Virdee</th>
<th>on behalf of the Monitoring Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: 15 January 2018</td>
<td></td>
</tr>
</tbody>
</table>

Ward Councillors notified: NO

EqIA carried out: No

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact:
Fern Silverio (Head of Service – Collections & Housing Benefits),
Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk
<table>
<thead>
<tr>
<th>Call-In Waived by the Chairman of Overview and Scrutiny Committee</th>
<th>NOT APPLICABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[Call-in applies]</td>
</tr>
</tbody>
</table>
REPORT FOR: CABINET

Date of Meeting: 15 February 2018

Subject: Housing Revenue Account Budget 2018-19 and Medium Term Financial Strategy 2018-19 to 2020-21

Key Decision: Yes

Responsible Officer: Dawn Calvert, Director of Finance, Paul Walker, Corporate Director of Community

Portfolio Holder: Councillor Glen Hearnden, Portfolio Holder for Housing and Employment, Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation

Exempt: No

Decision subject to Call-in: Yes, except where the decision is reserved to Council

Wards affected: All

Enclosures:
- Appendix 1 – HRA Budget 2018-19
- Appendix 2 – Average Rents & Service Charges (Tenants)
- Appendix 3 – Garage & Parking Space Charges
- Appendix 4 – Facility Charges
- Appendix 5 – Water charges
- Appendix 6 – Community Centre Charges
- Appendix 7 – Capital Programme
Section 1 – Summary and Recommendations

This report sets out the Housing Revenue Account ("HRA") Budget for 2018-19 and Medium Term Financial Strategy ("MTFS") for 2019-20 to 2020-21.

Recommendations:
Cabinet is requested to:

1) Approve proposed average rent for non-sheltered accommodation of £114.73 per week for 2018-19, representing a decrease of 1% in average rent from the 2017-18 figure;
2) Approve proposed average rent for sheltered accommodation of £94.54 per week for 2018-19, representing a decrease of 1% in average rent from the 2017-18 figure;
3) Approve overall average rent for whole stock of £112.38 per week for 2018-19, representing an overall decrease of 1%
4) Approve an average tenant service charge of £3.15 per week, an increase of 4%, as set out in appendix 2;
6) Approve proposed increases in facility charges set out in Appendix 4, and Community Centre hire charges in Appendix 6; as well as maintaining water charges at present rates as set out in appendix 5.
7) Approve the three year capital programme set out in Appendix 7 including an increase in the Homes-4-Harrow capital budget of £17,735,550 reflecting increased investment requirements for the Grange Farm Regeneration Scheme £15,688,670 and Infill scheme £2,046,880.
8) Note reductions in both revenue and capital expenditure assumed to ensure the budget and MTFS produce a viable and sustainable HRA in line with assumptions set out in HRA Business Plan update reported to Cabinet 16th November 2017.
9) Note the Risk Management Implications which require prudent financial reserves given the absence of borrowing capacity and probability of sustained and significant reforms in the housing sector.
10) Cabinet recommends Council approve:
   a. HRA Budget for 2018-19;
   b. HRA capital programme (as detailed in appendix 7)

Reason: (For recommendation)
To recommend the HRA budget for 2018-19 and MTFS
Section 2 – Report

Introduction

The Council has a statutory obligation to agree and publish the HRA budget for 2018-19, and approval for this will be sought in February 2018. This report sets out the draft budget proposals along with the draft MTFS to 2020-21, which sets out the indicative income and expenditure for the HRA for this period and shows how the income collected will be spent in the management and maintenance of the Council’s stock and in meeting its landlord obligations.

The budget and MTFS have been set within the framework set out in the HRA Business Plan update, reported to Cabinet 16 November 2017, including impact of legislation contained in the Welfare Reform & Work Act 2016 and Housing & Planning Act 2016 including the statutory rent reduction of 1% for each of the four years 2016/17 – 2019/20. The Business plan update also included assumptions around inflation and interest rates as well as savings in revenue and capital expenditure required to produce a sustainable and financial position for the Council’s HRA. Revenue savings assumed in the Business Plan are now £1.90m, an increase of £750k over the £1.15m approved by Council in setting the 2017-18 budget and MTFS, and investment in HRA stock has been reduced to £5.45m, a reduction of £3.15m from £8.6m per annum.

The Council is also in active discussions with the Department of Communities & Local Government (DCLG) aimed at gaining flexibilities on some aspects of the legislation although these are predicated on the assumption of achieving permanent reductions in revenue and capital expenditure to produce a viable Business Plan. Council is also proceeding with phase 1 of the Grange Farm Estate Regeneration Scheme for which there is a separate report on this agenda, and funding assumptions are included in this report.

Options considered

Statutory rent reductions have removed any discretion the Council had in respect of rent setting and the Housing Department has implemented a systematic review of all HRA services with the aim of reducing costs and maximising income, as set out below.

- Revenue cost reductions – the Housing Senior Management Team has set up a Programme Board, operating within stated terms of reference, charged with identifying cost reductions across the HRA without adversely impacting front line services and taking advantage of synergies and joined up working to achieve efficiencies. Early cost reductions have already been identified which will be delivered in 2017-18; these are assumed to have a full year effect from 2018-19

- Additional income – unregulated income streams are being reviewed against the cost of services to ensure full cost recovery is being achieved; this includes service charges to tenants and leaseholders
which will be reviewed in consultation with stakeholders to ensure all key services, are fully funded moving forward.

- Capital expenditure on HRA stock – investment in HRA owned properties is being refocused to prioritise legislative and Health & Safety requirements; this review has identified expenditure which, given the reduced financial resources and limitation in borrowing imposed by the Self Financing settlement, is now considered unnecessary in meeting the core requirement in consultation with resident representatives.

- Government engagement – the Council is in active discussion with the Department of Communities & Local Government (“DCLG”) in requesting flexibilities around the reinvestment of RTB receipts in new build, reversal technical accounting adjustments and new potential funding for the Grange Farm Regeneration scheme.

**Background**

1. Government reforms have continued to place unprecedented financial pressures on the Council’s HRA and the main impacts are set out below.

   - **Rental income** - 1% rent cut to continue in respect of all social housing tenants to end of 2019-20 although the Government has permitted a reversion to CPI + 1 % from 2020-21 for five years; however there are no guarantees beyond 2025;

   - **Universal Credit and benefits cuts** – the roll out of Universal Credit in the first wards in Harrow is expected in February 2018; this plus the ongoing impact of other welfare reforms are expected to generate significant increases in HRA rent arrears; evidence form other Authorities nationally indicates the impact on bad debt provision is difficult to contain despite preventative measures being applied.

   - **Right to buy (“RTB”) receipts** – Council entered into a retention agreement with Government in 2012 which permitted the HRA to retain an increased share of RTB receipts on proviso they are reinvested within three years in line with certain criteria. Like most London Councils which have limited land Harrow has found it difficult to invest these receipts and has been required to return some receipts with interest to DCLG, although discussions are continuing with Registered Providers to fund additional social housing in return for nomination rights to new build schemes which could also benefit the General Fund’s Homelessness position.

2. The Business Plan update has identified a requirement to introduce permanent reductions in revenue and capital expenditure to balance the budget. Social rent increases will be permitted for five years from 2020-21, and the Business Plan has assumed annual increases based on the same formula will be permitted for 25 years thereafter; however it should be noted that there has been no information yet from Government to confirm this assumption or otherwise. Combined with the impact of Welfare Reforms and absence of revenue provisions to fund the service
reviews, it is considered necessary to introduce a savings line in order to balance the budget to the assumptions underpinning the HRA Business Plan update.

3. Although the Service Reviews have generated early and significant reductions in both revenue and capital expenditure of £880k and £3m respectively, further reductions in net revenue expenditure are required in order to produce a viable and sustainable budget and MTFS in line with the framework set out in the HRA Business Plan update. This is essential given the high probability of sustained and significant reforms in the housing sector which will require adequate financial reserves, especially important given the lack of borrowing capacity, on-going stock losses through right to buy sales and resources required to support new build and regeneration plans.

Consultation

4. Under s.105 of the Housing Act 1985, the Council is required to maintain such arrangements as it considers appropriate to enable secure tenants to be informed and consulted about housing management matters which substantially affect them. However, rent and other charges for facilities are specifically excluded from the definition of housing management; therefore there is no statutory requirement to consult secure tenants on proposed rent changes. The Council has however, always consulted residents on proposed changes via representative groups such as the Value for Money group and the quarterly residents’ drop in meeting (Housing Matters), formerly TLRCF (the Tenants’, Leaseholders and Residents’ Consultative Forum. Following a review of the Harrow resident involvement framework it is proposed that a Residents’ Board will be set up in early 2018 and one of its functions will be to act as a consultative body on matters of housing management.

5. Further consultation in respect of the budget will be undertaken via the framework described above.

6. A review of tenant and leaseholder service charges is also under way to ensure all costs incurred in the provision of services are properly being recovered and a series of consultation events is planned to take the views of residents on this initiative. This review will inform service charges from 1 April 2019 and will be reported at that stage.

Balances

7. HRA Balances were £6.9m as at 31 March 2017 and these are expected to be £5.4m at the end of 2020-21 which are above the minimum balances considered prudent, 5% to 7% of gross income so £2.4m

Income
**Dwelling rents**

8. As indicated above, rents are assumed to reduce by 1% each year over the MTFS period, in line with the requirements of the Welfare Reform & Work Act 2016.

9. The average rent for Council housing stock for 2018-19 will therefore be £112.38 per week (2017-18 current average £113.03). Average rents and service charges under the existing strategy are detailed in Appendix 2.

10. For the purposes of the next version of the business plan, scenarios will be modelled around future rent increases as, whilst Government have stated rent increases will revert to CPI + 1% for five years from 2020-21, it seems prudent to model alternatives to ensure the HRA can remain viable should this position be changed again.

**Right-to-Buy sales**

11. There have been twenty five sales under Right-to-Buy so far in 2017-18 (Q3) and a further five are anticipated by the year end. A stock level of 4,810 at the start of April 2018 is assumed after taking into account property purchases and new builds. It is envisaged the HRA will continue to be viable if Right-to-Buy sales continue at these levels. There is potentially a risk issue if we experience a sustained increase in sales and this is referenced in the risk section of the report.

**Service charges: Tenants & Leaseholders**

12. Tenants who benefit from specific estate based services pay a charge to the Council on a weekly basis in addition to their weekly rent charge. This service charge was £3.01 in 2017-18 and will increase by 4% on average resulting in an average weekly charge of £3.15. The proposed increase is from April 2018 and there is an on-going review of the cost of providing services which will be used to review service charges from 2019 and onwards.

13. Leaseholders are no longer charged an estimated service charge but are invoiced annually by the end of September for the previous financial year, based on actual recovery of costs (resulting in the leasehold financial year spanning the 30th September to 31st August rather than financial year 1st April - 31st March). Leaseholders are required to settle these invoices within 30 days, but in practice the challenge process and the payment options available to leaseholders results in some leaseholders not settling their accounts until well into the following financial year. The total income expected to be recovered from leaseholders in 2018-19 (excluding s20 income for capital schemes) is £636k and reflects the recovery of costs associated with estate based costs, communal lighting, repairs, ground maintenance, insurance premiums and administration charges.
Other income

14. Historically other rental income from garages, car parking, and facilities charges are recommended to increase by an annual percentage, consistent with fees & charges across the Council. The charge for garage rents has been held since 2011-12 as garages are not in high demand and the Garage Strategy Review concluded increasing rents would be counter-productive. Progress on implementing other aspects of the review has been slow due to the limited funding available and poor condition of much of the garage stock. A pilot storage project is underway targeted at making good use of some existing garage sites, and generating income.

15. Details of the proposed rents for garages and parking, facility charges and charges for community centres are set out in appendices 3, 4, 5 and 6 respectively.

Expenditure

Employee Costs

16. The HRA budgets are based on the staffing establishment, and assume a pay, National Insurance & superannuation increase of 2.30% reflecting the overall increase expected for 2018-19 and subsequent years.

17. Post reductions already included in the Service Review and approved by the Programme Board have been included in the establishment for 2018-19 onwards.

Utility Costs

18. These budgets have not been uplifted by inflation as there are no contractual obligations in place requiring this.

Central Recharges

19. Costs of support services are allocated to service users in the Council using suitable bases of apportionment (e.g. number of staff, estimated time allocation, gross budget) so recharges reflect the full cost of all services and permit transparency and challenge with the aim of securing value for money.

Repairs

20. Expenditure on repairs has been driven by a focus on legislative and Health & Safety requirements with due regard to the cost reductions identified by the Service Reviews and approved by the Programme Board.

Charges for Capital

21. Capital charges to the HRA are assumed to continue to be charged at the rate of 4.132% of the HRA borrowing from the General Fund of £6.325m, which includes additional borrowing of £5.242m to help fund the development of new affordable housing.
Capital Investment

22. HRA general capital programme has been reduced from £8.6m to £5.45m with the focus being on Health & Safety and statutory requirements as part of the wider service review aimed at restricting expenditure to essential works only; Grants to Move capital expenditure of £555k has also been diverted to support the general capital programme; further details are shown in Appendix 7.

23. Internal works are expected to deliver

- 380 kitchens and/or bathrooms
- 150 boiler & heating systems
- 10 electrical re-wires

24. External works are being targeted to ensure only essential works are carried out, including

- Block infrastructure works to update pipework and plant boilers
- Communal door entry system upgrades, incorporating block fire risk assessment recommendations, upgrading emergency lighting and revamping block common part areas.
- Legionella remedial action including plumbing upgrade works

25. Of the larger general needs blocks, 2018-19 will commence with communal door and fire safety improvement works and roof improvements.

26. In line with the approach taken last year, Housing Services propose to use the scheme of delegation to implement variations to the HRA Capital programme within agreed limits and following appropriate consultation, to meet the requirements of the Housing Asset Management Strategy and ensure delivery against the programme can be maximised. As is currently the case, the HRA Capital programme will continue to be funded from HRA revenue resources, and therefore any such variations would not affect the Council’s borrowing position or General Fund resources.

Homes for Harrow

27. Phase 1 (fifty) and Phase 2 (thirty) of the Infill programme was to deliver 80 new homes. Six family homes were completed in September 2017, nineteen homes are being built completing February to September 2018. Thirty more homes have secured planning consent and are at procurement stage. Designs have been worked up and residents consulted on other sites making up the balance of eighty homes within the programme. Subject to planning and funding it is envisaged up to seventy further homes could be built.

28. A range of proposals are being discussed with Government, detailed in paragraph 37, aimed at providing Council with additional capital resources and flexibilities in return for new build proposals which address the
Government’s stated objectives. These will, it is envisaged, support the Grange Farm Regeneration scheme and progress on this scheme will be reported to Cabinet in January 2018.

29. A separate Cabinet report on this agenda requesting approval to proceed with Phase 1 of the Grange Farm Estate Regeneration Scheme includes the cost and funding assumptions below, which have been assumed in the revenue and capital budgets and MTFS set out in this report:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated cost</td>
<td>£22,938,900</td>
</tr>
<tr>
<td>Already spent and approved for phase 1</td>
<td>£7,250,230</td>
</tr>
<tr>
<td>Additional budget required</td>
<td>£15,688,670</td>
</tr>
<tr>
<td>GLA grant</td>
<td>£4,668,000</td>
</tr>
<tr>
<td>HIF</td>
<td>£5,000,000</td>
</tr>
<tr>
<td>Capital receipts</td>
<td>£4,532,570</td>
</tr>
<tr>
<td>Borrowing</td>
<td>£1,488,100</td>
</tr>
<tr>
<td><strong>Total funding</strong></td>
<td><strong>£15,688,670</strong></td>
</tr>
</tbody>
</table>

30. Both GLA and HIF funding of £4.668m and £5m respectively has been approved.

Risks

31. A number of risks have been identified, listed below which, if they materialise individually or collectively, can expose the HRA to risks which could impede delivery of core services or raise questions about its continued financial viability.

- **Rent increases** – Government has permitted rent increases for five years from 2020-21 to 2024-25, although the current Business Plan assumes rent increases beyond this; the next Business Plan update will include alternative scenarios so potential impact on revenue balances can be modelled.

- **Infill financing** - £5.242m was originally approved for the council’s Infill programme; a request to re-profile part of this debt to 2018-19 and 2019-20 has been submitted to Government but not yet approved; if not approved this will add pressure onto HRA Capital resources.

- **Redundancy costs** – HRA has no provision set aside for the payment of redundancy costs which are possible as part of the Service Review programme aimed at securing permanent revenue cost savings (see below); these redundancy costs will therefore have to be contained within existing budget provision or be met by additional cost reductions.

- **Welfare reforms** – Government’s reform of welfare and benefits is likely to impact rent collection and cash balances; these are being assessed by a dedicated working group, the results of which will be reported during in year monitoring.
• **Additional borrowing** – as part of the engagement with DCLG, additional borrowing has been requested to support new build initiatives; if adequate borrowing is not secured this will compromise the Council’s ability to proceed with new home provision; scenarios will be included in the next Business Plan update.

32. It is therefore essential the permanent cost reductions are achieved in line with the budget and MTFS contained in this report; if these are not achieved the impact of the above risks will be significant.

**Impairment Allowance**

33. Current tenant arrears continue to remain under control, and action has been taken to write off a significant amount of former tenant arrears where all options for recovery have been exhausted. Whilst a number of payment arrangements are in place in respect of the remaining former tenant arrears, provision should be made for non-recovery of the majority of these arrears via an impairment allowance.

**Hardship Fund**

34. £100k has been set aside in 2018-19 and an annual budget in this amount continues to be available to mitigate the worst impacts of benefit changes arising from the continuing welfare reforms.

**General Contingency**

35. In addition to the HRA balances, an annual amount of £200k is set aside to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock or in service development initiatives.

**Cost reductions**

36. Reductions in net revenue expenditure and capital expenditure have been assumed in the draft budget and MTFS to ensure the HRA remains viable and sustainable in line with the framework set out in the HRA Business Plan update.

37. The HRA Business Plan update, submitted to Cabinet on 16th November, assumed a permanent reduction in net revenue expenditure of £1.020m, phased as £640k in 2019-20 then a further £380k in 2020-21.

38. On-going Service Reviews will result in these cost reductions being allocated to specific services within the HRA. The table below summarises the main initiatives and estimated timelines:

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimated completion</th>
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</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>
### Service reviews:
- Systematic review of all services to identify efficiencies and synergies resulting in cost reductions in both revenue and capital expenditure
- March 2020

### Asset Management Strategy:
- Review of all assets to identify investment needs and secure optimum financial advantage
- March 2019

### Income generation:
- Review of tenant & leasehold service charges, facilities and other income to ensure legitimate recovery of all appropriate costs
- March 2019

### IT improvement & efficiencies:
- Secure efficiencies through targeted investment in IT systems and infrastructure to deliver cashable savings and improve working practices in conjunction with service reviews.
- March 2020

### Proposals to Government

39. The Council has been in active discussion with Government with the aim of winning flexibilities in return for new build housing in line with stated Government objectives. As these proposals are still under consideration these have not been incorporated in to the budget and MTFS, although adjustments will be reported when appropriate. The range of proposals can deliver between 188 and 622 new homes in return for combinations of the following flexibilities:

- **Reinvestment of Right-to-buy receipts** – relaxation of criteria set out in the retention agreement which will permit Council to utilise more this restricted earmarked capital receipts reserve

- **Limitation in borrowing** – increase in the borrowing limit for specific new build schemes with agreed repayments

- **Impairment reversals** – technical adjustment which reverses out adjustments made in prior financial years in respect of HRA non-dwelling assets; the original adjustments were required by a statutory instrument which has since been revised to prevent such adjustments being made prospectively from April 2017, but offers no retrospective relief

### Variation to MTFS 2018-19

40. The MTFS approved by Cabinet and Council in March 2017 estimated an in year deficit of £2.904m for 2018-19. Proposed budget changes result in a deficit of £1.099m. Reduction in deficit of £1.805m is explained below:

- **Capital financing** -£1.182m, reduction in capital programme resulting in no contribution from revenue to finance expenditure
- **Repairs** -£718k, reduction in repairs expenditure with focus on statutory and health & safety works
- **Depreciation & other** +£95k, increase in estimated depreciation charges based on estimated stock trajectory offset by other variations.
Summary

41. The HRA Budget and MTFS detailed in Appendix 1 reflects the impact of the 1% per annum rent reduction and sits within the framework set out by the HRA Business Plan update. To ensure a viable and sustainable HRA and given the risks identified in the report, permanent cost reductions are required to be achieved as indicated in the body of the report and supporting appendices. Delay or failure to achieve these reductions in the amounts and phasing indicated will compromise the viability of the HRA thereby impacting on the corporate priorities of Council.

Risk Management Implications

Risk included on Directorate risk register? Yes
Separate risk register in place? Yes

The key risks which should be highlighted, and which are referenced in the main body of the report, are related to the need to make savings to ensure a viable and sustainable HRA. The statutory requirement to make rent reductions continues to have a significant impact on the HRA. Combined with the limitation on borrowing, Welfare Reforms, restrictions in the use of Right-to-Buy receipts and the impact of sustained and significant Government Reforms affecting the housing sector, it is critical prudent financial reserves are maintained and measures are put in place to achieve cost reductions in a timely way.

These risks are detailed on the Housing risk register.

Legal Implications

Under section 103 of the Housing Act 1985 the terms of a secure tenancy which is a periodic tenancy may be varied by the landlord by a notice of variation served on the tenant. The landlord authority is required to serve a preliminary notice on the secure tenant giving them advance notification of any change proposed to be made to the terms of their tenancy and inviting their comments. A preliminary notice is not required for variation of rent or payments in respect of services or facilities provided by the landlord. Although a preliminary notice is not required in respect of a variation to the rent (or services/facilities) charge, a notice of variation is needed and this must set out what the change is and the date on which it takes effect. The period between the date on which the notice is served and the date on which it takes effect must be at least four weeks or the rental period, whichever is the longer.

Section 105 of the Housing Act 1985 requires a landlord authority to maintain such arrangements as it considers appropriate to enable those secure tenants who are likely to be substantially affected by matters of housing management, to be informed and consulted about the proposals, and before deciding on the matter, the landlord authority has to consider any representations made. The legislation sets out what matters of housing management relate to but this does not extend to the rent payable under a secure tenancy or to charges for services or facilities provided by the authority.
Under section 23 of the Welfare Reform and Work Act 2016 registered providers of social housing are obliged to reduce social rent by at least 1% from the rent payable by the tenant in the preceding 12 months for the years beginning 1st April 2016, 1st April 2017, 1st April 2018 and 1st April 2019.

Under section 74 of the Local Government & Housing Act 1989 Council, as a local housing Authority, must maintain a Housing Revenue Account (HRA) which includes sums falling to be credited or debited in accordance with the category of properties listed within s74(1), which consists primarily of Council housing stock. HRA must include any capital expenditure on housing stock which a Local Authority has decided to charge to revenue. Save in accordance with a direction of the Secretary of State, sums may not be transferred between HRA or General Fund, therefore HRA is ring-fenced and cannot be used to subsidise a budget deficit within General Fund, neither can General Fund be used to subsidise a budget deficit in HRA. s76 of 1989 Act requires Local Authorities to formulate and implement proposals to secure HRA for each financial year does not show a debit balance. If a debit occurs, this must be carried forward to next financial year.

Financial Implications

Financial matters are integral to this report.

Equalities implications / Public Sector Equality Duty

Pursuant to the Equality Act 2010 ("the Act"), the council, in the exercise of its functions, has to have 'due regard' to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.

When making decisions, the Council must take account of the equality duty and in particular any potential impact on protected groups. There are no new equality impacts of the recommended rent, service charge and fees and charges proposals option as they represent a continuation of existing policy, with the exception of the rent reduction which is now implemented via primary legislation. Consultation with our tenant, leaseholder and resident representative groups on the savings proposals has occurred throughout the year, including the Housing Summer Fair, the Residents’ meetings in in 2016 and 2017, and is anticipated to continue during 2018.

Council Priorities

The Council’s vision:

Working Together to Make a Difference for Harrow
This report incorporates the following council priorities:

Making a difference for the vulnerable – through providing support in finding appropriate affordable housing solutions to meet need, and developing new housing to meet future assessed need.

Making a difference for communities – through engaging residents in decisions around regeneration of estates and the wider communities, and delivering housing that people want to live in, in areas they are proud to call home.

Making a difference for local businesses – through supporting the council-wide regeneration agenda, and maximising the contribution that new housing can make towards delivering the regeneration vision and objectives.

Making a difference for families – through providing good quality housing and safe neighbourhoods, and targeting our resources as best we can so that families can feel the full benefits of economic growth. Our priority for every family is to ensure that they can live in a neighbourhood which has a real sense of community, in a house they can be proud to call their home.

Section 3 - Statutory Officer Clearance

<table>
<thead>
<tr>
<th>Name: Tasleem Kazmi</th>
<th>on behalf of the Chief Financial Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: 15 January 2018</td>
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<table>
<thead>
<tr>
<th>Name: Sarah Wilson</th>
<th>on behalf of the Monitoring Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: 18 January 2018</td>
<td></td>
</tr>
</tbody>
</table>

Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: NO

EqIA cleared by: EqIA is not required for Cabinet to take a decision because the HRA budget represents a continuation of existing policy supplemented
by changes required as a result of impending legislation. Individual elements of the HRA budget have had EqIAs completed as part of specific decisions being made.

Section 4 - Contact Details, Background Papers

Contact:
Milan Joshi, Service Accountant – Housing & Regeneration
Tel: 0208 420 9678 (Ext 5678)

Background Papers:
None,

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

NOT APPLICABLE

[Call-in applies, except where the decision is reserved to Council]
HRA Budget 2018-19 and MTFS 2019-20 to 2020-21 – Expenditure

<table>
<thead>
<tr>
<th>All figures in £s</th>
<th>Budget 2018-19</th>
<th>Budget 2019-20</th>
<th>Budget 2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Costs</td>
<td>2,640,410</td>
<td>2,701,140</td>
<td>2,763,270</td>
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<tr>
<td>Supplies &amp; Services</td>
<td>1,114,770</td>
<td>1,189,800</td>
<td>1,349,400</td>
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<tr>
<td>Utility cost</td>
<td>410,640</td>
<td>417,730</td>
<td>425,090</td>
</tr>
<tr>
<td>Estate &amp; Sheltered Services</td>
<td>3,167,720</td>
<td>3,197,410</td>
<td>3,227,990</td>
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<tr>
<td>Central Recharges</td>
<td>3,785,380</td>
<td>3,872,440</td>
<td>3,961,500</td>
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<tr>
<td><strong>Operating Expenditure</strong></td>
<td>11,118,920</td>
<td>11,378,520</td>
<td>11,727,250</td>
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<tr>
<td>Repairs - Voids</td>
<td>1,125,990</td>
<td>1,125,990</td>
<td>1,125,990</td>
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<tr>
<td>Repairs - Responsive</td>
<td>3,487,040</td>
<td>3,487,040</td>
<td>3,487,040</td>
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<tr>
<td>Repairs – Other</td>
<td>2,116,640</td>
<td>2,146,170</td>
<td>2,176,710</td>
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<tr>
<td><strong>Repairs Expenditure</strong></td>
<td>6,729,670</td>
<td>6,759,200</td>
<td>6,789,740</td>
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<tr>
<td>Contingency - General</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
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<tr>
<td>Investment in Services</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
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<tr>
<td>Bad debt provision</td>
<td>250,000</td>
<td>250,000</td>
<td>250,000</td>
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<tr>
<td>RCCO</td>
<td>300,000</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Affordable Housing</td>
<td>274,430</td>
<td>275,000</td>
<td>275,560</td>
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<tr>
<td>Charges for Capital</td>
<td>6,361,480</td>
<td>6,429,830</td>
<td>6,462,870</td>
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<tr>
<td>Depreciation</td>
<td>7,676,120</td>
<td>7,747,720</td>
<td>7,812,310</td>
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<tr>
<td>Hardship Fund</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
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<tr>
<td>Savings</td>
<td>0</td>
<td>(640,000)</td>
<td>(1,020,000)</td>
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<tr>
<td><strong>Other Expenditure</strong></td>
<td>15,362,030</td>
<td>14,562,550</td>
<td>14,280,740</td>
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<tr>
<td><strong>Total Expenditure</strong></td>
<td>33,210,620</td>
<td>32,700,270</td>
<td>32,797,730</td>
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### HRA Budget 2018-19 and MTFS 2019-20 to 2020-21 – Income

<table>
<thead>
<tr>
<th>All figures in £s</th>
<th>Budget 2018-19</th>
<th>Budget 2019-20</th>
<th>Budget 2020-21</th>
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<tbody>
<tr>
<td>Rent Income – Dwellings</td>
<td>(28,242,430)</td>
<td>(28,665,280)</td>
<td>(29,238,790)</td>
</tr>
<tr>
<td>Rent Income – Non Dwellings</td>
<td>(588,080)</td>
<td>(590,300)</td>
<td>(592,580)</td>
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<tr>
<td>Service Charges - Tenants</td>
<td>(1,696,710)</td>
<td>(1,726,430)</td>
<td>(1,730,220)</td>
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<td>Service Charges – Leaseholders</td>
<td>(613,540)</td>
<td>(613,540)</td>
<td>(599,290)</td>
</tr>
<tr>
<td>Facility Charges</td>
<td>(696,110)</td>
<td>(716,990)</td>
<td>(738,500)</td>
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<tr>
<td>Interest</td>
<td>(3,100)</td>
<td>(3,100)</td>
<td>(3,100)</td>
</tr>
<tr>
<td>Other Income</td>
<td>(106,000)</td>
<td>(106,000)</td>
<td>(106,000)</td>
</tr>
<tr>
<td>Recharge to General Fund</td>
<td>(165,650)</td>
<td>(165,650)</td>
<td>(165,650)</td>
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<tr>
<td><strong>Total Income</strong></td>
<td><strong>(32,111,620)</strong></td>
<td><strong>(32,587,290)</strong></td>
<td><strong>(33,174,130)</strong></td>
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<tr>
<td>In Year Deficit / (Surplus)</td>
<td>1,099,000</td>
<td>112,980</td>
<td>(376,400)</td>
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<tr>
<td>BALANCE brought forward</td>
<td>(6,272,380)</td>
<td>(5,173,380)</td>
<td>(5,060,400)</td>
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<tr>
<td>BALANCE carried forward</td>
<td>(5,173,380)</td>
<td>(5,060,400)</td>
<td>(5,436,800)</td>
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</table>
## Average Rent & Service Charges

### Appendix 2

<table>
<thead>
<tr>
<th>Description</th>
<th>No. units</th>
<th>2017-18 weekly charge</th>
<th>2018-19 rent</th>
<th>2018-19 service charge</th>
<th>2018-19 total</th>
<th>Decrease</th>
</tr>
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<tbody>
<tr>
<td>Bedsit bungalow</td>
<td>19</td>
<td>£103.88</td>
<td>£101.27</td>
<td>£2.86</td>
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<tr>
<td>1 Bed bungalow</td>
<td>115</td>
<td>£114.74</td>
<td>£111.84</td>
<td>£2.37</td>
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<tr>
<td>2 Bed bungalow</td>
<td>27</td>
<td>£131.90</td>
<td>£126.38</td>
<td>£3.75</td>
<td>£130.13</td>
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<td>Bedsit flat</td>
<td>84</td>
<td>£90.09</td>
<td>£85.66</td>
<td>£4.23</td>
<td>£89.89</td>
<td>-£0.20</td>
</tr>
<tr>
<td>1 bed flat</td>
<td>1,186</td>
<td>£100.04</td>
<td>£95.99</td>
<td>£3.76</td>
<td>£99.75</td>
<td>-£0.29</td>
</tr>
<tr>
<td>2 bed flat</td>
<td>795</td>
<td>£113.95</td>
<td>£109.24</td>
<td>£4.31</td>
<td>£113.55</td>
<td>-£0.40</td>
</tr>
<tr>
<td>3 bed flat</td>
<td>42</td>
<td>£125.35</td>
<td>£120.04</td>
<td>£5.09</td>
<td>£125.13</td>
<td>-£0.22</td>
</tr>
<tr>
<td>1 bed Maisonette</td>
<td>6</td>
<td>£92.97</td>
<td>£92.50</td>
<td>£0.42</td>
<td>£92.93</td>
<td>-£0.04</td>
</tr>
<tr>
<td>2 bed Maisonette</td>
<td>49</td>
<td>£113.02</td>
<td>£108.73</td>
<td>£3.84</td>
<td>£112.57</td>
<td>-£0.45</td>
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<tr>
<td>3 bed Maisonette</td>
<td>45</td>
<td>£125.82</td>
<td>£120.93</td>
<td>£4.49</td>
<td>£125.43</td>
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<tr>
<td>4 bed Maisonette</td>
<td>1</td>
<td>£132.63</td>
<td>£131.96</td>
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<td>£131.96</td>
<td>-£0.67</td>
</tr>
<tr>
<td>2 bed Parlour House</td>
<td>34</td>
<td>£125.21</td>
<td>£123.33</td>
<td>£1.30</td>
<td>£124.63</td>
<td>-£0.58</td>
</tr>
<tr>
<td>3 bed Parlour House</td>
<td>525</td>
<td>£138.61</td>
<td>£136.31</td>
<td>£1.81</td>
<td>£138.12</td>
<td>-£0.49</td>
</tr>
<tr>
<td>4 bed Parlour House</td>
<td>55</td>
<td>£151.17</td>
<td>£148.37</td>
<td>£2.61</td>
<td>£150.98</td>
<td>-£0.19</td>
</tr>
<tr>
<td>5 &amp; 6 bed Parlour House</td>
<td>10</td>
<td>£157.21</td>
<td>£153.17</td>
<td>£8.67</td>
<td>£161.83</td>
<td>£4.62</td>
</tr>
<tr>
<td>2 bed Non Parlour House</td>
<td>505</td>
<td>£122.06</td>
<td>£119.45</td>
<td>£2.12</td>
<td>£121.57</td>
<td>-£0.49</td>
</tr>
<tr>
<td>3 bed Non Parlour House</td>
<td>714</td>
<td>£133.83</td>
<td>£131.09</td>
<td>£2.26</td>
<td>£133.35</td>
<td>-£0.48</td>
</tr>
<tr>
<td>4 bed Non Parlour House</td>
<td>32</td>
<td>£148.42</td>
<td>£144.05</td>
<td>£3.25</td>
<td>£147.30</td>
<td>-£1.12</td>
</tr>
<tr>
<td>5, 6 &amp; 7 bed Non Parlour House</td>
<td>6</td>
<td>£159.97</td>
<td>£158.00</td>
<td>£1.22</td>
<td>£159.23</td>
<td>-£0.74</td>
</tr>
<tr>
<td>Sheltered bedsit</td>
<td>55</td>
<td>£91.99</td>
<td>£88.58</td>
<td>£2.80</td>
<td>£91.38</td>
<td>-£0.61</td>
</tr>
<tr>
<td>Sheltered – other units</td>
<td>500</td>
<td>£99.35</td>
<td>£95.22</td>
<td>£3.37</td>
<td>£98.58</td>
<td>-£0.77</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,805</td>
<td>£116.00</td>
<td>£112.38</td>
<td>£3.15</td>
<td>£115.53</td>
<td>-£0.47</td>
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</tbody>
</table>

Average charge during 2017-18 was £116.55 per week comprising £113.53 rent, £3.01 service charge compared to budgeted £112.09 and £3.01 per week respectively.

Estimated average charge for 2018-19 is £115.53 per week comprising £112.38 rent, £3.15 service charge, a statutory reduction in rent of 1%.

Rents for new affordable rented & shared ownership dwellings not included in above.
## Garages & parking space charges

### Appendix 3

<table>
<thead>
<tr>
<th></th>
<th>Current Weekly Rental</th>
<th>Proposed Weekly Rental</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017-18</td>
<td>2018-19</td>
</tr>
<tr>
<td>Garages</td>
<td>£ 14.05</td>
<td>£ 14.05</td>
</tr>
<tr>
<td>Car Spaces</td>
<td>£ 9.16</td>
<td>£ 9.16</td>
</tr>
<tr>
<td>Sheltered Block</td>
<td>No. of properties</td>
<td>Current average weekly facility charge (Heating) 2017-18</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-------------------</td>
<td>---------------------------------------------------------</td>
</tr>
<tr>
<td>Alma Court</td>
<td>30</td>
<td>15.23</td>
</tr>
<tr>
<td>Belmont Lodge</td>
<td>30</td>
<td>15.19</td>
</tr>
<tr>
<td>Boothman House</td>
<td>30</td>
<td>15.19</td>
</tr>
<tr>
<td>Cornell House</td>
<td>30</td>
<td>15.26</td>
</tr>
<tr>
<td>Durrant Court</td>
<td>27</td>
<td>15.19</td>
</tr>
<tr>
<td>Edwin Ware Court</td>
<td>30</td>
<td>12.77</td>
</tr>
<tr>
<td>Goddard Court</td>
<td>30</td>
<td>15.22</td>
</tr>
<tr>
<td>Grahame White House</td>
<td>30</td>
<td>15.22</td>
</tr>
<tr>
<td>Grange Court</td>
<td>30</td>
<td>12.72</td>
</tr>
<tr>
<td>Harkett Court</td>
<td>30</td>
<td>15.2</td>
</tr>
<tr>
<td>Harrow Weald Park 0 Bed</td>
<td>12</td>
<td>10.31</td>
</tr>
<tr>
<td>Harrow Weald Park 1 Bed</td>
<td>19</td>
<td>13.91</td>
</tr>
<tr>
<td>John Lamb Court</td>
<td>32</td>
<td>15.99</td>
</tr>
<tr>
<td>Meadfield</td>
<td>30</td>
<td>15.26</td>
</tr>
<tr>
<td>Sinclair House</td>
<td>27</td>
<td>15.22</td>
</tr>
<tr>
<td>Tapley Court</td>
<td>26</td>
<td>15.17</td>
</tr>
<tr>
<td>Thomas Hewlett House</td>
<td>30</td>
<td>15.27</td>
</tr>
<tr>
<td>Watkins House</td>
<td>43</td>
<td>15.99</td>
</tr>
<tr>
<td>William Allen House</td>
<td>29</td>
<td>13.82</td>
</tr>
<tr>
<td>Resident Warden</td>
<td>11</td>
<td>21.31</td>
</tr>
<tr>
<td>Accommodation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Non-Sheltered</td>
<td>95</td>
<td>13.45</td>
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</tbody>
</table>
### Water Charges

#### Appendix 5

<table>
<thead>
<tr>
<th>Sheltered Block</th>
<th>No.of flats</th>
<th>Current Range Water Charge 2017-2018</th>
<th>Proposed Range Charge at 0% increase for 2018-2019</th>
<th>Average Charge 2018-2019</th>
<th>Income per Week per Block 2018-2019</th>
</tr>
</thead>
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<tr>
<td></td>
<td></td>
<td>Lower</td>
<td>Higher</td>
<td>Lower</td>
<td>Higher</td>
</tr>
<tr>
<td>Alma Court</td>
<td>30</td>
<td>£5.87</td>
<td>£5.87</td>
<td>£5.87</td>
<td>£5.87</td>
</tr>
<tr>
<td>Belmont Lodge</td>
<td>30</td>
<td>£6.03</td>
<td>£6.03</td>
<td>£6.03</td>
<td>£6.03</td>
</tr>
<tr>
<td>Boothman House</td>
<td>30</td>
<td>£6.20</td>
<td>£6.20</td>
<td>£6.20</td>
<td>£6.20</td>
</tr>
<tr>
<td>Durrant Court</td>
<td>27</td>
<td>£5.87</td>
<td>£5.87</td>
<td>£5.87</td>
<td>£5.87</td>
</tr>
<tr>
<td>Goddard Court</td>
<td>30</td>
<td>£6.03</td>
<td>£6.03</td>
<td>£6.03</td>
<td>£6.03</td>
</tr>
<tr>
<td>Grahame White House</td>
<td>30</td>
<td>£6.20</td>
<td>£6.20</td>
<td>£6.20</td>
<td>£6.20</td>
</tr>
<tr>
<td>Grange Court</td>
<td>30</td>
<td>£4.99</td>
<td>£6.20</td>
<td>£4.99</td>
<td>£6.20</td>
</tr>
<tr>
<td>Harkett Court</td>
<td>30</td>
<td>£6.20</td>
<td>£6.20</td>
<td>£6.20</td>
<td>£6.20</td>
</tr>
<tr>
<td>Harrow Weald Park</td>
<td>31</td>
<td>£4.99</td>
<td>£6.20</td>
<td>£4.99</td>
<td>£6.20</td>
</tr>
<tr>
<td>John Lamb Court</td>
<td>32</td>
<td>£6.20</td>
<td>£6.20</td>
<td>£6.20</td>
<td>£6.20</td>
</tr>
<tr>
<td>Sinclair House</td>
<td>27</td>
<td>£5.87</td>
<td>£6.30</td>
<td>£5.87</td>
<td>£6.30</td>
</tr>
<tr>
<td>Tapley Court</td>
<td>26</td>
<td>£6.03</td>
<td>£6.20</td>
<td>£6.03</td>
<td>£6.20</td>
</tr>
<tr>
<td>William Allen House</td>
<td>29</td>
<td>£4.99</td>
<td>£6.20</td>
<td>£4.99</td>
<td>£6.20</td>
</tr>
<tr>
<td>Total No.of Sheltered Flats</td>
<td>545</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Sheltered Flats incl Warden</td>
<td>556</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Other Non-Sheltered</td>
<td>95</td>
<td>£5.19</td>
<td>£5.19</td>
<td>£5.19</td>
<td>£5.19</td>
</tr>
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</table>
## Community Centres

### Community Hall and Capacity

<table>
<thead>
<tr>
<th>Community Hall and Capacity</th>
<th>Current 2017-18</th>
<th>Proposed 2018-19</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Charges per first 3 hours block booking then subsequent hourly rate</td>
<td>Charges per hour letting 4% Price Increase</td>
</tr>
<tr>
<td></td>
<td>Evening Rate</td>
<td>Daytime Rate</td>
</tr>
<tr>
<td>Augustine Road [max 30]</td>
<td>£24.34</td>
<td>£12.17</td>
</tr>
<tr>
<td>Marsh Road Hall [max 30]</td>
<td>£24.34</td>
<td>£12.17</td>
</tr>
<tr>
<td>Brookside Hall [max 30]</td>
<td>£24.34</td>
<td>£12.17</td>
</tr>
<tr>
<td>Woodlands Hall [max 60]</td>
<td>£36.50</td>
<td>£18.24</td>
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<tr>
<td>Churchill Place [max 100]</td>
<td>£48.66</td>
<td>£21.88</td>
</tr>
<tr>
<td>Kenmore Park [max 100]</td>
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<td>£21.88</td>
</tr>
<tr>
<td>Pinner Hill Hall [max 100]</td>
<td>£48.66</td>
<td>£21.88</td>
</tr>
<tr>
<td>Northolt Road [max 100]</td>
<td>£48.66</td>
<td>£21.88</td>
</tr>
</tbody>
</table>

### Terms & Conditions associated with Hall lets:

- Lets to Tenants & Residents Associations free, providing 4 weeks’ notice provided.
- Charges shown are exclusive of VAT at 20% and Insurance Premium at 7%
- Day time rates are from 9.00am to 3.30pm
- Commercial lets will be charged at above hourly rates plus 20%.
- Registered Charities will receive a discount of 50% (9.00am to 3.30pm only).
- Block Bookings of 6 months minimum will receive a 25% discount.
- Refundable deposit of £100 against loss or damage required by all other users.

Of the 10 community centres, there are a number of premises that are fully let and supported by lease agreements and therefore charges not levied in accordance with the above schedule. These are:

- Stonegrove Gardens hall fully let to a nursery on a lease agreement of £10,000 rent pa
- Northolt Road hall partly let as nursery on lease agreement of £5,200 rent pa
- Churchill Place hall partly let as nursery on lease agreement of £10,000 rent pa
<table>
<thead>
<tr>
<th>Budget Description</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
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</thead>
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<td>Internal Works</td>
<td>£1,400,000</td>
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<td>£1,400,000</td>
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<tr>
<td>External Works</td>
<td>£1,855,000</td>
<td>£1,855,000</td>
<td>£1,855,000</td>
</tr>
<tr>
<td>Mechanical &amp; Electrical</td>
<td>£2,930,000</td>
<td>£1,000,000</td>
<td>£1,000,000</td>
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<tr>
<td>Garages</td>
<td>£60,000</td>
<td>£60,000</td>
<td>£60,000</td>
</tr>
<tr>
<td>Aids and Adaptations</td>
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<td>£615,000</td>
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<tr>
<td>Capitalisation Response Repairs</td>
<td>£140,000</td>
<td>£140,000</td>
<td>£140,000</td>
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<tr>
<td>Capitalised Salaries</td>
<td>£380,000</td>
<td>£380,000</td>
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<td><strong>HRA Capital Investment</strong></td>
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<td>£5,450,000</td>
<td>£5,450,000</td>
</tr>
<tr>
<td>Grange Farm</td>
<td>£6,540,350</td>
<td>£6,012,300</td>
<td>£8,386,250</td>
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<tr>
<td>Infill programme, phase 1</td>
<td>£2,835,040</td>
<td>£4,565,170</td>
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<tr>
<td>Affordable Housing Phase 2</td>
<td>£3,176,010</td>
<td>£3,855,030</td>
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<tr>
<td><strong>Total Homes for Harrow</strong></td>
<td>£12,551,400</td>
<td>£14,432,500</td>
<td>£8,386,250</td>
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<tr>
<td><strong>Total HRA Capital Programme</strong></td>
<td>£19,931,400</td>
<td>£19,882,500</td>
<td>£13,836,250</td>
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</table>

The 2018-19 budget for the main HRA Capital investment programme includes £1,930,000 re-phasings and diversion of Grants to Move budget to support the main investment programme.

Homes for Harrow capital budget 2018-19 to 2020-21 have increased by £17,735,550 reflecting increased investment requirements for the Grange Farm Regeneration Scheme £15,688,670 and Infill scheme £2,046,880.

Re-phasing of £15,260,600 is also included, Grange Farm £5,250,230 and Infill £10,010,370 reflecting delays experienced in the planning and procurement processes.
REPORT FOR: CABINET

Date of Meeting: 15 February 2018

Subject: Revenue and Capital Monitoring 2017/18 – Quarter 3 as at 31st December 2017

Key Decision: Yes

Responsible Officer: Dawn Calvert, Director of Finance

Portfolio Holder: Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation

Exempt: No, except for Appendix 5, which is exempt on the grounds that it contains “exempt information” under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

Decision subject to Call-in: Yes

Wards affected: All

Enclosures: Appendix 1 Revenue Budget Summary (Divisional) as at 31st December 2017.

Appendix 2 Savings Tracker 2017/18 to 2019/20
Section 1 – Summary and Recommendations

This report sets out the Council’s revenue monitoring position as at Quarter 3 2017/18 (31st December 2017).

Recommendations:

1. Cabinet to note the revenue forecast position detailed in this report as at Quarter 3 2017/18.

2. Cabinet to approve debt write offs totalling £138k as specified in paragraph 2.30 to 2.32

3. Cabinet to approve additions to the Capital Programme as specified in paragraph 3.38 to 3.39

4. Cabinet to note one re-profiling within the capital programme as specified in paragraph 3.40

5. Cabinet note the Quarter 3 performance reports from Concilium Business Service as specified in Appendix 5 (Part II report).

Reason: (For recommendation)
To report the 2017/18 forecast financial position as at 31st December 2017 and seek Cabinet approval for capital programme adjustments and debts write offs which require Cabinet approval in accordance with Financial Regulations.
Section 2 – Report

1. INTRODUCTION

1.1 The net forecast position as at Quarter 3 (31st December 2017) on the revenue budget is showing a balanced position after a one-off contribution to reserves of £1.648m, which will be set aside for used against the 2019/20 budget. The directorates are reporting an over spend of £3.791m, a reduction in forecast overspend of (£0.089m) when compared to Quarter 2.

1.2 The Resources and Commercial directorate is forecasting an under spend of (£0.250m) mainly on income generation and efficiencies. The Children’s division is forecasting net demand pressures estimated at £2.8m, a reduction of £0.221m from Quarter 2. Adult services are forecasting a purchasing pressure of £0.439m in line with Quarter 2. The Community directorate are reporting a forecast pressure of £0.822m, an increase in forecast of £0.394m when compared to Q2 due to unachievable property acquisition savings.

1.3 The £3.791m overspends are fully mitigated through the receipt of additional income notified after budget setting, corporate items and the implementation of a spending control freeze across the organisation which has resulted in a net underspend of (£1.648m).

1.4 The capital programme is reporting a forecast spend of £101.962m against a budget of £198.231m. This represents a total forecast spend of 51%, a reduction of 32% in the forecast when compared to Quarter 2. In terms of general fund capital, there is a net forecast variance of (£77.113m) of which £38.767m is requested for slippage into 2018/19 and (£38.346m) can be removed from the Capital Programme. For the Housing Revenue Account, a variance of (£19.155m) is forecast of which £17.192m is requested for slippage into 2018/19 and (£1.964m) can be removed from the Capital Programme.

(Please note, all number in brackets relates to income/underspends)

2. REVENUE MONITORING

2.1 The revenue forecast position at Quarter 3 (31st December 2017) is showing an under spend of (£1.648m) after a draw down from reserves of £2.815m, an underspend on Corporate budgets of £3.310m, income of £0.834m received after the budget was set in February and £1.295m of spending controls. The (£1.648m) underspend will be used as a one-off contribution to the 2019/20 budget. The forecast by division is detailed in Appendix 1.

2.2 A summary of the Quarter 3 monitoring is shown in table 1 below:
Table 1: Revenue Monitoring – as at 31st December 2017

<table>
<thead>
<tr>
<th>Directorate</th>
<th>Revised Budget</th>
<th>Outturn</th>
<th>Quarter 3 Variance</th>
<th>Draw Down from Reserves</th>
<th>Quarter 3 Variance</th>
<th>Quarter 2 Variance</th>
<th>Budget Movement between Q2 and Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources and Commercial</td>
<td>23,024</td>
<td>23,183</td>
<td>159</td>
<td>(409)</td>
<td>(250)</td>
<td>12</td>
<td>(262)</td>
</tr>
<tr>
<td>Resources Total</td>
<td>23,024</td>
<td>23,183</td>
<td>159</td>
<td>(409)</td>
<td>(250)</td>
<td>12</td>
<td>(262)</td>
</tr>
<tr>
<td>Community and Culture</td>
<td>36,636</td>
<td>38,114</td>
<td>1,478</td>
<td>(656)</td>
<td>822</td>
<td>428</td>
<td>394</td>
</tr>
<tr>
<td>Community Total</td>
<td>36,636</td>
<td>38,114</td>
<td>1,478</td>
<td>(656)</td>
<td>822</td>
<td>428</td>
<td>394</td>
</tr>
<tr>
<td>Adults</td>
<td>64,542</td>
<td>65,436</td>
<td>894</td>
<td>(455)</td>
<td>439</td>
<td>439</td>
<td>-</td>
</tr>
<tr>
<td>Public Health</td>
<td>1,295</td>
<td>1,295</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Children’s</td>
<td>37,726</td>
<td>40,873</td>
<td>3,147</td>
<td>(367)</td>
<td>2,780</td>
<td>3,001</td>
<td>(221)</td>
</tr>
<tr>
<td>People Total</td>
<td>103,563</td>
<td>107,604</td>
<td>4,041</td>
<td>(822)</td>
<td>3,219</td>
<td>3,440</td>
<td>(221)</td>
</tr>
<tr>
<td>Planning and Enterprise</td>
<td>2,080</td>
<td>2,190</td>
<td>110</td>
<td>(110)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Regeneration</td>
<td>(350)</td>
<td>468</td>
<td>818</td>
<td>(818)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Regeneration Total</td>
<td>1,730</td>
<td>2,656</td>
<td>928</td>
<td>(926)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Directorates</td>
<td>164,953</td>
<td>171,559</td>
<td>6606</td>
<td>(2,815)</td>
<td>3,791</td>
<td>3,880</td>
<td>(89)</td>
</tr>
<tr>
<td>Corporate Items</td>
<td>5,610</td>
<td>5,610</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate contingency</td>
<td>1,248</td>
<td>1,248</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Technical and Corporate adjustment Budget</td>
<td>(3,968)</td>
<td>(7,278)</td>
<td>(3,310)</td>
<td>-</td>
<td>(3,310)</td>
<td>(1,721)</td>
<td>(1,589)</td>
</tr>
<tr>
<td>Use of Capital Receipts</td>
<td>(3,039)</td>
<td>(3,039)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Income</td>
<td>-</td>
<td>(834)</td>
<td>(834)</td>
<td>-</td>
<td>(834)</td>
<td>(834)</td>
<td>-</td>
</tr>
<tr>
<td>Spending Controls Freeze</td>
<td>-</td>
<td>(1,295)</td>
<td>(1,295)</td>
<td>-</td>
<td>(1,295)</td>
<td>(1,295)</td>
<td>30</td>
</tr>
<tr>
<td>Total Budget Requirement</td>
<td>164,804</td>
<td>165,971</td>
<td>1,167</td>
<td>(2,815)</td>
<td>(1,648)</td>
<td>-</td>
<td>(1,648)</td>
</tr>
<tr>
<td>Contribution to 2019/20 budget</td>
<td>-</td>
<td>1,648</td>
<td>1,648</td>
<td>-</td>
<td>1,648</td>
<td>-</td>
<td>1,648</td>
</tr>
<tr>
<td>Total Budget Requirement after one-off contribution to 2019/20 budget</td>
<td>164,804</td>
<td>167,619</td>
<td>2,815</td>
<td>(2,815)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

RESOURCES AND COMMERCIAL

Table 2: Resources & Commercial Variance

<table>
<thead>
<tr>
<th>Quarter 3 Variance</th>
<th>Quarter 2 Variance</th>
<th>Movement between Quarter 3 and Quarter 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
<td>(250)</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>(262)</td>
</tr>
</tbody>
</table>

2.3 At Quarter 3, Resources Directorate is forecasting an under spend of (£0.250m) for the 2017/18 financial year.

2.4 The net movement of (£0.262m) in Q3 from the overspend position of £12k in Q2 relates mainly to the Legal and Governance division reporting an increase in externally generated income of (£0.139m) and the Finance division reporting (£0.137m) decreased costs primarily as a result of reduction in insurance premiums. The net balance of £0.013m relates to minor variances within the directorate.
2.5 At Quarter 3, the Community Directorate is reporting an overspend of £0.822m.

- Waste services over spend of £0.250m on agency staffing costs as a result of cover for sickness absence. A fixed term dedicated HR resource is being used to tackle the level of sickness. One of the key areas also being reviewed is the current level of agency staff deployed. There is a national shortage of LGV drivers and recruiting to the posts is difficult. Recruitments to the vacant driver and loader posts are underway.

- Clean & Green team over spend of £0.130m on agency staffing costs.

- Additional costs of £0.149m were incurred to provide interim cover and project management support during the restructuring process in Environment & Culture division.

- Estimated counsel costs of £0.050m for a legal case relating to food safety which involved a manslaughter charge against a defendant.

- Housing General Fund forecasts a pressure of £0.300m due mainly to unachievable B&B savings of £0.445m and £0.068m for the first 100 Homes and the subsequent 50 Homes of the Property Acquisition Programme. This has been partially offset by a favorable variation in the net rents from the first 100 Homes of £0.213m.

- These overspends have been partly offset by an increase in income of (£0.100m) mainly in relation to Parks & cemeteries.

### Table 3: Community Variance

<table>
<thead>
<tr>
<th></th>
<th>Quarter 3 Variance</th>
<th>Quarter 2 Variance</th>
<th>Movement between Quarter 3 and Quarter 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commissioning &amp; Commercial Services</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Environment &amp; Culture</td>
<td>522</td>
<td>428</td>
<td>94</td>
</tr>
<tr>
<td>Directorate Management</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Housing General Fund</td>
<td>300</td>
<td>0</td>
<td>300</td>
</tr>
<tr>
<td>Total</td>
<td>822</td>
<td>428</td>
<td>394</td>
</tr>
</tbody>
</table>
2.6 The adverse variance of £0.394m is due to the additional £0.050m legal cost and unachievable savings for the Property Acquisition Programme as detailed above.

PEOPLE’S DIRECTORATE

Table 4: People’s Directorate Variance

<table>
<thead>
<tr>
<th></th>
<th>Quarter 3 Variance</th>
<th>Quarter 2 Variance</th>
<th>Movement between Quarter 3 and Quarter 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adults</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Public Health</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Children</td>
<td>2,780</td>
<td>3,001</td>
<td>(221)</td>
</tr>
<tr>
<td>Total</td>
<td>3,219</td>
<td>3,440</td>
<td>(221)</td>
</tr>
</tbody>
</table>

2.7 At Quarter 3 the People’s Directorate is forecasting an over spend of £3.219m, this forecast includes assumed draw down from reserves of (£0.822m) as set out in appendix 3. The directorate’s forecast represents a favourable movement of (£0.221m) when compared with Quarter 2.

ADULT SERVICES

2.8 Adults Services are reporting an overspend of £0.439m (an overspend of £4.9m before identified mitigation including use of the Adult Social Care grant) which is in line with the Quarter 2 forecast. The headline pressure within Adult services is detailed as follows:

- The forecast outturn position indicates continuing pressures (over and above the allocation of the £4.6m MTFS growth which mitigated underlying pressures brought forward from 2016/17) and relates largely to increasing purchasing pressures (including the all age disability service) and delivery of MTFS savings. However these are expected to be partially mitigated by action plans and use of the ASC grant as detailed above.

- Whilst the service received MTFS growth, together with the announcement of the Improved Better Care Fund funding, the front line demand led services continue to face cost pressures in relation to the provision of services, arising largely from increasing complexities and also the interface with health.

- Within Adult Social Care, purchasing pressures forecast an underlying overspend of £2.9m (including costs associated with Children and Young Adults with Disabilities), together with an overspend of £0.345m in relation to Mental Health services managed by Central and North West London (CNWL) under s75 arrangements. These pressures continue to reflect...
increasing complexities and increases in the discharges from hospital into adult social care.

- The Better Care Fund (BCF) has been agreed for 2017/18, with the funding in relation to the protection of social care (a BCF condition) reduced from the budgeted figure of £6.558m down to £6.106m by the Clinical Commission Group. This reduction has been mitigated by the Adult Social Care (ASC) grant.

- Within internally provided services there are underlying pressures in the region of £1.025m. These pressures arise from delays (including those associated with planning and building related issues) associated with the achievement of MTFS savings, including £0.900m in relation to the Sancroft Phoenix project. These pressures are expected to be partially mitigated.

- The ASC grant of £3.6m is fully committed and will mitigate purchasing pressures (including funding the agreed inflationary uplift), shortfall in delivering the MTFS savings in relation to Sancroft and the reduced contribution from health in relation to the protection of social care within the Better Care Fund.

PUBLIC HEALTH

2.9 Overall the 2017/18 forecast outturn position for Public Health is a balanced budget, after the one-off contribution towards the Spending Control Freeze. This balanced position assumes that the statutory provision in relation to demand led sexual health services will be within budget. The new 5 year integrated contract with London North West Hospitals Trust (LNWHT) commenced on 1st August 2017. As a result activity is now charged based on the type of services provided (rather than a price for a first or follow up attendance) and data is awaited in relation to this activity to enable trends to be established and a robust forecast provided.

CHILDREN’S SERVICES

**Table 5: Children’s Variance**

<table>
<thead>
<tr>
<th>Quarter 3 Variance</th>
<th>Quarter 2 Variance</th>
<th>Movement between Quarter 3 and Quarter 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>2,780</td>
<td>3,001</td>
<td>(221)</td>
</tr>
</tbody>
</table>

2.10 As at Quarter 3 the headline pressure for the division is £3.676m which reduces to a net forecast overspend of £2.780m after the use of one off management actions totalling (£0.529m) and draw down from reserve for redundancy costs of (£0.367m). This represents a reduction in overspend of (£0.221m) from the position reported at Quarter 2. The main reductions are:-
• **£0.183k Reduction in children’s placements spend** as a result of planned actions. In particular there have been significant reductions to the numbers of children in residential, external fostering and semi-independent placements.

• **£67k Anticipated reduced requirement for secure placements** as this budget is demand led and there are now only 3 months of the financial year remaining.

• **£161k Additional income for Asylum seekers** Following confirmation by the Home Office and verification of eligible cases. The above reductions are partially offset by

• **£100k Additional pressure in legal costs** - This increase results from an increase in the number and complexity of care proceedings including judicial reviews for age assessments.

• **£45k Increased advisor capacity** required to support the resolution of the Schools Expansion Programme dispute.

• **£30k additional staffing costs** in relation to the Indian Social Worker recruitment linked to changes in Government regulations

• **£0.015k Other small increases across the directorate.**

### 2.11 The headline pressures of £3.309m before one off management action of £0.529m are as follows:

• **Children’s Placements and Accommodation £2.211m overspend** - There is an overall reduction of £0.411m from the overspend reported at Quarter 2. As part of the service’s planned actions, there has been reductions of 2 children in residential placements, 2 in mother and baby placements and 3 in semi-independent placements since quarter 2.

• **Children and Young People’s Service Frontline Teams £0.441m overspend** - as a result of agency staff covering vacant posts, sickness and maternity together with ‘as and when’ required staff carrying out supervised contact. In addition to this there is a one off cost for overseas social worker recruitment estimated at £0.080m and anticipated pressures of £0.150m relating to IT & mobile phone equipment

• Agency costs continue to be reduced during the remainder of the year with the continued arrival of social workers from India, and the permanent recruitment of social workers who complete the front-line and step-up programmes. A total of 11 social workers have already arrived from India. A further 5 are anticipated to arrive in February 2018 which would further reduce costs.

• **Families with No Recourse to Public Funds £0.074m overspend** - These are families being supported by the Council because they have no recourse to public funds (NRPF). The welfare reforms, along with stricter enforcement of Asylum
Legislation are the main causal factors for this demand, which is unpredictable in terms of volume and costs. The exit routes for ceasing funding are dependent on variable factors, many of which cannot be controlled by the Council. 1.5 FTE bespoke workers have been recruited to focus specifically on these families to help reduce costs and mitigate the financial pressures on this budget. These workers are currently supporting 20 cases, 12 cases have been successfully closed since April 2017.

- A premium service from the Home Office involving the co-location of an Immigration & Enforcement Officer for 3 days per week is in place. This will fast-track all asylum related processes and background checks. This post started in July. A number of asylum seeking young people have already moved on to the National Asylum Seeking Service as a direct result of the work undertaken by this post holder. The screening processes around NRPF at the front door have prevented cases coming into the NRPF Service, reducing the need for ongoing payments.

- Departmental Legal Costs £0.203m overspend
- Signers and Interpreters Fees £0.090m overspend
- Capital Team £0.221m overspend - There are anticipated costs for external legal services and external commercial and technical advice services in relation to continued efforts to close the accounts for School Expansion Programme phase 2 (SEP2).
- Commissioning Team £0.030m overspend
- Harrow School Improvement Partnership £0.179m overspend.
- Other small underspend £0.010m.
- Early Support Service under spend £0.130m
- These pressures are partially offset by one off management actions totalling (£0.529m).

2.12 DEDICATED SCHOOLS GRANT (DSG)

The total notified DSG budget at Q3 is £135.374m. This is a reduction from the figure reported at Q2 of £1.116m as a result of the conversion of Earlsmead school to academy status. The EFA therefore recoups the funds from the LA to delegate to the academy directly.

2.13 Early Years Block

In 2017/18 the initial Early Years Block is £15.046m. This will be adjusted to take account of the January 2018 census for participating 2, 3 & 4 year olds. The overall block is forecast to balance to budget. However there are a number of assumptions built into the forecast including take-up for the newly established SEN Inclusion Fund and
participation in the extension of the free entitlement for eligible 3&4 year olds from 15 hours to 30 hours from September.

2.14 **High Needs Block**

The High Needs Block budget is £30.979m and is currently forecasting to overspend by £0.045m. It is made up of a number of service areas covering staffing, funding to schools, academies, independent & non maintained school sector and further education institutes and is considered to cover educational provision for young people aged 0-25 years in line with the SEND reforms.

2.15 **De-delegated and central budgets.**

De-delegated and central budgets including Education Services Grant are forecast to balance to budget.

2.16 **Growth Fund**

The growth fund has been primarily established for Additional Class Funding for planned increases in Planned Admission Number (PAN) for the Primary Expansion Programme. In addition, funds have been added for expansion funding for schools extending the age range, in year bulge classes in the second year and funding for schools with varying rolls. At this time it is not anticipated that any additional bulge classes will be opened this financial year therefore these budgets have been released to cover an increase in NNDR costs due to revaluations of several schools in the schools expansion programme. Overall there is a balancing underspend of £0.045m to balance out the pressure on the HNB.

**REGENERATION, ENTERPRISE AND PLANNING**

- At Quarter 3, Regeneration, Enterprise & Planning are reporting a balanced budget which is consistent with Quarter 2 forecast.

- Regeneration activity, estimated at £0.818m, will be funded from the capacity already set aside.

- £5.247m [net] of Community Infrastructure Levy (CIL) and S106 money has been received at Quarter 3. The net unspent income will be transferred to CIL reserves at year end.

- Some salary and operating costs in Economic Development are assumed to be met from external funding, which is subject to a successful claim to ESF and the outcome of which will not be known until later part of the financial year.
2.18 As at Quarter 3 there is a forecast capacity of (£0.870m) in the HRA, an improvement against quarter 2 of (£0.033m)

2.19 A summary of the HRA position is provided below which includes estimated balances

- Included in the forecast position of (£0.870m) is the £0.200m interest payments to the Department for Community and Local Government on retained Right to Buy receipts expected to be repaid to Government under terms of the retention agreement.

- The costs of compulsory upgrade of IT systems have been reflected although additional pressures in this area are possible; an impact assessment is in progress.

- Reforms of HRA and Welfare, including rent reduction, borrowing cap and high value voids levy from 2018/19 continue to present significant challenges which are being addressed by the Housing Management Team.

**CORPORATE BUDGETS**

2.20 Corporate budgets are forecast to underspend by (£3.310m). This underspend includes unallocated inflation budgets, other contingencies and grants. The council has also received one off income of (£0.834m) after the budget was set in February 2017.

**SPENDING CONTROL FREEZE**

2.21 In Month 2, a balanced position was reported after proposing a £1.5m spending control and Spending Freeze contribution across the Directorates.

2.22 Further work was done on this proposal in Q2 and a total of (£1.325m) has been identified across the directorates as the amount that directorates are able to contribute towards the spending controls. At Q3 the (£1.325m) has now been revised down slightly to (£1.295m) due to budget pressure within the Housing division.

2.23 Table 8 below shows the breakdown of the (£1.295m) by directorate.
Table 7: Spending Control Freeze

<table>
<thead>
<tr>
<th>Directorate</th>
<th>Contribution to Spending control Freeze (£000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending control freeze included in the Budget Monitoring Report at period 2</td>
<td>1,499</td>
</tr>
<tr>
<td>Resources and Commercial</td>
<td>(475)</td>
</tr>
<tr>
<td>Community and Culture</td>
<td>(425)</td>
</tr>
<tr>
<td>Adult</td>
<td>(159)</td>
</tr>
<tr>
<td>Public Health</td>
<td>(161)</td>
</tr>
<tr>
<td>People Total</td>
<td>(320)</td>
</tr>
<tr>
<td>Planning and Enterprise</td>
<td>(75)</td>
</tr>
<tr>
<td>Total Directorates</td>
<td>(1,295)</td>
</tr>
</tbody>
</table>

**CAPITAL FLEXIBILITY**

2.24 Included in the forecast balanced position that is been reported at Quarter 3 is the use of £3.093m fund realised from assets disposal under the capital receipts flexibility (CRF) scheme that was introduced by the central government in 2016/17.

**CONTINGENCIES AND RESERVES**

2.25 The contingencies exist to cover unavoidable pressures together with other unforeseen items and spending pressures and to cover areas such as risk, health and safety, equality impacts and uncertainty.

2.26 The contingency for unforeseen items of £1.248m has been used in full for Pinner Wood School.

2.27 There are also a number of earmarked reserves for a variety of purposes as identified in table 8 below:

Table 8: Contingencies and Earmarked Reserves
2.28 The 2017/18 budget includes approved MTFS savings of £10.242m. The progress on implementation is summarised in table 9 below and shown in more detail in Appendix 2.

2.29 As at the end of Quarter 3, 13% of savings have already been banked (blue savings), 71% of savings (green and amber) are on track or partially achieved, with 16% of savings being declared as red. There are no changes to the savings tracker between Q3 and Q2.

### Table 9: RAG Rating of 2017/18 Savings

<table>
<thead>
<tr>
<th>Resources</th>
<th>People</th>
<th>Community</th>
<th>Regeneration</th>
<th>Pan Organisation</th>
<th>Quarter 3</th>
<th>Quarter 2</th>
<th>Movement between Q3 and Q2</th>
<th>Percentage Split</th>
</tr>
</thead>
<tbody>
<tr>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
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</tr>
<tr>
<td>Red</td>
<td>57</td>
<td>871</td>
<td>354</td>
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<td>350</td>
<td>1,632</td>
<td>1,632</td>
<td>0 16%</td>
</tr>
<tr>
<td>Amber</td>
<td>195</td>
<td>914</td>
<td>944</td>
<td>100</td>
<td>2,153</td>
<td>2,153</td>
<td>0 21%</td>
<td></td>
</tr>
<tr>
<td>Green</td>
<td>1,282</td>
<td>1,128</td>
<td>2,718</td>
<td>47</td>
<td>5,175</td>
<td>5,175</td>
<td>0 50%</td>
<td></td>
</tr>
<tr>
<td>Blue</td>
<td>307</td>
<td>925</td>
<td>50</td>
<td>0</td>
<td>1,282</td>
<td>1,282</td>
<td>0 13%</td>
<td></td>
</tr>
<tr>
<td>Purple</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,841</td>
<td>3,838</td>
<td>4,066</td>
<td>147</td>
<td>350</td>
<td>10,242</td>
<td>10,242</td>
<td>0 100%</td>
</tr>
</tbody>
</table>

- **Red** Agreed savings not achievable
- **Amber** Savings only partially achieved or risk remaining
- **Green** Achievement of savings on track
- **Blue** Savings achieved and banked

### Debt Write-off

2.30 Cabinet is requested to write off debt of £138,125 in relation to three historic adult social care debts which are not considered recoverable and which have been fully provided for within the Adults bad debt provision.
2.31 These debts relate to the payment of care. In two of the cases, the debts were expected to be discharged through property transactions (these were complex cases including joint ownership and trusts). The third case related to the payment of benefits to a family member who was not responsible for care costs.

2.32 The service users died over the period 2011 to 2014. In recent years efforts have been made to recover these outstanding amounts, however given the age of the debt and the length of time which has passed since the service users death, these are no longer considered recoverable.

3. **CAPITAL PROGRAMME**

3.1 The 2017/18 capital programme agreed by Council in February 2017 totalled £143.863m. After allowing for agreed slippage of £76.691m from 2016/17 outturn and other approved amendments including the 25% reduction to Capital programme in Quarter 2, the programme now totals £198.231m at Quarter 3.

3.2 The forecast spend at Quarter 3 is £101.962m, 51% of the total capitals programme.

3.3 The forecast variance on the General Fund at Quarter 3 is a variance of (£77.113m) (47%) of which £38.767m is requested for slippage into 2018/19, and (£38.346m) can be removed from the Capital Programme.

3.4 The forecast variance on the Housing Revenue Account budget of £32.457m at Quarter 3 is an under spend of (£19.155m), of which £17.192m is requested for slippage into 2018/19 and (£1.964m) can be removed from the Capital Programme.

3.5 Tables 10 and 11 below summarise the capital forecast position and Appendix 4 shows the capital programme in more detail.

**Table 10: Summary of Capital forecast by Directorate**
## Table 1

<table>
<thead>
<tr>
<th>Directorate</th>
<th>Original Programme</th>
<th>CFWD’s</th>
<th>Virement</th>
<th>Other Adjustment</th>
<th>External</th>
<th>LBH</th>
<th>TOTAL BUDGET</th>
<th>Forecast Spend</th>
<th>Forecast Variance</th>
<th>Slippage</th>
<th>Underspend after slippage</th>
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</thead>
<tbody>
<tr>
<td>PEOPLE</td>
<td>17,315</td>
<td>20,534</td>
<td>0</td>
<td>-4,441</td>
<td>14,892</td>
<td>18,515</td>
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<td>-86</td>
<td>1,516</td>
<td>6,776</td>
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<td>11,739</td>
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<td>Environment and commissioning</td>
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<td>17,964</td>
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<td>TOTAL GENERAL FUND</td>
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<td>101,962</td>
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### Table 11 Analysis of Forecast Outturn Variance

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<tr>
<th>Directorate</th>
<th>Outturn variance</th>
<th>Split of outturn variance by funding</th>
<th>Slippage</th>
<th>Split of Slippage by funding</th>
<th>Underspend after slippage</th>
<th>Split of Underspend after slippage</th>
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<tr>
<td></td>
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<td>Grant/sec106</td>
<td>LBH</td>
<td>Grant/sec106</td>
<td>LBH</td>
<td>Grant</td>
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<tr>
<td>------------------------------</td>
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<td>--------------</td>
<td>---------</td>
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<td>-38,000</td>
<td>-677</td>
<td>0</td>
<td>-38,000</td>
</tr>
<tr>
<td>TOTAL GENERAL FUND</td>
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<td>-17,192</td>
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<tr>
<td>TOTAL</td>
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<td>-93,559</td>
<td>-55,959</td>
<td>-2,559</td>
<td>-53,400</td>
</tr>
</tbody>
</table>
RESOURCES DIRECTORATE

3.6 As at Quarter 3 the Resources Directorate is forecasting overall spend of £11.989m, which is 44% of the approved £27.320m capital budget in 2017/18. The forecast variance totals (£15.331m) which will all be slipped to 2018/19. The main items of slippage and underspend are detailed as follows:

- Property Investment Portfolio – out of £9.598m budget one property was acquired in 2017/18, the remaining £4.694m will be slipped to next year whilst the search for another appropriate investment property continues. The revenue implication of this is that the 2018/19 MTFS saving could slip depending on when the final purchase takes place.

- Small Schemes (Council wide) – £6.630m, this budget is carried forward to next year and intended to be used as and when small priority schemes across the Council are identified in the future. There are no revenue implications of slipping this budget to 2019/19.

- ICT Transformation, Refreshment and Enhancement projects – out of £9.152m 2017/18 budget £3.262m will be carried forward to next year. This is required in 2018/19 to fund contractual milestones and commitments made for Middleware and to fund the digital platform replacement programme. There are no revenue implications of slipping this budget to 2018/19.

- SAP Financial Ledger programme – the slippage of £0.520m will be required in 2018/19 to fund BW upgrade, Portal and potential purchase of Winshuttle licences. There are no revenue implications on slipping this budget to 2018/19.

- The balance of £0.225m relates to minor slippages on other schemes.

COMMUNITY DIRECTORATE

3.7 As at Quarter 3 the forecast is £35.244m, 73% of the total budget.

3.8 The forecast variance is (£13.159m) of which £12.890m will be slipped to 2018/19 and £0.269m is no longer needed. The main items of slippage and underspend are detailed below:

Commissioning and Environment & Culture

3.9 At Quarter 3, the service is forecasting to spend £20.795m (83%) in 17/18, a budget slippage of (£4.075m) and an under spend of (£0.137m).

3.10 Depot Redevelopment is a 3 year project with a capital budget of £5.26m profiled in 17/18. Originally the phasing of the scheme was based around prioritising the movement of buses from the former
driving centre to allow for the redevelopment of that site to commence. To achieve this, the multi storey car-park (and associated demolition works of existing units) at the depot would have been required as part of the first phase of the scheme. As the pressure to free up the former driving centre has been removed, it has allowed the re-phasing of the depot scheme to simplify the programme and minimise disruption to site users. In light of this, the costs of the construction of the multi-storey car park and the demolition of existing offices to facilitate this are not anticipated until 18/19. It is therefore proposed that £3.35m of the budget is slipped to 18/19 leaving £1.91m in the 17/18 programme to cover the costs for this financial year. Revenue savings built into budget to cover the capital financing costs. These will be re-profiled in line with capital spend.

3.11 A capital budget of £0.725m is provided primarily for the replacement of the roof and roof lights at Vernon Lodge. The work is currently put on hold pending a decision on a wider project. Although the roof is coming to the end of its life, the building is currently watertight. Should this position change before a decision is taken on the wider project, the capital budget will be used to undertake targeted repairs to the roof to prevent water ingress into the building. It is forecast that £0.725m will be slipped to 18/19. There are no revenue impacts of slipping this budget to 2018/19.

3.12 The forecast underspend relates to Green Grid project (£0.038m) as part of the contribution to the council wide capital reduction exercise, and Local Implementation Plan (£0.099m). Projects classified as capital within 17/18 Local Implementation Plan have a total budget of £2.21m, which is fully funded by Transport for London. The latest budget in the capital programme has been overstated by £0.099m. There are no revenue impacts of slipping this budget to 2018/19.

**Housing General Fund**

3.13 At Quarter 3 the outturn forecast for Housing General Fund is £14.450m

3.14 The forecast variance is (£8.947m) of which £8.815m will be slipped to 2018/19 and £0.131m budget is no longer needed.

3.15 Budget of £8.815m is for the 50 additional properties under the property acquisition programme it is assumed that this budget will be slip to 2018/19. The implication of this is the non achievement of the associated B&B savings assumed in the MTFS which has been addressed through the MTFS re-fresh.

3.16 Empty Property Grants is expected to under spend £0.131m; this will result in fewer private rented dwellings becoming available to accommodate homeless households adversely impacting homelessness expenditure. EPG spend is restricted by availability of suitable properties and completion of works, together with delays in securing funding from private land lords.
3.17 At Quarter 3 the forecast spend is £23.462m, 70% of the 2017/18 People’s directorate capital budget.

3.18 The forecast under variance of (£9.945m) which will be slipped to 2018/19 and £0.077m budget is no longer required.

**ADULTS**

3.19 At Quarter 3 the forecast spent is £7.420m this represents 89% of the approved capital programme.

3.20 The forecast variance is (£0.873m), of which £0.796m will be slipped to 2018/19, with £0.077m no longer required.

3.21 The secure NHS network connection (N3) under the Integrated Health Model Implementation project will slip £0.241m into 2018/19. This relates to improvement of business processes (not linked to MTFS savings).

3.22 Project Infinity anticipated spending £0.0130m by year-end 2017/2018, requiring £0.370m to be slipped into 2018-19 to fund further commercial and interface development. New funding of £0.100m is planned in 2018/2019 resulting in a total budget of £0.470m. The impact of this activity will maximise the commercial income potential and improve business processes and would allow, subject to relevant scrutiny in relation to on-going income streams, MTFS savings (taken out of the budget as a prudent measure to de-risk the financial position) to be reinstated.

3.23 Expenditure on the Mentis Pilot will not be required at the level originally anticipated for 2017/18. As a result, the unspent provision of £0.241m will be slipped into 2018/19 to fund any additional further capital works which may be considered necessary to support delivery of the MTFS savings of £0.184m. There will be no revenue implication as a result of the £0.241m budget that is been slipped to 2018/19. However following further analysis of the business case, the original MTFS proposal in 2018/19 to generate income from intermediate care beds is no longer considered achievable. Alternative plans are being developed to achieve this saving although it is not clear at this stage whether capital funding will be required.

**SCHOOLS**

3.24 The approved capital programme in 2017/18 for Children’s Services totals £25.115m. The projected expenditure this year is £16.042m which represents 64% of the total capital budget.

3.25 **School Expansion Programme (SEP) 1 and 2 (including some SEN and Secondary)** - Keepmoat, the Council’s Framework Partner was commissioned to deliver the majority of the Phase 1 (SEP1) and Phase 2 (SEP2) construction projects. The projects in SEP1 and SEP2 have reached Project Completion and the schools are occupying their new accommodation.
The Children’s Capital Project Team is working to resolve a number of building defects with Keepmoat post completion. There are on-going contractual issues with Keepmoat and the council has appointed Legal and Commercial advisers to secure resolution. For the purposes of budget monitoring these programmes are forecast to budget but there is a risk to the capital programme that the final outturn is higher than the budget.

SEP 3 - Following procurement processes, Arcadis were appointed as Technical Advisers and Willmott Dixon as the single supplier from the SCAPE framework for the SEP3 projects. The SCAPE framework is local authority owned and specialises in school construction. There are four school expansions over five school sites. Four of the projects are completed and the final scheme is scheduled to commence in February 2018. The majority of this project will therefore slip into 2018/19. In addition, Weald Rise is being rebuilt by the Priority Schools Building Programme (PSBP) and the LA is providing a top up to expand the school to 4 forms of entry.

**Slippage**

The total slippage is (£9.072m). Of this, £3.150m relates to funding set aside for secondary expansions. As reported to Cabinet in June 2017 the projections for Year 7 places continue to show a lower trajectory of increase than the 2015 projections. With the current number of places available there will be a shortfall of 4 to 5 forms of entry in 2022/23. This reduces to 3-5 forms of entry in 2027/28. However, at this time there are a higher number of Year 7 places than required which is resulting in vacancies being concentrated in a small number of schools. It is proposed to slip the funding to 2019/20 and ensure that the situation is monitored and that once there is greater clarity about changes on the borough boundaries that a local solution to meet the growing need is developed with the High Schools. There are no revenue implications from this slippage

SEP3 slippage totals £3.9m. This is the final project in SEP3 and relates to Welldon Park Junior School. Work is anticipated to start on site in February 2018 and completed by October/November 2018. The slippage does not impact on the school as the expanded year groups are still working through the infant school which is on a different site. There are no revenue implications from this slippage.

Special Educational Needs provision slippage totals £1.320m. Funding has been included in the capital programme to support additional in-borough SEN provision which is currently being reviewed and scoped. The outcome of the review will inform any decisions about future provision but will not be spent until 2018/19. There are no revenue implications from this slippage

The remainder of the slippage is for IT and funding for bulge classes which are not anticipated to be needed this financial year. There are no revenue implications from this slippage
REGENERATION

3.32 At Quarter 3, the forecast spent is £17.966m; this represents 32% of the £56.643m approved capital programme.

3.33 The forecast variance is (£38.677m) of which £0.677m will be slipped to 2018/19 and £38m is no longer needed.

3.34 The forecast variance of £38m that is no longer required is due to the revision of the Regeneration programme as detailed in the Capital Programme report elsewhere on the agenda. The £55.8m 2017/18 budget is forecast to spend £17.7m, with the revised regeneration programme being re phased over the periods 2018/19 to 2020/21 resulting in a reduction in the overall capital requirement.

Housing Revenue Account

3.35 At Quarter 3, outturn forecast for Housing Revenue Account is £13.301m resulting in forecast variance (£19.155m) of which £17.192m will be slipped into 2018/19 and £1.964m will be removed from the programme.

3.36 The HRA main planned investment programme is slipping £1.930m to 2018/19 and under spending by £1.964m. The implication of the £1.964m underspend is that some improvement schemes affecting Council tenants will be delayed although priority is given to mandatory Health & Safety works and statutory works; the slippage relates to contractually committed expenditure which will all be spent in 2018/19. As the expenditure is funded mainly from HRA capital reserves and not borrowing there is no revenue impact.

3.37 The remaining slippage of £15.261m relates to the Grange Farm Regeneration scheme £5.250m, and Infill New Build scheme £10.011m, arising from delays in planning and procurement. This will result in delays in providing new houses in Council’s HRA to replace those lost through right to buys and delivery of regenerated Grange Farm Estate resulting in lower than expected net rental income.

AMENDMENTS TO THE CAPITAL PROGRAMME

Additions to the capital programme

3.38 The Headstone Manor restoration project is now complete and the capital element of the costs is forecast to overspend by £0.459m in 17/18, this is because additional works has been carried out. The level of spend is still within the overall funding envelope for the project. It is proposed that £0.317m budget be added to the capital programme.
and £0.142m be brought forward from 2018/19 to 2017/18 capital programme. These are all externally funded.

3.39 The Council has successfully secured a capital grant of £0.025m from the GLA for the purchase of IT equipment to support the delivery of community learning and skills focused education. The grant is profiled as £0.015m in 17/18 and £0.010m in 18/19. Match funding from Harrow of £0.025m is to be provided for this project, via the external funding from Skills Funding Agency, that the Service obtains annually to meet its costs. It is therefore proposed that this new project is added to the current capital programme as follows:

Table 12: Addition to Capital programme

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th></th>
<th>2018/19</th>
<th></th>
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</thead>
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<tr>
<td></td>
<td>Gross</td>
<td>External Funding</td>
<td>Net Value</td>
<td>Gross</td>
</tr>
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<td>Mobile technology in Community Learning</td>
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<td>-30,000</td>
<td>0</td>
<td>20,000</td>
</tr>
</tbody>
</table>

Re-profile to the Capital Programme

3.40 A total CIL funding of £4.8m is allocated to Highway Programme over 2 years in the capital programme. The projects have been included in the programme of work and are well underway. It is proposed that the £2.4m originally set for 18/19 is re-profiled to 17/18 to allow additional highway infrastructure improvement works to be completed in this financial year.

4. CONCILIUM BUSINESS SERVICES

4.1 The Quarter 3 forecast currently shows that Concilium Business Services is close to target in achieving the business plan.

5. Legal Implications

5.1 Section 151 of the Local Government Act 1972 states that without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. Section 28 of the Local Government Act 2003 imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against budget calculations.

5.2 Under the Council’s Financial Regulation B48 Additions in year to the Capital Programme up to £500,000 additional capital spending can be approved by Cabinet on specific projects where the expenditure is wholly covered by additional external sources; and the expenditure is in accordance with at least one of the priorities listed in the capital...
programme; and there are no significant full year revenue budget effects. The additional capital spending agreed by Cabinet in one financial year cannot exceed £2.5million.

5.3 Debt write offs are covered under the Council’s Financial Regulations D22 debts of more than £0.025m need Cabinet approval.

6. Equalities

6.1 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:

6.2 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.

6.3 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:

   2.5 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.

6.4 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.

6.5 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.

6.6 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:

a) Age

b) Disability

c) Gender reassignment

d) Pregnancy and maternity

e) Race

f) Religion or belief

g) Sex

h) Sexual orientation

i) Marriage and Civil partnership

6.7 A full equalities impact assessment was completed on the 2017/18 budget when the budget was set by Full Council. Equalities implications are taken into account by individual directorates whilst running services and making decisions to vire money. A full equality impact assessment will be completed on the budget for 2018/19.

7. Financial Implications

Financial matters are integral to the report.

8. Performance Issues

Good financial performance is essential to achieving a balanced budget. The financial performance is integrated with the strategic performance of the Council through quarterly Directorate Improvement Boards which consider the financial position alongside performance including key projects, service KPIs (including customer data and complaints) and workforce. Monitoring of finance and performance is reported regularly to the Corporate Strategic Board and Cabinet and is also considered by the Council's Performance and Finance Scrutiny Sub-Committee.

The Revenue forecast position at Quarter 3 is a balanced position.
For the 2017/18 savings built into the MTFS, the overall position as at Q3 is that 13% of the savings are RAG rated as blue (achieved and banked), 50% green (achievement of saving on track), 21% amber (saving only partially achieved or risks remaining) and 16% red (agreed saving not achievable).

The Capital Programme is projecting a spend of 51% as at quarter 3.

9. Risk Management Implications
The risks to the Council and how they are being managed are set out in the report.

Risks are included on the Directorate risk registers

10. Council Priorities
The Council’s vision is:

Working Together to Make a Difference for Harrow

The Council’s priorities are:

Making a difference for the vulnerable
Making a difference for communities
Making a difference for local businesses
Making a difference for families

This report deals with Revenue and Capital monitoring which is key to delivering the infrastructure to deliver the Council’s priorities.

Section 3 - Statutory Officer Clearance

<table>
<thead>
<tr>
<th>Name: Dawn Calvert</th>
<th>x</th>
<th>Chief Financial Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: 5 February 2018</td>
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<table>
<thead>
<tr>
<th>Name: Jessica Farmer</th>
<th>x</th>
<th>on behalf of the Monitoring Officer</th>
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<tbody>
<tr>
<td>Date: 19 January 2018</td>
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</table>
Ward Councillors notified: NO, as it impacts on all Wards

EqIA carried out: NO

EqIA cleared by: Not applicable

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels (sharon.daniels@harrow.gov.uk), Deputy Section151 officer Tel: 020 8424 1332

Background Papers: ...

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

NOT APPLICABLE

[Call-in applies]
### Revenue Summary

#### Appendix 1

<table>
<thead>
<tr>
<th>Revised Budget</th>
<th>Outturn</th>
<th>Quarter 3 Variance</th>
<th>Drawdown From Reserve</th>
<th>Quarter 3 Variance</th>
<th>Quarter 2 Variance</th>
<th>Budget Movement between Q3 and Q2</th>
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<tbody>
<tr>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
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<tr>
<td><strong>Resources</strong></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td><strong>Controllable Budget</strong></td>
<td></td>
<td></td>
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<tr>
<td>Customer Services</td>
<td>23,611</td>
<td>23,473</td>
<td>(138)</td>
<td>(138)</td>
<td>(221)</td>
<td>83</td>
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<td>3,604</td>
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<td>7</td>
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<td>1,264</td>
<td>(6)</td>
<td>(6)</td>
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<td>Assurance</td>
<td>558</td>
<td>557</td>
<td>(1)</td>
<td>(1)</td>
<td>14</td>
<td>(15)</td>
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<td>HRD &amp; Shared Services</td>
<td>1,088</td>
<td>1,102</td>
<td>34</td>
<td>34</td>
<td>73</td>
<td>(39)</td>
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<td>Procurement &amp; Commercial</td>
<td>322</td>
<td>393</td>
<td>71</td>
<td>71</td>
<td>81</td>
<td>(10)</td>
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<td>Legal &amp; Governance</td>
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<td>2,333</td>
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<td>(57)</td>
<td>81</td>
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<td>Strategic Commissioning</td>
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<td>2,558</td>
<td>392</td>
<td>(409)</td>
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<td>3,014</td>
<td>(143)</td>
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<td>(143)</td>
<td>(6)</td>
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<td>0</td>
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<td><strong>Total Controllable Budget</strong></td>
<td>38,139</td>
<td>38,298</td>
<td>159</td>
<td>(409)</td>
<td>(250)</td>
<td>12</td>
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<td></td>
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<td><strong>Total Directorate Budget</strong></td>
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<td>23,183</td>
<td>159</td>
<td>(409)</td>
<td>(250)</td>
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<td><strong>Community</strong></td>
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<td><strong>Controllable Budget</strong></td>
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<td>Commissioning &amp; Corporate Estate</td>
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<td>(3,089)</td>
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<td>21,757</td>
<td>857</td>
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<td>522</td>
<td>428</td>
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<td>Directorate Management</td>
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<td>Housing General Fund</td>
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<td>4,776</td>
<td>300</td>
<td>300</td>
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<td><strong>Total Controllable Budget</strong></td>
<td>22,145</td>
<td>23,623</td>
<td>1,478</td>
<td>(656)</td>
<td>822</td>
<td>428</td>
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<td><strong>Total Directorate Budget</strong></td>
<td>36,636</td>
<td>38,114</td>
<td>1,478</td>
<td>(656)</td>
<td>822</td>
<td>428</td>
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<td><strong>People</strong></td>
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<td>Adult Services</td>
<td>58,085</td>
<td>58,979</td>
<td>894</td>
<td>(455)</td>
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<td>439</td>
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<td>Public Health</td>
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<td>476</td>
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<td>0</td>
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<td>0</td>
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<td>Children &amp; Families</td>
<td>29,192</td>
<td>32,868</td>
<td>3,676</td>
<td>(367)</td>
<td>3,309</td>
<td>3,177</td>
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<td>Management control</td>
<td>(529)</td>
<td>(529)</td>
<td>(529)</td>
<td>(529)</td>
<td>(176)</td>
<td>(353)</td>
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<tr>
<td><strong>Total Controllable Budget</strong></td>
<td>87,753</td>
<td>91,794</td>
<td>4,041</td>
<td>(822)</td>
<td>3,219</td>
<td>3,440</td>
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<td><strong>Uncontrollable Budget</strong></td>
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<tr>
<td><strong>Total Directorate Budget</strong></td>
<td>103,563</td>
<td>107,604</td>
<td>4,041</td>
<td>(822)</td>
<td>3,219</td>
<td>3,440</td>
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<td><strong>Regeneration</strong></td>
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<td>Economic Development &amp; Research</td>
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<td>693</td>
<td>80</td>
<td>(80)</td>
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<td>Planning</td>
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<td>414</td>
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<td>(30)</td>
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<td>Regeneration Programme</td>
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<td>468</td>
<td>818</td>
<td>(818)</td>
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<td>Sec 106</td>
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<td><strong>Total Controllable Budget</strong></td>
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<td>1,575</td>
<td>928</td>
<td>(928)</td>
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<td><strong>Uncontrollable Budget</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Total Directorate Budget</strong></td>
<td>1,730</td>
<td>2,658</td>
<td>928</td>
<td>(928)</td>
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<tr>
<td><strong>Total Directorate Budgets</strong></td>
<td>164,953</td>
<td>171,559</td>
<td>6,606</td>
<td>(2,815)</td>
<td>3,791</td>
<td>3,880</td>
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<td><strong>Corporate Items Including Levis</strong></td>
<td>5,610</td>
<td>5,610</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Corporate Contingency</strong></td>
<td>1,248</td>
<td>1,248</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Reserves and Provisions Including Other Grants</strong></td>
<td>(3,966)</td>
<td>(7,278)</td>
<td>(3,310)</td>
<td>(3,310)</td>
<td>(1,721)</td>
<td>(1,589)</td>
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<tr>
<td><strong>Use of Capital Receipts</strong></td>
<td>(3,039)</td>
<td>(3,039)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Other Income</strong></td>
<td>(834)</td>
<td>(834)</td>
<td>0</td>
<td>(834)</td>
<td>(834)</td>
<td>0</td>
</tr>
<tr>
<td><strong>Spending Controls Freeze</strong></td>
<td>(1,295)</td>
<td>(1,295)</td>
<td>(1,295)</td>
<td>(1,295)</td>
<td>(1,295)</td>
<td>(1,295)</td>
</tr>
<tr>
<td><strong>Total Budget Requirement</strong></td>
<td>164,804</td>
<td>165,971</td>
<td>1,167</td>
<td>(2,815)</td>
<td>(1,648)</td>
<td>0</td>
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<tr>
<td><strong>Contribution to 2019/20 Budget</strong></td>
<td>1,648</td>
<td>1648</td>
<td>0</td>
<td>1648</td>
<td>0</td>
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<tr>
<td><strong>Total Budget Requirement after one-off contribution to 2019/20 budget</strong></td>
<td>164,804</td>
<td>167,619</td>
<td>2,815</td>
<td>(2,815)</td>
<td>0</td>
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</table>
## 2017-18 MTFS Savings Tracker

<table>
<thead>
<tr>
<th>Unique Reference No.</th>
<th>Specific Service Area</th>
<th>Headline Description re: saving / reduction INTERNAL</th>
<th>Total Savings in Current MTFS 2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>Total</th>
<th>Rag rating</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>RES_01</td>
<td>Customer Services and IT</td>
<td>Increase Helpline Income Developing a robust multi-channel marketing plan to build the brand and promote the Helpline service to generated additional income through the existing service.</td>
<td>80</td>
<td>100</td>
<td>100</td>
<td>280</td>
<td>Green</td>
<td>Achievement of savings on track</td>
</tr>
<tr>
<td>RES_13</td>
<td>Customer Services and IT</td>
<td>Technology and Transformation Services Reduce level of support on SAP</td>
<td>64</td>
<td>-</td>
<td>-</td>
<td>64</td>
<td>Blue</td>
<td>Savings achieved and banked</td>
</tr>
<tr>
<td>RES_CS06</td>
<td>Customer Services and IT</td>
<td>Assumed savings from the completion of the roll out of universal credit and the opportunity this provides to simplify theCTS scheme.</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>Purple</td>
<td>Saving reversed during the 2018/19 budget process</td>
</tr>
<tr>
<td>RES_14</td>
<td>Procurement / HR</td>
<td>Early re-procurement of Agency Staff Contract</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>Amber</td>
<td></td>
</tr>
<tr>
<td>RES_15</td>
<td>Procurement / HR</td>
<td>Re-procurement of Occupational Health contract delivering an overall cheaper pricing model on the service.</td>
<td>24</td>
<td>24</td>
<td>24</td>
<td>24</td>
<td>Blue</td>
<td>Savings achieved and banked</td>
</tr>
<tr>
<td>RES_HR01</td>
<td>HR</td>
<td>Shared HR Service with Buckinghamshire County Council - Business Case Under Development</td>
<td>140</td>
<td>110</td>
<td>250</td>
<td>250</td>
<td>Blue</td>
<td>Savings achieved and banked</td>
</tr>
<tr>
<td>RES_HR03</td>
<td>HR</td>
<td>Organisational Development - Review existing shared OD service provision</td>
<td>155</td>
<td>155</td>
<td>155</td>
<td>155</td>
<td>Blue</td>
<td>Savings achieved and banked</td>
</tr>
<tr>
<td>RES_CP01</td>
<td>Commercial, Contracts &amp; Procurement</td>
<td>Selling services through shared procurement arrangements.</td>
<td>(19)</td>
<td>29</td>
<td>0</td>
<td>10</td>
<td>Green</td>
<td>See below</td>
</tr>
<tr>
<td>RES15</td>
<td>Procurement</td>
<td>Restructuring of the Commercial, Contracts and Procurement Division’s function.</td>
<td>201</td>
<td>151</td>
<td>352</td>
<td>352</td>
<td>Green</td>
<td>2017/18 target has been delivered. New Divisional Director has been apprised of savings target of £180K.</td>
</tr>
<tr>
<td>RES_16</td>
<td>Strategic Commissioning</td>
<td>VCS funding - This saving reduces community grants and transfer funding from the emergency relief fund, to support the information and advice strategy as the December cabinet report.</td>
<td>110</td>
<td>57</td>
<td>50</td>
<td>217</td>
<td>Green</td>
<td>Savings on track for delivery.</td>
</tr>
<tr>
<td>RES_17a</td>
<td>Strategic Commissioning</td>
<td>Member Development Reducing the frequency in spend of the member development budget.</td>
<td>26</td>
<td>-</td>
<td>26</td>
<td>26</td>
<td>Blue</td>
<td>Savings achieved and banked</td>
</tr>
<tr>
<td>RES_SC01</td>
<td>Strategic Commissioning</td>
<td>Income from Communications Through Gain Share Model</td>
<td>25</td>
<td>13</td>
<td>38</td>
<td>38</td>
<td>Amber</td>
<td>Plans being brought together to make sure that 2018/19 savings target is achieved.</td>
</tr>
<tr>
<td>RES_SC02</td>
<td>Strategic Commissioning</td>
<td>Additional Income from Communications Provider and Further Savings</td>
<td>107</td>
<td>107</td>
<td>107</td>
<td>107</td>
<td>Purple</td>
<td>Future year, still in development.</td>
</tr>
<tr>
<td>RES_SC03</td>
<td>Strategic Commissioning</td>
<td>Alternative Funding of domestic violence budget</td>
<td>21</td>
<td>61</td>
<td>82</td>
<td>82</td>
<td>Green</td>
<td>External funding secured for 2017/18 and 2018/19.</td>
</tr>
<tr>
<td>RES_SC04</td>
<td>Strategic Commissioning</td>
<td>Proposed savings in Health watch Funding</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>Purple</td>
<td>Future year, still in development.</td>
</tr>
<tr>
<td>RES_SC05</td>
<td>Strategic Commissioning</td>
<td>SIMS Team Contribution to Overheads and Additional Income</td>
<td>20</td>
<td>20</td>
<td>40</td>
<td>40</td>
<td>Amber</td>
<td>Income on-track on the basis of last years’ performance. However, schools budgets are being put under more pressure so this is not guaranteed at this stage. Exploring joint marketing opportunities with Bucks CC.</td>
</tr>
<tr>
<td>RES_SC06</td>
<td>Strategic Commissioning</td>
<td>Commissioning Capacity in the Council</td>
<td>10</td>
<td>50</td>
<td>60</td>
<td>60</td>
<td>Blue</td>
<td>Savings achieved and banked</td>
</tr>
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</table>
## 2017-18 MTFS Savings Tracker

### Appendix 2

<table>
<thead>
<tr>
<th>Unique Reference No.</th>
<th>Specific Service Area</th>
<th>Headline Description re: saving / reduction INTERNAL</th>
<th>Total Savings in Current MTFS</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>Total</th>
<th>Rag rating</th>
<th>Comment</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RES16</td>
<td>Strategic Commissioning</td>
<td>Retender of the Communications Service to take account of reductions in spend phased in the following way: 2015/16 - 20% reduction, 2016/17 - 10% reduction, 2017/18 - 10% reduction.</td>
<td>57</td>
<td>57</td>
<td>57</td>
<td>57</td>
<td>Blue</td>
<td>No saving has not been delivered and it was removed from the budget during the 2018/19 budget process. However, for the current year the Division will deliver the required saving within its overall budget</td>
<td></td>
</tr>
<tr>
<td>RES_10</td>
<td>Legal</td>
<td>Political Office Support: Councillors are supported by a variety of administrative arrangements. The proposal reduces the amount allocated to each member/group office.</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>Blue</td>
<td>Savings achieved and banked</td>
<td></td>
</tr>
<tr>
<td>RES_LG04</td>
<td>Legal &amp; Governance</td>
<td>Expansion of the Legal Practice</td>
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<td>210</td>
<td>420</td>
<td>420</td>
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<td>Achievement of savings on track</td>
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</tr>
<tr>
<td>RES12</td>
<td>Legal &amp; Dem Services</td>
<td>Reduction in Legal cost, in the initial instance by growing the business</td>
<td>144</td>
<td>144</td>
<td>288</td>
<td>288</td>
<td>Green</td>
<td>Achievement of savings on track</td>
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</tr>
<tr>
<td>RES 18</td>
<td>Finance</td>
<td>Finance - Insurance Savings from re-tendering of Insurance contract.</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>Green</td>
<td>Achievement of savings on track</td>
<td></td>
</tr>
<tr>
<td>RES_F02</td>
<td>Finance &amp; Assurance</td>
<td>Improved Treasury investment return from increased Risk appetite (Primarily lending for longer and to institutions with lower credit ratings)</td>
<td>595</td>
<td>625</td>
<td>1,220</td>
<td>1,220</td>
<td>Blue</td>
<td>Savings achieved and banked</td>
<td></td>
</tr>
<tr>
<td>RES_F03b</td>
<td>Finance &amp; Assurance</td>
<td>Audit and Fraud - deletion of Fraud Investigation Officer post</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>Green</td>
<td>Achievement of savings on track</td>
<td></td>
</tr>
<tr>
<td>RES_F04</td>
<td>Finance &amp; Assurance</td>
<td>Investment Portfolio</td>
<td>350</td>
<td>350</td>
<td>700</td>
<td>700</td>
<td>Green</td>
<td>Achievement of savings on track</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Resources excluding Business Support</td>
<td></td>
<td>2,528</td>
<td>2,377</td>
<td>150</td>
<td>5,055</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Business Support

<table>
<thead>
<tr>
<th>BSS_02</th>
<th>Business Support</th>
<th>PA Support</th>
<th>The creation of a new Central PA Hub to support the Chief Executive, Corporate Directors and Directors offering a fixed catalogue of services.</th>
<th>100</th>
<th>100</th>
<th>Green</th>
<th>Achievement of savings on track</th>
</tr>
</thead>
<tbody>
<tr>
<td>BSS_07</td>
<td>Business Support</td>
<td>Community Hub</td>
<td>A reorganisation of the Community hub will re-allocate a prioritised workload over a smaller team.</td>
<td>20</td>
<td>20</td>
<td>Green</td>
<td>Achievement of 2017/18 savings on track but 2018/19 likely to be delayed.</td>
</tr>
<tr>
<td></td>
<td>Total Business Support</td>
<td></td>
<td>120</td>
<td>-</td>
<td>-</td>
<td>120</td>
<td></td>
</tr>
</tbody>
</table>

### Total Business Support

| sub - Resources Total | 2,648 | 2,377 | 150 | 5,175 |       |        |

### BSS 01

| BSS | BSS | Reversal of saving - ‘A thorough review of Business Support has been undertaken in the last year, as a result of which over £1m of savings have been identified that are being delivered. However it has been decided that further reduction in these areas are not appropriate, and therefore savings proposed in previous budgets will not be progressed and need to be reversed. This is reversing the 2017/18 and 2018/19 savings. | (557) | (557) | Blue | Savings Reversed in17/18 |

### RES_LG05

| Legal & Governance | Delayed implementation of land charges transfer of service | (250) | (250) | (500) | Blue | Growth |

### Resources Total

| 1,841 | 2,127 | 150 | 4,118 |       |        |

### People Services

#### Adults

| PA_01 | Adults | Voluntary Sector - cessation of all services other than those required under the Care Act. There is a separate cabinet report to the December 2016 cabinet in respect of this saving. | 420 | 420 | Amber | Shortfall of £39k, following consultation delay, will be mitigated by Adult Social Care grant. |
## 2017-18 MTFS Savings Tracker

<table>
<thead>
<tr>
<th>Unique Reference No.</th>
<th>Specific Service Area</th>
<th>Headline Description re: saving / reduction INTERNAL</th>
<th>Total Savings in Current MTFS £000</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>Total £000</th>
<th>Rag rating</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>PA_03</td>
<td>Adults</td>
<td>Commissioning - Cessation of Adults commissioning function (2.6FTE) from People's commissioning team resulting in spot purchasing only, and limited strategic commissioning for the Adult's services.</td>
<td>187</td>
<td>187</td>
<td>Red</td>
<td>Saving will not be achieved in 2017-18 due to a delay in implementation. Staff are not expected to leave until October. Residual staffing costs amount to £103k and redundancy and pension strain costs amount to £218k. Full saving will be achieved in 2018-19.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA_04</td>
<td>Adults</td>
<td>Management - further reduction in strategic management function, reducing by 1FTE (Head of Service) from 4FTE down to 3FTE i.e.; DASS plus 2 Heads of Service</td>
<td>127</td>
<td>127</td>
<td>Blue</td>
<td>Post vacant since July 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA_05</td>
<td>Adults</td>
<td>Contracts &amp; Admin - in line with the voluntary sector proposals and move to personalisation model, the function of this team (4FTE) will be deleted. Any residual duties will be accommodated within already stretched social work teams.</td>
<td>161</td>
<td>161</td>
<td>Blue</td>
<td>Post holders left the Council's employment February 2017.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA_06</td>
<td>Adults</td>
<td>Reduce Safeguarding Quality Assurance Team - Deletion of 2 FTE – reduction in ability to visit all 750 Community Providers and over 300 Care Homes in the year and respond to safeguarding alerts.</td>
<td>112</td>
<td>112</td>
<td>Blue</td>
<td>Vacant posts, previously covered by agency staff, now deleted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA_08</td>
<td>Adults</td>
<td>Reduce Occupational Therapy Team - Deletion of 4FTE – will increase the current 6 month waiting list with more vulnerable people delayed in hospital, and an increased number of vulnerable people placed unnecessarily in costly residential and nursing units</td>
<td>113</td>
<td>113</td>
<td>Blue</td>
<td>Vacant posts, previously covered by agency staff, now deleted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA_3</td>
<td>Adults</td>
<td>Wiseworks - commercialisation opportunities and to be self financing by end of MTFS period</td>
<td>69</td>
<td>56</td>
<td>125</td>
<td>Amber</td>
<td>Risk that additional commercial income may not be achieved</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA_4</td>
<td>Adults</td>
<td>Milmans Community tender</td>
<td>175</td>
<td>184</td>
<td>359</td>
<td>Amber</td>
<td>£78k Achieved. £97k is being mitigated via budget realignments within Adults Services.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA_6A</td>
<td>Adults</td>
<td>Vaughan NRC - service review to identify efficiencies in supporting the most complex</td>
<td>100</td>
<td>100</td>
<td>Green</td>
<td>On target to be achieved</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA_9</td>
<td>Adults</td>
<td>Sancroft - contract management and service renegotiation</td>
<td>334</td>
<td>334</td>
<td>Red</td>
<td>Superceded by local authority traded service operating from Sancroft under project Phoenix. Expected to deliver £540k in a full year (after capital financing costs) and will increase with any dividend (after company expenses). Shortfall in 2017/18 (representing part year commencement) is assumed to be mitigated by ASC grant.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA_10A</td>
<td>Adults</td>
<td>Transport - review transport provision</td>
<td>200</td>
<td>350</td>
<td>550</td>
<td>Red</td>
<td>Saving will not be achieved in 2017/18 as efficiencies planned against routes are unlikely to be achieved. The pressure will be mitigated through base budget realignment. Future year budget savings reversed as a consequence.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA_11A</td>
<td>Adults</td>
<td>MOW/Catering Service - review of service</td>
<td>65</td>
<td>65</td>
<td>Blue</td>
<td>Savings achieved and banked</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA_14</td>
<td>Adults</td>
<td>Shared Lives - commercialisation through selling model to neighbouring boroughs.</td>
<td>150</td>
<td>150</td>
<td>Red</td>
<td>Saving will not be achieved in 2017-18 as target commercial income is unlikely to be achieved. Pressure is to be mitigated through base budget re-alignment.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## 2017-18 MTFS Savings Tracker

### Appendix 2

<table>
<thead>
<tr>
<th>Unique Reference No.</th>
<th>Specific Service Area</th>
<th>Headline Description re: saving / reduction</th>
<th>Total Savings in Current MTFS</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>INTERNAL</strong></td>
<td></td>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td></td>
</tr>
<tr>
<td>PA_15</td>
<td>Adults</td>
<td>Bedford House / Roxborough Park - review provision within Bedford House. £650k less £400k reversed as part of 17.18 Budget setting.</td>
<td>250</td>
<td>250</td>
<td>Amber</td>
<td>Shortfall due to building planning and procurement requirements and processes (after assuming redundancy costs funded centrally) which will be mitigated through wider variations.</td>
<td></td>
</tr>
<tr>
<td>PA_16</td>
<td>Adults</td>
<td>7 Kenton Road - review provision through supporting living and shared lives</td>
<td>228</td>
<td>228</td>
<td>Green</td>
<td>CQC de-registration confirmed, on target to be achieved</td>
<td></td>
</tr>
<tr>
<td>PA_26</td>
<td>Adults</td>
<td>My Community ePurse - commercialisation of My Community ePurse - Re-phased.</td>
<td>1,000</td>
<td>600</td>
<td>1,600</td>
<td>Purple</td>
<td>Savings reversed as part of 2018/19 MTFS</td>
</tr>
<tr>
<td>PA_27</td>
<td>Adults</td>
<td>Re-phasing - add in new phasing</td>
<td>998</td>
<td>1,250</td>
<td>2,248</td>
<td>Purple</td>
<td>Savings reversed as part of 2018/19 MTFS</td>
</tr>
<tr>
<td>PA_28</td>
<td>Adults</td>
<td>Community Wrap - explore new commercialisation opportunities</td>
<td>640</td>
<td>640</td>
<td>Purple</td>
<td>Savings reversed as part of 2018/19 MTFS</td>
<td></td>
</tr>
<tr>
<td>PA_29B</td>
<td>Adults</td>
<td>Total Community ePurse - explore new commercialisation opportunities</td>
<td>2,250</td>
<td>2,250</td>
<td>Purple</td>
<td>Savings reversed as part of 2018/19 MTFS</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total Adult</strong></td>
<td></td>
<td>2,691</td>
<td>3,228</td>
<td>4,100</td>
<td>10,019</td>
</tr>
</tbody>
</table>

### Childrens

| PC_S05 | Education Services | Virtual School Transfer funding for 1fte PEP Co-ordinator and 0.88fte Education Welfare Officer to external grant funding | - | 90 | 90 | Green | Saving is being closely monitored throughout the financial year. |
| PC_S06 | Children & Young People | Children & Young People Services Additional Savings Reduction 1.3fte posts and cessation of procurement contract | - | 165 | 165 | Green | The savings are currently on track to be delivered as related contractual and staffing spend has ceased. The £20k reduction in relation to the Local Safeguarding Children's Board is being delivered by a reduction to the Council's contribution to the learning review and serious case review. |
| PC12   | Children & Young People | Review of posts in Quality Assurance & Improvement Service | 223 | 223 | Purple | Savings partly reversed as part if 2018/19 MTFS |
| PC13   | Children & Young People | Early Intervention & Youth Development Integration and restructure of childrens centres; early intervention and youth development service | 266 | 266 | Green | Saving is currently on track to be achieved. There are some residual costs relating to staff whose redundancies are taking place between April and August 2017 which are being offset by holding a number of posts vacant in year. |
| PC14   | Children & Young People | Review of Adoption Contract | 86 | 86 | Purple | Savings reversed as part of 2018/19 MTFS |
| PC15   | Children & Young People | Review of posts in MASH | 100 | 100 | Purple | Future year, still in development. |
| PC16   | Children & Young People | Review of posts in Family Information Service | 61 | 61 | Purple | Savings reversed as part of 2018/19 MTFS |
| PC17   | Children & Young People | Review of posts in Access to Resources | 57 | 57 | Purple | Savings reversed as part of 2018/19 MTFS |
| PC19   | Children & Young People | Review of Leaving Care, Children Looked After & Unaccompanied Asylum Seeking Children Teams | 173 | 173 | Purple | Savings reversed as part of 2018/19 MTFS |
| PC24   | Education & Commissioning | Enhancing Achievement within Education Strategy Post should be 75% funded by grant management fees from April 2016, post holder redundant from August 2016 | 8 | 8 | Blue | Post holder left in August 2016 and post deleted from costed establishment. |
| PC28   | Cross Service | Non-pay inflation | 150 | 150 | 450 | Blue | Funding retained centrally and therefore not included in 2017/18 budgets. |
## 2017-18 MTFS Savings Tracker

<table>
<thead>
<tr>
<th>Unique Reference No.</th>
<th>Specific Service Area</th>
<th>Headline Description re: saving / reduction INTERNAL</th>
<th>Total Savings in Current MTFS 2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>Total</th>
<th>Rag rating</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td></td>
</tr>
<tr>
<td>PC33</td>
<td>Special Needs Service</td>
<td>Review of Special Educational Needs Transport</td>
<td>257</td>
<td>257</td>
<td></td>
<td></td>
<td></td>
<td>Blue</td>
</tr>
<tr>
<td>PC36</td>
<td>Children &amp; Young People</td>
<td>Review of posts in Quality Assurance &amp; Service Improvement.</td>
<td>248</td>
<td>248</td>
<td></td>
<td></td>
<td></td>
<td>Purple</td>
</tr>
<tr>
<td>PC38</td>
<td>Children &amp; Young People</td>
<td>Review of Children Looked After &amp; Placements Service.</td>
<td>1,000</td>
<td>1,000</td>
<td></td>
<td></td>
<td></td>
<td>Purple</td>
</tr>
<tr>
<td>PC42</td>
<td>Special Needs Service</td>
<td>Review of Special Needs Service £1,164m (‘Reversal of Savings - Special Educational Needs Placements in respect of PC41 approved February 2016. New funding regulations mean there will no longer be flexibility to further charge these costs to grant £651k)</td>
<td>513</td>
<td>513</td>
<td></td>
<td></td>
<td></td>
<td>Purple</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>936</td>
<td>2,611</td>
<td>150</td>
<td>3,697</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PC33</td>
<td>Special Needs Service</td>
<td></td>
<td>(514)</td>
<td>(514)</td>
<td></td>
<td></td>
<td></td>
<td>Blue</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>422</td>
<td>2,611</td>
<td>150</td>
<td>3,183</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Public Health</strong></td>
<td></td>
<td></td>
<td>725</td>
<td>2,264</td>
<td></td>
<td>2,989</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PH</td>
<td>PH</td>
<td>Reduction in wider health improvement function.</td>
<td>-</td>
<td>107</td>
<td></td>
<td>107</td>
<td></td>
<td>Blue</td>
</tr>
<tr>
<td>PH</td>
<td>PH</td>
<td>Reversal of Public Health wide growth to deal with small projects.</td>
<td>-</td>
<td>60</td>
<td></td>
<td>60</td>
<td></td>
<td>Blue</td>
</tr>
<tr>
<td>PH_01</td>
<td>PH</td>
<td>Wider Health Improvement - bring forward approved 2018/19 savings in relation to wider determinants of health to 2017/18. Warmer Homes £50k retained until 2018/19.</td>
<td>96</td>
<td>(96)</td>
<td></td>
<td></td>
<td></td>
<td>Green</td>
</tr>
<tr>
<td>PH_02</td>
<td>PH</td>
<td>Wider Health Improvement - breast feeding - saving scheduled for 2018/19 to allow service to develop alternative model.</td>
<td>65</td>
<td></td>
<td>65</td>
<td></td>
<td></td>
<td>Purple</td>
</tr>
<tr>
<td>PH_3</td>
<td>PH</td>
<td>Contract Efficiencies within Health Visiting contract</td>
<td>105</td>
<td></td>
<td>105</td>
<td></td>
<td></td>
<td>Green</td>
</tr>
<tr>
<td>PH_5</td>
<td>PH</td>
<td>Tobacco Control &amp; Smoking Cessation - reduction of service</td>
<td>279</td>
<td></td>
<td>279</td>
<td></td>
<td></td>
<td>Blue</td>
</tr>
<tr>
<td>PH_9</td>
<td>PH</td>
<td>Health intelligence &amp; Knowledge - reduction in staff costs</td>
<td>48</td>
<td></td>
<td>48</td>
<td></td>
<td></td>
<td>Green</td>
</tr>
<tr>
<td>PH_10</td>
<td>PH</td>
<td>Staffing &amp; Support - reduction in budget &amp; deletion of additional procurement support</td>
<td>30</td>
<td></td>
<td>30</td>
<td></td>
<td></td>
<td>Green</td>
</tr>
<tr>
<td>PH_11</td>
<td>PH</td>
<td>Drug and Alcohol - reduction in service (contract related costs. Employee costs included in PH_12)</td>
<td>1,500</td>
<td></td>
<td>1,500</td>
<td></td>
<td></td>
<td>Purple</td>
</tr>
<tr>
<td>PH_12</td>
<td>PH</td>
<td>Reduction to service - staffing reductions</td>
<td>795</td>
<td></td>
<td>795</td>
<td></td>
<td></td>
<td>Purple</td>
</tr>
<tr>
<td><strong>Total Public Health</strong></td>
<td></td>
<td></td>
<td>725</td>
<td>2,264</td>
<td></td>
<td>2,989</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>People Total</strong></td>
<td></td>
<td></td>
<td>3,838</td>
<td>8,103</td>
<td>4,250</td>
<td>16,191</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Community

**Community and Culture**
## 2017-18 MTFS Savings Tracker

<table>
<thead>
<tr>
<th>Unique Reference No.</th>
<th>Specific Service Area</th>
<th>Headline Description re: saving / reduction INTERNAL</th>
<th>Total Savings in Current MTFS</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>Total</th>
<th>Rag rating</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td></td>
</tr>
<tr>
<td>COM_S01</td>
<td>Commissioning &amp; Commercial</td>
<td>Commercial projects under Project Phoenix - The Revenue Maximisation business case has identified commercial opportunities in parking, waste services, events, advertising and increased rental income. Implementation Costs: Projects will start during 16/17, and it is anticipated that implementation costs can be met from income raised in 16/17 achieving a break-even position.</td>
<td>1,640</td>
<td>520</td>
<td>520</td>
<td>520</td>
<td>green</td>
<td>The projects under Revenue Maximisation business case are being implemented. On track of delivering the saving target this year.</td>
<td></td>
</tr>
<tr>
<td>COM</td>
<td>Commissioning &amp; Commercial</td>
<td>Income from expansion of Central Depot</td>
<td>-</td>
<td>48</td>
<td>-</td>
<td>48</td>
<td>green</td>
<td>Although new income streams can only be expected following the completion of depot redevelopment, the saving target allocated this year will be met from central depot leases already negotiated.</td>
<td></td>
</tr>
<tr>
<td>COM_S04</td>
<td>Environment &amp; Culture</td>
<td>Sports &amp; Physical Activity - 2 options: either cease all activities or seek alternative funding to meet the costs including the use of S106 funding and/or funding the post by working together with other funding partners.</td>
<td>-</td>
<td>48</td>
<td>-</td>
<td>48</td>
<td>green</td>
<td>100% of salary of Sports Development Co-ordinator post in 2017-18 to be assigned to S106 Bannister Sports Centre funding for project support for delivery of the improvements.</td>
<td></td>
</tr>
<tr>
<td>COM_S13</td>
<td>Commissioning &amp; Commercial</td>
<td>Additional cost recovery in Network Management - Additional cost recovery from street works by having better use of traffic orders to manage street works</td>
<td>30</td>
<td>50</td>
<td>-</td>
<td>50</td>
<td>green</td>
<td>On track to be achieved.</td>
<td></td>
</tr>
<tr>
<td>COM_S08</td>
<td>Environment &amp; Culture</td>
<td>Phase 2 of Environment &amp; Culture Review - Regulatory Services Review of Enforcement functions across the Division and the Council. Revised approach to prioritise commercial / cost recovery generating work and health and safety issues and to undertake all other services at minimum standards meeting the minimum level of Food Standards Agency and other regimes.</td>
<td>320</td>
<td>200</td>
<td>-</td>
<td>200</td>
<td>purple</td>
<td>Future year saving in development</td>
<td></td>
</tr>
<tr>
<td>COM_S12</td>
<td>Environment &amp; Culture</td>
<td>Route Optimisation on food waste collection</td>
<td>-</td>
<td>-</td>
<td>150</td>
<td>-</td>
<td>purple</td>
<td>Future year saving has been re-profiled as part of the 2018/19 MTFS. Achieved. In year one off savings offered in 16-17 now become reductions on an on-going basis.</td>
<td></td>
</tr>
<tr>
<td>COM_S11</td>
<td>All</td>
<td>Reduce staff training, stationery and conference budgets across the directorate</td>
<td>-</td>
<td>68</td>
<td>-</td>
<td>68</td>
<td>green</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COM_S10</td>
<td>Commissioning &amp; Commercial Division</td>
<td>Neighbourhood Investment Scheme (NIS) - cease funding. This is already an agreed MTFS saving for 18/19. This proposal is to bring forward the saving to 17/18.</td>
<td>210</td>
<td>210</td>
<td>(210)</td>
<td>-</td>
<td>green</td>
<td>No programmed NIS expenditure in 17/18.</td>
<td></td>
</tr>
<tr>
<td>CE_5</td>
<td>Directorate Wide</td>
<td>Reduction of supplies &amp; services budget</td>
<td>50</td>
<td>50</td>
<td>-</td>
<td>100</td>
<td>blue</td>
<td>Savings achieved and banked</td>
<td></td>
</tr>
<tr>
<td>CE_8</td>
<td>ESD - Technical Services</td>
<td>Staff efficiency once Towards Excellence fully embedded - Deletion of 2 posts.</td>
<td>34</td>
<td>34</td>
<td>-</td>
<td>68</td>
<td>green</td>
<td>This is achieved as part of division wide restructure due to be completed in 17/18.</td>
<td></td>
</tr>
</tbody>
</table>
## 2017-18 MTFS Savings Tracker

<table>
<thead>
<tr>
<th>Unique Reference No.</th>
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</tr>
</thead>
<tbody>
<tr>
<td>CE_9</td>
<td>ESD - Public Protection</td>
<td>Efficiencies arising from Selective Licensing - Through full cost recovery and reduction in failure demand.</td>
<td>35</td>
<td>35</td>
<td></td>
<td></td>
<td></td>
<td>Green</td>
<td>The target set for Selective Licensing was ambitious and is reliant on other Wards coming on board. South Harrow will be consulted on which should address this but staffing resources remain tight (being reviewed as part of an enforcement review)</td>
</tr>
<tr>
<td>CE_10.2</td>
<td>ESD - Management</td>
<td>Management savings Savings on a management post across the Environmental Service Delivery division.</td>
<td>75</td>
<td>75</td>
<td></td>
<td></td>
<td></td>
<td>Green</td>
<td>This is achieved as part of Phase 1 of the division-wide restructure. One Head of Service post is deleted.</td>
</tr>
<tr>
<td>E&amp;E_18</td>
<td>Directorate wide</td>
<td>Efficiencies following the merger of the Business &amp; Service Development and Commissioning Services Divisions - Delete one performance management officer post and a cemetery superintendent post as of 31 March 2015. In addition, further efficiencies to be achieved in Environmental Services Delivery and Commissioning Divisions in 17/18.</td>
<td>30 50</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
<td>Green</td>
<td>This is achieved as part of division-wide restructure due to be completed in 17/18.</td>
</tr>
<tr>
<td>E&amp;E_20</td>
<td>Directorate-wide</td>
<td>Contractual/commissioned/SLA savings - To seek maximum value in savings from existing contracts, Service Level Agreements and all services commissioned, from third parties by re-negotiating terms that will yield cashable savings. To secure on-going cashable benefits from gain share and third party income arrangements.</td>
<td>200</td>
<td>200</td>
<td></td>
<td></td>
<td></td>
<td>Green</td>
<td>Income from the shared Special Need Transport service with Brent and the Service Level Agreement with Barnet for the use of Central Depot will contribute towards achieving this saving target in 17/18.</td>
</tr>
<tr>
<td>CE_12</td>
<td>Commissioning Services</td>
<td>Project Phoenix - Commercialisation projects</td>
<td>0 1,525</td>
<td>1,525</td>
<td></td>
<td></td>
<td></td>
<td>Purple</td>
<td>The implementation of business cases approved to date will contribute towards the overall 3-year targets.</td>
</tr>
<tr>
<td>CE_14</td>
<td>Commissioning Services</td>
<td>Highways Services - revenue savings on utilities and maintenance costs due to acceleration of the Street Lighting replacement programme and extension of the variable lighting regime.</td>
<td>10</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td>Green</td>
<td>Included in 17/18 budget, completed.</td>
</tr>
<tr>
<td>CE_15</td>
<td>Commissioning Services</td>
<td>Highways Services - Reduction in revenue budget for reactive maintenance due to accelerated capital investment from 2014/15.</td>
<td>20 20</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td>Green</td>
<td>Included in 17/18 budget as a reduction against highways reactive maintenance, changes for 18/19 will be achieved in the same way. This is deliverable but the highways reactive maintenance budget will be severely reduced and require far greater capitalisation of minor works (where appropriate) in order to achieve service standards.</td>
</tr>
<tr>
<td>CE_16</td>
<td>Commissioning Services</td>
<td>Staff efficiencies in Parking and Network Teams - reduction in team leader and inspector posts. Staff consultation completed in June 15. The reduction in posts will be phased over the next 2 years to ensure minimal impact on service level.</td>
<td>80 20</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td>Green</td>
<td>Restructure completed.</td>
</tr>
<tr>
<td>CE_17</td>
<td>Commissioning Services</td>
<td>General efficiencies across the Division (Policy, Community Engagement, Facilities Management and Contracts Management) - including capitalisation of senior contracts officer post, removal of some supplies &amp; services budget.</td>
<td>9 80</td>
<td>89</td>
<td></td>
<td></td>
<td></td>
<td>Green</td>
<td>17/18 target achieved by reducing Supplies &amp; Services budget</td>
</tr>
</tbody>
</table>

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**2017-18 MTFS Savings Tracker**

**Appendix 2**
### 2017-18 MTFS Savings Tracker

<table>
<thead>
<tr>
<th>Unique Reference</th>
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</thead>
<tbody>
<tr>
<td>CE_18</td>
<td>Commissioning Services</td>
<td>Income Generation - Facilities Management Service Level Agreements (SLAs) and Energy SLAs to schools.</td>
<td>20/20/40</td>
<td>20/20</td>
<td>40</td>
<td>40</td>
<td>Green</td>
<td>Council services are being actively marketed to schools by Business &amp; Commercial team. Additional SLAs from schools will achieve this year's target.</td>
<td></td>
</tr>
<tr>
<td>CE_19</td>
<td>Commissioning Services</td>
<td>Road safety officer post - externally funded by Transport for London (TfL)</td>
<td>40/40</td>
<td>40/40</td>
<td>40</td>
<td>40</td>
<td>Green</td>
<td>Income target realigned as part of the budget build process.</td>
<td></td>
</tr>
<tr>
<td>CE_20</td>
<td>Commissioning Services</td>
<td>Further contract efficiencies following the re-procurement of Facilities Management contract.</td>
<td>80/80</td>
<td>80/80</td>
<td>80</td>
<td>80</td>
<td>Green</td>
<td>To secure reduced costs through gain share mechanism on commercial opportunities / back office efficiencies.</td>
<td></td>
</tr>
<tr>
<td>E&amp;E_01</td>
<td>Commissioning Services</td>
<td>Trading Standards - Further cost reduction in Trading Standards service by re-negotiating the Service Level Agreement with London Borough of Brent</td>
<td>40/40</td>
<td>40/40</td>
<td>40</td>
<td>40</td>
<td>Green</td>
<td>SLA is being re-negotiated with Brent. More collaborative approach of work to maximise Proceed Of Crime Act income.</td>
<td></td>
</tr>
<tr>
<td>E&amp;E_05</td>
<td>Commissioning Services - Contract Mgt &amp; Policy</td>
<td>Staff Efficiencies across the Division - Deletion of 3 posts</td>
<td>86/86</td>
<td>86/86</td>
<td>86</td>
<td>86</td>
<td>Green</td>
<td>Achieved. Relates to the deletion of 2 vacant posts as part of staffing efficiencies.</td>
<td></td>
</tr>
<tr>
<td>E&amp;E_06</td>
<td>Commissioning Services - Facilities Mgt</td>
<td>Reduction in Facilities Management costs - reduce the controllable budget by 20% in the first 2 years through re-structuring and changing ways of service delivery and a further 5% over Years 3 &amp; 4 through additional efficiencies post re-structuring. Consultation with staff already underway and it is proposed to delete 8 posts, 3 of these are currently vacant.</td>
<td>44/22/66</td>
<td>44/22</td>
<td>66</td>
<td>66</td>
<td>Green</td>
<td>Restructure completed and salaries budgets have been realigned.</td>
<td></td>
</tr>
<tr>
<td>E&amp;E_08</td>
<td>Commissioning Services - Highway Services</td>
<td>Reduce highways maintenance budget - Changes to the response times on non urgent works i.e. respond to these in 48 hours instead of existing 24 hours.</td>
<td>45/45</td>
<td>45/45</td>
<td>45</td>
<td>45</td>
<td>Green</td>
<td>Included in 17/18 budget, completed.</td>
<td></td>
</tr>
<tr>
<td>E&amp;E_09</td>
<td>Commissioning Services - Highways</td>
<td>Highways Contract - Extend the scope of the Highways Contract to include scheme design and / or inspection services when the contract is re-procured (current contract will expire in 16/17).</td>
<td>120/120/240</td>
<td>120/120</td>
<td>240</td>
<td>240</td>
<td>Green</td>
<td>Included in 17/18 budget as a reduction against highways reactive maintenance, changes for 18/19 will be achieved in the same way. This is deliverable but the highways reactive maintenance budget will be severely reduced and require far greater capitalisation of minor works (where appropriate) in order to achieve service standards.</td>
<td></td>
</tr>
<tr>
<td>E&amp;E_10</td>
<td>Commissioning Services - Highways</td>
<td>Review salary capitalisation of highway programme &amp; TfL funded projects</td>
<td>50/50/100</td>
<td>50/50</td>
<td>100</td>
<td>100</td>
<td>Green</td>
<td>Included in 17/18 budget as additional income, changes for 18/19 will be achieved in the same way. This will increase recharges to capital up to 82% of total staff costs in 18/19.</td>
<td></td>
</tr>
<tr>
<td>E&amp;E_11</td>
<td>Commissioning Services - Network Mgt</td>
<td>Additional income - from street works</td>
<td>10/10</td>
<td>10/10</td>
<td>10</td>
<td>10</td>
<td>Green</td>
<td>On track to be achieved.</td>
<td></td>
</tr>
<tr>
<td>E&amp;E_12</td>
<td>Commissioning Services - Street Lighting</td>
<td>Changes in Street Lighting Policy to include variable lighting solutions</td>
<td>10/12/22</td>
<td>10/12</td>
<td>22</td>
<td>22</td>
<td>Green</td>
<td>The energy consumption has been reduced following the street lighting investment as part of capital programme. The financial saving is achieved, however has been outstriped by the increase in energy inflation, resulting in a net (smaller) increase in energy costs.</td>
<td></td>
</tr>
<tr>
<td>Unique Reference No.</td>
<td>Specific Service Area</td>
<td>Headline Description re: saving / reduction INTERNAL</td>
<td>Total Savings in Current MTFS 2017/18</td>
<td>2018/19</td>
<td>2019/20</td>
<td>Total</td>
<td>Rag rating</td>
<td>Comment</td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
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<td>-----------------------------------------------------</td>
<td>----------------------------------------</td>
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<td>------------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>E&amp;E_13</td>
<td>Commissioning Services - Street Lighting and Drainage</td>
<td>Street lighting and Drainage budgets - capital investment allows for lower maintenance costs</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>green</td>
<td>Included in 17/18 budget and completed. The budget reduction has placed extreme pressure on the services even though this has been mitigated by capital investment, work programmes are prioritised and limited to budget.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E&amp;E_14</td>
<td>Commissioning Services - Winter Gritting</td>
<td>Reduction in winter gritting budgets - renegotiation of winter gritting contract - adopt a risk sharing approach and move away from the current fixed pricing for the service</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>purple</td>
<td>Deliverable in 18/19 if there is a mild winter but not if there is a harsh winter. Subject to winter weather conditions because a pay as you go system has been introduced from 16/17.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CE_21</td>
<td>NIS</td>
<td>Neighbourhood Investment Scheme (NIS) - a base budget of £210K is available for all 21 wards. A one-off saving has been offered as part of the early year saving. It is now proposed that the full budget is removed from 16/17 onwards.</td>
<td>210</td>
<td>210</td>
<td>210</td>
<td>purple</td>
<td>This saving has been achieved early in 2017-18 [see COM-S10].</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CC_2</td>
<td>C&amp;C</td>
<td>Library Strategy Phase 2 - delivery of network of libraries and library regeneration</td>
<td>108</td>
<td>209</td>
<td>317</td>
<td>amber</td>
<td>The saving is partially met from the reduction of book fund. The remaining saving is dependent on the re-provision / commercialisation of libraries, which is delayed. 18/19 saving is to be re-profiled to align with the timescale of the re-provision of Central Library, as part of 18/19 MTFS.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHW12</td>
<td>C&amp;C</td>
<td>Redevelopment Harrow Leisure Centre Site. This will need to link with Regeneration Programme. 17/18 saving is expected to be met from one-off income through the improvement to playing pitches at Bannister Sports Centre.</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>red</td>
<td>The redevelopment of Harrow Leisure Centre will not now be completed until 2020-21 at the earliest. The target is being mitigated by other income within Cultural Services.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Community &amp; Culture</strong></td>
<td></td>
<td></td>
<td><strong>2,582</strong></td>
<td><strong>2,811</strong></td>
<td><strong>246</strong></td>
<td><strong>5,639</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CC_4</td>
<td>C&amp;C</td>
<td>Arts &amp; Heritage Services - Total saving in the original MTFS proposal in relation to the proposed transfer of the services to Cultura London was £455k (£173k of which was profiled in 16/17). At this stage the service remains in-house, subject to any further decisions regarding the future of the arts centre and therefore at this stage the saving is being reversed. Should this position change, adjustments would be made to the MTFS and be reflected in the Final Budget report.</td>
<td>(455)</td>
<td>(455)</td>
<td></td>
<td>green</td>
<td>A Cultural Strategy is being developed to help inform decisions regarding future cultural provision in Harrow.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Housing</strong></td>
<td></td>
<td></td>
<td><strong>2,127</strong></td>
<td><strong>2,811</strong></td>
<td><strong>246</strong></td>
<td><strong>5,184</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COM_S09</td>
<td>Housing</td>
<td>Supporting People - savings from contract renegotiation and/or review of service delivery</td>
<td>60</td>
<td>50</td>
<td>50</td>
<td>green</td>
<td>Savings achieved. Contracts include savings</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## 2017-18 MTFS Savings Tracker

### Appendix 2

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<tbody>
<tr>
<td>COM_S02 Housing</td>
<td>Home Improvement Agency - increase in fee income as a result of increased capital expenditure on Disabled Facilities Grants - savings are conditional on capital budget increases being approved with additional amounts being administered by HIA.</td>
<td>120</td>
<td>100</td>
<td>100</td>
<td>Green</td>
<td>Savings achieved but assumes adequate referral rate from Adult Services throughout financial year 2017-18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COM_G05.3 Housing</td>
<td>Homelessness - Extension of Property Purchase Initiative (Additional 50 homes) - Purchase of a further 50 homes for use as TA to reduce pressure on B&amp;B.</td>
<td>304</td>
<td>254</td>
<td>469</td>
<td>225</td>
<td>948</td>
<td>Red</td>
<td>MTFS savings £375k reversed out as part of MTFS refresh leaving savings £573k to offset capital financing costs to yield nil impact on General Fund.</td>
<td></td>
</tr>
<tr>
<td>COM_G05.3 Housing</td>
<td>Homelessness Invest to save - Reduction in expenditure resulting from work undertaken by temporary additional staff resources taken on to undertake additional prevention work, local procurement of properties and areas recovery.</td>
<td>494</td>
<td>494</td>
<td>Green</td>
<td>Staff have been recruited for homelessness prevention resulting in lower expenditure in accommodating homeless families</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CH_3 HGF</td>
<td>Supporting People - cessation of funding for Handyperson Scheme, which is intended to become self-supporting through commercialisation</td>
<td>25</td>
<td>25</td>
<td>Green</td>
<td>To be achieved by alternative means: capitalisation of expenditure and funding through DFG which has permitted under the terms and condition of the grant.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CH_4 HGF</td>
<td>Supporting People - Sheltered Housing floating support - savings assumed to result from contract renegotiation or review of service delivery.</td>
<td>60</td>
<td>60</td>
<td>Green</td>
<td>This is reflected in Supporting People contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CH_7 HGF</td>
<td>Watkins House - Options review £100k (This is a 16/17 savings, full reversal of savings was agreed in 17/18 however £25k was approved as growth in 16/17 hence the £25k net savings in 17/18)</td>
<td>25</td>
<td>0</td>
<td>25</td>
<td>Green</td>
<td>Salaries budget moved to Adults, non salaries budgets remain on Housing General Fund.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CH_9 HGF</td>
<td>Property purchase initiative - net benefit to Council of proposals to purchase 100 homes, per Cabinet report appendix. Homelessness savings are part of the equation.</td>
<td>31</td>
<td>(2)</td>
<td>42</td>
<td>71</td>
<td>Amber</td>
<td>MTFS savings £757k reversed out, being unachievable B&amp;B savings, as part of MTFS refresh leaving £143k representing net rental income expected to be achieved.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CH_9 HGF</td>
<td>Additional income - Property purchase initiative - net benefit to Council of proposals to purchase 100 homes, per Cabinet report appendix. Homelessness savings are part of the equation.</td>
<td>770</td>
<td>355</td>
<td>(4)</td>
<td>1,121</td>
<td>Amber</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CH_10 HGF</td>
<td>Home Improvement Agency - savings arising from a combination of reducing the service and increasing the charge to the HRA in respect of the Occupational Therapist service</td>
<td>130</td>
<td>130</td>
<td>Green</td>
<td>Assumes adequate referral rate for Adult Services throughout financial year 2017-18</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Housing</strong></td>
<td><strong>1,939</strong></td>
<td><strong>822</strong></td>
<td><strong>263</strong></td>
<td><strong>3,024</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Community Total</strong></td>
<td><strong>4,066</strong></td>
<td><strong>3,633</strong></td>
<td><strong>509</strong></td>
<td><strong>8,208</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Regeneration

<table>
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<tr>
<th>Unique Reference No.</th>
<th>Development Control</th>
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</tr>
</thead>
<tbody>
<tr>
<td>REP_S01 Development</td>
<td>Planning income - Increase of pre-application charges to a competitive level (subject to the approval as part of annual F&amp;C review process)</td>
<td>100</td>
<td>20</td>
<td>20</td>
<td>Green</td>
<td>On track to be achieved.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REP_S03 Economic</td>
<td>Economic Development &amp; Regeneration - Reduction in activity to support economic development and regeneration</td>
<td>-</td>
<td>27</td>
<td>27</td>
<td>Green</td>
<td>Savings in revenue budget and staffing budget have been made.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## 2017-18 MTFS Savings Tracker

<table>
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<tr>
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<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>£000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>E&amp;E_36</td>
<td>Planning - Development Mgt</td>
<td>Planning Fees: following an increase in 2013, the government may increase the statutory planning fees at some point over the next four years</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td>100</td>
<td>Amber</td>
<td>In Feb 2017, a proposed 20% increase in planning fees was announced by the DCLG for implementation in the summer. However this has been delayed by the call for a General Election. The implementation of the increase has recently commenced.</td>
</tr>
<tr>
<td></td>
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<td>£350k saving to be delivered in 2017-18. Rental income from property portfolio not expected to be achieved 2017-18, and saving of £2,350 to be reversed out from 18/19 onwards as a de-risking strategy to the MTFS, it is prudent to remove this income stream which will be re-instated into the budget as and when realised.</td>
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## Appendix 3

### Draw Down From Reserves

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CP Summary

Project Definition

Original
Programme

Brought
Forward Virement

Other
Adjustement
(Additional/ Externally
Reduction) Funded (E)

Harrow
Funded (B)

TOTAL
BUDGET

Forecast
Outturn

Forecast
Variance

Over/
Slippage Underspend

MOSAIC Implementation Adults & Children's Services
Adults Personal Social
Services - Community Capacity
Grant
Capital Strategic Reviews
Reform Of Social Care Funding

0

272,306

0

0

0

272,306

272,306

286,000

13,694

0

13,694

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339,930
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428,663
960

88,733
960

0
0

88,733
960

Integrated Health Model
Milman's Day Centre Remodeling and Ref
Maintenance of Adults
Properties
Project Infinity
In-House Residential
Sancroft Care Home
Mentis Pilot
Total Adult

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0

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-149,000

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241,000
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School Amalgamation
Bulge Classes
Schools Capital Maintenance
Devolved Formula Non VA
Schools
Secondary Expansions
SEN Provision
Schools Expansion Programme
- Phase 1
Schools Expansion Programme
- Phase 2
Schools Expansion Programme
- Phase 3
Schools Expansion Programme
- Phase 4
Free School Meals
Whitmore School
Hatch End MUGA
Short Breaks
Childrens IT Development
Total School and Children

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BTP - Public Realms

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TOTAL PEOPLE
Enviroment
Carbon Reduction Programme
Carbon Reduction - Schools
Car Parks Infrastructure
City Farm/Pinner Park Farm
Corporate Accommodation
Maintenance
Harrow
On Hill Station
High Priority Plan Maintenance
Corporate Property
Highway Drainage
Improvements & Flood Defence
Infrastructure
Highway Improvement
Programme
Parking Management
Programme
Neighbourhood Investment
Scheme
Waste and Recycling
Section 106 Schemes for
Highways
Street Lighting Improvement
Programme
TfL Principal Roads
TfL Transport Capital
Trade Waste
Town Centre Regeneration
Harrow Green Grid
CCTV cameras and equipment
at the depot
Parks Infrastructure
Parks Litter Bins
Green Gym
Street Litter Bins
Redevelopment of Vernon
Lodge redevelopment
Depot
Total Enviroment
Housing
Disabled Facilities Grants
Empty Property Grant
Improvement grant
Housing Property Purchase 100 Homes
Housing Property Purchase 50 Homes
Total Housing
Culture
Sec 106 Banister Sport Pitch
Harrow Arts Centre
Sports & Leisure
Headstone Manor
HAC/Museum - ICT
Central Library Refit/Refurb
Libraries and Leisure Capital
Infrastructure
Total Culture

235
1

05/02/2018


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<th>Virement</th>
<th>Unmet Adjustment (Additional Reduction)</th>
<th>Externally Funded (E)</th>
<th>Harrow Funded (B)</th>
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<th>Forecast Outturn</th>
<th>Forecast Variance</th>
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REPORT FOR: CABINET

Date of Meeting: 15 February 2018

Subject: Final Capital Programme 2018/19 to 2020/21

Key Decision: Yes

Responsible Officer: Dawn Calvert, Director of Finance

Portfolio Holder: Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation

Exempt: No, except for Appendix 3, which is exempt on the grounds that it contains “exempt information” under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

Decision subject to Call-in: Yes

Wards affected: All

Enclosures: Appendix 1 – Proposed Capital Programme 2018/19 to 2020/21

Appendix 2 – New capital additions (included within Appendix 1) 2018/19 to 2020/21

Appendix 3 – Regeneration Programme by Scheme - Exempt
Section 1 – Summary and Recommendations

This report sets out the proposed Capital programme for the financial years 2018/19 to 2020/21 and provides an update on the Regeneration Programme.

Recommendations:
1. Cabinet is requested to recommend the capital programme, as detailed within Appendix 1, to Council for approval

Reason: To enable the Council to have an approved capital programme for the period 2018/19 to 2020/21.

Section 2 – Report

Development of the Capital Programme

1. This report sets out the Council’s proposals for Capital investment over the period 2018/19 to 2020/21. These provide for very substantial investment over the next 3 years in the General fund and Housing Revenue Account.

2. The proposed Capital Programme has been prepared in the current climate of increased demand pressures and reduced external funding from Central Government.

3. Service directorates were invited to bid for capital resources, as part of their service proposals for 2018/19 to 2020/21. The proposals were reviewed taking into account the council’s strategic vision of “Working together to make a difference for Harrow”, the Council’s priorities and equalities and other statutory duties.

4. In addition to reduced external funding from grants etc, flexibility in the capital programme is also constrained by a number of factors:
   - Unavoidable spending requirements such as the need to provide school places for the increasing school age population, major repairs to the Council’s buildings and carriageway and footway resurfacing.
   - Restrictions in the way funding can be used e.g. ring fenced funding such as Transport for London and the Department of Education grants for schools.
   - A 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 and the Capital Programme must be affordable.
5. Capital proposals were considered against the following criteria:
   
a. Life and Limb/Health and Safety.
c. Schemes fully funded by external sources.
d. Invest to Save Schemes (the capital expenditure must generate a revenue stream to cover the capital financing costs and make a savings contribution).

6. The draft Capital Programme report presented to Cabinet in December 2017 included a schedule of proposed additions to the Capital Programme between 2018/19 and 2020/21 which were subject to further review and consideration during December and January, prior to inclusion in this Final Capital Programme report in February 2018.

7. A list of the new proposed projects within the programme is detailed in appendix 2 and summarised in Table 1 below:

Table 1

<table>
<thead>
<tr>
<th>Project Title</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>TOTAL</th>
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<td></td>
<td>Value £000</td>
<td>Funding £000</td>
<td>Value £000</td>
<td>Value £000</td>
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<td>1,745</td>
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<td>1,745</td>
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8. These provide for a very substantial net investment of £27.6m in infrastructure on the General Fund services over the next three years in line with the Medium Term Financial Strategy. The gross value of the proposed General Fund programme is £33.470m, with external funding of £5.867m and a net increase in the programme of £27.603m.

The new capital proposals are set out at Appendix 2. In the main they relate to continuing with the existing pattern of expenditure for an additional year in 2020/21.

Resources

9. Information Technology (IT) – an additional £3m and has been included for IT Infrastructure refresh and £1.7m for devolved IT applications.
across the Council in 2020/21. This is to cover the refresh of devolved applications, maintain external compliance and to support the deployment of new applications.

**Community Directorate**

10. Highways and Roads - £5.0m is proposed in 2020/21 to improve the Highways infrastructure which includes carriageways and footways.

11. Flood Defence and Highways drainage - £300k for Flood defence and £200k for Highways drainage in 2020/21 to ensure investment on flood defence and drainage on Highways continues into 2020/21.

12. Street Lighting - £1.5m is included in 2020/21 to continue the street lighting programme of investment.

13. Local Implementation Plan including parking management – £1.3m in 2020/21. Harrow will receive £1m from TFL to deliver transport projects and initiatives set out on the local transport implementation plan which delivers around 20-30 specific schemes. The Harrow contribution of £300k relates to parking schemes.

14. Leisure and Library Capital Infrastructure - £150k is required in 2020/21 to continue to invest in Leisure and Library Infrastructure.

15. Harrow Museum Infrastructure - £104k is included for 2020/21 for planned works beyond the day to day maintenance. It is anticipated that £60k will be funded from match funding from external sources and so the Council commitment is £44k.

16. CCTV Infrastructure - £1.6m (£800k in 2018/19 and £800k in 2019/20) to upgrade the Borough’s current CCTV Infrastructure which has been in place since 2001. It is anticipated that the capital financing costs will be funded through additional income, which is subject to the development of a separate Business case. The scheme is included in the Capital programme at a neutral cost on the basis that it will only proceed if enough income can be generated to cover the capital financing costs.

17. Carbon Reduction and High Priority Planned Investment to the Corporate Estate - £50k and £500k in 2020/21, respectively. This is to continue the programme of investment to upgrade and improve existing assets in Council owned buildings and to ensure that properties are in a safe condition.

18. Parks Infrastructure - £675k in 2020/21 to continue the on-going programme to improve existing facilities and provide safe access for users.

19. Redevelopment of Rayners Lane Toilet Block - £170k in 2018/19 for the refurbishment and redevelopment of this building to bring it back into use through a conversion to lettable shot/office space. The rental income will cover capital financing costs and so this project is cost neutral in terms of the revenue budget.
20. Trade waste bins and Waste and Recycling improvements - £100k and £150k in 2020/21 for the provision and replacement programme of trade waste bins and to make improvements to the Civic Amenity site including the replacement programme for wheeled bins.

21. Corporate Accommodation - £255k in 2020/21 to cover the whole corporate estate for building works including plant and infrastructure, equipment and furnishings.

22. Car park Infrastructure - £15k in 2020/21 for works to car parks including upgrades to parking machines as necessary.

23. Green Grid – £150k in 2020/21 for the continuation of the programme of improvements to Harrow’s Green Infrastructure to provide a network or interlinked and multifunctional green spaces.

24. CCTV cameras and equipment - £50k in 2020/21 for ongoing improvements to CCTV cameras as part of the Council’s parking policy.

25. Redevelopment of Vernon Lodge and Atkins House - £750k was included in the Capital Programme for 2017/18, mainly to replace the roof. However, at the time alternative proposals were being looked at for Vernon Lodge and the funding for the roof was only to be committed if no other alternative use was proposed. As part of the 2018/19 Capital Programme, there is a proposal to redevelop Vernon Lodge at a total cost of £11.049m. £10.324m is being proposed as an addition in this report (£775k 2018/19, £8.225m in 2019/20 and £1.324m in 2020/21), which is in addition to the uncommitted sum of £725k in 2017/18 for the roof.

This proposal is subject to a business case being agreed by Cabinet in a separate future cabinet report. The business case will set out the proposal for the redevelopment of the Council’s only homelessness hostel, Vernon Lodge, to increase capacity and create purpose built accommodation that will provide the capacity for the Council to house its homeless without the use of bed and breakfast arrangements. It will also provide units that can be rented to those able to afford the rental and therefore reduce the costs of the Council renting/supplementing rental in private housing. This will also generate additional revenue income for the Council. It is anticipated that the additional revenue income will cover the running costs of the new facility and cover the capital financing costs of the £11.049m capital expenditure. The current budget includes the Capital financing costs of Vernon Lodge and also the anticipated revenue income to cover these costs, so it is cost neutral to the budget.

26. Headstone Manor - Park for the People Project – this project has a total cost of £1.797m (£75k 2018/19, £1.722m 2019/20) and is to be fully funded by a £1.127m bid to the Heritage Lottery Fund, £370k from Section 106 funding and £300k from Borough Community Infrastructure Levy (CIL) funding. The project will address health and safety issues with the historic moat and improve existing footpath network and car park to enable it to cope with additional visitors. This project is totally funded from external sources and will not attract any capital financing costs.
27. Empty Property Grants - £450k in 2020/21 to provide grants to help bring empty properties back into use, generally in exchange for nomination rights for a period of time.

28. Disabled Facilities Grants - £2.030m in 2020/21 of which £1.180m of grant funding will be received leaving a £850k requirement to be funded from borrowing. This funding enables the delivery of adaptations to the homes of vulnerable residents of the Borough.

**Regeneration, Enterprise and Planning**

29. Lyon Road Pop-up Restaurant and Square (GLA, Section 106 and Neighbourhood CIL Funded) – this project has a total cost of £1.010m (£84k 2018/19, £725k 2019/20 and £201k in 2020/21). This project is fully funded by the GLA £485k, S106 £450k and Neighbourhood CIL £75k. The project is to transform an existing car park in Harrow Town Centre into a multi-function public space, improving the general environment for pedestrians and providing the opportunity for markets, especially food markets.

30. Mobile Technology in Community Learning - £20k in 2018/19 has been provided to purchase IT equipment to support Community Learning. This funding has been provided by the GLA and Skills Funding Agency.

31. Neighbourhood CIL Schemes – a sum of £800k has been included in the Capital Programme in 2018/19. CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities.

**Capital Funding for the New Capital Additions**

32. New capital additions to the General Fund programme for 2018/19 and 2019/20 have only been included if they are invest to save projects or can be funded from other external funding. Any borrowing costs that arise from new capital additions in 2018/19 and 2019/20 will be funded from additional income and therefore no impact in terms of revenue implications. For new schemes agreed in 2020/21, the cost is £465k; however this increases by £1.919m in 2021/22 to £2.384m which is outside the current MTFS.

33. The revenue implications of this new borrowing, in the context of the Council’s treasury management activity, are set out in table 2 below. The revenue implications are factored in to the Final revenue budget report for 2018/19 to 2020/21 being considered by Cabinet elsewhere on this agenda. The table only includes the additional revenue effects of the additional programme that is proposed and excludes the revenue implications of previous years’ capital programmes which are already accounted for in the current MTFS.

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<th>Table 2: Capital Financing Implications of New Additions</th>
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<tr>
<td>Minimum Revenue Provision (MRP)</td>
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</table>

34. The capital financing cost increases by £1.919m from £465k to £2.384m in 2021/22 which is outside the current MTFS but this will need to be included next year when the budget is extended for a further year to 2021/22.

35. There is no MRP impact in 2018/19 as MRP in relation to expenditure in 2018/19 does not commence until 2019/20.

36. It should be noted that the capital financing costs are based on a number of assumptions about the level of capital expenditure, timing of any borrowing, PWLB interest rates (current rates used at time of writing the report) and asset lives used in estimating the minimum revenue provision. The revenue budget reflects the best estimate based on these assumptions.

**Community Infrastructure Levy (CIL) Funding**

37. The Community Infrastructure Levy (CIL) enables the council to raise funds for infrastructure from new development. It is levied on the net increase in floorspace arising from new development and is paid when that development starts. The Community Infrastructure Levy (CIL) is a tool for local authorities to support the development of their area by funding the provision, improvement, replacement, operation or maintenance of infrastructure. However the focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area. CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities. Harrow’s list of strategic infrastructure requirements known as a Regulation 123 list is shown below:
38. Of all CIL monies collected, 85% is used to fund strategic borough-wide infrastructure projects, which includes a 5% allowance to cover the administrative costs of CIL. The decisions on where to spend CIL at a borough-wide level is determined by the Council. The remaining 15% is allocated to Neighbourhood CIL (NCIL) and must be spent on projects that have taken account of the views of the communities in which the income was generated and these projects should support the development of the area.

39. A report was presented to the Major Development Panel (MDP) on 14th November 2017, recommending that the allocation of Borough and Neighbourhood CIL is included as part of the Annual Budget Setting process and included in the Capital Programme report which goes to Cabinet in draft in December and in February (this report) in its final version. The recommendations from the Major Development Panel (MDP) report were considered separately at the December 2017 Cabinet meeting.

40. The Borough CIL element will be used to fund the core Capital programme and will be considered as a funding source for the existing Capital programme set out at Appendix 1.

41. The Neighbourhood element of CIL has been included in the Capital Programme as a broad allocation to indicate the total amount of NCIL available. A sum of £800k has been included in the 2018/19 Capital Programme. A sum of £200k has also been included for 2017/18 as reported in the revenue and Capital monitoring report Quarter 2 which went to Cabinet in December 2017. Both sums will be funded by the NCIL payments already received to date. Yearly allocations of NCIL will
be added to the Capital Programme, subject to confirmation of likely CIL receipts.

42. In addition, there are 2 specific schemes in Appendix 2 which have an element of CIL funding included; Headstone Manor – Park for the People Project has £300k of BCIL funding included (paragraph 26) and Lyon Road Pop-up Restaurant and Square has £75k of NCIL included (paragraph 29).

43. Specific projects to be funded by NCIL will be put forward by the relevant Directorates / Ward members and assessed against the criteria outlined in the CIL Allocations report. The final decision on what projects are funded from the agreed NCIL allocations will be delegated to the Divisional Director – Regeneration and Planning, in consultation with the Portfolio Holders for Regeneration and Planning, and Finance and Commercialisation.

44. Recognising the growing CIL balance and pressures on the Council’s overall financial position, as part of the 2017/18 Budget setting, Cabinet agreed on 16th February 2017 to allocate £4.8 million of CIL funds over a 2 year period on Highway improvements.

45. After allowing for the allocation of £4.8m, there was still a balance remaining from the monies collected as at 31st March 2017 of £106,055 in relation to BCIL to spend (once the NCIL and CIL administration top slice is deducted). In addition, at 31st October 2017, a further £2.403 million of Harrow CIL had been received during the 2017/18 financial year, representing £1.922 million of Borough-wide CIL once Neighbourhood CIL and administration top-slice is deducted. This totals £2.028m of BCIL. This figure represents the income received to date and so will be higher by the 31st March 2018.

46. As BCIL becomes available in future years it will be applied as a funding source for the Capital Programme.

The Capital programme 2018/19 to 2020/21

47. The final Capital programme report submitted to Cabinet and Council in February each year sets out spending plans for the period of the MTFS, so usually 3 years. Once the Capital Programme is agreed by Cabinet and Council in February each year, the Capital programme is reviewed as part of the Annual Budget Setting process. This gives Directorates the opportunity to re-align the Capital Programme agreed in the previous February with their latest estimates of the spending profile of the projects.

48. The impact of re-profiling of spending between years is cost neutral across the financial years and all capital financing costs are already included in the revenue budget. Table 3 sets out the movement between the financial years with the detailed Capital Programme provided in Appendix 1 which also includes the additions set out separately in Appendix 2:
49. The total Capital Programme set out in Appendix 1 and in Table 3 above, incorporates the revised Regeneration Programme. The movement in the programme shows:

- Reductions made in 2018/19 and 2019/20 which total £4.636m. These reductions were made as part of the process to review the existing Capital Programme with a view to re-prioritising investment and thereby make reductions to assist with closing the budget gap as reported as part of the draft Capital Programme which went to Cabinet in December 2017.

- a net reduction between 2018/19 to 2020/21 of £10.858m in the Regeneration Programme (see paragraphs 51 to 58)

- New capital additions (see paragraphs 7 to 31) which increase the programme by a total of £27.603m.

- Net movement in the HRA Capital Programme of £19.180m

50. Overall as a result of these changes the Total Capital Programme has increased from £368.535m to £399.824m. Table 4 below shows the total Capital Programme by Directorate:

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</thead>
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<tr>
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<td>- 2,271</td>
<td>-</td>
<td>- 4,636</td>
</tr>
<tr>
<td>Revised Capital Programme excluding Regeneration amendments</td>
<td>248,115</td>
<td>115,785</td>
<td>0</td>
<td>363,899</td>
</tr>
<tr>
<td>Amendment to Regeneration Capital Programme to be approved at February 2018 Cabinet</td>
<td>- 126,874</td>
<td>80,482</td>
<td>35,534</td>
<td>- 10,858</td>
</tr>
<tr>
<td>New 2018/19 Capital Programme added</td>
<td>1,745</td>
<td>9,025</td>
<td>16,833</td>
<td>27,603</td>
</tr>
<tr>
<td>Changes to HRA Budget</td>
<td>- 5,900</td>
<td>11,244</td>
<td>13,836</td>
<td>19,180</td>
</tr>
<tr>
<td>Total 2018/19 Capital Programme</td>
<td>117,086</td>
<td>216,535</td>
<td>66,203</td>
<td>399,824</td>
</tr>
</tbody>
</table>
51. The previous expenditure requirements of the Regeneration Programme over the financial years 2017/18 to 2019/20 were estimated to be £325m, to be funded through a combination of land receipts and new borrowing, with the total cost of the Regeneration programme anticipated to be in the region of £349m over the life of the programme which extended to 2021/22. There were land receipts anticipated in the region of £108m being generated to help fund the cost of works which gave a net scheme cost of £241m.

52. In 2017, a Commercial & Financial Review of the Regeneration Programme was launched, which focused on the following areas:

- Phasing and profiling of the programme
- Further commercial review of designs
- Peer review of approaches taken in other Councils and organisations
- Further analysis of debt and cash flows
- Clarification of advice on the legal and tax implications
- Seeking advice on partnering structures.
53. This resulted in a revised indicative Programme budget being taken to December 2017 Cabinet. This showed gross expenditure of £293m reduced to £220m after the application of capital receipts. The December Cabinet report stated that this indicative position was subject to further review in preparation for it being included in the Final Capital Programme to be agreed by Cabinet/Council in February 2018. The revised Regeneration budget which extends to 2022/23 is set out in Table 5 below.

Table 5 – Regeneration Programme

<table>
<thead>
<tr>
<th></th>
<th>January 2017 Approved budget, (A)</th>
<th>December 2017 Update, (B)</th>
<th>February 2018 Budget (C) for Approval, £’000s</th>
<th>Variance (A)-(C) £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Expenditure</td>
<td>349,096</td>
<td>292,252</td>
<td>295,171</td>
<td>(53,925)</td>
</tr>
<tr>
<td>Capital Receipts</td>
<td>(108,245)</td>
<td>(72,660)</td>
<td>(87,771)</td>
<td>20,474</td>
</tr>
<tr>
<td>Net Expenditure</td>
<td>240,851</td>
<td>219,592</td>
<td>207,400</td>
<td>(33,451)</td>
</tr>
</tbody>
</table>

54. The following areas are reflected in the revised programme budget (C) above:

- Re-phasing of Poets’ Corner Phase 1 by elongation of construction and dividing the site into 3 sections. This has the effect of reducing peak debt and also reduces risk as further sections will only be committed to once the previous one is progressing well. This further de risks the programme as major projects are not starting on site at the same time.

- Sale of Haslam House and Waxwell lane - A review of these schemes suggests it would be better to sell for a cash receipt due to the desirable location and recycled back into the programme. Current assumptions within the modelling are that both these schemes will be sold upon completion and the capital receipt recycled back. However, this will continue to be reviewed to ensure maximum benefit to the programme.

- Inclusion of the GLA grant receipt , in 2017/18, of £3.75m against Poets’ Corner Phase 1

- An estimation of Stamp Duty Land Tax liability of £8.2m where applicable.

- Review of the Management and Maintenance cost assumptions resulting in increases from £650/unit to £750/unit

- Start on Site and practical completion dates have been updated to reflect their current assumptions.
To aid transparency, Value Engineering savings, yet to be made, have been removed from the costs. Further design work to ensure that schemes reach their viability target is on-going.

55. The comparable total cost of the programme is now anticipated to be £295m to 2022/23 whereas it was at £349m in January 2017. Capital receipts are now expected to be £88m down from £108m in January 2017 in line with the design changes. A detailed breakdown of budget allocations is set out over the life of the Programme in Appendix 3 but overall expenditure is to be re-profiled for the period of the existing Capital Programme as follows:

Table 6: Capital Programme 2018/19 to 2020/21

<table>
<thead>
<tr>
<th></th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenditure</td>
<td>£70,996</td>
<td>£162,120</td>
<td>£35,534</td>
<td>£268,650</td>
</tr>
<tr>
<td>Previous budget</td>
<td>£197,870</td>
<td>£81,638</td>
<td>£0</td>
<td>£279,508</td>
</tr>
<tr>
<td>Variation</td>
<td>(126,874)</td>
<td>80,482</td>
<td>35,534</td>
<td>(10,858)</td>
</tr>
</tbody>
</table>

56. As a result of the reduction in the overall capital requirement, £33m will no longer need to be borrowed. Borrowing strategies are being developed which will enable interest rates to be controlled. These include structuring new borrowing with a mix of maturities, such as short-term borrowing (e.g. 3/5/7 year loans) over the development period to enable the Council to access the cheaper rates currently available for these maturities and long term borrowing once the private rented sector units become operational.

57. The January 2017 programme assumed previously created flexibilities being used to fund expenditure in the period until a positive cash flow after capital financing being used. The current model assumes the same principle however; the level of flexibilities is reduced.

58. The design and tenure mix of new housing will be adjusted and finalized as each project proceeds through the planning process, to ensure that schemes are financially viable. Table 7 shows the current tenure assumptions:
Table 7: Tenure Assumptions

<table>
<thead>
<tr>
<th>TENURE</th>
<th>Jan 17</th>
<th>Dec 17</th>
<th>Jan 18-Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNITS FOR MARKET RENT</td>
<td>509</td>
<td>509</td>
<td>480</td>
</tr>
<tr>
<td>UNITS FOR INTERMEDIATE RENT</td>
<td>101</td>
<td>133</td>
<td>133</td>
</tr>
<tr>
<td>UNITS FOR AFFORDABLE RENT</td>
<td>72</td>
<td>92</td>
<td>92</td>
</tr>
<tr>
<td>SOLD DIRECT TO PURCHASERS</td>
<td>149</td>
<td>21</td>
<td>50</td>
</tr>
<tr>
<td>SOLD AS PRIVATE SALE TO RP/DEV</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>SOLD AS RENTED TO RP/DEV</td>
<td>7</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>SOLD AS SHARED OWNERSHIP TO RP/DEV</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL RESIDENTIAL</td>
<td>838</td>
<td>755</td>
<td>755</td>
</tr>
<tr>
<td>PARKING SPACES</td>
<td>802</td>
<td>194</td>
<td>193</td>
</tr>
<tr>
<td>CIVIC CENTRE</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>RETAIL UNITS</td>
<td>2</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>COMMUNITY CENTRE</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>OTHER 1</td>
<td>3</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>OTHER 2</td>
<td>0</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>LAND SALE</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL NON-RESIDENTIAL</td>
<td>811</td>
<td>210</td>
<td>202</td>
</tr>
<tr>
<td>TOTAL - RESI &amp; NON RESIDENTIAL</td>
<td>1649</td>
<td>965</td>
<td>957</td>
</tr>
</tbody>
</table>

59. Capital Receipts

The Property Disposal Programme 2017/18 was submitted to Cabinet on 7th December 2017. The asset management strategy requires that surplus properties and those not meeting the Investment Strategy criteria are to be proposed for disposal to maximise capital receipts which can be used to fund service improvements across the Council. As well as being used to fund Capital expenditure, the Council has the ability to apply capital receipts to fund revenue expenditure that is incurred to generate on going revenue savings in the delivery of public services and / or transform service delivery to reduce costs and / or transfer service delivery in a way that reduces costs or demand in future years. This is permissible under the Capital Flexibilities Regulations that came in effect from 1st April 2016 until 31st March 2019. As part of the recent Finance settlement for 2018/19, these flexibilities have been extended for a further 3 years. In 2016/17, £2.3m of capital receipts were used to fund eligible revenue expenditure with a further £3m allowed for in the 2017/18 revenue budget and £2.7m in the 2018/19 budget.

HOUSING REVENUE ACCOUNT (HRA)

60. The proposed HRA Capital Programme is detailed in a separate report to Cabinet elsewhere on this agenda. Any implications from the HRA Capital Programme are funded from the Housing Revenue Account and do not impact upon the General Fund Budget.
Options considered
61. A number of capital proposals are considered during the budget setting process.

Legal Implications
62. Under the Financial Regulations paragraph B2 full council is responsible for agreeing the Authorities policy framework which are proposed by the Cabinet and this includes the capital programme. Under B41 the Director of Finance is responsible for producing an annual capital strategy for Cabinet to recommend to Council.

Financial Implications
63. Financial matters are integral to the report. The capital financing costs of all capital proposals must be included in the revenue budget.

Performance Issues
64. The capital programme proposed represents a significant investment by the Council in infrastructure. This will have an impact on a range of performance indicators across the Council’s services.

65. Monitoring of the approved programme, is ongoing and is essential for good financial management.

66. It is proposed that a performance target is set at 90% of the approved budget to be spent in year. Having approved an investment programme it is important that the programme is then substantially delivered in the planned timeframe, in line with Member priorities.

Risk Management Implications
67. 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.

Equalities implications / Public Sector Equality Duty
68. 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 officer’s initial views are that no protected group is adversely affected by the proposals. A number of the projects proposed in the programme will require separate Cabinet reports and full Equality Impact Assessments before they commence.
69. 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

Council Priorities

The Council’s vision is:

Working Together to Make a Difference for Harrow

This report deals with the use of financial resources which is key to delivering the priorities of the Harrow Ambition Plan:

- Build a Better Harrow
- Be More Business-Like and Business Friendly
- Protecting the most Vulnerable and Support Families.

Section 3 - Statutory Officer Clearance

<table>
<thead>
<tr>
<th>Name: Dawn Calvert</th>
<th>Chief Financial Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: 5 February 2018</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Name: Jessica Farmer</th>
<th>Monitoring Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: 6 February 2018</td>
<td></td>
</tr>
<tr>
<td>Ward Councillors notified:</td>
<td>NO, as it impacts on all Wards</td>
</tr>
<tr>
<td>--------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>EqIA carried out:</td>
<td>NO</td>
</tr>
<tr>
<td>EqIA cleared by:</td>
<td>Any projects with potential impacts will separately be required to do an impact assessment.</td>
</tr>
</tbody>
</table>

**Section 4 - Contact Details and Background Papers**

**Contact:** Sharon Daniels, Head of Strategic and Technical Finance (Deputy S151)  
Email: sharon.daniels@harrow.gov.uk

**Background Papers:**
- **Draft Capital Programme 2018/19 to 2020/21 - Cabinet 7th December 2017**  
  [Link](http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=249&MId=64137&Ver=4)
- **CIL Infrastructure Levy - report to Major Developments Panel 14th Nov 2017**  
  [Link](http://www.harrow.gov.uk/www2/ieListDocuments.aspx?CId=1041&MId=64184&Ver=4)

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

[Call-in applies]
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## Appendix 1

### Project Title

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Gross Value £000</th>
<th>External Funding £000</th>
<th>Net Value £000</th>
<th>Gross Value £000</th>
<th>External Funding £000</th>
<th>Net Value £000</th>
<th>Gross Bid Value £000</th>
<th>External Funding £000</th>
<th>Net Bid Value £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resources and Commercial Directorate</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Ongoing refresh &amp; enhancement of ICT</strong></td>
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<tr>
<td>Replacement, upgrades and enhancements to applications,</td>
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<td>infrastructure and end user devices,</td>
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<tr>
<td>not included within the agreed supplier service charges or transformation</td>
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<tr>
<td>programme</td>
<td>3,000</td>
<td>3,000</td>
<td>5,000</td>
<td>5,000</td>
<td></td>
<td></td>
<td>8,000</td>
<td>8,000</td>
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</tr>
<tr>
<td><strong>Transition and Transformation - Sopra Steria</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Sub Total 'Transformation &amp; Technology'</td>
<td>3,038</td>
<td>3,038</td>
<td>5,000</td>
<td>5,000</td>
<td></td>
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<td>8,038</td>
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<tr>
<td><strong>IT Infrastructure refresh</strong></td>
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<td></td>
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<tr>
<td>Essential refresh of the IT</td>
<td></td>
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<tr>
<td>infrastructure to enable continued operation of Council services.</td>
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<td>3,000</td>
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<td><strong>Devolved Applications Refresh</strong></td>
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</tr>
<tr>
<td>In order to maintain external compliance and to support the deployment of</td>
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<tr>
<td>new applications a roadmap has been agreed with Sopra Steria to keep the</td>
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</tr>
<tr>
<td>IT infrastructure up to date. This will result in the need to upgrade line</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>of business applications owned by the services in order for them to remain</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>compatible and maintain external compliance.</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>1,700</td>
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<td>1,700</td>
<td>3,100</td>
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<tr>
<td><strong>Total Resources and Commercial Directorate</strong></td>
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<td>14,138</td>
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<td><strong>People’s Directorate</strong></td>
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<tr>
<td><strong>Reform of Social Care Funding</strong></td>
<td></td>
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</tr>
<tr>
<td>The second phase of the Care Act in relation to the Care Accounts</td>
<td></td>
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<tr>
<td>has been delayed until 2020. The originally approved funding is</td>
<td></td>
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</tr>
<tr>
<td>therefore pushed back to 2019/20 pending further guidance on next steps.</td>
<td></td>
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</tr>
<tr>
<td>The funding will be used to support the implementation, including building</td>
<td></td>
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<tr>
<td>new information system(s) to support the requirements including</td>
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</tr>
<tr>
<td>self-assessment tools.</td>
<td>0</td>
<td>0</td>
<td>250</td>
<td>0</td>
<td>250</td>
<td>0</td>
<td>250</td>
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<td>250</td>
</tr>
<tr>
<td><strong>Project Infinity</strong></td>
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<tr>
<td>Placeholder for potential capital funding to enable further</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>commercialisation of My Community e Purse (M CeP – self directed care)</td>
<td></td>
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<tr>
<td>and for Our Community e Purse (O CeP – self funded care) with the</td>
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<tr>
<td>expectation (subject to development of further business cases) that</td>
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<tr>
<td>investment and continued partnership working with IBM will support the</td>
<td></td>
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<tr>
<td>delivery of a revenue income stream, enabling MTFS savings to be reinstated.</td>
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<td></td>
<td>100</td>
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<td>100</td>
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</tr>
<tr>
<td><strong>In-House Residential Establishments</strong></td>
<td></td>
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<tr>
<td>Investment to maintain the infrastructure of the Council’s internal</td>
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<td></td>
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<tr>
<td>residential and day care facilities. Requirement ceases post 2018/19</td>
<td></td>
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<tr>
<td>linking to revenue MTFS service repriorisation proposals</td>
<td>100</td>
<td>0</td>
<td>200</td>
<td>0</td>
<td>200</td>
<td>0</td>
<td>300</td>
<td>0</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total Adults</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>200</td>
<td>200</td>
<td>450</td>
<td>0</td>
<td>450</td>
<td>0</td>
<td>0</td>
<td>650</td>
<td>0</td>
</tr>
</tbody>
</table>

**Note:** The table above provides a detailed breakdown of the capital programme for the years 2018/19 to 2020/21, with specific projects and their associated values.
**Schools**

**SEN Expansion**
There is pressure for special educational needs (SEN) provision places, which will be alleviated in the medium term as additional places will become available from 2015 following successful TBNP applications in accordance with Harrow's Special Schools and SEN Placement Planning Framework. However, in light of the projections and in light of the Government’s Special Educational Needs and Disability reform agenda, consideration needs to be given to the next phase of expansion. A time limited task and finish group has been established, which will drive forward work on producing a refresh of the Harrow SEN strategy.

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Schools</strong></td>
<td>7,670</td>
<td>4,520</td>
<td>3,150</td>
<td>6,750</td>
<td>2,625</td>
<td>4,125</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total People’s Directorate</strong></td>
<td>7,870</td>
<td>4,520</td>
<td>3,350</td>
<td>7,200</td>
<td>2,625</td>
<td>4,575</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Bulge Classes**
The pupil numbers in Harrow have risen rapidly in recent year, particularly at primary intake level. This has given rise to the School Expansion Programme which is covered in other bids. However, until permanently expanded schools are available, the short term measure has been to provide ‘bulge classes’ in multiple schools across the borough. These are where an additional form of entry are placed in a particular year which then passes through the school without being followed by additional classes.

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</tr>
</thead>
<tbody>
<tr>
<td>Proactive and reactive programme of maintenance across the schools estate</td>
<td>1350</td>
<td>1350</td>
<td>1350</td>
<td>1350</td>
<td>0</td>
<td>2,700</td>
<td>0</td>
<td>2,700</td>
</tr>
</tbody>
</table>

**Capital Maintenance funding estimate 2018-19**
Estimated allocation for Capital Maintenance to contribute to schools capital programme for 2018-19

<p>| | | | | | | | | |</p>
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</thead>
<tbody>
<tr>
<td>The growth in demand for primary places will progress to secondary schools and it is projected that there will be a shortfall of Year 7 places from 2018. Additional capacity has been secured through the expansion of two schools, Bentley Wood and Whitelfriars and the permanent location of Avanti House will contribute to an overall increase in places. In addition, a further 6 forms of entry have been secured through the successful free school bid opening on the Heathfield School site. However, there will still be a shortfall of places from September 2020 rising to approx. 13 forms of entry in September 2023.</td>
<td>3,650</td>
<td>3,650</td>
<td>5,250</td>
<td>2,625</td>
<td>2,625</td>
<td>0</td>
<td>8,900</td>
<td>2,625</td>
</tr>
</tbody>
</table>

**Community Directorate**

**Environmental Services**
Renewal of ageing drainage infrastructure to reduce the risk of flooding impact on residents, properties and business continuity.

<p>| | | | | | | | | |</p>
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Flood Defence</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Renewal of ageing drainage infrastructure to reduce the risk of flooding impact on residents, properties and business continuity.</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>900</td>
<td>0</td>
</tr>
<tr>
<td>Category</td>
<td>Description</td>
<td>Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>----------------------------------------------</td>
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</tr>
<tr>
<td><strong>Waste &amp; Recycling</strong></td>
<td>Replacement of aged, damaged and/or lost wheeled bins, as well as bins provision for new residential developments within the borough. On-going improvement works at CA site.</td>
<td>150 150 150 150 150 0 150 450 0 450</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Highway Programme</strong></td>
<td>Renewal and replacement of highways and footways.</td>
<td>7,100 2,400 4,700 3,300 3,300 5,000 0 5,000 15,400 2,400 13,000</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td><strong>Highway Drainage</strong></td>
<td>Improvements to critical drainage areas identified in Surface Water Management Plan as required by The Flood &amp; Water Management Act 2010.</td>
<td>200 200 200 200 200 200 600 0 600</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Local Implementation Plan (LIP) including CPZ schemes</strong></td>
<td>Implementation of the Mayor of London’s Transport Strategy as well as Harrow’s Transport Local Implementation Plan &amp; parking management programmes.</td>
<td>1,300 1,000 300 1,300 1,000 300 1,300 1,000 300 3,900 3,000 900</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Parks Infrastructure</strong></td>
<td>Prioritise parks infrastructure which are most in need of repair in order to provide safe access and use of facilities for all.</td>
<td>506 506 506 506 675 0 675 1,687 0 1,687</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Street Lighting</strong></td>
<td>Replacement of aged and dangerous lighting columns as well as investment in new lighting to support Climate Change strategy and to provide variable lighting solutions.</td>
<td>1,500 1,500 1,000 1,000 1,500 1,500 4,000 0 4,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Corporate Accommodation</strong></td>
<td>Improvements to corporate buildings to provide a safe and secure environment in which to operate its business.</td>
<td>155 155 55 55 255 0 255 465 0 465</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>High Priority Planned Maintenance</strong></td>
<td>Improvements to corporate properties (excluding schools) to ensure that they are in a safe condition for occupants.</td>
<td>600 600 600 600 500 0 500 1,700 0 1,700</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Carbon Reduction</strong></td>
<td>Provision of retro-fit energy efficiency measures in corporate buildings.</td>
<td>100 100 100 100 50 0 50 250 0 250</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Replacement of Parks litter bins</strong></td>
<td></td>
<td>49 49 0 0 0 49 0 49</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Green Grid Programme</strong></td>
<td>Improvements to Harrow's green infrastructure to provide a network of interlinked and multifunctional open spaces.</td>
<td>150 0 150 150 0 150 150 0 150 450 0 450</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Harrow on the Hill Station</strong></td>
<td>Improvements to the station and surrounding area to create step free access.</td>
<td>3,000 0 3,000 0 0 3,000 0 3,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Green Gym / Play Equipment</strong></td>
<td>Installation of outdoor gym equipment within parks to promote health and well being.</td>
<td>38 38 38 38 0 75 0 75</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CCTV Cameras and equipment at depot</strong></td>
<td>Installation of parking enforcement cameras at certain locations where it is permissible to capture contraventions by cameras following Deregulation Bill.</td>
<td>150 150 50 50 50 50 250 0 250</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CCTV Infrastructure - this project is to upgrade the borough's CCTV infrastructure. The current infrastructure has been in place since 2001.</strong></td>
<td>Upgrade of CCTV equipment and facilities at the depot.</td>
<td>800 800 800 800 0 0 1,600 0 1,600</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Purchase of Trade Waste Bins</strong></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>100</td>
<td>300</td>
</tr>
<tr>
<td><strong>Car parks Infrastructure</strong></td>
<td>Improvement to car parking facilities to comply with H&amp;S requirements and to commercialise council owned car parks.</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>45</td>
<td>0</td>
</tr>
<tr>
<td><strong>Street Litter Bins</strong>: This funding is to support the provision and replacement of adequate numbers of on street litter bins, creating an environment where there are adequate numbers of bins provided to meet demand.</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>0</td>
<td>600</td>
<td>0</td>
<td>600</td>
</tr>
<tr>
<td><strong>Depot redevelopment</strong>: this proposal is to redevelop the Central depot to consolidate and intensify the existing site.</td>
<td>13,110</td>
<td>13,110</td>
<td>5,830</td>
<td>5,830</td>
<td>0</td>
<td>18,940</td>
<td>0</td>
<td>18,940</td>
</tr>
<tr>
<td><strong>Redevelopment of Vernon Lodge &amp; Atkins House</strong>: this is the redevelopment of the Council's only homelessness hostel, Vernon Lodge, to increase capacity and create purpose built accommodation that will provide capacity for the council to house its homeless. It will also provide units that can be rented to those able to afford the rental. There is £725k already in the existing budget as a contribution towards this scheme so the total cost is £11,049m</td>
<td>775</td>
<td>775</td>
<td>8,225</td>
<td>8,225</td>
<td>1,324</td>
<td>1,324</td>
<td>10,324</td>
<td>0</td>
</tr>
<tr>
<td><strong>Redevelopment of Rayners Lane Toilet Block</strong>: refurbishment and redevelopment of this building to bring it back into use through conversion to shop/office space.</td>
<td>170</td>
<td>170</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>170</td>
<td>0</td>
</tr>
<tr>
<td><strong>Headstone Manor - Park for People project</strong>: the project will address health and safety issues with the historic moat and improve existing footpath network and car park surface to cope with additional visitors.</td>
<td>75</td>
<td>75</td>
<td>0</td>
<td>1,722</td>
<td>1,722</td>
<td>0</td>
<td>0</td>
<td>1,797</td>
</tr>
<tr>
<td><strong>Total Environmental Services</strong></td>
<td>30,643</td>
<td>3,475</td>
<td>27,168</td>
<td>24,741</td>
<td>2,722</td>
<td>22,019</td>
<td>11,569</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Community &amp; Culture</strong></td>
<td>2,164</td>
<td>904</td>
<td>1,260</td>
<td>1,150</td>
<td>0</td>
<td>1,150</td>
<td>254</td>
<td>60</td>
</tr>
<tr>
<td><strong>Leisure &amp; Libraries Capital Infrastructure</strong>: Capital to be invested in a targeted programme to improve the infrastructure of the Council’s leisure and library facilities. There is a high risk, particularly with Harrow Leisure Centre, that failure to maintain the infrastructure will inevitably lead to a building closure if a major fault occurs and be a risk to leisure income. There will be Lifecycle Gym equipment replacement in 2018/19</td>
<td>460</td>
<td>460</td>
<td>150</td>
<td>150</td>
<td>150</td>
<td>760</td>
<td>0</td>
<td>760</td>
</tr>
<tr>
<td><strong>Central Library Refit &amp; Library Refurbishments</strong>: As part of the town centre regeneration scheme on College Road, majority of funding will come from CIL.</td>
<td>800</td>
<td>0</td>
<td>800</td>
<td>1,000</td>
<td>0</td>
<td>1,000</td>
<td>0</td>
<td>1,800</td>
</tr>
<tr>
<td><strong>Bannister Sports Centre (S106)</strong></td>
<td>904</td>
<td>904</td>
<td>0</td>
<td>0</td>
<td>904</td>
<td>904</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Harrow Museum Capital Infrastructure</strong>: this covers regular planned works beyond day to day maintenance revenue costs.</td>
<td>104</td>
<td>60</td>
<td>44</td>
<td>104</td>
<td>60</td>
<td>44</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Community &amp; Culture</strong></td>
<td>2,164</td>
<td>904</td>
<td>1,260</td>
<td>1,150</td>
<td>0</td>
<td>1,150</td>
<td>254</td>
<td>60</td>
</tr>
<tr>
<td><strong>Housing General Fund</strong></td>
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<td></td>
</tr>
<tr>
<td>Better Care Fund - Disabled Facilities Grant</td>
<td>Grants to fund adaptations to private properties to help enable residents to remain in their existing homes</td>
<td>1,500</td>
<td>650</td>
<td>850</td>
<td>1,500</td>
<td>650</td>
<td>850</td>
<td>1,500</td>
</tr>
<tr>
<td>Improvement Grants - Grants to private landlords to improve the condition of their properties, generally in exchange for a lease agreement</td>
<td>52</td>
<td>52</td>
<td>52</td>
<td>52</td>
<td>70</td>
<td>70</td>
<td>174</td>
<td>0</td>
</tr>
<tr>
<td>Empty Properties Grants - Grants to help bring empty properties back into use, generally in exchange for nomination rights for a period of time</td>
<td>187</td>
<td>187</td>
<td>187</td>
<td>187</td>
<td>450</td>
<td>450</td>
<td>824</td>
<td>0</td>
</tr>
<tr>
<td>Better Care Fund - Disabled Facilities Grant</td>
<td>Grants to fund adaptations to private properties to help enable residents to remain in their existing homes</td>
<td>530</td>
<td>530</td>
<td>0</td>
<td>530</td>
<td>530</td>
<td>0</td>
<td>1,590</td>
</tr>
<tr>
<td>Empty Property Initiative - to bring empty/vacant property into use which may require Compulsory Purchase Order. The intention being to purchase property and then re-sell</td>
<td>746</td>
<td>746</td>
<td>0</td>
<td>0</td>
<td>746</td>
<td>0</td>
<td>746</td>
<td></td>
</tr>
<tr>
<td>New Bid - Extension to Property Purchase Initiative - funding for the purchase of an additional 50 properties on the open market for the council to use as Temporary accommodation; providing good quality temporary accommodation and reducing the overall net cost to the Council of B &amp; B accommodation</td>
<td>6,000</td>
<td>6,000</td>
<td>0</td>
<td>0</td>
<td>6,000</td>
<td>0</td>
<td>6,000</td>
<td></td>
</tr>
<tr>
<td>Total Housing General Fund</td>
<td>9,015</td>
<td>1,180</td>
<td>7,835</td>
<td>2,269</td>
<td>1,180</td>
<td>1,089</td>
<td>2,550</td>
<td>1,180</td>
</tr>
<tr>
<td>Total Community Directorate</td>
<td>41,822</td>
<td>5,559</td>
<td>36,263</td>
<td>28,160</td>
<td>3,902</td>
<td>24,258</td>
<td>14,373</td>
<td>2,240</td>
</tr>
<tr>
<td>Regeneration Programme - feasibility work to develop options for taking forward regeneration sites.</td>
<td>250</td>
<td>250</td>
<td>0</td>
<td>0</td>
<td>250</td>
<td>0</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Regeneration Programme approved Feb2017</td>
<td>197,620</td>
<td>197,620</td>
<td>81,638</td>
<td>81,638</td>
<td>0</td>
<td>279,258</td>
<td>0</td>
<td>279,258</td>
</tr>
<tr>
<td>Amendments to Regeneration Programme to be approved February 2018 Cabinet</td>
<td>-126,874</td>
<td>-126,874</td>
<td>80,482</td>
<td>80,482</td>
<td>35,534</td>
<td>35,534</td>
<td>-10,858</td>
<td>-10,858</td>
</tr>
<tr>
<td>Lyon Road Pop Up Restaurant and Square (GLA and S106 funded) - this project is to transform an existing car park in Harrow Town Centre into a multi-function public space, improving the general environment for pedestrians and providing the opportunity for markets, particularly food markets. Any design for the new public space will look to maintain car parking spaces as part of the shared design space</td>
<td>84</td>
<td>84</td>
<td>0</td>
<td>726</td>
<td>726</td>
<td>0</td>
<td>201</td>
<td>201</td>
</tr>
<tr>
<td>Mobile technology in Community Learning - GLA and Skill Funding Agency are funding the purchase of IT equipments to support the delivery of community learning and skills focused education.</td>
<td>20</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Neighbourhood CIL Schemes - CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities.

<table>
<thead>
<tr>
<th></th>
<th>800</th>
<th>800</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>0</th>
<th>800</th>
<th>800</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Regeneration</td>
<td>71,900</td>
<td>904</td>
<td>70,996</td>
<td>162,846</td>
<td>726</td>
<td>162,120</td>
<td>35,735</td>
<td>201</td>
<td>35,534</td>
<td>270,480</td>
</tr>
<tr>
<td>Total General Fund</td>
<td>125,330</td>
<td>10,983</td>
<td>114,347</td>
<td>203,905</td>
<td>7,253</td>
<td>196,653</td>
<td>54,808</td>
<td>2,441</td>
<td>52,367</td>
<td>384,042</td>
</tr>
<tr>
<td>Housing Revenue Account</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing Revenue Account capital programme - Continued investment in the Council’s existing housing stock, as well as the commencement of a programme of new build housing</td>
<td>2,739</td>
<td>2,739</td>
<td>19,883</td>
<td>19,883</td>
<td>13,836</td>
<td>13,836</td>
<td>36,458</td>
<td>0</td>
<td>36,458</td>
<td></td>
</tr>
<tr>
<td>Total HRA</td>
<td>2,739</td>
<td>2,739</td>
<td>19,883</td>
<td>19,883</td>
<td>13,836</td>
<td>0</td>
<td>13,836</td>
<td>36,458</td>
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<td>Total General Fund + HRA</td>
<td>128,069</td>
<td>10,983</td>
<td>117,086</td>
<td>223,788</td>
<td>7,253</td>
<td>216,535</td>
<td>68,644</td>
<td>2,441</td>
<td>66,203</td>
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## New Capital Proposals 2018/19-2020/21

**Appendix 2**

<table>
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<tr>
<th>Ref No</th>
<th>Project Title</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
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<tr>
<td></td>
<td></td>
<td>Gross Value £000</td>
<td>External Funding £000</td>
<td>Net Value £000</td>
<td>Gross Value £000</td>
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<td>Resources</td>
<td></td>
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</tr>
<tr>
<td>1</td>
<td>IT Infrastructure refresh - Essential refresh of the IT infrastructure to enable continued operation of Council services.</td>
<td>0</td>
<td>0</td>
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<tr>
<td>2</td>
<td>Devolved Apps - Essential refreshes of LoB applications to enable continued operation of Council Services.</td>
<td>0</td>
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<td>3</td>
<td>Total Resources</td>
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<td></td>
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<tr>
<td>4</td>
<td>Flood Defence - to deliver the flood defence and alleviation programme of investment and implement schemes that minimise the risk of flooding from approx. 80 km of rivers and watercourses in the Borough.</td>
<td>0</td>
<td>0</td>
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<tr>
<td>5</td>
<td>Highway Drainage - to deliver the highways drainage programme of investment and implement schemes in 15 critical drainage areas.</td>
<td>0</td>
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<tr>
<td>6</td>
<td>Street Lighting - to continue the street lighting programme of investment and undertake essential structural maintenance to the highway asset.</td>
<td>0</td>
<td>0</td>
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<tr>
<td>7</td>
<td>LIP including Parking Management Programme - to deliver the transport projects and initiatives set out in the transport Local implementation Plan for 2018-19 to 2020-21. This involves delivering approx. 20-30 specific schemes The element funded by Harrow relates to parking schemes.</td>
<td>0</td>
<td>0</td>
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<tr>
<td>8</td>
<td>Libraries and Leisure Capital Infrastructure - to carry out a structured programme of improvements to the infrastructure and plant.</td>
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<td>9</td>
<td>Harrow Museum Capital Infrastructure - this covers regular planned works beyond day to day maintenance revenue costs.</td>
<td>0</td>
<td>0</td>
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<td>10</td>
<td>CCTV Infrastructure - this project is to upgrade the borough's CCTV infrastructure. The current infrastructure has been in place since 2001.</td>
<td>800</td>
<td>0</td>
<td>800</td>
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<td></td>
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<tr>
<td>11</td>
<td>Carbon Reduction - to continue the programme on investment to upgrade and improve existing assets in Council owned buildings through the provision of retro-fit energy efficiency measures to achieve reduced energy consumption and lower energy costs.</td>
<td>50</td>
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<tr>
<td>12</td>
<td>High Priority Planned Investment - to continue the programme of investment to undertake essential works across the Corporate Estate to ensure that properties are in a safe and appropriate condition.</td>
<td>500</td>
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<tr>
<td>13</td>
<td>Parks Infrastructure - an on-going programme to improve existing facilities and provide safe access for users.</td>
<td>675</td>
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<td></td>
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<tr>
<td>14</td>
<td>Redevelopment of Rayners Lane Toilet Block - refurbishment and redevelopment of this building to bring it back into use through conversion to shop/office space.</td>
<td>170</td>
<td></td>
<td></td>
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<tr>
<td>16</td>
<td>Trade Waste bins - provision and replacement programme of trade waste bins for new customers and to allow for on-going expansion of the confidential trade waste business.</td>
<td>100</td>
<td></td>
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<tr>
<td>17</td>
<td>Waste &amp; Recycling - an improvement programme for planned upgrades to the Civic Amenity site and to allow for wheeled bin replacement programme.</td>
<td>150</td>
<td></td>
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<tr>
<td>18</td>
<td>Corporate Accommodation - on-going programme to ensure that the Council provides a safe and secure environment in which to operate its business. This covers the whole corporate estate and covers building works including plant and infrastructure, equipment and furnishings.</td>
<td>255</td>
<td></td>
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<tr>
<td>19</td>
<td>Car Park Infrastructure - infrastructure works to car parks including updates to parking machines as necessary.</td>
<td>15</td>
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<tr>
<td>20</td>
<td>Green Grid - improvements to Harrow's green infrastructure to provide a network of interlinked and multifunctional open spaces.</td>
<td>150</td>
<td></td>
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<tr>
<td>21</td>
<td>CCTV cameras and equipment at depot - a borough wide programme for the installation of CCTV cameras as part of the Councils parking policy.</td>
<td>50</td>
<td></td>
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<tr>
<td>22</td>
<td>Redevelopment of Vernon Lodge &amp; Atkins House - this is the redevelopment of the Council's only homelessness hostel, Vernon Lodge, to increase capacity and create purpose built accommodation that will provide capacity for the council to house its homeless. It will also provide units that can be rented to those able to afford the rental. There is £725k already in the existing budget as a contribution towards this scheme so the total cost is £11,049m</td>
<td>775</td>
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**Total Costs:**

- **Carbon Reduction:** £50
- **High Priority Planned Investment:** £500
- **Parks Infrastructure:** £675
- **Redevelopment of Rayners Lane Toilet Block:** £170
- **Trade Waste bins:** £100
- **Waste & Recycling:** £150
- **Corporate Accommodation:** £255
- **Car Park Infrastructure:** £15
- **Green Grid:** £150
- **CCTV cameras and equipment at depot:** £50
- **Redevelopment of Vernon Lodge & Atkins House:** £11,049m

**Total Costs:** £17,455m
23  Headstone Manor - Park for People project - the project will address health and safety issues with the historic moat and improve existing footpath network and car park surface to cope with additional visitors.

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<td><strong>Total Community (Excl Housing)</strong></td>
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<td>75</td>
<td>1,745</td>
<td>10,747</td>
<td>1,722</td>
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<td>11,823</td>
<td>1,060</td>
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<td><strong>Community Directorate</strong></td>
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<tr>
<td><strong>Housing General Fund</strong></td>
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<tr>
<td>24 Empty Properties Grants - Grants to help bring empty properties back into use, generally in exchange for nomination rights for a period of time</td>
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<td>450</td>
<td>0</td>
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<td>25 Disabled Facilities Grant - delivery of adaptations to vulnerable residents of the Borough, owner occupiers, RSL, private tenants.</td>
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<td>1,180</td>
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<td>26 Improvement Grants</td>
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<td><strong>Regeneration, Enterprise &amp; Planning Division</strong></td>
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<tr>
<td>27 Lyon Road Pop Up Restaurant and Square (GLA and S106 funded) - this project is to transform an existing car park in Harrow Town Centre into a multi-function public space, improving the general environment for pedestrians and providing the opportunity for markets, particularly food markets. Any design for the new public space will look to maintain car parking spaces as part of the shared design space.</td>
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<td>84</td>
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<td>201</td>
<td>0</td>
<td>1,010</td>
<td>1,010</td>
</tr>
<tr>
<td>28 Mobile technology in Community Learning - GLA and Skill Funding Agency are funding the purchase of IT equipment to support the delivery of community learning and skills focused education.</td>
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<td>20</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>29 Neighbourhood CIL Schemes - CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities.</td>
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<tr>
<td>800</td>
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<td>0</td>
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<td>0</td>
<td>800</td>
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<td><strong>Total Regeneration and Enterprise</strong></td>
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<td>726</td>
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<td>201</td>
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<td>1,830</td>
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<tr>
<td><strong>Total General Fund</strong></td>
<td>2,724</td>
<td>979</td>
<td>1,745</td>
<td>11,473</td>
<td>2,448</td>
<td>9,025</td>
<td>19,274</td>
<td>2,441</td>
<td>16,833</td>
<td>33,470</td>
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REPORT FOR: CABINET

Date of Meeting: 15 February 2018

Subject: Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2018/19

Key Decision: Yes

Responsible Officer: Dawn Calvert, Director of Finance

Portfolio Holder: Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation

Exempt: No

Decision subject to Call-in: No, as the decision reserved to Council

Wards affected: All

Enclosures: Appendix A – Legislation and Regulations Impacting on Treasury Management
Appendix B – Treasury Management Delegations and Responsibilities
Appendix C – Minimum Revenue Provision (MRP) Policy Statement
Appendix D – Interest Rate Forecasts 2018-21
Appendix E - Economic Background
Appendix F - Counterparties
Appendix G - Affordability Prudential Indicators
Summary
This report sets out the Council’s Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2018/19.

Recommendation
Cabinet is asked to recommend to Council that they approve the Treasury Management Strategy Statement for 2018/19 including:
- Prudential Indicators for 2018/19
- Minimum Revenue Provision Policy Statement for 2018/19;
- Annual Investment Strategy for 2018/19
- Increase in investments held over 365 days (Paragraph 83)

Reason
To promote effective financial management and comply with the Local Authorities (Capital Finance and Accounting) Regulations 2003 and other relevant guidance.
<table>
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<tr>
<th>Paragraphs</th>
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</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td><strong>INTRODUCTION</strong></td>
</tr>
<tr>
<td>1.1</td>
<td>Background</td>
</tr>
<tr>
<td>1.2</td>
<td>CIPFA requirements</td>
</tr>
<tr>
<td>1.3</td>
<td>Reporting requirements</td>
</tr>
<tr>
<td>1.4</td>
<td>Training</td>
</tr>
<tr>
<td>1.5</td>
<td>Treasury Management Adviser</td>
</tr>
<tr>
<td>1.6</td>
<td>Treasury Management Strategy for 2018-19</td>
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<td>1.7</td>
<td>Options considered</td>
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<td><strong>2</strong></td>
<td><strong>CAPITAL ISSUES</strong></td>
</tr>
<tr>
<td>2.1</td>
<td>Capital programme and capital prudential indicators 2018-19 to 2020-21</td>
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<td>2.2</td>
<td>Capital Financing Requirement</td>
</tr>
<tr>
<td>2.3</td>
<td>Minimum Revenue Provision (MRP) Policy Statement</td>
</tr>
<tr>
<td>2.4</td>
<td>Core funds and expected investment balances</td>
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<tr>
<td><strong>3</strong></td>
<td><strong>BORROWING</strong></td>
</tr>
<tr>
<td>3.1</td>
<td>Current and estimated portfolio position</td>
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<tr>
<td>3.2</td>
<td>Treasury indicators: limits to borrowing activity</td>
</tr>
<tr>
<td>3.3</td>
<td>Prospects for interest rates and economic commentary</td>
</tr>
<tr>
<td>3.4</td>
<td>Borrowing strategy</td>
</tr>
<tr>
<td>3.5</td>
<td>Treasury management limits on activity</td>
</tr>
<tr>
<td>3.6</td>
<td>Policy on borrowing in advance of need</td>
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<tr>
<td>3.7</td>
<td>Debt rescheduling</td>
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<td><strong>4</strong></td>
<td><strong>ANNUAL INVESTMENT STRATEGY</strong></td>
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<td>4.1</td>
<td>Investment policy</td>
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<td>4.2</td>
<td>Creditworthiness policy</td>
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<td>4.3</td>
<td>Country limits</td>
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<tr>
<td>4.4</td>
<td>Annual Investment Strategy</td>
</tr>
<tr>
<td>4.5</td>
<td>Investment risk benchmarking</td>
</tr>
<tr>
<td>4.6</td>
<td>End of year investment report</td>
</tr>
<tr>
<td><strong>5</strong></td>
<td><strong>AFFORDABILITY PRUDENTIAL INDICATORS</strong></td>
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267
<table>
<thead>
<tr>
<th>APPENDICES</th>
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<tbody>
<tr>
<td>A</td>
<td>Legislation and Regulations Impacting on Treasury Management</td>
</tr>
<tr>
<td>B</td>
<td>Treasury Management Delegations and Responsibilities</td>
</tr>
<tr>
<td>C</td>
<td>Minimum Revenue Provision (MRP) Policy Statement</td>
</tr>
<tr>
<td>D</td>
<td>Interest Rate Forecasts 2018-21</td>
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<tr>
<td>E</td>
<td>Economic Background</td>
</tr>
<tr>
<td>F</td>
<td>Counterparties</td>
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<tr>
<td>G</td>
<td>Affordability Prudential Indicators</td>
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</table>
Section 2 – Report

1. INTRODUCTION

1.1 Background

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines Treasury Management as:

“The management of the local authority’s borrowing investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. The first main function of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested with approved counterparties or instruments commensurate with the Council’s current investment strategy, providing adequate liquidity initially before considering investment return.

3. The second main function of the Treasury Management service is the funding of the Council’s capital programme. This programme provides a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans or using longer term cash flow surpluses. On occasion, any debt previously drawn may be restructured to meet Council risk or cost objectives.

4. The Local Government Act 2003 and supporting regulations require the Council to ‘have regard to’ the Prudential Code (The Prudential Code for Capital Finance in Local Authorities [CIPFA 2017 Edition]) and Treasury Management Code (Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes [CIPFA 2017 Edition]), in setting Treasury and Prudential Indicators for the next three years and in ensuring that the Council’s capital investment programme is affordable, prudent and sustainable.

5. The Act, the Codes and Department for Communities and Local Government Investment Guidance (2010) require the Council to set out its Treasury Strategy for Borrowing and to prepare an Annual Investment Strategy that establishes the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments. A summary of the relevant legislation, regulations and guidance is included as Appendix A.

6. The budget for each financial year includes the revenue costs that flow from capital financing decisions. Under the Treasury Management Code,
increases in capital expenditure should be limited to levels whereby increases in interest charges and running costs are affordable within the projected income of the Council for the foreseeable future.

7. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

8. The Council recognises that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.2 CIPFA requirements

9. The Council has formally adopted the Treasury Management Code, the primary requirements of which are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.

- Creation and maintenance of Treasury Management Practices (“TMPs”) that set out the manner in which the Council will seek to achieve those policies and objectives.

- Receipt by the full Council and/or Cabinet of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Half-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body.
1.3 Reporting requirements

10. As introduced above, the Council and/or Cabinet are required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

**Treasury Management Strategy Statement report (this report)** - The first, and most important report is presented to the Council in February and covers:

- the capital programme (including Prudential Indicators);
- an MRP Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an Investment Strategy (the parameters on how investments are to be managed).

**Mid-year Review report** – This is presented to Cabinet in the autumn and updates Members on the progress of the capital position, reporting on Prudential Indicators and recommending amendments when necessary and identifying whether the treasury strategy is meeting the objectives or whether any policies require revision.

**Treasury Management Outturn report** – This is presented to Cabinet in June/July and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the Strategy.

**Scrutiny** - The above reports are required to be adequately scrutinised, normally before being recommended to Cabinet / Council, with the role being undertaken by the Governance, Audit, Risk Management and Standards Committee (GARMSC). GARMSC

**Capital Strategy**

In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability.

The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.
11. The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Section 151 officer. The Section 151 Officer chairs the Treasury Management Group (TMG), which monitors the treasury management activity and market conditions.

12. Further details of responsibilities are given in Appendix B.

1.4 Training

13. The Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in this area. This especially applies to Members responsible for scrutiny.

14. The training needs of Treasury Management officers are periodically reviewed as part of the Learning and Development programme with appropriate training and support provided.

1.5 Treasury Management Adviser

15. The Council has engaged Link Asset Services (was Capita Asset Services), Treasury Solutions as its external Treasury Management Adviser.

16. However, the Council recognises that responsibility for treasury management decisions remains with itself at all times and will ensure that undue reliance is not placed upon external service providers.

17. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value is assessed are properly agreed and documented, and subjected to regular review.

1.6 Treasury Management Strategy for 2018/19

18. The Strategy covers:-

Capital Issues (Section 2)
- Capital programme and capital prudential indicators 2018-19 to 2020-21 (Sub-section 2.1);
- Capital Financing Requirement (Sub-section 2.2);
- Minimum Revenue Provision Policy Statement (Sub-section 2.3 and Appendix C); and
- Core funds and expected investment balances (Sub-section 2.4).

Treasury Management Issues
- Borrowing (Section 3)
  - Current and estimated portfolio position (Sub-section 3.1);
  - Treasury indicators: limits to borrowing activity (Sub-section 3.2);
- Prospects for interest rates and economic commentary (Sub-section 3.3 and Appendices D and E);
- Borrowing strategy (Sub-section 3.4);
- Treasury management limits on activity (Sub-section 3.5);
- Policy on borrowing in advance of need (Sub-section 3.6); and
- Debt rescheduling (Sub-section 3.7).

- Annual Investment Strategy (Section 4)
  - Investment policy (Sub-section 4.1);
  - Creditworthiness policy (Sub-section 4.2);
  - Country limits (Sub-section 4.3);
  - Annual Investment Strategy (Sub-section 4.4);
  - Investment risk benchmarking (Sub-section 4.5); and
  - End of year investment report (Sub-section 4.6).

**Affordability Prudential Indicators (Section 5 and Appendix G)**

19. These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Department for Communities and Local Government (DCLG) Minimum Revenue Provision Guidance, the CIPFA Treasury Management Code and DCLG Investment Guidance.

20. It is not considered necessary to produce a separate treasury strategy for the Housing Revenue Account (HRA) in light of the co-mingling of debt and investments between HRA and the General Fund. Where appropriate, details of allocations of balances and interest to HRA are contained in this report.

1.7 Options Considered

21. No options were considered beyond those discussed in the report due to the statutory and risk management constraints inherent in treasury management.

**2. CAPITAL ISSUES**

22. The Council’s capital expenditure programme is the key driver of treasury management activity. The output of the programme is reflected in the Prudential Indicators, which are required by the Prudential Code and are designed to assist Members’ overview. The values shown in the tables for 2016-17 and 2017-18 are actual and estimated outturn respectively and not the strategy for those years.
2.1 Capital Programme and Capital Prudential Indicators 2018-19 to 2021

23. This prudential indicator is a summary of the Council’s capital expenditure based on the approved capital programme. Amendments may be necessary in the light of decisions taken during the budget cycle. The table below summarises the capital programme and the ways in which it will be financed. Any shortfall of resources results in a financing need.

Table 1 Capital Expenditure and Funding

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Estimate</td>
<td>Estimate</td>
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<td>Estimate</td>
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<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
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<tr>
<td>Expenditure</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Community</td>
<td>38,475</td>
<td>35,244</td>
<td>41,822</td>
<td>28,160</td>
<td>14,373</td>
</tr>
<tr>
<td>People Services</td>
<td>17,017</td>
<td>23,462</td>
<td>7,870</td>
<td>7,200</td>
<td>-</td>
</tr>
<tr>
<td>Regeneration &amp; Enterprise</td>
<td>1,699</td>
<td>195</td>
<td>726</td>
<td>709,996</td>
<td>162,120</td>
</tr>
<tr>
<td>Regeneration Programme</td>
<td>8,757</td>
<td>17,231</td>
<td>3,738</td>
<td>5,700</td>
<td>4,700</td>
</tr>
<tr>
<td>Resources &amp; Commercial</td>
<td>12,200</td>
<td>11,989</td>
<td>2,739</td>
<td>19,883</td>
<td>13,836</td>
</tr>
<tr>
<td>HRA</td>
<td>11,603</td>
<td>17,421</td>
<td>9,04</td>
<td>35,624</td>
<td>53,919</td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>89,751</td>
<td>101,422</td>
<td>128,069</td>
<td>223,789</td>
<td>68,644</td>
</tr>
<tr>
<td>Funding</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital grants</td>
<td>22,208</td>
<td>26,392</td>
<td>9,743</td>
<td>5,344</td>
<td></td>
</tr>
<tr>
<td>Capital receipts</td>
<td>3,013</td>
<td>2,575</td>
<td>11,044</td>
<td>53,919</td>
<td></td>
</tr>
<tr>
<td>Revenue financing</td>
<td>7,287</td>
<td>8,349</td>
<td>7,418</td>
<td>6,911</td>
<td></td>
</tr>
<tr>
<td>Section 106 / Section 20 / CIL</td>
<td>1,656</td>
<td>549</td>
<td>4,618</td>
<td>3,474</td>
<td>509</td>
</tr>
<tr>
<td>Total Funding</td>
<td>34,164</td>
<td>37,866</td>
<td>32,754</td>
<td>54,135</td>
<td>66,683</td>
</tr>
<tr>
<td>Net financing need for the year</td>
<td>55,587</td>
<td>63,557</td>
<td>95,315</td>
<td>169,653</td>
<td>1,960</td>
</tr>
</tbody>
</table>

The figures above are draft as the capital programme overall is being agreed to 2020/21 as part of the overall Budget at Cabinet in February 2018.

2.2 Capital Financing Requirement

24. The Capital Financing Requirement (CFR) is the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council’s underlying borrowing need. Any new capital expenditure, which has not immediately been paid for, will increase the CFR.

25. The CFR does not increase indefinitely, as the MRP is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset’s life.

26. The CFR includes any other long term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council’s borrowing requirement, these types of scheme include a funding facility and so the Council is not required to borrow separately for them. The Council currently has £16m of such schemes within the CFR.
27. CFR projections are included in the table below.

Table 2 Capital Financing Requirement

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>CFR as at 31 March</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-HRA</td>
<td>329,851</td>
<td>378,190</td>
<td>462,415</td>
<td>620,787</td>
<td>577,040</td>
</tr>
<tr>
<td>HRA</td>
<td>162,541</td>
<td>162,541</td>
<td>154,701</td>
<td>154,885</td>
<td>154,885</td>
</tr>
<tr>
<td>TOTAL</td>
<td>492,392</td>
<td>540,731</td>
<td>617,116</td>
<td>775,672</td>
<td>731,925</td>
</tr>
<tr>
<td>Movement in CFR</td>
<td>42,751</td>
<td>49,338</td>
<td>78,380</td>
<td>148,332</td>
<td>23,741</td>
</tr>
</tbody>
</table>

The Non-HRA CFR increases from £329m to £601m and then reduces to £577m in 2020/21, reflecting the regeneration programme, the property investment portfolio, secondary school expansion, the redevelopment of the depot, the renewal and replacement of highways, footways and streetlighting and upgrades and enhancements to ICT systems. Through a special determination the debt limit for the HRA has been increased to £154.7m and work will be carried out in line with this increase.

2.3 Minimum Revenue Provision (MRP) Policy Statement

28. Capital expenditure is generally defined as expenditure on assets that have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. The accounting approach is to spread the cost over the estimated useful life of the asset. The mechanism for spreading these costs is through an annual MRP. The MRP is the means by which capital expenditure, which is financed by borrowing or credit arrangements, is funded by Council Tax.

29. Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) require the Council to approve an MRP Statement setting out what provision is to be made in the General Fund for the repayment of debt, and how the provision is to be calculated. The purpose of the Statement is to ensure the provision is prudent, allowing the debt to be repaid over a period reasonably commensurate with that over which the capital expenditure benefits. The Council is recommended to approve the statement as detailed in Appendix C.

30. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.
2.4. Core funds and expected investment balances

31. The application of resources (grants, capital receipts etc.) to finance capital expenditure or budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

Table 3 Core Funds and expected investment balances

<table>
<thead>
<tr>
<th>Year End Resources</th>
<th>2016/17 Actual £’000</th>
<th>2016/17 Estimate £’000</th>
<th>2017/18 Estimate £’000</th>
<th>2018/19 Estimate £’000</th>
<th>2019/20 Estimate £’000</th>
<th>2020/21 Estimate £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balances/Reserves</td>
<td>61,877</td>
<td>50,083</td>
<td>41,383</td>
<td>39,573</td>
<td>22,523</td>
<td></td>
</tr>
<tr>
<td>Capital Receipts Reserve</td>
<td>22,649</td>
<td>16,393</td>
<td>16,393</td>
<td>17,305</td>
<td>10,380</td>
<td></td>
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<tr>
<td>Provisions</td>
<td>10,315</td>
<td>10,033</td>
<td>9,843</td>
<td>9,843</td>
<td>9,843</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>19,568</td>
<td>14,676</td>
<td>11,007</td>
<td>8,255</td>
<td>6,191</td>
<td></td>
</tr>
<tr>
<td><strong>Total Core Funds</strong></td>
<td><strong>114,409</strong></td>
<td><strong>91,185</strong></td>
<td><strong>78,626</strong></td>
<td><strong>74,976</strong></td>
<td><strong>48,937</strong></td>
<td></td>
</tr>
<tr>
<td>Working Capital</td>
<td>-</td>
<td>-129,821</td>
<td>-123,770</td>
<td>-106,693</td>
<td>-107,621</td>
<td>-107,621</td>
</tr>
<tr>
<td>Under/(Over) Borrowing</td>
<td>140,958</td>
<td>190,729</td>
<td>172,236</td>
<td>151,347</td>
<td>126,075</td>
<td></td>
</tr>
<tr>
<td>Expected Investments</td>
<td>47,369</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>114,409</strong></td>
<td><strong>90,907</strong></td>
<td><strong>78,465</strong></td>
<td><strong>74,654</strong></td>
<td><strong>48,454</strong></td>
<td></td>
</tr>
</tbody>
</table>

The above table assumes that expected investment balance will be kept at approximately £30m and that the working capital and borrowing position will be managed to effect this.

3. BORROWING

32. The capital expenditure programme set out in Paragraph 23 provides details of the service activity of the Council. The treasury management function ensures that the Council’s cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet the activities of the Council. This involves both the organisation of the cash flow and, where the capital programme requires it, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current and estimated portfolio position

33. The Council’s borrowing position at 31 December 2017 is summarised below.
34. The Council has borrowed £50.8m under Lender Option, Borrower Option (LOBO) structures with maturities between 2050 and 2077. In exchange for an interest rate that was below that offered on long term debt by the PWLB, the lender has the option at the end of five years (and half yearly thereafter) to reset the interest rate. If the rate of interest changes, the Council is permitted to repay the loan at no additional cost.

35. The Council’s borrowing position with forward projections is summarised below. The table shows the actual external debt, against the underlying capital borrowing need, highlighting any under or over borrowing.

36. The expected change in debt in 2018/19, 2019/20 and 2020/2021 reflects the anticipated borrowing necessary to meet the capital programme described in Table 1.

37. Debt outstanding should not exceed CFR.

Table 5 Changes to Gross Debt

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<thead>
<tr>
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<tr>
<td></td>
<td>Actual</td>
<td>Estimate</td>
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<td></td>
<td>£’000</td>
<td>£’000</td>
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</tr>
<tr>
<td>External Debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt at 1 April</td>
<td>334,434</td>
<td>324,434</td>
<td>324,434</td>
<td>419,749</td>
<td>589,402</td>
</tr>
<tr>
<td>Expected change in Debt</td>
<td>-</td>
<td>10,000</td>
<td>95,315</td>
<td>169,653</td>
<td>1,960</td>
</tr>
<tr>
<td>Other long-term liabilities (OLTL) 1st April</td>
<td>17,032</td>
<td>16,000</td>
<td>15,568</td>
<td>15,136</td>
<td>14,704</td>
</tr>
<tr>
<td>Expected change in OLTL</td>
<td>-</td>
<td>1,032</td>
<td>432</td>
<td>432</td>
<td>432</td>
</tr>
<tr>
<td>Actual gross debt at 31 March</td>
<td>340,434</td>
<td>340,002</td>
<td>343,885</td>
<td>604,106</td>
<td>605,634</td>
</tr>
<tr>
<td>Capital financing requirement</td>
<td>481,392</td>
<td>530,731</td>
<td>607,120</td>
<td>755,452</td>
<td>731,709</td>
</tr>
<tr>
<td>Under / (Over) borrowing</td>
<td>140,958</td>
<td>190,729</td>
<td>172,236</td>
<td>151,347</td>
<td>126,075</td>
</tr>
</tbody>
</table>

38. Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding
year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

39. The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing programmes and the proposals in the budget report.

40. The table below shows the net borrowing after investment balances are taken into account.

Table 6 Net Borrowing

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<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Estimate</td>
<td>Estimate</td>
<td>Estimate</td>
<td>Estimate</td>
</tr>
<tr>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Gross Borrowing</td>
<td>351,466</td>
<td>340,434</td>
<td>340,002</td>
<td>434,885</td>
<td>604,106</td>
</tr>
<tr>
<td>brought forward</td>
<td>1 April</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes to Gross</td>
<td>-11,032</td>
<td>-432</td>
<td>94,883</td>
<td>169,221</td>
<td>1,528</td>
</tr>
<tr>
<td>Borrowing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carry Forward</td>
<td>340,434</td>
<td>340,002</td>
<td>434,885</td>
<td>604,106</td>
<td>605,634</td>
</tr>
<tr>
<td>31st March</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>76,233</td>
<td>47,369</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>brought forward</td>
<td>1 April</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes to Gross</td>
<td>-28,864</td>
<td>-17,369</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carry Forward</td>
<td>47,369</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>31st March</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Net Borrowing</td>
<td>293,065</td>
<td>310,002</td>
<td>404,885</td>
<td>574,106</td>
<td>575,634</td>
</tr>
<tr>
<td>Change in net</td>
<td>17,832</td>
<td>16,937</td>
<td>94,883</td>
<td>169,221</td>
<td>1,528</td>
</tr>
<tr>
<td>borrowing</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

The change in net borrowing in 2017/18 arises mainly from the reduction in cash balances of £16 m and in subsequent years from additional borrowing.

3.2 Treasury indicators: limits to borrowing activity

The Operational Boundary

41. This is the limit which external debt is not normally expected to exceed.

42. The boundary is based on the Council’s programme for capital expenditure, capital financing requirement and cash flow requirements for the year.

The Authorised Limit for External Debt.

43. This is a further key prudential indicator which represents a control on the maximum level of borrowing. It represents a limit beyond which external debt is prohibited. It relates to the financing of the capital programme by both external borrowing and other forms of liability, such as credit arrangements.

44. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils’ programmes, or those of a specific council, although this power has not yet been exercised.
Table 7 Operational boundary and authorised limit

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Authorised Limit for external debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowing and finance leases</td>
<td>469</td>
<td>531</td>
<td>607</td>
<td>755</td>
<td>732</td>
</tr>
<tr>
<td>Operational Boundary for external debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowing</td>
<td>334</td>
<td>334</td>
<td>435</td>
<td>604</td>
<td>606</td>
</tr>
<tr>
<td>Other long term liabilities</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>350</td>
<td>350</td>
<td>451</td>
<td>619</td>
<td>621</td>
</tr>
<tr>
<td>Upper limit for fixed interest rate exposure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net principal re fixed rate borrowing</td>
<td>334</td>
<td>334</td>
<td>435</td>
<td>604</td>
<td>606</td>
</tr>
<tr>
<td>Upper limit for variable rate exposure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net principal re variable rate borrowing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Upper limit for principal sums invested over 364 days</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
</tr>
</tbody>
</table>

Due to the Council’s current under borrowing position it is considered sufficient to set the Authorised limit at the same level as the CFR.

As shown in Table 11 in Appendix F below, the Council may wish to make additional investments of over 365 days. The current limit for such investments is £60m.

HRA Debt Limit

45. Separately, the Council is also limited to a maximum HRA debt through the HRA self-financing regime. This limit and the HRA CFR are shown in the table below. An application has been made to DCLG to increase the HRA debt limit.

Table 8 HRA Debt Limit and CFR

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HRA Debt Limit</td>
<td>154.843</td>
<td>154.843</td>
<td>154.843</td>
<td>154.843</td>
<td>154.843</td>
</tr>
<tr>
<td>HRA CFR</td>
<td>149.537</td>
<td>151.492</td>
<td>154.668</td>
<td>154.779</td>
<td>156.268</td>
</tr>
<tr>
<td>Headroom</td>
<td>5.306</td>
<td>3.351</td>
<td>0.175</td>
<td>0.064</td>
<td>-1.425</td>
</tr>
</tbody>
</table>

3.3 Prospects for interest rates and economic commentary

46. The Treasury Management Adviser has provided a commentary on the prospects for interest rates included as Appendix D and an economic commentary included as Appendix E.

3.4 Borrowing strategy

47. As shown in Table 5 above, currently the Council has a debt portfolio of £324m, mainly long term, with an average maturity of 35 years assuming no early repayment of the LOBO loans. Adjusting LOBO loans maturity in line with the next interest reset date reduces the average maturity to 25 years. Cash balances at 31 December 2017 were £47.4m. With the
investment portfolio yielding only 0.22% and the likely average cost of new debt 2.6%, there is a substantial short term cost of carrying excessive debt.

48. As shown in Table 5 above the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (CFR), has not been fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow has been used as a temporary source of funding. This strategy is prudent with investment returns low and counterparty risk is still an issue to be considered.

49. However, with the reduction in cash balances and the likelihood that they will be further reduced by the end of 2017/18 much of the increased capital programme in the next few years will need to be funded from borrowing. As shown in Table 5 above, it is currently estimated that sums of £95m, £170 and £2m will need to be borrowed in the next three years. The Council will have a range of funding sources available and will need to base its decisions on optimum borrowing times and periods taking into account current interest rates and likely future movements and the “cost of carry” (difference between rates for borrowing and rates for investments) which currently remains high. A strategy is being developed in consultation with the Treasury Management Adviser. It is also possible, but unlikely, that new long term borrowing in the next three years might be required if part of the LOBO portfolio has to be refinanced early.

50. It may be necessary to resort to temporary borrowing from the money markets or other local authorities to cover mismatches in timing between capital grants and payments. However, with several Government grants now paid early in the financial year this is not very likely.

51. Against this background and the risks within the economic forecast, caution will be adopted in the 2018/19 treasury management operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
52. The Council has adopted a single pooled approach for debt. Allocations to HRA are based on its CFR, with interest charged to HRA at the average rate on all external borrowing. Longer term, the HRA’s ability to repay borrowing will depend on future revenues and the capital expenditure programme.

3.5 Treasury management limits on activity

53. There are three debt related treasury activity limits. The purpose of these is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs and improve performance.

Upper limit on variable interest rate exposure

54. This identifies a maximum limit for variable interest rates based upon the debt position net of investments. As shown in Table 7 above the Council does not expect to undertake any borrowing on this basis.

Upper limit on fixed interest rate exposure

55. This identifies a maximum limit for fixed interest rates based upon the debt position net of investments. The Council’s proposed limits are shown in Table 7 above.

Maturity Structure of Borrowing

56. These gross limits are set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

57. The Council has no variable rate borrowing and the comments below relate only to its fixed rate portfolio.

58. In the table below, the maturity structure for the LOBO debt, in accordance with CIPFA Guidance, is shown as the first date that the interest rate can be increased.

Table 9 Maturity Structure of Fixed Rate Borrowing

<table>
<thead>
<tr>
<th>Maturity Structure of Borrowing</th>
<th>As at 31.12.2017 %</th>
<th>Upper limit %</th>
<th>Lower limit %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 12 months</td>
<td>16%</td>
<td>30</td>
<td>0</td>
</tr>
<tr>
<td>12 months to 23 months</td>
<td>7%</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>24 months to under 5 years</td>
<td>2%</td>
<td>30</td>
<td>0</td>
</tr>
<tr>
<td>5 years to under 10 years</td>
<td>2%</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td>10 years and over</td>
<td>74%</td>
<td>90</td>
<td>30</td>
</tr>
</tbody>
</table>

3.6 Policy on borrowing in advance of need

59. The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. Any
decision to borrow in advance will be within forward approved CFR estimates and future authorised limits, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

60. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.7 Debt rescheduling

61. Link Asset Services currently advise that:

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:
- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

62. Opportunities to reduce the cost of debt by premature repayment or to improve the maturity profile are kept under review in discussion with the Treasury Management Adviser. Early repayment of market loans is by negotiation. For PWLB loans, there are daily published prices for early repayment that allows analysis of the opportunities for restructuring. There is currently a spread which has generally made restructuring uneconomic.

63. Should any of the LOBO loans with interest rate reset dates in 2018-19 (£50.8m) require refinancing, the most likely source would be external borrowing.

64. All rescheduling will be reported to Cabinet at the earliest meeting following the exercise.

4. Annual Investment Strategy

4.1 Investment policy

65. The Council’s investment policy has regard to the Department for Communities and Local Government Investment Guidance and the CIPFA Treasury Management Code. The Council’s investment priorities will be security first, liquidity second, then return.
66. Advice received from Link Asset Services is:

*We remain in a very difficult investment environment. Whilst counterparty risk appears to have eased, market sentiment has still been subject to bouts of, sometimes, extreme volatility and economic forecasts abound with uncertainty. However, we also have a very accommodating monetary policy - reflected in a 0.50% Bank Rate. As a consequence, authorities are not getting much of a return from deposits. Against this backdrop it is, nevertheless, easy to forget recent history, ignore market warnings and search for that extra return to ease revenue budget pressures. In this respect, we are seeing an increase in investment “opportunities” being offered to clients or being discussed in the wider press. What then, should you consider when these are offered?*

We suggest that you “look under the bonnet” when considering pooled investment vehicles, although this applies to any investment opportunity. It is not enough that other councils are investing in a scheme or an investment opportunity: you are tasked through market rules to understand the “product” and appreciate the risks before investing. A quote from the Financial Conduct Authority puts the environment in context.

*The main risks in the industry for the coming year are firms designing products that:*

- aren’t in the long-term interest of consumers
- don’t respond to their needs
- encompass a lack of transparency on what’s being sold
- lead to a poor understanding by consumers of risk
- shift toward more complex structured products that lack oversight.

67. In accordance with the above guidance and in order to minimise the risk to investments, the Council in Appendix F clearly stipulates the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies. The Treasury Management Adviser monitors counterparty ratings on a real time basis with knowledge of any changes advised electronically as the agencies notify modifications.

68. Further, the Council’s officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to assess continually and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its Adviser to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
69. The aim of the strategy is to generate a list of highly creditworthy counterparties which will provide security of investments, enable diversification and minimise risk.

70. Investment instruments identified for current use are listed in Appendix F under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council’s Treasury Management Practices.

4.2 Creditworthiness policy

71. The primary principle governing the Council’s investment criteria is the security of its investments, although the return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council’s prudential indicators covering the maximum principal sums invested.

72. The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified as they provide an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

73. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council’s minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council’s criteria, the other does not, the institution will fall outside the lending criteria.

74. Credit rating information is supplied by the Treasury Management Adviser on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.
75. The Council’s criteria for an institution to become a counterparty are detailed in Appendix F.

4.3 Country Limits

76. The Council has determined that it will only use approved counterparties from the UK or from countries with a minimum sovereign credit rating of AAA. Currently the only countries meeting this criterion are Australia, Canada, Denmark, Germany, Luxembourg, Netherlands, Norway, Singapore, Sweden and Switzerland. The current UK rating is the third level of AA. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Annual Investment Strategy

77. In-house funds. The Council’s funds are mainly cash derived primarily from the General Fund and HRA. Balances are also held to support capital expenditure. From 1st April 2011, pension fund cash balances have been held separately from those of the Council. However, a separate investment strategy has not been developed for the pension fund and all its cash is held on overnight call account with RBS. Investments are made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

78. Investment returns expectations. Bank Rate is forecast by Link Asset Services to stay flat at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021. Bank rate forecasts for financial year ends are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

79. Link Asset Services suggest that budgeted investment earnings rates for returns on investments placed for periods of up to 100 days during each financial year are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18</td>
<td>0.40%</td>
</tr>
<tr>
<td>2018/19</td>
<td>0.60%</td>
</tr>
<tr>
<td>2019/20</td>
<td>0.90%</td>
</tr>
<tr>
<td>2020/21</td>
<td>1.25%</td>
</tr>
<tr>
<td>2021/22</td>
<td>1.50%</td>
</tr>
<tr>
<td>2022/23</td>
<td>1.75%</td>
</tr>
<tr>
<td>2023/24</td>
<td>2.00%</td>
</tr>
<tr>
<td>Later years</td>
<td>2.75%</td>
</tr>
</tbody>
</table>

80. Link Asset Services further advise that “the overall balance of risks to these forecasts is currently skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.
81. **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment. The Council’s limit for investments of over 365 days is currently £60m.

82. Throughout 2017-18 interest rates receivable for short term investments have fallen substantially with the Council receiving 0.10% compared to 0.20% at the beginning of the year for deposits of under one month. The Council’s bankers also reduced the call account rate from 0.25% to 0.01%. The increase in base rate in November 2017 has resulted in a slight increase in investment rates in the last quarter.

83. As a consequence of these rates and the maturity of several higher yielding investments the Council’s return for the whole year is likely to be close to 0.22%. Whilst this is still above the short term LIBOR benchmark and comparable to peer authorities it represents a substantial reduction from rates earned in previous years.

84. As a result of the Council’s strategy and the interest rates available the only counterparties actively in use during 2017-18 have been Lloyds, Royal Bank of Scotland Group and Svenska Handelsbanken. The investment portfolio has inevitably remained concentrated with RBS and Lloyds with 82.5% of the total portfolio invested with them on 31st December 2017. When opportunities arise consistent with the Council’s policies diversification will be sought but it is not anticipated that there will be any significant change during 2018-19.

85. Authority has been given to place funds in ‘non-standard investments’ up to a value of £10m. Officers are considering what investment opportunities and counterparties should be included to utilise this facility.

### 4.5 Investment risk benchmarking

86. This Council uses the current LIBOR rates as a benchmark to assess the investment performance of its investment portfolio. In addition the Council is a member of a Link Asset Services investment portfolio benchmarking group through which performance is measured against peer London authorities. The risk of default attached to the Council’s portfolio is reported by Capita on a monthly basis.

### 4.6 End of year investment report

87. At the end of the financial year the Council will report on its investment activity as part of the Treasury Management Outturn Report.
5. Affordability Prudential Indicators

88. The previous sections cover the overall capital and control of borrowing Prudential Indicators but within this framework Prudential Indicators are also required to assess the affordability of the capital investment programme. These provide an indication of the impact of the programme on the Council’s overall finances and are shown in detail in Appendix G.

6. Implications of the recommendations

89. The recommendations primarily relate to the requirements for the Council to comply with statutory duties. However, the content of the report, covering borrowing and investment strategy, has implications for the Council’s ability to fund its capital projects and revenue activities.

90. The recommendations do not directly affect the Council’s staffing/workforce.

7. Performance issues

91. The Council meets the requirements of the CIPFA Treasury Management Code and, therefore, is able to demonstrate best practice for the Treasury Management function.

92. As part of the Code the Council must agree a series of prudential indicators and measure its performance against them. Success is measured by compliance with the indicators and the accuracy of future estimates so far as they are within the control of the Treasury Management function.

8. Environmental implications

93. There are no direct environmental implications.

9. Risk management implications

94. The identification, monitoring and control of risk are central to the achievement of treasury management objectives and to this report. Potential risks are identified, mitigated and monitored in accordance with Treasury Management Practice Notes approved by the Treasury Management Group.

95. Risks are included in the Directorate Risk Register.
10. Legal Implications

96. The purpose of this report is to comply with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and other relevant guidance referred to in the report.

11. Financial implications

97. Financial matters are integral to the report.

12. Equalities implications / Public sector equality duty

98. Officers have considered possible equalities impact and consider that there is no adverse equalities impact as there is no direct impact on individuals.

13. Council priorities

99. This report deals with the Treasury Management Strategy which plays a significant part in supporting the delivery of all the Council’s corporate priorities.
Section 3 - Statutory Officer Clearance

<table>
<thead>
<tr>
<th>Name: Dawn Calvert</th>
<th>Chief Financial Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: 30 January 2018</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name: Linda Cohen</th>
<th>Monitoring Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date: 15 January 2018</td>
<td></td>
</tr>
</tbody>
</table>

Ward Councillors notified: No  
EqIA carried out: No  
EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Iain Millar (Treasury and Pensions Manager)  Tel: 020-8424-1432/ Email: iain.millar@harrow.gov.uk

Background Papers: N/A

Call-In Waived by the Chair of Overview and Scrutiny Committee  NOT APPLICABLE  
[Call-in does not apply as the decision is reserved to Council]
The following items numbered 1 - 4 show the sequence of legislation and regulation impacting on the treasury management function. The sequence begins with primary legislation, moves through Government guidance and Chartered Institute of Public Finance and Accountancy (CIPFA) codes of practice and finishes with implementation through the Council's own Treasury Management Practices.

1. Local Government Act 2003

Below is a summary of the provisions in the Act dealing with treasury management.

In addition the Secretary of State is empowered to define the provisions through further regulations and guidance which he has subsequently done through statutory instruments, Department of Communities and Local Government Guidance and CIPFA codes of practice.

Power to borrow
The Council has the power to borrow for purposes relevant to its functions and for normal treasury management purposes – for example, to refinance existing debt.

Control of borrowing
The main borrowing control is the duty not to breach the prudential and national limits as described below. The Council is free to seek loans from any source but is prohibited from borrowing in foreign currencies without the consent of Treasury, since adverse exchange rate movements could leave it owing more than it had borrowed.

All of the Council's revenues serve as security for its borrowing. The mortgaging of property is prohibited.

It is unlawful for the Council to ‘securitise’, that is, to sell future revenue streams such as housing rents for immediate lump-sums.

Affordable borrowing limit
The legislation imposes a broad duty for the Council to determine and keep under review the amount it can afford to borrow. The Secretary of State has subsequently defined this duty in more detail through the Prudential Code produced by CIPFA, which lays down the practical rules for deciding whether borrowing is affordable.

It is for the Council (at a meeting of the full Council) to set its own ‘prudential’ limit in accordance with these rules, subject only to the scrutiny of its external auditor. The Council is then free to borrow up to that limit without Government
consent. The Council is free to vary the limit during the year, if there is good reason.

Requirements in other legislation for the Council to balance its revenue budget prevents the long-term financing of revenue expenditure by borrowing. However the legislation does confer limited capacity to borrow short-term for revenue needs in the interests of cash-flow management and foreseeable requirements for temporary revenue borrowing are allowed for when borrowing limits are set by the Council.

The Council is allowed extra flexibility in the event of unforeseen needs, by being allowed to increase borrowing limits by the amounts of any payments which are due in the year but have not yet been received.

**Imposition of borrowing limits**
The Government has retained reserve power to impose ‘longstop’ limits for national economic reasons on all local authorities’ borrowing and these would override authorities’ self-determined prudential limits. Since this power has not yet been used the potential impact on the Council is not known.

**Credit arrangements**
Credit arrangements (e.g. property leasing, PFI and hire purchase) are treated like borrowing and the affordability assessment must take account not only of borrowing but also of credit arrangements. In addition, any national limit imposed under the reserve powers would apply to both borrowing and credit.

**Power to invest**
The Council has the power to invest, not only for any purpose relevant to its functions but also for the purpose of the prudential management of its financial affairs.

### 2. Department for Communities and Local Government
**Investment Guidance (March 2010)**

The Local Government Act 2003 requires a local authority “…to have regard (a) to such guidance as the Secretary of State may issue………….” and the current guidance became operative on 1 April 2010.

The Guidance recommends that for each financial year the Council should prepare at least one investment Strategy to be approved before the start of the year. The Strategy must cover:

- **Investment security**
  Investments should be managed prudently with security and liquidity being considered ahead of yield
  Potential counterparties should be recognised as “specified” and “non-specified” with investment limits being defined to reflect the status of each counterparty
• **Investment risk**
  Procedures should be established for monitoring, assessing and mitigating the risk of loss of invested sums and for ensuring that such sums are readily accessible for expenditure whenever needed.
  The use of credit ratings and other risk assessment processes should be explained
  The use of external advisers should be monitored
  The training requirements for treasury management staff should be reviewed and addressed
  Specific policies should be stated as regards borrowing money in advance of need

• **Investment Liquidity**
  The Strategy should set out procedures for determining the maximum periods for which funds may prudently be committed

The Strategy should be approved by the full Council and made available to the public free of charge. Subject to full Council approval, or approved delegations, the Strategy can be revised during the year.


The primary requirements of the Code are:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.

- Creation and maintenance of Treasury Management Practices ("TMPs") that set out the manner in which the Council will seek to achieve those policies and objectives.

- Receipt by the full Council or Cabinet of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Half-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body.

Compliance with the objectives of the Code by the Council should ensure that:

- Capital expenditure plans are affordable in terms of their implications on Council Tax and housing rents
- External borrowing and other long term liabilities are within prudent and sustainable levels
- Treasury management decisions are taken in accordance with good professional practice

As part of the two codes of practice above the Council is required to:

- agree a series of prudential indicators against which performance is measured
- produce Treasury Management Practice Notes for officers which set out how treasury management policies and objectives are to be achieved and activities controlled.
APPENDIX B

TREASURY MANAGEMENT DELEGATIONS AND RESPONSIBILITIES

The respective roles of the Council, Cabinet, GARMSC, the Section 151 officer, the Treasury Management Group the Treasury and Pensions Manager and the Treasury Team are summarised below. Further details are set out in the Treasury Management Practices.

**Council**

Under the Constitution, the Council is responsible for “decisions relating to the control of the Council’s borrowing requirement.”

It agrees the annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

**Cabinet**

Under the Constitution, the Cabinet “will exercise all of the local authority functions which are not the responsibility of any other part of the local authority, whether by law or under this Constitution.”

It considers and recommends to Council the annual Treasury Management Strategy Statement and receives a mid-year report and annual outturn report on Treasury Management activities.

**Governance, Audit, Risk Management and Standards Committee**

GARMSC reviews the Treasury Management Strategy and monitors progress on treasury management in accordance with CIPFA codes of practice.

**Director of Finance (Section 151 Officer)**

Under S151 of the Local Government Act 1972 the Council “shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.” At Harrow, this responsibility is exercised by the Director of Finance.

The Director is responsibility for implementing the policies agreed by the Council and Cabinet.

Under the Local Government Finance Act 1988 and the Local Government Act 2003 the Director also has responsibilities in respect of budget arrangements and the adequacy of resources. In terms of Treasury Management this means that the financing costs of the Capital Programme are built into the Revenue Budget as are any assumptions on investment income.
The Director chairs the Treasury Management Group and agrees major treasury management decisions, specifically including any borrowing decisions, delegated to officers.

**Treasury Management Group**

Comprises Director of Finance, Head of Strategic and Technical Finance (Deputy S151 Officer), Treasury and Pensions Manager, Senior Finance Officer and is responsible for:

- Monitoring treasury management activity against approved strategy, policy, practices and market conditions;
- Ensuring that capital expenditure plans are continually reviewed in line with budget assumptions throughout the year to forecast when borrowing will be required.
- Approving changes to treasury management practices and procedures;
- Reviewing the performance of the treasury management function using benchmarking data on borrowing and investment provided by the Treasury Management Adviser (Link Asset Services Asset Services);
- Monitoring the performance of the appointed Treasury Management Adviser and recommending any necessary actions
- Ensuring the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;
- Monitoring the adequacy of internal audit reviews and the implementation of audit recommendations

**Treasury and Pensions Manager**

Responsible for the execution and administration of treasury management decisions, acting in accordance with the Council’s Treasury Management Strategy Statement and CIPFA’s “Standard of Professional Practice on Treasury Management”

**Treasury Team**

Headed by Senior Finance Officer with responsibility for day-to-day treasury and investment and borrowing activity in accordance with approved Strategy, policy, practices and procedures and for recommending changes to the Treasury Management Group
Minimum Revenue Provision (MRP) Policy Statement

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be the equal annual reduction of 2% of the outstanding debt at 1 April 2015 for the subsequent 50 years.

- For all capital expenditure financed from unsupported (prudential) borrowing (including PFI and finance leases), MRP will be based upon an asset life method in accordance with Option 3 of the guidance.

- In some cases where a scheme is financed by prudential borrowing it may be appropriate to vary the profile of the MRP charge to reflect the future income streams associated with the asset, whilst retaining the principle that the full amount of borrowing will be charged as MRP over the asset’s estimated useful life.

- A voluntary MRP may be made from either revenue or voluntarily set aside capital receipts.

- Estimated life periods and amortisation methodologies will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

- Freehold land cannot properly have a life attributed to it, so for the purposes of Asset Life method it will be treated as equal to a maximum of 50 years. But if there is a structure on the land which the authority considers to have a life longer than 50 years, that same life estimate will be used for the land.

- As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

- Repayments included in annual PFI or finance leases are applied as MRP.

- Where borrowing is undertaken for the construction of new assets, MRP will only become chargeable once such assets are completed and operational.
• Under Treasury Management best practice the Council may decide to defer borrowing up to the capital financing requirement (CFR) and use internal resources instead. Where internal borrowing has been used, the amount chargeable as MRP may be adjusted to reflect the deferral of actual borrowing.
Interest Rate Forecasts 2017 - 2021

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Rate</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.50%</td>
<td>0.75%</td>
<td>0.75%</td>
<td>0.75%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.00%</td>
<td>1.25%</td>
<td>1.25%</td>
<td>1.25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5yr PWLB Rate</td>
<td>1.50%</td>
<td>1.60%</td>
<td>1.60%</td>
<td>1.70%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.90%</td>
<td>1.90%</td>
<td>2.00%</td>
<td>2.10%</td>
<td>2.10%</td>
<td>2.20%</td>
<td>2.30%</td>
<td>2.30%</td>
</tr>
<tr>
<td>10yr PWLB View</td>
<td>2.10%</td>
<td>2.20%</td>
<td>2.30%</td>
<td>2.40%</td>
<td>2.40%</td>
<td>2.50%</td>
<td>2.60%</td>
<td>2.60%</td>
<td>2.70%</td>
<td>2.70%</td>
<td>2.80%</td>
<td>2.90%</td>
<td>2.90%</td>
<td>3.00%</td>
</tr>
<tr>
<td>25yr PWLB View</td>
<td>2.80%</td>
<td>2.90%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.10%</td>
<td>3.10%</td>
<td>3.20%</td>
<td>3.20%</td>
<td>3.30%</td>
<td>3.40%</td>
<td>3.50%</td>
<td>3.50%</td>
<td>3.60%</td>
<td>3.60%</td>
</tr>
<tr>
<td>50yr PWLB Rate</td>
<td>2.50%</td>
<td>2.60%</td>
<td>2.70%</td>
<td>2.80%</td>
<td>2.90%</td>
<td>2.90%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.10%</td>
<td>3.20%</td>
<td>3.30%</td>
<td>3.30%</td>
<td>3.40%</td>
<td>3.40%</td>
</tr>
</tbody>
</table>

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected, that at some point, there would be a more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US are likely to exert some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure is likely to be dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging
market developments. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- The Bank of England takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- Germany is still without an effective government after the inconclusive result of the general election in October. In addition, Italy is to hold a general election on 4 March and the anti EU populist Five Star party is currently in the lead in the polls, although it is unlikely to get a working majority on its own. Both situations could pose major challenges to the overall leadership and direction of the EU as a whole and of the individual respective countries. Hungary will hold a general election in April 2018.
- The result of the October 2017 Austrian general election has now resulted in a strongly anti-immigrant coalition government. In addition, the Czech ANO party became the largest party in the October 2017 general election on a platform of being strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries
The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.

- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again somewhat. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.
APPENDIX E

Provided by Link Asset Services Asset Services at 20 November 2017

ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, inflation prospects are generally muted and it is particularly notable that wage inflation has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the fourth industrial revolution.

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks’ monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks’ holdings of government and other debt. These measures are now required in order to stop the trend of an ongoing reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings
of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. The potential for central banks to get this timing and strength of action wrong are now key risks.

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the low level of productivity growth, which may be the main driver for increases in wages; and decreasing consumer disposable income, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether an inflation target for central banks of 2%, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a lower inflation target of 1% to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.

- However, other economists would argue for a shift up in the inflation target to 3% in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.

- In addition, there is a strong argument that central banks should target financial market stability. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.

- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that other non-financial asset prices, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a
result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the Monetary Policy Committee, (MPC), meeting of 14 September 2017 managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years’ time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak.) This marginal revision in the Bank’s forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that the amount of spare capacity in the economy was significantly diminishing towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a decrease in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At Its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the ‘one and done’ scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the contradiction within the Bank of England between action in 2016 and in 2017 by two of its committees. After the shock result of the EU referendum, the Monetary Policy Committee (MPC) voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was because the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the Financial Policy Committee (FPC) of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total...
borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that some consumers may have over extended their borrowing and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

**EZ.** Economic growth in the eurozone (EZ), (the UK’s biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in November inflation was 1.5%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

**USA.** Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

**JAPAN.** GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.
Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bilateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU’s budget, voting allocations and policies.
APPENDIX F

Counterparties

Specified Investments
These are sterling investments of a maturity period of not more than 365 days, or those which could be for a longer period but where the lender has the right to be repaid within 365 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. The instruments and credit criteria to be used are set out in the table below.

Table 10 Specified Investments

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Minimum Credit Criteria</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Management Agency Deposit Facility</td>
<td>Government backed</td>
<td>In-house</td>
</tr>
<tr>
<td>Term deposits – other LAs</td>
<td>Local Authority issue</td>
<td>In-house</td>
</tr>
<tr>
<td>Term deposits – banks and building societies</td>
<td>AA- Long Term F1+Short-term 2 Support UK or AAA Sovereign</td>
<td>In-house</td>
</tr>
<tr>
<td>Money Market Funds (CNAV), (LVNAV) and (VNAV)</td>
<td>AAA</td>
<td>In-house</td>
</tr>
</tbody>
</table>

Non-Specified Investments
Non-specified investments are any other type of investment (i.e. not defined as Specified above). They normally offer the prospect of higher returns but carry a higher risk. The identification and rationale supporting the selection of these other investments are set out in the table below.

Table 11 Non-Specified Investments

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Minimum Credit Criteria</th>
<th>Use</th>
<th>Max total investment</th>
<th>Max. maturity period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term deposits – banks and building societies (excluding Lloyds / HBOS)</td>
<td>A Long Term F1 Short-term UK or AAA Sovereign</td>
<td>In-house</td>
<td>50%</td>
<td>3 months</td>
</tr>
<tr>
<td>Lloyds / HBOS</td>
<td>A Long Term F1 Short-term</td>
<td>In-house</td>
<td>50%</td>
<td>6 months</td>
</tr>
<tr>
<td>Callable Deposits</td>
<td>A Long Term F1 Short term</td>
<td>In-house</td>
<td>20%</td>
<td>3 months</td>
</tr>
<tr>
<td>UK nationalised Banks [RBS]</td>
<td>F2 Short-term</td>
<td>In-house</td>
<td>60%</td>
<td>36 months</td>
</tr>
<tr>
<td>Enhanced Cash Funds [RBS]</td>
<td>AAA</td>
<td>In-house</td>
<td>25% (maximum £10 million per fund)</td>
<td>Minimum monthly redemption</td>
</tr>
<tr>
<td>Corporate bonds pooled funds, other non-standard investments and gilts</td>
<td>In house</td>
<td>£10m in total</td>
<td>Dependent on specific agreement</td>
<td></td>
</tr>
<tr>
<td>HB Public Law Ltd</td>
<td>In house</td>
<td>£0.1m</td>
<td>36 months</td>
<td></td>
</tr>
</tbody>
</table>

306
<table>
<thead>
<tr>
<th>Minimum Credit Criteria</th>
<th>Use</th>
<th>Max total investment</th>
<th>Max. maturity period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Property Strategy *</td>
<td>In house</td>
<td>£20.0m</td>
<td>Dependent on specific agreement</td>
</tr>
<tr>
<td>Concilium Business Services Ltd t/a Smart Lettings Ltd</td>
<td>In house</td>
<td>£0.331m</td>
<td>36 months</td>
</tr>
<tr>
<td>Concilium Group Startup capital</td>
<td>In house</td>
<td>£0.702m</td>
<td>60 months</td>
</tr>
<tr>
<td>Concilium Group 5% Long Term Investment</td>
<td>In house</td>
<td>£1.5m</td>
<td>Dependent on specific agreement</td>
</tr>
<tr>
<td>Cultura London re Harrow Arts Centre</td>
<td>In house</td>
<td>£1m</td>
<td>25 years</td>
</tr>
<tr>
<td>Housing Development Vehicle (LLP) – Initially on acquisition of 100 homes</td>
<td>In house</td>
<td>£30m</td>
<td>Dependent on specific agreement</td>
</tr>
</tbody>
</table>

*Investment to date totals £10.2m
Affordability Prudential Indicators

1 Ratio of Financing Costs to Revenue Stream

This indicator identifies the trend in the cost of capital (borrowing, depreciation, impairment and other long term obligation costs net of investment income) against the net revenue stream. Tables 12 and 13 below show the current position for the General Fund and HRA respectively.

Table 12 Ratio of Financing Costs to Revenue Stream – General Fund (excluding Regeneration)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Net revenue stream (£’000)</td>
<td>164,987</td>
<td>164,804</td>
<td>167,913</td>
<td>163,003</td>
<td>165,471</td>
</tr>
<tr>
<td>Interest costs (£’000)</td>
<td>7,817</td>
<td>7,268</td>
<td>8,174</td>
<td>8,728</td>
<td>9,485</td>
</tr>
<tr>
<td>Interest costs - finance leases (£’000)</td>
<td>1,717</td>
<td>1,700</td>
<td>1,700</td>
<td>1,700</td>
<td>1,700</td>
</tr>
<tr>
<td>Interest and investment income (£’000)</td>
<td>-1,525</td>
<td>-1,300</td>
<td>-1,300</td>
<td>-1,300</td>
<td>-1,300</td>
</tr>
<tr>
<td>MRP (£’000)</td>
<td>15,477</td>
<td>14,218</td>
<td>18,925</td>
<td>21,321</td>
<td>25,704</td>
</tr>
<tr>
<td>Total financing costs (£’000)</td>
<td>23,486</td>
<td>21,886</td>
<td>27,499</td>
<td>30,449</td>
<td>35,589</td>
</tr>
<tr>
<td>Ratio of total financing costs against net revenue stream (%)</td>
<td>14.2</td>
<td>13.3</td>
<td>16.4</td>
<td>18.7</td>
<td>21.5</td>
</tr>
</tbody>
</table>

The ratio of total financing costs against net revenue stream increases significantly between 2017-18 and 2020-21 due to the impact of the capital programme and the increase in MRP.

Table 13 Ratio of Financing Costs to Revenue Stream – HRA

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</tr>
</thead>
<tbody>
<tr>
<td>Gross revenue stream (£’000)</td>
<td>32,280</td>
<td>32,001</td>
<td>32,112</td>
<td>32,587</td>
<td>33,174</td>
</tr>
<tr>
<td>Interest costs of self-funding borrowing (£’000)</td>
<td>3,751</td>
<td>3,751</td>
<td>3,751</td>
<td>3,751</td>
<td>3,751</td>
</tr>
<tr>
<td>Interest costs of other borrowing (£’000)</td>
<td>2,643</td>
<td>2,797</td>
<td>2,574</td>
<td>2,642</td>
<td>2,675</td>
</tr>
<tr>
<td>Interest and investment income (£’000)</td>
<td>35</td>
<td>-2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Depreciation (£’000)</td>
<td>7,559</td>
<td>7,496</td>
<td>7,676</td>
<td>7,748</td>
<td>7,812</td>
</tr>
<tr>
<td>Impairment (£’000)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total financing costs (£’000)</td>
<td>13,888</td>
<td>14,042</td>
<td>14,091</td>
<td>14,141</td>
<td>14,236</td>
</tr>
<tr>
<td>Ratio of total financing costs against net revenue stream (%)</td>
<td>43.3</td>
<td>43.9</td>
<td>43.6</td>
<td>43.4</td>
<td>42.9</td>
</tr>
<tr>
<td>Ratio of total financing costs (excluding depreciation and impairment) against net revenue stream (%)</td>
<td>19.9</td>
<td>20.5</td>
<td>19.7</td>
<td>19.6</td>
<td>19.4</td>
</tr>
</tbody>
</table>

The ratio of total financing costs (excluding depreciation and impairment) against net revenue stream shows a gradual increase due largely to the mandatory reduction in dwelling rent and the reduction of interest income due to reducing balances on the revenue account and Major Repairs reserve.
2 Incremental Impact of Capital Investment Decisions on Council Tax and Housing Rents

This indicator identifies the revenue costs associated with proposed capital programme and the impact on Council Tax and Housing Rents.

Table 14 Incremental Impact of Capital Investment Decisions (excluding Regeneration) – Council Tax

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Net Financing need (£'000)</td>
<td>45,131</td>
<td>46,131</td>
<td>23,415</td>
<td>6,808</td>
<td>-33,774</td>
</tr>
<tr>
<td>Borrowing @ 2% (PWLB rate) (£'000)</td>
<td>1,146</td>
<td>1,241</td>
<td>711</td>
<td>217</td>
<td>-1,077</td>
</tr>
<tr>
<td>MRP @ 2% (£'000)</td>
<td>903</td>
<td>923</td>
<td>468</td>
<td>136</td>
<td>-675</td>
</tr>
<tr>
<td>Total increased costs (£'000)</td>
<td>2,049</td>
<td>2,164</td>
<td>1,180</td>
<td>353</td>
<td>-1,752</td>
</tr>
<tr>
<td>Ctax base (£'000)</td>
<td>82,000</td>
<td>83,500</td>
<td>84,466</td>
<td>85,946</td>
<td>85,946</td>
</tr>
<tr>
<td>% Increase</td>
<td>2.5</td>
<td>2.6</td>
<td>1.4</td>
<td>0.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Band D Council Tax</td>
<td>1,560</td>
<td>1,628</td>
<td>1,689</td>
<td>1,738</td>
<td>1,766</td>
</tr>
<tr>
<td>Overall increase £ pa</td>
<td>38.98</td>
<td>42.17</td>
<td>23.58</td>
<td>7.14</td>
<td>36.01</td>
</tr>
</tbody>
</table>

Table 15 Incremental Impact of Capital Investment Decisions – Housing Rents

<table>
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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Financing need (£'000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowing @ 2% (PWLB rate) (£'000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation @ 2% (£'000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total increased costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of dwellings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in average housing rent per week £</td>
<td>#DIV/0!</td>
<td>#DIV/0!</td>
<td>#DIV/0!</td>
<td>#DIV/0!</td>
<td>#DIV/0!</td>
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3 Local HRA indicators

The Council should also be aware of the following ratios when making its treasury management decisions.

Table 16 HRA Ratios

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Debt (CFR) (£m)</td>
<td>149.54</td>
<td>151.49</td>
<td>154.67</td>
<td>154.78</td>
<td>156.27</td>
</tr>
<tr>
<td>Gross Revenue Stream (£m)</td>
<td>32.28</td>
<td>32.00</td>
<td>32.11</td>
<td>32.59</td>
<td>33.17</td>
</tr>
<tr>
<td>Ratio of Gross Revenue Stream to Debt (%)</td>
<td>22</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Average Number of Dwellings</td>
<td>4,825</td>
<td>4,823</td>
<td>4,781</td>
<td>4,760</td>
<td>4,755</td>
</tr>
<tr>
<td>Debt outstanding per dwelling (£)</td>
<td>30,992</td>
<td>31,410</td>
<td>32,351</td>
<td>32,517</td>
<td>32,864</td>
</tr>
</tbody>
</table>

Rents in the Housing Revenue Account are projected to reduce by 1% each year for four years commencing in 2016/17, in line with the provisions of the Welfare Reform and Work Act. The reduction in income is expected to be mitigated over the next two years by additional rent income generated as a result of an increase in HRA property numbers from the Council's HRA new build and purchase and repair programmes.
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