

**REPORT FOR: CABINET**

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<b>Date of Meeting:</b>	21 February 2019
<b>Subject:</b>	Final Revenue Budget 2019/20 and Final Medium Term Financial Strategy 2019/20 to 2021/22
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance
<b>Portfolio Holder:</b>	Councillor Adam Swersky – Portfolio Holder for Finance and Resources
<b>Exempt:</b>	No, except for Appendix 17 – Corporate Risk Register extract on the ground 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).
<b>Decision subject to Call-in:</b>	Yes, except where decision is reserved to Council and is for noting only
<b>Wards affected:</b>	All
<b>Enclosures:</b>	Appendix 1A – Proposed savings and growth 2019/20 to 2021/22 (New proposals) Appendix 1B – Proposed savings and growth

2019/20 to 2020/21 (to be agreed from 2018/19 and 2017/18 MTFs)  
Appendix 1C – Consolidated proposed savings 2019/20 to 2021/22  
Appendix 2 - Medium Term Financial Strategy 2019/20 to 2021/22  
Appendix 3 - Revenue Budget Summary 2019/20  
Appendix 4 - Levies, contributions and subscriptions  
Appendix 5 – Policy on use of contingency  
Appendix 6 – Schools Budget 2019/20  
Appendix 7 – Public Health Budget 2019/20  
Appendix 8 – Reserves Policy  
Appendix 9 – Reserves forecast  
Appendix 10 – Report of the Chief Finance Officer  
Appendix 11 – Model Council Tax Resolution  
Appendix 12 – Members Allowance Scheme 2019/20  
Appendix 13 – Annual Pay Policy Statement for 2019/20  
Appendix 14 – Stakeholder Consultation – minutes of meetings  
Appendix 15 – Flexible Use of Capital Receipts  
Appendix 16 and 16a – Cumulative EQIA for savings proposals  
Appendix 17 – Corporate Risk Register Extract  
Appendix 18 – Amendment to Cemetery Fees and Charges 2019/20

This report sets out the final revenue budget for 2019/20 and Medium Term Financial Strategy (MTFS) for 2019/20 to 2021/22. In December 2018, Cabinet approved draft versions of the revenue budget and MTFs for general consultation.

**Recommendations:**

Cabinet is recommended to:

- 1) Recommend the 2019/20 budget to Council for approval, being mindful of the results of the various consultations and equality impact assessments, to enable the Council Tax for 2019/20 to be set (Appendix 2).
- 2) Recommend the Model Council Tax Resolution 2019/20 to Council for

approval as set out at Appendix 11.

- 3) Recommend to Council that in accordance with Section 38(2) of the Local Government Finance Act 1992, the Chief Executive be instructed to place a notice in the local press of the amounts set under recommendation 2 above with a period of 21 days following the Council's decision.
- 4) Approve the Medium Term Financial Strategy (MTFS) for referral to Council (Appendix 2).
- 5) Note the addition of £2.627m to the Social Care Reserve as set out in paragraph 1.8.
- 6) Note the balanced budget position for 2019/20, and the budget gaps of £16.795m and £9.345m for 2020/21 and 2021/22 respectively (table 4).
- 7) Note the intention to increase Council Tax by 2.99% in 2019/20 (paragraph 1.23).
- 8) Note the proposal to increase Council Tax by a further 2.0% in 2019/20 in respect of the Adult Social Care Precept (paragraph 1.23).
- 9) Note the changes to schools funding for 2019/20 as set out in paragraphs 1.57 to 1.63 and Appendix 6.
- 10) Note the assumed funding for the protection of social care in 2019/20 through the BCF as set out in paragraphs 1.62 to 1.68.
- 11) Approve the draft Public Health budget for 2019/20 (Appendix 7).
- 12) Remove all resident charges relating to child burials (paragraph 1.69, Appendix 18)
- 13) With regard to the London Business Rates Pooling Pilot agree 11 and 12 below:
- 14) Approve participation in the second year of the London Business Rates Pilot Pool with effect from 1 April 2019 (to 31 March 2020) and delegate to the Director of Finance, in consultation with the Portfolio Holder for Finance and Resources, and the Monitoring Officer, to finalise the details for the continuation of the pilot pool.
- 15) Delegate to the Director of Finance, in consultation with the Leader of the Council, Portfolio Holder for Finance and Resources and the Monitoring Officer the authority to consider such consultative reports as the Lead Authority may circulate and to respond on behalf of the authority with regard to any recommendations and in particular,

proposals for projects to be approved for funding from the Strategic Investment Pot.

16) Recommend the 2019/20 Members' Allowance Scheme to Council for approval (Appendix 12).

17) Recommend the 2019/20 Annual Pay Policy Statement for Council for approval (Appendix 13).

18) Recommend the Capital Receipts Flexibility Strategy to Council (Appendix 15).

19) Note the comments from the various stakeholder meetings (Appendix 14)

**Reason: (For recommendations)**

To ensure that the Council sets a balanced budget for 2019/20.

## Section 2 – Report

### INTRODUCTION

1.0 The Government continues to reduce its funding to Local Government as part of its nationwide austerity programme. In their publication ‘Local Government Funding – Moving the conversation’ (June 2018) the Local Government Association shared a number of their key statistics including:

- New analysis indicates that local services face a funding gap of £7.8billion by 2025 of which £6.6 billion relates to Adults social care and Children’s services.
- By 2020, local authorities will have faced a reduction to core funding from central Government of nearly £16 billion over the preceding decade.

1.1 Table 1 below summarises the key financial changes over the 7 year period up to 2019/20:

**Table 1: Summary of Key Financial Changes 2013/14 to 2019/20**

	Reduction in RSG	Demand Led Growth	Technical Growth	Savings	Additional Revenue from Council Tax	Business Rates
	£m	£m	£m	£m	£m	£m
2013/14	52.1	10	10	-22	-1.8	14.7
2014/15	42.6	5.5	-2.1	-10	-1.9	14.5
2015/16	32	7.7	5.9	-20.6	-3.4	14
2016/17	21.9	4.7	9.5	-16.6	-6.8	13.2
2017/18	13	10.7	-0.6	-10.2	-7.3	14.4
2018/19	7.3	9.8	1.7	-7.4	-5.3	14.4
2019/20	1.6	7.4	-4	-5.2	-8.5	14.4
<b>Total</b>		<b>55.8</b>	<b>20.4</b>	<b>-92</b>	<b>-35</b>	

The 2019/20 allocations are subsumed within the Business Rates Pilot Pool.

The table shows:

- The Council has seen the Revenue Support Grant, its main source of funding from central government, reduce by 97% over the 7 years, reducing the grant to £1.566m (£1.6m)
- Growth of £55.8m has had to be provided to fund the continued pressures on front line services, mainly adults and children’s social care and homelessness
- Technical growth of £20m has had to be provided to fund inflationary pressures (pay and non pay) and the cost of capital investment in initiatives including highways maintenance and the acquisition of properties to alleviate homelessness
- These three factors have taken the total budget shortfall to find over the seven year period to £128m to achieve a balanced budget

- Savings of £92m have been achieved but the profiling of these savings, and how they have reduced in recent years, demonstrates the challenges of finding sustainable savings year on year
- There is an increased reliance on Council Tax to support the budget
- Business Rates has remained largely static, the Borough has been adversely affected by permitted development allowing office space to be converted to residential

The Council has received, and continues to receive one off funding, including:

- Transitional Grant (£712k in 2016/17 and £699k in 2017/18)
- Winter Pressures funding for Adults Social Care (£968k in 2018/19)
- Adult Social Care support grant (£606k in 2018/19)
- Adult and Children's Social Care (£2.627m in 2018/19)
- Improved Better Care Fund (£4.643m in 2018/19, £5.467m in 2019/20)

Whilst this funding is well received its non recurrent nature, alongside the uncertainty of Local Government funding going forward, significantly increases the challenge of budget planning and achieving financial sustainability.

- 1.2 Harrow Council does not have large cash reserves. Its general fund balances stand at £10m and remain within the lower quartile when benchmarked with other local authorities and spending them is not a responsible way to offset lost revenue. Harrow Council's gross budget for 2019/20 is £600m. A significant proportion of this funding is ring fenced for services such as housing benefit, schools and public health. The Council's net controllable budget is £168m in 2019/20 and this is the element of the budget that must be found. The direct departmental spend of £150m (which excludes corporate items such as capital financing costs and contingencies) is set out in Table 2 below:

**Table 2: Planned Spend on Services in 2019/20**

Net Controllable Revenue Budget	Budget 2019/20 £000	Description of service
<b>Resources &amp; Commercial</b>		
Council contribution to freedom passes scheme	10,158	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.
The Council's call centre, main reception and website administration costs	4,116	Residents want to contact the authority in a number of different ways. This funding supports 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.
Support for revenues and residents benefit claims	2,280	This funding provides assistance to those residents in need with benefit claims, helping them access the support they need and offering a timely response.
Resources	20,565	Provision 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.
<b>Community</b>		
Keeping Harrow clean & green	14,639	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 fining and 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.
Promoting culture and sports in the Borough	455	Libraries, leisure 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 leisure and cultural facilities in the Borough.
Housing General Fund	3,829	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.
Economic Development & Research	710	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.
Planning Services	218	As a Planning Authority, the Service processes planning applications and enforces planning standards across the Borough.
<b>People - Adults and Public Health Services</b>		
Support for Adults and Children with a disability and older people.	60,553	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.
Quality Assurance & strategic management services	1,704	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 strategic management to ensure we have appropriate services in place to meet the needs of our residents.
<b>People - Public Health Services</b>		
Public Health	(1,867)	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.
<b>People - Children's Services</b>		
Children & Young People's Services	25,511	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.
Education Services	7,080	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.
<b>Total Service Budgets</b>	<b>149,951</b>	

- 1.3 The final budget set out in this report shows a balanced budget position for 2019/20 and budgets gaps of £16.795m and £9.345m for 2020/21 and 2021/22 respectively. Whilst it is intended that Members will approve the MTFS up to 2021/22 within this report, this is subject to a number of assumptions in relation to grant settlements, council tax income, legislation and demographics. The Council will still be required to review the Council's budget on a yearly basis; however approval of the MTFS will allow officers to progress a number of important projects.
- 1.4 The Council has a statutory obligation to agree and publish the budget for 2019/20, and this report sets out the final budget for 2019/20 and the final three year MTFS up to 2021/22.

### **BACKGROUND**

- 1.5 The budget process is designed to ensure that it is priority led so that resources are aligned with council priorities and statutory responsibilities including equalities implications. The Harrow Ambition Plan 2019 sets out the ambitious council vision of 'Working Together to Make a Difference for Harrow' which is supported by five key priorities:

- Building A Better Harrow
- Supporting Those Most In Need
- Protecting Vital Public Services
- Delivering A Strong Local Economy For All
- Modernising Harrow Council

### **EXTERNAL FUNDING POSITION**

- 1.6 Harrow Council is one of the lowest funded councils in London. In 2015/16 Harrow's revenue spending power per head was £159 (or 17.3%) lower than the London average which ranked Harrow 26<sup>th</sup> out of 32 London Boroughs. A similar comparison with the England average shows Harrow's revenue spending power per head was £127 (or 14.3%) below average and ranked Harrow 105<sup>th</sup> out of 120 local authorities. Subsequent financial settlements have done little to address the balance on Harrow's funding position. The revenue spending power per head analysis was updated and concluded that Harrow's core spending power per head in 2019/20 is estimated to be £170 lower than the London average and £75 lower than the rest of England average.
- 1.7 The 2018 Budget did announce additional funding for local government. The three key areas in terms of additional funding and impact on the Councils revenue and capital budget are social care, pot holes and Disabled Facilities Grant:
- 1.8 **Social care** – Additional funding of £240m was announced for adult social care in 2019/20. Harrow's share is £970k based on the relative needs formula. A further £410m will also be made available to support both adult and children's social care in 2019/20 and Harrow's share is £1.657m. This provides additional revenue funding of £2.627m in total

for Harrow in 2019/20. Whilst this is a helpful contribution to social care demand pressures, there is concern that this funding is for one year only with no announcements post 2019/20. For this reason the funding cannot be built into the base budget and this report recommends holding the funding in a Social Care Reserve.

- 1.9 **Pot Holes** - £420m of new funding will be made available across England for pot holes. Harrow's share is £509k and has been added to the 2018/19 Capital Programme.
- 1.10 **Disabled Facilities Grant (DFG)** – An additional £55m of DFG funding will be allocated in 2018/19 to provide home aids and adaptations for disabled children and adults on low incomes. Harrow's share is estimated at £226k and will be added to the 2018/19 Capital Programme.
- 1.11 Whilst additional funding is well received, there remains significant concern that the funding announced is for 2019/20 only and will not address the low funding baseline for Harrow Council and how it manages its budget on a sustainable basis moving forward.
- 1.12 The last Spending Review (SR15) was followed by a four-year offer to councils to set Settlement Funding Assessment levels (SFA) between 2016/17 to 2019/20. 2019/20 is the final year of the four year settlement and local government finance is undergoing a period of significant change that brings with it growing uncertainty for the sector. The coming months will see three major external events that will change the amount of funding every local authority receive from 2020 onwards:
  - The next **Spending Review (SR)** will set the overall quantum of central government funding to local government when it sets government departmental expenditure limits for the next few years. The period the SR will cover, timelines for submission and the date of SR announcements all remain unknown.
  - The **Fair Funding Review** will set the new needs baseline in April 2020 and will therefore determine the distribution of core central government funding to local government. Further consultation is expected later this calendar year and in summer 2019 as work is progressed. Arrangements are expected to be finalised in autumn 2019. Transition arrangements remain unknown.
  - The **75% business rates retention scheme** will start in 2020-21. This will involve establishing new business rates baselines, setting new parameters regarding the level of risk/reward and, therefore, the ability of each local authority to benefit from growth, as well as the time period over which growth will be retained.
- 1.13 The next round of Funding Reform consultations are underway and cover Fair Funding and Business Rates Retention. The Council will be

responding to these consultations, alongside London Councils and the Local Government Association, before the submission date of 21 February 2019.

### **DELIVERY OF THE 2018/19 BUDGET**

1.14 Delivery of the 2018/19 budget is critical to maintaining the Council's financial standing and to do everything possible to protect front line services. The 2018/19 revenue budget includes a challenging savings target of £8.801m. At Quarter 3 (as at 31<sup>st</sup> December 2018) performance against the savings target is good in light of the increasingly challenging fiscal and demand led environment:

- £6.196m of savings (70%) are already achieved or on course to be achieved (rated Green)
- £1.582m of savings (18%) are partially achieved or risks remain (rated Amber)
- £1.023m of savings (12%) will not be achieved (rated Red)

This position is an improvement on financial performance against budget savings at this stage in the year compared to 2017/18 when 63% of savings were rated green, 21% rated amber and 16% rated red.

1.15 The Quarter 3 forecast, subject to a separate report elsewhere on the agenda, indicates a directorate overspend of £4.137m net, the key pressures relating to pressures within Adults Services and Environment and Culture as detailed below:

**Adults Services** is forecasting an overspend of £5.022m, reduced to £3.446m after applying one off grant income received from central Government, announced after the 2018/19 budget was set. The Adult Social Care support grant yields £606k for Harrow and is being applied to fund care provider inflationary uplifts. At the beginning of October 2018 funding of £240m was made available to councils to pay for social care packages for winter 2018/19 and Harrow's share of the funding was £970k. Both these funding streams are one off in 2018/19 and therefore have not been built into the base budget. The pressures forecast by Adult Services relate to increases in demand for social care placements which have continued to increase throughout the year.

**The Environment & Culture** division is forecasting to overspend by £650k as a result of pressures from dry recycling disposal, food waste collection, demand pressures increasing staffing costs in Clean & Green and challenges in achieving include targets across Civic Amenities and Public Protection.

1.16 Despite these pressures, financial management of the budget has remained robust throughout the year to ensure overall planned services are delivered within resources and an underspend is delivered to contribute towards the 2019/20 budget:

- Period 2 (as at May 2018) financial performance was reported to Cabinet in July 2018 which estimated directorate pressures of

£2.7m. Spending controls were immediately implemented across the organisation to generate £1.1m of mitigation actions which have been maintained throughout the year.

- Both the Resources directorate and Children's division are reporting forecast underspends totalling £1.345m.
- Robust management has prevented, to date, the need to call upon the contingency for unforeseen items (£1.248m). Corporate actions such as tight monitoring of cash balances to reduce the need to borrow and holding all external income received post budget setting corporately, has yielded underspends on corporate budgets.

The result of these actions a forecast underspend of £2.2m for 2018/19 which will be carried forward and applied to the 2019/20 budget.

- 1.17 Unlike other London Borough's, Harrow Council does not hold large reserves. During the audit of the 2017/18 financial statements external audit reported on the general level of reserves across London as a percentage of expenditure. Reserves ranged from 4% to 43% with Harrow being third from lowest at 8%. It is crucial that the Council is prudent and overall delivers services within budget or delivers an underspend to prevent a call on reserves.

#### **COMPREHENSIVE SPENDING REVIEW**

- 1.18 As part of the December 2015 Spending Review, the Secretary of State for Communities and Local Government (DCLG) made an offer to councils to take up a four year funding settlement for the period 2016/17 to 2019/20. In light of the RSG reduction of 93% over the 4 years, the Council did not apply to accept the offer along with 8 other Councils. The details of the next Spending Review remain unknown.

#### **BUDGET PROCESS 2019/20**

- 1.19 In February 2018 Council approved a three year budget. As the Council's financial position is dynamic and is affected by a number of financial uncertainties and adjustments that will impact upon its financial position over the short and medium term, in preparing the draft budget for 2019/20 the existing MTFS was refreshed and rolled on a year. The adjustments were reported to Cabinet in December 2018 and are shown in table 3 below followed by an explanation of the more significant adjustments which was included in the December report to Cabinet:

**Table 3: Changes to MTFs (Prior to Government Settlement on 13 December 2018)**

	2019/20	2020/21	2021/22
	£'000	£'000	£'000
<b>Budget gap at February 2018 Council Report</b>	<b>£17,636</b>	<b>£16,061</b>	<b>£0</b>
<b>Implications of Rolling the Budget forward to include 2021/22</b>			
Capital Financing Costs from the current Capital Programme			<b>£1,900</b>
Pay Inflation and General Inflation			<b>£3,100</b>
<b>One off actions</b>			
Use of £2m from the budget planning reserve (2017/18 underspend)	-£2,000	£2,000	
2018/19 Forecast underspend to be used for 2019/20	-£2,200	£2,200	
<b>Revised budget gap</b>	<b>£13,436</b>	<b>£20,261</b>	<b>£5,000</b>
<b>Saving proposals:</b>			
Resources	-£643	-£595	-175
Children's	-£831	£0	
Community	-£300	-£553	-643
<b>Growth proposals:</b>			
Resources	£400	£95	140
Children's	£315	£0	0
Adults	£995	£971	652
Community savings proposals requiring Capital financing Growth	£286	£330	244
<b>Revised budget gap after savings and growth proposals</b>	<b>£13,658</b>	<b>£20,509</b>	<b>£5,218</b>
<b>Council Tax changes</b>			
Collection Fund Surplus	-£2,200	£2,200	
Increase in core Council Tax - 4.99%	-£3,584		
Increase in core Council Tax - 1.99%		-£2,513	
Budget Gap assumed 2.5% precept but limited to 2%	£599		
Increase in Band D tax base from 85,946 to 86,250	-£445		
<b>Revised gap after Council Tax adjustments</b>	<b>£8,028</b>	<b>£20,196</b>	<b>£5,218</b>
<b>Technical Adjustments</b>			
Removal of MRP budget assigned to Regeneration (one off) 2019//20	-£1,000	£1,000	
Removal of MRP budget assigned to Regeneration (one off) 2020//21		-£1,000	£1,000
Use of Capital Flexibilities	-£800	£800	
2018/19 Business Rates Pool	-£3,500	£3,500	
Use of 2019/20 Business Rates Pool in 2020/21		-£2,625	£2,625
Additional S31 funding 2018/19	-£779	£779	
Additional New Homes Bonus income from growth	-£962	£300	
Removal of Budget assumed to fund Public Health Grant reduction	-£487		
Gayton Road - 72 affordable units	-£500		£500
<b>Revised gap after savings, growth and Council Tax changes</b>	<b>-</b>	<b>22,950</b>	<b>9,343</b>
Removal of Directorate growth		-£4,000	
		-£5,467	
<b>Revised gap assuming IBCF continues</b>	<b>0</b>	<b>13,483</b>	<b>9,343</b>

#### 1.20 **Implications of rolling budget forward to include 2021/22:**

Set out below are the explanations for the figures in Table 2. This is also set out in Appendix 2 along with Adjustments included within the previous MTFS agreed as part of the 2018/19 Budget process:

- **Capital Financing Costs from the current Capital Programme-** when the Capital Programme was agreed in February 2018, there were capital financing costs in relation to 2021/22 which were not included as this year was outside of last year's MTFS period which only extended as far as 2020/21. Therefore these costs of £1.9m are included now for 2021/22. There is no inclusion of additional capital financing costs beyond the current existing capital programme as reported in the Capital Programme Report elsewhere on the agenda.
- **Pay Inflation and General Inflation** – A 2% pay award has been provided for in 2019/20 as this was agreed as part of a 2 year pay award for 2018/19. There is no information as to what the 2020/21 pay award will be, therefore 2% has also been assumed in the budget for 2020/21 which equates to approximately £2m. The remaining £1.1m is provided for general inflation.
- **One off actions** – The 2017/18 outturn achieved an underspend of £3.2m of which £2m was allocated to the Business Planning Reserve as a contribution to the 2019/20 budget gap. As this is a benefit in 2019/20, it is reversed out of the MTFS in 2020/21. The 2018/19 Revenue and Capital Monitoring as at 30 September 2018, which is a separate report elsewhere on this agenda, reports an estimated underspend in 2018/19 of £2.2m which is ear marked as a one off contribution to the 2019/20 budget gap.

#### 1.21 **Savings identified as part of the 2019/20 Budget process**

Table 3 sets out additional savings of £3.740m and additional growth of £4.428m over the period 2019/20 to 2021/22 identified as part of the 2019/20 budget process.

#### 1.22 **Council Tax Adjustments**

There is an overall net estimated surplus on the Collection Fund for 2018/19 (as at March 2019) of which Harrow's share is £2.2m which is reflected in the budget for 2019/20. As this is a one off benefit it must be reversed out in 2020/21.

- 1.23 The increase in the core Council tax is proposed at 4.99%. This is split 2.99% for the core council tax and 2% for the adult social care precept. In addition the Council tax base has increased to 86,250 from its 2018/19 base of 84,466. The increase in the tax base alone (without any increase in council tax), will generate additional income of £2.488m. A 4.99% increase in council tax on the revised tax base of 86,250 generates additional council tax income of £6.003m.

- 1.24 In total this amounts to additional council tax income of £8.491m. The assumptions in the existing 2019/20 budget gap agreed in Feb 2018, already assumed additional Council tax income of £5.061m, therefore an additional £3.430m is included in Table 3.
- 1.25 In terms of the Adult Social Care precept, there is no information as to whether the Social Care precept will continue beyond 2019/20, therefore no assumptions are made beyond 2019/20. Harrow applied a 3% precept in 2017/18, 0.5% in 2018/19 with and 2% assumed in 2019/20, which brings the total to 5.5% over the 3 years. (The maximum allowance was 6%).

### **Technical Adjustments**

- 1.26 **Removal of Minimum Revenue Provision (MRP) budget assigned to Regeneration** –Following a review of the Regeneration Programme, the capacity allocated to fund the revenue costs of the existing programme during the development period has been reduced £2m and this capacity has been transferred to support the general fund.
- 1.27 **Use of capital Flexibilities** – a further £800k of capital flexibilities will be utilised in 2019/20. This is a one off benefit and so needs to be reversed in 2020/21. Paragraphs 1.54 to 1.54 set out more detail on the scheme and application in previous years.
- 1.28 **Funding from the 2018/19 Business Rates Pool** - Harrow joined the 100% business rates retention pilot proposal for 2018/19 covering all London Boroughs. Harrow will receive a proportion of the collective growth in London arising from the pool and the no detriment clause agreed by central Government guarantees that no Council could be worse off than it would have been had the pilot not been put in place. Currently, the no detriment clause is in place for the first year only and discussions are ongoing to extend the London Pilot Pool for a second year to 2019/20.
- 1.29 At the time of preparing the 2018/19 budget, no indicative figures were available for potential growth from the pilot pool therefore, as a prudent measure, no benefit was built into the final budget. Early indications are that Harrow could benefit from an estimated £3.5m of one off income in 2018/19 which will be applied in the 2019/20 budget.
- 1.30 **Additional Section 31 Funding 2018/19** - the budget assumes £779k additional one off income in the form of section 31 grant funding for 2019/20.
- 1.31 **New Homes Bonus (NHB)** – there were changes made to the scheme as part of the 2017/18 settlement, which saw the introduction of a national baseline for housing growth of 0.4%. This meant that there would be no benefit in terms of NHB payments until the 0.4% is exceeded. The payment period was also reduced, so for 2017/18 NHB payments were made for five, rather than six years, and that payment period was reduced again to four years from 2018/19.

- 1.32 In 2018/19 the NHB grant is £3.482m. Any changes to the scheme for 2019/20 will not be announced until the December Finance Settlement although there is speculation that the 0.4% baseline for growth will be increased. In estimating the additional income from the NHB in 2019/20, growth of 942 homes has been factored in and also the assumption that the 0.4% baseline will increase to 0.6%. This should provide for a NHB grant of £3.091m. The current budget assumes £2.129m of income, so an increase of £0.962m. The budget for 2020/21 was reduced as part of last year's budget. This £962k increase in 2019/20 needs to be reduced by £300k in 2020/21 so that the budget aligns with the estimated grant income for 2020/21.
- 1.33 **Public Health Grant Reduction** – a sum of £487k was included in the budget to fund any reductions in the Public Health Grant. However this will be removed and any shortfalls in grant will be funded from the Public Health reserve.
- 1.34 **Gayton Road Income** – there are 72 units at Gayton Road currently being used for temporary accommodation in the Housing General Fund. There is a saving in the budget to reflect a £500k reduction in temporary accommodation costs by using these units in 2019/20. The working assumption is that these units will be transferred to the HRA in exchange for a capital receipt at which point (estimated to be 2021/22) the £500k revenue saving will not accrue to the General Fund. No benefit is assumed for the impact of the capital receipt. There are options in terms of applying capital receipts and the impact will be built into the MTFS when the benefit can be quantified.
- 1.35 **2020/21 Growth** - An allowance of £4m was included in the 2020/21 budget for Directorate growth based. This allowance has been removed and replaced by quantified growth as detailed in Appendix 1A.
- 1.36 **Improved Better Care Fund** - The 2015 Spending Review announced £2.4 billion as part of an improved Better Care Fund over the three years to 2019/20. The spring 2017 budget announced additional funding of £2 billion for adult social care .Over the period 2017/18 to 2020/21, the Council received funding of £13.7m. Funding of £4.643m has been received in 2018/19 and £5.467m in 2019/20. In February 2018 it was assumed that the iBCF would not continue beyond 2019/20. However, it is felt unlikely that the Government could remove such a significant amount of funding given the pressures on adult social care and the assumption has now been made that the current level of funding of £5.467m continues on a permanent basis.
- 1.37 The provisional Local Government Finance Settlement was announced on 13 December 2018 by the Secretary of State for Communities and Local Government followed by the final settlement on 29 January 2019. The announcements, along with other changes, have resulted in a number of adjustments to the draft MTFS which are summarised in table 4 below and supported by explanatory text which follows the table.

**Table 4: Adjustments to MTFs 2019/20 to 2021/22 (After the final Local Government Settlement)**

	2019/20	2020/21	2021/22
	£'000	£'000	£'000
<b>Budget gap prior to settlement</b>	<b>£0</b>	<b>£13,483</b>	<b>£9,343</b>
<b>(As reported to December 2018 Cabinet)</b>			
<b>RSG and National Non Domestic Rates:</b>			
Reduction in New NNDR Multiplier Inflation compensation grant	£612	-£612	
Changes to RSG after December announcement	£1,560	-£1,560	
Changes to Top Up grant after December announcement	£8,492	-£8,492	
Changes to Retain Non Domestic Rate after December announcement	-£8,353	£8,353	
Additional Section 31 Grant in 2019/20 after settlement	-£2,170	£2,170	
<b>Business Rate Pool:</b>			
Reduced use of 2019/20 Business Rates Pool in 2020/21		£825	-£825
<b>Changes to New Homes Bonus after December settlement</b>	<b>-£1,254</b>	<b>£176</b>	<b>£535</b>
<b>Council Tax:</b>			
Estimated increase in the Council Tax Base in 2020/21		-£750	
<b>Additional Growth :</b>			
Adult Services Growth	£5,000		
Community Growth	£195		
<b>Reversal of Growth :</b>			
Resources - Reversal of Communication growth	-£300		
<b>Capital Financing:</b>			
Income stream from various capita investments (Subjects to business cases)			-2129
MRP			1454
Interest			967
Reduction in Minimum Revenue Provision set aside	-£450		
<b>Grant:</b>			
Education Services Grant	-£902	£902	
<b>Additional Capital Flexibilities in 2019/20</b>	<b>-£2,300</b>	<b>£2,300</b>	
<b>Reduction to Corporate budget</b>	<b>-£130</b>		
<b>Revised gap</b>	<b>£0</b>	<b>£16,795</b>	<b>£9,345</b>

1.38 **RSG, National Non Domestic Rates and Section 31 Grant** - The net changes from the final settlement show a net reduction of grant/Business rates income of £141k.

1.39 **Growth from the London Business Rates Pool** – The income anticipated from the 2019/20 growth from the London business Rates Pool has been reduced from £2.625m originally expected in the draft budget to £1.8m. This is a reduction of £825k in 2020/21. This income has been treated as one off and so the impact is reversed in 2021/22.

1.40 **Changes to the New Homes Bonus (NHB) Grant** –The estimated NHB grant in the draft budget at December was reduced to £3.091m on the basis that it was anticipated that there would be changes made to the scheme which would reduce the level of NHB grant for 2019/20. However, no changes were made to the scheme following the announcement of the December settlement and Harrow will receive an allocation of £4.345m for 2019/20 which is an increase in grant of £1.254m. For 2020/21 and 2021/22, the budget allows for reductions of £176k in 2020/21 and £535k in 2021/22 as set out below:

New Homes Bonus	2019/20	2020/21	2021/22
	£000	£000	£000
Budget	(3.091)	(3.105)	(2.928)
Dec Announcement	(4.345)	(2.928)	(2.393)
Adjustment	(1.254)	0.177	0.535

1.41 **Increase in the Council Taxbase 2020/21** – There has been an addition for an estimated increase of the Council tax base in 2020/21 which would generate an additional £750k in Council tax income.

1.42 **Growth in Adult Services Budget 2019/20 of £5m** - As a result of the underlying pressure reported to cabinet of just over £5m in the Adult Social care budget (reported elsewhere on this agenda) and the need to ensure a balanced budget is set, the growth requirement has been reviewed. The review of forecast expenditure, based on a range of assumptions, indicates a growth requirement (including inflationary increases) in the region of £8.622m.

The draft budget included growth of £0.995m for 2019-20 together with one-off social care funding of £2.627m (2019-20 only) has reduced the unfunded growth requirement for 2019-20 to approximately £5m. The key assumptions behind this growth are detailed below:

- Full year effect of the increased volume / cost of packages to 31<sup>st</sup> March 2019 (£3.9m) – this includes assumptions around winter pressures and the need to ensure timely discharges from hospital (9 new packages per week - 4 nursing / 5 community)
- New packages of care during 2019-20 (£3.3m) as follows:
  - increased costs for children with disabilities (£0.5m),
  - transitions (£0.650m),
  - 4 new community packages per week (£1.5m)
  - residential/nursing packages broadly consistent with the current financial year (approx. £0.7m).
- Inflation of £0.8m – this equates to approx. 2% on externally commissioned services.

- Increased costs of mental health services managed by CNWL £0.6m, maintaining the 50/50 risk share
- BCF funding for the protection of social care to be funded by Harrow CCG at £5.889m as 2018/19.
- MTFs savings of £1.446m are fully achieved.

The Adult Social Care budget will continue to be monitored closely and further embedding the adult services vision “Resilient Harrow” is expected to help mitigate any future risks, by reducing the rate of spend on care packages.

**1.43 Growth in Community Budget in 2019/20 of £195k** - Environmental Services have a total income target of £5.3m to be achieved from a range of chargeable services including licensing, grounds maintenance, cemeteries, waste services and health & safety service. As these services are demand led, the latest budget forecast has identified that not all income budgets are to be fully met in 2018/19. An assessment of the on-going impact of this suggests that there will be an income pressure of £195k and therefore this is now included as a growth in the 2019/20 budget.

**1.44 Reversal of £300k Growth in the Resources Budget 2019/20** - The draft budget was set in included growth of £300k in respect of budget pressures in the Communications budget. This growth has been reversed and will be contained within the Resources Directorate.

**1.45 Capital Financing Adjustments** – There is an addition of £293k of Capital financing costs in respect of the additions to the Capital Programme in 2019/20 to 2020/21 as reported elsewhere on the agenda in the Final Capital Programme report. Capital financing costs will increase in 2021/22 by £2.421m but there is an assumed income stream of £2.129m included in the revenue budget in respect of several of the projects which will only proceed on the basis that they can generate income to as a minimum cover their capital financing costs.

There is also a reduction of capital financing costs of £450k in 2019/20 reflecting a review of the existing capital programme.

**1.46 Additional Capital Flexibilities of £2.3m in 2019/20** – The 2019/20 budget assumes use of additional capital flexibilities of £2.3m which is a one off benefit in 2019/20 but reversed out in 2020/21. This brings the total assumed for 2019/20 to £3.1m. (Paragraphs 1.54 to 1.56 provide further detail).

**1.47 Additional one off grant income of £902k** – Additional Education Services Grant will be received in respect of 2018/19 and 2019/20 on a one off basis.

**1.48 Reduction in Corporate budget by £130k** – Following a review there is a reduction in the corporate budgets of £130k.

### Budget Refresh, Growth & Savings

- 1.49 There is a commitment to refresh the three year MTFS annually to ensure it remains reflective of the changing Harrow and Local Government landscape. All savings in the current MTFS for 2019/20 and 2020/21 have been reviewed to ensure that they can either be taken forward or removed as part of this draft budget.
- 1.50 There are no savings that require reversal in 2019/20 or 2020/21 in respect of savings put forward in previous years. The following table summarises the total savings and growth put forward either in as part of the 2018/19 or 2017/18 budget setting process for 2019/20 and 2020/21. Table 5 shows total savings of £4.394m between 2019/20 and 2020/21 and growth of £0.395m, so net savings of £3.999m. The detail is set out in Appendix 1B.

**Table 5: Savings and Growth from 2018/19 and 2017/18 Budget setting**

Directorate	2019-20	2020-21	Total
<b>Savings</b>	£'000	£'000	£'000
Resources	(180)	0	(180)
Adults	(1,251)	0	(1,251)
Children's Services	(150)	0	(150)
Community and culture	(1,441)	(977)	(2,418)
Housing	(395)	0	(395)
<b>Total Savings</b>	<b>(3,417)</b>	<b>(977)</b>	<b>(4,394)</b>
<b>Growth</b>			
Resources	530	-	530
Adult	(90)	(90)	(180)
Community and Cultural services	20	25	45
<b>Total Growth</b>	<b>460</b>	<b>(65)</b>	<b>395</b>
<b>Net Savings / Growth</b>	<b>-2,957</b>	<b>-1,042</b>	<b>-3,999</b>

- 1.51 Table 6 sets out the total savings and growth proposed as part of the current 2019/20 budget process. Table 6, shows savings of £5.869m and growth of £9.323m over the three year period 2019/20 to 2021/22. Overall there is net growth in the budget of £3.454m over the 3 year period. The detail of these savings and growth is set out at Appendix 1a.

**Table 6: Savings and Growth 2019/20 to 2021/22 from the 2019/20 process**

<b>Savings</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Resources</b>	(643)	(595)	(1,901)	(3,139)
<b>Children's</b>	(831)	-	-	(831)
<b>Community</b>	(300)	(553)	(1,046)	(1,899)
<b>Total Savings</b>	<b>(1,774)</b>	<b>(1,148)</b>	<b>(2,947)</b>	<b>(5,869)</b>
<b>Growth</b>				
<b>Resources</b>	100	95	140	335
<b>Children's</b>	315	-	-	315
<b>Adults</b>	5,995	971	652	7,618
<b>Community</b>	195	-	-	195
<b>Total Directorate Growth</b>	<b>6,605</b>	<b>1,066</b>	<b>792</b>	<b>8,463</b>
<b>Corporate Growth - Capital Financing Costs</b>	<b>286</b>	<b>330</b>	<b>244</b>	<b>860</b>
<b>Total Growth</b>	<b>6,891</b>	<b>1,396</b>	<b>1,036</b>	<b>9,323</b>
<b>Net Savings/Growth</b>	<b>5,117</b>	<b>248</b>	<b>(1,911)</b>	<b>3,454</b>

- 1.52 Table 7 sets out the summary of all savings and growth submitted as part of this year's budget and previous years budgets which give the total savings and growth for 2019/20, 2020/21 and 2021/22. This is the combined total of Tables 5 and 6 which shows total net savings of £545k over the three years; the detail is set out in appendix 1c.

**Table 7: Summary of Savings and Growth 2019/20 to 2021/22**

<b>Savings</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Resources</b>	(823)	(595)	(1,901)	(3,319)
<b>Adult</b>	(1,251)	-	-	(1,251)
<b>Children's</b>	(981)	-	-	(981)
<b>Community and Culture</b>	(1,741)	(1,530)	(1,046)	(4,317)
<b>Housing</b>	(395)	-	-	(395)
<b>Total Savings</b>	<b>(5,191)</b>	<b>(2,125)</b>	<b>(2,947)</b>	<b>(10,263)</b>
<b>Growth</b>				
<b>Resources</b>	630	95	140	865
<b>Children's</b>	315	-	-	315
<b>Adults</b>	5,905	881	652	7,438
<b>Community</b>	215	25	-	240
<b>Total Directorate Growth</b>	<b>7,065</b>	<b>1,001</b>	<b>792</b>	<b>8,858</b>
<b>Corporate Growth - Capital Financing Costs</b>	<b>286</b>	<b>330</b>	<b>244</b>	<b>860</b>
<b>Total Growth</b>	<b>7,351</b>	<b>1,331</b>	<b>1,036</b>	<b>9,718</b>
<b>Net Savings/Growth</b>	<b>2,160</b>	<b>(794)</b>	<b>(1,911)</b>	<b>(545)</b>

- 1.53 The saving proposals, as detailed in appendix 1c provides for a net total reduction of 15.7 FTE in 2019/20 and a total of 34.7 FTE across the 3 years of the MTFS as detailed in table 8 below. These reductions are subject to consultation where appropriate (consultation will not be required where posts are vacant).

**Table 8: Summary of FTEs on Savings and Growth 2019/20 to 2021/22**

	2019/20	2020/21	2021/22	Total	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000	FTEs Number			
Net (Savings)/Growth on Appendix 1a	5,117	248	(1,911)	3,454	(5.7)	(19.0)	0.0	(24.7)
Net (Savings)/Growth on Appendix 1b	(2,957)	(1,042)	0	(3,999)	(10.0)	0.0	0.0	(10.0)
<b>Net (Savings)/Growth in MTFS</b>	<b>2,160</b>	<b>(794)</b>	<b>(1,911)</b>	<b>(545)</b>	<b>(15.7)</b>	<b>(19.0)</b>	<b>0.0</b>	<b>(34.7)</b>

### **CAPITAL RECEIPTS FLEXIBILITY**

- 1.54 In the Spending Review 2015, it was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects. This flexibility was initially offered for the three years 2016/17 to 2018/19 and has now been extended for a further 3 years from 2019/20 to 2021/22.
- 1.55 The Council signified its intent to make use of this flexibility in its final budget report to Cabinet and Council in February 2016.
- 1.56 In terms of the required reporting requirements, DCLG recommend each authority disclose the projects that will be funded or part funded through capital receipts to full Council. This requirement can be satisfied as part of the annual budget setting process. In November 2016, Cabinet approved a number of asset disposals and the capital receipts from these disposals are being applied within the new flexibilities. The final budget for 2019/20 assumes capital flexibilities of £3.1m.

### **SCHOOLS BUDGET 2019/20**

- 1.57 In 2018/19 the Government introduced a new National Funding Formula (NFF) for Schools, High Needs and the Central Schools Services Block. For the Schools block this means that LAs are funded on the basis of the total of the NFF for all schools, academies and free schools in its area but the final formula for distribution is determined by each LA, subject to prescribed limits, following consultation with schools and Schools Forums.
- 1.58 This is a transitional arrangement up to 2021, beyond which the Government intends to implement the NFF in full which means that school allocations will be determined by the DfE rather than LAs. This is a year later than planned.
- 1.59 In 2018/19 the LA implemented the NFF after consultation with schools and Schools Forum. There are no proposed changes to the structure of the formula for 2019-20. This set out at appendix 6.
- 1.60 The Government introduced a National Funding Formula for High Needs from 2018/19. High Needs funding has previously been based on historical allocations plus some annual amounts of growth. In order

to manage increasing growth for demand and complexity of need, annual funding transfers from the Schools Block into the High Needs Block have been approved by Schools Forum. Previously there was no limit to the value of transfer permissible.

- 1.61 The introduction of the High Needs NFF has led to a shortfall in funding compared with the 2017/18 baseline, of approximately £2.9m. This is because there was an overall shortfall of DSG in 2017-18 which was funded by the use of a brought forward contingency managed by Schools Forum.
- 1.62 The Additional SEND funding of £606k for 2018/19 and 2019/20 (£1.213m in total) was announced in December 2018. Whilst the additional SEND funding is welcomed there remains uncertainty about funding for future years. In addition the allocation is arbitrary and does not reflect what is happening in reality. The pressure on the High Needs Block in 2018/19 is £2.1m and this is projected to continue and to grow as growth in demand continues and the LA becomes even more reliant on expensive out of borough provision. At its meeting in November 2018 Schools Forum agreed to fund the 2018/19 deficit from the brought forward contingency. This contingency will be exhausted by 31 March 2019.
- 1.63 Despite the additional SEND funding of £606k from the Government there is anticipated to be a pressure of approx. £3.2m in 2019/20. The LA will need to set a deficit budget in respect of the HNB and fund the shortfall from future years' DSG allocations or a transfer from the General Fund. Any changes to SEND funding or provision for young people would be subject to consultation with relevant stakeholders.

#### **PUBLIC HEALTH FUNDING**

- 1.64 Following the comprehensive spending review in November 2015, Public Health England wrote to local authorities detailing average real terms savings of 3.9% each year to 2020/21.
- 1.65 The proposed Public Health commissioning intentions detailed in Appendix 7 of £10.523m are based on the indicative grant allocation notified by Public Health England in December 2017 with the 2019/20 specific grant being confirmed in December 2018 at this previously advised level.
- 1.66 The Council consider that this level of funding enables the Council's overarching statutory duties (including equality duties) to be maintained, taking account of the joint strategic needs assessment.

#### **BETTER CARE FUND (BCF)**

- 1.62 The 2015 Spending Review set out the Government's intention that, by 2020, health and social care will be more fully integrated across England. BCF plans must set out how CCGs and local authorities are working towards fuller integration and better co-ordinated care, both within the BCF and in wider services.

- 1.67 NHS guidance is awaited in relation to the 2019/20 BCF plan which is likely to be linked to the anticipated NHS 10 year plan. It is expected that this will require extended integrated working and increased pooling arrangements across health and social care. The 2019/20 BCF plan will be signed off by the Health & Wellbeing Board ahead of submission to, and assurance by, NHS England.
- 1.68 The 2019/20 Adults budget continues to assume that funding for the Protection of Social Care through the BCF will remain at £5.889m.

### **FEES AND CHARGES**

- 1.69 In January 2019 Cabinet approved the Fees and Charges for 2019/20. Cabinet is recommended to remove all resident charges relating to child burials. This action is recommended to support families during one of the most traumatic events a family can face and reduce the burden families face during such a difficult time. The charges to be removed are highlighted in red in Appendix 18.

### **RESERVES AND CONTINGENCIES**

- 1.70 Reserves and contingencies need to be considered in the context of their need to protect the Council's good financial standing and in the context of the overall risks that the Council faces during a continuing period of economic uncertainty. The MTFs reflects the Council's need to ensure an adequate level of reserves and contingencies which will enable it to manage the risks associated with delivery of the budget including equalities impacts and unforeseen events. As at the time of writing this report general fund non earmarked balances remain at £10m and those for specific purposes are detailed:

- Unforeseen contingency £1.248m –this is an on going revenue budget.
- Budget Planning contingency £4.184m remaining after applying £2m towards the 2019/20 budget. This £2m is the 2017/18 underspend earmarked for the 2019/20 budget.
- MTFs Implementation Costs – At Quarter 3 a carry forward balance of £2.004m is estimated against this reserve. This is set aside to fund redundancy costs for the MTFs period to 2021/22

- 1.71 The report of the Director of Finance, which includes the adequacy of reserves and contingencies, is detailed at Appendix 10.

### **LEVIES, CONTRIBUTIONS AND SUBSCRIPTIONS**

- 1.72 Appendix 4 sets out the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2019/20. These sums are set by other bodies and are outside the Council's control. With the exception of the subscriptions to London Councils and the Local Government Association, the payments are compulsory.

### **BUDGET PROCESS 2020/21 AND 2021/22**

- 1.73 This report sets out a balanced budget position for 2019/20. However achieving this balanced position has proved a very difficult challenge in light of continued financial austerity and increasing demand pressures in adults and children's social care and homelessness. The Council

has limited general fund reserves and has shown restraint in not applying these 'one off' balances to address the budget shortfalls.

- 1.74 There is a good track record of containing revenue expenditure within the annual budget envelope despite continued demand pressures. In 2017/18 an underspend of £3.2m was achieved and in the current financial year an underspend of £2.2m is forecast. The Council has increased Council Tax in line with the referendum limits and applied the Adults Social Care precept. Yet despite all these responsible actions, the Council is finding it increasingly difficult to set a balanced budget and achieving long term financial sustainability. The Council appreciates the additional funding that has been received for social care in both 2018/19 and 2019/20 but the funding is non recurrent which does not assist the Council in addressing the key pressures in its budget in a sustainable manner.
- 1.75 Whilst a balanced budget position has been set for 2019/20, it is acknowledged that a number of one off items have been applied which have to be reversed out in 2020/21. The draft 3 year MTFS therefore shows a budget gap of £16.795m for 2020/21 and £9.346m for 2021/22.
- 1.76 In light of this position, the Council must now focus on its future financial position to ensure:
- Council services can be afforded and new sources of income are generated to fund core services
  - Value is delivered from the Regeneration Programme, Project Infinity and other significant capital schemes
  - The Council can operate safely and within the law
  - The Council continues to support the argument for a fair funding settlement for Harrow residents
- 1.77 The progress of addressing the future direction of the Council will be regularly reported to Cabinet.

#### **COUNCIL TAX MODEL RESOLUTION**

- 1.78 The draft Council Tax Model Resolution is attached at Appendix 11 which proposes the Band D council tax of £1464.29 and GLA precept of £320.51. This is still subject to confirmation of the GLA precept which is expected to be confirmed on 25 February 2019.
- 1.79 The proposed GLA precept for 2019/20 is £320.51 – a £26.28 or 8.9% increase compared to 2018/19.
- 1.80 The total Band D increase for Harrow including the GLA is proposed at £1784.80 which will be an overall increase of 5.68% compared to 2018/19.

#### **MEMBERS ALLOWANCE**

- 1.81 The proposed Members' Allowances scheme for 2019/20 is attached at Appendix 12. This has been prepared having regard to the report of the Independent Panel that considered the Remuneration of

Councillors in London. It is proposed that the basic allowance and the different bands of Special Responsibility Allowance (SRA) and Mayoral Allowances, which were updated in line with the Local Government Pay Settlement (2.2%) for 2015 /16, remain unchanged. There has been an additional post included in the scheme at Band 1, Deputy Leader of the second largest Group.

### **ANNUAL PAY POLICY STATEMENT**

1.82 Under the Localism Act all public authorities must publish annual pay policy statements. The statement must set out the Authorities policies for the financial year relating to:

- Remuneration of its Chief Officers
- Remuneration of its lowest paid employees
- The relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers.

1.83 The proposed statement is attached at Appendix 13 and Cabinet is requested to recommend it to Council for agreement.

### **WORKFORCE IMPLICATIONS**

1.84 There is a legal requirement to seek to avoid or minimize redundancies and the Council's managing change policy guidance identifies a range of potential actions that should be considered. These include but are not limited to:

- Seeking volunteers for redundancy / early retirement

The Council has a legal duty to consider volunteers for redundancy ahead of any compulsory redundancy process and this is the Council's normal practice. Additionally, where it is in the Council's interests, the Council may consider operating a voluntary severance scheme. This decision would be dependent upon a business case demonstrating the potential benefits.

- Not recruiting to vacancies as they arise and limiting recruitment

The Council has, for some time, operated a policy of utilising agency workers to cover vacancies in services where reductions in the workforce are planned or anticipated. This has reduced both the impact of workforce reductions on employees and the potential cost of redundancies.

- Reducing the use of agency staff

The Council will continue with its policy of utilising agency workers to reduce both the impact of workforce reductions on employees and the potential cost of redundancies.

The Council's corporate agency worker contract provides detailed management information and this information is used by HR to identify potential opportunities to redeploy staff at risk of redundancy into roles covered by agency workers.

- Considering 'bumped' redundancies and redeployment elsewhere in the Council

A bumped redundancy is where an employee, not in the original pool for redundancy, volunteers to be made redundant and their job is offered to an employee at risk of redundancy. The Council has and will continue to support managers in facilitating potential bumped redundancies.

The Council's managing change policy, procedure and guidance also sets out how the Council will fulfil its obligations to consult the workforce about redundancies.

The Council is obliged to notify the Secretary of State where there is a proposal to dismiss as redundant 20 or more employees at one establishment within a 90 day period.

### **Monitoring arrangements**

Reports on the numbers of staff at risk, deployment of agency workers and potential redeployment opportunities will be regularly considered at Directorate and Corporate Joint Consultative meetings with the trade unions and at the Council's Employees Consultative Forum Sub-Group

## **2.0 CONSULTATION**

2.1 The duty to consult with regards to proposals to vary, reduce or withdraw services will arise in 4 circumstances:

- Where there is a statutory requirement in the relevant legislative framework;
- Where the practice has been to consult or where a policy document states the council will consult then the council must comply with its own practice or policy;
- Exceptionally, where the matter is so important that there is a legitimate expectation of consultation and
- Where consultation is required to complete an equalities impact assessment.

Regardless of whether the council has a duty to consult, if it chooses to consult, such consultation must be carried out fairly. A consultation can only be considered as proper consultation if:

- Comments are genuinely invited at the formative stage;
- The consultation documents include sufficient reasons for the proposal to allow those being consulted to be properly informed and to give an informed response;
- There is adequate time given to the consultees to consider the proposals;
- there is a mechanism for feeding back the comments and those comments are conscientiously taken into account by the decision maker / decision making body when making a final decision;

- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting and;
- The consultation is clear on the reasons and extent to which alternatives and discarded options have been discarded.

2.2 The budget consultation survey was published on the Council's consultation portal in relation to the Cabinet's draft budget proposals for 2019/20 after the draft budget and MTFs was considered at Cabinet on 6 December 2018. The consultation was also advertised via the MyHarrow weekly email which is sent to 94,000 MyHarrow email accounts. The draft budget reported has also been available to view on the Council's website.

The Council held a 4 week consultation to provide residents with the opportunity to comment on the draft proposals. The consultation closed on 14 January 2019. There were 13 respondents to the general survey. Over the three the main questions, responses were largely equal between agree and disagree:

Question 2 - Given the extent of the savings required, overall do you agree with the Council's proposed draft budget? (5 agree, 7 disagree)

Question 3 - Given the Council's funding situation, do you agree with the Council's proposal to increase Council Tax by 2.99%?(5 agree. 7 disagree)

Question 4 - Given the Council's funding situation, do you agree with the Council's proposal to further increase in Council Tax by the 2% adult social care precept?(6 agree, 7 disagree)

2.3 The following stakeholder consultation meetings have taken place. Please refer to Appendix 14 for the minutes relating to a number of these meetings.

Stakeholder	Meeting	Date
Unions	Corporate Joint Committee	12 December 2018
Health Partners	Health and Wellbeing Board Minutes in Appendix 14	10 January 2019
Local Businesses	Harrow Business Consultative Panel Minutes in Appendix 14	22 January 2019
Overview & Scrutiny	Special meeting of O & S to review the budget Minutes in Appendix 14	08 January 2019
Unions/Employees	Employees Consultative Forum Minutes in Appendix 14	30 January 2019

- 2.4 In terms of service specific consultations, the council has a duty to consult with residents and service users in a number of different situations including where proposals to significantly vary, reduce or withdraw services. Consultation is also needed in other circumstances, for example to identify the impact of proposals or to assist with complying with the council's equality duties. Where appropriate, separate service specific consultations have already taken place or are currently taking place for the 2019/20 savings.

### **3.0 PERFORMANCE ISSUES**

- 3.1 The in-year measurement of the Council is reported in the Strategic Performance Report. The Corporate Plan, which is developed alongside the Budget Report, will have measures within it which will set out how Council delivery in 2019/20 will be measured and this again will be reported through the Strategic Performance Report.

- 3.2 In terms of financial performance, Cabinet are updated regularly throughout the financial year of forecast spend against the agreed budget and achievement of savings built into the budget

### **4.0 RISK MANAGEMENT IMPLICATIONS**

- 4.1 Financial risk is included in the in the Council's Corporate Risk Register:

- Inability to provide services within budget leading to a dereliction of duties resulting in government intervention / an inability to pay the Council's debts (At Qtr 3 rated as B1, high likelihood / catastrophic impact)
- Inability to manage demand for services in Adults Social Care leads to increased cost of services resulting in poorer quality services/inability to deliver services, increasing financial pressure on the council and increased stress levels of staff (At Quarter 3 rated as C1, medium likelihood / catastrophic impact)

An extract of the Corporate Risk Register is attached as Appendix 17 showing the key measures in place to mitigate these risks and the risk ratings.

Other specific risks have been detailed in the main body of the report.

### **5.0 LEGAL IMPLICATIONS**

- 5.1 Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their council tax requirements in accordance with the prescribed requirements of that section. This requires consideration of the authority's estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund.

- 5.2 Local authorities owe a fiduciary duty to council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of council tax payers and ratepayers and the community's interest in adequate and efficient

services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.

5.3 Cabinet is approving these proposals for consultation after which a cumulative equalities impact will be drafted. These proposals will be referred to Council so that Council can approve the budget envelope and set the Council Tax. There will be contingencies within the budget envelope so that decision makers have some flexibility should any decisions have detrimental equalities impacts that cannot be mitigated.

5.4 The Secretary of State has the power to designate two or more "relevant authorities" as a pool of authorities for the purposes of the provisions of Schedule 7B of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 2012). Paragraph 45 (Interpretation) of Schedule 7B defines a "relevant authority" as a billing authority in England, or a major precepting authority in England. The list of billing authorities at Schedule 5, Part 1 of the Non-domestic Rating (Rates Retention) Regulations 2013/452 includes the GLA and the London Boroughs as billing authorities and the GLA is also a precepting authority pursuant to section 39 (1) of the Local Government Finance Act 1992. In relation to the project, the participating local authorities have implicit powers to enter into arrangements with each other for the purposes of fulfilling the requirements of Schedule 7B for obtaining an order of the Secretary of State authorising the establishment of a business rate pool. Local authorities have a power to enter into arrangements between them including under section 111 of the LGA 1972: "Without prejudice to any powers exercisable apart from this section but subject to the provisions of this Act and any other enactment passed before or after this Act, a local authority shall have power to do any thing (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions".

## **6.0 FINANCIAL IMPLICATIONS**

6.1 Financial Implications are integral to this report.

## **7.0 PROCUREMENT IMPLICATIONS**

7.1 There are no procurement implications arising from this report.

## **8.0 EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY**

8.1 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:

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

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

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

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

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

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

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

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

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

8.2. All new directorate proposals are subject to an initial equalities impact assessment followed by a full assessment where appropriate. Some of these have already been published and Appendix 16 sets this out.

8.3. An assessment has been carried out on the whole budget where all proposals have been identified, to ensure that decision makers are aware of the overall impact on any particular group and a cumulative

equality impact assessment has been produced taking into account the results set out in Appendix 16.

8.4 Officers have indicated ways that these impacts can be mitigated. The individual equalities impacts will be kept under review as the projects are initiated and throughout the life time of the projects. Officers will put in place appropriate mitigation where this is possible.

8.5 If deemed appropriate, a project may be subject to future individual Cabinet decisions once the budget envelope has been set by Council. The equality impacts will be updated for these decisions. As an alternative to agreeing any of the proposals, the Cabinet would have the option of maintaining the current level of services; however this will impact on the proposed budget.

Directorate proposals will be subject to an initial equalities impact assessment followed by a full assessment where appropriate. These will be published along with the final budget and MTFS report to February Cabinet. An assessment will also be carried out on the whole budget, when all proposals have been identified, to ensure that decision makers are aware of any overall equalities impact on the protected characteristics listed above.

## 9.0 COUNCIL PRIORITIES

9.1 The Council's draft budget for 2019/20 has been prepared in line with the Council's vision 'Working Together to Make a Difference for Harrow' which is supported by five priorities:

- Building A Better Harrow
- Supporting Those Most In Need
- Protecting Vital Public Services
- Delivering A Strong Local Economy For All
- Modernising Harrow Council

## Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 13/2/19		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	on behalf of the * Monitoring Officer
Date: 13/2/19		

### Section 3 – Procurement Clearance

Name: Nimesh Mehta	<input checked="" type="checkbox"/>	on behalf of the * Head of Procurement Officer
Date: 13/2/19		

<b>Ward Councillors notified:</b>	No, as it impacts on all Wards
<b>EqlA carried out:</b>	YES
<b>EqlA cleared by:</b>	Jessica Farmer

### Section 4 - Contact Details and Background Papers

**Contact:** Dawn Calvert, Director of Finance, tel: 0208 4209269, dawn.calvert@harrow.gov.uk

**Background Papers:**

[Final Revenue Budget 2018/19 and Medium Term Financial Strategy 2018/19 to 2020/21](#)

[Draft Revenue Budget 2019/20 and Medium Term Financial Strategy 2019/20 to 2021/22](#)

<b>Call-In Waived by the Chairman of Overview and Scrutiny Committee</b>	Call in applies
<i>(for completion by Democratic Services staff only)</i>	