APPENDIX B – BUDGET MANAGEMENT

Budget pressure tables

1 Regeneration, Economic Development and Environment

1.1 The key budget pressures for REDE are summarised in the table below:

	2017/18		2018/19		2019/20		2020/21
	Budget pressure	*How much relates to RED rated savings*	Budget pressure	*How much relates to RED rated savings*	Budget pressure	*How much relates to RED rated savings*	Budget pressure
Division	**£m**	***£m***	**£m**	***£m***	**£m**	***£m***	**£m**
Community Safety, Environment and regulatory services	5.9	*1.8*	0.8	*0.7*	0.8	-	0.8
Management	1.2	-	-	-	-	-	-
Public Health and Leisure	0.3	*1.9*	-	-	-	-	-
Strategic Planning, Regeneration and Economic Delivery	0.3	*1.3*	-	-	-	-	-
	7.7	***5.0***	**0.8**	***0.7***	**0.8**	**-**	**0.8**

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1.2 Community Safety, Environment and Regulatory Services

1.2.1 Waste

1.2.2 The forecast budget pressure of £1.6m is due to delays in service changes, such as the move to alternative weekly collection, plus delays in the development of a new depot. Delays in the new depot have a twofold impact, failure to reduce tonnage going to landfill and the associated charge, plus less income from the sale of recycling materials.

1.2.3 Mitigation plans suggest that implementation of delayed savings and opening of the new depot will allow this pressure to be mitigated by the end of 2018/19. There is a risk that the new model of service delivery will cost more than budgeted.

1.2.4 Parking

1.2.5 The main parking service contract is due to end in 2018, the future approach to providing this service is currently being reviewed. There are three main areas of pressure on the budget, the closure of car parks for redevelopment activities, delays in the implementation of extended parking controls and performance cost increases on the current contract. The plans for providing this service in the future will need to consider how to contain the costs of this service within the budget available.

1.2.6 Highways

1.2.7 The current pressure on budget for this service is c£0.8m this is from a combination of unconfirmed savings, inflation and additions to the network. With further savings in the budget for 2018/19 this will continue. The inflation and network growth are likely to be managed through the normal inflation processes and a revised approach to the use of the PFI reserve which is overfunded based on the current model. To deliver the level of savings required, negotiations to identify options which are acceptable to Cabinet continue and mitigation options are being developed.

1.2.8 Building Control

1.2.9 Discussions are currently underway to find an external approach to providing this service which would see London Borough of Hounslow benefit from any growth while covering the burden of statutory duties. Initial indications are that there will be a net nil actual position in the first two years of this deal while the service transitions and profit share arrangement would then expect to return income to London Borough of Hounslow.

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1.3 Public Health and Leisure

1.3.1 Libraries

1.3.2 The library service at P4 is forecasting a 2017/18 overspend of £0.75m, this is a direct result of the delay in changing the current libraries contract with Carillion, plus the forecast cost of increased opening hours.

It is anticipated that this will be mitigated in 2018/19 with the full financial year impact of bringing this service back in house. There are still risks that the new service delivery approach will not deliver the expected level of savings required, resulting in a residual pressure.

1.3.3 Parks

1.3.4 The contract for upkeep of the parks ends in 2018 with plans for future delivery being strategically assessed. The current provider is unlikely to deliver the savings which are approved for 2018/19 and the budget pressure is therefore expected to continue until 2019/20. The service will need to deliver significant efficiencies as part of its future transition.

1.4 Strategic Planning, Regeneration and Economic Development

1.4.1 Emergency Planning

1.4.2 Work undertaken to explore a partnership delivery model with other London Boroughs has not resulted in any viable options. With the additional focus likely to be placed on this service as a result of national events it is not realistic to expect reductions in capacity in the short term.

1.4.3 Corporate Property

1.4.4 The resourcing of this service and delays in the delivery of savings continues to create a budget pressure for this area. There are also income budget pressures as savings are not yet being realised with delays increases in costs on a new trading unit being developed at Western International Market. Previous savings proposals for mineral extraction may now be realised due to the extended timetable for the greenbelt review.

2 Chief Executive's

2.1 The key budget pressures for CEX are summarised in the table below:

	2017/18		2018/19		2019/20		2020/21
	Budget pressure	*How much relates to RED rated savings*	Budget pressure	*How much relates to RED rated savings*	Budget pressure	*How much relates to RED rated savings*	Budget pressure
Division	£m	*£m*	£m	*£m*	£m	*£m*	£m
Chief Executive	1.2	*0.3*	1.2	-	1.2	-	1.2
Customer Relations, Communication and Engagement	0.3	*0.3*	0.3	-	0.3	-	0.3
Governance	-	-	-	-	-	-	-
Finance and Corporate Services	0.1	-	-	-	-	-	-
Facilities Management	-	-	-	-	-	-	-
Human Resources	0.1	-	0.1	-	0.1	-	0.1
ICT	0.5	-	1.5	-	1.3	-	1.3
	2.2	**0.6**	**3.1**	**-**	**2.9**	**-**	**2.9**

2.2 Legal

2.2.1 £248K of savings were approved for 2016/17. Usage of legal services has not reduced and we had an overspend of £500k in 2016/17. Legal budgets have been devolved to services from 2017/18 to encourage a more proactive management approach to the use of legal services.

2.2.2 The number of hours purchased from HB Law for 2017/18 has been increased to reflect demand and secure more hours at a lower charge rate. This will generate an overspend in 2017/18 of at least £138K and will not deliver the £244k of further legal savings approved for 2017/18.

2.3 ICT

2.3.1 An ongoing pressure due to the previous ICT Strategy not delivering the expected savings through replacement of legacy systems, and a growth in both licence requirements and IT hardware demands.

2.4 Housing Benefit

2.4.1 The housing benefits administration grant has reduced each year due to implementation of Universal Credit. To date these reductions have been managed by one off savings elsewhere in finance e.g. holding posts vacant. For 2017/18 the reduction is 20% leaving a significant budget pressure but currently being managed.

3 Children's, Housing and Adults Services

3.1 The key budget pressures for CHAS are summarised in this table:

Division	2017/18 Budget pressure £m	2017/18 *How much relates to RED rated savings £m*	2018/19 Budget pressure £m	2018/19 *How much relates to RED rated savings £m*	2019/20 Budget pressure £m	2019/20 *How much relates to RED rated savings £m*	2020/21 Budget pressure £m
Director	0.8	-	-	-	-	-	-
Early Intervention Services	0.3	*0.2*	-	-	-	-	-
Children's Safeguarding & Specialist Services	*1.5*	*0.6*	*3.8*	*1.9*	*3.8*	-	*3.8*
Adult Social Care	3.3	*1.6*	*5.6*	*3.4*	-	-	-
Commissioning	- *3.3*	-	- *5.6*	-	-	-	-
Housing	1.5	-	1.5	-	1.5	-	1.5
	4.1	**2.4**	**5.3**	**5.3**	**5.3**	**-**	**5.3**

3.2 Exec Director

3.2.1 The financial pressures are a result of a historic budget pressure related to the vacancy factor savings allocated to the CHAS department in 2015/16 and 2016/17. Work is underway corporately to address this.

3.3 Education & Early Intervention Services

3.3.1 <u>Early Intervention</u>

3.3.2 Financial pressure due to delay in the implementation and delivery of £309k of Youth Review savings that were due to be delivered in 17/18. Should be delivered by 2018/19.

3.3.3 <u>SEN Transport</u>

3.3.4 Financial pressure if the expenditure continues in line with the 2016/17 projected spend.

3.3.5 <u>Early Years and Childcare</u>

3.3.6 Pressure due to under 5s savings shortfall – the under 5s model assumed a reduction in ICT costs but no budget reductions have been agreed with ICT to date.

3.4 Children's Social Care

3.4.1 The children's social care service has approved MTFS saving proposals in 2018/19 of £1.85m and this is classified as red rated as the saving is based on;

- Further reductions in the Looked after Children cohort, which are no longer projected
- A reduction in staffing volumes driven by reduced caseloads of LAC and reduced referrals, that is no longer expected as the caseload reductions are not being projected.

A review is underway to establish how savings can be met.

3.4.2 Director for Children's Social Care

3.4.3 Legal overspend risk consists of an overspend on disbursements and an additional overspend that was previously reported within centralised legal budgets. These are based on a projection of the legal hours purchased to date. Additionally, there is an overspend on 'out of hours service' run by Ealing.

3.4.4 Child Protection

Overspend on Looked After Children and S17 care packages across In-take, Safeguarding and SISP teams.

3.4.5 Placements and Care Leaving Service

The spend on LAC Placements has been reduced by £2.0m since 2014/15 at which point there was a £1.6m overspend in this area. However, there have also been MTFS budget reductions of £1.1m between 15/16 and 17/18 and the service state it is now difficult to reduce the costs further in this area. There is a £0.55m saving for LAC placements in 17/18 and this is RED RAG rated, however £0.5m budget growth has been approved for 17/18 to offset the historical budget gap of previous saving approvals.

3.5 Housing

3.5.1 Temporary Accommodation

3.5.2 The Council has an obligation to house any person for which it accepts a homeless duty. Hounslow continues to experience a rise in the number of households in severe housing need and homelessness. The existing pressures on our Housing Services are compounded by recent changes in funding and legislation, alongside the implementation of further Welfare Reform measures. These include the Homelessness Reduction Act 2017, replacement of the Temporary Accommodation management fee with an interim Flexible Homeless Support Grant, and the full roll out of Universal Credit.

3.5.3 The high level of demand for affordable permanent units means that the Council is often required to make placements into temporary accommodation. Many families in temporary accommodation have no means by which to make a contribution to their own rent and the Council is liable for any rental payment to the extent that it is not met by tenant's benefits.

3.5.4 There are currently around 900 households living in temporary accommodation. These families are mainly housed in properties rented by the council from private sector landlords. There is a forecast budget pressure of around £1.4m due to the costs of temporary accommodation that are not met by the rent received from the tenants. This pressure is partially mitigated through continuing to adopt greater focus on Homelessness Prevention and through allocation of the Flexible Homelessness Support Grant in 17/18.

3.5.5 A Homelessness Action Plan was approved by Cabinet in April 2016. The mitigations in the Plan have helped to effectively arrest increases in homelessness, secured more social and private rented properties, and extensively reduced the expected TA deficit from £3.7m to £1.6m for 2016/17.

3.5.6 Within 2017/18 and 2018/19 c£1m of the pressure within housing can be mitigated through using the DCLG grant, approved as part of this MTFS for 2017/18 – 2018/19. This partial fix is not a long term solution and further mitigating actions need to be developed both for the remaining 2017/18 pressure and for once the grant ceases in 2019/20.

3.6 Adults Social Care and Commissioning Services

3.6.1 Adults Social Care and Commissioning Services

3.6.2 Adult Social Care and Commissioning services has a projected funding pressure in 2017/18 of £3.3m1 and additional challenging MTFS savings of £3.4m in 2018/19.

3.6.3 To support these pressures the expectation is that the service will utilise the "One off" adult social care grant in 2017/18 and the new IBCF from 2017/18 to 2019/20 to cover existing financial pressures whilst also ensuring that they meet the strict government IBCF grant conditions and performance requirements.

3.6.4 Better Care Fund (BCF)

3.6.5 The Better care fund was initiated in 2015/16 by central government and is a pooled fund of resources to be utilised across the local health and social care economy to integrate services to deliver more efficient, effective joined up strategies and services.

3.6.6 As part of the 2017/18 financial settlement the government announced a new Improved Better Care Fund, providing additional funding in 2017/18 – 2019/20.

3.6.7 Table 1 below shows the total BCF & IBCF funding expected in 2017/18 to 2019/20.

Table 1: Adult Social Care funding streams 2017/18 onwards

Description	2016/17 £m's	2017/18 £m's	2018/19 £m's	2019/20 £m's
Better Care Fund Continued funding.	15.91	15.91	15.91	15.91
2015 Improved Better Care Fund (IBCF 2015).		0.114	2.94	5.53
2017 Improved Better Care Fund (IBCF 2017).		4.26	2.84	1.41
Total new BCF Revenue Subtotal	**15.91**	**20.28**	**21.69**	**22.85**
BCF Capital	2.03	2.03	2.03	2.03
BCF Total	**17.94**	**22.31**	**23.72**	**24.88**

- BCF core funding is the level of the actual BCF grant received by LBH/HCCG.
- IBCF 2015. Annual incremental increase to the BCF announced in the 2015 spending review. Paid directly to LBH.
- IBCF 2017. New adult social care funding announced in the 2017 spring statement. Paid Directly to LBH.

- BCF Capital is the continued capital funding received to support Disabled facilities grant (DFG) and ASC capital programme.

3.6.8 The new IBCF will be paid directly to Local authorities from the DCLG.

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3.6.9 LBH IBCF Investment

3.6.10 The London Borough of Hounslow has in place or has been implementing several service changes in 2017/18 in line with the IBCF grant guidelines including the revision of discharge processes included in the IBCF good practice guide and this shows in LBH's performance for delayed transfers of care (DTOC).

3.6.11 LBH's present performance in relation to DTOC's, is good with a rate of 3.1 per 100,000 population which places LBH 14th in London. In West London LBH is a top performer with Brent 31st, H&F 30th, Ealing 28th, Barnet 24th and Harrow 23rd in London respectively.

3.6.12 Investment to improve and support the improved transfers of care and social care market management has been approved for 2017/18 to the value of £1.2m. These investments are listed below:

- Increased social work capacity in the community re-ablement service (CRS) to meet the increased demand of hospital transfers. Support this capacity with increased funds for care packages to improve the abilities of the service to transfer clients from hospital to home with effective support.
- Strengthen Hospital social Work Service including an expansion of the service to include Imperial hospital.
- Develop Community based projects to support people who are at high risk of admission to hospital.
- Market Management. Review the impact of a more efficient community equipment planning and earlier delivery of equipment to facilitate more timely discharge (keep in to scope more)

3.6.13 In addition to the changes to the BCF funding in 2017/18 for LBH there are 2 other ASC funding changes also;

- The introduction of the "One-Off" adult social care grant (ASCG).
- The implementation of the ASC precept (ASCP) for 2017/18.

3.6.14 These funding streams are highlighted in table 3 below:

Table 3: Adult Social Care Precept and Grant:

Year	**2017/18**	**2018/19**	**2019/20**
Description	**£m's**	**£m's**	**£m's**
Adult Social Care Precept (ASCP)	1.70	Unknown	Unknown
Adult Social Care Grant. (ASCG)	1.00	0	0
Total ASC Funding	**2.70**	**0**	**0**

- ASCP: Charged to residents through council tax.
- ASCG: A one off grant announced in the 2017 spring statement.

3.6.15 The ASCP has been utilised to reduce the need for adult social care to deliver additional savings in 2017/18 on top of those that had been approved historically.

3.6.16 The ASCG has been put into an ASC reserve to be utilised to cover ASC needs and pressures in 20171/8.

4 Housing Revenue Account

4.1 Introduction and background

4.2 The Housing Revenue Account (HRA) is set up in accordance with the Local Government and Housing Act 1989. The HRA is a ring-fenced account containing solely the costs relating to the provision, management and maintenance of the Council's housing stock and the income from rents and service charges from tenants and leaseholders. As of April 2012, the Housing Revenue Account subsidy system was replaced with "self-financing", effectively allowing council housing to be managed locally.

4.3 HRA budgets are prepared in accordance with CIPFA guidance and accounting best practice. Budget proposals will ensure that balances are maintained at an appropriate level and that adequate funding is available to deliver an effective housing service. If balances are available, then an in-year deficit can be budgeted, however, overall there must not be a deficit on the account.

4.4 Key objectives

4.5 The HRA budget and tenant rents are set to ensure that the five key Housing Strategy objectives are met:

- Provide a choice of high quality housing for all people at all stages of their life at prices they can afford
- Raise housing quality and standards across tenures, enhancing local areas and supporting thriving communities
- Support our communities to live independently by promoting health and wellbeing
- Support residents from becoming homeless and provide housing options and advice
- Create a cleaner, safer & greener living environment in our local communities

4.6 HRA Business Plan

4.7 The HRA Business Plan outlines a 30 year plan for the Housing Revenue Account which has been developed to assist with resource management and informed strategic decision making. It provides information on proposals for capital investment in both existing and new homes, and updates on key policies and changes that will have future impact on finances.

4.8 The HRA Business Plan is updated annually to reflect vulnerability to policy changes. The most recent Business plan was presented to Cabinet in February 2017. Following the Grenfell Tower tragedy the HRA capital programme is being reviewed. This is likely to result in refocusing of investment towards the interior of blocks.

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4.9 Table A: Housing revenue account forecast

4.10 Figures based on February 2017 HRA Business plan adjusted for actual 16/17 HRA outturn.

	2017/18 £m Projected	**2018/19 £m** Projected	**2019/20 £m** Projected	**2020/21 £m** Projected
Rent	(69.4)	(69.1)	(68.9)	(69.8)
Tenant service charges, non-dwelling rents, leaseholder service charges and other income	(15.5)	(14.6)	(14.8)	(14.9)
Income	**(84.3)**	**(83.7)**	**(83.7)**	**(84.7)**
Repairs and maintenance	16.3	16.7	17.2	17.7
Management	28.0	28.3	29.0	29.7
Depreciation and capital	16.0	16.8	17.1	17.4
Other miscellaneous costs	2.8	2.7	2.7	2.7
Expenditure	**63.1**	**64.5**	**66.0**	**67.5**
Revenue contributions to capital	36.8	11.7	6.8	5.3
Net Interest	9.3	10.4	11.3	11.8
(Surplus)/Deficit	**24.4**	**2.9**	**0.4**	**(0.1)**
Balance b/f	**34.8**	**10.4**	**7.5**	**7.1**
Balance c/f	**10.4**	**7.5**	**7.1**	**7.2**

4.11 The table demonstrates that significant sums are being used to fund regeneration and new build development within the HRA (shown here as "Revenue Contributions to Capital"). The impact this has is that the HRA Reserve is reduced to a balance of around £7m by 2019.

4.12 Ongoing challenges

4.13 It was announced at Borough Council on 11th July 2017 that a major estate and fire improvement programme will be undertaken and that the Council will not proceed with the cladding works planned for Brentford Towers. Works to improve safety and the interior of the blocks will be undertaken at Brentford Towers as part of the estate improvement programme. The financial impact of this will be reflected in the next update to the HRA Business Plan.

4.14 Government imposed a 1% per annum rent reduction for the four years from 2016 – 2020 on all social rents. This has a significant impact on Hounslow as previously the Council could increase rents annually by CPI plus 1% (with CPI forecast at 2%) and had been planning its investment programme based on this assumption. This will result in a loss of rental income of around £12m over the four year period.

4.15 At the introduction of Self-Financing, it was anticipated that there would be 80 Right to Buy (RTB) sales per annum for the first two years of the business plan (from April 2015) and 40 sales per annum thereafter. In practice, following increased discounts for tenants looking to buy their property, RTB sales have significantly exceeded expectations; there were 156 RTB completions in 2015-2016 and 107 in 2016-17. Hounslow has entered an agreement with DCLG allowing the Council to retain RTB receipts for investment in new homes. However, a number of restrictions apply and significantly, the level of contribution from these receipts cannot exceed 30% of the total funding of a project. RTB sales are occurring at such a rate that the HRA is unlikely to be able to afford to use all available receipts directly on new HRA stock. The Council is therefore looking at partnering opportunities to facilitate the development of some sites.

4.16 Future challenges

4.17 Rent collection is expected to fall due to recent changes in welfare benefits and the implementation of Universal Credit.

4.18 The Welfare Reform and Work Bill extends the "Right to Buy" to housing association tenants, eventually allowing them the same discount as council tenants. Central government proposes to fund the increased discount by requiring local authorities to sell of high value void properties, commencing in 2018/19. It is anticipated that this will have a significant impact in Hounslow, and will result in the further loss of housing stock.

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5 Dedicated Schools Grant

5.1 Financial Outlook

5.1.1 The Dedicated Schools Grant (DSG) is split into four blocks that fund schools, early years, high needs and centrally provided services.

5.1.2 In recent years the Council has spent more than it has received in DSG and has had to draw from DSG reserves to balance the budget. The table below shows the actual spend in 2016/17 and the 2017/18 budget.

	2017/18 Budget £'000	2016/17 Actual £'000
Schools Block	178,350	172,054
Central Services Block	1,260	3,610
Early Years Block	18,627	15,254
High Needs Block	41,965	39,038
NQT	0	42
Total Expenditure	**240,202**	**229,998**
DSG	239,356	228,867
Drawing from DSG Reserves	846	1,131
Total income	**240,202**	**229,998**

5.1.3 In 2016/17 £1.1m was drawn from DSG reserves to fund overspends on the Early Years and High Needs blocks and there is a budgeted drawing from reserves of £0.9m in 2017/18 despite £3.3m of savings being agreed with schools.

5.2 Key pressures

5.3 The key pressures across the DSG include:

- No inflationary increase (DSG allocations have been frozen at 2010/11 levels)
- Implementation of the Children's and Families Act 2014 requiring local authorities to assess and provide education, health and care support for 0-25 year olds
- Demographic pressures relating to High Needs where funding has failed to keep pace with demand
- Uncertainty as to the level of take up of the additional 15 hours of free childcare to be made available for 3 and 4 year olds under the National Funding Formula for Early Years from September 2017
- The ability of early years providers to make available sufficient places to meet demand for 30 hours of free 3 and 4 year old provision due to affordability
- The implementation of national funding formula restricting the Council's ability to move funding from the Schools block to help manage pressures in the Early Years and High

Needs blocks. In 2017/18 with the agreement of Schools Forum £2M was transferred from the Schools Block to fund such pressures.

5.4 Current projections are that there could be pressure on DSG budgets of up to £6.9m in 2018/19. At 31 March 2017 DSG reserves were £3.6m

5.5 In response to these budget pressures Schools Forum has agreed a number of reviews will be undertaken to inform the 2018/19 budget setting round and help manage the pressure on budgets for High Needs provision in the medium term. The outcomes of these reviews will be reported from Autumn 2017.

6 Lampton 360

6.1 Lampton 360 Group impact on the MTFS

6.1.1 The expectation is that in future years the Lampton group will generate distributable profits and these will paid as dividends to the London Borough of Hounslow. The profits will come from the provision of services to external organisations or individuals. The next group business plan should set some clear targets based on the projected performance of the operational businesses. As the financial results of the performance targets for the group are established and a level of certainty achieved for delivery this dividend income will need to be built into the MTFS projections.

6.1.2 The central support functions for the operational businesses are being provided by a core staff employed by Lampton 360 Ltd, providing Human Resources, Business Management and Governance and Finance support for the Lampton 360 group. These services are supported by staff and systems provided by London Borough of Hounslow. There have not been any specific increases in the teams providing this support and income to London Borough of Hounslow from providing these services contributes toward the London Borough of Hounslow's overheads, charges are designed to recover the cost of providing the services. Further services are also being provided direct to the operational businesses from London Borough of Hounslow including fleet

6.1.3 Over and above the group services provided by London Borough of Hounslow via Lampton 360 Ltd the operating companies will have a number of services and facilities provided directly by London Borough of Hounslow. Fleet and maintenance services for the fleet, depots and administrative offices are being provided by London Borough of Hounslow. These are being provided at market rates to the business, however to the extent that the services are provided to support delivery of services to London Borough of Hounslow there is no overall net financial benefit.

6.1.4 While the company is focused on delivering services to London Borough of Hounslow the expectation is that this support will be provided from within existing resources and the cost of providing them recovered. This will result in a need to adjust budgets to reflect the impact but should not create any net change to the budget requirement. For services being delivered only to London Borough of Hounslow there will be no net impact of all services provided to the Lampton group. If the group expands to provide services external customers the level of services required from the London Borough of Hounslow may change and the charges and resourcing requirement may change.

6.1.5 Lampton 360 Ltd has been supported by a loan from London Borough of Hounslow, it must make interest payments against this debt which are an income for the London Borough of Hounslow. This can be reflected in the interest income budgets for London Borough of Hounslow. The group business plan will need to determine a strategy for repayment of this loan which will reduce distributable profits and interest payments to London Borough of Hounslow.

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6.2 Approach to recognising financial impact of Lampton group

6.2.1 To achieve the original objective of establishing Lampton 360 Ltd creating an additional revenue stream for London Borough of Hounslow the company will need to trade externally at a profit. For Lampton Recycle 360 Ltd and Lampton Facilities Maintenance 360 Ltd this is going to take some time. For the property businesses the initial years will not be profit making although the income streams will be external. As the businesses take shape and more certainty can be placed on delivery of profits and group dividend payments the financial benefits can be recognised in the MTFS and budgets. Dividend payments should be expected from 2019/20. There will be a need to realign budgets to reflect the support being provided by London Borough of Hounslow to Lampton group.

6.3 Financial Governance

6.3.1 Lampton business plans need to set clear milestones for the actions required to develop the businesses to trade with external parties. The Teckal restrictions currently in place through EU competition rules will need to be considered carefully. However the businesses should be expected to operate in a commercial manner and be capable of winning work through competition and have an established track record of delivery to London Borough of Hounslow. As with any company the profits will be subject to corporation tax prior to any dividends being distributable to the shareholder.

6.3.2 While Lampton 360 group makes use of the London Borough of Hounslow financial systems and processes it will need to comply with the financial processes currently in place for London Borough of Hounslow. Any change to this approach will require approval by Cabinet as set out in the Governance arrangements for Lampton 360 Ltd. The arrangements for reporting performance to the shareholder on a quarterly basis will include financial reporting for each entity against the budgets which will set by the board. Budgets will need to be included in the business plans at a level consistent with the achievement of key milestones.