Harrow COUNCIL LONDON

Appendix

Council (Council Tax)

Thursday 23 February 2023

Confirmation of Cabinet and Committee Recommendations and relevant Originating Background Papers

Item on Summons	Cabinet / Committee Recommendation	Originating Report
	Recommendation I: Cabinet (16 February 2023)	
8.	Corporate Plan 2023 - 2026	Report of the Chief Executive (Pages 3 - 34)
	Recommendation II: Cabinet (16 February 2023)	
9.	Revenue Budget 2023/24 and Medium Term Financial Strategy 2023/24 to 2025/26	Report of the Director of Finance (Pages 35 - 146)

	Recommendation III: Cabinet (16 February 2023)	
10.	Housing Revenue Account Budget 2023/24 and Medium Term Financial Strategy 2024/25 to 2025/26, Housing Revenue Account Capital Programme 2023/24 to 2027/28 and HRA Business Plan	Report of the Corporate Director of Place, Director of Finance, Divisional Director of Housing (Pages 147 - 178)
	Recommendation IV Cabinet (16 February 2023)	
11.	Treasury Management Strategy Statement Including Annual Investment Strategy for 2023/24 and Capital Strategy for 2023/24	Report of the Director of Finance (Pages 179 - 240)
	Recommendation V: Cabinet (16 February 2023)	
12.	Capital Programme 2023/24 to 2025/26	Report of the Director of Finance (Pages 241 - 268)
	Recommendation I: Licensing and General Purposes Committee (8 February 2023)	
15.	Revised Statement of Licensing Policy (Licensing Act 2003)	Report of the Corporate Director of Place (Pages 269 - 316)

Report for:	**Cabinet**
Date of Meeting:	16 February 2023
Subject:	Corporate Plan 2023-2026
Key Decision:	Yes - it affects the whole Borough
Responsible Officer:	Pat Flaherty – Chief Executive
Portfolio Holder:	Councillor Paul Osborn – Leader of the Council and Portfolio Holder for Strategy
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Corporate Plan

Section 1 – Summary and Recommendations

Recommendations:

Cabinet is requested to:

1. Recommend the new Corporate Plan to Council;
2. To authorise the Acting Corporate Director of Resources in consultation with the Leader of the Council to make any minor amendments to the plan as necessary prior to the matter going to Council;
3. Agree to receive a report in the first quarter of 2023/24 outlining the key performance indicators for each of the priorities with their targets for the 2023/24 year; and
4. Agree to receive a quarterly performance report which will track the delivery against the three Corporate Priorities, which will be based on the key performance indicators (see recommendation 3 above), the Flagship Actions and the Corporate Plan Delivery plan (Appendix 1)

Reason for recommendations:

To set part of the policy framework for the council.

Section 2 – Report

Introductory paragraph

Harrow Council is committed to restoring pride in Harrow by prioritising putting residents first, working to create a clean and safe borough and supporting those in need. We will deliver a well-run council that can live within its means providing the good value for money services that residents deserve.

The three-year strategy set out in this report provides a clear vision and comprehensive delivery plan for how the Council will deliver our agreed vision and priorities, and how each priority will be measured, and progress monitored. It also sets out our Flagship Actions – a set of specific measurable priority actions – which will be refreshed each year.

The Council vision is: Restoring Pride in Harrow.

The three Council priorities are:
- A council that puts residents first
- A borough that is clean and safe
- A place where those in need are supported

The flagship actions are:

A council that puts residents first

1. Install full fibre internet to all council homes and include Grange Farm Community Hall and Northolt Road Community Hall by the end of March 2024, helping our council tenants be more connected.
2. Deliver a new planning website by the end of the summer, making it easier for our residents to apply or look up and comment on planning applications.
3. Adopt new planning protections to restrict tall buildings in our suburbs and better control conversions from houses into flats to preserve the character of Harrow.
4. Create safe and secure cycle parking at Harrow on the Hill station by May 2024, encouraging more active travel and healthier lifestyles.
5. Rollout the first car parking spaces for car clubs in our car parks by May 2024, helping reduce the number of cars and emissions on our roads by giving residents easier access to cars when they need it, at a reasonable rate.
6. Respond to 90% of complaints in 15 working days, improving our responsiveness and customer experience.
7. Improve our website to create a more personalised service through the MyHarrow Account, the ability to track progress of reported items online and enhance the customer experience.
8. Launch a new consultation platform called ‘My Harrow Talk’, keeping the views of residents at the heart of decision making.

A borough that is clean and safe

1. Deliver Phase One of the Grange Farm estate regeneration – Harrow’s largest estate regeneration – by the end of 2023, delivering 89 quality affordable homes. By April 2024 we will determine the planning application for Phase Two.
2. Install at least 15 mobile CCTV cameras in the areas of Harrow most targeted by fly-tippers to reduce the levels of dumping and to make the people who do this pay.
3. Ensure good quality open spaces for our residents, through the reaccreditation of our 6 Green Flag parks and identify 3 more parks to become accredited to Green Flag status by 2024/2025.
4. Refurbish 36 tennis courts in Harrow parks and open spaces by 2025, delivering good quality courts and a new booking system.
5. Resurface over 60 carriageways and footways over the next 12 months through our improved highway maintenance programme.
6. Double the number of council provided electric charging points for the public in the next 12 months, helping residents who have or will choose hybrid or electric vehicles in the future, reducing greenhouse gas emissions and improving air quality.
7. Identify unauthorised beds in sheds and other environmental issues through a new approach which includes heat maps.
8. Hold at least four Weeks of Action, bringing together council and partners to deal with particular areas of anti-social behaviour and fly-tipping.

A place where those in need are supported

1. Help with the cost-of-living crisis, we will deliver another year of free school meals during school holidays (subject to Household Support Fund 4 Guidance).
2. At least doubling the number of Harrow Council Apprenticeships in the borough by the end of the year.
3. Launch a skills and employment programme for our most vulnerable young people before the summer of 2024, including our care leavers, with applications launching by March 2024.
4. Upgrade the Council's 10 Children Centres into Family Centres, which will deliver more integrated services for residents which includes early years and health.
5. Work with residents, community groups and the voluntary sector to create a new adult social care and mental health service by July.
6. Improve our neighbourhood resource centres into true adult social care and well-being hubs.
7. Development of our new customer centre at Gayton Road for people at risk of homelessness or concerns about vulnerable residents.
8. Start construction on Milton Road, resulting in 100% high quality, affordable housing, which includes family-sized homes.

Options considered

1. Continue with existing borough plan

This option was rejected because it does not reflect the ambition and direction of travel of the new Administration following the local elections in Mat 2022.

2. Do not produce a corporate plan

This option was rejected because it does not support the need for strategic planning that will ensure that the Council's resources are aligned to support the delivery of the agreed vision and priorities

3. Produce a new Corporate plan

This is the preferred option

Ward Councillors' comments

Not applicable.

Performance Issues

Performance will be tracked through the Corporate Plan Delivery Plan and a refreshed Corporate Scorecard set against the three corporate priorities. The Performance Scorecard will be recommended to Cabinet in quarter 1 2023/24 and will enable effective performance management over the next 3 years.

Environmental Implications

The creation of a new Corporate Plan within this report is an important aspect of raising the profile of the council's environmental considerations with this becoming one of the priorities for the borough over the next decade: A borough that is clean and safe.

Data Protection Implications

None

Risk Management Implications

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **No**

The relevant risks contained in the register are attached/summarised below. **No**

The following key risks should be taken onto account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
The Corporate Plan fails to deliver the Council's agreed vision and priorities	• The actions in the Plan were identified and formulated through consultation with the appropriate Portfolio Holder and relevant council officers. This included an assessment of financial viability and timescales for deliverability. • Consultation undertaken took place via a number of special Directorate Management Team meetings, cabinet briefings and discussions with Portfolio Holder and also 1:1 discussions with officers	**Green**
The corporate plan is unachievable	• Delivery against the corporate plan will be routinely reviewed and progress reported	**Green**

	enabling adjustments or remedial action to be taken • The Corporate Plan and the Flagship Actions are aligned to the MTFS and will be delivered within the council's available resources	

Procurement Implications

There are no direct procurement implications arising from the recommendations set out in this report. However, any procurement that is required to deliver the actions detailed in the Corporate Plan will be conducted consistent with the Public Contract Regulations 2015 and the Contract Procedure Rules and will be supported by the Corporate Procurement Team.

Legal Implications

Article 3 of the constitution sets out the policy framework of the council. The Corporate Plan is a plan that should be approved by Council.

Financial Implications

The majority of flagship actions in the Corporate Plan are aligned to the MTFS and some are dependent on other funding streams, either within the Council or external.

Equalities implications / Public Sector Equality Duty

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*

The development of a new Corporate Plan will support delivery of our equalities duties across the borough. One of the key priorities of the plan is to have a borough that is a place where those in need are supported. In order to achieve this, multiple datasets support identification of those groups who are not experiencing the same level of outcomes as others, enabling specific and targeted plans to be developed over the 3-year delivery window to improve outcomes.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer
Date: 08/02/2023

Statutory Officer: Hugh Peart
Signed by the Monitoring Officer
Date: 08/02/2023

Chief Officer: Alex Dewsnap
Signed off by the Acting Corporate Director
Date: 05/02/2023

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 08/02/2023

Head of Internal Audit: Neale Burns
Signed on behalf of the Head of Internal Audit
Date: 08/02/2023

Mandatory Checks

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

EqIA carried out: No Equality Impact Assessment is required at this stage and impact assessments will be carried out during the development of associated priorities.

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Shumailla Dar, Interim Assistant Director Strategy and Partnerships, Shumailla.Dar@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee - NO

Page 1. Front cover:

Our strategy for Restoring Pride in Harrow 2023-26

Page 2. Cllr Osborn's foreword

Restoring pride in Harrow

I want Harrow to be a great place to live, learn, work and visit. Harrow is a vibrant and richly diverse borough. We have excellent schools, a thriving local economy and outstanding parks and green spaces. Overall, I think we deliver good services, but I know from talking to residents, responding to their e-mails and reading about problems with the delivery of Council services on social media that we can and should be better. This plan sets out our commitment to improve our services and put residents at the heart of everything we do.

I am ambitious in the things we can achieve for our residents, and I want to make Harrow a place once again where people are proud to call home, feel safe and supported and where communities' flourish. I know this change won't happen overnight, and that we can't do this on our own, but we will make it happen. We will work with our partners, such as the police, and the voluntary sector to help make Harrow safer and to support those in need.

In the first nine months of our Administration, we have listened to what Harrow people want and are putting our residents first.

We have supported our residents and boosted local business by introducing an hour's free parking in all council spaces. To date more than half a million hours of free parking have helped residents rediscover their local high streets, making sure that more of their hard-earned cash is staying in their pockets or being spent with Harrow businesses.

We're committed to improving the responsiveness of the council and listening to our residents. We will improve our website and continue to put residents first through better response times to issues that are raised and being right first time when we do so.

We are launching a new standard for consultation with residents, which will see more in-person events as well as online engagement, keeping the views of residents at the centre of decision making. An example of this is the removal of the unpopular Marlborough School Street scheme after reconsulting with residents and the school.

We're keeping Harrow clean and green – we have improved access to the recycling centre with multiple bookings on a single day, launched food waste collection in flats, introduced a free annual bulky waste service, and reduced the price of our annual garden waste service – making it one of the lowest prices in London. We continue to act against those who blight our borough by dumping waste and rubbish, rogue landlords who let poor private rented accommodation, and traders who operate illegally and with disregard for others.

We are proud of the character of our borough and are committed to creating more quality family homes and lowering heights of development by reviewing the plans for Harrow's regeneration programme and giving planners more power to stop unsuitable developments. We will put a limit on the height of any new buildings in our suburbs.

We're continuing to support the most vulnerable Harrow people, by working with our brilliant faith communities and amazing voluntary sector. We will continue to use government funding to help keep our poorest children fed through the holidays as well as during term time, and support those looking for training or employment.

Unlike previous Corporate Plans, which set out lofty and unmeasurable objectives over a 10-year period making it hard to hold anyone to account, this is a 3-year plan with clear objectives and deliverable actions, what we are calling Flagship Actions. These will be tangible, visible, high-profile projects showing how we are putting our vision into practice. We are committed to supporting our residents and communities while delivering a well-run and efficient council that lives within its means, providing good value for money.

This plan sets out our vision and priorities for the next three years, and the actions we will take in 2023/24 to achieve our ambitious plans for Harrow. In delivering this plan we will make a positive difference for everyone who lives, works, raises a family, runs a business in or visits Harrow. I think it is an ambitious and credible plan, even in the tight financial position the Council is in, and I am happy to be judged on its delivery by the residents of Harrow.

Cllr Paul Osborn
Leader, Harrow Council

Page 3. Our Borough – Harrow in numbers **Infographic to be added in final designed version**

- Harrow has 261,300 residents
- 51% of our population are female, compared to 49% who are men
- 64% of Harrow's population come from a Black, Asian, and Multi-ethnic background
- Average age of Harrow residents: 38
- Half of the council's workforce live and work in Harrow
- 169 languages spoken in Harrow Schools
- 93% of schools are rated good or outstanding by Ofsted
- Second lowest unemployment level in West London
- 94% of companies in Harrow are micro-businesses employing less than 10 people
- 15 minutes to central London by train
- 6 Green flag parks
- One of the safest London Boroughs (along with Richmond and Wandsworth)
- Average house price of £552,270
- Life expectancy 82.1 for men and 85.7 for women
- 10% of Harrow's population have Diabetes
- More than half a million free hours of parking used by residents
- 124,020 visits to the recycling centre booked since May

Page 4: Vision and priorities introduction

Restoring Pride in Harrow

We want to restore pride in Harrow. We want Harrow to be a place that everyone is proud to call home. Where new people are confident to settle, put down roots and grow their family and where people thrive.

To help everyone understand what we want to achieve for Harrow and how we plan to do this we have three priorities. These priorities will be used to make decisions at the council and to drive the services we deliver.

This strategy identifies how we plan to deliver these priorities and the action we will take in the coming year through a series of Flagship Actions. These Flagship Actions will bring the commitments that we have pledged to life and serve to respond to the things that matter to you, our residents, the most.

Over the next three years we will publish additional actions each year, which will reflect this administration’s direction of travel and ambitions. These will be real-life benefits that can be felt across the borough and restore pride in Harrow.

Page 5: Our Priorities for Residents

1. A council that puts residents first

With council services that are easily accessible and effective, promises that are delivered upon, clear customer service standards and improved communications we will put residents first and restore pride in Harrow.

Alongside the Delivery Plan, our flagship actions are to:

1. *Install full fibre internet to all council homes and include Grange Farm Community Hall and Northolt Road Community Hall by the end of March 2024, helping our council tenants be more connected.*
2. *Deliver a new planning website by the end of the summer, making it easier for our residents to apply or look up and comment on planning applications.*
3. *Adopt new planning protections to restrict tall buildings in our suburbs and better control conversions from houses into flats to preserve the character of Harrow.*
4. *Create safe and secure cycle parking at Harrow on the Hill station by May 2024, encouraging more active travel and healthier lifestyles.*
5. *Rollout the first car parking spaces for car clubs in our car parks by May 2024, helping reduce the number of cars and emissions on our roads by giving residents easier access to cars when they need it, at a reasonable rate.*
6. *Respond to 90% of complaints in 15 working days, improving our responsiveness and customer experience.*
7. *Improve our website to create a more personalised service through the MyHarrow Account, the ability to track progress of reported items online and enhance the customer experience.*
8. *Launch a new consultation platform called 'My Harrow Talk', keeping the views of residents at the heart of decision making.*

Page 6: Our Priorities for Residents

2. A borough that is clean and safe

We will improve the quality of our public spaces by taking action against those who make Harrow dirty and feel unsafe, investing in our parks and public spaces and encouraging active and sustainable travel. By supporting local businesses and high streets through challenging times we will make Harrow a destination for shopping and socialising.

Alongside the Delivery Plan, our flagship actions are to:

1. *Deliver Phase One of the Grange Farm estate regeneration – Harrow's largest estate regeneration – by the end of 2023, delivering 89 quality affordable homes. By April 2024 we will determine the planning application for Phase Two.*
2. *Install at least 15 mobile CCTV cameras in the areas of Harrow most targeted by fly-tippers to reduce the levels of dumping and to make the people who do this pay.*
3. *Ensure good quality open spaces for our residents, through the reaccreditation of our 6 Green Flag parks and identify 3 more parks to become accredited to Green Flag status by 2024/2025.*
4. *Refurbish 36 tennis courts in Harrow parks and open spaces by 2025, delivering good quality courts and a new booking system.*
5. *Resurface over 60 carriageways and footways over the next 12 months through our improved highway maintenance programme.*
6. *Double the number of council provided electric charging points for the public in the next 12 months, helping residents who have or will choose hybrid or electric vehicles in the future, reducing greenhouse gas emissions and improving air quality.*
7. *Identify unauthorised beds in sheds and other environmental issues through a new approach which includes heat maps.*
8. *Hold at least four Weeks of Action, bringing together council and partners to deal with particular areas of anti-social behaviour and fly-tipping.*

Page 7: Our Priorities for Residents

3. A place where those in need are supported

We will celebrate Harrow's diversity and empower communities and residents. We will support those most in need by providing better career opportunities through training and employment and working with our partners and the voluntary sector to help residents live well for longer in the community.

Alongside the Delivery Plan, our flagship actions are to:

1. *Help with the cost-of-living crisis, we will deliver another year of free school meals during school holidays (subject to Household Support Fund 4 Guidance).*
2. *At least doubling the number of Harrow Council Apprenticeships in the borough by the end of the year.*
3. *Launch a skills and employment programme for our most vulnerable young people before the summer of 2024, including our care leavers, with applications launching by March 2024.*
4. *Upgrade the Council's 10 Children Centres into Family Centres, which will deliver more integrated services for residents which includes early years and health.*
5. *Work with residents, community groups and the voluntary sector to create a new adult social care and mental health service by July.*
6. *Improve our neighbourhood resource centres into true adult social care and well-being hubs.*
7. *Development of our new customer centre at Gayton Road for people at risk of homelessness or concerns about vulnerable residents.*
8. *Start construction on Milton Road, resulting in 100% high quality, affordable housing, which includes family-sized homes.*

Page 8: Appendix – Delivery Plan

The Corporate Plan is underpinned by a Corporate Delivery Plan, aligned to the administration's priorities. The actions in this Delivery Plan will be integrated into the corporate objectives setting process, with a view to having clear performance targets for staff around the delivery of each action.

1. A council that puts residents first

	Action	Workstreams	Basket of Measures	What Success will look like	Directorate	Lead member	Lead Officer
1	Deliver the Council's new Customer Experience strategy	• Creation of feedback mechanism across all channels • Create positive customer experience • Telephony provision – general enquiry service for those digitally excluded • Pilot Community Hubs in our local libraries	• Number of Complaints • Member/MP enquiries • Resident satisfaction via Resident survey • Performance against service standards • Resident feedback • First time resolution	Reduction in number of complaints and Member/MP enquires Improved performance against service standards Improvement on the baseline established in the new resident satisfaction survey. Increase in first time resolution	Resources	Cllr Stephen Greek	Jonathan Milbourn
2	Deliver service improveme nts that contribute	• Make improvements to key customer journeys including:	• Garden waste measures • Free bulky waste collection	Reduction in complaints and avoidable contact Increase in first time resolution	Resources	Cllr Anjana Patel	Jonathan Milbourn Cathy Knubley David McNulty

	to a positive customer experience	- garden waste -parking permits -missed bins -bin repairs - emergency front door services - Housemark Report 2022 • Make our services more accountable by including citizens and carers in their development	• 1-hour free parking • Parking permit measures • Recycling rates, residual waste tonnages and missed bins • (Measured through satisfaction surveys / feedback via review process) • Tenant satisfaction surveys • Harrow App	Increased resident satisfaction Co-production principles embedded, creating a culture of co-design Reduction in missed bins with a particular focus on repeat missed bins. Deliver Housemark recommendations		Cllr Mina Parmar	
3	Ensure a seamless customer journey through up-to-date and connected IT	• Roll out of integrated apps • Implementation of key IT systems including: - Planning - Public Protection - Housing - Parking - Bartec upgrade - digital care solutions	• Measures from approved Integrated Apps project plan • Measures from IT project/ implementation plan	Increased resident satisfaction over a 12-month period	Resources	Cllr Stephen Greek	Ben Goward

		- Improve Telecare usage					
4	Ensure that the digital experience promotes digital as the channel of choice	• Introduction of personalisation • Ability to track progress of submitted web forms • Successful roll out of Planning Web site • Launch of the Housing Portal through the MyHarrow account • Increased functionality for Council Tax • Provide full fibre broadband to council housing	• Measures from Customer Experience action plan • % of Harrow council housing that is full fibre enabled	Increase in usage of digital channels, and improve digital inclusion, through the use of community partners Improved resident feedback when contacting council.	Resources	Cllr Stephen Greek Cllr Mina Parmar	Jonathan Milbourn
5	Ensure culturally aware customer care that enables outstanding service delivery to residents	• Develop a Workforce Strategy that puts equality, diversity, and inclusion at the centre • Customer Service Academy	• Delivery of new workforce strategy • EDI Workforce measures. • Measures from resident’s survey	Improved resident satisfaction Improvement on the diversity of the workforce measured via EDI indicators.	Resources	Cllr David Ashton	Shumailla Dar

	from all backgrounds.	• Utilise Online JSNA Data and insight to underpin strategy and better target activity					

2. **A borough that is clean and safe**

	Action	Workstreams	Measures	What success will look like	Directorate	Lead member	Lead Officer
7	Increase resident's perception of being safe in Harrow'	• Implementation of all strategies relating to Community Safety, Violence Against Women and Girls, Youth Offending and Safeguarding. • Greater partnership working with statutory partners to ensure high-quality service provision to reduce high harm and high-volume crime. • Working in partnership with VCS partners to enable early intervention programmes that support the reduction of high harm crime.	• Crime statistics on burglary, knife crime, drug offences, sexual offences, catalytic converter theft, domestic abuse, ASB • Resident confidence of crime and safety via resident's survey. • Repeat victimisation Victim satisfaction • Common place VAWG survey (open since October 2022 – October 2023) • Safeguarding	Reduction in high volume crime Reduction in high harm crime An increase in residents reporting feeling safe in the borough via the resident's survey.	Resources	Cllr Anjana Patel	Shumailla Dar

8	Take enforcement action to protect residents and the environment	• Fly-tipping • HMOs • Anti-social behaviour • Licensing	• Enforcement strategy • Enforcement actions commenced – fly-tips • FPNs issued – PSPO • Number of fly-tips reported online • HMO selective licence applications • Commercial licence applications	Increased enforcement	Place	Cllr Anjana Patel	Cathy Knubley
9	Implement a new approach to a well-maintained highway network	• New Highway Strategy document • Adoption and implementation of a new Transport Strategy that enables green mobility in Harrow • Street cleansing	• Regular review of complaints and service request process • Strategy targets • Actionable highway defects responded to	Highway network is well maintained Improved pedestrian links and accessibility	Place	Cllr Anjana Patel	Cathy Knubley

			within timescale • Number of school travel plans in place • Percentage of land assessed for litter that falls below an acceptable standard				
10	Provide excellent green and cultural spaces for our residents	• Deliver the Sports Strategy 2013-2023 • Cultural strategy • Create great parks and open spaces • Restoration of Harrow's Tennis Courts • Promote nature recovery on public land and parks increasing more trees and grow more wildflowers and biodiversity net gain	• 36 tennis courts in 13 parks • Number of parks with green flag status • Resident's survey	Harrow's parks retain their green flag status Increase in participation	Place	Cllr Anjana Patel	Cathy Knubley Mark Billington
11	Protecting the character of Harrow	• New Local Plan • Developing a Masterplan for Harrow Town Centre	• Public realm sqm improved • Sqm new workspace	New Local Plan adopted by May 2026, which will help to protect the character of	Place	Cllr Marilyn Ashton	Viv Evans Mark Billington

		• Creation of new space for rent at Harrow Arts Centre • Develop new SPDs to restrict tall buildings in our suburbs and better control conversions from houses into flats		Harrow and include carbon reduction, nature recovery and sustainability considerations.			
12	Invest in the physical infrastructure of Harrow	• Improve appearance of key district centres • Update and review of NCIL funding • Improving the Alleyway by Kenton Temple	• Secure Investment through the Future High Street Funds • Delivery Harrow High Street Programme	Improved physical infrastructure in Harrow Reduced vacancy rates in district centres		Cllr Norman Stevenson Cllr Anjana Patel	
13	Improve business engagement	• Creation new business partnership – network of High Street Trader Associations and a new Large Employer Network • Deliver the Economic Strategy Service Plan	• Reduction vacancy rate • Increase in Footfall	Vibrant town and district centres	Place	Cllr Norman Stevenson	Mark Billington
14	Embed effective responses to climate	• Agree a new Climate and Nature Strategy • Ensure all major procurement activity		Reduction in Council and borough-wide Co2 emissions.	Place	Cllr Anjana Patel	Matthew Adams

	change and enable the recovery of nature into council services.	seeks to reduce carbon emissions • Reduce waste and improve recycling rates • fleet decarbonisation • Ensure all council housing meets Energy Performance Certificate (EPC) B band		Biodiversity net gain			
15	Enable more new Homes to be available in Harrow	• House Building Council Homes for Londoners Programme. • Leefe Robinson Mews (Building new homes for sale under Help to Buy Programme) • Pinnora Mews (Building 20 new houses 16 for sale and 4 affordable) • Peel Rd, Poets Corner and Byron Quarter • Maximise affordable housing contributions from HSDP sites, private developers and RPs	• No. new homes built and sold • Reduction in Council and borough-wide Co2 emissions.	Delivery and Sales within 2022/23 Demolition of the Civic Centre complete. More low carbon, energy efficient, sustainable homes for the borough	Place	Cllr Marilyn Ashton	Kirstan Shiels

		• Deliver Grange Farm estate regeneration Phases 2&3 • Health impact assessments completed • Milton Rd (Building 37 new affordable Homes)					
16	Look after and make best use of the Council's estate.	• Develop new Asset management strategy action plan • plan for decarbonisation of our estate	• Asset Management Strategy 2022-2027 • No. properties in state of reasonable repair • Co2 emissions by Council estate	Milestones achieved in delivery of asset management Reduction in CO2 emissions.	Place	Cllr Norman Stevenson	Viv Evans

3. **A place where those in need are supported**

	Action	Workstreams	Measures	What success will look like	Directorate	Lead Member	Lead Officer
17	Work in partnership with the VCS to help support the health and well-being of residents and the integration of services	• MECC training • Make better use of community assets and a new VCS lettings policy • Commissioning intentions • Levelling up and addressing inequalities • Leveraging External Funding • Ensuring 7 day hospital discharge services are in place to support timely and safe discharges • Future of Bridge (Christchurch Av.)	• Improved utilisation from baseline position	Joined-up services that meet the health, care and support needs of residents in the community. Collaboration with the voluntary sector to help improve health and wellbeing outcomes for residents and keeping more people living independently at home for longer.	Resources	Cllr Jean Lammiman	Shumailla Dar
18	Support refugees via Government programmes to settle and integrate into the borough	• Homes for Ukraine • Afghan resettlement programme • VPRS	• No. of refugees housed in the borough in hosting, PRS or emergency accommodation settings	Refugees are settled in the borough	Resources	Cllr Jean Lammiman	Shumailla Dar
19	Increase procurement of private	• Smarter Housing Plan 2022/23	• No. of Private Rent	Reduction in homelessness	Place	Cllr Mina Parmar	David McNulty

	rented accommodation to house those in need	• property acquisition, Capital Letters and a landlord marketing campaign • Adapt properties when appropriate to ensure residents remain safely in their own homes for as long as possible	Accommodation within 35 miles of Harrow	Reduction in use of temporary and emergency accommodation			
20	Target support to help residents out of financial hardship	• Household Support Fund 4 • Information, Advice & advocacy strategy • Free school meals • Food and healthy eating support • Use of data to better understand communities, target interventions to address inequalities and support levelling up • Smarter Housing Plan 2022/23 • Maximise benefit to Harrow from “Retrofit London”	• FSM numbers • CAB Debt managed figures • Food waste and recycling data • Cost of Living dashboard data • No. food parcels/food bank vouchers issued • Warm hub data • Take up of Green Homes Grant by private sector/social homes	Residents are less reliant on local welfare support	Resources	Cllr Jean Lammiman	Shumailla Dar

21	Support residents to realise their career ambitions through delivering pre-vocational and vocational learning (including ESOL, Digital Skills. Job brokerage with local employers	• Adult Learning Strategy 2019 – 2024 • New Plan 2023/24 academic year • Xcite programme	• Number of learners. • % achieving qualifications. • Number into employment • Apprenticeships	Increase in average earnings Increase in qualification levels Increase in no, apprenticeships	Place	Cllr Norman Stephenson	Mark Billington
22	Supporting children, young people and families through the development of the prevention and community offer	• Developing the family hub model • Widening the social work offer and supporting the first 1000 days • Integrated neighbourhood offer • Use of data to better understand communities, target activity to address	• Establishment of family hubs • Visits to family hubs • Numbers of C&F we are working with • Rereferrals • Repeat child protection plans	Project deadlines met Reach of family hubs Successful targeting of services (locality based) Reduction in demand – CiN, CP, CLA Reduction in rereferrals and repeat plans	People	Cllr Hitesh Karia	Peter Tolley

		health inequalities and support levelling up • Ensuring sufficient high-quality provision for children and young people with special educational needs within the borough	• Improved assessment timescales • Tracking of SEN provision • SEN achievement measures	Increase in family-based support and fewer residential placements Sufficient provision for children with SEN in the borough			
23	Improving the quality and sustainability of care provision in Harrow	• Strength based social work practice • Intermediate integrated care • Redesigning Mental Health offer • Integration of the public health agenda • Integrated Care Partnership • Develop a commissioning strategy for future Care provision • Procurement of Homecare	• Measured through audit, CQC assurance, BI, feedback from carers and citizens survey • Transition measures including pathway plans	Maximise independence Improve outcomes for residents	People	Cllr Pritesh Patel	Shaun Riley / Peter Tolley / Senel Arkut
24	Reducing health inequalities	• Health in all policies approach • Joint activities to combat childhood obesity • Access to sport activities • Smoking cessation	• Measured through population health management data	Improved health outcomes for children, young people and adults	People	Cllr Pritesh Patel	Carole Furlong

		• Diabetes • Deliver an additional 4 Gold Level Healthy Schools and 5 Gold Level Healthy Early Years Settings					

Report for:	**Cabinet**
Date of Meeting:	16 February 2023
Subject:	Final Revenue Budget 2023/24 and final Medium Term Financial Strategy 2023/24 to 2025/26
Key Decision:	Yes
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance (S151 Officer)
Portfolio Holder:	Councillor David Ashton – Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	No - decisions reserved to Council
Wards affected:	All
Enclosures:	**Appendix 1A** – Savings and Growth 2023/24 to 2025/26 **Appendix 1B** – Savings and Growth from the 2022/23 Budget Process **Appendix 2** - Medium Term Financial Strategy 2023/24 to 2025/26 **Appendix 3** – Revenue Budget Summary 2023/24 **Appendix 4** – Levies, contributions, and subscriptions **Appendix 5** – Policy on use of contingency **Appendix 6** - Schools Budget 2023/24 **Appendix 7** - Public Health Budget 2023/24 **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 2023/24

Appendix 13 – Annual Pay Policy Statement for 2023/24
Appendix 14 – Flexible Use of Capital Receipts
Appendix 15 - Summary of Resident Consultation
Appendix 16 – Employees' Consultative Panel Recommendation
Appendix 17 – Harrow Business Consultative Panel Meeting Minutes

Section 1 – Summary and Recommendations

This report sets out the final revenue budget for 2023/24 and final Medium Term Financial Strategy (MTFS) for 2023/24 to 2025/26. In December 2022, Cabinet approved the draft versions of the revenue budget and MTFS for general consultation.

Recommendations:

Cabinet is requested to:

1) Recommend the 2023/24 budget to Council for approval, being mindful of consultation results, to enable the Council Tax for 2023/24 to be set.

2) Recommend the Model Council Tax Resolution 2023/24 to Council for approval as set out in 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 for referral to Council (Appendix 2).

5) Note the balanced budget position for 2023/24 and 2024/25 and the estimated budget gap of £6.321m to £13.143m for 2025/26 largely due to the uncertainty of the Social Care Grant (Table 2).

6) Note the intention to increase Council Tax by 2.99% in 2023/24 (Paragraph 1.07).

7) Note the intention to increase Council Tax by a further 2% in 2023/24 in respect of the Adult Social Care Precept (Paragraph 1.16).

8) Note the 2023/24 budgets for Schools and Public Health as set out in Appendices 6 & 7.

9) Note the proposal to increase funding to Additionally Resourced Mainstream Units by 10% (within the High Needs Block) (Paragraph 1.46).

10) Note the proposal to provide additional funding for pupils with Education, Health and Care Plan (EHCP) in mainstream schools of 3.4% (Paragraph 1.46).

11) Note the assumed funding for the protection of social care 2023/24 through the Better Care Fund (Paragraphs 1.51 to 1.54).

12) Recommend the 2023/24 Members Allowance Scheme to Council for approval (Appendix 12).

13) Recommend the 2023/24 Annual Pay Policy Statement to Council for approval (Appendix 13).

14) Recommend the Capital Receipts Flexibility Strategy to Council (Appendix 14).

Reason: (For recommendations)
To ensure that the Council sets a balanced budget for 2023/24.

Section 2 – Report

BACKGROUND

1.01 Harrow remains one of the lowest funded Councils both within London and nationally. The Council does not benefit from large reserves compared with other London Borough's and is at the lower end of the lower quartile for reserve balances held.

1.02 Over the last 10 years, up to 2022/23:

- The Council's revenue support grant has reduced from £50.5m to £1.825m (after accounting for the Council Tax Subsidy Admin Grant of £256k which is now subsumed into RSG)
- The Council does receive other grant funding to support services, in 2022/23 this totalled £366m. However, these grants are all ring fenced to areas of activity and cannot be used to support the core budget, for example the Dedicated Schools Grant of £143m.
- The Council does not receive specific funding to meet demographic growth and demand led pressures. In addition, inflation is increasing exponentially creating unfunded budget pressures.
- For many years Council Tax has been increased just below the referendum limits and full use has been made of the Adults Social Care Precept, both of which were in line with central government expectations. The impact of this is that the Council is heavily reliant on Council Tax to fund its core services. In 2022/23 80% of the Council's net revenue budget of £183.3m is funded from Council Tax.

SUMMARY

1.03 This report sets out the final budget and MTFS, which have been adjusted since draft documents were presented to Cabinet in December 2022, and Cabinet are asked to note the adjustments. After all adjustments, the MTFS shows a balanced budget position for 2023/24 and 2024/25 and an estimated budget gap of £6.321m to £13.143m for 2025/26 due largely to the uncertainty of the Social Care Grant. It is important to note that for 2025/26 several of the budget adjustments are estimated at a high level due to the challenges of forecasting complex issues such as inflation, demand, and demographic changes so far in advance. As the budget is approved annually, the latter two years of the MTFS, especially year 3, will be subject to review and adjustment before being finally approved.

1.04 The final MTFS is based on the Local Government Indicative Financial Settlement received 19 December 2022. The final settlement was received on 7 February 2023 and any impact on the budget and MTFS will be managed through the Contingency for Unforeseen Items. There will be no impact on the overall budget envelope. Whilst it is intended that members will approve the MTFS in February 2023, it could still be subject to assumptions in relation to grant settlements, council tax income, legislation and demographics. The Council does hold a contingency for unforeseen items (£1.248m) which is intended to support uncertainties and the Council will still be required to review the Council's budget on a yearly basis

SPENDING REVIEW 2021 AND AUTUMN STATEMENT 2022

Spending Review 2021

1.05 On 27 October 2021, the Chancellor of the Exchequer delivered Spending Review 21 (SR21) and the Autumn Budget. The latter set out the Government's taxation and public expenditure plans for the year ahead and SR21 confirmed resources and capital budgets for the three years 2022/23 to 2024/25. There were 2 announcements that impacted on 2023/24 and 2024/25. The first was the £1.5b per annum of new grant funding into local government intended to cover inflationary pressures, the employer NI increase of 1.25%, announcements on public sector pay, Covid-19 impact on demand (Adult social care, mental health, and Children's Services). The MTFS assumed that the Council 's share was based on Harrow's proportionate share of Adults Social care nationally (0.004) resulting in an estimated grant value of £6m additional per annum over the three years 2022/23 to 2024/25. The Department of Levelling Up, Housing and Communities (DHLUC) provided assurances that that this funding would be continued with announcements in the Autumn Statement 2022 being additional to SR21 and not a replacement for. Hence £12m of additional funding (£6m in both 2023/24 and 2024/25) remained in the draft MTFS. However, these assurances did not materialise in the Autumn Statement 2022 and the £12m of additional funded has had to be removed from the final MTFS.

1.06 The second announcement was the £3.6b over three years for the Adult Social Care Funding Reform to cover preparation and implementation of the reforms, supporting those who reach the care cap and the fairer cost of care. The Council received £763k in 2022/23. Plans for years 2 and 3 have been changed by the Autumn Statement 2022 due to the postponement of the reforms until October 2025.

Autumn Statement 2022

1.07 The Chancellor of the Exchequer delivered the Autumn Statement on 17 November 2022. The statement set out the broad policy direction in three key areas: economic stability, economic growth, and public services. The key areas of the Statement pertaining to Local Government are detailed below and included in the final MTFS:

- The Council Tax referendum limit will rise from 2% to 3% in 2023/24 with the adult social care precept flexibility rising from 1% to 2%. This flexibility is also allowed for 2024/25. The final MTFS includes a total Council Tax increase of 4.99%, 3.99% and 2.99% over 2023/24, 2024/25 and 2025/26 respectively

- Adult Social Care (ACS) funding reforms will be pushed back by 2 years to October 2025
- The funding to deliver the ACS reforms will be repurposed with £1.3bn for 2023/24 and £1.0bn in 2024/25 distributed to Local Authorities through the Social Care Grant
- An extra £1bn to go towards social care via the Better Care Fund (£600m) and through a ring-fenced ASC grant (£400m) in 2023/24 rising to £1.7bn in 2024/25
- The business rates multiplier will be frozen in 2023/24 and local authorities will be fully compensated for any loss of income
- Social care rents (within the HRA) will be capped at 7%
- The £1bn Household Support Fund will be continued for another 12 months from April 2022
- The school's budget will be increased by £2.3bn in each year above the SR21 level.

DELIVERY OF THE 2022/23 BUDGET

1.08 Harrow has had a good track record of robust financial management and has not reported a revenue budget overspend for many years. However recent years have proved more challenging. The budget for the current financial year assumed a drawdown of £14.7m from the MTFS Budget Planning Reserve. The use of reserves is one off in nature and the reversal of this action is the main contributing factor to the 2023/24 budget gap as reported to Council in February 2022.

1.09 The reality is that the Council has spent above its budget envelope, and this is not sustainable. A revised financial strategy is being implemented to address the overspend position and reduce the Council's expenditure to within its budget envelope. Performance against the 2022/23 budget is detailed in a separate report on this agenda, 'Q3 Revenue and Capital Budget 2022/23' report. This report forecasts a net overspend of £9.872m assuming no draw down from the MTFS Budget Planning Reserve. The Q3 position is a £2m improvement on Q2 which was reported to Cabinet in December and forecast an overspend of £11.872m. This improvement will reduce the requirement to draw down from reserves from the planned £14.7m to £9.872m. This will allow a minimum of £4.828m to be left within the MTFS Budget Planning Reserve to increase the Council's financial resilience over future years. All efforts continue to further reduce the Q3 forecast by the end of the financial year.

1.10 In line with the national picture, the Council is being hit hard with inflation. Inflation on energy is estimated to cost £2.6m more than 2021/22 and is just being contained within the budget provision of £2.750m. Budget provision for pay inflation was £2m (2%). The 2022/23 pay award has recently been announced and it equated to an increase of 6.4% against the pay bill and has created an unfunded budget pressure of £4.070m (net of reversing out the planned NI increase of 1.25%). Front line services continue to experience pressures which will continue in 2023/24 and must be considered as part of the MTFS refresh process. In total these are confirmed at £7.393m.

BUDGET PROCESS 2023/24

1.11 The Council has a statutory obligation to agree and publish a balanced budget for 2023/24, and approval for this will be sought from Council in February 2023. In preparing the 2023/24 budget and rolling forward the MTFS to cover the three-year period 2023/24 to 2025/26, the current MTFS has been the starting point for the process.

1.12 The Council's financial position and its operational environment has always been affected by several financial uncertainties and adjustments that impact upon its financial position over the short and medium term. In preparing the final budget for 2023/24 the existing MTFS has been:

- Refreshed and rolled on a year
- Updated to reflect the estimated impact of Autumn Statement 2022 and the Indicative Financial Settlement

1.13 The draft budget was presented to Cabinet in December 2022. For completeness, the adjustments required to set the draft budget, are repeated in this report and summarised in Table 1 below followed by a narrative explanation. These adjustments are also set out in Appendix 2 along with adjustments included within the previous MTFS agreed as part of the 2022/23 Budget process:

Table 1: Changes to the MTFS (Prior to Indicative Finance Settlement)			
	2023/24	2024/25	2025/26
	£'000	£'000	£'000
Published Budget Gap (Feb 2022)	**16,593**	**0**	**0**
Adjustments:			
Reverse out 24/25 estimated directorate growth		-3,788	
Council Tax, National Non Domestic Rates (NNDR), Collection Fund:			
Reverse out 2.99% income from increase already included in MTFS as part of 2022/23 budget	4,370	4,502	0
Increase in Council Tax 2023/24 - 4.99%			
- Core Council Tax @ 2.99%	-4,880		
- Adult Social Care Precept @ 2%	-2,933		
Increase in Council Tax 2024/25 - 3.99%			
- Core Council Tax @ 2.99%		-4,604	
- Adult Social Care Precept @ 1%		-1,540	
Increase in Council Tax 2025/26 - 2.99%			
- Core Council Tax @ 1.99%			-3,202
- Adult Social Care Precept @ 1%			-1,586
Increase in Council Tax Base of 300 band D equivalents		-500	
Increase in Retained NNDR / Increase in NNDR Multiplier Grant	-3,180		
2022/23 Collection Fund Surplus	-1,939	1,939	
Technical Changes:			
Pension Contributions and Pay Inflation			
Reduction in Pension Fund Deficit Contribution / Revised Recharges to Pension Fund	-1,010		
Pay award 2022/23 - Additional requirement over £2m already provided in MTFS	4,400		
Pay award 2023/24 & 2024/25 - 4% / 2025/26 - 3% (over provision already made)	1,250	1,250	3,000
Non Pay Inflation			
Non Pay Inflation 24/25 - Additonal £1m / 2025/26 £1m in total		1,000	1,000
Capital Financing Costs			
25/26 Capital Programme costs from 22/23 refresh			1,747
26/27 Capital Programme costs from current refresh £1.5m			
One off saving on Capital Financing costs due to underspends on Captial Programme	-2,000	2,000	0
Applying capital receipts to fund the Capital Programme	-1,700	-1,300	-1,300
Capital Receipts Flexibilities	-1,250		1,250
Freedom Passes			
Saving 23/24	-1,580		
Growth 24/25		2,322	
Growth 25/26	0		1,000
2022 Autumn Statement:			
National Insurance - Reversal of 2022/23 NI growth to fund 1.25% increase	-800		
Corresponding reduction in SR21 Increase in Core Spending Grant	800		
Social care grant - increased by £1.3bn nationally, increasing to £1.7bn (Note 1)	-4,280	-1,975	6,255
Adult Social care grant - increased by £400m nationally in 2023/24 and a further £283m in 2024/25	-1,620	-1,146	
IBCF (50% of the national allocation of £600m in 2023/24, increasing to £1bn by 2024/25)	-930	-620	
IBCF contribution to pool	930	620	
Directorate Adjustments:			
Chief Executive Office	-50	-410	
Resources	-285	-300	0
Place	1,191		
People	0	1,550	1,800
General growth provision - council wide	1,000	1,000	1,000
Impact of 2022/23 Pressures Carried into 2023/24:			
Resources	430		
Place	4,196		
People (Children's)	4,200		
Revised Budget Gap (December 2022)	**10,923**	**0**	**10,964**

Published Budget Gap / 2024/25 Estimated Directorate Growth

1.14 The 2022/23 Final Budget and MTFS, which was approved by Council in February 2022, estimated the budget gap for 2023/24 to be £16.593m. This therefore forms the starting point for the update of the MTFS. The MTFS currently assumes an estimated sum of £3.788m directorate growth. This is being reversed out and is be replaced by updated growth requirements.

Council Tax, National Non-Domestic Rate (NNDR) and Collection Fund

1.15 For 2023/24 the Council's tax base has been calculated, according to the relevant procedures and guidance, at 89,085 Band D equivalent properties, this being the gross tax base of 90,903 less a 2% bad debt provision. This is an increase of 300 Band D equivalent properties which will generate additional income of £0.5m which is included in the additional Council Tax income of £7.813m (£4.880m + £2.933m). The collection rate for 2022/23 is 73.23% at the time of writing this report and estimated to be 97% by the end of the financial year. The Collection Rate for 2023/24 is set at 98%. The calculation of the Council tax base for 2023/24 is subjected to a separate and more detailed report elsewhere on this agenda (Report: Calculation of Council Tax Base for 2023/24).

1.16 A maximum Council Tax increase of 4.99% is budgeted for 2023/24 in line with announcements in the Autumn Statement. This covers 2.99% for core Council Tax and a 2% for the Adult Social Care Precept. This will generate additional revenue of £7.813mm in 2023/24. The current MTFS already assumes a Council Tax increase of 2.99% (£4.370m) which is adjusted for. In 2023/24. The Council has had to provide for pay, non-pay and care provider inflation which equates to 13%. The Autumn Statement allowed for Council Tax to be increased by 4.99% in 2024/25. However, the MTFS assumes a lesser figure of 3.99%.

1.17 The Autumn Statement is clear that the business rates multiplier will be frozen in 2023/24 and local authorities will be fully compensated for any loss of income. Freezing the multiplier means businesses will not see an increase in their bills and the Council will be compensated for this loss of inflationary income through the NNDR Multiplier Grant. Conversations with DLUHC have confirmed the loss of income will be based on September 2022 CPI which was circa 10%. London Councils have estimated this compensation for Harrow to be £3.18m which is what is built into the MTFS

1.18 The financial year 2023/24 benefits from the 2023 revaluation. For Harrow this means an increase of approximately 8% in rateable values. Considering reliefs, this increases the NNDR tax yield results in an increase in Harrow's 30% share of the retention, when combined with s31 grant compensation, and equates to approximately £1.6m. However, the Autumn Settlement was not clear if existing 'top up' and 'tariff' arrangements (Harrow is a' top up' authority) will be adjusted to reflect the increase in rateable values and S31 compensation hence adjustments in the draft budget have been limited to the Multiplier Grant increase estimated by London Councils.

1.19 The Collection Fund and its impact on the 2023/24 budget is subject to a separate report elsewhere on this agenda (Report: Estimated Surplus / (Deficit) on the Collection Fund 2022/23). The estimated impact on the

2022/23 Collection Fund is a surplus of £1.939m which must be accounted for as a one-off income against the 2023/24 budget.

Technical Changes

1.20 The Council administers the Local Government Pension Fund. The Pension Fund gets formally valued every three years through the process known as the triennial valuation. A three-year valuation as of 31 March 2022 has just been completed and indicates that the overall position of the LBH Pension Fund has improved. As a result, the employer pension contribution rate for the Council will reduce from the equivalent of 24.9% of pensionable pay to the equivalent of 23.5% of pensionable pay – leading to a saving of £986,000 to the revenue budget. The cost of administration is borne by the Pension Fund. This has been reviewed and a further cost of £25k is being charged to the fund (this will be subject to review by external audit). In total these adjustments generate a benefit of £1.010m to the MTFS.

1.21 The pay award for 2022/23 has recently been agreed and cost £6.4m, an approximate 6.4% uplift against the pay bill. The 2022/23 budget included a provision of £2m and a pressure of £4.4m is being managed in year and needs to be provided for on a permanent basis hence the adjustment of £4.4m in 2023/24. The MTFS already assumes a pay award of 2.75% (for Harrow 1% uplift equates to approximately £1m) for both 2023/24 and 2024/25, which has been increased to 4%. 3% is assumed for 2025/26.

1.22 Non pay inflation, which covers areas such as energy costs and contractual up lifts, is proving very difficult to estimate. The MTFS already assumes £2m for non-pay inflation in 2023/24 which will remain as is. For 2024/25 there is an existing provision of £1m which will be increased by a further £1m and a new provision of £1m is provided for in 2025/26.

1.23 Alongside the three-year MTFS, the Council sets a corresponding Capital Programme which sets out investing in areas such as highways, street lighting and housing, and regeneration. The cost of the capital investment is reflected in the revenue budget as capital financing costs (interest charges on borrowings and the required minimum revenue provision). The 2022/23 refresh of the Capital Programme costs a further £1.747m in capital finances charges in 2025/26 which must be provided for. For noting, the draft Capital Programme for 2023/24 to 2025/26, which is subject to a separate report on the agenda (Report: Draft Capital Programme 2023/24 to 2025/26) will require additional capital financing charges of £1.5m.

1.24 The revenue budget must include the cost of financing the Capital Programme. It's not unusual for the Capital Programme to slip into future years and the programme in 2022/23 is expected to underspend by 48% with the majority being slipped into the following year. This will impact on the profiling of the capital financing costs and a temporary adjustment for £2m is being made in the MTFS. This benefit cannot be on going. The Council is currently 'under borrowed' due to the strategy of using internal borrowings (ie internal cash balances) to fund capital investment. If this strategy was to cease, and the full borrowing requirement required, this would require the full capital financing budget.

1.25 The Council is currently holding a number of accrued capital receipts (£4.5m) and will receive a further sum estimated at £15.4m from the sale of properties at Leefe Robinson Mews (formerly known as Haslam House) and Pinnora Mews (formerly known as Waxwell Lane Car Park). The revenue implications of investing in short life assets, which are largely IT related, can be expensive because their cost is charged to the budget over their useful life which is often around 5 years. Capital receipts can be used to fund such assets as an alternative to them being funded through the Capital Programme and incurring capital financing charges. The capital receipts in hand and those due will be used for such purposes and will realise revenue savings against the capital financing budget of £4.3m over the three years of the MTFS.

1.26 The Concessionary Fares / Freedom Pass Scheme provides free travel for older and disabled London residents on all Transport for London (TFL) travel modes and on most National Rail routes (with restrictions). The methodology used for settlement of the scheme with TFL uses journey data for the previous 2 years and London Councils provide cost estimates for the forthcoming three years which is the most accurate data on which to adjust the budget. The midpoint estimates from London Councils have been compared to the Councils base budget and infer a saving of £1.580m in 2023/24 with growth of £2.322m required in 2024/25. The estimates for 2025/26 infer a significant increase in usage requiring growth of £2.280m. This growth would take the concessionary fares / freedom pass base budget up to £11.80m which is significantly above its pre COVID-19 levels. As this is so far in the future a provisional sum of £1m additional budget is being provided for in the MTFS.

2022 Autumn Statement - Impacts on the Budget

1.27 The announcements in the 2022 Autumn Settlement that can be quantified with a degree of certainty have been adjusted for in the draft MTFS. In the current year budget, £0.8m of growth was provided for to fund the 1.25% increase in employer National Insurance contributions. As this increase has now ceased, the growth is not required, and it can be removed from the MTFS. However, the Autumn Statement stated that, as funding was allocated to Local Government as part of SR21 to fund the increase in NI, there would be a corresponding reduction in Core Spending Grant in 2023/24 which is adjusted for.

1.28 The implementation of the ASC Reforms has been pushed back to October 2025 and the ASC reform funding, announced in SR21, is being repurposed into a Social Care Grant. At a national level this is £1.3bn in 2023/24 increasing to £1.7bn in 2024/25. London Councils estimate the additional grant funding for Harrow will be £4.280m and £1.975m for 2023/24 and 2024/25 respectively. As the statement clearly states this is for current pressures only, the MTFS prudently assumes this funding ceases in 2025/26 and is repurposed back to funding the ACS reforms.

1.29 The Adult Social Care Grant is being increased nationally by £400m in 2023/24 and by a further £283m in 2024/25. London Council estimates that Harrow’s share is £1.640m and £1.146m in 2023/24 and 2024/25 respectively. This funding is assumed to be on going.

1.30 The additional funding for Local Government that is being channelled through the Improved Better Care Fund (IBCF) is estimated to be £930k in 2023/24 and £620k in 2024/25. As this funding must be pooled with Health within the Better Care Fund, the MTFS assumption is that this additional funding will be cost neutral to the MTFS.

1.31 Directorate adjustments are detailed in Appendix 1A.

1.32 The 2022/23 budget is forecasting an overspend of £11.513m. Several the pressures will continue into 2023/24 and need to be reflected in the budget setting process. The impact into 2023/24 is currently estimated at £8.8m. There is a clear expectation that the in-year pressure will reduce, which could have an impact on the pressures carried forward into 2024/25 and theses will be refined in the time for final budget in February 2023.

1.33 After all the adjustments, the results at draft MTFS in December was an estimated gap across the three years of £21.887m:
2023/24 £10.923m
2024/25 £0m
2025/26 £10.964m

Adjustments required following the Indicative Local Government Settlement announcement.

1.34 The indicative settlement was announced on 19 December 2022 followed by the final settlement on 7 February 2023. The indicative settlement was broadly in line with Autumn Statement 2022 announcements which were used as the basis for the draft budget and MTFS. Although Autumn Statement 2022 SR2 made broad funding announcements for the next two years the settlement included specific funding allocations for 2023/24 only and provided a direction of travel for 2024/25. The adjustments to the draft MTFS are summarised in table 2 below and supported by explanatory text which follows the table:

Table 2: Changes to the MTFS (Post Indicative Finance Settlement on 19 December))			
	2023/24	2024/25	2025/26
	£'000	£'000	£'000
Published Budget Gap - December 2022	**10,923**	**0**	**10,964**
Adjustments:			
Changes as a result of the December Finance Settlement			
Increase in NNDR Multiplier (£3.180m to £3.752m)	-572		
Reverse out assumed Social care grant	4,280	1,975	-6,255
£12.807m allocation for 2023/24, less £7.720m base in 2022/23 less £300k ILF grant rolled in to social care	-4,787		4,787
£14.842m 2024/25 allocation - £12.807m= increase of £2.035m		-2,035	2,035
Reverse out assumed Adult Social care grant	1,620	1,146	
Adult Social Care Market Sustainibility Grant and Improvements	-2,271	-1,144	
Adults Social Care Market Sustainablity Grant & Improvements (expenditure of 25%)	560	286	
IBCF (50% of the national allocation of £600m in 2023/24, increasing to £1bn by 2024/25)	-934	-616	
IBCF contribution to pool	934	616	
Additional RSG (increased from £1.648m to £2.081m)	-433		
Offset by rolled in grant already in 2022/23 Budget for Council Tax Subsidy Admin Grant	256		
Additional Top up grant (increased from £22.623m to £23.195m)	-572		
Reduction in New Homes Bonus (from £3.022m to £2.245m)	777		
Reverse out assumed SR21 Core Spending Grant	5,200	6,000	
Continuation of Services Grant	-1,541	770	771
Abolition of Lower Tier Grant	421		
Cost of Living Grant funded by Council Tax Support Fund (external grant)	-310	310	
Other Changes:			
Freedom Passes	-570	-732	1,050
Directorate savings/growth:			
Children's	-825	-1,570	-500
Adults	-2,273	-1,989	-295
Growth	0	0	0
Place	-3,915	-3,775	-300
CEO	-6	-89	-6
Resources Saving	-586	-408	-108
Resources Growth	103		
West London Waste Authority Income	-1,000	1,000	
Impact of 2022/23 Pressures Carried into 2023/24:			
Childrens - reduction from £4.2m to £3.7m	-500	0	
Place reduction from £4.196m to £3.696m	-500		
Increase in reduction in Pension Fund Deficit Contribution	-300		
Further one off saving on Capital Financing Costs due to underspends on Capital Programme	-1,000	1,000	
10% Mgt Savings not included in individual proposals	-650		
Removal of LLW provision in 23/24 - included in directorate growth and inflation provisions	-900	-500	1000
Reduction of Council wide growth provision	-629	-245	
Revised Budget Gap (February 2023) - Assumes reversal of Social Care Grant	**0**	**0**	**13,143**
Non reversal out of Social Care Grant			-6822
Revised Budget Gap (February 2023) - Assumes Social Care Grant retained			**6,321**

Changes because of the December Finance Settlement

1.35 The Indicative Finance Settlement resulted in funding being £11.2m short of that expected. This was largely due to DLUHC's assurances that commitments made in the Autumn Statement 2022 would be in addition to, and not instead of, funding commitments announced at SR21. A further challenge from the Settlement is the uncertainty around the long-term future of the Social Care Grant and ringfencing the Adult Social Care Market Sustainability Grant:

In respect of the NNDR Multiplier Grant, Revenue Support Grant (net) and 'Top Up' Grant, the Settlement delivered more funding than was budgeted for. However, this was largely compensated by a reduction in the New Homes Bonus Grant and the Abolition of the Lower Tier Services Grant.

The Social Care Grant was confirmed at £6.822m over 2 years, an increase of £567k and is largely the repurposed funding for Adult Social Care reform. The Autumn Statement 2022 confirmed the delay of the reforms until October 2025. However, there is significant uncertainty regarding what will happen to this additional Social Care Grant in 2025/26 after the implementation of the reforms. For this reason, a prudent approach has been taken and year 3 of the MTFS (2025/26) assumes a scenario that the grant is either ceased or repurposed to fund the reforms or retained to continue funding social care pressures.

The Adults Social Care Grant was replaced with the funding stream Adults Social Care Market Sustainability Grant and Improvement. The new funding stream is £649k higher than at draft budget but central government have indicated that there will be conditions and targets to be achieved with this funding. This limits the Council's capacity to best apply to local need. At the time of writing this report the conditions are outstanding and the final MTFS assumes 25% of the grant received will be spent on further expenditure in addition to the growth and investment into social care across the MTFS.

The additional Core Spending Grant announced in SR21 did not materialise in the Autumn Statement 2022 therefore has been reversed out of the MTFS (£11,2m).

The Services Grant, first announced in 2022/23, was continued into 2023/24. As there is no certainty on the further continuation of this grant and its value has been reduced by a third from 2022/23 to 2023/24, it has prudently been phased out over years 2 and 3 of the MTFS.

In the draft budget, the Council provided £310k in 2023/24 for a Cost-of-Living Grant. Following the Settlement, the Government announced the Council Tax Support Fund for 2023/24 for which Harrow's allocation is £342k. This will cover the Cost-of-Living Grant and hence the £310k growth is removed from the budget. The Council Tax Support Fund will be subject to a separate report to Cabinet in March 2023.

After the draft budget an updated three-year estimate for the Concessionary Fares / Freedom Pass Schemes has been received from London Councils and the MTFS has been updated in line with the revised information.

Directorate savings of £18.192m are proposed for inclusion in the MTFS. These proposals are detailed in Appendix 1A. There are a number of directorate proposals which require separate consultation and will be subject to a full equalities impact assessment and further report to Cabinet where appropriate.

In the current financial year, the Council received £1.595m from the West London Waste Authority (WLWA) as its proportionate share of income generated from waste related energy sales. This income forms the Waste Strategy Reserve. Further waste related energy sales are predicted from the WLWA in 2023/24 and a prudent, one off, receipt of £1m is included in the MTFS.

The draft budget included £8.396m of growth / investment into the Place and People's directorates to fund the impact of 2022/23 pressures carried forward into 2023/24. These pressures have been reviewed and reduced by £1m.

The draft budget included a reduction in the Pension Fund Deficit Contribution of £986k. On finalising the triennial valuation with the Pension Fund actuary, a further reduction in the deficit contribution of £300k can be achieved and is included in MTFS.

The forecast spend against the general fund element of the Capital Programme in 2022/23 has reduced by 11%, from 52% at Qtr 2 to 41% to Qtr 3. Therefore, is it appropriate to increase the one off saving against the capital financing budget by £1m to £3m on account of underspends in the Capital Programme.

Over the MTFS, significant provision has been made to cover pay and non pay inflation, care provider inflation and significant investment/ growth into the directorates. There will be an element of overlap between these provisions and those additionally set aside for London Living Wage (LLW) and general council wide growth. The Council remains committed to delivering the London Living Wage in all contracts over the coming years.

Budget Refresh, Growth & Savings

1.36 There is a commitment to refresh the three-year MTFS annually to ensure it remains reflective of the changing Harrow and Local Government landscape.

The current MTFS is made up of:
- Savings / Growth that have been identified as part of the 2023/24 budget setting process, some of which were approved as part of the Draft Budget / MTFS (December Cabinet 2022) and the remainder as part of this report. These are summarised in tables 3 to 5 below and detailed in Appendix 1A.
- Savings /Growth that were approved as part of the 2022/23 budget setting process. These are summarised in table 6 below and detailed in Appendix 1B:

Table 3 : Savings /Growth - agreed December 2022 Cabinet				Appendix 1A
	2023-24	2024-25	2025-26	Total
	£'000	£'000	£'000	£'000
Savings				
Resources	(285)	(300)	-	(585)
Chief Executive	(50)	(410)	-	(460)
Place	-	-	-	-
Total Savings	**(335)**	**(710)**	**-**	**(1,045)**
Growth				
Resources	430	-	-	430
Chief Executive	-	-	-	-
Place	5,387	-	-	5,387
Childrens	3,650	(250)	-	3,400
Corporate	550	250	-	800
Total Growth	**10,017**	**-**	**-**	**10,017**
Net Total Savings and Growth	**9,682**	**(710)**	**-**	**8,972**

Table 4 - Savings / Growth for approval Febraury 2023 Cabinet				Appendix 1A
	2023-24	2024-25	2025-26	Total
	£000	£000	£000	£000
Savings				-
Resources	(586)	(408)	(108)	**(1,102)**
Chief Executive	(6)	(89)	(6)	**(101)**
Place	(3,915)	(3,775)	(300)	**(7,990)**
Adults	(2,273)	(1,989)	(295)	**(4,557)**
Childrens	(825)	(1,570)	(500)	**(2,895)**
Corporate/Council Wide	(650)	-	-	**(650)**
Total Savings	**(8,255)**	**(7,831)**	**(1,209)**	**(17,295)**
Growth				
Resources	103	-	-	**103**
Chief Executive				**-**
Place	(500)	-	-	**(500)**
Childrens	(500)	-	-	**(500)**
Corporate				**-**
Total Growth	**(897)**	**-**	**-**	**(897)**
Net Total Savings and Growth	**(9,152)**	**(7,831)**	**(1,209)**	**(18,192)**

Table 5: Total Savings/Growth from the 2023/24 Budget Process				Appendix 1A
	2023-24	2024-25	2025-26	Total
	£'000	£'000	£'000	£'000
Savings				
Resources	(871)	(708)	(108)	**(1,687)**
Chief Executive	(56)	(499)	(6)	**(561)**
Place	(3,915)	(3,775)	(300)	**(7,990)**
Adults	(2,273)	(1,989)	(295)	**(4,557)**
Childrens	(825)	(1,570)	(500)	**(2,895)**
Corporate/Council Wide	(650)	-	-	**(650)**
Total Savings	**(8,590)**	**(8,541)**	**(1,209)**	**(18,340)**
Growth				
Resources	533	-	-	**533**
Chief Executive	-	-	-	**-**
Place	4,887	-	-	**4,887**
Childrens	3,150	(250)	-	**2,900**
Corporate	550	250	-	**800**
Total Growth	**9,120**	**-**	**-**	**9,120**
Net Total Savings and Growth	**530**	**(8,541)**	**(1,209)**	**(9,220)**

Table 6: Savings / Growth from the 2022/23 Budget Process			Appendix 1B
	2023-24	2024-25	Total
	£'000	£'000	£'000
Savings			
Place	(600)	-	(600)
Total Savings	**(600)**	**-**	**(600)**
Growth			
Corporate	600	-	600
People - Childrens	1,850	750	2,600
Place	51	-	51
Total Growth	**2,501**	**750**	**3,251**
Net of total Savings/Growth	**1,901**	**750**	**2,651**

CAPITAL RECEIPTS FLEXIBILITY

1.37 In 2016 the government announced the Capital Receipts Flexibility Scheme to support local authorities to deliver more efficient and sustainable services by allowing them to spend up to 100% of their fixed assets receipts on the revenue costs of reform projects. The flexibility has been extended on numerous occasions and is currently in place until 31 March 2025.

1.38 The Council is working on a strategic review of its assets and part of this review will identify several sites for disposal as they are no longer economically viable. The 2023/24 MTFS includes a budget of £1.250m to fund the Regeneration Team. The nature of this spend meets the capital flexibility criteria and the team will be funded under the capital flexibilities scheme and the £1.250m provision has been removed from the budget. The sum is re-instated in 2025/26 when the scheme is currently intended to end.

The Council may seek to use further capital flexibilities to support its MTFS, in line with Appendix 14 – Flexible Use of Capital Receipts.

SCHOOLS FUNDING FOR 2023/24

1.39 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 Councils are funded based on the total of the NFF for all schools, academies, and free schools in its area. However, the final formula for distribution is determined by each Council following consultation with schools and Schools Forums.

1.40 The Council carried out a consultation in Autumn 2017 which sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018/19. 76% of schools responded to the consultation and 89% voted in favour of introducing the NFF from 2018/19. This was approved by Cabinet in February 2018 and school budgets for the last three years have been set based on the NFF.

1.41 The NFF will therefore continue to be used to distributed school budgets for 2023/24 There are no proposed changes to the structure of the formula for

2023/24. The Schools Budget for 2023/24 is attached in Appendix 6 for approval.

DEDICATED SCHOOLS GRANT AND HIGH NEEDS BLOCK FUNDING AND DEFICIT

1.42 The Dedicated Schools Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual school budgets in maintained schools, academies, and free schools in Harrow. It also funds Early Years nursery free entitlement places for 2-, 3- and 4-year-olds in maintained council nursery classes and private, voluntary, and independent (PVI) nurseries as well as provision for pupils with High Needs.

1.43 In Q2 there was a projected overspend on the High Needs Block of £1.091m in 2022-23. However, in Q3 it is anticipated that there will be an in-year balanced budget and it is possible there could even be an in-year underspend of £500k. This is largely due to the additional High Needs Supplementary Grant allocation as well as reduced requirement for Independent & Non-Maintained Special School sector provision due to expanding Kingsley High School from September 2022 which provided 24 additional places for pupils with Severe Learning Difficulties. This means that the cumulative deficit of £4.007m brought forward from previous years may reduce to £3.5m by the end of March 2023.

1.44 Any deficits an authority may have on its DSG account is expected to be carried forward and does not allow or require a local authority to cover this from its general reserves. This arrangement has been extended for three years to March 2026 beyond which LAs will need to demonstrate they have enough reserves to balance any deficit unless an alternative funding solution is proposed by Government

1.45 The DfE requires local authorities to explain their plans for bringing the DSG account back into balance. A management plan was drafted and discussed with Schools Forum in 2021. This now needs to be updated to take account of current numbers of EHCPs and revised EHCP and financial projections. Updated 3-year financial projections of the HNB deficit have been provided below. Despite the significant proposals and measures planned over the next ten years, the Deficit Management Plan did not demonstrate that it will fully mitigate the deficit. This is due to the following contributory factors:

- historical underfunding
- current budgets being based on historical budgets rather than historical spend
- extension of age range to include 0-5 and post 19 pupils which are not included in historical budgets on which current funding is based
- current and projected formulaic funding which does not keep pace with demand
- significant historical and projected growth in number of EHCPs
- continued growth in complexity of pupils' needs
- limitations about creating cost effective provision in borough due to capacity and site limitations

SEND Funding Proposals 2023/24

1.46 Over the last few years, the LA has committed to reviewing SEND funding for in-borough provision. However, the outcome of any reviews will be too late to impact on 2023/24 school budgets. It is very likely that each review will identify that additional funding is required across all areas as funding historically has been largely based on the anticipated costs incurred by schools.

Special School and Pupil Referral Unit budgets will be increased by 3% per pupil in 2023/24 and will receive a further allocation of 3.4% increase from the High Needs Additional Grant. This is a mandatory requirement within the High Needs Funding Regulations. However, there is no mandatory requirement to increase funding to mainstream schools with Additionally Resourced Mainstream (ARMs) units or for pupils with EHCPs in mainstream schools.

ARMs resources have not been reviewed since 2013; 10 years. It is proposed to increase funding in 2023/24 by 10%, to reflect the length of time since the last funding review, at an additional cost to the HNB of £292k. There are approximately 150 children in ARMs resources in Harrow schools.

It is also proposed to provide additional funding for pupils with EHCPs in mainstream schools of 3.4% (equivalent to the mandated allocation for special schools from the High Needs Additional Grant) at an additional cost to the HNB of £362k. Funding for EHCPs in mainstream schools was last formally reviewed in 2019 although an increase of 1.25% was agreed in 2022/23 from the High Needs Supplementary grant to support schools with the NI increases. There are approximately 650 children with EHCPs in mainstream schools in Harrow.

Mainstream schools and ARMS are critical components of our SEND Strategy to ensure more in-borough places for children and young people with high needs and to reduce future pressure on the HNB and, through SEN Transport needs, on the General Fund. By agreeing these funding proposals it supports these settings to continue to deliver education for children with EHCPs and prevents the need for out of borough more expensive provision, leading to an increased projected deficit in addition to the projected figures provided below.

High Needs Block Funding & Deficit

1.47 The HNB has a cumulative deficit brought forward from 2022/23 of £4.007m. At the end of Q3 the projection is for an in-year balanced budget maintaining the deficit at £4.007m. It is possible that there may even be an in-year underspend of around £500k, taking the deficit down to £3.5m.

The projected position on the HNB in 2023/24 is as follows:

Projections	**Spend**
Deficit brought forward 1 April 2022	£4,006,867
2022-23 in year surplus	-£502,545
Deficit carried forward 31 March 2023	**£3,504,322**

2023-24 in year deficit projection without funding proposals	£1,053,301
2023-24 ARMS & EHCP funding proposals	£653,888
Cumulative deficit 31 March 2024	**£5,211,511**
2024-25 in year deficit projection	£4,494,359
2025-26 in year deficit projection	£10,581,762
Cumulative deficit 31 March 2026	**£20,287,631**

The figures above assume that there will be a projected 100-120 additional pupils with EHCPs per annum, that additional ARMs will be opened and there will be 20 additional special school places in September 2023 but assume beyond 2023/24 that provision in the borough will be at capacity and thus the majority of additional children would need to be educated out of borough at Independent Non-Maintained Specialist Schools (INMSS). This is where the significant spike in spend is projected to occur from 2024/25 as a disproportionate number of the additional growth in children would have to be placed at INMSS provision.

The cost of INMSS provision is estimated to increase to around £70,000 compared to £30,000-£35,000 in Harrow special school provision and £20,000-£25,000 in ARMs resources. The average cost of a mainstream EHCP is £10,000-£15,000. If schools decide not to continue providing ARMs provision or agree to open new provision, then the projected deficit figures above will be significantly higher as pupils who could go to ARMs provision would go to Harrow special schools and pupils who could go to Harrow special schools would have to go to INMSS provision.

An updated SEND Strategy will be presented to Cabinet in 2023 and will refresh the actions being taken to mitigate the deficit which includes:

- opening more ARMS provision at mainstream schools
- changing the character of special MLD schools to take more children with SLD
- continued support to mainstream schools to make provision for more pupils with EHCPs
- bid to DfE for special free school
- exploring further options to create in borough specialist provision including increased post 16 opportunities
- a stronger focus on integrated work with other agencies, including health services, to ensure that children with SEND have needs met locally
- more integrated approaches to school attendance, including for children with SEMH challenges so that more intensive provision is not required

PUBLIC HEALTH FUNDING 2023/24

1.48 In 2022/23 the total public health grant to local authorities totalled £3.417bn, with £11.62m being allocated to Harrow. The grant is ringfenced for use on public health functions exclusively for all ages of the population and must be spent in accordance with grant conditions on expenditure incurred by local authorities for the purposes of their public health functions, as specified in Section 73B (2) of the National Health Service Act 2006.

1.49 The draft Public Health commissioning intentions detailed in Appendix 3 are based on the current (2022/23) grant allocation as Public Health England have yet to announce national funding for 2023/24. However the comprehensive spending review confirmed that the grant would be maintained in real terms. These commissioning intentions reflect alignment with the Health & Wellbeing Strategy, Borough Plan, and evidence of population priorities.

1.50 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. However, if additional duties are required by Councils, and if these were unfunded, the commissioning intentions would need to be reviewed in light of the allocated grant envelope.

BETTER CARE FUND (BCF) 2023/24

1.51 The framework for the Better Care Fund (BCF) derives from the government's mandate to the NHS which sets an objective for NHS England to ring fence funding to form the NHS contribution to the BCF. The NHS Long Term Plan, published in January 2019 set out the priorities for transformation and integration, including plans for investment in integrated community services and next steps to develop Integrated Care Systems.

1.52 The BCF continues to provide a mechanism for personalised, integrated approaches to health and care that support people to remain independent at home or to return to independence after an episode in hospital. The continuation of the national conditions and requirements of the BCF provides opportunities for health and care partners to build on their plans to embed joint working and integrated care further, including how to work collaboratively to bring together funding streams to maximise the impact on outcomes for communities and sustaining vital community provision.

1.53 The 2023/24 Adults budget assumes that funding for the Protection of Social Care through the BCF will remain at the agreed 2022/23 level of £7.142m, although this should be expected to increase in light of the NHS funding commitments made within the spending review. The MTFS assumes that this increased contribution (assumed at 2%) will support existing, rather than new, expenditure. The Better Care Fund Policy statement and Policy Framework and Planning Requirements will provide the detailed guidance when published in early 2023 (usually March), however the requirements around integration and collaborative working are expected to continue.

Autumn Statement 2022 announced new grant funding of £600m in 2023/24 to support timely hospital discharges through the Better Care Fund. This funding will be split 50/50 with NHS resulting in an additional estimated allocation of £934k for the Council. This is included in the final MTFS on the assumption it will be pooled with health partners to support new expenditure.

1.54 The 2023/24 BCF plan will be signed off by the Health & Wellbeing Board ahead of submission to, and assurance by, NHS England.

RESERVES AND CONTINGENCIES

1.55 Reserves and contingencies need to be considered in the context of their role to protect the Council's 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. The Council's overall reserves position is reported to Cabinet quarterly as part of the revenue monitoring update. At Q3 (end of December 2022), total reserves forecast for carry forward into 2023/24 are £56.7m after accounting for £9.872m being drawn down to achieve a balanced budget in 2022/23. After accounting for earmarked reserves, this leaves the Councils remaining non earmarked reserves at a much-reduced level:

- Contingency for Unforeseen items £1.248m (ongoing revenue reserve)
- Business Risk Reserve - £0.516m
- Balance Budget Planning MTFS - £12.327m (assuming £9.872m drawn down in 2022/23)
- Capacity / Transformation Reserve - £0.960m
- General Fund – £10.635m

There are several significant savings required to deliver the budgets for 2023/24 and 2024/25 and these will require the use of reserves to support capacity, implementation, and redundancy costs. Within the reserves total of £56.7m there is the Waste Strategy Reserve (£1.595m) and the Adults Social Care Reserve (£3.769m) which will be called upon by the Place and Peoples Directorates respectively.

1.56 At the end of the financial year, when preparing the outturn report, all reserves will be subject to a further review including a focus on earmarked reserves to ensure they are still required for the purpose to which they are designated or can be moved to support the MTFS. The report of the Director of Finance and Assurance, which includes the adequacy of Council reserves and contingencies is detailed in Appendix 10.

LEVIES, CONTINGENCIES AND SUBSCRIPTIONS

Appendix 4 sets out the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2023/24. These sums are set by other bodies and are outside the Council's control. Except for the subscriptions to London Councils and the Local Government Association, the payments are compulsory.

COUNCIL TAX MODEL RESOLUTION

1.57 The Council Tax Model Resolution is attached at Appendix 11 which proposes the Band D council tax of £1,728.66 for Harrow Council. The proposed GLA precept of £434.14 takes the overall proposed Band D council tax to £2,162.80. The GLA precept is still subject to confirmation and is expected to be confirmed on 23 February 2023. The relevant basic amount of council tax is under the threshold in the Referendum relating to Council Tax Increases (Principle) (England) Report 2023/24.

1.58 The proposed GLA precept is an increase of 9.7% taking the aggregate Council Tax increase to 5.90%.

MEMBER ALLOWANCES

1.59 The proposed Members Allowances scheme for 2023/24 is attached at Appendix 12. It is proposed that the basic allowance and the different bands of the Special Responsibility Allowance and Mayoral Allowances be updated in line with the Local Government Pay Settlement for 2023/24.

ANNUAL PAY POLICY STATEMENT

1.60 Under the Localism Act, all public authorities must publish annual pay policy statements. The statement must set out the Authority's policies for the financial years relating to:

- Remuneration of Chief Officers
- Renumeration of its lowest paid employees
- The relationship between the remuneration of its Chief Officers and the remuneration of those employees who are nor Chief Officers.

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

LONDON BOROUGH GRANTS SCHEME

1.61 Harrow's contribution to the London Borough Grants Scheme is £186,907 for 2023/24 and has seen no increase from 2022/23.

2.0 CONSULTATION

2.1 As a matter of public law 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.

2.2 Regardless of whether the council has a duty to consult, if it chooses to consult, such consultation must be carried out fairly. In general, 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.

2.3 The Council held a five-week consultation to provide residents with the opportunity to comment on the draft budget proposals, ending on 15 January 2023. The draft budget reported was available to view on the Council's website and the consultation was also advertised via the MyHarrow weekly e newsletter which is sent to c. 90,000 MyHarrow email accounts. There were 230 respondents to the general survey. A summary of the response data is included in Appendix 15. Over the two main questions, responses disagreed with the draft budget and proposed increases in Council Tax:

Question 1 - Given the extent of the savings required, overall do you agree with the Council's proposed draft budget? (67 agree (29%), 163 (71%) disagree)).

In the consultation process for the 2022/23 budget, the responses to this question were 18% agreed and 82% disagreed.

Question 2 - Given the Council's funding situation, do you agree with the Council's proposal to increase Council Tax by 4.99%? (57 agree (25%), 173 disagree (75%)).

In the consultation process for the 2022/23 budget, the responses to this question were 17% agreed and 83% disagreed.

2.4 The comments received from those who responded were around three key themes:

- Concerns around the cost of living and the impact of an increased Council Tax bill on household budgets, especially in light of increasing inflation
- Concerns around services and initiatives not being run as efficiently as possible
- Concerns about the visibility / quality of services received in return for Council Tax paid
- Calls for the Council to approach central government for more funding.

As explained in this report, the overall challenging financial position leaves the Council with limited options in terms of Council Tax and its proposed increase is following central government expectations. However the Council is very mindful of the impact on household budgets of inflationary pressures and is protecting those on the lowest income from the increase in Council Tax through its Council Tax Support Scheme and the Cost of Living Grant.

As this report explains, the Council must now develop its strategy to achieve financial sustainability over the MTFS and the respondents detailed comments will be fed into this process.

2.5 Key stakeholder consultation meetings have taken place as detailed below:

Table 7: Key Stakeholder Consultation

Stakeholder	Meeting	Date
Unions	Corporate Joint Committee	N/A – covered in ECF on 11/01/23
Health Partners	Health & Care Executive Meeting	10/02/23 (1)
Local Businesses	Harrow Business Consultative Panel	23/01/23
Overview and Scrutiny	Special meeting of the O & S Committee to review the budget	10/01/23
Unions / Employees	Employees Consultative Forum	11/01/23

(1) A verbal update will be provided at Cabinet if appropriate

2.6 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 will be taking place for the 2022/23 savings and may be subject to a separate cabinet report or other decision-making process.

3.0 PERFORMANCE ISSUES

3.1 In terms of financial performance, Cabinet is updated quarterly of forecast spend against the agreed budget and achievement of savings built into the budget. The same information is also presented to the Performance and Finance Scrutiny Sub Committee regularly throughout the year.

4.0 RISK MANAGEMENT IMPLICATIONS

4.1 Risks included on corporate or directorate risk register? Yes – Inability to deliver the Council's MTFS is included in the Corporate Risk Register

Separate risk register in place? No

The relevant risks contained in the register are attached/summarised below. Yes

The following key risks should be considered when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
Inability to deliver the Council's approved MTFS - over the next 3 years leading to an inability to set a balanced budget and provide core services	• Change in financial strategy to ensure services are provided within the budget envelope • A balanced budget has been set for years 1 and 2 of the 3-year MTFS, accepting a number of savings proposals are subject to individual consultation processes. • Reserves required to balance the 2022/23 budget will be lower than planned, retaining reserves on the balance sheet increasing financial resilience. • Revenue & Capital monitoring savings tracker reported to CSB, Cabinet and all Members regularly • Revenue budget contingency remains in place for unforeseen items	Amber
The final budget and MTFS is based on the Indicative Finance Settlement to be followed by the Final Settlement in early February which may require change.	• The Final Settlement was received on 7 February. Impact is assessed as minimal and there will be no impact on the overall budget envelope.	Green
Balanced budget for 2022/23 not achieved adversely impacting on the 2023/24 budget	• The actual use of reserves required to balance the 2022/23 budget is currently estimated to be c.£5m less than planned • Each area of pressure in 2022/23 has been thoroughly reviewed for its impact into 2023/24 • £7.393m of growth / investment has been provided for in the 2023/24 final budget to address the impact of 2022/23 pressures carried forward • There is a contingency for unforeseen items (£1.248m) which has not been called upon .	Green
The saving proposals within the MTFS that	• There are a number of saving proposals that can	Amber

are still subject to consultation, EQIA and potentially a further Cabinet Report may not be able to proceed and / or deliver their full estimated value	immediately implemented to ensure full delivery of their value in the MTFS • Budget provision for capacity, implementation costs etc is provided to support those savings requiring further consultation etc can be seen through to delivery • There is a contingency for unforeseen items (£1.248m) which can be use in the interim if proposals cannot proceed as planned • Monthly tracking and reporting of saving proposals will identify early if proposals are no on track allowing alternative solutions to be found	

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 having considered the consultation responses. These proposals will be referred to Council so that Council can approve the budget envelope and set the Council Tax. Individual proposals within the budget will be subject to their own decision-making paths such as cabinet, committees or officer delegated decisions as appropriate with consultation and equality impact assessments as required. 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.

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 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 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 There are a number of directorate proposals which require separate consultation and will be subject to a full equalities impact assessment and further report to Cabinet, committee or subject to officer delegated power decisions where appropriate. These are detailed in Appendix 1A and 1B.

9.0 COUNCIL PRIORITIES

9.1 **Council Priorities:**

- A Council that puts residents first
- A Borough that is clean and safe
- A Place where those in need are supported

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer
Date: 07/02/2023

Statutory Officer: Jessica Farmer
Signed on behalf of the Monitoring Officer
Date: 09/02/2023

Chief Officer: Dawn Calvert
Signed off on behalf of the Corporate Director
Date: 07/02/2023

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 07/02/2023

Head of Internal Audit: Susan Dixson
Signed by the Head of Internal Audit
Date: 08/02/2023

Has the Portfolio Holder(s) been consulted? Yes ☒

Mandatory Checks

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

EqIA carried out: N/A

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Dawn Calvert, Director of Finance and Assurance,
Tel: 0208 4209269, dawn.calvert@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee – NOT APPLICABLE (decisions reserved to Council)

Savings and growth proposals for 2023/24 and 2025/26- Budget process 2023/24 Appendix 1A

					Proposals						
Item No	Cabinet	ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	2023/24	2024-25	2025-26	Total	EIA required Y/N	Does this proposal impact on another directorate? Y/N	Further Consultation with Key Stakeholders Yes/No/N/A
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					£000	£000	£000	£000	Yes/No	Yes/No	Yes/No/N/A
				Savings Proposals							
				Resources							
1	December	RES L1	BSS	**Reduction of the cost of post** through digitalisation	(100)	-	-	**(100)**	N	Y	No
2	December	RES L2	IT	**Integrated Apps -** IT is in the process of agreeing a new corporate approach to management of business systems which are currently managed within departments. This new approach is expected to result in rationalisation and centralisation of budgets and deliver savings through reduction in contract spend.	-	(200)	-	**(200)**	N	N	No
3	December	RES L4	IT	**Print reduction**	(50)	-	-	**(50)**	N	N	No
4	December	RES 2	Access H /BSS	**Customer Services & Business Support efficiencies -** this is a back office saving which is not expected to have an impact on residents. HR procedures will be followed as required including any consultation and Equality Impact assesements (EQIA)	(35)	-	-	**(35)**	Y	N	No
5	December	RES 9	IT	**IT Expenditure review and consolidation -** this is a back office saving which is not expected to have an impact on residents.	(100)	(100)	-	**(200)**	N	N	No
6	February	RES 7	Access H	**Cost of Housing Telephony through the HRA –** Full cost of telephony and email enquiries for the Repairs and Resident Services team via the Harrow contact centre to be met from HRA, alternatively the service will be scaled down	(80)	-	-	**(80)**	N	N	No
7	February	RES 8	HR- EDI	**Reduction in EDI Team subscriptions -** Non-renewal of subscriptions relating to equality, diversity and inclusion agenda – when they expire in 2023-24 •AccessAble, •Business Disability Forum, •Business in the community , •MyMentor	(25)	-	-	**(25)**	N	N	No
8	February	RES 12	Resources	**Redesign of Resources Directorate -** An exercise to redesign the Resources Directorate is currently underway. Although this is being driven to make sure that the Directorate is fit for purpose for the ongoing needs of the Council, it is also important to consider that one of these needs is to address affordability. This will be subject to HR procedures and consultaion and an Equailty Impact Assesment.	(481)	(408)	(108)	**(997)**	Y	Y	Yes
				RESOURCES SAVINGS PROPOSALS	**(871)**	**(708)**	**(108)**	**(1,687)**			

Savings and growth proposals for 2023/24 and 2025/26- Budget process 2023/24 Appendix 1A

					Proposals						
Item No	Cabinet	ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	2023/24	2024-25	2025-26	Total	EIA required Y/N	Does this proposal impact on another directorate? Y/N	Further Consultation with Key Stakeholders Yes/No/N/A
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					£000	£000	£000	£000	Yes/No	Yes/No	Yes/No/N/A
				Chief Executive's							
9	December	CEO6	Revs & Bens - Cashiers Cashlite	**Savings in Cashiers -** as a direct result of the implementation of the Cashlite strategy, post is vacant	(30)	0	0	**(30)**	N	N	No
10	December	CEO 1	Procurement	**Saving on procurement salary budget -** this is a back office saving which is not expected to have an impact on residents. The post is vacant.	(20)	-	0.0	**(20)**	N	N	No
11	December	CEO 7	Legal	**Legal Services efficiencies -** this is a back office saving which is not expected to have an impact on residents. HR procedures will be followed as required including any consultaion and Equality Impact assesments (EQIA)	(310)			**(310)**	Y	N	Yes
12	December	CEO 10	Registration Services	**Land Charges -** this savings relates to transfer to Land Registry of local land charges register that records obligations affecting properties within their administrative area	-	(100)		**(100)**	N	N	No
13	December	CEO 4	Revs & Benefits	**The Inflation Negating Scheme for Working Age -** Households in receipt of Council Tax Support at the end of 2022/23 will be replaced with a one off cost of living grant for 2023/24. This will be included in the report to March 23 cabinet.	310	(310)	-	**-**	Y	N	No
14	February	CEO 2	Revs & Bens	**Rationalise the Discretionary Freedom Pass provision -** Currently Discretionary Freedom passes are issued to approximately 200 residents. The scheme will continue for existing users but will not be offered to new applicants from 1.04.2023.	(6)	(6)	(6)	**(18)**	Y	N	Yes
15	February	CEO 8	Governance	**Efficiencies in legal and Governance**	-	(20)		**(20)**	N	N	Yes
16	February	CEO 9	Registration Services	**Registry Office -** saving relates to review of service operating model and staffing levels. Subject to EQIA and consultation with staff and residents if required.	-	(63)		**(63)**	Y	N	Yes
				CHIEF EXECUTIVE'S SAVINGS PROPOSALS	**(56)**	**(499)**	**(6)**	**(561)**			
				People							
				Adults							
17	February	ASC01	Safeguarding	Merge Safeguarding Quality Assurance Team (Non-statutory) with contract management function.	(176)	-	-	**(176)**	Y	N	Yes

Savings and growth proposals for 2023/24 and 2025/26- Budget process 2023/24 Appendix 1A

					Proposals						
Item No	Cabinet	ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	2023/24	2024-25	2025-26	Total	EIA required Y/N	Does this proposal impact on another directorate? Y/N	Further Consultation with Key Stakeholders Yes/No/N/A
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					£000	£000	£000	£000	Yes/No	Yes/No	Yes/No/N/A
18	February	ASC02	ASC	Freeze DASS post for six months	(88)	88	-	-	N	N	No
19	February	ASC03	ASC	Management Review during 2023/24 (all M grades & above) . HR procedures will be followed with consultaion and eqia	(193)	(60)	-	**(253)**	Y	N	Yes
20	February	ASC04	ASC	Review Adult Social Care pathway during 2023/24 (all G grades) HR procedures will be followed with consultaion and eqia.	(198)	(302)	-	**(500)**	Y	N	Yes
21	February	ASC05	Domiciliary Care	Review of packages of support to maximise independence and reduce long term dependency. Each package will be assesd individually and that equality impacts will be taken into consideration on an individula basis	(500)	-	-	**(500)**	Y	N	No
22	February	ASC06	Neighbourhood Resource Centre (NRC)	Consolidate capacity at Kenmore & Vaughan NRC'S to provide the most complex support and thereby reducing the need for externally commissioned day care.	(400)	(800)	-	**(1,200)**	Y	N	Yes
23	February	ASC07	Neighbourhood Resource Centre (NRC)	Public Health wellbeing support model - short term funding (2 years) to support the changes to the new NRC operating model	(100)	-	100	-	Y	N	No
24	February	ASC08	Neighbourhood Resource Centre (NRC)	Harrow Alliance Community Model (New Bentley)	-	(220)	-	**(220)**	Y	N	Yes
25	February	ASC09	Neighbourhood Resource Centre (NRC)	Services at Wiseworks are to be provided at alternative settings realising a back office saving.	(69)	-	-	**(69)**	Y	N	Yes
26	February	ASC10	Health Funding	Use of Better Care Fund to protect of Social Care Services (via Better Care Fund) - uncommitted resources and 2% annual uplift allocated against existing social care expenditure	(389)	(145)	(145)	**(679)**	N	N	Yes
27	February	ASC11	CYAD	Review out of borough post 18 residential placements - equality impacts will be considered on an individual basis.	-	(250)	(250)	**(500)**	Y	Y	Yes
28	February	ASC12	Inhouse Residential	Changing the registration status of Bedford House (20 bedded CQC registered residential unit) to provide supported living accommodation for the most complex & challenging.	(100)	(300)	-	**(400)**	Y	N	Yes
29	February	ASC13	Adults	Review of Occupational Therapy support to Disabled Facilties Grant	(60)	-	-	**(60)**	N	Y	Yes
				ADULTS TOTAL	**(2,273)**	**(1,989)**	**(295)**	**(4,557)**			

Savings and growth proposals for 2023/24 and 2025/26- Budget process 2023/24 **Appendix 1A**

					Proposals						
Item No	Cabinet	ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	2023/24	2024-25	2025-26	Total	EIA required Y/N	Does this proposal impact on another directorate? Y/N	Further Consultation with Key Stakeholders Yes/No/N/A
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					£000	£000	£000	£000	Yes/No	Yes/No	Yes/No/N/A
				Childrens							
30	February	PC01	CYPS	**Placements & Accommodation** Increased demand management	(250)	(500)	(500)	**(1,250)**	Y	Y	No
31	February	PC02	CYPS	**Social Care Staffing** Service redesign. HR policies will be followed.	(445)	(1,070)		**(1,515)**	Y	N	Yes
32	February	PC03	Education	**SEN Transport** Reduction in demand for single passenger taxis cases will be assesed on an individual basis and equality impacts taken into account.	(130)			**(130)**	Y	Y	Yes
				CHILDRENS SERVICES TOTAL	**(825)**	**(1,570)**	**(500)**	**(2,895)**			
				PEOPLE SAVINGS PROPOSALS	**(3,098)**	**(3,559)**	**(795)**	**(7,452)**			
				PLACE							
33	February	PLACE_S01	THAM & Parking	**Transport Strategy: Parking Charge Notices - Proposed move from Band B to Band A,** subject to endorsement by London Councils, the Mayor of London, and the Secretary of State for Transport.		(1,500)		**(1,500)**	Y	N	Yes
34	February	PLACE_S02	THAM & Parking	**Transport Strategy: Moving Traffic Contraventions (MTC) Review -** review of all MTCs in the borough and evaluate if they meet transport needs**. T**he introduction of schemes including school streets and other measures following consultation from early 2023 including increasing ANPR / CCTV cameras.		(500)		**(500)**	Y	N	Yes
35	February	PLACE_S03	Waste Services	**Behavioural change (residents) for reducing waste disposal cost.** - Increase recycling / food waste to flats - Waste minimisation		(500)		**(500)**	N	N	No
36	February	PLACE_S04	THAM & Parking	**Transport Strategy:** Parking Permits - Policy and F&Cs review to streamline permits that meet all customer needs and prepare to move to e-permits with new T&Cs.	(100)			**(100)**	N	N	No

Savings and growth proposals for 2023/24 and 2025/26- Budget process 2023/24

Appendix 1A

					Proposals						
Item No	Cabinet	ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	2023/24	2024-25	2025-26	Total	EIA required Y/N	Does this proposal impact on another directorate? Y/N	Further Consultation with Key Stakeholders Yes/No/N/A
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					£000	£000	£000	£000	Yes/No	Yes/No	Yes/No/N/A
37	February	PLACE_S05	THAM & Parking	**Transport Strategy:** Paid for Parking (P&D) - benchmark and review F&Cs to ensure that tariffs are streamlined and meet customer needs.	(150)			**(150)**	N	N	No
28	February	PLACE_S06	THAM & Parking	**Transport Strategy:** Electric vehicle charging points - Increase installation using government funding (DfT) and supplier's match fund; and charge for the spaces to generate income**.** Concession contract. subject to a separate decison making process. Savings assume £3k per annum per bay, and a total of 100 bays following full roll out		(150)	(150)	**(300)**	Y	N	Yes
39	February	PLACE_S07	Parking	**Implementation of Cashlite Project** - reduction in one Cash In Transit officer (vacant post) - net reduction in parking equipment maintenance	(44)			**(44)**	N	Y	No
40	February	PLACE_S08	Parking	**Parking Review -** Improvement on current parking enforcement activity and performance. **Immediate actions to review current enforcement:** 1. Review the effectiveness of deployment plan of civil enforcement officers 2. Identify areas of low compliance and formulate enforcement plan 3. Review and amend current PCN cancellation procedure 5. Review and improve debt recovery rate **Deep dive:** 1. Review structure to create a streamlined team 2. Develop Parking Services Strategy and CCTV Strategy 3. HGV Enforcement and Littering from Vehicles (via CCTV). Subject to a separate deciosn making process EQIA and consulation as required. **Subject to a detailed business case.**	(2,500)	(1,000)		**(3,500)**	Y	Y	Yes
41	February	PLACE_S09	Waste Services	**Waste Service - Route Optimisation** To allow for maximum operational efficiencies, we will look to undertake a service review of current waste collection and undertake a full re-routing exercise with a view to reducing 2 rounds, which will reduce the current reliance on staffing including agency (2 drivers, 4 loaders).	(200)			**(200)**	N	N	No

Savings and growth proposals for 2023/24 and 2025/26- Budget process 2023/24 Appendix 1A

					Proposals						
Item No	Cabinet	ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	2023/24	2024-25	2025-26	Total	EIA required Y/N	Does this proposal impact on another directorate? Y/N	Further Consultation with Key Stakeholders Yes/No/N/A
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					£000	£000	£000	£000	Yes/No	Yes/No	Yes/No/N/A
42	February	PLACE_S10	Waste Services	**Garden waste collection service - Moving to Annual only service** Proposal to **r**emove the summer garden waste service to achieve operational service consistency and reduced complaints. Additional income is assumed to come from customers currently on Summer service moving to Annual only service. No net additional collection costs are factored in as routes will be optimised to ensure that there are no more than 4 rounds.	(100)			**(100)**	N	N	No
43	February	PLACE_S11	Trading Standards	**Review of the current shared Trading Standards service** Trading standards is currently provided as a joint service between Brent and Harrow, with an annual payment of £300k to Brent under the SLA. It would be prudent to review the costs of this service and whether there could be savings and service improvement bringing back in house. Under the SLA, a 2 year notice period is required if Harrow wishes to terminate the contract. The Service will continue to explore the in-house option including the costs of staff, IT and other running costs. TUPE implications, cost of adding Trading Standard module to Public Protection & Licensing IT system etc.			(150)	**(150)**	Y	N	Yes
44	February	PLACE_S12	Building Control	**Building Control - Review of fees & charges** Benchmarking exercise undertaken recently suggests that our fees are 10% below average. An in-year increase of 10% and a further 7% from April 2023 could potentially generate additional income of £68k. **Fees & Charges agreed January 23 cabinet.**	(68)			**(68)**	N	N	No
45	February	PLACE_S13	Planning Service	**Development Management - Review of fees & charges** Benchmarking exercise undertaken recently suggests that our non statutory fees are 10% below average. Proposed an in-year increase of 10% from January 2023 and a further 7% from April 2023. A total of 17% increase could potentially generate additional income of £48k. **Fees & Charges agreed January 23 cabinet.**	(48)			**(48)**	N	N	No

Savings and growth proposals for 2023/24 and 2025/26- Budget process 2023/24 **Appendix 1A**

					Proposals						
Item No	Cabinet	ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	2023/24	2024-25	2025-26	Total	EIA required Y/N	Does this proposal impact on another directorate? Y/N	Further Consultation with Key Stakeholders Yes/No/N/A
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					£000	£000	£000	£000	Yes/No	Yes/No	Yes/No/N/A
46	February	PLACE_S14	Planning Service	**Planning Enforcement** Substitute funding source for a Senior Planning Enforcement officer post (G10 £59k) and 1 Planning Officer post (£36k) with POCA monies	(95)			**(95)**	N	N	No
47	February	PLACE_S15	Planning Service	**Remove Principal Conservation Architect post (G11) and fund ad hoc conservation advice via PPAs**	(65)			**(65)**	Y	N	Yes
48	February	PLACE_S16	Network Management	**Right-sizing of income budget for Street Works based on historical income performance and activity level**	(158)			**(158)**	N	N	No
49	February	PLACE_S17	Energy & Water Management	**Right-sizing of income budget for School SLAs based on historical income performance and SLAs**	(10)			**(10)**	N	N	No
50	February	PLACE_S18	Waste Services	**Trade Waste collection - Review of fees & charges** Proposed 7% increase in F&C in 2023/24**. Fees & Charges agreed January 23 cabinet.**	(57)			**(57)**	N	N	No
54	February	PLACE_S19	THAM	**Vehicle Access - Review of fees & charges** Following benchmarking exercise, a 10% increase is proposed in 2023/24. **Fees & Charges agreed January 23 cabinet.**	(25)			**(25)**	N	N	No
55	February	PLACE_S20	Place Review	**Overarching review of the management tiers below Directors across the entire Place Directorate.** High level estimate only at this stage, to be worked through to confirm final savings and one-off redundancy costs. HR procedures will be followed EQIA and consulation.	(125)	(125)		**(250)**	Y	N	Yes
56	February	PLACE_S22	Housing Regeneration	**Deletion of Enabling & New Business Manager role**	(20)		-	**(20)**	Y	N	Yes
57	February	PLACE_S26	Housing Needs	Increase income target following review of Property Acquisition Programme(100 Homes)	(150)			**(150)**	N	N	No
				PLACE SAVINGS PROPOSALS	**(3,915)**	**(3,775)**	**(300)**	**(7,990)**			
				Corporate - Council Wide							
58	February	**CORPORATE - COUNCIL WIDE**	Corporate - Council Wide	10% Management efficencies not already included in individual proposals - Saving will be allocated out to Directorates once proposals are agreed. HR policies will be followed subject to EQIA and consultation.	**(650)**	-	-	**(650)**	Y	TBC	Yes
				CORPORATE SAVINGS PROPOSALS	**(650)**	**-**	**-**	**(650)**			
				TOTAL SAVINGS PROPOSALS	**(8,590)**	**(8,541)**	**(1,209)**	**(18,340)**			
				Growths Proposals							
				Resources							

Savings and growth proposals for 2023/24 and 2025/26- Budget process 2023/24

Appendix 1A

					Proposals						
Item No	Cabinet	ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	2023/24	2024-25	2025-26	Total	EIA required Y/N	Does this proposal impact on another directorate? Y/N	Further Consultation with Key Stakeholders Yes/No/N/A
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					£000	£000	£000	£000	Yes/No	Yes/No	Yes/No/N/A
59	December	RES	HR	**Learning and Development**- budget growth to support e learning, ensure improved customer experience, ensure development of skills, address existing capability gaps and organisational development challenges and support investing in people agenda.	200			**200**			
60	December	RES	Strategy	**Communications -** budget growth to cover the increased cost of Comms operations such as inflatory increases of print , distribution, advertising and rightsizing the budget for social media and other media monitoring, mass emailer, news licencing and campaigns	230			**230**			
61	February	RES G 1	HROD	**Apprenticeship team-** The Council pays a set amount from its pay bill (0.5% of the NI -able pay) into an Apprenticeship Levy 'pot'. This growth is to enable the Council to support apprenticeships for existing staff and recruitment of new apprentices and use the funds before they expire and are lost to the Council. The resource requested is for an apprenticeship manager and admin support to manage a high level of administration involved in the accessing of the levy 'pot' and associated reporting requirements.	103	-	-	**103**			
				RESOURCES GROWTH TOTAL	**533**	**-**	**-**	**533**			
				People							
				Childrens							
62	December	PCG1	CYPS	**Children's Placements & Accommodation**	3,250			**3,250**			
63	December	PCG2	CYPS	**Client Related Spend including Commissioned Services**	450			**450**			
64	December		Education	**Reduction in Special Needs Transport growth** Growth was previously provided at £750k for 23/24 and £750k for 24/25 Appendix 1B.However following a review the full growth is not required. After these reductions of £550k and £250k this leaves £200k in 23/24 and £500k in 24/25 of the original growth.	(550)	(250)		**(800)**			
				PEOPLE GROWTH TOTAL	**3,150**	**(250)**	**-**	**2,900**			
				Place							
65	December	PLACE_G01	Public Mortuary	**SLA with Brent and Barnet:** SLA fee increase due to operational costs pressure	45			**45**			
66	December	PLACE_G02	Planning Policy	**Local Plan Review** Additional staff resources required to complete Local Plan Review (annual resource required until 2025/26)	206			**206**			

Savings and growth proposals for 2023/24 and 2025/26- Budget process 2023/24 Appendix 1A

					Proposals						
Item No	Cabinet	ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	2023/24	2024-25	2025-26	Total	EIA required Y/N	Does this proposal impact on another directorate? Y/N	Further Consultation with Key Stakeholders Yes/No/N/A
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
					£000	£000	£000	£000	Yes/No	Yes/No	Yes/No/N/A
67	December	PLACE_G03	Waste Services	Removal of £200k growth in the existing MTFS for 22/23 and 23/24 relating to WLWA levy	(200)			**(200)**			
68	December	PLACE_G04	Parking	Loss of income arising from 1 hr free parking on street	450			**450**			
69	December	PLACE_G05	Parking	Loss of income arising from 1 hr free parking off street	550			**550**			
70	December	PLACE_G06	Waste Services	Loss of income arising from the introduction of Free Bulky Waste collection service, and additional disposal cost due to anticipated increase in the use of the service	140			**140**			
71	December	PLACE_G07	Planning	Income pressure - Reduction in the number of applications, which also follows the national trend.	500			**500**			
72	December	PLACE_G08	Building Control	Income pressure - Reduction in the number of applications and unachievable income target.	300			**300**			
73	December	PLACE_G09	Licensing & Enforcement	Income pressure - Reduction in licensing activities and unachievable income target set in previous years' MTFS	300			**300**			
74	December	PLACE_G10	Parking	Budget right sizing - Reduction in usage of car park facilities since Covid-19 pandemic, and this trend appears to continue although there is no longer any Covid-19 restriction.	400			**400**			
75	December	PLACE_G11	Parking	Budget right sizing - Reduction in fines income arising from enforcement activities. Unachievable income target based on the current level of activities.	1,895			**1,895**			
76	December	PLACE_G12	Commercial Services	Review legacy commercial services (Filming, Events, Training, Commercial Gardening & Handyman service, and Pest Control), and right size income targets that are no longer achievable	330			**330**			
77	December	PLACE_G13	Civic Centre rent	Rent and rooms letting income losses following the closure of Civic Centre	216			**216**			
78	December	PLACE_G14	Depot rent	Rent income losses following the expiry of commercial leases at the depot	255			**255**			
79	February	PALCE_G15	Directorate Wide	**Income pressures across the directorate** Mitigating actions being undertaken by the directorate are expected to improve income performance, hence reducing the overall pressures on income budget	(500)			**(500)**			
				PLACE GROWTH TOTAL	**4,887**	**-**	**-**	**4,887**			
				CORPORATE							
80	December	Corporate	Corporate	Inflationary Growth in relation to care provider inflation	550	250		**800**			
				TOTAL CORPORATE GROWTH PROPOSALS	**550**	**250**	**-**	**800**			
				TOTAL GROWTH	**9120**	**0**	**0**	**9120**			
				NET SAVINGS/GROWTH PROPOSALS	**530**	**(8,541)**	**(1,209)**	**(9,220)**			

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Appendix 1B : Summary Savings and Growth from the 2022/23 Budget Process

	2023-24	2024-25	Total
	£000	**£000**	**£000**
Savings			
Place	(600)	-	(600)
Total Savings	**(600)**	**-**	**(600)**
Growth			
Corporate	600	-	600
People - Childrens	1,850	750	2,600
Place	51	-	51
Total Growth	**2,501**	**750**	**3,251**
Net of total Savings/Growth	**1,901**	**750**	**2,651**

Appendix 1B

Savings and Growth from the 2022/23 Budget Process										
Item No	**Unique Reference No.**	**Specific Service Area**	**Headline Description re: saving / reduction**	**2023-24**	**2024-25**	**Total**	**Risk**	**EQIA Required Y/N**	**Does this proposal impact on another directorate Y/N**	**Key Stakeholders to consult 'Yes/No Completed**
				£000	**£000**	**£000**				
SAVINGS										
Place Directorate										
1		Housing General Fund	Property Acquisition Programme - Savings in Temporary Accommodation costs as a result of purchasing properties to use for temporary accommodation as an alternative to using Bed and Breakfast and Private Sector Leasing to house the homeless. The Capital Programme allocation to be funded from borrowing is approximately £6m pa for 2021/22, 2022/23 and 2023/24 - totalling £18.062m over a 3 year period. Based on Capital finacing costs of 5% (2% MRP and 3 % interest), the annual cost would be £900k by year 3. The saving will be reviewed and adjusted according to capital spend taking place.	(600)	-	(600)		N	N	No
			Place Total Savings	**(600)**	**-**	**(600)**	**-**			
GROWTH										
Corporate										
2	Corporate	Capital Financing	Capital Financing costs as a result of the Property Acquisition Programme. To be offset by savings in the Housing General Fund included in this schedule.	600	-	600		N	N	No
			Total Corporate Growth	**600**	**-**	**600**	-			

Appendix 1B

Savings and Growth from the 2022/23 Budget Process										
Item No	Unique Reference No.	Specific Service Area	Headline Description re: saving / reduction	2023-24	2024-25	Total	Risk	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
People Directorate										
			Children's Services							
3		CYPS	Children's Placements - In Children & Young People Services, there has been an increase in the number of Children In Need and children subject to Child Protection Plans as more families' needs are managed within the community as well as iincreased Early Support engagement putting pressure on the workforce and social worker caseloads. In addition, there are more children requiring placements with more complex and challenging needs and an increase in the average weekly cost of placements putting significant pressure on placements and other client related budgets.The current MTFS already assumes growth of £1.205m for 2022/23 and draft budget for 2022/23 proposes to re-profile an additional £265k growth from Adult Services to cover the 2022/23 budget. A further £1.1m for 2023/24 is required to provide permanent funding which replaces the use of the reserve in 2022/23.	1,100		1,100		N	N	No
4		Education	Special Educational Needs Transport - . There are over 1,800 children and young people with Education Health & Care Plans (EHCPs) and approximately 40% of these are accessing SEN Transport. It is anticipated that the number of children and young people with EHCPs will increase to over 2,000 by 2023 which on the same ratio could mean a further 80 to 100 children requiring transport by 2023. It is estimated a further £750k pa will be required for each of the 3 years of the MTFS.	750	750	1,500		N	N	No
			Total Children's Services Growth	**1,850**	**750**	**2,600**				
			People Total	**1,850**	**750**	**2,600**				

Appendix 1B

Savings and Growth from the 2022/23 Budget Process										
Item No	**Unique Reference No.**	**Specific Service Area**	**Headline Description re: saving / reduction**	**2023-24**	**2024-25**	**Total**	**Risk**	**EQIA Required Y/N**	**Does this proposal impact on another directorate Y/N**	**Key Stakeholders to consult 'Yes/No Completed**
Place Directorate										
5	COM21.22_G01	Directorate wide	Impact of Covid-19: Reversal of loss of income across Place directorate	(1,799)	-	(1,799)		N	N	No
6		Directorate wide	Reprofiling of the 'Impact of Covid-19: Loss of income across Community directorate	300	-	300		N	N	No
7		Regeneration	Regeneration Revenue Budget - At its meeting on 1 July 2021, Cabinet approved the setting up and commencement of the Harrow Strategic Development Partnership (HSDP) with Wates Construction Ltd. Funding has previously been set aside up to 2022/23 to fund a Regeneration Team to support the HSDP. From 2023/24 the required team budget of £1.25m has been built into the draft MTFS.	1,250		1,250		N	N	No
8	COM21.22_G06	Waste Services	West London Waste Authority Levy increases as a result of waste growth, household growth and contract price inflation	300	-	300		N	N	No
			Place Total Growth	**51**	**-**	**51**				
			Total Growth	**2,501**	**750**	**3,251**				
			Net Impact of Growth and Savings	**1,901**	**750**	**2,651**				

MEDIUM TERM FINANCIAL STRATEGY 2023/24 to 2025/26

Appendix 2

	2023/24	2024/25	2025/26
	£000	£000	£000
Budget Requirement Brought Forward	183,285	196,354	200,559
Corporate & Technical	10,638	11,996	12,318
People	1,902	-3,059	-795
Place	423	-3,775	-300
Resources	-338	-708	-108
Chief Executives	-56	-499	-6
Corporate	500	250	0
Total	**13,069**	**4,205**	**11,109**
FUNDING GAP	**0**	**0**	**-6,321**
Total Change in Budget Requirement	**13,069**	**4,205**	**4,788**
Revised Budget Requirement	**196,354**	**200,559**	**205,347**
Collection Fund Deficit/-surplus	-1,939	0	0
Revenue Support Grant	-2,081	-2081	-2081
Top Up	-23,195	-23,195	-23,195
Retained Non Domestic Rates	-15,141	-15,141	-15,141
Amount to be raised from Council Tax	**153,998**	**160,142**	**164,930**
Council Tax at Band D	**£1,728.66**	**£1,797.63**	**£1,851.38**
Increase in Council Tax (%)	**4.99%**	**3.99%**	**2.99%**
Tax Base	89,085	89,085	89,085
	98.00%	98.00%	98.00%
Gross Tax Base	90,903	90,903	90,903

MTFS 2023/24 to 2025/26 – Proposed investments / savings **Appendix 2**

Technical Adjustments			
	2023/24	2024/25	2025/26
	£000	£000	£000
Capital and Investment			
Implications of Capital Programme agreed for 2020/21 to 2023/24	470		
Implications of Capital Programme agreed for 2021/22 to 2023/24 budget process		225	
25/26 Capital Programme costs from 22/23 refresh			1,747
One off saving on Capital Financing costs due to underspends on Capital Programme	-3,000	3,000	
Applying capital receipts to fund the Capital Programme	-1,700	-1,300	-1,300
Capital Receipts Flexibilities	-1,250		1,250
Total Capital and Investment Changes	**-5,480**	**1,925**	**1,697**
Grant Changes			
Increase - Core Spending Grant	-6000	-6000	
Reverse out £6m core grant	5,200	6,000	
Corresponding reduction in SR21 Increase in Core Spending Grant	800		
2022/23 service grant - indicated as one year only	2735		
December assumed no Services grant, but settlement confirmed continuation of services grant but at a reduced level. Figures only provided for 2023/24, therefore assume it will be halved in 2024/25 and then removed in 2025/26	-1,541	770	771
Increase in Section 31 grant to offset reduction in Retained Business Rates income	2260		
Abolition of lower tier grant	421		
Increased Multiplier grant 2023/24	-3,752		
National Insurance - Reversal of 2022/23 NI growth to fund 1.25% increase	-800		
Social Care Grant - £12.807m allocation for 2023/24, less £7.720m base in 2022/23 less £300k ILF grant rolled in to social care	-4,787	-2,035	
Adult Social care market sustainibility grant and Improvements	-2,271	-1,144	
- Adults Social Care Market sustainablity grant & improvements (spend of 25%)	560	286	
IBCF (50% of the national allocation of £600m in 2023/24, increasing to £1bn by 2024/25)	-934	-616	
IBCF contribution to pool	934	616	
Reduction in NHB (from £3.022m to £2.245m)	777		
Cost of Living Grant funded by Council Tax Support Fund (external grant)	-310	310	
RSG increase to be offset by rolled in grant already in 2022/23 Budget for council tax subsidy admin	256		
Total Grant Changes	**-6,452**	**-1,813**	**771**
Other Technical Changes			
Freedom Passes - estimated reduction in usage (2022/23 process)	1377		
Freedom Passes - revision to usage figures from London Council update (2022/23 process)	644	1000	
Saving 23/24	-1,580		
Growth 24/25		2,322	
Growth 25/26			1,000
November update on Freedom passes - improvement for 2023/24 and 2024/25 but worse in 2025/26. 2023/24 is still to be finalised.	-570	-732	1,050
Use of Reserves			
One of use of Reserves	15700		
Reduction in use of reserve	-989		
West London Waste Authority income from electricty	-1,000	1,000	
Total Other Technical Changes	**13,582**	**3,590**	**2,050**
Pay and Inflation			
Pay Award @ 2.75% pa for 2023/24 and 2024/25	2750	2750	
Non Pay Inflation	2000	1000	
Reduction in Pension Fund Deficit Contribution / Revised Recharges to Pension Fund	-1310		
Pay award 2022/23 - Additional requirement over £2m already provided in MTFS for 2022/23	4,400		
Pay award 2023/24 & 2024/25 - 4% / 2025/26 - 3%	1,250	1,250	3,000
Non Pay Inflation 24/25 - Additional £1m / 2025/26 £1m in total		1,000	1,000
Total Pay and Price Inflation	**9,090**	**6,000**	**4,000**
OTHER			
Gayton Road Income - Reprofiling of income	-23	-11	
Growth London Living Wage	450	1000	
- No LLW provision in 23/24 and reduced by 50% for 2024/25	-900	-500	1000
Directorate growth		3788	

MTFS 2023/24 to 2025/26 – Proposed investments / savings **Appendix 2**

Technical Adjustments			
	2023/24	**2024/25**	**2025/26**
	£000	**£000**	**£000**
Reverse out Directorate growth		-3,788	
Council Tax Base increase		-500	
Directorate Adjustments:			
Adults care provider	0	1,550	1,800
General growth provision	1,000	1,000	1,000
Reduction in Council wide growth provision	-629	-245	
Total Corporate & Technical	**10,638**	**11,996**	**12,318**

MTFS 2023/24 to 2025/26 – Proposed investments / savings **Appendix 2**

People			
	2023/24	**2024/25**	**2025/26**
	£000	**£000**	**£000**
Children & Families			
Proposed Savings - see appendix 1a	-825	-1570	-500
Proposed Growth - see appendix 1a	3150	-250	0
Proposed Growth - see appendix 1b	1,850	750	0
Sub total Children & Families	**4,175**	**-1,070**	**-500**
Adults			
Proposed Savings - see appendix 1a	-2273	-1989	-295
Proposed Growth - see appendix 1a	0	0	0
Proposed Growth - see appendix 1b	0	0	0
Sub total Adults	-2,273	-1,989	-295
Total People Directorate	**1,902**	**-3,059**	**-795**

MTFS 2023/24 to 2025/26 – Proposed investments / savings **Appendix 2**

Place			
	2023/24	**2024/25**	**2025/26**
	£000	**£000**	**£000**
Proposed Savings - see appendix 1a	-3,915	-3775	-300
Proposed Growth - see appendix 1a	4,887	0	0
Proposed Savings - see appendix 1b	-600	0	0
Proposed Growth - see appendix 1b	51	0	0
Total Place	**423**	**-3,775**	**-300**

MTFS 2023/24 to 2025/26 – Proposed investments / savings **Appendix 2**

Resources			
	2023/24	**2024/25**	**2025/26**
	£000	**£000**	**£000**
Proposed Savings - see appendix 1a	-871	-708	-108
Proposed Growth - see appendix 1a	533	0	0
Proposed Savings - see appendix 1b	0	0	0
Proposed Growth - see appendix 1b	0	0	0
Total Resources	**-338**	**-708**	**-108**

MTFS 2023/24 to 2025/26 – Proposed investments / savings

Appendix 2

CORPORATE			
	2023/24	**2024/25**	**2025/26**
	£000	**£000**	**£000**
Proposed Savings - appendix 1a	-650	0	0
Proposed Growth - appendix 1a	550	250	0
Proposed Savings - see appendix 1b	0	0	0
Proposed Growth - see appendix 1b	600	0	
Total Corporate	**500**	**250**	**0**

MTFS 2023/24 to 2025/26 – Proposed investments / savings

Appendix 2

CHIEF EXECUTIVES			
	2023/24	**2024/25**	**2025/26**
	£000	**£000**	**£000**
Proposed Savings - appendix 1a	-56	-499	-6
Proposed Growth - appendix 1a	0	0	0
Proposed Savings - see appendix 1b			
Proposed Growth - see appendix 1b			
Total Chief Executives	**-56**	**-499**	**-6**

REVENUE BUDGET SUMMARY 2023-24 **Appendix 3**

	2022/23 Net Budget	Gross Controllable Expenditure	Gross Income	Net Controllable Expenditure	Uncontroll - able Expenditure	2023/24 Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Local Demand - Borough Services						
Resources	**13,603**	**218,107**	**- 181,835**	**36,272**	**- 15,454**	**20,818**
Directorate Management	2,816	3,076	- 157	2,919	15	2,934
Environment	37,338	62,084	- 44,226	17,858	19,390	37,248
Inclusive Economy Leisure & Culture	4,451	8,580	- 5,504	3,076	2,772	5,848
Regeneration & Development	2,210	12,174	- 7,330	4,844	3,446	8,290
Housing General Fund	7,651	11,360	- 8,122	3,238	4,081	7,319
Place Sub-total	**54,466**	**97,274**	**- 65,339**	**31,935**	**29,704**	**61,639**
Adult Services	74,345	107,310	- 41,169	66,141	6,245	72,386
Public Health	- 44	11,712	- 11,875	- 163	110	- 53
Children & Families	46,927	190,023	- 146,626	43,397	10,619	54,016
People Sub-total	**121,228**	**309,045**	**- 199,670**	**109,375**	**16,974**	**126,349**
Total Directorate Budgets	**189,297**	**624,426**	**- 446,844**	**177,582**	**31,224**	**208,806**
Total Service Budget	**189,297**	**624,426**	**- 446,844**	**177,582**	**31,224**	**208,806**
Corporate And Technical Adjustments						-
Council Wide Staff efficiencies						- 650
Corporate Budgets (Levies and Subscriptions inc. Audit fees)						
Coroners Court	217					227
Freedom pass	-					- 129
LPFA levy	297					298
Contribution to subsription	5					-
Car leasing	5					-
Corporate Democratic Core	1,734					1,735
Levies,grants, subscriptions	269					269
External Audit Fees	191					191
London Borough Grant Committee	188					187
Apprenticship Levy	400					400
Pay Inflation	3,221					2,200
London Living Wage	450					-
Employer's Pension Contribution	192					- 1,118
Other Corporate budget	245					245
Goods And Service Inflation	3,850					5,850
Treasury Management expenses	2,012					2,012
Capital Financing Cost	34,983					31,298
Capital Financing adjustments	- 27,082					- 36,385
Grant	-					-
Sec.31 Grant Business Rate Reliefs	- 4,760					- 2,500
National Insurance increased cost	800					-
New Homes Bonus	- 3,022					- 2,245
Lower Tier Grant 2021/22	- 421					-
Reduction in grant for council tax subsidy admin						256
Multiplier Cap Funding - Continuation for 2020/21	- 3,259					- 7,011
Cost of Living Grant						- 310
Social Care Grant						- 4,787
Adult Social care market sustainibility grant and Improvements						- 2,271
- Adults Social Care Market sustainablity grant & improvements (spend of 25%)	-					560
IBCF (50% of National allocation)						- 934
IBCF contribution to pool						934
Other Budget Adjustments	-					-
Budget Planning Contingency	- 14,711					-
Other Reserves	-					- 1,000
Contingency - General	1,248					1,248
Litigation Budget	250					250
Adult social care growth - Care Provider Inflation	-					1,750
New Service Grant	- 2,735					- 1,541
General Growth						371
Use of Capital Receipt Flexibility	-					- 1,250
Gayton Road Income	- 579					- 602
Sub Total Corporate and Technical Adjustment	**- 6,012**					**- 12,452**
Funding Gap						
TOTAL BUDGET REQUIREMENT	**183,285**					**196,354**
BUDGET REQUIREMENT FUNDED BY						
Contribution re Collection Fund Deficit/Surplus(-) b/f	52					- 1,939
Revenue Support Grant	- 1,648					- 2,081
Business Rates Top-up Grant	- 22,623					- 23,195
Retained Business Rates	- 12,881					- 15,141
Council Tax Income	- 146,185					- 153,998
Total Funding	**- 183,285**					**- 196,354**
Council Tax for Band D Equivalent						
General (£)	1,457.76					1,507.00
ACS(£)	188.74					221.66
Harrow Increase (£)	1,646.50					1,728.66
GLA (£)	395.59					434.14
Total after Increase (£)	**2,042.09**					**2,162.80**
Increase						
General (%)	1.99%					2.99%
ASC (%)	1.00%					2.00%
GLA (%)	8.78%					9.70%
Total Increase (%)	**4.06%**					**5.91%**
Tax base	88,785					89,085
Collection Rate	98.00%					98.00%
Funds / Balances						
Balances Brought Forward	10,009					10,009
Balances Carried Forward	10,009					10,009

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Levies,Contribution and Subscription **Appendix 4**

	2022/23	2023/24	Changes	Changes	Comments
	£'000	£'000	£'000	%	
London Borough Grant	187	187	-	0.00%	Based on notification
Freedom Pass Levy	5,627	5,610	- 17	-0.30%	Last estimate from London Councils Nov 2022 - not final
Joint Committee Subscription	115	115	-	0.00%	Assume 2022/23 figure - figure due mid Feb.
Environment Agency Levy	209	211	2	0.81%	Based on notification
Coroners Court Levy	296	311	15	5.00%	Assume 5% increase on 2022/23 - final figure due in March.
Traffic Control Levy	325	333	8	2.58%	Notified Oct 2022 by London Councils
London Council Borough Subscription	47	47	-	0.00%	Assume 2022/23 figure - figure due mid Feb.
London Pension Fund Authority Levy	298	298	-	0.00%	Assume 2022/23 figure - figure due mid Feb.
West London Waste Authority Levy	2,175	2,175	-	0.00%	This budget is based on WLWA's budget report for 2022/23.
Lee Valley Levy	210	229	19	9.03%	Final due mid Feb - provisional as at 19/1/23
Apprentice Levy	400	400	-	0.00%	Based on 0.5% of Salaries

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Policy on Use of Contingency

General Principles

1. As a general principle, directorate budgets should be structured to cover business as usual, investment and efficiency programmes that have been agreed as part of the budget and service planning round and administration priorities. Contingency budgets should not be included in financial planning as part of a service's annual operational revenue budget.

2. Budgets which are "demand led" should be set to deal with the forecast level of activity. For example the predicted client numbers and needs in Adults and Children's social care, the usual level of activity for planning appeals and winter gritting average weather conditions.

3. Income budgets should be set to take into account likely activity levels and any changes in fees and charges.

4. The contingency is there to deal with unforeseen/exceptional items which occur during the financial year.

Appropriate uses

5. It is recommended that the contingency is used for the following purposes:

    - To deal with demographic risk, where the number of clients or cost per client varies from the estimate in Children's or Adults services beyond what has been budgeted for.
    - To deal with unexpected increases in demand for services due to policy changes, for instance an increase in homelessness due to the housing benefit changes beyond what has been budgeted
    - To deal with seasonal risks, such as exceptionally bad weather or a flu pandemic
    - To deal with tonnage risk, where the number of tonnes disposed of via West Waste varies from the estimate in the Community Directorate
    - To deal with the consequences of a recession
    - To deal with major planning appeals and litigation
    - Cost pressures in relation to the services delivered jointly with Health partners
    - To deal with uncertainty due to consultation and equality impact on proposals
    - To deal with unexpected budget shortfalls due to changes in the external environment or changes in the law/regulations
    - To fund small one-off projects which are high priority and have the approval of the portfolio holder with responsibility for Finance.
    - Any other unforeseen items / pressures

Criteria

6. Clear evidence will be required to support variations from estimated demand agreed as part of the budget review process.

7. Contingency funds will not be used where there has been a failure to deliver planned savings (except where this is due to the outcome of consultation) or properly manage spending.

Approval Process

8. Use of the contingency will be reported to Cabinet as part of the quarterly budget monitoring report by the s151 officer. The s151 officer will liaise with the Portfolio Holder with responsibility for finance and make proposals to Cabinet for virements from Contingency as appropriate.

Unspent balances

9. If there is an under spend at the end of the year a contribution to general balances will be considered with regard to the size of the under spend, the underlying strength of the balance sheet and the need to support other priorities.

School Budgets – Dedicated Schools Grant (DSG) 2023-24

Introduction

1. The Dedicated Schools Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual schools budgets in maintained schools and academies in Harrow. It also funds Early Years nursery entitlement for 2, 3 and 4 year olds in maintained council nursery classes and private, voluntary and independent (PVI) nurseries as well as provision for pupils with High Needs including those with Education, Health & Care Plans (EHCPs) in special schools, special provision and mainstream schools in Harrow and out of borough. The DSG is split into four blocks: Schools Block, Central School Services Block, Early Years Block and High Needs Block.

DSG Settlement 2023-24

2. The 2023-24 DSG settlement is based on the number of pupils on the October 2022 schools census for the Central School Services Block and Schools Block as well as a lump sum for historical items related to premises, the January 2022 Early Years census for the Early Years Block and a combination of a historical lump sum and per pupil funding for the High Needs Block. The total DSG allocation for 2023-24 is £265.539m.

Table 1 – 2023-24 Dedicated Schools Grant allocation

Blocks	**Unit of funding**		**Pupil numbers**		**Total**
	Primary	**Secondary**	**Primary**	**Secondary**	
Schools Block – per pupil	£4,876.07	£6,733.49	21,514.00	13,342.00	£194,741,994
Schools Block – lump sum premises					£2,646,999
Schools Block – NNDR deduction					-£475,941
Schools Block – growth fund formula					£1,401,797
Total Schools Block					**£198,314,849**
Central Schools Block					£1,469,878
High Needs Block (after import/export adjustments & recoupment)					£45,802,992
Early Years Block					£19,951,316
Total Dedicated Schools Grant Allocation 2023-24					**£265,539,035**

3. In 2023-24 the NFF factor values have increased by 2.4% with the exception of IDACI and Free School Meals which has increased by 4.3% to reflect inflation, and business rates are based on actual estimates of costs for 2022-23. In addition, the Mainstream Schools Supplementary Grant has been rolled into the NFF in 2023-24

4. In 2018-19 the Government introduced a new National Funding Formula (NFF) for Schools, High Needs and Central Services Blocks. 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 areas but the final formula for distribution is determined by each LA, subject to prescribed limits, following consultation with schools and Schools Forum.

5. From 2020 the government had intended to implement the NFF in full which means that school allocations will be determined by the DfE rather than LAs. However, this has been delayed and there is currently no confirmed date for this.

6. In 2018-19 the LA implemented the NFF after consultation with schools and Schools Forum. Whilst there are no proposed changes to the structure of the formula for 2023-24, the factor values have increased. This is set out at Table 2.

Table 2 – proposed funding formula and factor values 2023-24

Factors	**2022-23**		**2023-24**		**% Change**	
	Pri	Sec	Pri	Sec	Pri	Sec
Pri AWPU	£3,532.36		£3,739.75		6%	
KS3 AWPU		£4,980.66		£5,272.45		6%
KS4 AWPU		£5,613.13		£5,942.38		6%
FSM	£517.20	£517.20	£528.90	£528.90	2%	2%
Ever6	£649.25	£951.86	£776.82	£1,134.93	20%	19%
IDACIF	£242.09	£352.13	£253.43	£369.13	5%	5%
IDACIE	£297.11	£467.68	£308.52	£490.33	4%	5%
IDACID	£462.18	£654.75	£484.82	£683.16	5%	4%
IDACIC	£506.19	£715.27	£528.90	£749.27	4%	5%
IDACIB	£539.21	£770.29	£561.95	£804.37	4%	4%
IDACIA	£704.27	£979.37	£738.25	£1,024.74	5%	5%
LPA	£1,243.47	£1,881.72	£1,272.66	£1,928.27	2%	2%
EAL	£621.74	£1,683.64	£639.08	£1,724.43	3%	2%
Mobility	£1,017.89	£1,463.56	£1,041.27	£1,498.54	2%	2%
Lump Sum	£133,480.9	£133,480.95	£141,039.36	£141,039.36	6%	6%

7. In 2023-24 mainstream schools and academies can expect to receive an additional £12.7m through the National Funding Formula.

Minimum Funding Guarantee

8. In 2023-24 the Minimum Funding Guarantee (MFG) will continue to protect schools from *per pupil* losses between years. The MFG must be between 0% and +0.5%.

9. In the overall formula it is only affordable to set the MFG at the minimum 0% and therefore 2023-24 school budgets have been prepared on this basis. This means that all schools be protected from per pupil losses compared with the 2022-23 budget. Gains in excess of 0% have not been capped, which is consistent with the approach in previous years.

Additional Funding

10. Schools Forum voted to allocate £900k funding from the brought forward contingency to support school budgets in 2023-24. This funding is one off as it is built up from historical underspends and has been distributed on a per pupil basis for mainstream schools and as a lump sum for special schools and the Pupil Referral Unit to reflect lower pupil numbers. This is in addition to funding through the formula.

Supplementary Funding

11. In December 2021 the Government announced the new Schools Supplementary Grant for 2022-23. From 2022-23 this grant has been rolled into the National Funding Formula. This grant totals £5.2m and is included in the £12.7m additional funding through the National Funding Formula.

Mainstream Schools Additional Grant

12. The 2022 Autumn Statement announced that in 2023-24 mainstream schools will be allocated additional funding through the Mainstream Schools Additional Grant (MSAG). Final school level allocations will be published in Spring 2023 pending updates on FSM6 in the January 2023 Schools Census.

13. The estimated value of this fund for Harrow mainstream schools is £6.6m. This is in addition to the extra funding in the National Funding Formula, and the one-off sum from the contingency, taking total school budget increases since 2022-23 to £20.2m.

14. This funding will be rolled into the NFF from 2024-25

High Needs Block

15. High Needs funding is designed to support a continuum of provision for pupils and students with special educational needs and disabilities (SEND) from 0-25 years old. The following are funded from the High Needs Block (HNB) of the DSG:
    - Harrow special schools and academies
    - Additionally Resourced Mainstream (ARMs) units in mainstream schools and academies
    - Places in out of borough special schools and independent school provision
    - EHCPs in mainstream schools and academies
    - Post 16 provision including further education
    - SEND Support services and support for inclusion
    - Alternative Provision including Pupil Referral Units and education other than at school

16. There is a duty to admit a child or young person if the institution is named in a statutory EHCP. LAs use the HNB to provide the most appropriate support package for an individual in a range of settings, taking account of parental and student choice whilst avoiding perverse incentives to over-identify high needs pupils and students.

17. The HNB budget allocation for 2023-24 is set out at Table 3

Table 3 – 2023-24 High Needs Block Funding

Description	**Value**
High Needs Block Allocation (excl basic entitlement factor)	£42,849,347
Basic Entitlement Factor (excl TPG/TPECG)	£3,240,105
Basic Entitlement related to TPG/TPECG Special Schools	£436,202
Import/Export Adjustments (2020-21 figure)	-£1,584,000

Additional Funding for Special Free Schools	£12,000
Hospital Education	£223,503
AP & INMSS TPG/TPECG allocation	£130,445
Total HNB before academy recoupment	**£45,307,602**
Academy recoupment for SEN units, special schools and FE	-£1,495,334
Net High Needs Block 2023-24	**£43,812,268**

18. It should be noted that the import/export adjustment figure will be updated in June 2023 to reflect the January census.

19. In 2023-24 there is an increase in funding of approx £3.906m which includes an additional grant to replace the High Needs Block Supplementary Grant received in 2022-23 totalling £1.987m. This is expected to cover additional costs which have arisen since the original HNB funding formula was derived.

DSG Deficits

20. The government consulted on the accounting treatments of deficits on the DSG. The consultation focussed on changing the conditions of grant and regulations applying to the DSG so as to clarify that the DSG is a ring-fenced specific grant separate from the general funding of local authorities. Therefore, any deficits an authority may have on its DSG account is expected to be carried forward and does not require to be covered by the authority's general reserves. The ring-fence was due to end March 2023 but has been extended for a further three years.

21. With effect from 2019-20 the DfE has tightened up the rules under which local authorities have to explain their plans for bringing the DSG account back into balance.

22. The DfE will require a report from any LA that has a cumulative DSG deficit of more than 1% at the end of the financial year. The 1% calculation will be based on the latest published DSG allocations for 2020-21 compared with the deficit shown it he authority's published draft accounts.

23. Harrow's projected cumulative deficit of £4.007m as a proportion of gross budget of £265m would equate to approx. 1.5% and will therefore require a deficit management plan.

24. The deficit has accumulated as follows

Financial Year	Deficit £'000
2019-20	£2,944
2020-21	£786
2021-22	£277
2022-23 (projected)	£0
Total (projected)	**£4,007**

25. An updated Deficit Management Plan is being drafted. The Deficit Management Plan is underpinned by the Special Educational Needs and Disability (SEND) Strategy 2019-2024 approved by Cabinet in February 2014. It serves as a tool to project and monitor the financial progress of the implementation of the strategy.

26. It is anticipated that by achieving the vision of the strategy through the four strategic priorities that financial efficiencies can be made. This will predominantly be achieved by increasing in-borough specialist provision to reduce the reliance on more expensive out of borough independent provision where needs can be met in-borough.

Early Years Block

27. The government introduced a new National Funding Formula for Early Years from April 2017.

3 & 4 year old funding

28. The key points on LA funding of providers are that local authorities:

- Continue to set a single funding rate for both entitlements for three and four year olds (that is, both the universal 15 hours and the additional 15 hours for working parents).
- Must plan to spend at least 95% of the three and four year old funding on the delivery of the entitlements. We intend to continue to pass on 95% of the 3 & 4 year old funding to settings.
- Harrow provides a universal base rate for all types of provider in the formula.
- Must use a deprivation supplement in the funding formula
- Must not channel more than 10% of funding through funding supplements.
- Must provide a SEN Inclusion Fund (SENIF) for three and four year olds.
- Must pass on Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) in full to providers for eligible three and four year olds.

29. Harrow has already implemented all of the above principles in its EYSFF.

30. In 2023-24 the hourly rate per pupil that the LA receives will increase from £5.89 to £6.03 per hour.

31. It is proposed to distribute the additional funding through the existing formula structure and add it to the base rate. This also maintains the base rate at 90% of the factor funding and 10% allocated to supplements.

Table 4 – indicative 2023-24 EYSFF

Description	2023-24		
	Hourly	Pupils	Total
Total Early Years Block	£6.03	5,100.50	£17,530,929
5% LA Early Years Service Retention			£876,546
Funding available to providers	£5.73		£16,654,382
Top-slice SEN inclusion fund 5%			£832,719
Funding available to providers through formula	**£5.44**		**£15,821,663**
Base rate 90%	£4.90		£14,245,697
Supplements 10%	£0.54		£1,569,934
Funding available to providers through formula	**£5.44**		**£15,815,630**

2 year old funding

32. There is also a rate increase for the funding for 2 year olds. This will increase from £6.29 to £6.92 per hour from April 2023. The full increase will be passported to providers.

SEND Inclusion

33. LAs are required to have SEND Inclusion Funds for all 3 and 4 year olds with SEND who are taking up the free entitlements, regardless of the number of hours taken. These funds are intended to support LAs to work with providers to address the individual needs of children with SEND.

34. LAs should target SEND Inclusion Funds at children with lower level or emerging SEND. As with other elements of early years funding, SEND Inclusion Funds should apply to children attending settings in the relevant LA area, regardless of where they live.

35. The SEND Inclusion Fund in 2023-24 will be £833k.

<u>Public Health Funding 2023-24</u> **Appendix 7**

Mandatory Services	£000	£000
Sexual Health (incl Family Planning)	2,336	
0-19 Services	3,695	
Health Checks	184	
		6,215
Discretionary Services		
Tobacco Control	80	
Drug & Alcohol Misuse	1,926	
Physical Activity	30	
		2,036
Staffing & Support Costs		
Staffing	1,121	
Non-Staffing	28	
Overheads	163	
		1,312
Health Improvement	413	
Wider Determinants of Health	1,651	
		2,064
Total Expenditure		**11,627**
Funded by		
Department of Health Grant	-11,627	
Contribution from Reserve		
Total Income		**-11,627**

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Appendix 8

Reserves Policy

The recommended reserves policy is as follows: **The first call on any under spend at the end of the year will be to add to reserves. A contribution to general balances will then be considered with regard to the size of the under spend, the underlying strength of the balance sheet and the need to support other priorities.**

The rationale for this policy is set out below.

Councils need balances so that they can deal with unforeseen calls on resources without disrupting service delivery. It is the responsibility of each authority to set its level of reserves based on local conditions, but taking into account national factors. Although advice can be sought from the external auditor, it is not their responsibility to prescribe the appropriate level. However, the External Auditor expects the Council to review its reserves on an annual basis.

There is no statutory definition of a minimum level of reserves. The level of reserves is a balance between the risk facing the Authority and the opportunity costs of holding these balances.
The Council should at least be able to cope with a modest overspend in any one year and still be in a stable financial position.

The target level of reserves depends on:

- The degree of risk contained in the budget
- The effectiveness of budget monitoring and control during the year
- The effectiveness of balance sheet management during the year
- The extent to which the Council has earmarked reserves and provisions to deal with specific items.

The Council is implementing a revised financial strategy to reduce the Council's expenditure to within its budget envelope which will reduce the need to call on reserves to meet in year spend. Which in turn should release reserves to provide financial resilience. The Council is continually working to improve financial management and in 2023/24 will continue to focus on accurate,timely and robust management of its revenue budget, capital programme, savings tracker and trading activities.

As at 31 March 2023 the forecast level of General Fund Reserves will be £10.635m, which represents 5.8% of the Council's net revenue budget for 2022/23 (£183m), which is the recommended minimum level. In addition, the Authority holds a limited number of earmarked reserves as detailed in Appendix 9.

A decision will be made at year end on the best use of any available capacity in the revenue budget and where this will be transferred to reserve.

The S151 officer has responsibility for the establishment of earmarked reserves. The S151 officer is responsible for ensuring that detailed controls are established for the creation of new reserves and provisions and any disbursements therefrom.

All contributions to, and appropriations from, General Fund reserves must be approved by the S151 Officer and Portfolio Holder with Responsibility for Finance, subject to any limitations set by the Council in the approved budget framework.

Reserves Forecast							Appendix 9
Description	**Brought Forward 01/04/22**	**Directorate Reserve Movements**	**Corporate Reserves Movements**	**Other Reserves movement**	**Balance Carry Forward 31/03/2023**	**Committed to future MTFS**	**Revised Carry Forward 01/04/2023**
	£	**£**	**£**	**£**	**£**	**£**	**£**
CIL Harrow	-7,108,388	0		1,533,000	-5,575,388		-5,575,388
Revenue Grant Reserve	-6,641,420	204,000			-6,437,420		-6,437,420
Compensatory Added Year Reserve	-242,782				-242,782		-242,782
PFI Schools Sinking Fund	-2,071,676	459,000			-1,612,676		-1,612,676
Public Health Reserve	-2,674,142	2,000			-2,672,142		-2,672,142
PFI NRC Sinking Fund	-1,823,836				-1,823,836		-1,823,836
Legal Services Contingency	-821,239				-821,239		-821,239
HRA Transformation Reserve	-542,965			475,000	-67,965		-67,965
Carryforward Reserve	-1,330,981		1,330,718	263	0		0
Collection Fund Reserve	-4,634,745			4,634,745	0		0
Capital Feasibilities Reserve	-500,000	35,000			-465,000		-465,000
Accomodation Strategy Reserve	-652,000	652,000			0		0
Adults Social Care Reserve	-3,769,475	0			-3,769,475		-3,769,475
Children's Social Care Reserve	-3,108,120	2,240,000			-868,120		-868,120
Borough Election	-574,677	450,000			-124,677		-124,677
Harvist Reserve Harrow Share	-34,034				-34,034		-34,034
Proceeds Of Crime Reserve	-63,000				-63,000		-63,000
Proceeds Of Crime Reserve Planning	-430,172				-430,172		-430,172
CIL Mayor	-150,520				-150,520		-150,520
Insurance Reserve	-959,318	219,000			-740,318		-740,318
Public Mortuary Expansion Reserve	-500,000				-500,000		-500,000
3G Pitch	-25,000	-25,000			-50,000		-50,000
Waste Strategy Reserve	0			-1,595,000	-1,595,000	1,000,000	-595,000
1 Hour Free Parking	0	291,000		-291,000	0		0
Vehicle Fund	-1,250,478				-1,250,478		-1,250,478
Investment Property Reserve	-977,385		55,000		-922,385		-922,385
PAP Sinking Fund	-393,300				-393,300		-393,300
HRA Hardship Fund	-25,000				-25,000		-25,000
HRA Regeneration Reserve	-722,200				-722,200		-722,200
HRA Repair Reserve	-277,428				-277,428		-277,428
Business Risk Reserve	-1,968,198	1,452,017			-516,181		-516,181
Budget Planning Reserve MTFS gap	-22,490,358		9,872,000	290,737	-12,327,621		-12,327,621
Capacity Build/ Transformation Reserve	-3,172,652	1,912,000		300,000	-960,652		-960,652
Total Ringfenced Reserves	**-69,935,490**	**7,891,017**	**11,257,718**	**5,347,745**	**-45,439,010**	**1,000,000**	**-44,439,010**
Headstone Manor Reserve	-287,750			287,750	0		0
Libraries Reserve	-150,000			150,000	0		0
IT Reserve	-134,000			134,000	0		0
Equalities Diversity & Inclusion Reserve	-157,273	76,000		55,273	-26,000		-26,000
General Fund Reserves	-10,008,000			-627,023	-10,635,023		-10,635,023
Total Usable Reserves	**-10,737,023**	**76,000**	**0**	**0**	**-10,661,023**	**0**	**-10,661,023**
DSG Overspend	4,006,867				4,006,867		4,006,867
Grand Total All Reserves	**-76,665,646**	**7,967,017**	**11,257,718**	**5,347,745**	**-52,093,166**	**1,000,000**	**-51,093,166**

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Report of the Chief Finance Officer – 2023/24 Budget

Under the Local Government Act 2003 the Director of Finance (in their capacity as the Chief Finance Officer under S151 of the Local Government Act 1972) is required to comment on the robustness of the budget and the adequacy of reserves. The Directors report is set out below.

Robustness of the Budget

The current budget climate and timeframe continues to be the most volatile in the Borough's history. Local Government was at the forefront of the response to both the public health and economic crises caused by Covid-19, it is hardly surprising that the pandemic has had a significant impact on Local Government finances which were already in a difficult position following a decade where resources have been reduced by over a quarter whilst experiencing significant increases in demand. Running alongside this, Harrow remains one of the lowest funded Councils both within London and nationally and has had to make significant savings for the last 10 years to achieve the legal requirement of a balanced budget.

SR21 and the Autumn Statement 2022 set out the Governments taxation and public expenditure plans for the next 2 years, providing actual resources for 2023/24 and a direction of travel for 2024/25. Once again, the Local Government Finance Settlement was not the required three year settlement but this cannot be used as a deterrent from the Council addressing its financial challenges.

There does remain significant areas of uncertainty around the future of Local Government funding beyond 2023/24, which will directly impact on Harrow finances, with the outcome of major events unknown:

- Fair Funding Review and assessment of need
- The Adult Social Care Green Paper
- The High Needs Block within the Dedicated Schools Grant
- The new phrase 'levelling up' between the regions.

This list of unknowns is extended as a result of the Covid-19 pandemic and what the legacy impacts on both the Council, its residents and businesses will be.

The Council continues to experience increasing demographic and demand pressures, largely around social care. In prior years such pressures have been largely related to Adults services. However, from 2021/22 pressures are starting to emerge in Children's social care with growth being required in the budget since 2021/22 . In Adult services the forecast demand pressures continue to be in the region of 6% to 8% per annum.

In the wider economy there remains considerable uncertainty around the impact of Brexit, inflation rates rising exponentially, interest rates increasing, the impact of increasing NI Contributions, the property market, employment levels and the impact of the economic climate. All these issues affect the Council's own finances and have major implications for Harrow residents and businesses increasing uncertainty and potential impacts on demand for services.
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However, all these factors cannot be a deterrent from the Council addressing its significant financial challenges.

The 2022/23 budget assumed the drawdown of £14.7m from the MTFS Budget Planning Reserve. The reality is that the Council is spending above its budget envelope and this is not sustainable. A revised financial strategy was implemented in 2022/23 to address the overspending position and reduce the Council's expenditure to within its budget envelope. The current forecast is that a drawdown of £9.8m will be required from reserves to fund the 2022/23 overspend, a betterment of £4.9m.

A balanced budget position has been achieved for 2023/24 and 2024/25. There remains a budget gap for 2025/26 which will need to be addressed alongside the government clarifying the position on the Social Care Grant and other funding streams.

In respect of the 2023/24 budget. the advice of the S151 Officer is that it is sufficiently robust. All income and grant adjustments are in line with the Indicative Settlement, known growth and inflationary pressures have been provided for within financial constraints and the budget includes a contingency for unforeseen items. Directorate budget proposals includes have been through robust challenge sessions with Members and Officers. The 2023/24 is a demanding budget to achieve and reserves have been identified to fund the capacity and support to deliver the budget. Specifically, in relation to the 2023/24 budget, the robustness assessment is provided following the consideration of several factors:

- The 2023/24 budget includes a mix of corporate and technical savings alongside proposals from the directorates balancing the risk over the MTFS.
- The agreed strategy for the delivery of the 2023/24 budget is no spending above the budget envelope unless corporately agreed
- Growth requirements have been scrutinised in detail to ensure growth is enough to ensure the safe delivery of services but being mindful of the challenging financial position.
- However, growth requirements will be monitored closely to ensure the provisions are enough and any over provision will be held corporately to support the MTFS.
- Every effort has been made to ensure that the technical assumptions underpinning the budget are robust.
- Prudent assumptions have been made about capital financing costs and investment income.
- Key financial risks are managed and reported as part of the Corporate Risk Register.
- The recommended increases in fees and charges are in line with the assumptions in the budget.
- The budget for 2023/24 includes a general contingency of £1.248m.
- There is a commitment within the organisation to robust financial management with any potential adverse budget variations been reported, tightly controlled and contained within service budgets unless there is an agreement the variation is managed pan organisation.
- There is a commitment within the organisation to ensure all new budget proposals are supported by a robust business case that has been scrutinised pan organisation and, unless specifically stated, makes a clear net financial contribution to the MTFS after considering all costs.
- The commitment of maintaining expenditure within the budget envelope is shared by both officers and Members.

Adequacy of Reserves

There is no statutory definition of a minimum level of reserves and it is for this reason that the matter falls to the judgement of the S151 Officer. The level of reserves is a balance between the risk facing the Authority and the opportunity costs of holding those balances. Reserves can only be spent once and should ideally only be used to support one off expenditure or to allow time for management actions to be implemented. The General Fund Reserve are adequate however it must not drop below the current £10.6m level. This reserve represents the balance of last resort in the event of any major and unforeseen event that compromises the delivery of the council's budget. At current levels, this balance represents 5.8% of the council's budget net revenue budget for 2022/23 (£183m). This balance of £10.6m does place Harrow Council in the lower quartile of general fund balance when benchmarked with other authorities. The advice of the S151 Officer is that General Fund Reserve of £10.6m must remain intact to provide an element of safety net for the Council and any opportunities to increase them must be considered to increase the Council's future financial resilience.

The Council is forecasting to hold balances / reserves of £56.7m to carry forward into 2023/24.

In conclusion, the 2023/24 budget has been prepared as robustly as possible and it achieves its legally required balanced position. The Council must remain committed to its agreed strategy of maintaining its tight grip on the budget to ensure saving proposals are delivered, expenditure remains within the budget envelope and the Council provides safe services. There is no capacity to overspend the 2023/24 budget.

Budget Monitoring

The Local Government Act 2003 also introduced requirements in relation to budget monitoring and management action. The Council has robust budget monitoring procedures in place with revenue budgets being monitored monthly and the capital programme quarterly. The financial position can change relatively quickly, and any adverse variations must be identified and addressed promptly by Service Managers and directorates to avoid a call on reserves. Financial performance is reported in detail to Cabinet quarterly and regularly to Scrutiny. These robust arrangements will continue into 2023/24 and will remain under review to ensure they keep pace with the requirements of the organisation.

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Appendix 11

Model Council Tax Resolution

Harrow Council

Council Tax Resolution 2023/2024

To approve as part of the Summons for Council, the model budget and Council Tax resolutions reflecting the recommendations of Cabinet and the GLA precept.

Council is requested to determine the level of the Council Tax for 2023/2024 in the light of the information on the precept and make the calculations set out in the resolution shown below.

(1) To note that at its meeting on 8 December 2022 the Council calculated the amount of 89,085 as its Council Tax Base for the year 2023/2024 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012 made under Section 31B(3) of the Local Government Finance Act 1992 (The Act).

(2) That the following amounts be now calculated by the Council for the year 2023/2024, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992:

(i)	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act. ***(Gross expenditure)***	£664,649,000
(ii)	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3)(a) to (d) of the Act. ***(Gross income including use of reserves***)	£510,651,324
(iii)	Being the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above, calculated by the Council, in accordance with Section 31A(4) of the Act, **as its Council Tax Requirement for the year.**	£153,997,676
(iv)	Being the amount at (iii) divided by the Council Tax Base, calculated by the Council at its meeting on 8 December 2022 in accordance with Section 31B(1) of the Local Government Finance Act 1992, as the basic amount of its Council tax for the year. ***(The average Band D Council Tax)***	£1,728.66

(v) Valuation Bands

	A	B	C	**D**	E	F	G	H
£	1,152.44	1,344.51	1,536.59	**1,728.66**	2,112.81	2,496.95	2,881.10	3,457.32

Being the amounts given by multiplying the amount at (iv.) above by the number which, in the proportion set out in Section 5(1) of the Local Government Finance Act 1992, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Local Government Finance Act 1992, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(3) That it be noted that for 2023/2024 the Greater London Authority stated the following amount in precept issued to the Council, in accordance with section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below

Valuation Bands

	A	B	C	**D**	E	F	G	H
£	289.43	337.66	385.90	**434.14**	530.62	627.09	723.57	868.28

(4) That, having calculated the aggregate in each case of the amounts at (2)(v) and (3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2023/2024 for each of the categories of dwellings shown below

Valuation Bands

	A	B	C	**D**	E	F	G	H
£	1441.87	1682.17	1922.49	**2162.80**	2643.43	3124.04	3604.67	4325.60

(5) Determine for the purposes of 52ZB and Section 52ZC of the Local Government Finance Act that the Council’s basic amount of Council Tax for 2022/23 is not excessive in accordance with the principles approved under Section 52ZB and 52ZC of the Local Government Finance Act 1992 and the Referendums Relating to Council Tax Increases (Principles) (England) Report 2023/2024.

Harrow COUNCIL LONDON

Appendix 12

Members' Allowances Scheme

1. This scheme shall have effect until 31st March 2024. It replaces all former schemes.

Basic Allowance

2. A basic allowance of £9,063 per annum shall be paid to each Councillor.

Special Responsibility Allowances and Mayoral Allowances

3. (1) A special responsibility allowance shall be paid to those Councillors who have the special responsibilities in relation to the posts specified in Schedule 1 to this scheme. The amount of each such allowance shall be the amount specified against that special responsibility in that schedule.

   (2) An allowance of £11,311 per annum shall be paid to the Mayor and an allowance of £2,251 per annum shall be paid to the Deputy Mayor.

   (3) No Member may receive special responsibility allowances in respect of more than one post. For the purposes of this paragraph, the mayoral allowances referred to in 3(2) above are considered to be special responsibility allowances.

Uprating the Basic and Special Responsibility Allowances

4. The basic allowance and special responsibility allowances may be uprated annually in line with an index approved by the London Councils Independent Panel. The index to be used will be the level of the Local Government Pay Settlement. When making the scheme for 2024/25, the indexing arrangements will be reviewed.

Travel and Subsistence Allowances

5. The reimbursement of travel and subsistence expenses incurred in respect of **approved duties** (as set out in Schedule 2) **undertaken outside the Borough boundaries** can be claimed by Members, co-optees to formal Council committees and Independent Persons on the Governance, Audit, Risk Management and Standards Committee at the rates paid and on the conditions specified in the officer scheme for travel and subsistence allowances.

Carers' Allowance

6. (1) The allowance shall only be paid for attendance at approved duties as listed in Appendix A.

(2) The maximum basic rate of pay is £3.00 per half hour for the duration of the meeting together with the Member's travel time between home and the place of the meeting and the carer's reasonable travelling time.

(3) The allowance is claimable in respect of children aged 15 or under or where a professional carer is required to meet a specialist need (eg a nurse for an elderly person).

(4) Actual costs will be paid on production of an invoice or receipt.

(5) Where the length of the meeting cannot be predicted and payment to the carer is necessarily contractually committed then a payment of up to 4 hours will be made. (For day time quasi-judicial meetings, payment of up to 8 hours may be made if the estimated length of the meeting is for the whole day).

(6) In addition, the reasonable travelling expenses of the person taking care of the dependent shall be reimbursed either at the appropriate public transport rate, or in cases of urgency or where no public transport is available, the amount of any taxi fare actually paid.

(7) The allowance is not to be paid where the carer is a member of the Member's household.

(8) Any dispute as to the entitlement and any allegation of abuse should be referred to the Governance, Audit, Risk Management and Standards Committee for adjudication.

Co-optees' Allowance

7. A basic allowance of £481 per annum shall be paid to co-optees to formal Council Committees and Independent Persons on the Governance, Audit, Risk Management and Standards Committee.

Sickness, maternity and paternity leave

8.1 All Members shall continue to receive their Basic Allowance in full in the case of pregnancy, maternity, paternity and sickness leave.

8.2 Members entitled to a Special Responsibility Allowance shall continue to receive their allowance in the case of pregnancy, maternity, paternity and sickness leave in the same way that the Council's employees receive such benefits.

8.3 Where a Member's pregnancy renders her unable to attend a meeting of the Council for a period of 6 months, a dispensation will be granted in accordance with Section 85 Local Government Act 1972.

8.4 If a replacement to cover the period of absence is appointed by Council or the Leader of the Executive (or in the case of party group position, the party group) the replacement will be entitled to claim an SRA.

Claims and Payments

9. (1) A claim for allowances or expenses under this scheme shall be made in writing within two months of the date of undertaking the duty in respect of which the entitlement to the allowance or expense relates.

(2) Payment shall be made

(a) in respect of basic and special responsibility allowances, in instalments of one-twelfth of the amount specified in this scheme each month;

(b) in respect of out-borough travel and subsistence expenses and Carers' Allowance, each month in respect of claims received up to one month before that date.

Backdating

10. Any changes made to this scheme during the year may be backdated to 1st April 2023 by resolution of the Council when approving the amendment.

Pensions

11. Allowances paid under the Harrow Members' Allowances Scheme will **not** be pensionable for the purposes of the Superannuation Act.

Renunciation

12. A person may, by notice in writing given to the Director of Legal and Governance Services, elect to forgo any part of his/her entitlement to an allowance under this scheme.

Appendix A

Approved duties for Carers' Allowance

- A meeting of the Executive.
- A meeting of a committee of the Executive.
- A meeting of the Authority.
- A meeting of a Committee or Sub-Committee of the Authority.
- A meeting of some other body to which the Authority make appointments or nominations.
- A meeting of a committee or sub-committee of a body to which the Authority make appointments or nominations.
- A meeting which has **both** been authorised by the Authority, a committee, or sub-committee of the Authority or a joint committee of the Authority and one or more other authorities, or a sub-committee of a joint committee **and** to which representatives of more than one political group have been invited (if the Authority is divided into several political groups) or to which two or more councillors have been invited (if the authority is not divided into political groups).
- A meeting of a Local Authority association of which the Authority is a member.
- Duties undertaken on behalf of the Authority in pursuance of any Procedural Rule of the Constitution requiring a member or members to be present while tender documents are opened.
- Duties undertaken on behalf of the Authority in connection with the discharge of any function of the Authority conferred by or under any enactment and empowering or requiring the Authority to inspect or authorise the inspection of premises.
- Duties undertaken on behalf of the Authority in connection with arrangements made by the authority for the attendance of pupils at a school approved for the purposes of section 342 of the Education Act 1996.

Schedule 1

Special Responsibility Allowances (SRAs)

There are 6 bands of SRAs:

Band	Post	SRA - £/annum
1	Chief Whips of the two largest Groups Deputy Leader of the second largest Group Lead Members for Scrutiny Chair of Licensing and General Purposes Committee Portfolio Holder Assistants	**£2,267**
2	Nominated Member of the party not holding the Chair of the Planning Committee Chair of the Traffic Advisory Panel Chair of Governance, Audit, Risk Management and Standards Committee Chair of the Pension Fund Committee Chair of the Performance and Finance Scrutiny Sub Chair of the Health and Social Care Scrutiny Sub Nominated Member of the largest party not holding the Chair of the Performance and Finance Scrutiny Sub	**£5,075**
3	Nominated Member of the largest party not holding the Chair of the Overview and Scrutiny Committee Non Executive Members of Cabinet	**£7,321**
4	Chair of the Overview and Scrutiny Committee Chair of the Planning Committee Leader of the Second Largest Group	**£9,566**
5	Cabinet Members	**£21,704**
6	Leader of the Council	**£33,904**

Note

The Groups are as follows:-

Largest Group = Labour Group
Minority Group = Conservative Group

Schedule 2

Claims for Out-Of-Borough Travel and Subsistence Expenses

Duties Undertaken Out-of-Borough

Claims for travel and subsistence expenses incurred can normally only be paid in respect of approved duties undertaken at venues out of the Borough. Expenses will be reimbursed at the rates paid and on the conditions specified in the officer scheme for travel and subsistence allowances.

1. Members may claim travel and subsistence expenses in respect of the following **out-of-Borough** duties:-

   (a) Attendance at any meeting which may be convened by the Authority provided that Members of at least two groups are invited and the meeting is not convened by officers.

   (b) Attendance at a meeting of an outside body to which the Member has been appointed or nominated as a representative of the Council, where the Outside Body does not itself operate a scheme to reimburse travel and subsistence expenses.

   (c) (i) attendance at an appropriate out-of-Borough conference, seminar, meeting or other appropriate non-political event as a representative of an Outside Body to which that Member has been either nominated or appointed by Council to serve in a role with a specific pan-Authority remit;

   (ii) attendance at meetings in the capacity of a direct appointee of a Local Authority Association, joint or statutory body or other London-wide or national body subject to the following proviso:

   that the Member serves on the appointing body by virtue of an appointment made by Council to an authorised Outside Body;

   subject in either case to the Outside Body/Bodies concerned themselves not making provision for any travel and subsistence expenses necessarily incurred.

   (d) Attendance at a meeting of any association of local authorities of which the Authority is a member and to which the Member has been appointed as a representative.

(e) Attendance at a training session, conference, seminar or other non-political event, the attendance fees for which are being funded by the Council through a Departmental or a corporate budget.

(f) Attendance at any training session, conference, seminar or other non-political event for which there is either no attendance fee or any attendance fee is being met by the Member him/herself (or from the relevant political group secretariat budget) subject to the relevant Director confirming that the content of the training, conference, seminar or event is relevant to the Member's responsibilities in respect of the services provided by the Authority or to the management of the Authority.

2. Duties for which out-of-Borough travel and subsistence expenses may **not** be claimed include:-

(a) Political meetings or events.

(b) Any meetings of 'Outside Bodies' to which the Member has not been appointed or nominated by the Council as its representative.

(c) Meetings of the Governing Bodies of Schools.

HARROW COUNCIL PAY POLICY STATEMENT 2023/2024

Introduction
In compliance with the statutory provisions of the Localism Act 2011 and in support of openness and transparency in accordance with Local Government Transparency Code 2015 this statement outlines the Council's policy on pay and benefits for Council employees (excluding Schools)[1] and specifically for its lowest paid employees, Chief Officers and Senior Management.

This Pay Policy is reviewed annually and agreed at Full Council.

Updates November 2022:

Annual Pay Award 2022
The 2022-23 national pay award negotiations for Local Government Services ('Green Book') employees, Officers and Chief Officers have concluded and the following details of the pay award were agreed with effect from 1 April 2022:

- Local Government Services ('Green Book') employees received an Outer London flat rate pay increase of £2,229.
- Chief Officers received a pay increase of £1,925.
- Increase in allowances by 4.04%.
- In addition to the increase in pay and allowances, Local Government Services ('Green Book') employees received a permanent increase of one day (pro rata for part-timers) to their annual leave entitlement from 1 April 2023.

Harrow pay scales have been increased accordingly backdated from 1 April 2022.

Additional Day's Leave
Those eligible for the pay award (backdated to 1 April 2022) and the additional one day's annual leave from 1 April 2023 are:

- Staff directly employed by the council.
- Staff working on a part-time basis who will receive a pro-rata equivalent of the pay award and annual leave.
- Agency Staff who:
  - Are engaged under PAYE employment type.
  - Have reached parity pay (engaged by Harrow for more than12 weeks)
  - Have an hourly rate of pay that is based on the Harrow PayScale.

[1] The Pay Accountability provisions of the Localism Act 2011 do not apply to the staff of local authority schools and therefore teaching staff do not need to be brought within the scope of this pay policy statement.

Please note: Agency workers paid an hourly rate higher than the pay grade of the post they occupy are not eligible for the pay award. If you have any questions, please email Harrow@pertemps.co.uk.

London Living Wage update 2022-2023

From 22 September 2022, the London Living Wage foundation increased the London Living Wage from £11.05 per hour to £11.95 to be implemented as soon as possible from September 2022 or at the latest from 14th May 2023.

Harrow Council is a fully accredited London Living Wage employer having paid the London Living Wage hourly rate to its lowest paid employees since 2013.

Harrow Council's lowest paid employees are currently paid on the first point of Harrow pay scales at £12.27 per hour, higher than the London Living Wage of £11.90 per hour, backdated from April 2022.

Following agreement of the National Joint Council's annual pay award, Harrow's lowest spinal points are no less than the current London Living Wage from 1 April 2022.

Context

The Council's vision is 'Restoring Pride in Harrow" and is focussed on this overarching vision to support delivery of the Council's work through a refreshed Corporate Plan. This means that all actions and service delivery will be embedded in this new vision, whether it be handling customer enquiries, cleaning the streets or new initiatives; everything should be able to show that residents are at the heart of the way we do things.

Over the course of three years, the following new priorities will help to deliver the Council's new vision:

- A council that puts residents first
- A borough that is clean and safe
- A place where those in need are supported.

Together, this vision seeks to deliver a well-run Council that provides good value for money. It will put residents first by treating them as valued customers and deliver high standards of service. Improving the environment and the Council's enforcement approach will help make Harrow clean and ensure residents feel safe and, where people need support the most, our services for vulnerable residents and families will be made more accessible.

Working closely with partners, voluntary and community groups will not only play a vital role in making Harrow a pleasant place to live, work and visit – it will help create a better sense of pride in the borough and improve the quality of life for many people.

In determining its grading structure and setting overall pay levels for all posts, set out in this Pay Policy, the council takes into account the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community and to be able to deliver those services effectively and efficiently.

As a Council we are committed to ensuring equality and diversity is integral to everything we do so our Pay Policy seeks to reduce income inequality and ensure that the pay, terms and conditions of Council employees comply with the Council's duties under the Equality Act 2010. Additionally, the Council recognises that a significant proportion of our workforce lives locally and that therefore our Pay Policy helps support a strong local economy of diverse residents.

Background

Modernising Terms & Conditions Review 2011/12

In 2011/12 the Council undertook a review of pay and terms and conditions for employees and in 2012 the Council reached a collective agreement with the relevant recognised trade unions, which established new pay and terms and conditions for all employees covered by this Pay Policy, including those of senior management, from January 2013.

The collective agreement is published online: collectiveagreement (harrow.gov.uk)

The changes introduced through the collective agreement included the following key provisions:

- Revised grading structure so that the Council's lowest paid employees are paid not less than the London Living Wage.
- A scheme making incremental pay progression subject to satisfactory performance
- Reduced enhancements for overtime or weekend working except for Bank Holidays and night work
- Reduced redundancy compensation payments
- Improved salary sacrifice schemes and other employee benefits

Prior to this in July 2005, the Council implemented the Single Status agreement. Full time hours of work were changed to 36 hours[2] per week for all employees and the salary grades were changed from NJC 'H' Grades to GLPC 'G' grades. London Weighting was incorporated with Basic Pay as part of this exercise.

Council Pay Rates / Scales

The Council considers it important to be able to locally determine pay rates to underpin Harrow's priority to ensure value for money to residents, whilst understanding the current challenges around cost of living. The Council benchmarks its pay rates with other London Boroughs to ensure that it is able to recruit and retain qualified and competent employees and to be able respond to regional and local labour market conditions.

The Council applies the national (JNC/NJC) GLPC national and regional pay award agreements to our locally determined pay scales. The Harrow pay structure applies to all staff with the exception of a small amount of staff such as TUPE transferred staff who have not yet been integrated on to the Harrow pay structure, Educational Psychologists[3] and some centrally employed teaching staff[4]

[2] Some ex manual workers work 36 hours plus 4 hours contractual overtime to 40 hours per week.

[2] Educational Psychologists are paid according to the national Soulbury Committee terms and conditions - annually at 1 September

[4] Teachers are paid according to the national Teachers Pay and Conditions pay scales – annually at 1 September, except for centrally employed music service teaching staff who are paid on locally determined Harrow terms and conditions.

The pay scales are revised annually from April 1st of each year. The officers and managers scales are published online: [Officer's Pay Scales 2022]

Remuneration of Senior Management (Chief Officers)

The Council defines its senior management as the top tiers in the management structure. This includes the Chief Executive, Corporate Directors, Directors and Divisional Directors, comprising all statutory and non-statutory Chief Officer posts.
All Chief Officers are appointed by Members through the Chief Officer Employment Panel. (COEP). Additionally, the Chief Officer's employment panel has the authority to approve remuneration packages of £100,000 or over for any Council post.

The Council may, in exceptional circumstances, employ senior managers under contracts for services.

The senior management structure is published online
www.harrow.gov.uk/seniormanagementstructure

Senior management pay is published online: Senior Manager's Pay March 2021-22

Remuneration of Lowest Paid Employees
The Council defines its lowest paid employees as those paid at the lowest pay spine column point on the lowest Harrow pay grade.

The Council's lowest paid employees are paid not less than the London Living Wage.

Harrow Council increased its lowest points of scale to the London Living Wage during the implementation of a collective bargaining agreement in 2013. There was a temporary hiatus in the payment of the LLW in 2014, when due to financial constraints in local government Harrow Council adopted a pay freeze.

Harrow is fully accredited by the Living Wage Foundation as a London Living Wage employer. Since 2015, the Council increased the lowest points on its salary scales to meet the London Living Wage and has continued to pay the London Living Wage to directly employed staff consistently to date. Recently the Council has fulfilled the requirements for accreditation by extending the London Living Wage to agency procured staff paid on Harrow pay scales.

Pay Multiple

The 'pay multiple' is the ratio between the highest paid employee's pay and the median average pay of the Council's workforce and is currently 1:6. The Council's highest paid post is the Chief Executive (Head of Paid Service)

Pay Grading

In 2004 the Council entered into a single status agreement with its recognised trade unions, introducing common job evaluation schemes[5] and pay scales for the Council's former manual workers, administrative, professional, technical and clerical employees with the exception of Education Psychologists, Nursery Nurses, Youth & Community Workers, Chief Officers and the Chief Executive.

[4] The Greater London Provincial Council (GLPC) Scheme is used for all Harrow graded jobs and the Hay Scheme for senior professional and managerial jobs.

In 2007 job evaluation was extended to include Chief Officers using independent Hay Group Job Evaluation process

From April 2013 the Council took over specific public health functions from the NHS and staff transferred from the NHS to the Council on NHS grades and pay scales. New public health posts are being recruited to on the local government grades and pay scales.

National / Regional Pay Agreements

The Council supports the national (JNC/NJC[6] and Soulbury) and regional (GLPC) collective bargaining arrangements for pay and conditions of service and the pay scales for all employees, including the Chief Executive and Chief Officers, are increased in line with national and regional pay agreements. Some conditions of service are negotiated locally.

Pay on Appointment

All employees, including Chief Officers are normally appointed on the lowest pay spine column point for their job evaluated grade. In exceptional circumstances employees may be appointed at a higher point within the evaluated grade. Instances where to attract the most experienced and sought-after skills for the good of the Council and where there is competition or shortages across London Boroughs may determine a higher starting spinal point.

The Council delegates authority to the Chief Officers' Employment Panel to make recommendations to Council on the appointment of the Head of Paid Service, (Chief Executive) and make appointments of Chief Officers in accordance with the Council's Pay Policy.

The Council's delegations to the Chief Officers' Employment Panel also include, determination of any remuneration package of £100,000 or greater. Remuneration packages of £100,000 or greater are also reported to full Council.

Pay Progression

All employees are able to incrementally progress through the pay spine column points for their job evaluated grade.

Progression will normally be one increment (pay spine column point) on the 1st of April each year until they reach the top of their grade. During the first year of service, employees who start between 1st October and 31st March will receive their incremental progression after 6 months service

.

The criteria for pay progression for all staff is subject to satisfactory performance and can be withheld if there is a current sanction such as a written warning in place or where performance is being addressed through formal procedures.

Progression for Chief Officers is subject to the following qualifications:

i. Increments may be accelerated within a Chief Officer's scale at the discretion of the council on the grounds of special merit or ability.
ii. An increment may be withheld following an adverse report on a Chief Officer (subject to that Chief Officer's right of appeal). Any increment withheld may be paid subsequently if the Chief Officer's services become satisfactory.

[6] Joint Negotiating Committee / National Joint Council

Performance Related Pay
Council employees including the Chief Executive and Chief Officers do not currently receive performance related payments or bonuses. However, the Council's employment policies and procedures are reviewed on a regular basis in the light of service delivery needs and any changes in legislation etc.

The Council operates a Reward and Recognition Scheme for employees who, subject to meeting the criteria of the scheme, may receive payments of £250 or £500. Details of Reward and Recognition payments to senior management are published online: Senior Managers Pay 2021-22 (harrow.gov.uk)

Other Payments

The Head of Paid Service may authorise other payments as necessary, in accordance with the Council's delegations.

Details of any other payments to senior management are published online: Senior Managers Pay 2021-22 (harrow.gov.uk)

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Market Supplements

The Council may apply market supplement payments to jobs with recruitment or retention difficulties. Market supplements are applied following a robust evidenced business case that meets criteria defined in the Market Supplement policy and agreed by the Corporate Director, Director of HR and the portfolio holder of the directorate. Details of market supplement payments to senior management are published online: Senior Managers Pay 2021-22 (harrow.gov.uk)

Fees for Election Duties

The Council's policy for payment of fees for election duties is published online: Election fees and Charges.

The Council's Director of Legal and Governance is the Returning Officer for Harrow Elections.

Details of fees for election duties paid to senior management are published online: Senior Managers Pay 2021-22 (harrow.gov.uk)

Pension

All eligible employees are auto enrolled into the Local Government Pension Scheme and employees who remain in the Scheme receive benefits in accordance with the provisions of that Scheme as applied by the Council. Details of the Council's policy and decisions in respect of discretionary elements of the Scheme are published online:

- Harrow Pension Fund - Policy on Discretions
- Microsoft Word - Annual Report and Pension Fund Final Accounts 2020-21 FINAL (harrowpensionfund.org)

From April 2013 the Council took over specific public health functions from the NHS and staff who transferred from the NHS to the Council and were members of the NHS Pension Scheme continue to be members of that Scheme and receive benefits in accordance with the provisions of that Scheme.

Centrally employed teaching and education services staff who are eligible to join the Teachers' Pension Scheme (TPS) are auto enrolled into the TPS. Existing staff including music service Teaching staff continue to remain in the TPS and to receive benefits in accordance with the provisions of that Scheme.

Other Terms and Conditions of Employment

The pay, terms and conditions of council employees are set out in employee handbooks. Handbooks are produced for all employees, including managers, Chief Officers and the Chief Executive.

Payments on Termination of Employment - Redundancy

In the event that the Council terminates the employment of an employee, including a Chief Officer, on the grounds of redundancy or efficiency of the service they will be entitled to receive compensation and benefits in accordance with the Council's Redundancy and Early Retirement schemes, which are published online:

- Harrow Pension Fund - Policy on Discretions

The Council's Redundancy scheme was changed as a result of the modernising review and compensation payments to employees reduced in 2014 and 2015.

The method of calculating redundancy payments is based on the Statutory 30 week table using age and service years to calculate redundancy payments using a multiplier of 1.5 x actual weekly pay.

Further information on the scheme is published online: Red Payments Agreed

The Council's delegations to the Chief Officers' Employment Panel, include determination of any payments on termination of £100,000 or greater.

Severance payments or remuneration packages of £100,000 or greater are also reported to full Council.

Details of compensation payments paid to senior management are published at:
Senior Managers Pay 2021-22 (harrow.gov.uk)

Re-employment of Employees
Section 7 of the Local Government and Housing Act 1989 requires that every appointment to paid office or employment in a local authority shall be made on merit.

Should a successful candidate be in receipt of a redundancy payment the Council will refer to the provisions of the Redundancy Payments (Continuity of Employment in Local Government etc.) (Modification) Order 1999 (as amended) regarding the recovery of redundancy payments.

The rules of the Local Government Pension Scheme also have provisions to reduce pension payments in certain circumstances to those who return to work within local government service.

Redundancy Payments will be affected if an employee receives an unconditional offer of employment from this or any other Local Authority (or any other employer covered by the Modification Order), on or before their last day of service with this Council **and** takes up such employment within 4 weeks of their last day of service.

If an employee in receipt of an augmented pension (i.e. pensions attributed to an award of compensatory added years) from the Council is re-employed, the augmented pension will cease during the period of re-employment.

Further Information

Harrow's annual Pay Policy Statement will be published on the council's website. For further information on the Council's Pay Policy please contact the Council's Human Resources Service by email to askhr@harrow.gov.uk

INTRODUCTION

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.

The flexibility was initially offered to the sector for the three financial years 2016/17 to 2018/19. In December 2017, the Secretary of State announced, alongside the provisional local government finance settlement, the continuation of the capital receipts flexibility programme for a further three years, covering 2019/20 to 2021/22. The flexibility has been extended on numerous occasions and is currently in place until 31 March 2025.

Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

Local authorities are given the power to use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered, to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform.

The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings to an authorities', or several authorities, and/or to another public sector body's net service expenditure.

Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

EXAMPLES OF QUALIFYING PROJECTS

There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;

• Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and

RULES OF QUALIFICATION

Local authorities cannot borrow to finance the revenue costs of service reform.

For any financial year the Strategy (“the initial Strategy”) should be prepared before the start of the year.

The authority should prepare an annual strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full Council or the equivalent.

Set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

All services must ensure that they have adequate available resources to maintain the ongoing revenue requirement for all capital projects.

Where possible, the Council will be looking to fund the revenue costs from within revenue resources and therefore the use of capital receipts will only be utilised where all other funding streams have been exhausted.

STRATEGY FOR USE OF FUNDS

Where the Council is looking to capitalise pump priming costs, additional surplus assets may be identified and sold.

The council will have due regard to the requirements to the Prudential Code and the impact on the prudential indicators. Capital receipts from the sale of assets are not built into the Council's current capital programme and so the utilisation of receipts for capital receipts flexibility will not have a detrimental impact on the Council's prudential indicators, as set out in the Council’s Treasury Management Strategy.

All schemes which are eventually deemed to qualify under this programme would have the required costs funded through capital receipts rather than revenue funding streams.

Approval of projects and allocation of funds arising from the use of flexible capital receipts will be at the discretion of the Section 151 Officer.

Any revenue expenditure, which falls within the criteria of qualifying expenditure, can be attributed as eligible for applying against capital flexibilities where this expenditure leads to ongoing efficiency savings or service transformation.

The 2023/24 MTFS includes a budget of £1.250m to fund the Regeneration Team. The nature of this spend meets the capital flexibility criteria and the team will be funded under the capital flexibilities scheme. The £1.250m provision/cost has been offset by a corresponding credit which will result in the cost being removed from the budget and funded by capital receipts. The sum is re-instated in 2025/26 when the scheme is currently intended to end.

In addition, there are also a number of revenue costs in 2023/24 associated with the implementation of revenue budget savings and therefore, where a revenue cost arises which meets the rules of qualification set out in the strategy, these costs might also be funded from capital receipts. The costs will be associated with the savings set out in Appendix 1A.

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Question 1

Please provide your postcode, or if you prefer, the first four characters from your postcode.

This question has been answered 230 times.

View Responses Quick Report

Question 2

Given the extent of the savings required, overall do you agree with the Council's proposed draft budget?

Strongly Agree	7
Agree	60
Disagree	71
Strongly Disagree	92

View Responses Quick Report

Question 3

Given the Council's funding situation, do you agree with the Council's proposal to increase Council tax by 4.99?

Strongly Agree	9
Agree	48
Disagree	51
Strongly Disagree	122

View Responses Quick Report

Question 4

In what capacity are you taking part in this consultation?

I live in Harrow	225
I am responding for someone who lives in Harrow but do not live here myself	2
I am responding as an individual but do not live in Harrow (for example I work for Harrow Council)	1
I am providing the official response of an organisation, group or business based in Harrow	2

View Responses Quick Report

Question 5

Do you have specific comments, views, ideas or points to make about the budget in general or any of the proposals in the budget in particular?

This question has been answered 135 times.

View Responses Quick Report

Question 6

After reading our proposals, can you think of other, better options for saving money, reducing spending or limiting provision in Harrow's services, or ways to increase our income through commercial or other projects?

This question has been answered 141 times.

View Responses Quick Report

What is your age group?

Under 16	0
16-24	3
25-44	70
45-64	98
65+	42

View Responses Quick Report

Disability

Are your day-to-day activities limited because of a health problem or disability which has lasted or is expected to last at least 12 months?

No	191
Yes, affecting mobility	8
Yes, affecting hearing	1
Yes, affecting vision	3
Yes, a learning disability	1
Yes, mental ill-health	11
Yes, another form of disability	4

View Responses Quick Report

Marriage or Civil Partnership

Are you married or in a civil partnership?

Yes	151
No	64

View Responses Quick Report

Pregnant or Maternity

Have you been pregnant and / or on maternity leave during the past 2 years?

Yes	8
No	203

View Responses Quick Report

Sex

What is your sex?

Male	127
Female	88

View Responses Quick Report

Is your gender identity the same as the gender you were assigned at birth?

Yes	209
No	0

Sexual Orientation

Bisexual	2
Gay Man	2
Gay woman/Lesbian	0
Heterosexual	152
Other	5

View Responses Quick Report

Ethnic Origin

Asian or Asian British

Afghan	0
Bangladeshi	3
Chinese	1
Indian	62
Pakistani	3
Sri Lankan	6
Other Asian background:	11

View Responses Quick Report

Black or Black British

African	3
Caribbean	2
Somali	1
Other Black background:	4

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Mixed Background

White and Black African	0
White and Black Carribean	1
White and Asian	1
Other mixed background:	1

View Responses Quick Report

Other ethnic background

Arab	0
Other ethnic backgrounds:	6

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White or White British

English	68
Irish	6
Polish	1
Romanian	1
Scottish	3
Welsh	1
Irish Traveller/Gipsy	0
Other white background:	7

View Responses Quick Report

Religion and belief

Buddihism	1
Christianity (all denominations)	49
Hindusim	24
Islam	5
Jainism	3
Judasim	6
Sikhism	4
Zoroastrianism	0
No religion/Atheist	27
Other religion:	9

View Responses Quick Report

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Employees' Consultative Forum

Minutes

11 January 2023

Present:

Chair:	Mr D Searles	
Councillors:	David Ashton Susan Hall Graham Henson Paul Osborn	Mina Parmar David Perry Natasha Proctor
Teacher Representatives:	Ms M Lambie	- NEU
Unison Representatives:	Ms S Haynes	Mr J Royle
GMB Representative:	Ms P Belgrave Ms A Jones	
Absent:	Anne Lyons	

Recommended Item

9. Draft Revenue Budget 2023/24 and Medium-Term Financial Strategy 2023/24 to 2025/26

The Forum received a report of the Director of Finance and Assurance which set out the draft revenue budget for 2023/24 and draft Medium Term Financial Strategy (MTFS) for 2023/24 to 2025/26 and had been considered by Cabinet on 8 December 2022. The budget and MTFS would be submitted to Cabinet in February 2023 for approval and recommendation to Council.

The Portfolio Holder for Finance and Human Resources introduced the report which showed a budget gap of £10.923m for 2023/24, a balanced budget position for 2024/25 and a budget gap of £10.964m for 2025/26. The indicative Local Government Financial Settlement that had been announced on 19 December 2022 had been substantially worse than expected and the objective was now to optimise the resilience of the Council moving forward and to minimise the use of reserves. The Portfolio Holder explained that the challenge was that most of the Council's resources were from Council Tax and that whilst the Council would like to reduce Council Tax this was not currently practical and, taking advantage of the new flexibility, it was proposed to increase it by 4.99% in 2023/24.

The Portfolio Holder advised the Forum that another challenge in the budget was that the inflationary expectations had been set in February 2022 but had been much higher than had been anticipated. The draft budget before the Forum contained reasonable assumptions in terms of salaries moving forward. Whilst it been difficult to prepare the draft budget for the next financial year, he advised that it would even more challenging in years 2 and 3.

In response to a question from a Unison representative in relation to the £10m shortfall in the budget and service standards for residents, the Portfolio Holder advised that he hoped that they would not be impacted but that there was a delicate balance. One of the Council's priorities was to put residents first and therefore improve services.

The representative of Unison questioned the impact on staffing levels and the potential programme for redundancies and restructures and was advised that there was currently no programme. The Portfolio Holder advised that approximately 23% of the Council's staff were agency which was costly. His preference was to have permanent staff in posts which would encourage loyalty both ways. In response to a question in relation to long term agency staff and whether they would be offered permanent jobs, the Forum was advised that this would be subject to a number of factors but jobs would be offered if appropriate.

The Leader of the Council advised that the Administration was considering the senior management structure in terms of the spans of control and reducing duplication with a view to making savings. There were, in his view, too many layers at the top of the organisation. He added that he was also keen to have an apprenticeship programme and that it had been disappointing to have returned funding allocated for the apprenticeship levy.

Further to the comments made by the Portfolio Holder and Leader of the Council, the Chief Executive explained that the workforce was a major cost hence his intention to review and restructure the Council's management structure commencing in February 2023. The current cost of agency staff was £30m but that it should be possible to reduce this through the 'churn' of staff in the organisation. In addition, the development of a workforce strategy and the appraisal process would lead to employees being better looked after. Training and development would also be part of this work as the Council had an aging workforce and it was necessary to commence planning for the next generation. The Chief Executive advised that, whilst not totally comparable, the apprenticeship scheme at his previous Authority had paid for itself as the levy had met the costs of the training and the organisation's establishment had met other costs. The retention rate had been 97-98% of apprentices and this had resulted in a change in both the face and the dynamic of the Council.

A representative of the GMB questioned whether the proposal to reduce the costs of the managerial level by 10% was still on the table, secondly, if the freeze on recruitment before hiring would continue and also require the approval of the Chief Executive before recruitment could commence and also whether the Chief Executive still believed that the reduction at managerial level could be done via natural wastage. The Chief Executive responded that the recruitment freeze remained in place and, subject to Council approval, the 10% reduction was proposed but that there would be some natural wastage. He was aware however that there may be unintended consequences on some individuals. The process for sign off for recruitment to specific roles would continue to be via the Director, Section 151 Officer and Chief Executive.

In response to a question as to whether consideration was being given to the outsourcing of Council services, the Chief Executive stated that whilst currently there were no plans it was important to keep services modern and improving. The Leader of the Council added that from the Administration's perspective there were no plans to outsource and that his experience of outsourcing was not positive. The Council had a challenging budget situation but he was optimistic that the existing workforce would help to deliver a balanced budget. The Portfolio Holder advised that in terms of service delivery, the best options would need to be considered and that out sourcing could not be ruled out.

Representatives of Unison questioned where the 10% reduction in the managerial level would be taken from and the Chief Executive advised that work with Directors was underway and that there were numerous interim post holders in leadership positions. This work would include revisiting all D and M grades. A representative of Unison challenged that the redundancy of senior graded officers would come at a cost and savings might not be seen for several years. The Chief Executive explained that the size and composition of the leadership cohort needed to be correct and result in an effective Council. The Leader added that it was a 3 year budget and he wanted to get ahead in the process and to give staff some certainty/ stability.

In response to a question as to whether an improved settlement from government could be achieved as it had historically been low, the Leader of the Council advised that whilst the Administration would try he did not envisage local government funding increasing, particularly in London. Union representatives and Council side representatives acknowledged the financial pressures on residents and that some may struggle to pay their Council Tax. It was noted that the Council had a 98% Council Tax collection rate and that Council Tax Support Scheme was available to some residents, although some may fall just outside the threshold for assistance which would prove challenging for those affected.

A Member stated that whilst he and his colleagues had had the opportunity to consider the draft budget and would be asking questions at both Cabinet and Council there were currently large gaps and the 10% reduction in managerial staffing would not meet this shortfall. In his view, the detail of the budget would impact on staff but he acknowledged that the Leader of the Council had offered to speak to the Overview and Scrutiny Committee once the detailed budget was available. The Leader confirmed that he was happy to have a further discussion with both Scrutiny Members and the Unions on the final proposals and that he was keen to work together and to listen to the workforce about savings suggestions. The Portfolio Holder endorsed this sentiment and also encouraged union colleagues to attend the Pension Fund Committee as the discussions impacted on staff.

Resolved to RECOMMEND: (to Cabinet)

That report be noted and the Forum’s comments be submitted to Cabinet for consideration.

Harrow Business Consultative Panel

Minutes

23 January 2023

Present:

Chair:	Councillor Norman Stevenson	
Councillors:	Natasha Proctor	Sasi Suresh
Absent:	Councillor Samir Sumaria	

Resolved Items

30. Draft Revenue Budget 2023/24 and draft Medium Term Financial Strategy 2023/24 to 2025/26

Members received a report from the Director of Finance which set out the Council's proposed Draft Revenue Budget for 2023/24 and the draft Medium Term Financial Strategy (MTFS) for 2023/24 to 2025/26. In a presentation to the report, the Director of Finance provided a high-level overview of the budget consultation requirements and the process for setting the draft budget and MTFS. The following key points were highlighted:

- Harrow Council's financial position remained extremely challenging
- A Council Tax increase of 4.99% for 2023/24 was being proposed. This was expected to decrease by 1% per annum for 2024/25 and 2025/26 to 3.99% and 2.99% respectively
- Despite significant inflationary pressure, the Council had an obligation to maintain investment in statutory services such as Children's.

- The Council's budget gap for 2023/24 was estimated at £10.9m

- A number of actions required to achieve a legally balanced 3-year MTFS were being undertaken and would be presented to meetings of Cabinet and Full Council in February.

No questions were raised by Members on the presentation. However, before moving on with the discussion, the Chair clarified that the increase in Council Tax would be decided at the Full Council meeting on 23 February 2023.

The meeting continued with a presentation from the Divisional Director for Collections and Benefits on the revaluation of commercial property and impact to Harrow Business. The following key points were highlighted:

- Despite significant variations in valuations across London regions and business sectors, the overall Harrow rateable for 2023/24 was 8.3% which was below inflation for the year.

- Large package of support was available to business rates payers to support revaluations. This included a multiplier which was frozen for 2023/24; a transitional relief scheme, which would see most of Harrow's small and medium businesses having their business rates bills increases capped at between 5 and 15% depending on the size of the rateable value; a retail relief scheme where any in-person business will be able to receive 75% relief from the net rates payable (which will be worth £12m to businesses in Harrow on top of other support packages); supporting small business relief ensuring no eligible small business pays more than £600 in business rates extra compared to the previous year.

- Businesses would be able to challenge revaluations if they think their rateable value has unfairly increased by appealing to HMRC's Valuation Office Agency. Normal business rates would continue to apply until a decision on the appeal had been made and a new value set.

The Chair thanked officers for their presentation and invited questions from Members and Local Representatives. Following comments and questions from, the Panel was advised that:

- Compensation from lost business rates retention revenue was expected to be between £6-8m, as set out in the draft budget report. Officers offered assurance that Harrow was in a good position with any funds lost from retention of business rates would be regained through Section 31 grants.

- Responding to a question on the Council's energy budget and plans to decarbonise, officers advised that the Council was exploring several initiatives to reduce significant energy cost pressures and achieve carbon-neutral targets. Engagement with local businesses was seen as key part of the process and their views were welcomed.

- A Member commented on the sequence of committee meetings and suggested that in future Harrow Business Consultative Panel be scheduled after the Budget was published so that specific questions could be raised by businesses ahead of consultation.

- A meeting of the 'Wealdstone Change For All' group was scheduled in February and could discuss possible options for increasing pedestrian footfall to the Harrow and Wealdstone district centre. Businesses and local ward councillors were invited to attend.

- A number of forums existed that provided a platform for local businesses to engage in consultation such as Harrow's Traders Associations in local district centres and a quarterly Business Forum. Business could also sign up to the Council's monthly newsletter and raise any questions/concerns through their ward councillors.

- Further details on the Council's budget were set out in the report to the agenda for this meeting and any queries could be raised with the Director of Finance.

The Chair thanked officers and business representatives for taking part in the meeting and noted the huge amount of work the Council had done so far to support local businesses and put residents first.

RESOLVED: That the report be noted.

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Report for:	**Cabinet**
Date of Meeting:	16 February 2023
Subject:	Housing Revenue Account Budget (HRA) 2023-24 and Medium-Term Financial Strategy (MTFS) 2024-25 to 2025-26 and HRA 30- year Business Plan
Key Decision:	Yes
Responsible Officer:	Dipti Patel - Corporate Director of Place; Dawn Calvert - Director of Finance; David McNulty - Divisional Director of Housing
Portfolio Holder:	Councillor Mina Parmar-- Portfolio Holder for Housing; Councillor David Aston - Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – HRA Budgets 2023-24, 2024-25 and 2025-26 Appendix 2 – Average Rents and Service Charges Appendix 3 – Garage, Parking charges and Facility Charges Appendix 4 – Water charges Appendix 5 – Community Halls Charges Appendix 6 – HRA Capital Programme – 2023-24 to 2027/28 Appendix 7a-7b HRA Business Plan Assumptions and Summaries

Section 1 – Summary and Recommendations

This report sets out the proposals on the Housing Revenue Account (HRA) budgets and rent setting for 2023-24, the Medium-Term Financial Strategy (MTFS) for 2024-25 to 2025-26 and the update on HRA 30-year Business Plan.

Recommendations:

Cabinet is requested to:

1) Approve proposed average weekly rent for general needs and sheltered accommodation of £132.00 and £113.52 for 2023-24 respectively as set out in paragraph 32 and Appendix 2.

2) Approve proposed average weekly rents for affordable and shared ownership properties of £197.49 and £210.64, which reflect increases of 7% in line with the national rent policy for social housing -paragraph 33 and 35

3) Approve a five-year HRA Capital programme of £181,228,214 made up of £52,965,240 planned investment, £54,617,799 Building Council Homes for Londoners (**BCHfL**), £212,249 Grange Farm phase 3, £2,615,000 Grange Farm Infrastructure, £70,817,926 Homes for Harrow Phase 2 as set out in paragraphs 59 to 65 Appendix 6.

4) Approve the HRA 30-year Business plan and assumptions (appendix 7 and 7a paragraphs 66 to76).

5) Approve the flexibility under the Governments Rent Policy, to allow void properties to be re-let at formulae rent plus 5% and 10% for general needs and sheltered properties respectively as set out in paragraph 34.

6) Approve proposed average weekly general need service charge of £8.22 and sheltered services charges of £16.95 per week. The charges proposed reflect the outcome of the service charge review as set out in paragraph 38 and appendix 2.

7) Approve proposed average weekly services charges for affordable and shared ownership properties of £15.86 and £8.91 respectively as set out in appendix 2.

8) Approve an average weekly facility charge of £30.77 for sheltered properties The charges proposed reflect the impact of significant increases in utility costs (paragraph 41).

9) Approve an average weekly heating charge for general needs properties of £18.77 (as per paragraph 41).

10) Approve an increase of up to 7.5% to water charges as set out in paragraph 40 and Appendix 4.

11) Approve weekly parking spaces and garage charges of £10.16 and £15.55 respectively as set out in paragraph 39 and Appendix 3.

12) Approve a 10% increase to the 2022/23 hourly hire charges applied to Community Halls as set out in Appendix 5.

13) Approve the use of S106 Affordable Housing contributions held by the Council for the purpose of providing affordable housing as part of the Council funding for the development of this 100% affordable housing scheme

14) Cabinet recommends that Council approve:
    a. HRA Budgets for 2023-24; Appendix 1)
    b. HRA capital programme (Appendix 6)

Reason (for the recommendation): To approve the recommendations herein to ensure the viability of the HRA and the proposed HRA capital programme for 2023-24 and the MTFS for 2024-25 to 2025-26. (The 30-year HRA business plan has been refreshed and updated to reflect the new budget and MTFS requirements).

Section 2 – Report

1. The Council has a statutory obligation to agree and publish the HRA budget for 2023-24, and approval for this will be sought by Council on 23 February 2023.This report sets out the budget proposals for 2023-24 along with the MTFS to 2025-26, and indicative income and expenditure for the HRA for this period. It sets out how the income collected will be invested in the priority areas identified for housing by the administration. It provides an update to the refreshed HRA Business Plan, along with highlighting the key assumptions required to reflect national policies and financial impacts to the HRA. It sets the rate for rent and service charges for the retained housing stock of around 4,800 homes currently available to let and 1,200 leasehold properties with approximately £33m in rent generated annually.

2. The HRA reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, which records all revenue expenditure and income relating to the provision of council dwellings and related expenditure. The Council has a statutory responsibility to set a balanced HRA budget. The budgets for 2023-24 to 2025-26 show minimum reserves are maintained after factoring provisions for risk associated with development of new build programme in 2023-24 totalling £1.2m.

3. The HRA budget is set each year in the context of the 30-year business plan. The Business Plan is a statutory requirement used to assess the ongoing financial viability of the HRA and its ability to deliver the Council's housing priorities.

4. The business plan assumptions are reviewed annually to determine whether any aspects of the strategy need to be revised, allowing for horizon scanning and the

identification and mitigation of business risks in the short, medium, and long term. Sensitivity analysis is undertaken to ensure effective contingency plans are considered and that appropriate reserves are maintained regards any change in the business plan assumptions.

5. The business plan projections reflect the income and expenditure required to manage the Council's landlord functions and, at the same time, work towards the Council's objectives in investing in existing tenants' homes and creating capacity to fund the development of affordable homes for rent.

6. This report highlights areas to be noted of the HRA business plan and options considered for future budget strategy. The HRA business plan provides long-term financial forecasts resulting from the implications of the Council's spending, investment, and rent-setting decisions, based on the authority's current income, assumptions on how costs and income might change in the future to illustrate what the authority can reasonably expect to happen, using the best available information.

7. The HRA budget in 2023/24 establishes a strategic framework to invest in:

- **Homes which are safe and secure for all residents:** It provides for investment in the properties so that the Council meets its statutory duties in relation to health and safety compliance and improves homes with over £8million per year provided for planned capital investment. The Council has made significant investment to date in its fire safety programme and this budget provides for this to continue and for investing in strengthening its approach regarding the issue of damp and mould.

- **Reducing carbon emissions:** the Council is committed to reducing carbon emissions across the borough. The budget and business plan provides for investment in its properties to improve the thermal efficiency of its own housing stock and bid for government grant. Our strategy for investment seeks to maximise capital contribution through grants, we therefore plan with a view to deliver a strong business case that aligns with the prerequisites of the different external funding streams available on an annual basis. Where funding is not obtained, the base plan with 100% local authority investment is still in place to meet decarbonisation targets to 2030. The investment set out within the 5-year capital programme will enable the Council to provide match funding towards the government grants that become available and to achieve an Energy performance certificate (EPC) C target as an average by 2030.

- **Improving Customer Service:** the budget will provide additional resources for phase 2 of the Housing IT systems transformation. £600k will be invested in this area in 2023-24. This will improve the way in which customers can report repairs and access their rent account.

- **New affordable homes:** the HRA provides the basis on which the Council can increase the supply of new affordable housing in Harrow over the next 5 years. Given the current cost pressures in construction the Council has reviewed the programme to maximise the amount of new housing which the HRA can afford to provide in line with its updated 30-year business plan. This investment will enable the Council to adopt a strategic approach to managing its housing asset. Over £96 million in borrowing will be provided through the HRA to fund this programme. The delivery of these new HRA homes through the HSDP will create an increase in revenue through rent. This increase in rent is factored into the HRA Business Plan.

Options considered

Rent charges, Service Charges, Facility and Heating Charges

8. In February 2019, following consultation, the government issued a direction on the Rent Standard from 1 April 2020 to the Regulator of Social Housing, to consider the government commitment to a five-year settlement of rent increases using the September CPI plus 1%. This direction brought local authority registered providers within the scope of the Regulator's Rent Standard.

9. However, Government in August 2022 consulted, to introduce a revised and temporary rent cap for 2023-24. The current policy of CPI plus 1% was set at a time when inflation was around 2%. However, CPI for September 2022 was running at 10.1%, which under the current rules would permit social housing rent increases of 11.1%. The Council responded to the consultation, supporting action to protect tenants with their rents, but with the proviso that the loss of rental income be fully reimbursed by government. The Chancellor in his Autumn statement on 17th November 2022 confirmed that a maximum rent cap of 7% would apply for 2023-24, which is designed to strike an appropriate balance between protecting social tenants from particularly high rent increases and ensuring that social landlords can continue to invest in new and existing social housing and provide decent homes and services to tenants.

10. There was no assurance received regarding the resources forgone by a rent increase below the level of inflation, thereby transferring the budget risk to local authorities. The budget is predicated on a rent increase of 7%, the maximum permissible for 2023-24, in order to sustain critical landlord services and deliver on Council priorities.

11. One exclusion announced in the Autumn Statement to the rent cap is in relation to supported housing which was exempted from the 7% cap in recognition of its specialist nature, the higher costs associated with the provision of this type of accommodation and the significant additional support needs of the clientele.

12. In line with Cabinet agreement in October 2018, Tenant service charges, across all tenures were reviewed to reflect the cost of the services. The review has resulted in greater transparency for service charges so that tenants who receive the service will pay the same weekly charge. This has resulted in an average weekly charge, across all tenures, of £9.61, 67% of these tenants are in receipt of housing benefit. Services charges to Sheltered residents include the cost of communal heating provided within their blocks and 88% of these residents are in receipt of housing benefit.

13. Facility charges to sheltered properties and heating charges to tenanted properties are proposed to increase to an average of £28.80 per week. The new charge recovers the increased cost of gas and electricity to the HRA which is estimated to be £1m in 2023-24. Failure to implement these charges would mean full cost recovery would not be achieved.

Alternative Option: Increase rents by less than the Government caps of 7%/11.1% and /or not apply full cost recovery to service and facility charges

14. Rents can be increased by 7% for non- sheltered tenants and for sheltered tenants up to CPI plus 1% (11.1%) under current regulations. Councils have a fiduciary duty to recover costs of services provided. Not doing so would result in the HRA falling below the minimum reserve requirement in MTFS in 2023-24. A reduction by 2% to 5% and 9.1% respectively would mean an estimated loss of income in 2023-24 of £652k and £29m over the 30-year HRA Business Plan. Failure to recover the cost base through service charges would mean the HRA is not sustainable.

Preferred Option:

15. Rents: Following Government guidance, preferred option is to apply rent increases of 7% for non- sheltered tenants and 11.1% (for sheltered tenants). Surpluses in the HRA will be used to support investment in stock and the new build development programme.

16. Services and facility charges: apply charges as set out in paragraphs 38-41 to ensure full cost recovery for services and facilities. This will ensure the HRA can afford to deliver the investment required in existing stock and the provision of New Build units.

Council House Building Programme:

17. The Council continuing with a council house building programme.

Option 1: Continue with new build programme within the HRA

18. This would provide up to 537 new homes across a mix of tenures including affordable rented and shared ownership accommodation as part of the BCHfL programme and Homes for Harrow-Phase 2 within the Council's HRA and partly in collaboration with the Harrow Strategic Development Partnership (**HSDP**).

19. Full utilisation of approved grant and borrowing, would be assumed and tested on an ongoing basis against a suite of assumptions using the HRA Business Plan.

20. Regular review and testing of assumptions would ensure continued viability given changing macro-economic and regulatory assumptions with appropriate mitigations against identified risks.

21. To ensure resources are not over extended and it remains affordable the programme will be expedited in phases with viability reviewed at each stage before starting on the next phase.

Option 2: Reduce the new build programme within the HRA

22. In the event risks around the HRA place core services and investment at risk the new build programme would be scaled back, reducing the number of homes to be built and the costs to be incurred or deferring them until such time as they are affordable to the HRA In this option another Registered Provider would acquire the affordable homes being delivered by the HSDP and the council would rely on having nomination rights to these homes rather than owning and managing them itself. The council would deliver the already approved regeneration of Grange Farm and the small programme of new build homes within the HRA.

Preferred Option

23. Option 1 is the preferred option as it is currently affordable to the HRA and will provide much needed housing supply and securing the longer-term viability of the Council's HRA through an increase in rent.

Background

24. The current economic climate of high inflation has placed severe financial stress on the housing and construction sector. This is reflected in the figures within the MTFS and HRA Business Plan presented in Appendix 7b. The increases in material and labour costs for planned investment works and volatile gas and electricity price, have had to be addressed in the HRA business plan with fees charged to residents increased to reflect the rise in costs and maintain a sustainable position.

25. To ensure that the HRA can afford to deliver the investment required in existing stock and the 519 New Build units the cost of the additional services provided must be fully recovered where possible to ensure that HRA borrowing remains affordable and avoid the HRA falling into a deficit budget position.

26. Given the scale of the new build programme and associated risks the cost base of the HRA must now be kept under constant review to ensure continued viability of the HRA.

Consultation

27. Under s.105 of the Housing Act 1985, the Council is required to maintain such arrangements as it considers appropriate to enable secure tenants to be informed and consulted about housing management matters which substantially affect them. However, rent payable under a secure tenancy or to charges for services and facility provided by the authority are specifically excluded from the definition of housing management; therefore, there is no statutory requirement to consult secure tenants on proposed rent changes. The Council has however, always consulted residents on proposed changes via representative groups. On 26

January 2023 the Council consulted with its Residents Board and throughout February 2023 has undertaken consultation meetings at each Sheltered Housing scheme regards the proposed increase in rent and service charges.

28. The outcome of the review of tenanted service charges is now finalised and the impact included within the HRA MTFS and Business Plan refresh.

Balances

29. HRA revenue balances were £7.236m at 31 March 2022. These include general balances of £5.667m, required to mitigate against one off unforeseen events and are forecast to be £3.724m by March 2025 which is £554k above the minimum balances of 7% in the Business Plan based on 7% of rental income.

30. There are specific reserves to support IT investment and restructuring, repairs, tenants experiencing financial difficulties, and a regeneration reserve to support unexpected client-side costs and risks arising from new build developments. These specific reserves are all within the HRA and are estimated to total £1.319m as at the 31st of March 2023, as shown below:

	31/03/22	2022/23 Movements	31/03/23
	£'000	£'000	£'000
General Reserve	**5,677**	**(2,443)**	**3,234**
Transformation	543	(475)	68
Repairs and Maintenance	278	0	278
Hardship	25	0	25
Regeneration	723	225	948
Specific Reserves	**1,569**	**(250)**	**1,319**
Total Reserves	**7,246**	**2,693**	**4,553**

31. The budgets for the financial years 2023-24 to 2025-26 remain above the minimum requirement of 7% of rental income for each year with expected balances, after a contribution to the regeneration reserve of £1.2m, of £3.059m by March 2026 (See -Appendix 1).

Income

Assumptions supporting main HRA income streams set out below:
<u>Dwelling rents</u>

32. The proposal is to follow the current government guidelines announced in the Autumn Statement to facilitate the investment in housing stock. Based on this, therefore, non-sheltered and sheltered dwelling rents will increase by an average 7% and 11.1% from April 2023 to £132.00 and £113.52 per week respectively.

33. Rents for new build homes are set at affordable rent and are governed by different criteria depending on funding source. The overall average weekly charges (rent

and service charges) are estimated to be £197.49 per week assuming a rent increase 7%.

34. The Government policy statement on rents for social housing, updated 14th December 2022, recognises that authorities should have some discretion over the rent set for individual properties to take account of local factors and concerns. The policy contains flexibility for authorities to set rents at up to 5 %above formula rent (10 % for supported housing and sheltered housing). This will not impact existing tenants only re-lets of social rented properties. In all circumstances, social rents will not be set higher than formula rent plus 5%/10%. The rent would still be subject to a rent cap set by the Rent Policy Statement, so properties remain affordable.

35. On 16 December 2022, the Department for Levelling Up, Housing and Communities (**DLUHC**) wrote to councils with shared ownership stock, in relation to the proposed rent increase for 2023-24. Shared ownership properties are not covered by the 7% rent increase cap but are generally permitted (by virtue of the lease agreement), to increase rents in line with the Retail Price Index (**RPI**) plus 0.5%, which would imply an increase of 13.1% based on the September 2022 RPI rate. Given the circumstances, the department is seeking a voluntary commitment from councils to limit the increase to 7%. On this basis, rents for shared ownership units, assuming the Council retains 65%/75% equity share, are estimated at £210.64 per week on average.

Right-to-Buy sales

36. There have been 11 sales under Right-to-Buy **("RTB**") so far in 2022-23 and a further three are assumed this year with the same expected (14) for 2023-24, then reducing each year to 6 per annum from 2031-32 and the remainder of the Business Plan.

37. The Council continues to retain the capital receipts arising from the sale of Right to Buy properties. In line with the updated retention agreement signed with the Government, receipts must be used within five years to fund a maximum of 40% of spend on the supply of homes for: social rent, shared ownership, and sale as First Homes. It is not possible to combine GLA grant and RTB 1-4-1 receipts to fund new build projects. Failure to utilise these receipts will mean they will be paid to the Government with a high interest penalty. The Business Plan assumes the receipts are fully applied in the next ten years, to eligible projects, and repaid in the latter years.

Service charges: Tenants and Leaseholders

38. Tenants who benefit from specific estate-based services pay a charge to the Council on a weekly basis in addition to their weekly rent charge. Service charges are not subject to the rental increase of 7% and 11.1% but are based on full cost recovery. Following a review of services provided to all residents a shortfall of £1.4m was identified, thus not recovering the full cost of services. Also, we have reviewed the methodology for apportioning the cost to residents which has resulted in an average charge across all tenures of £9.61 (currently £3.70) per week for

tenants, as per Appendix 2. No changes are currently proposed for Leaseholders who are invoiced annually by the end of September for the previous financial year, based on actual costs.

Other Income

39. Rents for garages and parking, which have not been increased since April 2011, are proposed to rise by £1.50 and £1.00 per week respectively to an average of £15.55 and £10.16 per week respectively in 2023/24,as per Appendix 3.

40. We collect water rates on behalf of Affinity Water and Castle Water. This charge is added to some properties in sheltered scheme, in addition to their rent and other charges. The increases of up to 7.5% will be applied to their water charge as per Appendix 4 and is based on an anticipated increase. If actual increase, when known in April 2023, is lower than the anticipated increase being applied of 7.5%, then the lower rate will be charged.

41. Facility charges to sheltered properties are proposed to increase to an average of £30.77 per week from £16.72. These charges are in relation to electricity and heating charges. The charges proposed for these services are driven by the significant increases in gas and electricity prices that have risen by over 600% and 300% respectively over three years. We have factored in a reduction of 30% in consumption. A review is ongoing with other options to reduce consumption since we will be installing thermostat controls in boiler rooms and communal areas and provide energy awareness training to residents and sheltered wardens. Residents of all blocks are being visited to make them aware of the impact of the recent increase charges and actions by management to reduce the consumption. Facility and heating charges to general need properties are to increase by an average of £2.62 to £18.77 per week as per Appendix 3.

42. Charges for community halls hire are set out in Appendix 5 and due to Increase by 10%.

Expenditure

Assumptions supporting main HRA expenditure items set out below:

Employee Costs

43. The budget figures include an estimate of the pay award of 5% for 2023-24 after taking into account 2022-23 pressures ,4% for 2024-25 and 2% for 2025-26.

44. The management structures across housing will be reviewed to ensure that they are fit for purpose, enable the Council to meet its obligations as a responsible landlord and consistent with the wider council restructure. These are expected to deliver efficiencies to the HRA which will in turn improve the base position which will be presented in future revisions of the HRA business plan.

45. Several members of staff spend their time on both HRA and General Fund activities and as a result staff costs are split based on percentages of time relevant to services.

Utility Costs

46. At this time last year when charges were being reviewed, there was significant energy market volatility and uncertainty as to what would happen to prices, albeit some expectation that the market would stabilise over time and a 5% increase was built into the budgets for 2023/4 to be kept under review.

47. However, the situation in Ukraine has significantly exacerbated the position and led to historic energy price inflation not seen in recent times and far beyond earlier predictions. Given rates were set in February 2022, the exceptional circumstances that have emerged subsequently, could not have been foreseen at the time. The impact is that energy costs are running around £1m higher than set out in the budget in 2022-23 and that the current charge rates are significantly below the level required to cover the additional cost, requiring an increase of the order of 84% in facility charges from April 2023. The heating account will fall into deficit by year-end and needs to be managed back into balance over a period of 2 to 3 years.

Central Recharges

48. Costs of support services, which are estimated to increase by 5% p.a. in 2023-24.

Repairs

49. We have undertaken a comprehensive review of our repairs, voids, maintenance and compliance budgets to ensure they adequately reflect current and future needs. This shows an increase in budget requirement from previous years, the growth reflecting changing requirements, under budgeting in previous years and programmes moving from capital to revenue. Contractual inflation is included at 10%.

50. We have included sufficient monies to continue to address our compliance regimes, both to support our current approaches and to address the future requirements flowing from the Fire Safety Act 2020, and the Building Safety Act 2022 and Fire Safety (England) Regulations 2022, including the likely need for a bi-annual check of all fire doors and improved building safety information.

51. A high-quality housing repairs service is central to our commitment to providing good quality homes for our tenants and residents. The new repairs contract due in June 2024 coupled with the IT integration is crucial to the modernisation of the service. Running in parallel will be 3-year capital works programme and aligned with the new Asset Management strategy will move to a 60/40 planned to responsive spend ratio over the next 3-5 years.

52. Budgets have been included for the provision of additional cyclical programmes of work, including gutter and drain clearance and replacement and cyclical decorating programmes. These programmes will allow us to proactively manage our stock and move from a predominantly responsive service to a more planned approach, which will improve the service for our customers, and provide better long-term value for money.

53. The addition of pro-active cyclical programmes will also ensure we minimise legal disrepair claims, reduce the cost of both managing the claims and any compensation

and helping to reduce some of the inherent issues which arise when these programmes are stopped, such as leaks from guttering and damp issue. This in turn will help to reduce complaints from our customers.

54. These costs and the wider repairs budget will be reviewed in 23-24 in preparation for the new repairs' contracts.

Bad debt provision

55. Collection rates for current tenant arrears remain at close to 100%. This is reflected in the provision for rent arrears of £150k for former tenants being sufficient to cover any write off related to bad debts. Future years budgets have factored in future assumptions with rent changes.

General Contingency

56. In addition to HRA reserves, there is a contingency of £463k that is set aside to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock or in-service development initiatives. This will also be used to meet any in year pay award for 2023-24.

57. Applications for support from this general contingency will be considered on a case-by-case basis with due regard to the position of the whole HRA.

Charges for Capital

58. HRA Borrowing is divided into historic and new borrowing:

- Historic debt – includes debt that Councils were required to raise at the time of Self Financing in 2012 in order to leave the subsidy system and resulted in the Council reaching the Government imposed cap of £150.683m; this is now being progressively reduced in line with RTB disposals thereby reducing interest exposure and providing capacity for future investment. As at the 31 March 2022 the balance was £148.546m. Interest on this historic debt, shared in a single loans pool with General Fund, averages at 4.05% and is assumed to continue at this level.

- New borrowing: Used to fund new development and planned investment programmes
  BCHfL programme- is reprofiled to take account of delays and a new target date agreed with the Greater London Authority (GLA) for start on sites of March 2023. Additional borrowing is now estimated at £44.560m a reduction of £79.74m from the £124.3m approved in February 202 2. This decrease is due to the downsizing of the BCHfL programme from delivering 659 units to 362 units. S106 contributions will also be applied against this programme.
  Homes for Harrow-Phase 2- the next phase of proposed new council housing development, enabling an additional 175 units to be developed at a total development cost of £70.818m. This will be funded from a combination of HRA internal resources including 1-4-1 RTB retained receipts, GLA funding and new

borrowing of £47.049m. There will be no impact on General Fund as a result of this borrowing, with the HRA meeting the financing costs associated with the debt.

- This will result in total new borrowing requirement of £96.040m which is an overall reduction in the total borrowing originally approved in February 2022 by £28.26m Interest rate to be applied on the new borrowing requirement from 2023-24 has been assumed to be payable at a rate of 4% across the 5- year borrowing period, with 2023-24 being year 1.

- HRA rules do not require either debt to attract Minimum Revenue Provision (**MRP**), a mandatory charge in General Fund designed to ensure the cost of the asset is charged to revenue over its useful economic life. Depreciation in the HRA counts as a genuine charge against revenue and transfers resources to the HRA's Major Repairs Reserve which can be used to finance capital expenditure.

Capital Investment

Planned Investment Programme

59. This is based on the latest stock condition survey, and for the four years 2023-24 to 2026-27 is £10.073, then £12.073m in 2027-28. Investment in health and safety and compliance works will remain the main focus along with wider improvements including kitchens and bathroom, estate improvements, decarbonisation and the current and any future Decent Homes Standard.

60. The above includes Retrofit for carbon reduction measures, set at £1m per annum for years 2023-24 to 2026-27 then £3.0m in 2027-28 a total investment of £7m. It includes £600k set aside for phase 2 of the transformation of the Housing IT system.

Building Council Homes for Londoners (BCHfL)

61. The Grange Farm Regeneration scheme will demolish obsolete Council homes and re-provide around 274 new council homes within a mixed tenure estate totalling around 574 homes. Cabinet approved budget allocations on 13th February 2020 for Phase 1, which is now under construction and Phase 2 of the scheme.

62. Grange Farm phase 1, which is supported by Housing Infrastructure Fund (HIF) as well as Right to Buy Ring Fenced Offer (RTBRFO), will provide 89 homes, 69 at affordable rent and 20 shared ownership homes. The estimated remaining cost is £8.834m. Phase 1 has been delayed – reasons including changes to regulations, Covid, labour and supply problems and most recently utilities issues and the current handover date is June 2023.

63. In November 2021, Cabinet gave in principle approval to commissioning the HSDP to work up a Business Plan for Grange Farm and in November 2022 approved the initial business plan for Phase 2. This development is affordable to the HRA subject to further detailed design work and an open book approach to the agreement of all costs. Based on the initial Business Plan the cost of the affordable housing is broadly affordable within the HRA. Phase 2 is part of the BCHfL

programme, Phase 3 sits outside this programme. The 5- year HRA capital programme includes the budget for Phase 2 based on the initial HSDP business plan with the affordable housing being delivered under a Community Works Agreement and expenditure profiled on this basis. Budget for Phase 3 has been built in to take it up to planning. An indicative placeholder budget has been built into the HRA business plan for Grange Farm Phase 3 and the initial Business Plan for this scheme will be developed once Phase 2 is on site when a more accurate estimate of build costs is available.

64. The current BCHfL programme is coming to an end with all possible start on sites by end of March 2023 in place. Due to delays relating to Covid and the extraordinary increase in build costs the programme was scaled back, and the current programme is now £122.135m. The remaining schemes are at various stages of development and planning and are included in the capital programme at a total remaining estimated cost of £54.617m. 136 new homes have been completed under the BCHfL programme, a further 143 are on site and 83 (Grange Farm Phase 2) are in development. A total of 362 homes will therefore be delivered against the original 659 target.

65. A new council house building programme is proposed, Homes for Harrow Phase 2, which will enable the delivery of a further 175 homes utilising a combination of GLA grant and 1-4-1 RTB retained receipts. These properties will generate additional income through rent for the HRA which is factored into the business plan.

HRA 30 Year Business Plan

66. The Housing Revenue Account 30-year Business plan details how the Council uses tenants’ rents, service charges, grants and borrowing to manage, maintain and develop properties.

67. The plan was refreshed in January 2023, reflecting the delivery of the new build programme; current policy and finances (including the 7% cap on rent increases for 2023/24); increased borrowing costs & inflation. It also outlines the Council’s continued ambitions to build more council homes, invest in improving the quality of current stock and improve energy efficiency.

68. The objectives of the refreshed HRA business plan are to show sustainability of the Council’s existing homes, demonstrate the viability of the Authority’s plans into the longer term and identify & source funding for investment in new developments.

69. The refreshed business plan encompasses projected income and expenditure, including continued investment in the stock and the New Build & Acquisition programme, providing assurance that the HRA will retain adequate cash balances and achieve viable surpluses over the 30-year lifetime of the business plan.

70. There is insufficient funding available for the proposed programmes without taking on additional debt. The refreshed 30-year business plan is projecting borrowing totalling £96.040 million over years 2023-24 to 2026-27 to deliver the new developments and additional investment in the existing stock. The existing debt (CFR) is £157.439m.

71. This increased level of borrowing is considered affordable for the HRA and is dependent on what is sustainable under the current assumptions for the projected income and expenditure profiles. Should any projected assumptions such as inflation, interest rates, income or expenditure be less favourable than is currently modelled, proposals would need to be urgently sought to ensure the continued viability of the business plan.

72. The Business Plan makes provision for the repayment of some of treasury debt. It would be prudent, in future Business Plans, once projects have been completed, to make provision to reduce debt levels. This level of debt needs to be sustainable in the long term and supported through the Council's Treasury Management policy

HRA Business Plan Model – Key Assumptions

73. The HRA Business Plan was recently refreshed to reflect the latest assumptions on inflation and income and expenditure budgets. The updated plan includes the proposed investment and capital resources for existing stock and new build developments. A summary of the key assumptions that underpin the 30-year business plan is detailed in Appendix 7(a) below.

74. Attached at Appendix 7(b) are extracts from the HRA 30-year Business Plan financial model. Year 1 of the business plan is based on the 2023-24 budget.

75. The plan for the HRA is based on keeping a minimum of 7% of rental income in working balances and using reserves above this figure to invest in the major works programme. It has been assumed that all available resources over and above those required for revenue spend, payment of interest on debt and maintaining minimum reserves, are available for major works, including the use of s106 contributions available for affordable housing use, for as long as the Asset Management Strategy requires it.

76. The HRA is also exposed to interest rate fluctuations, which could have a significant impact on revenue budgets, future borrowings, and the overall business plan.

Consultation Papers, new developments, and challenges

78. Governments Decarbonisation agenda is the most significant challenge and costs are estimated at £17k per unit across the country, in LBH case this equate circa £81m for the Housing Revenue Account and remains unfunded.

79. The impact of the Social Housing White Paper implications is still to be felt and will include

- Consultation in respect of electrical safety, installation of carbon monoxide monitors
- A review of the Decent Homes Standard to support the decarbonisation and energy efficiency of social homes and include standards for communal and green space outside the home.

- Proposed introduction of Tenant Satisfaction measures that will be formally monitored including the introduction of a regular inspection regime for social landlords
- Increased regulations to improve responses to complaints
- Requirements to improve tenant engagement and empowerment
- There are also linked commitments with the Building Safety Act 2022 with regard to the management of tall buildings, for example the appointment of a Building Safety Manager.

Variation to MTFS 2022-23

80. The main changes in estimates approved by Cabinet on 10 February 2022 are

    - Price inflation of £2.9m of which £1m is for utilities, £716k pay awards, £317k Depreciation Charges, £413k R&M contractual inflation, £253k support charges and £201k supplies and services
    - Net growth of £0.7686m of which £1.3m relates to R&M which has been offset by savings of £0.53m following a review of budgets.
    - Increase in services charge and facility income of £2m following review of charges to tenants and significant price changes.
    - Impact of Government Rent increase of £2.8m, capped at 7% for non-sheltered and 11.1% for sheltered.
    - Increases in capital charges of £530k due to increase in interest to 4% from 2% previously assumed in the MTFS.

Summary

81. HRA Budget and MTFS detailed in Appendix 1 include rent increases at 7% and 11.1% in line with the updated Government guidance following consultation.

82. Figures presented reflect significant price pressures and growth in the HRA to ensure compliance with legislation, in particular around the repairs service. Fees and charges to tenants have been increased to ensure full cost recovery and the HRA remains financially sustainable.

83. The budgets show in year surpluses of £424k for 2023-24, £454k for 2024-25 and £147k for 2025-26 and that revenue reserves are maintained above the minimum level of 7% of income required over the life of the MTFS. The HRA Business plan shows that this is after allowing a further £1.2m to the Regeneration Reserve.

84. The long-term viability of the Council’s HRA is dependent on the completion of the new build programme within the budget envelope provided therefore continuous review of the cost base of the HRA and underlying assumptions are essential.

85. National housing policies and changes proposed by future Governments could have an adverse impact on the HRA business plan and could require additional resources to address any unexpected changes.

Environmental Implications

86. All new homes must meet high standards of energy efficiency to reduce CO2 emissions and reduce fuel poverty as required by the London Plan. We have already invested in some of our poorest performing energy efficient Council homes by installing external wall insulation and continue programmes to install double glazing and the most efficient gas condensing boilers. The proposed retrofit programme will enhance the energy performance Council properties and will contribute to Harrow's carbon reduction targets.

Data Protection Implications

87. There are no GDPR implications.

Risk Management Implications

- Risks included on corporate or directorate risk register? Yes
- Separate risk register in place? No

The relevant risks contained in the register are attached/refreshed and

- summarised below. Yes

88. If the identified risks materialise individually or collectively, they could impede delivery of core services, or impact the HRA's financial viability. The following key risks are:

Risk Description	Mitigations	RAG Status
• **Rents are set too high** breaching the government rent policy **or too low** causing the revenue account to generate further deficits	Rents set in accordance with government rent policy. Most tenants are in receipt of either Housing Benefit or Universal Credit which cover the proposed increase.	Green
• Service Charges – failure to set charges to residents at a level that reflect full cost recovery	Service Charge review completed charges based calculated on full cost recovery Most residents (some 90%) are on benefits and won't directly feel any increase There has been consultation with tenants on increases and realisation increases are overdue and awareness that charges were below the level of costs of providing the services.	Green
• **Interest rates** – an immediate and significant risk; these have been assumed at 4% for the 2023-24 budget and MTFS. Increases in excess of this over the life of the MTFS will put the BCHfL programme at risk as not all homes will be completed and generating sufficient rental streams to service the debt.	The Council is reviewing its borrowing strategy and consideration given to securing fixed rate deals at prevailing low rates.	Amber

• **General Inflation rates**- Inflation rates currently being experienced are unprecedently high which adversely impacts the HRA. Rental increases are based on September CPI plus 1% (11.1%). However, this has been capped by Government at 7%.	- The policy on full cost recovery for services provided is being enforced. - If inflation rises above that assumed in the budget generally or spikes as a result of macro-economic climate, reductions in spend made need to be made or growth recommended in the MTFS update removed	Amber
• **Increases in Rents and Charges** The increase in rents, service, heating and community charges does not cover the Council's costs	-Management plan in place to reduce energy consumption and linked costs -Awareness training and inspections in place to residents in efficiency and this is in progress to influence consumption and reduce costs -Area also subject regular risk register review	Amber
Rising Energy Costs • Rises in energy costs create significant cost over-runs and are unaffordable for the HRA and capital programme	-See measures above - Focusing is on sheltered housing as a key consumption location	Amber
• **Change in Government Rent Policy.** The business plan assumes that the rent will continue to increase in line with CPI +1%. Given the recent departure from the CPI + 1% policy there is great uncertainty over the future rent policy.	-Efficiency savings will need to be identified to address the shortfall of income, to maintain HRA reserves, which may impact the viability of the HRA.	Amber
• Construction costs increases continue longer term and are also not covered by reserves preventing the delivery of the new build programme and wider capital programme within the designated budget envelop	To mitigate this position - reprofiling and reprioritising of schemes to live within available resources. - secure materials and resources early in the contract - increase market testing - Contingencies in place on each individual capital scheme - Increase in the client-side ear-marked Regeneration Reserve (£2.1M by the end of next year) in place to address unforeseen costs.	Amber
• **Delays to schemes -** GLA grant funding and additional borrowing will be linked to successful delivery of additional housing supply in line with agreed targets for start on sites and completions. Failure to deliver new supply in line with these targets could result in withdrawal of funding and/or borrowing which would result in lower or delayed rental income streams and potential write off costs to the revenue account.	In mitigation regular monitoring of new build schemes and update of the overarching HRA Business Plan will identify potential delays and appropriate action taken to substitute and expedite schemes ensuring full grant utilisation and keeping rental income in line with expectations. The Regeneration reserve can be deployed to offset unforeseen revenue costs if required.	Amber
• Regular review and testing of assumptions underlying the HRA and Council house building programme and its wider cost base, are not undertaken leading to the programme becoming unviable and resources over extended	▪ Every scheme has to be NPV positive before proceeding ▪ At any stage of the process a scheme can be aborted if rising costs are unacceptable ▪ Numbers of units can be scaled back to meet the funding envelop ▪ Each scheme must be viable under the 30-year HRA business plan which is scenario-tested on assumptions	Green

	▪ There is regular challenge of the model by our external advisors and consultants ▪ Challenge is also affected internally by regular management meetings at the Council	
• Tenants cannot afford to pay the increases in rent, service and heating charges leading to complaints and opposition to the increases and an increase in tenants' arrears and debt	▪ Most residents (some 90%) are on benefits and don't directly pay their rent (this deducted automatically) ▪ Government help is available for those on Universal Credit ▪ Advice and support given directly to tenants ▪ There has been consultation with tenants on increases and a realisation some increases are overdue	Amber
• The Council does not adequately engage with tenants on increases in rent and other charges leading to tenant opposition to the increases and reputational damage/challenges for the Council	▪ There has been consultation in best practice terms with tenants on increases and a realisation from them some increases are overdue. This occurred throughout January and February 2023	Green
• The higher costs of sheltered housing are not fully recovered leading to increased pressures on the HRA budget	▪ Awareness training and inspections in place to sheltered residents energy consumption in efficiency terms and this is in progress to influence consumption and so to reduce costs	Amber
• S106 contributions are not used appropriately	▪ We have a list from planning of Sect 106 relating to affordable housing which we use as a base for funding ▪ Cabinet approval required to use this resource ▪ Regular focus from external and internal audit in this area	Green
• RTB receipts are not fully applied to eligible projects over the next 10 years leading to these receipts being paid back to the government plus a penalty	▪ RTB receipts are based on the HRA plan which is subject to regular review ▪ We have stand-by schemes to spend RTB receipts should other schemes not progress ▪ Regular review of capital schemes by Regeneration Board and also finance to make sure RTB funded schemes are on track	Green
• The introduction of a new repairs contract is not successful leading to increased costs on the HRA and to an increase the level of tenants' complaints and dissatisfaction	▪ External consultant support being recruited to drive procurement of the contractor ▪ Quantity surveyor in place to scrutinise contractor bills on an expert basis	Green
• The introduction of new arrangements for IT systems investment and transformation are not successful leading to increased costs on the HRA and capital programme and to an increase the level of tenants complaints and dissatisfaction	▪ We require a sound business case before any IT is commissioned ▪ Weaknesses of current system identified and a focus for revision ▪ All stakeholders have been mapped and their requirements carefully identified ▪ Extensive user involvement and consultation undertaken ▪ Package will be a standard package less prone to errors/malfunction ▪ Detailed user specifications being created	Amber

• Costs on the decarbonisation agenda are not funded and/or rise to an unaffordable level leading to significant financial pressures impacting on the Council	▪ If decarbonisation is not affordable in terms of the HRA (and this includes being affordable with any government help/support) then we will not progress the works required	Green

Procurement Implications

89. All procurement that is required to be conducted as a result of the recommendations set out in this report will be done so compliant with the Public Contract Regulations 2015 and the Contract Procedure Rules.

Legal Implications

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

91. Section 105 of the Housing Act 1985 requires a landlord authority to maintain such arrangements as it considers appropriate to enable those secure tenants who are likely to be substantially affected by matters of housing management, to be informed and consulted about the proposals, and before deciding on the matter, the landlord authority must consider any representations made. The legislation sets out what matters of housing management relate to, but this does not extend to the rent payable under a secure tenancy or to charges for services or facilities provided by the authority.

92. The rent reduction requirements brought in under section 23 of the Welfare Reform and Work Act 2016 has now ended and are replaced by the new rent standard, pursuant to a direction by the Secretary of State under section 197 of the Housing & Regeneration Act 2008, which permits Authorities to increase rents by CPI plus 1% for five years starting April 2020.

93. The Government's Autumn Statement in 2022 has capped increases in social rent housing to 7% for 2023-24. Supported housing is exempt from this cap and so increases can be set up to CPI plus 1% for 2023-24.

94. Under section 74 of the Local Government & Housing Act 1989 the Council, as a Local Housing Authority, must maintain a Housing Revenue Account (HRA) which includes sums falling to be credited or debited in accordance with the category of properties listed within s74(1) of the said Act, which consists primarily of Council

housing stock. HRA must include any capital expenditure on housing stock which a Local Authority has decided to charge to revenue. Save in accordance with a direction of the Secretary of State, sums may not be transferred between HRA or General Fund, therefore, HRA is ring-fenced and cannot be used to subsidise a budget deficit within General Fund, neither can General Fund be used to subsidise a budget deficit in HRA. Section 76 of 1989 Act requires Local Authorities to formulate and implement proposals to secure HRA for each financial year does not show a debit balance. If a debit occurs, this must be carried forward to next financial year.

Financial Implications

95. Financial implications are included in the body of the report

Equalities implications / Public Sector Equality Duty

96. Pursuant to the Equality Act 2010, the Council, in the exercise of its functions, has to have 'due regard' to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant Rent policy issued in 2020 allowed for social housing providers to increase all rents by the previous September Consumer Prices Index (CPI) rate +1% for a five-year period. For those with a protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex, and sexual orientation.

97. When making decisions, the Council must take account of the equality duty and any potential impact on protected groups.

98. A full equalities impact assessment has been carried out in relation to the proposed rents and other charges increases and capital build programme. Negative impacts of increased charges to vulnerable residents in sheltered accommodation were identified along with management actions to mitigate the increases. Consideration was also given to possible impact on residents from Black, Asian and Multi-Ethnic groups as they may be in the lower income bracket and therefore impact more on by the increases in charges.

Council Priorities

1. **A council that puts residents first**
   Provision of additional housing will support health and social care of residents through high quality accommodation at affordable rents.

2. **A borough that is clean and safe**
   The delivery of additional units of high- quality housing ensures that there is additional safe accommodation available to those in need.

3. **A place where those in need are supported**
The additional housing will be genuinely affordable thereby providing accommodation to the most vulnerable in the Borough. The wheelchair units will provide additional support for those needing that form of accommodation. The shared ownership units provide an opportunity for accessing home ownership for those unable to access full open market housing.

Section 3 - Statutory Officer Clearance

Statutory Officer: Tasleem Kazmi
Signed on behalf of Chief Financial Officer
Date: 6th February 2023

Statutory Officer: Baljeet Virdee
Signed on behalf of the Monitoring Officer
Date: 6th February 2023

Statutory Officer: Nimesh Mehta
Signed on by the Head of Procurement
Date: 6th February 2023

Statutory Officer: Dipti Patel
Signed by the Corporate Director
Date: 3rd February 2023

Statutory Officer: Neale Burns
Signed on behalf of the Head of Internal Audit
Date: 7th February 2023

Has the Portfolio Holder(s) been consulted? Yes ☒

Mandatory Checks

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

EqIA carried out: YES

EqIA cleared by: Jennifer Rock

Section 4 - Contact Details and Background Papers

Contact: Tasleem Kazmi, Finance Business Partner – Housing & Regeneration, Tel 020 8416 5201, email tasleem.kazmi@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee - NO

Appendix 1

HRA Budget 2023-23 and MTFS 2024-25to 2025-26 – Expenditure

	Budget 2023-24	Budget 2024-25	Budget 2025-26
	£	£	£
Employee Costs	2,875,571	2,971,938	3,026,489
Supplies & Services	909,384	938,502	954,965
Utility cost	1,599,738	1,649,335	1,677,377
Estate & Sheltered Services	3,931,234	4,059,304	4,131,870
Central Recharges	3,789,320	3,932,279	4,014,119
Operating Expenditure	**13,105,247**	**13,551,358**	**13,804,820**
Repairs – Responsive	2,997,673	3,169,092	3,266,058
Repairs – Voids	1,050,615	1,110,162	1,143,466
Repairs – Other	3,941,539	4,064,937	4,189,885
Planned Preventative Maintenance	300,000	417,003	426,513
Repairs Expenditure	**8,289,827**	**8,761,194**	**9,025,922**
Contingency	463,099	477,918	486,297
Bad debt provision	150,000	157,500	161,438
Affordable Housing	378,066	390,164	397,004
Charges for Capital	7,123,766	7,780,302	8,862,953
Depreciation	8,711,965	8,931,014	9,214,110
Other Expenditure	**16,826,896**	**17,736,898**	**19,121,802**
Total Expenditure	**38,221,970**	**40,049,450**	**41,952,544**

Appendix 1 (continued)

HRA Budget 2023-24 and MTFS 2024-25 to 2025-26 – Income

	Budget 2023-24	Budget 2024-25	Budget 2025-26
	£	£	£
Rent Income – Dwellings	(32,630,839)	(34,271,344)	(35,783,880)
Rent Income – Non- Dwellings	(562,999)	(585,287)	(591,380)
Service Charges – Tenants	(3,085,114)	(3,196,467)	(3,240,887)
Service Charges – Leaseholders	(1,069,220)	(1,108,383)	(1,120,396)
Facility Charges	(990,230)	(1,025,613)	(1,040,238)
Interest	(1,000)	(1,084)	(1,141)
Other Income	(132,024)	(136,731)	(138,688)
Recharge to General Fund	(173,927)	(179,493)	(182,640)
Total Income	**(38,645,353)**	**(40,504,402)**	**(42,099,250)**
In Year Deficit / (Surplus)	**(423,383)**	**(454,952)**	**(146,706)**
Transfer to Regeneration Reserve	**1,200,000**	**-**	**-**
BALANCE brought forward	(3,233,797)	(2,457,180)	(2,912,132)
BALANCE carried forward	**(2,457,180)**	**(2,912,132)**	**(3,058,838)**
Minimum Required Reserves 7% Rental Income	(2,284,159)	(2,398,994)	(2,504,872)

Appendix 2 Average Rent & Service Charges – All properties

Description	No. units	2022-23 Total weekly Charge	2023-24 Rent	2023-24 Service Charge	2023-24 Total	Total Increase
		£	£	£	£	£
Social General Needs						
Bedsit	100	99.06	101.42	8.73	110.14	11.08
1 bed	1249	108.46	111.90	8.53	120.43	11.98
2 beds	1310	125.71	130.60	8.43	139.03	13.32
3 beds	1310	144.38	151.89	7.75	159.63	15.25
4 beds	91	159.74	167.78	7.57	175.35	15.61
5 beds	12	170.51	173.96	8.91	182.87	12.35
6 beds	2	180.62	191.54	8.20	199.74	19.12
7 beds	1	192.30	204.13	8.91	213.04	20.74
Total	**4,075**	**126.71**	**132.00**	**8.22**	**140.22**	**13.51**
Sheltered						
Bed sits	12	106.50	104.22	16.95	121.17	14.67
Other units	500	106.10	113.74	16.95	130.69	24.59
Total	**512**	**106.11**	**113.52**	**16.95**	**129.95**	**23.84**
Affordable						
1 bed	30	176.85	174.67	16.19	190.87	14.02
2 beds	71	199.68	195.73	17.76	213.50	13.82
3 beds	32	210.64	214.70	12.61	227.30	16.66
4 beds	6	227.78	240.51	8.94	249.45	21.67
Total	**139**	**198.49**	**197.49**	**15.86**	**213.34**	**14.85**
Shared Ownership						
3	5	196.86	210.64	8.91	219.55	22.91
Total	**5**	**196.86**	**210.64**	**8.91**	**219.55**	**22.91**
Total Units	**4731**	**126.66**	**132.01**	**9.61**	**141.62**	**14.96**

The service charges for Sheltered properties in 2023/24 includes a communal heating charge estimated at an average of £8.04 per week.

Appendix 3 Garages/ parking space and Facility Charges

All in £s	Current Weekly Rental 2022-23	Proposed Weekly Rental 2023-24
Garages	14.05	15.55
Car Spaces	9.16	10.16

Facility Charges

	No. of properties	Current average weekly facility charge 2022/23	Proposed average weekly facility charge 2023/24	Increase
		£	£	£
Sheltered				
Bed Sit	12	11.60	21.34	9.74
1 bed	490	16.69	30.70	14.01
2 bed	4	24.83	45.69	20.86
3 bed	6	24.54	45.16	20.62
Total Sheltered	**512**	**16.72**	**30.77**	**14.05**
General Needs				
1 bed	97	15.84	17.93	2.09
2 bed	1	24.83	45.69	20.86
3 bed	2	24.83	45.69	20.86
Total General Needs	**100**	**16.11**	**18.77**	**2.66**
Total	**612**	**16.62**	**28.80**	**12.18**

Appendix 4 Water Charges

Sheltered Block	No.of flats	Current Range Water Charge 2022-23		Proposed Range Charge at 7.5% increase for 2023-24	
		Lower	Higher	Lower	Higher
Alma Court	30	£5.87	£5.87	£6.31	£6.31
Edwin Ware Court	30	£4.99	£6.49	£5.36	£6.98
Grange Court	30	£4.99	£6.20	£5.36	£6.67
John Lamb Court	32	£6.20	£6.20	£6.67	£6.67
William Allen House	29	£4.99	£6.20	£5.36	£6.67
Total No of Sheltered Flats	**151**				
Resident Warden Accommodation	3	£7.89	£8.73	£8.48	£9.38
Total Sheltered Flats incl Warden	**154**				

Responsibility for collection of water charges has been transferred for the majority of HRA properties to the water company. The Council collects water charges for remaining properties which have not yet been transferred to water company.

Appendix 5 Community Halls

Community Hall and Capacity	Current 2022-23 Charges per first 3 hours block booking then subsequent hourly rate			Proposed 2023-24 Charges per hour letting 10% Price Increase		
	Evening Rate	Daytime Rate	Weekend Rate	Evening Rate	Daytime Rate	Weekend Rate
	£	£	£	£	£	£
Augustine Road [max 30]	27.38	13.69	41.06	£30.00	£15.00	£45.00
Marsh Road Hall [max 30]	27.38	13.69	41.06	£30.00	£15.00	£45.00
Brookside Hall [max 30]	27.38	13.69	41.06	£30.00	£15.00	£45.00
Julie Cook Hall [max 30]	27.38	13.69	41.06	£30.00	£15.00	£45.00
Grange Farm Community Centre [max 30]	27.38	13.69	41.06	£30.00	£15.00	£45.00
Woodlands Hall [max 60]	41.06	20.52	56.05	£45.00	£23.00	£62.00
Churchill Place [max 100]	54.74	24.62	68.43	£60.00	£27.00	£75.00
Kenmore Park [max 100]	54.74	24.62	68.43	£60.00	£27.00	£75.00
Pinner Hill Hall [max 100]	54.74	24.62	68.43	£60.00	£27.00	£75.00
Northolt Road Hall [max 100]	54.74	24.62	68.43	£60.00	£27.00	£75.00

Terms & Conditions associated with Hall lets:

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

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

- Stonegrove Gardens fully let to nursery on lease agreement £12,700 rent pa
- Northolt Road Hall partly let as nursery on lease agreement of £5,200 rent pa
- Churchill Place hall partly let as nursery on lease agreement of £13,000 rent pa

Appendix 6 HRA Capital Programme

Budget including additions / re-profiling (£)	MTFS			Additional		Total
	2023-24	2024-25	2025-26	2026-27	2027-28	Cumulative
Main Programme	8,428,048	8,428,048	8,428,048	8,428,048	8,428,048	42,140,240
Retrofit for energy efficiency	1,000,000	1,000,000	1,000,000	1,000,000	3,000,000	7,000,000
Housing IT system	600,000	0	0	0	0	600,000
Aids & Adaptations	645,000	645,000	645,000	645,000	645,000	3,225,000
Planned investment	**10,673,048**	**10,073,048**	**10,073,048**	**10,073,048**	**12,073,048**	**52,965,240**
Grange Farm phase 1	0	0	0	0	0	0
Grange Farm phase 2	2,356,214	13,495,480	18,348,405	3,227,528	0	37,427,627
Other schemes	13,546,703	3,643,470	0	0	0	17,190,173
Building Council Homes for Londoners (BCHfL)	**15,902,916**	**17,138,950**	**18,348,405**	**3,227,528**	**0**	**54,617,799**
Homes for Harrow Phase 2	1,079,389	15,985,680	25,738,088	24,728,242	3,286,527	70,817,926
Grange Farm phase 3	212,249	0	0	0	0	212,249
Grange Farm Infrastructure	2,615,000	0	0	0	0	2,615,000
Total HRA Capital Programme	**30,482,602**	**43,197,678**	**54,159,541**	**38,028,818**	**15,359,575**	**181,228,214**

Additions /Reductions

Additions included in programme above (£)	MTFS			Additional		Total
	2023-24	2024-25	2025-26	2026-27	2027-28	
Planned Investment	**400,000**	**-200,000**	**800,000**	**800,000**	**12,073,048**	**13,873,048**
Grange Farm phase 2	632,114			2,395,433	0	**3,027,547**
Other schemes	-34,299,945	-16,524,940	-12,558,000	-12,558,000	0	**-75,940,885**
Building Council Homes for Londoners (BCHfL)	**-33,667,831**	**-16,524,940**	**-12,558,000**	**-10,162,567**	**0**	**-72,913,339**
Grange Farm phase 3	-99,597	-428,422	-6,008,017	-16,588,596	0	**-23,124,632**
Grange Farm Infrastructure	1,150,390	-690,610	-803,110	-690,610	0	**-1,033,940**
Homes for Harrow Phase 2	1,079,389	15,985,680	25,738,088	24,728,242	3,286,527	**70,817,926**
Total HRA Capital Programme	**-31,137,650**	**-1,858,292**	**7,168,961**	**-1,913,531**	**15,359,575**	**-12,380,937**

Reprofiling

Additions included in programme above (£)	MTFS			Additional		Total
	2023-24	2024-25	2025-26	2026-27	2027-28	Cumulative
Grange Farm ph 2	-8,297,713	739,957	9,051,188	335,873	0	**1,829,305**
Total HRA Capital Programme	**-8,297,713**	**739,957**	**9,051,188**	**335,873**	**0**	**1,829,305**

Appendix 7(a) HRA Business plan key assumptions

Item	Assumption
Rents 2023/24	Non-sheltered: average rent £132.00, service charge £8.22.
	Sheltered: average rent £113.52, service charge £16.95
	Both Increased line with Government Policy (7% and 11.1%)
Rents 2024/25 onwards	CPI + 1%
Borrowing and interest	4 % on new borrowing for all of the 30 year Business Plan
	Borrowing only from 2023/24 to 2026/27 - £96.04m (over 30 years)
	0.01% on HRA balances
Debt Repayment	Policy of RTB sales to reduce CFR (Capital Financing Requirement) by provision each year.
CFR	Opening balance 2023/24 £167m Closing at 2026/27 £261m (after completion of new build programme)
Inflation	RPI 4%, 2024/25 then from 2% 2025/26 onwards CPI 5%, 2024/25 then 2% from 2025/26 onwards
Bad Debt Provision	£150k per annum increasing each year for rent increases
RTB sales	14 disposals per annum 2023/24 reducing to 6 from 2031/32 Average valuation £363k, average discount £118k
HRA Central Support Chargers	2023/24 £3.789m (5% increase) then increasing by RPI
Depreciation	Dwellings £8.378m based on 2021/22 outturn Non dwellings £333k
Capital investment expenditure - existing stock	£8.1m per annum first ten years, and £1.0m decarbonisation expenditure for 1st three years.
Repairs -	Total repairs budget £9.60m at 2023/24 then inflated
Pay award	5% 2023/24, RPI - 4% 2024/25 future years 2%
Voids	1% across all tenure types
HRA working balance	Set at 7% x Rental income
	Revenue account minimum balances not breached.

Appendix 7 (b) HRA Business Plan Base Positions Revenue and Capital Projections

	Income			Operating Expenditure									
	Net rent Income	Other income	Total Income	Management	Depreciation	Responsive & Cyclical +PPM	Total Operating expenses	Capital Charges	Surplus (Deficit) for the Year	Surplus (Deficit) b/fwd	Transfer from /(to) Reserves	RCCO	**Surplus (Deficit) c/fwd**
Year	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**		**£,000**	**£,000**	**£,000**	**£,000**
2023.24	34,875	3,580	38,455	(12,624)	(8,712)	(9,572)	(30,908)	(7,124)	423	3,234	(1,200)	-	2,457
2024.25	36,588	3,724	40,312	(13,031)	(8,931)	(10,115)	(32,076)	(7,781)	455	2,457	-	-	2,912
2025.26	38,141	3,761	41,902	(13,260)	(9,214)	(10,418)	(32,892)	(8,863)	147	2,912	-	-	3,059
2026.27	39,693	3,799	43,492	(13,483)	(9,576)	(10,730)	(33,789)	(10,103)	(400)	3,059	-	-	2,659
2027.28	41,918	3,837	45,755	(13,684)	(9,910)	(11,052)	(34,646)	(10,585)	524	2,659	-	-	3,183
2028.29	44,098	3,875	47,973	(13,937)	(10,311)	(11,566)	(35,814)	(10,569)	1,591	3,183	-	-	4,774
2029.30	45,431	3,914	49,345	(14,135)	(10,599)	(12,026)	(36,760)	(10,555)	2,030	4,774	-	-	6,804
2030.31	46,809	3,953	50,762	(14,335)	(10,899)	(12,382)	(37,616)	(10,543)	2,602	6,804	-	-	9,406
2031.32	48,233	3,992	52,226	(14,539)	(11,208)	(12,749)	(38,496)	(10,534)	3,196	9,406	-	-	12,602
2032.33	50,164	4,032	54,196	(14,746)	(11,530)	(13,126)	(39,402)	(10,528)	4,266	12,602	-	-	16,868

HRA Business Plan Base Capital Account Projections

	Expenditure				Financing						
Year	Major Works & Imps	Works to promote Decarbonisation	New Build Development Costs	Total Expenditure	Borrowing	RTB 141 Receipts	Other RTB Receipts	Other	MRR	RCCO	Total Financing
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
2023.24	9,673	1,000	19,810	30,483	16,591	308	866	4,495	8,222	0	30,483
2024.25	9,073	1,000	33,125	43,198	16,998	4,323	798	12,571	8,508	0	43,198
2025.26	9,073	1,000	44,086	54,160	37,742	3,680	818	3,147	8,774	0	54,160
2026.27	9,073	1,000	27,956	38,029	24,710	1,710	720	1,658	9,231	0	38,029
2027.28	9,073	3,000	3,287	15,360	0	0	739	13,088	1,533	0	15,360
2028.29	8,759	0	312	9,070	0	125	757	5,923	2,266	0	9,070
2029.30	9,021	0	312	9,333	0	125	647	1,878	6,683	0	9,333
2030.31	9,292	0	428	9,720	0	171	663	1,621	7,265	0	9,720
2031.32	9,571	0	6,008	15,579	0	959	543	295	13,782	0	15,579
2032.33	7,976	0	16,589	24,565	0	1,023	556	315	22,670	0	24,565
Total year 10	**90,584**	**7,000**	**151,913**	**249,497**	**96,041**	**12,424**	**7,107**	**44,991**	**88,934**	**0**	**249,497**

Report for:	**Cabinet**
Date of Meeting:	16th February 2023
Subject:	Annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement, Annual Investment Strategy and Annual Capital Strategy for 2023/24
Key Decision:	Yes
Responsible Officer:	Dawn Calvert -Director of Finance and Assurance
Portfolio Holder:	Councillor David Ashton - Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	No – decisions reserved to Council
Wards affected:	All wards
Enclosures:	**Appendix A** - Legislation and Regulations Impacting on Treasury Management **Appendix B** - Treasury Management Delegations and Responsibilities **Appendix C** - Minimum Revenue Provision (MRP) Policy Statement **Appendix D** - Interest Rate Forecasts 2023-25 **Appendix E** - Economic Background **Appendix F** – Counterparties: Investment Criteria **Appendix G** - Capital Strategy 2023/24 **Appendix H** - Glossary

Section 1 – Summary and Recommendations

This report sets out the Council's Annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement the Annual Investment Strategy, and the Annual Capital Strategy for 2023/24.

Recommendations:

Cabinet is asked to recommend to Council that they approve the Treasury Management Strategy Statement for 2023/24 including:

1. Prudential Indicators for the period 2023/24 to 2025/26
2. Minimum Revenue Provision Policy Statement for 2023/24, (see para 2.17 and Appendix C)
3. Annual Investment Strategy for 2023/24 (Appendix F)
4. Annual Capital Strategy (Appendix G).

Reason: (for recommendations)

To promote effective financial management relating to the Authority's borrowing and investment powers contained in the Local Government Act 2003, and supporting regulations and guidance detailed below:

1. the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended),
2. CIPFA Prudential Code and Treasury Management Code of Practice 2021
3. DLUHC (Previously MHCLG) Investment and MRP Guidance 2018

On 20 December 2021, CIPFA published a revised Prudential Code and Treasury Management Code of Practice. The Authority is required to formally meet the requirements of the revised Codes from 2023/24 and the following report fulfils this obligation.

Section 2 – Report

Introduction

1.0. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.1. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economically beneficial, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.2. The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.3. CIPFA defines treasury management as:
"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.4. The Local Government Act 2003 (the Act) and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code (The Prudential Code for Capital Finance in Local Authorities and accompanying Guidance Notes) and CIPFA Treasury Management Code (Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes), in setting Prudential and Treasury Indicators for the next three years and in ensuring that the Council's capital investment programme is affordable, prudent and sustainable. This report has been prepared in accordance with the 2021 CIPFA Prudential Code and Treasury Management Code of Practice publications.

1.5. The Act, the CIPFA Codes and Department for Levelling Up Housing and Communities (DLUHC formally MHCLG) Investment Guidance (2018) require the Council to set out its Treasury Strategy for Borrowing and to prepare an Annual Investment Strategy that establishes the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments, ahead of any yield considerations. A summary of the relevant legislation, regulations and guidance is included as Appendix A.

1.6. The budget for each financial year includes the revenue costs that flow from capital financing decisions. Under the Treasury Management Code, increases in capital expenditure should be limited to levels whereby increases in interest charges, running costs and provision debt repayment are affordable within the Council's budget.

1.7. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

1.8. The Council recognises that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.9. It is not considered necessary to produce a separate treasury management strategy for the Housing Revenue Account (HRA) in light of the co-mingling of historic debt and investments between HRA and the General Fund. Where appropriate, details of allocations of balances and interest to HRA are contained in this report.

Reporting Requirements

1.10. The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Treasury Management Strategy Statement Report – (this report) The first, and most important report is forward looking and covers:

- the capital plans, (including prudential indicators)
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed)

Mid-Year Review Report – This is primarily a progress report presented to Cabinet in December/January and updates Members on the progress of the Capital Programme, reporting on Prudential Indicators to give assurance that the treasury management function is operating within the Treasury Limits and Prudential Indicators set out in the TMSS.

Treasury Management Outturn Report – This is a backward looking review, typically presented to Cabinet in June/July and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the TMSS and Mid-Year Reports.

1.11. **Capital Strategy** – In addition to the three main treasury management reports, the CIPFA 2017 Prudential and Treasury Management Codes introduced a requirement for all local authorities to prepare a capital strategy report which provides the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

1.12. The aim of the Capital Strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy Report is set out in Appendix G.

1.13. **Scrutiny** – The above reports are required to be adequately scrutinised, normally before being recommended to Cabinet/Council, with the role being undertaken by the Governance, Audit, Risk Management and Standards Committee (GARMS). The Council has complied with the CIPFA Treasury Management Code of Practice to the extent that all Treasury Management reports have been scrutinised though the efficient conduct of the Council's business may require consideration by GARMS after being reviewed by Cabinet/Council.

1.14. The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Section 151 Officer. The Section 151 Officer chairs the Treasury Management Group (TMG), which monitors the treasury management activity and market conditions monthly. Further details of delegated responsibilities are given in Appendix B.

1.15. The Section 151 Officer is required to establish procedures to monitor and report performance against Prudential Indicators at least quarterly as part of the Authority's integrated revenue, capital and balance sheet monitoring.

Options considered

1.16. This report has been produced in accordance with the Local Government Act 2003 and the reporting requirements of:

- CIPFA Treasury Management Code of Practice 2021
- CIPFA Prudential Code 2021
- DLUHC Investment Guidance 2018
- DLUHC MRP Guidance 2018

Treasury Management Strategy for 2023/24

1.17. The strategy for 2023/24 covers the following areas:

Capital Issues (Section 2)

- Capital Financing Summary
- Capital Programme and Capital Prudential Indicators 2023/24 to 2025/26
- Council's Borrowing Need (Capital Financing Requirement)
- Capital Financing Requirement
- Minimum Revenue Provision (MRP) Policy Statement
- Core funds and expected investment balances

Borrowing (Section 3)

- Current and estimated portfolio position
- Treasury indicators: limits to borrowing activity
- Prospects for interest rates and economic commentary
- Borrowing strategy
- Treasury management limits on activity
- Policy on borrowing in advance of need
- Debt rescheduling
- Approved sources of long and short term borrowing

Annual Investment Strategy (Section 4)

- Investment policy
- Creditworthiness policy
- Country limits
- Annual Investment Strategy
- Investment risk benchmarking

- End of year investment report

Other Treasury Issues (Section 5)
- Policy on the use of financial derivatives
- Brokers
- Member and Officer Training
- Policy on use of external service providers

Capital Issues

2.0. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1. The figures and tables in this report are based on the final Capital Programme which is set out in a separate report to Cabinet.

Capital Expenditure

2.2. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

2.3. Tables 1 and 2 below summarise the capital expenditure plans of the Authority including how this will be financed, which generates the net financing need for the year (borrowing):

Table 1: Capital Expenditure

Capital Expenditure	**2021/22 Actual £'000**	**2022/23 Revised Budget £'000**	**2023/24 Budget £'000**	**2024/25 Budget £'000**	**2025/26 Budget £'000**
General Fund					
- Resources Directorate	5,598	11,662	1,850	2,050	3,000
- People's Directorate	2,258	28,915	7,896	9,071	-
- Place Directorate	36,261	62,002	33,425	17,646	15,978
General Fund	**44,117**	**102,579**	**43,171**	**28,767**	**18,978**
Housing Revenue Account (HRA)	30,529	52,446	30,483	43,198	54,160
Total	**74,646**	**155,025**	**73,653**	**71,965**	**73,137**

Table 2: Financing of Capital Expenditure

Finance of Capital Expenditure	2021/22 Actual £'000	2022/23 Revised Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000
General Fund					
Capital receipts	376	-	-	-	-
Capital Grants	5,449	40,171	15,155	12,828	3,613
BCiL	1,756	5,615	1,950	1,925	1,900
NCiL	161	937	500	500	500
Section106	398	1,159	-	-	-
Revenue	-	2	-	-	-
Total External Funding	**8,140**	**47,884**	**17,605**	**15,253**	**6,013**
Borrowing Requirement	**35,977**	**54,695**	**25,566**	**13,514**	**12,965**
Total General Fund Funding	**44,117**	**102,579**	**43,171**	**28,767**	**18,978**
Housing Revenue Account (HRA)					
Capital receipts	7,185	7,170	2,158	5,591	4,767
Capital Grants	16,156	13,789	1,293	8,957	-
Section106	100	3,721	620	620	-
Revenue	6,403	18,728	9,821	11,032	11,651
Total External Funding	**29,844**	**43,408**	**13,891**	**26,200**	**16,418**
Borrowing Requirement	**685**	9,038	**16,591**	**16,998**	**37,742**
Total HRA Funding	**30,529**	**52,446**	**30,483**	**43,198**	**54,160**
Total General Fund & HRA Funding	**74,646**	**155,024**	**73,653**	**71,965**	**73,137**
Total External Funding	**37,984**	**91,291**	**31,496**	**41,453**	**22,430**
Total Borrowing Requirement	**36,662**	**63,733**	**42,157**	**30,512**	**50,707**

The Council's borrowing need (Capital Financing Requirement)

2.4. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and therefore its underlying borrowing need. Any capital expenditure in tables 1 and 2 above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

2.5. The CFR includes any other long-term liabilities (e.g. PFI or finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a funding facility and so the Council is not required to borrow separately for them. As at 31st March 2023 the Council is forecast to have £15m of such schemes within the CFR.

2.6. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the Council's indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

2.7. The Council is asked to approve the CFR projections below (included within the Prudential Indicators):

Table 3: Capital Financing Requirement

Capital Financing Requirement £'000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
CFR – General Fund	430,661	461,462	457,932	441,797	424,927
CFR – HRA	157,439	168,422	186,183	201,732	239,034
Total CFR	**588,100**	**629,884**	**644,115**	**643,529**	**663,960**
Movement in CFR	**14,954**	**41,784**	**14,231**	**-586**	**20,432**

Movement in CFR represented by					
Net financing need for the year (table 2)	36,662	65,678	42,157	30,512	50,707
Less MRP/VRP and other financing movements	-21,708	-23,894	-29,096	-29,649	-29,835
Appropriation/Major Repairs Reserve			1,170	-1,449	-440
Movement in CFR	**14,954**	**41,784**	**14,231**	**-586**	**20,432**

Liability Benchmark

2.8. A new Prudential Indicator for 2023/24 is the Liability Benchmark. This compares the current approved commitments of the Authority which require prudential borrowing to the external borrowing portfolio over the long term.

2.9. The Liability Benchmark is made up of 4 components:

- **Existing loan debt outstanding**: the Authority's existing borrowing portfolio
- **Loans CFR**: the Authority's CFR adjusted to exclude other long-term liabilities, projected into the future based on approved prudential borrowing and planned MRP.
- **Net loans requirement:** the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- **Liability benchmark (or gross loans requirement):** this equals the net loans requirement plus short-term liquidity allowance. The short term liquidity allowance is to provide the Authority with an adequate level of treasury investments for liquidity purposes.

2.10. The Liability Benchmark is presented as a graph below, and illustrates a borrowing metric, which looks at a net book treasury management approach, where:

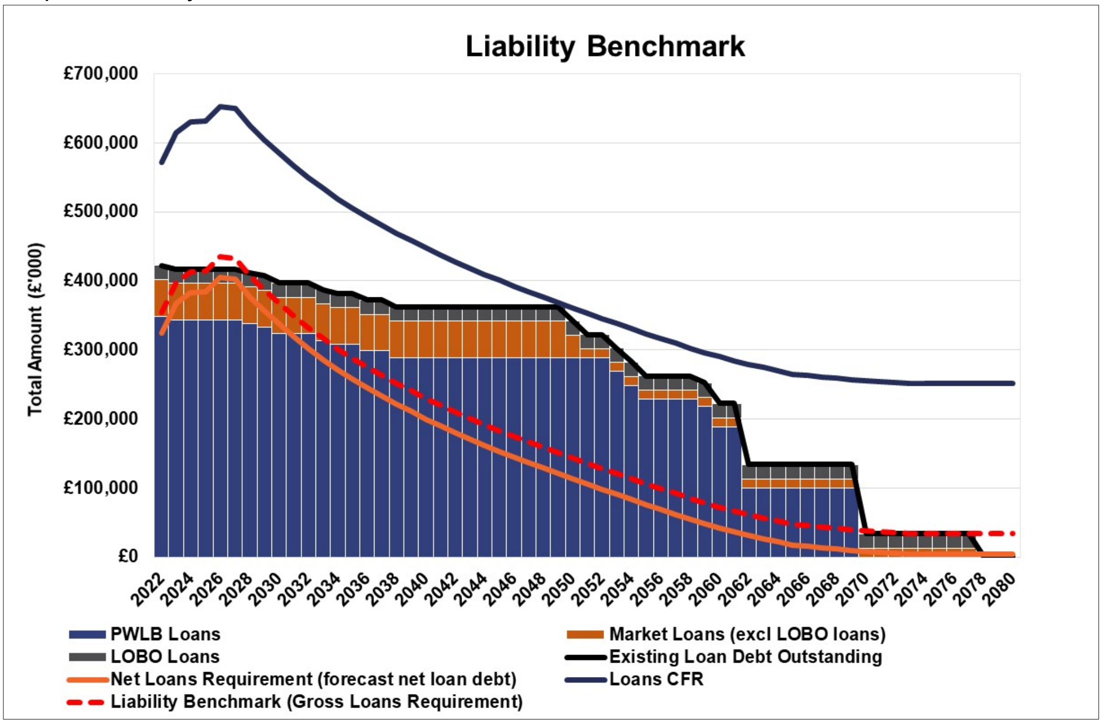
- borrowing and investments are netted down (while maintaining appropriate investments for liquidity purposes) in order to reduce the treasury risks resulting from running debt and investment portfolios at the same time

- the management of borrowing and investments is integrated so that both are reviewed together when monitoring and managing treasury risks.

2.11. While CIPFA recognise that different borrowing positions can be taken relative to the Liability Benchmark, it requires the Authority to have regard to the benchmark when undertaking future borrowing decisions, and for it to be analysed as part of the annual treasury management strategy. Any years where actual loans are less than the benchmark indicate a future borrowing requirement, while any years where actual loans outstanding exceed the benchmark represent an overborrowed position relative to the benchmark, which will result in excess cash over and above the liquidity allowance which requires investment.

2.12. CIPFA view the Liability Benchmark as a live tool to inform borrowing decisions in respect of identifying the quantum and the duration of new borrowing to match the Authority's future debt requirement and to minimise treasury risks, based on known and approved prudential borrowing.

Graph 1: Liability Benchmark



2.13. The Liability Benchmark suggests that based on the current capital expenditure commitments within the General Fund capital programme and the HRA Business Plan the Authority has a small future borrowing requirement between 2025/26 and 2026/27, where the current borrowing portfolio is forecast to be below the Liability Benchmark.

2.14. The Authority's Liability Benchmark incorporates a liquidity allowance of £30m. Using this to determine the borrowing metric therefore means that the Authority would use internal borrowing to support its capital expenditure plans up to a point at which it would maintain £30m of short term treasury investments.

2.15. Following 2026/27, MRP applied to the General Fund CFR and provisions within the HRA Business Plan to repay principal means that the Loans CFR and the Liability Benchmark trend down, remaining below the long-term borrowing portfolio. This indicates that relative to the Liability Benchmark no additional external borrowing would be required, and that treasury investments are forecast to be more than the £30m liquidity allowance factored into the benchmark.

2.16. The Authority will keep the Liability Benchmark under review, updating it when new information becomes available, and will be reviewed ahead of any future borrowing decisions.

Minimum revenue provision (MRP) policy statement

2.17. Capital expenditure is generally defined as expenditure on assets that have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. The accounting approach is to spread the cost over the estimated useful life of the asset. The mechanism for spreading these costs is through an annual MRP. The MRP is the means by which capital expenditure, which is financed by borrowing or credit arrangements, is funded by Council Tax.

2.18. Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) require the Council to approve an MRP Statement setting out what provision is to be made in the General Fund for the repayment of debt, and how the provision is to be calculated. The purpose of the Statement is to ensure the provision is prudent, allowing the debt to be repaid over a period reasonably commensurate with that over which the capital expenditure benefits. The Council is recommended to approve the statement as detailed in Appendix C.

2.19. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

2.20. MRP Overpayments - A change introduced by the revised 2018 MHCLG (now DLUHC) MRP Guidance was the allowance that any charges made over the statutory MRP required, referred to as an overpayment and itemised as a voluntary revenue provision (VRP) can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, it is recommended to disclose the cumulative overpayment made each year in a disclosure statement to full Council. At 31 March 2022 the balance of VRP was £6.9m (£6.8m 31 March 2021).

Core funds and expected investment balances

2.21. The application of resources (grants, capital receipts etc.) to finance capital expenditure or budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

2.22. The cash investment balance will be kept at a minimum of £30m. The working capital and borrowing position will be managed to maintain this level of cash balances as a minimum position for the Authority. This has been incorporated as the liquidity allowance within the Liability Benchmark.

Borrowing

3.0. The capital expenditure plans set out in Table 1 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy

Current portfolio position

3.1. The overall treasury management portfolio on 31 March 2022 and corresponding position at 31 December 2022 are shown below for both borrowing and investments.

Table 4: Borrowing Portfolio

Borrowing Portfolio £'000	31-Mar-22			31-Dec-22		
	Principal	Average Rate (%)	Average Life (yrs)	Principal	Average Rate (%)	Average Life (yrs)
PWLB	348,461	3.45%	35.04	343,461	3.43%	34.79
Market	73,800	3.53%	40.69	73,800	3.53%	39.94
Total	**422,261**	**3.46%**	**36.02**	**417,261**	**3.45%**	**35.70**

Table 5: Investment Portfolio

Investment Portfolio £'000	31-Mar-22			31-Dec-22		
	Principal	Average Rate (%)	Average Life (days)	Principal	Average Rate (%)	Average Life (days)
MMFs	1,626	0.36%	1	1,626	3.16%	1
Government				25,000	3.16%	22
Banks	96,386	0.01%	4	71,750	0.94%	3
Total	**98,012**	**0.02%**	**4**	**98,375**	**1.54%**	**8**

3.2. The Council maintains upper and lower limits with respect to the maturity structure of its borrowing. This Prudential Indicator, reflecting the earliest date at which a lender can require payment is set to ensure refinancing risk is managed regarding the concentration of loan maturities in any one period. Table 6 below illustrates the actual position on both 31 March 2022 and 31 December 2022, compared to the upper and lower limits in place.

Table 6: Maturity Structure of Borrowing

Maturity structure of borrowing 2022/23	Lower Limit	Upper Limit	Actual 31.03.22	Actual 31.12.22
Under 12 months*	0%	40%	6%	5%
12 months to 2 years	0%	30%	0%	0%
2 years to 5 years	0%	30%	0%	1%
5 years to 10 years	0%	40%	5%	6%
10 years and above	30%	100%	89%	88%

3.3. The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing. The expected change in borrowing has been calculated with reference to the Liability Benchmark in paragraphs 1.26-1.34. This assumes internal borrowing is utilised to a point at which the Authority maintains £30m of treasury investments.

Table 7: Gross Debt v Capital Financing Requirement

£'000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt					
Borrowing at 1 April	422,261	417,261	417,261	417,261	417,261
Expected change in borrowing	0	0	0	0	17,915
Other long-term liabilities (OLTL)	17,426	16,258	14,955	13,471	12,156
Expected change in OLTL	-1,168	-1,303	-1,484	-1,315	-1,062
Actual gross debt at 31 March	**438,519**	**432,216**	**430,732**	**429,417**	**446,270**
CFR	**588,100**	**629,884**	**644,115**	**643,529**	**663,960**
Under / (over) borrowing	**149,581**	**197,668**	**213,383**	**214,112**	**217,690**

3.4. Within the range of Prudential Indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus future estimates of the CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing in advance of need for approved expenditure but ensures that borrowing is not undertaken for revenue or speculative purposes.

3.5. The Director of Finance reports that the Council complied with this Prudential Indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans, and the proposals in this budget report.

3.6. The Prudential Code framework is a principles based system whereby the Council should demonstrate that its capital plans are prudent, affordable and sustainable. One of the Prudential Indicators of affordability is the ratio of financing costs to net revenue stream, assessing the actual and estimated cost of capital against the income of the Authority. Table 8 provides the expected trends based on the forthcoming capital programme, for both the General Fund and HRA.

Table 8: Ratio of Financing Costs to Net Revenue Stream

Ratio of financing costs to net revenue stream %	**2021/22 Actual**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**
General Fund	17%	17%	19%	18%	17%
HRA	20%	19%	19%	19%	21%
Total	17%	18%	19%	18%	18%

3.7. The revised CIPFA Prudential Code and Treasury Management Code of Practice defined an Authority's investments as either treasury or non-treasury, with the non-treasury investments further categorised between service and commercial investment. A new Prudential Indicator was also introduced intending to demonstrate that the risks associated with investments for service and commercial purposes are proportionate to the financial capacity of the Authority. The ratio of net income from commercial and service investments to net revenue stream illustrates the reliance of the Authority on income derived from such investments.

Table 9: Income from Service and Commercial investments to Net Revenue Stream

	2021/22 Actual	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**
Income from service and commercial Investments to net revenue stream %	2%	2%	1%	1%	1%

Treasury Indicators: limits to borrowing activity

The operational boundary

3.8. This is the limit beyond which external debt is not normally expected to exceed. The boundary is based on the Council's programme for capital expenditure, capital financing requirement and cash flow requirements for the year.

Table 10: Operational Boundary

Operational boundary £'000	**2021/22 Actual**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**	**2025/26 Estimate**
Borrowing	588,100	629,884	644,115	643,529	663,960
Other long term liabilities	16,258	14,955	13,471	12,156	11,094
Total	**604,358**	**644,839**	**657,586**	**655,685**	**675,054**

The authorised limit for external debt.

3.9. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council.

3.10. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Table 11: Authorised Limit

Authorised limit £'000	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Borrowing	618,100	659,884	674,115	673,529	693,960
Other long-term liabilities	26,258	24,955	23,471	22,156	21,094
Total	**644,358**	**684,839**	**697,586**	**695,685**	**715,054**

Prospects for Interest Rates

PWLB Consultation

3.11. The Council's Treasury Management Adviser, Link Group, provided the following interest rate forecast on 7 February 2023. This includes forecasts for PWLB certainty rates, calculated as gilt yields plus 80 bps.

Table 12: Link Group Interest Rate Forecast: 7 February 2023

Link Group Interest Rate View	07.02.23												
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

3.12. Link Groups central forecast for interest rates in their 7 February 2023 forecast reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened but the Government's continued policy of emphasising fiscal rectitude will probably mean Bank Rate will not need to increase to further than 4.5%.

3.13. Link Group anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged. Our best judgment is that there will be scope for an early Christmas present for households with a December rate cut priced in, ahead of further reductions in 2024 and 2025.

3.14. The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.5%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.

3.15. Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure.

3.16. In the upcoming months, Link Groups forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

3.17. On the positive side, consumers are still estimated to be sitting on significant excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments

3.18. Additional commentary on the prospects for interest rates, (Appendix D) and economic background, (Appendix E) are contained within the appendices to this report.

3.19. Updates to Link Groups interest rate forecasts are received by officers throughout the year.

Borrowing strategy

3.20. As shown in paragraph 3.1 on 31 December 2022 the Council had a debt portfolio of £417.261m, with an average rate of 3.45% and an average life of 35.7 years. This follows the repayment of a PWLB maturity loan in September 2022.

3.21. The Council is currently maintaining an under-borrowed position, which was £150m at 31 March 2022. This means that the Capital Financing Requirement has not been fully funded with external loan debt as internal cash balances have been used temporarily to finance the capital programme. In foregoing lost investment income, the Council benefits from the differential between this and the external borrowing cost. This strategy is kept under review by the Director of Finance.

3.22. In terms of future borrowing, the Council has a range of funding sources available and will need to base its decisions on optimum borrowing times and periods taking into account current interest rates, forecast movements and the “cost of carry” (the difference between rates for borrowing and rates for investments). With the introduction of the Liability Benchmark as a Prudential Indicator, the Council will also have regard to this when taking future borrowing decisions.

3.23. It may be necessary to use temporary borrowing either from the money markets or from other local authorities to cover mismatches in the timing between capital grants and payments. However, with several Government grants now paid early in the financial year and robust daily monitoring of the cash flow position, the facility is unlikely.

3.24. Against this background and the risks within the economic forecast, caution will be adopted in the 2023/24 treasury management operations. The Treasury Management Group will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. This includes taking advice from Link Group, the Council's Treasury Management Advisers.

- *If it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

3.25. The Council has previously adopted a single pooled approach for debt. Allocations to HRA are based on its CFR, with interest charged to HRA at the average rate on all external borrowing. Longer term, the HRA's ability to repay borrowing will depend on future revenues and the capital expenditure programme.

Policy on borrowing in advance of need

3.26. The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.27. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt rescheduling

3.28. Rescheduling of current borrowing in our debt portfolio is unlikely to occur due to the differential in PWLB new borrowing and premature redemption rates and the premiums quoted by market providers in respect of the Councils remaining LOBO loan.

3.29. Any debt rescheduling opportunities will be reviewed and assessed in respect of providing a benefit to the Authority over the remaining life of the loan(s). All rescheduling will be reported to Cabinet at the earliest meeting following the exercise.

Approved Sources of Long- and Short-term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

Annual Investment Strategy

Investment policy

4.0. The Council's investment policy has regard to the following: -

- DLUHC's (formally MHCLG) Guidance on Local Government Investments 2018 ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

4.1. The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

4.2. The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- Minimum acceptable **credit criteria** are applied to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

- **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

- **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

- This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use, which are classified as either specified investments or non-specified investments in accordance with the MHCLG (now DLUHC) Investment Guidance, last updated in 2018.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    - **Non-specified investments** are long term investments with high credit quality, investments of any duration with counterparties recognised as less high credit quality, and/or more complex instruments which require greater consideration by members and officers before being authorised for use.

4.3. The Council acknowledges that both specified and non-specified investments may be subject to valuation changes, both positive and negative, prior to maturing. The Director of Finance will take all reasonable steps to ensure that day to day liquidity does not rely on the sale of such investments prior to maturity, and therefore that the Council is not exposed to realising any losses. Moreover, the Director will take measures to ensure that any potential unrealised gains or losses are proportionate to revenue budgets and reserves

4.4. However, this Authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

4.5. The primary principle governing the Council's investment criteria is the security of its investments, although the return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

4.6. The Director of Finance will maintain a counterparty list in compliance with the criteria detailed in Appendix F and will revise the criteria and submit any changes to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified as they provide an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

4.7. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits, unless in the opinion of the Director of Finance, or a delegated manager authorised under the Financial Services and Markets Act 2000 (FSMA), there is an overriding reason to favour or disregard a particular agency's view. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, and the institution will fall outside the lending criteria.

4.8. Credit rating information is supplied by the Link Group on all active counterparties that comply with the prescribed criteria detailed in Appendix F. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

4.9. The Council's criteria for an institution to become counterparty are detailed in Appendix F. The Council will apply the creditworthiness service provided by Link Group, which employs a sophisticated modelling approach combining credit ratings and market metrics in a weighted scoring system which results in a suggested duration indicating the relative creditworthiness of counterparties.

Country Limits

4.10. The Council has determined that it will only use approved counterparties from the UK or from countries with a minimum sovereign credit rating of AA-. The current UK sovereign rating is AA- or equivalent. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Investment Strategy

In-house Funds

4.11. The Council's funds are mainly cash derived primarily from the General Fund and HRA. Balances are also held to support capital expenditure. Investments are made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

4.12. Since April 2011, pension fund cash balances have been held separately from those of the Council. The Pension Fund currently holds cash with RBS, JP Morgan (The funds custodian) and in Money market funds.

4.13. As a route to diversification, along with additional improved service resilience, economies of scale and improved returns, the Council is considering joining a collective investment arrangement as part of a shared service with the GLA, managed by the GLA's investment subsidiary, London Treasury Limited, which is authorised and regulated by the Financial Conduct Authority.

4.14. The Cabinet report dated 15th July 2021, set out a recommendation that the Council becomes a participant in the shared service arrangement operated by the Greater London Authority (GLA) for the provision of treasury management services. This will include the Council transferring its investment balances into the GLA Group Investment Syndicate (GIS).

4.15. Work remains ongoing in respect of finalising the associated legal agreement to conclude negotiations to the satisfaction of the Director of Finance and Assurance in consultation with the Portfolio Holder for Finance and Resources together with the Director of Legal and Governance.

4.16. The Council's minimum counterparty criteria is included within Appendix F. Upon finalising any legal agreement with the GLA for the provision of treasury management services, officers will bring an amendment to the investment strategy to Cabinet/Full Council for approval. This will recognise that subject to agreement the Authority's treasury investments will subsequently be made in accordance with the GLAs own investment strategy, reflecting the current proposals being discussed.

Investment returns expectations

4.17. Link Group's Interest Rate Forecast from 19 December 2022 suggests that Bank Rate, currently 4% following the increase on 2 February 2023, will peak at 4.5% later in 2023. There is then an expectation for Bank Rate cuts to take place over the coming years.

4.18. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

- 2022/23 (remainder): 4.30%
- 2023/24: 4.30%
- 2024/25: 3.20%

- 2025/26: 2.60%

Investment treasury indicator and limit - total principal funds invested for greater than 365 days

4.19. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

4.20. With the Liability Benchmark, advocating a net book approach to treasury management, the Authority is expected to hold the majority of its investments short term and liquid.

4.21. The Council is asked to approve the following treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days £'000	2023/24	2024/25	2025/26
Principal sums invested for longer than 365 days	£30,000	£30,000	£30,000

Investment performance / risk benchmarking

4.22. The Council previously used LIBOR rates for benchmarking purposes. The publication of LIBOR and associated LIBID rates ceased at the end of 2021, as part of a move within financial markets to move to risk free reference rates. For sterling markets LIBOR has been replaced with the Sterling Overnight Index Average (SONIA), published by the Bank of England, which is based on actual transactions between banks, financial institutions, and institutional investors.

4.23. Link Group will provide the Authority with compounded SONIA rates in the same way that they did with LIBOR / LIBID rates for investment benchmarking purposes.

4.24. The Council is a member of a Link Group's investment portfolio benchmarking group through which performance is measured against peer London authorities. The risk of default attached to the Council's portfolio is reported by Link Group on a monthly basis.

End of year investment report

4.25. At the end of the financial year the Council will report on its investment activity as part of the Treasury Management Outturn Report.

Other Treasury Issues

Derivatives

5.0. A financial derivative is a contract, whose value is based on, or 'derived' from, an underlying financial instrument such as a loan. Local Authorities have previously been able to make use of financial derivatives embedded into loans and investments, both to reduce interest rate risk (e.g. forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans).

5.1. The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires local authorities to clearly detail their policy in the use of derivatives in the annual strategy. The Council does not intend to use standalone financial derivatives (such as swaps, forwards, futures and options). No change in strategy will be made without Full Council approval.

Brokers

5.2. The Council uses four brokers on a regular basis, as well as dealing directly with leading institutions. Wherever possible the Council will spread its business amongst them on a regular basis, though this may not always be possible. Brokers currently being used are:

- RP Martins
- Tradition
- BGC Sterling
- Imperial Treasury

5.3. The limited function performed by brokers is acknowledged; however, the Council would expect to be informed if a broker had any doubts about an organisation that we were dealing with.

Training

5.4. The Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in this area. This especially applies to Members responsible for scrutiny.

5.5. The training needs of Treasury Management officers are periodically reviewed as part of the Learning and Development programme with appropriate training and support provided.

External Advisors

5.6. The Council has engaged Link Group as its external Treasury Management Adviser.

5.7. It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council ensures that the terms of their appointment and the methods by which their value is assessed are properly agreed and documented and subjected to regular review.

5.8. However, the Council recognises that responsibility for treasury management decisions always remains with itself and will ensure that undue reliance is not placed upon external service providers.

Implications of the Recommendation

6.0. The recommendations primarily relate to the requirements for the Council to comply with statutory duties. However, the content of the report, covering borrowing and investment strategies, has implications for the Council's ability to fund its capital projects and revenue activities.

Risk Management Implications

7.0. Risks included on corporate or directorate risk register? Yes - Contained on Resources Directorate risk register Risk 9: Loss of an investment/deposit

7.1. Separate risk register in place? **No**

The relevant risks contained in the register are attached/summarised below. **Yes/No/n/a**

The risks of treasury management activity are clearly acknowledged in the main body of the report along with appropriate mitigations however the following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	**Mitigations**	**RAG Status**
Cash not available when needed	• Working capital and borrowing position designed to maintain the required level of cash balances • The balance of debt and investment operations ensure liquidity • The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy.	Green
Sums invested result in a loss	• The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's low risk appetite.	Amber
Council's capital investment programme is not affordable, prudent or sustainable	• One of the Prudential Indicators of affordability is the ratio of financing costs to net revenue stream, assessing the actual and estimated cost of capital against the income of the Authority. Table 8 • Limits on borrowing activity	Green

Risk Description	Mitigations	RAG Status
	• The Council is currently maintaining an under-borrowed position. This is estimated to be £198m as at 31st March 2023.	
VFM is not achieved	• The Council will monitor the yield from investment income against appropriate benchmarks for investment performance. • Regular monitoring of investment performance will be carried out during the year.	Green
Provision made in the General Fund for debt is not prudent	• MRP Statement setting out what provision is to be made in the General Fund for the repayment of debt, and how the provision is to be calculated. The purpose of the Statement is to ensure the provision is prudent, allowing the debt to be repaid over a period reasonably commensurate with that over which the capital expenditure benefits. Appendix C.	Green
Too many loans mature in one period impacting on ability to refinance risk	• The Council maintains upper and lower limits with respect to the maturity structure of its borrowing. This Prudential Indicator, reflecting the earliest date at which a lender can require payment is set to ensure refinancing risk is managed regarding the concentration of loan maturities in any one period. • The introduction of the Liability Benchmark is intended to inform future borrowing decisions in respect of the quantum and duration required to meet known long term liabilities based on the approved capital programme and a net book approach to treasury management •	Green
Borrowing is undertaken for revenue or speculative purposes	• Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates	Green

Risk Description	Mitigations	RAG Status
	of any additional CFR for 2022/23 and the following two financial years	
Exceptional levels of volatility in PWLB rates	• The Council's Treasury Management Adviser, Link Group, has provided an interest rate forecast (Table 12). • The current expectation is for Bank Rate and PWLB rates to peak in 2023 before reducing gradually as inflation begins to be fall.	Amber
Default on Council Loans	• The risk of default attached to the Council's portfolio is reported by Link Group on a monthly basis and this is currently very low.	Green

7.2. The identification, monitoring and control of risk are central to the achievement of the treasury objectives. Potential risks are identified, mitigated and monitored in accordance with treasury practice notes approved by the Treasury Management Group.

Procurement Implications

8.0. There are no procurement implications arising from this report.

Legal Implications

9.0. The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and Treasury Management Code of Practice and to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report.

9.1. The Act, accompanying statutory guidance and Codes of Practice referred to through capital financing regulations requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This report assists the Council in fulfilling its statutory obligation under the Local Government Act 2003 to monitor its borrowing and investment activities.

Financial Implications

10.0. In addition to supporting the Council's revenue and capital programmes the Treasury Management interest budget is an important part of the revenue budget. Any savings achieved, or overspends incurred, have a direct impact on the financial performance of the budget.

10.1. There is no direct financial impact of paying the London living Wage (LLW) arising from treasury management activity.

Equalities implications / Public Sector Equality Duty

11.0. There is no direct equalities impact.

Council Priorities

12.0. This report deals with the Treasury Management Strategy which plays a significant part in supporting the delivery of all the Council's corporate priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed on behalf of the Chief Financial Officer
Date: 07/02/2023

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 09/02/2023

Chief Officer: Dawn Calvert
Signed on behalf of the Corporate Director
Date: 07/02/2023

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 09/02/2023

Head of Internal Audit: Susan Dixson
Signed by the Head of Internal Audit
Date: 10/02/2023

Has the Portfolio Holder(s) been consulted? Yes ☒

Mandatory Checks

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

EqIA carried out: NO

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Dawn Calvert, Director of Finance and Assurance
Dawn.Calvert@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee – NOT APPLICABLE (decisions reserved to Council)

APPENDIX A

LEGISLATION AND REGULATIONS IMPACTING ON TREASURY MANAGEMENT

The following items numbered 1 - 4 show the sequence of legislation and regulation impacting on the treasury management function. The sequence begins with primary legislation, moves through Government guidance and Chartered Institute of Public Finance and Accountancy (CIPFA) Codes of Practice and finishes with implementation through the Council's own Treasury Management Practices.

1. Local Government Act 2003

Link: **Local Government Act 2003**

Below is a summary of the provisions in the Act dealing with treasury management.

In addition, the Secretary of State is empowered to define the provisions through further regulations and guidance which he has subsequently done through statutory instruments, Ministry of Housing, Communities and Local Government Guidance and CIPFA Codes of Practice.

Power to borrow
The Council has the power to borrow for purposes relevant to its functions and for normal treasury management purposes – for example, to refinance existing debt.

Control of borrowing
The main borrowing control is the duty not to breach the prudential and national limits as described below.
The Council is free to seek loans from any source but is prohibited from borrowing in foreign currencies without the consent of Treasury, since adverse exchange rate movements could leave it owing more than it had borrowed.
All of the Council's revenues serve as security for its borrowing. The mortgaging of property is prohibited.
It is unlawful for the Council to 'securitise', that is, to sell future revenue streams such as housing rents for immediate lump-sums.

Affordable borrowing limit
The legislation imposes a broad duty for the Council to determine and keep under review the amount it can afford to borrow. The Secretary of State has subsequently defined this duty in more detail through the Prudential Code produced by CIPFA, which lays down the practical rules for deciding whether borrowing is affordable.
It is for the Council (at a meeting of the full Council) to set its own 'prudential' authorised limit in accordance with these rules, subject only to the scrutiny of its external auditor. The Council is then free to borrow up to that limit without Government consent. The Council is free to vary the limit during the year, if there is good reason.

Requirements in other legislation for the Council to balance its revenue budget prevent the long-term financing of revenue expenditure by borrowing. However the legislation does confer limited capacity to borrow short-term for revenue needs in the interests of cash-flow management and foreseeable requirements for temporary revenue borrowing are allowed for when borrowing limits are set by the Council.

The Council is allowed extra flexibility in the event of unforeseen needs, by being allowed to increase borrowing limits by the amounts of any payments which are due in the year but have not yet been received.

Imposition of borrowing limits
The Government has retained reserve power to impose 'longstop' limits for national economic reasons on all local authorities' borrowing and these would override authorities' self-determined prudential limits. Since this power has not yet been used the potential impact on the Council is not known.

Credit arrangements
Credit arrangements (e.g. property leasing, PFI and hire purchase) are treated like borrowing and the affordability assessment must take account not only of borrowing but also of credit arrangements. In addition, any national limit imposed under the reserve powers would apply to both borrowing and credit.

Power to invest
The Council has the power to invest, not only for any purpose relevant to its functions but also for the purpose of the prudential management of its financial affairs.

Guidance
The Act contains a requirement for the Council to have regard to guidance:

- Issued directly by the Secretary of State
- DLUHC (formally MHCLG) Investment Guidance
- DLUHC (formally MHCLG) MRP Guidance
- Other guidance the Secretary of State may refer to through regulations
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- CIPFA Prudential Code
- CIPFA Treasury Management Code of Practice

<u>Ministry of Housing, Communities and Local Government Investment Guidance (2018)</u>

The Guidance recommends that for each financial year the Council should prepare at least one Investment Strategy to be approved before the start of the year. The Strategy must cover:

Investment security

- Investments should be managed prudently with security and liquidity being considered ahead of yield
- Potential counterparties should be recognised as "specified" and "non-specified" with investment limits being defined to reflect the status of each counterparty

Investment risk

- Procedures should be established for monitoring, assessing and mitigating the risk of loss of invested sums and for ensuring that such sums are readily accessible for expenditure whenever needed.
- The use of credit ratings and other risk assessment processes should be explained
- The use of external advisers should be monitored. The training requirements for treasury management staff should be reviewed and addressed
- Specific policies should be stated as regards borrowing money in advance of need

Investment Liquidity

- The Strategy should set out procedures for determining the maximum periods for which funds may prudently be committed

The Strategy should be approved by the full Council and made available to the public free of charge. Subject to full Council approval, or approved delegations, the Strategy can be revised during the year.

Ministry of Housing, Communities and Local Government Minimum Revenue Provision Guidance (2018)

Minimum Revenue Provision (MRP) is the mechanism by which capital expenditure funded though prudential borrowing is charged to revenue over time. The aim of MRP is to align the charge to revenue over a period which the capital expenditure provides benefit.

Before the start of each financial year the Council is required to approve an MRP Policy Statement specifying how it will make prudent MRP during that year. Subject to full Council approval, the MRP Policy Statement can be revised during the year.

Treasury Management in the Public Services: CIPFA Code of Practice (2021) and Guidance Notes (2021)

The primary requirements of the Code are:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices ("TMPs") that set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council or Cabinet of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy Statement - for the year ahead, a Half-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body.

The 2021 CIPFA Treasury Management Code of Practice introduced the requirement from 2023/24:
- to present the Liability Benchmark as a new Treasury Indicator, to support the financing risk management of the capital financing requirement.
- Updates to Treasury Management Practices (TMPs) in respect of incorporating Environment, Social and Governance (ESG) policies and the development of a knowledge and skills framework proportionate to the size and complexity of the treasury management operations
- The creation of Investment Management Practices (IMPs) to manage risks associated with non-treasury investments (similar to TMPs)

CIPFA Prudential Code (2021) and Guidance Notes (2021)

The CIPFA Prudential Code is a framework developed to support local strategic planning, asset management and options appraisal. The objectives of the Prudential Code are to ensure that the Council's capital expenditure plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

The Prudential Code sets out a number of indicators which demonstrate the impact of the approved capital programme. Since 2017 local authorities have been required to produce an annual Capital Strategy, which sets out the long-term context in which capital expenditure and investment decisions are made.

The 2021 CIPFA Prudential Code introduced the requirement from 2023/24 to:
- Present a Prudential Indicator in looking at income from non treasury investments as a proportion of net revenue stream to ensure a proportionate approach to service and commercial investment
- address ESG policies within the Capital Strategy.

2. CIPFA Treasury Management Code of Practice (2021) and Prudential Code (2021) definition of investment

All investments and investment income must be attributed to one of the following three purposes: -

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery
Investments held primarily and directly for the delivery of public services including housing, regeneration, and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is “either related to the financial viability of the project in question or otherwise incidental to the primary purpose”.

Commercial return
Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council’s financial capacity – i.e., that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

TREASURY MANAGEMENT DELEGATIONS AND RESPONSIBILITIES

The respective roles of the Council, Cabinet, GARMSC, the Section 151 officer, the Treasury Management Group the Treasury and Pensions Manager and the Treasury Team are summarised below. Further details are set out in the Treasury Management Practices.

Council

Under the Constitution, the Council is responsible for "decisions relating to the control of the Council's borrowing requirement."

It agrees the annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

Cabinet

Under the Constitution, the Cabinet "will exercise all of the local authority functions which are not the responsibility of any other part of the local authority, whether by law or under this Constitution."

It considers and recommends to Council the annual Treasury Management Strategy Statement and receives a mid-year report and annual outturn report on Treasury Management activities.

Governance, Audit, Risk Management and Standards Committee

GARMSC reviews the Treasury Management Strategy and monitors progress on treasury management in accordance with CIPFA codes of practice.

Director of Finance (Section 151 Officer)

Under S151 of the Local Government Act 1972 the Council "shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs." At Harrow, this responsibility is exercised by the Director of Finance.

The Director is responsibility for implementing the policies agreed by the Council and Cabinet.

Under the Local Government Finance Act 1988 and the Local Government Act 2003 the Director also has responsibilities in respect of budget arrangements and the adequacy of resources. In terms of Treasury Management this means that the financing costs of the Capital Programme are built into the Revenue Budget as are any assumptions on investment income.

The Director chairs the Treasury Management Group and agrees major treasury management decisions, specifically including any borrowing decisions, delegated to officers.

Treasury Management Group

Comprises Director of Finance, Head of Strategic and Technical Finance (Deputy S151 Officer), Treasury and Pensions Manager, Senior Finance Officer and is responsible for:

1. Monitoring treasury management activity against approved strategy, policy, practices and market conditions;
2. Ensuring that capital expenditure plans are continually reviewed in line with budget assumptions throughout the year to forecast when borrowing will be required.
3. Approving changes to treasury management practices and procedures;
4. Reviewing the performance of the treasury management function using benchmarking data on borrowing and investment provided by the Treasury Management Adviser (Link Asset Services);
5. Monitoring the performance of the appointed Treasury Management Adviser and recommending any necessary actions
6. Ensuring the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;
7. Monitoring the adequacy of internal audit reviews and the implementation of audit recommendations

Treasury and Pensions Manager

Responsible for the execution and administration of treasury management decisions, acting in accordance with the Council's Treasury Management Strategy Statement and CIPFA's "Standard of Professional Practice on Treasury Management"

Treasury Team

Headed by Senior Finance Officer with responsibility for day-to-day treasury and investment and borrowing activity in accordance with approved Strategy, policy, practices and procedures and for recommending changes to the Treasury Management Group

Minimum Revenue Provision (MRP) Policy Statement

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be the equal annual reduction of 2% of the outstanding debt at 1 April 2015 for the subsequent 50 years.

For all capital expenditure financed from unsupported (prudential) borrowing (including PFI and finance leases), MRP will be based upon an asset life method in accordance with Option 3 of the guidance.

In some cases where a scheme is financed by prudential borrowing it may be appropriate to vary the profile of the MRP charge to reflect the future income streams associated with the asset, whilst retaining the principle that the full amount of borrowing will be charged as MRP over the asset's estimated useful life.

The regulations allow the Council to charge VMRP, which can be used to reduce future MRP by the same amount. A change introduced by the revised MHCLG MRP Guidance is that the voluntary MRP must be disclosed in a statement to the full council in order to reclaim it in future years as deemed necessary and prudent. As at March 2022, the VRP is £6.9m.

Estimated life periods and amortisation methodologies will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

Freehold land cannot properly have a life attributed to it, so for the purposes of Asset Life method it will be treated as equal to a maximum of 50 years. But if there is a structure on the land which the authority considers to have a life longer than 50 years, that same life estimate will be used for the land.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

Repayments included in annual PFI or finance leases are applied as MRP.

Where borrowing is undertaken for the construction of new assets, MRP will only become chargeable once such assets are completed and operational.

Under Treasury Management best practice the Council may decide to defer borrowing up to the capital financing requirement (CFR) and use internal resources instead. Where internal borrowing has been used, the amount chargeable as MRP may be adjusted to reflect the deferral of actual borrowing.

APPENDIX D: Link Group: Interest Rate Forecasts 2022 – 2025.

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

The Link Group forecasts are as at 07.02.23.

Link Group Interest Rate View	07.02.23												
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

APPENDIX E

Economic Background

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.0%	2.5%	4.5%-4.75%
GDP	-0.3%q/q Q3 (1.9%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.9% Q4 Annualised
Inflation	10.5%y/y (Dec)	8.5%y/y (Jan)	6.5%y/y (Dec)
Unemployment Rate	3.7% (Nov)	6.6% (Dec)	3.4% (Jan)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will face some further upward pressures before dropping back slowly through 2023 to finish the year in the range of 4% - 5%.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Since then, rates rose to 3.5% in December and 4% in February and the market currently expects Bank Rate to hit 4.5% by June 2023.

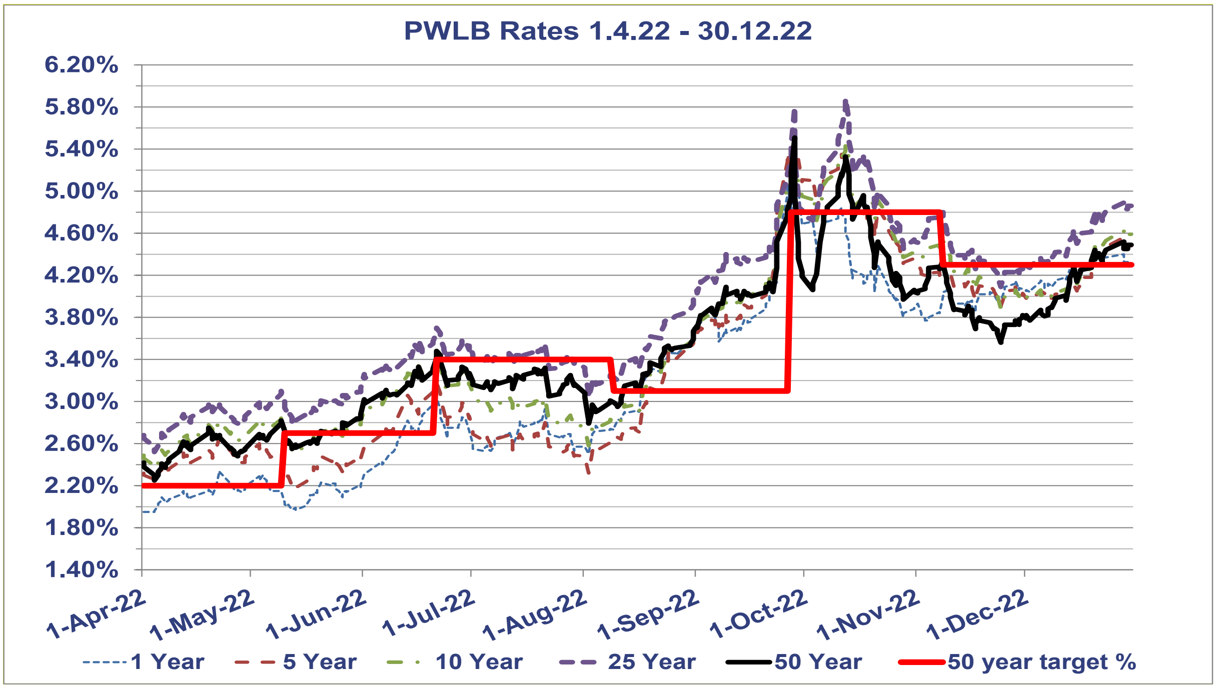
Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and

October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction in 2023. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank. Indeed, their February Monetary Policy Report suggests five quarters of negative growth, albeit a shallow recession with GDP expected to shrink 0.5% in 2023 and 0.25% in 2024.

The £ has remained resilient of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.22. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first nine months of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to December 2022 below, has been followed by the whole curve shifting lower. PWLB rates at the front end of the curve are generally over 1.25% lower now whilst the 50 years is also over 1% lower.

HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.22 – 30.12.22

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.26%	3.41%	3.57%	3.85%	3.51%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

The S&P 500 and FTSE 100 have climbed in the early weeks of 2023, albeit the former finished 19% down in 2022 whilst the latter finished up 1%.

CENTRAL BANK CONCERNS – DECEMBER 2022 & FEBRUARY 2023

In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

At the start of February, US rates have further increased by 0.25% to a range of 4.5% - 4.75%, whilst UK Bank Rate increased 0.5% to 4%.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.25% - 4.5%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data and labour market have proven stronger than expected.

In addition, the Bank's central message that GDP will fall for five quarters starting with Q1 2023 may prove to be a little pessimistic. Will the excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

APPENDIX F

Counterparties and approved investments

This Authority applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

1. "watches" and "outlooks" from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will, therefore, use counterparties within the following durational bands

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Authority uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link.

Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Authority will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long-term rating where applicable)	Monetary limit per Counterparty	Duration limit
Banks & UK Government	**Yellow**	**£20m**	**5yrs**
Banks	**Purple**	**£20m**	**2 yrs**
Banks & Building Societies	**Orange**	**£20m**	**1 yr**
Banks – part nationalised	**Blue**	**£20m**	**1 yr**
Banks & Building Societies	**Red**	**£20m**	**6 mths**
Banks & Building Societies	**Green**	**£20m**	**100 days**
Banks & Building Societies	**No Colour**	**Not to be used**	**Not to be used**
Authority's Banker (RBS)		**£50m**	**Instant Access**
DMADF	**UK sovereign rating**	**unlimited**	**6 months**
Local authorities	**Yellow**	**£20m**	**5yrs**
	Fund rating		**Time Limit**
Money Market Funds CNAV	**AAA**	**£20m**	**liquid**
Money Market Funds LVNAV	**AAA**	**£20m**	**liquid**
Money Market Funds VNAV	**AAA**	**£10m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark Pink / AAA**	**£5m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.50	**Light Pink / AAA**	**£5m**	**liquid**

Councils own Bank – RBS

The Council will have an overriding limit of £50m with RBS to be held on instant access. If the Council makes an investment with RBS in accordance with the Banks suggested duration according to the Link Credit Methodology (as per the colour bandings/limits in the table above above) the £50m limit for RBS in respect of funds that could be held on instant access will be reduced accordingly.

Sovereign
The Authority will invest in counterparties based in the UK plus those domiciled in countries with a minimum sovereign rating of AA-.

Groups of Companies
The Authority will treat groups of companies as one counterparty and therefore one limit will apply across all entities within that group.

Specified Investments

The MHCLG Investment Guidance defines a specified investment if all the following apply:

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is not a long-term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option.
- The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended].
- The investment is made with a body or in an investment scheme described as high quality (see paragraph 33 or with one of the following bodies:
  - The United Kingdom Government;
  - A local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland;
  - A parish council or community council.

The Authority as part of its treasury strategy defines what it believes constitutes high credit quality.

For the purposes of this strategy the Authority determines high credit quality to be any investment up to 365 days meeting the requirements of the table above in accordance with the Link Group Creditworthiness Methodology.

Non-Specified Investments
The MHCLG Investment Guidance defines a non-specified investment as any financial investment that is not classified as a loan or a specified investment.

The Authority does not intent to make investments outside of the counterparty criteria contained in the table above. Therefore, it will only undertake non specified investments if it makes long term investments over 365 days within the above parameters with regards counterparty limits and investment duration. This would be subject to cashflow forecast illustrating the Authority had sufficient funds available to enter into long term investments.

Loan
The MHCLG Investment Guidance defines this as a loan that an Authority has elected to make to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

The Authority will undertake specific due diligence in respect of any loans to third parties in support of Council objectives prior to any decision on a loan being made.

Contents

Section 1 – PRINCIPLES OF THE CAPITAL STRATEGY

1. Introduction

In December 2017, the Chartered Institute of Public Finance & Accountancy issued a revised Prudential and Treasury Management Code, requiring all local authorities to produce a Capital Strategy report from 2019/20 onwards to show:

1. a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
2. an overview of how the associated risk is managed
3. the implications for future financial sustainability.

This capital strategy meets the requirement by setting out the Council's capital investment programme and how it contributes to the achievement of strategic priorities being refreshed through the Borough Plan, while considering resource availability and the wider financial context. It is intended to be supportive of the Council's other strategy framework documents.

2. Objectives and Principles

The strategy details show how the Council sets out its priorities for Capital investment including links to existing delivery plans and strategy documents. It also considers the ways in which capital expenditure may be financed, including the impact that the Strategy has on the budgets of both the General Fund and the Housing Revenue Account (HRA). The strategy will also set out the links with Treasury Management objectives and determine the authority's approach to risk in those objectives.

This document is part of the Council's business planning process from both a financial and service perspective. It sets out a framework whereby the authority's capital resources can be effectively allocated to those projects which may help the Council achieve wider corporate objectives, protect existing assets and support financial sustainability.

Principles of the Capital Strategy

1. Capital Investment is a vital tool in delivering strategic priorities.

2. The Capital Programme will include only these schemes in accordance with the agreed criteria.

3. The Council will consider schemes purely to generate a commercial return to support
   the budget.

4. The evaluation of capital schemes for inclusion on the programme will follow an agreed process which allows scrutiny whilst not limiting innovation and adaptability.

5. The funding of the Capital Programme must be considered alongside the revenue budget and balance sheet position as part of the Council's Medium Term Financial Strategy (MTFS).

6. Capital projects will be monitored and reported to Cabinet on a quarterly basis.

3. Background

As part of its wider treasury management objectives the Council must have regard to the “Prudential Code for Capital Finance in Local Authorities” (henceforth to be referred to as the Prudential Code), as produced by the Chartered Institute of Public Finance & Accountancy (CIPFA). The 2017 revision of the Prudential Code introduces the requirement for authorities to produce a Capital Strategy from 2019/20. It is a live document underpinning the Council’s Capital Programme and therefore will be subject to amendment.

4. Capital Expenditure

Capital Expenditure is that which is incurred on the acquisition, creation or enhancement of an asset. These assets can be tangible such as buildings or vehicles, as well as intangible such as software products.

5. The link between Revenue and Capital

Capital and revenue expenditure are separate components of local authority budgets and funding for each is considered separately. However, a vital component of successful financial planning is that revenue and capital budgets are intrinsically linked as the impact of capital expenditure must be reflected in revenue budgets. Therefore, this capital strategy should be deemed to form a key part of the authority’s medium term financial planning process.

The impact and affordability of capital expenditure must be considered in the assessment of capital projects at the business case stage. Effective financial planning must fully reflect the impact of capital plans in the revenue budget.

The following table sets out some of the key impacts of capital expenditure upon the revenue budget.

Revenue Savings
•Direct Income from assets
•Reduced maintenance costs of new or improved assets
•Savings in labour costs
Revenue Costs
•Running costs of new assets
•Minimum Revenue Provision (loan principal)
•Interest costs from borrowing

As an indication of the current cost of the existing capital programme, the table below shows the capital financing costs that are already factored into the existing MTFS for 2023/24 to 2025/26 in relation to the existing and historic capital programmes:

Capital Financing Costs as % of the Net Revenue Budget for 2023/24 of £196.3m

	Capital Financing Costs	Capital financing costs as % of 2023/24 Net Budget
	£m	%
2023/24	31.4	16.0%
2024/25	33.3	17.0%
2025/26	33.7	17.2%

6. The Purpose of Capital Investment

Investment through capital expenditure may serve a number of purposes; these can typically be classified as being related to service priorities and commercial investments.

Commercial investments are those which are entered into with the explicit objectives of returning a surplus for Council and therefore improving the financial sustainability of the Council. These may include:

1. Acquisition of Property to deliver a commercial return, usually through rental
2. Investments in outside organisations with the view to making a return
3. Investments which neither deliver a financial return nor achieve a service objective for the Council should not be considered for inclusion on the Capital Programme.

7. Existing Capital Priorities

Service directorates were invited to bid for capital resources, as part of their service proposals for 2023/24 to 2025/26.

In view of the current financial climate and reduced external funding service directorates were asked to limit new capital proposals to the following categories:

1. Life and Limb/Health and Safety.
2. Statutory Requirement/legislation.
3. Schemes fully funded by external sources.
4. Invest to Save Schemes (the capital expenditure must generate a revenue stream to cover the capital financing costs and make a net contribution to the MTFS).

The updated Capital Programme 2023/24 to 2025/26 will be approved by Cabinet and Council in February 2023.

8. Use of Commercial Investment

The Council took its Investment Property Strategy to Council in December 2015. Under this strategy the Council has incurred £51.1m of capital expenditure to 31 March 2022 on commercial investments. The Council acquired 7 Commercial properties, 6 of them are located outside of Harrow Borough and one in Harrow Town Centre. There is no further Capital for Commercial Investments in the Capital Programme to be approved by Council in February 2023.

9. Asset Management

Asset Management is the process by which the authority considers whether its assets are appropriate to deliver the high-quality services demanded by residents. This process may identify a number of different outcomes for assets including:

1. Change in use to meet the demands of a service

2. Investment is required to improve the condition of an asset

2. A new asset is required to better meet the Council priorities

3. The need to dispose of the asset to realise its value in monetary terms

The Council will use active asset management to consider both its current asset base and its future asset base. The capital programme will be used to bridge the gap to ensure that the authority has sufficient assets in the long term.

10. Capital Disposals

The asset management process may determine that the value of an asset is best realised through disposal. Sale of assets should be through an open market process to determine the best value.

Cash received from a sale of a property is a capital receipt. The use of these funds is restricted to purchasing new assets or repayment of existing debt. The Council will not make decisions about the ring-fencing of capital receipts before amounts are known and the use of such receipts has been considered in the light of the Council's overall financial position.

The existing General Fund capital programme includes a limited amount of capital receipts in relation to two regeneration schemes – Haslam House and Waxwell Lane. The HRA capital programme includes assumptions on levels of right to buy receipts as well as other capital receipts.

11.Multi-Year Capital Projects

Capital projects deliver assets which will provide services and/or income to the Council for a number of years. As a result of the significance and complexity of a number of these projects they may take a number of years to plan and deliver. When setting the Capital Programme Council will approve the schemes to be included, the budget for their delivery and the timescale in which they are to be achieved. Unless schemes have clearly defined development and delivery phases with separate objectives, budgets and timescales Council should be asked to approve a budget to cover the whole of the project being delivered. Approval of the entire budget at the point of inception gives certainty for the project and assists officers in ensuring delivery.

The budget for approval will include an expected cash flow projection showing how much of the anticipated project budget will be incurred in each year of the Capital Programme. Any variations in timing of cash flows between years will be reported as part of the budget monitoring process. This should be regarded as part of the normal development of a capital project.

12.Use of capital receipt flexibilities

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 send up to 100% of their fixed asset receipts on the revenue costs of reform projects.

The flexibility was initially offered to the sector for the three financial years 2016/17 to 2018/19. In December 2017, the Secretary of State announced, alongside the provisional local government finance settlement, the continuation of the capital receipts flexibility programme for a further three years, covering 2019/20 to 2021/22. The flexibility has been extended on numerous occasions and is currently in place until 31 March 2025.

Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

Local authorities are given the power to use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered, to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects. Local Authorities may not use their existing stock of capital receipts to finance the revenue costs of reform.

The Council signified its intent to make use of this flexibility in its final budget report to Cabinet and Council in February 2016 and has continued to do so as part of the Annual Budget Setting process in order to provide the Council with the flexibility should it be needed . To date, the following use has been made of capital flexibilities:

2016/17	£2,377,000
2017/18	£1,738,000
2018/19	£1,200,000
2019/20	£3,100,000
	£8,415,000

The final MTFS 2023/24 to 2025/26 includes a budget of £1.250m to fund the Regeneration Team. The nature of this spend meets the capital flexibility criteria and the team will be funded under the capital flexibilities scheme in 2023/24 and 2024/25.

Section 2 – SELECTING, APPROVING AND MONITORING CAPITAL SCHEMES

13.The Importance of Capital Business Cases

The processes described in the following section are to be regarded as the authority's formal procedures for setting and monitoring capital projects. This process has been developed to ensure that the Council's Capital Programme contains schemes which are in line with objectives, meet its asset management requirements and are both affordable and deliverable. This process will give elected members confidence that decisions they are being asked to make regarding the capital programme have been based on a sound system of decision making.

All capital schemes included in the Capital Programme have been the subject of an evaluation process including a business case to ensure the Council can target its capital resources effectively.

14. Information to be considered in Capital Decision Making

When making decisions as to which schemes are included on the capital programme the presented business case must include information on these main factors.

4. Financials – All anticipated costs (both capital and ongoing revenue, along with any potential revenue streams must be set out. This should include risk analysis to show factors which may impact upon those numbers and where appropriate sensitivity analysis to show potential future scenarios.
5. Strategic Objectives – As discussed capital schemes must meet Council priorities and the ability of a scheme to impact upon objectives must be clearly demonstrated. This should include the wider social and environmental impact of the capital project. This must be accompanied by evidence supporting the conclusions made.
6. Capacity - All capital schemes, even those funded by external sources, require officers within the Council to implement them and this must be considered as part of the appraisal process. Where a project requires the procuring of additional resource to deliver the scheme this detail must be included in the financial analysis.
7. Deliverability - The success of capital projects depends not just on the financial and non-financial resources of the Council. External factors which impact on the deliverability of the project should also be considered as part of the planning process.

15.Governance of the Capital Programme

This strategy sets out the governance relationship relating to the Capital Programme and the respective role of Members and Officers in relation to the decision-making process. The roles of the various groups are as follows.

Decision making on the Capital Programme is likely to be an iterative and often circular process with information flowing both ways between these respective groups.

As an example, the following timescale may be followed for producing the Capital Programme during the main budget setting process.

Council

•Formally agrees the Capital Programme

•Receives budget monitoring reports covering financial and non-financial elements of capital schemes

•Approves commercial capital investments

Capital Forum

•Allows panel a chance to comment on capital schemes before formal approval of releasing the funding approved as part of the Capital Programme

Corporate Team

•Reviews Business Cases submitted

•Performs initial sift of viable schemes

•Approves proposed list of capital schemes

Service Managers / Heads of Service

•Identify priorities and opportunities for capital investment

•Act as, or appoint, project managers to lead on schemes and complete outline business cases

16. In-Year Capital Decisions

The inclusion of projects in the Capital Programme must remain possible outside of the usual capital budget setting process where a project is being resourced by external funding, e.g Government grant or other external funding. In order to facilitate this, the financial regulations allow for capital projects to be added to the capital programme where they are funded from external sources.

17.Monitoring Capital Projects

Effective monitoring of projects is a vital element of good capital governance.

Capital projects are often significant not only in terms of financial resources required but in terms of organisational capacity, impact upon Service delivery and reputational risk. It is therefore vital that there is sufficient monitoring carried out upon schemes to allow stakeholders to be informed of progress and for members and officers to make decisions as required.

In order to meet these requirements, the Corporate Team prepare quarterly monitoring reports showing the current spend against capital projects, the forecast for the end of the financial year include the underspend or slippage into the following year at the end of each financial quarter, with an outturn report at year-end.

Cabinet receives quarterly information on the progress of capital projects as part of the quarterly finance update on revenue and capital budget monitoring

Section 3 - FINANCING THE CAPITAL PROGRAMME

18. Capital Funding

There are a number of distinct sources of funding which can be utilised to finance capital expenditure. Some funding sources are ring fenced and can only be used for Housing Revenue Account capital expenditure, or a particular capital project. Consideration of funding must be made when projects are at the planning stage. No capital project will be put forward without funding having been identified to complete the project. Where capital schemes are in multiple phases, perhaps requiring an initial development phase to ensure funding for the final phases, this will be considered as part of the planning stage and clearly reported.

Capital funding cannot be used to fund revenue costs which may arise from a capital scheme such as consultant's costs on feasibility before a project is identified.

19.Capital Resources

Capital Receipts

The sale of assets with a value of more than £10,000 generates income known as capital receipts. Legislation requires these to be spent on either new capital investment or the repayment of existing debt. The government allows some flexibility in the use of capital receipts in the form of capital flexibilities as set out in paragraph 12.

HRA Right to Buy compulsory sale of council houses generate receipts that may be retained to cover the cost of transacting the sales and to cover outstanding debt on the property sold, but a proportion of the remainder must be surrendered to Central Government.

All other HRA capital receipts may be retained provided they are spent on affordable housing, regeneration or paying off housing debt.

General Fund capital receipts can be retained in full. These can arise from the sale of land and buildings, vehicles, plant and equipment, and also through the repayment of loans or grants.

An active asset management planning process is needed to review the asset requirements of the Council and therefore to identify surplus assets which may be sold to generate capital receipts.

Prudential Borrowing

The Council is able to borrow money on the money market or from the Public Works Loans Board (PWLB) to fund capital schemes. A preferential Certainty Rate of interest is allocated to Councils who apply for it and it is the policy of this Council to take advantage of the certainty rate each year.

For all schemes initially funded from borrowing, the Council will have to fund the repayment and interest costs as there is no longer any central government "supported borrowing" allocations and related revenue support.

The Council is only able to borrow for Prudential Borrowing, under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Council is required to ensure that all borrowing is both prudent and affordable. All schemes funded from prudential borrowing are approved by full Council. As part of the Treasury Management Strategy each year full Council approves a limit for affordable borrowing and capital schemes will be considered in the light of that limit.

20.External Funding Sources

Capital Grant from Government or Government Agency

Central government and government agencies provide capital grant funding that can be either ring fenced, or non-ring fenced. Examples of ring-fenced grants that the Council has received are disabled facilities grants (DFG's) and Heritage Lottery Fund (HLF) funding.

Community Infrastructure Levy (CIL)

Any monies received from developers for infrastructure from the Community Infrastructure Levy will not be allocated to a specific service but will be allocated under the CIL arrangements ("the Regulation 123 List") in line with Council's capital scheme priorities.

The process for allocating CIL funds will be in accordance with the process agreed by Cabinet

The Community Infrastructure Levy (CIL) enables the council to raise funds for infrastructure from new development. It is levied on the net increase in floor space arising from new developments and is paid when that development starts. The Community Infrastructure Levy (CIL) is a tool for local authorities to support the development of their area by funding the provision, improvement, replacement, operation or maintenance of infrastructure. However, the focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area.

CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities. Harrow's list of strategic infrastructure requirements known as a Regulation 123 list is shown below:

Regulation 123 List

The following table comprises Harrow Council's Regulation 123 List. It includes the strategic infrastructure that the Council currently considers it is likely to apply CIL revenues to. The Regulation 123 List will be kept under review and may change depending upon the following:

- Changes to local or national funding streams in respect of CIL eligible infrastructure; and
- The requirements of the regulations governing the level of the "meaningful proportion" of CIL that is to be passed to local communities.

Infrastructure currently considered likely to benefit from the application of CIL funding	
Education facilities	Early years, primary and secondary schools
Health services	GPs, acute healthcare
Social care	Supported accommodation
Emergency services	Police, Ambulance and Fire Services
Cultural and community facilities	Libraries and community halls
Improvements to public open space	Parks, natural green space, civic space and green corridors and green grid
Improvements to biodiversity	
Public recreation and leisure facilities	Neighbourhood and Youth Play space, sports and leisure centres, swimming pools and playing pitches
Cemeteries and burial space	
Strategic transport facilities	Roads, buses, cycling, rail and underground
Strategic flood mitigation	

Of all CIL monies collected, 85% is used to fund strategic borough wide infrastructure projects, which includes a 5% allowance to cover the administrative costs of CIL. The decisions on where to spend CIL at a borough-wide level is determined by the Council. The remaining 15% is allocated to Neighbourhood CIL (NCIL) and must be spent on projects that have taken account of the views of the communities in which the income was generated and these projects should support the development of the area.

A report was presented to the Major Development Panel (MDP) on 14th November 2017, recommending that the allocation of Borough and Neighbourhood CIL is included as part of the Annual Budget Setting process and included in the Capital Programme report which goes to Cabinet in draft in December and in February in its final version. The recommendations from the Major Development Panel (MDP) report were agreed by Cabinet on 7th December 2017 which agreed:

1. *the allocation of the Borough Community Infrastructure Levy (CIL) be included as part of the Annual Budget Setting process and included in the Capital Programme report which is presented to Cabinet every year in December (draft budget) and February (final budget);*

2. Specific projects to be funded by Neighbourhood CIL can be put forward by the relevant Directorates / Ward members and assessed against the criteria outlined in the CIL Allocations report agreed by the Major Development Panel in November 2017. The final decision on

what projects are funded from the agreed NCIL allocations will be delegated to the Divisional Director – Regeneration and Planning, in consultation with the Portfolio Holders for Regeneration and Planning, and Finance and Commercialisation

During 2022/23, a review of the process has recently been undertaken in terms of the Neighbourhood element of CIL. The scope of the review was presented to the Planning Policy Advisory Panel on 3 October 2022 and the outcome of the review is presented to Cabinet in February 2023, including the revised process for identification of projects and arrangements for assessment and approval of these under delegated authority. The revised process is expected to be in place in time for the 2023/24 financial year.

The Borough CIL element will be used to fund the core Capital programme and can be considered as a funding source for new capital bids as well as existing projects in the Capital programme.

In addition to the principles already reached on how CIL funding should be used to fund the capital programme, in light of the budget gaps in future years, it was recommended by Cabinet in December 2018, that CIL should be **first** be applied to any schemes in the existing capital programme rather than applying it to new schemes. The rationale for this is that if applied to schemes that are currently funded from borrowing, by funding from CIL instead, this will reduce the existing capital financing costs.

Section 106 Agreements

Developer consents may attract Section 106 funding to spend on a particular asset or site as an alternative to CIL.

Capital contributions from partner organisation

When capital projects are devised it is open for project managers to invite funding from a range of partner organisations.

Revenue contributions Services who are leading a capital project may make savings within their revenue budgets during a particular year and in some circumstances use that saving to part-fund a capital project.

21. Policy on use of Capital Funding

The Council will look to use external funding sources where possible to meet the funding requirements of its capital programme.

Where the use of Council resources are required the authority will look to utilise reserves, revenue funding or capital receipts as these create no long term revenue cost implications on the Council.

Borrowing will be used as the last possible source of funding and should be restricted only to those schemes which generate sufficient savings or income to meet the costs of interest and the Minimum Revenue Provision.

Any borrowing incurred to support the provision of new build housing within the Housing Revenue Account must be demonstrated to be affordable over a period of 30 years.

22.Relationship between Capital Strategy and Treasury Management

Treasury management refers to the processes of managing and reporting on the Council's performance in matters of investment and borrowing.

The Council's policy on Treasury Management has numerous links to the Capital Strategy. It is not intended that this Strategy replace the reporting requirements of the Treasury Management Strategy and includes a summary of the major points of that strategy and associated governance processes.

Key Treasury decisions are the responsibility of full Council and are contained within the Treasury Management Strategy.

These include:

1. Approved limits on borrowing
2. Limits for investment types and counterparty limits
3. Planned capital expenditure
4. Estimates for the future Capital Financing Requirement
5. Policy on the Minimum Revenue Provision

Detailed discussion on these matters is delegated to the GARMS Committee who then makes recommendations to Cabinet. The key impact of a capital programme using borrowing is the creation of a "Capital Financing Requirement" (CFR). The CFR represents the need to borrow external funds as a result of expenditure funded through borrowing. Having a CFR creates the need for a Minimum Revenue Provision (MRP), a sum to be put to one side each year from the General Fund for repayment of debt.

The Council's MRP policy is to make provision for the repayment of debt equally over the life of the asset that the borrowing relates to. The GARMS Committee receive at a minimum a mid-year monitoring report for Treasury management and an end of year outturn report. Where circumstances require, such as a material fall in the value of investments, a report would be prepared and presented to the next meeting of the Committee by the S151 Officer.

Section 4- RISK MANAGEMENT

23. Embedding Risk Management in the Capital Programme

The Capital Strategy must be considered alongside the principles of risk management. Risks are inevitable within a capital programme, as with all aspects of Council operations, and effective management of risk is a vital part of the capital strategy.

The types of risk the authority is exposed to in the Capital Programme are summarised below:

- Financial Risk – The risk of significant cost overruns or commercial investments not performing as expected. The authority has a low appetite for this risk as it would impact upon available resources. Mitigation will be in the form of close scrutiny of capital spending through the budget monitoring process.

- Strategic Risk – The risk of not delivering key Council priorities or projects. Mitigation will be in the form of careful selection and planning of capital projects before commencement and project managers reviewing project progress and taking corrective action where necessary. Major changes in the outcomes of schemes will be reported to the appropriate Committee.

- Governance risk – The risk of capital spending decisions not being appropriately considered and decisions not being made at the correct level. Mitigation is the governance principles contained within the capital strategy.

- Resourcing risk – The risk that insufficient funds are available to fund the capital programme or that the incorrect type of funds is applied to capital projects. This is mitigated by the financing of capital projects being reviewed by the S151 Officer as part of the budget setting and the outturn.

24. Knowledge and Skills within the organisation

The Property Services team has officers of multiple disciplines who are experienced at leading capital projects, managing the Council's property portfolio and working within the local property market. They have experience of dealing with acquisitions, disposals, new commercial and residential development and redevelopment of brownfield sites.

The Finance team are involved in the development and monitoring of the Capital Programme. They have many years of experience in managing local authority capital programmes.

Legal Services will be provided by the Council's in-house legal team who will form a key part of the decision making around Capital projects. All solicitors are required to complete an annual Statement of Competence to the regulatory body to ensure any professional training needs are identified and addressed.

Where necessary external advice may be sought for all types of financial, property and legal advice. These costs, or at least appropriate estimates, will be included in the business cases of capital schemes.

Officers will work with members to ensure that training needs for elected members are appropriately identified. As a minimum annual training will be provided around the Treasury Management Strategy.

APPENDIX H

Glossary of Terms

1. **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.

2. **Bail-In** – previously, in response to the banking crisis, some governments used taxpayer funds to support banks in danger of failing. The European Union's Banking Recovery and Resolution Directive (BRRD) requires that, in future, 'bail in' will be applied in such a scenario; this means that after shareholders' equity, depositors' funds comprising balances over c£85k will be used to support the bank at risk. The £85k threshold is not available to local authorities and therefore all unsecured deposits with banks and building societies will be at risk of 'bail in'.

3. **Base Rate** – minimum lending rate of a bank or financial institution in the UK

4. **Bond** – a government or public company's document undertaking to repay borrowed money usually with a fixed rate of interest.

5. **Capital Expenditure** – spend on major items e.g. land and buildings, which adds to and not merely maintains the value of existing fixed assets.

6. **Capital Grants** – specific targeted grants to cover capital spend

7. **Capital Receipts** – the proceeds from the disposal of land or other assets. Capital receipts can be used to fund capital expenditure but cannot be used to finance revenue.

8. **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.

9. **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.

10. **Credit Rating** – an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's and Moody's. They analyse credit worthiness under four headings:

1. **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.

2. **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.

3.

4. **Individual/Financial Strength Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank or national government.

5. **Legal Support Rating** - a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government. The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

1. **DMADF and the DMO** – The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.

2. **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal is eroded, and so the total amount reduces with each instalment.

3. **Gilts –** the name given to bonds issued by the UK Government (i.e. the loan instrument by which the Government borrows). Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt, e.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45.The yield on that gilt is calculated as 8%/1.45 = 5.5%.

4. **Lender Option Borrower Option (LOBO)** - LOBOs are a long-term borrowing instrument commonly used by banks. It is an alternative lender option to the Government's Public Works Loan Board. In simple terms the instrument gets its name because the lender has an option to set revised interest rates at predetermined dates, and at which point the borrower has the option to accept the revised rates or pay the debt in full without penalty.

5. **LIBID** – The London Interbank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time. The average 7-day rate is the benchmark the Council uses for its own investment performance.

6. **Liquidity** – Relates to the amount of readily available, or short term, investment money which can be used for either day to day or unforeseen expenses. For example, Call Accounts allow instant daily access to invested funds.

7. **Market –** The private sector institutions e.g. banks, building societies.

8. **Maturity** - Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.

9. **Minimum Revenue Provision (MRP) –** A statutory amount charged to the Council's revenue account for the provision to repay the loan principal on debt undertaken to finance the Capital Programme. For the Council this is done on a straight line basis in-line with the asset life and commences the financial year after the asset is operational.

10. **Monetary Policy Committee (MPC)** – group that sets the bank base rate for the Bank of England.

11. **Money Market Fund (MMF)** – A highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments.

12. **Multilateral Development Banks (MDB)** – these are supranational institutions set up by sovereign states, which are their shareholders (e.g. European Investment Bank). Their remits reflect the development aid and cooperation policies established by these states.

13. **Policy and Strategy Documents** – Documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.

14. **Public Works Loans Board (PWLB)** – a central government agency providing long- and short-term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as an Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.

15. **Yield** – The amount in cash (in percentage terms) that returns to the owners of an investment e.g. interest earned from a deposit.

Report for:	**Cabinet**
Date of Meeting:	16 February 2023
Subject:	Final Capital Programme 2023/24 to 2025/26
Key Decision:	Yes - involves expenditure in excess of £1m
Responsible Officer:	Dawn Calvert - Director of Finance and Assurance
Portfolio Holder:	Councillor David Ashton - Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Proposed Capital Programme 2023/24 to 2025/26 (including new additions at Appendix 2) Appendix 2 – Additions to the Capital Programme

Section 1 – Summary and Recommendations

This report sets out the proposed Capital proposals for the financial years 2023/24 to 2024/25

Recommendations:
Cabinet is requested to:

1. Note the Capital Programme, as detailed within Appendix 1, and recommend it to Council for approval.

Reason (for recommendations): To enable the Council to have an approved Capital Programme for 2023/24 to 2025/26.

Section 2 – Report

Capital Programme 2023/24 to 2025/26

1. This report sets out the Council's proposals for Capital investment over the financial years 2023/24 to 2025/26, which provide for significant investment in the General Fund and Housing Revenue Account (HRA). The focus of this report and the implications relate to the General Fund as the HRA is covered in a separate report elsewhere on this agenda. The HRA Capital Budgets are included in Appendix 1 for completeness.

2. **Development of the Capital Programme**
Each year as part of the Annual Budget setting process services are requested to put forward proposals for new Capital required for the period of the Medium-Term Financial strategy. These "new proposals" therefore represent an addition to the existing Capital Programme agreed by cabinet and Council in the previous Budget setting year (February 2022). Appendix 2 sets out all new capital proposals being added to the programme over and above that agreed by cabinet in February 2022.

3. The criteria used for the inclusion of new bid remains unchanged from previous years which is for capital to be contained within the following categories:

   a. Life and Limb/Health and Safety.
   b. Statutory Requirement/legislation.
   c. Schemes fully funded by external sources.
   d. Invest to Save Schemes (the capital expenditure must generate a revenue stream to cover the capital financing costs and make a savings contribution).

Cost of the Capital Programme

4. The Capital Programme can be funded from a variety of funding sources. Where the Capital Programme is funded from capital grants, external partnership funding, Borough Community Infrastructure Levy (BCIL) and revenue funding such as reserves; this will not attract any form of capital financing cost and has no impact on the revenue budget. Schemes funded

from borrowing, will attract a capital financing cost and therefore a direct impact on the revenue budget.

5. Although there are no specific limits to borrowing in order to fund capital expenditure, the Council must be prudent when considering the revenue implications in the context of the overall revenue budget commitments in the medium term, and the Capital Programme must be affordable.

6. Table 1 shows the revised capital financing cost budgets that are factored into the MTFS from 2023/24 to 2025/26 in relation to the Capital Programme that is to be agreed in February 2023 and it shows what proportion of the 2023/24 net revenue budget of £196.3m is made up of Capital Financing costs.

Table 1 - Capital Financing Costs as % of the Net Revenue Budget for 2023/24 of £196.3m

	Capital Financing Costs	Capital financing costs as % of 2023/24 Net Budget
	£m	%
2023/24	31.4	16.0%
2024/25	33.3	17.0%
2025/26	33.7	17.2%

7. The capital financing cost of the existing Capital programme 2023/24 to 2025/26 (**to be agreed at Council in February 2023**) is £31.4m in 2023/24 and then increases to £33.7m by 2025/26. These figures include the cost of historic capital programmes.

8. The figures in Table 1, will also include capital financing costs which relate to projects put into the programme to generate enough revenue to cover their capital financing costs and therefore are cost neutral and do not impact on the revenue budget as a direct cost. If these costs were removed from the figures in Table 1, it would reduce the overall percentage figure. However, for prudence the figures are included on the basis that the requirement on borrowing is definite but the requirement to generate revenue is not guaranteed.

Capital proposals put forward 2023/24 to 2025/26

9. The total proposed Capital Programme for 2023/24 to 2025/26 is detailed in Appendix 1 and summarised in Table 2 . The additions to the Programme, which are over and above what was in the existing Capital Programme (agreed February 2022) are detailed in appendix 2.

Table 2 – Total Capital Programme 2023/24 to 2025/26

Project Title	2023/24			2024/25			2025/26			Total		
	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000
Total Resources and Commercial Directorate	2,350	0	2,350	2,050	0	2,050	3,000	0	3,000	7,400	0	7,400
Total Adults	0	0	0	0	0	0	0	0	0	0	0	0
Total Public Health	0	0	0	0	0	0	0	0	0	0	0	0
Total Schools	7,896	7,896	0	9,071	9,071	0	0	0	0	16,968	16,968	0
Total People's Directorate	7,896	7,896	0	9,071	9,071	0	0	0	0	16,968	16,968	0
Total Environment	17,056	5,600	11,456	12,902	2,391	10,511	11,330	2,391	8,939	41,288	10,382	30,906
Total Inclusive Economy, Leisure & Culture	3,562	437	3,125	327	144	183	376	0	376	4,265	581	3,684
Total Regeneration & Development	4,515	1,950	2,565	2,575	1,925	650	2,550	1,900	650	9,640	5,775	3,865
Total Housing General Fund	7,792	1,722	6,070	1,842	1,722	120	1,722	1,722	0	11,355	5,165	6,190
Total Place Directorate	32,925	9,709	23,216	17,646	6,182	11,464	15,978	6,013	9,965	66,548	21,903	44,645
Total General Fund	43,171	17,605	25,566	28,767	15,253	13,514	18,978	6,013	12,965	90,915	38,870	52,045
Total HRA	30,483	13,891	16,591	43,198	26,200	16,998	54,160	16,418	37,742	127,840	56,509	71,331
Total General Fund + HRA	73,653	31,496	42,157	71,965	41,453	30,512	73,137	22,430	50,707	218,755	95,379	123,376

10. The gross value of the General Fund proposed capital programme for 2023/24 to 2025/26 as detailed in Appendix 1 and summarised in Table 2 is **£90.915m.** Of the total cost, **£38.870m** is funded by external sources such as grants as well as internal sources such as the Borough Community Infrastructure Levy (BCIL). This leaves a net cost of **£52.045m.** The net cost figure is the element of the Programme which requires financing from borrowing.

Change to the original Capital Programme agreed in February 2022

11. Overall, the net increase in the Programme in relation to new proposals is £14.433m as detailed in Appendix 2 and summarised in Table 3. The total of capital bids across the 3-year period amounts to £29.637m of which £15.204m can be funded from a combination of Borough CIL (BCIL), assumed external grants and reserves, which leaves a net figure £14.433m which would require funding from borrowing.

Table 3 – New Capital Proposals for 2023/24 to 2025/26

	2023/24			2024/25			2025/26			Grand Total		
Project Title	Total Project cost £'000	Funding excluding Borrowing £'000	Net project cost funded from Borrowing £'000	Total Project cost £'000	Funding excluding Borrowing £'000	Net project cost funded from Borrowing £'000	Total Project cost £'000	Funding excluding Borrowing £'000	Net project cost funded from Borrowing £'000	Total Project cost £'000	Funding excluding Borrowing £'000	Net project cost funded from Borrowing £'000
Total Resources	-	-	-	-	-	-	1,500	-	1,500	1,500	-	1,500
Total Adults	-	-	-	-	-	-	-	-	-	-	-	-
Total Public Health	-	-	-	-	-	-	-	-	-	-	-	-
Total Schools	7,896	7,896	-	-	-	-	-	-	-	7,896	7,896	-
Total People's Directorate	7,896	7,896	-	-	-	-	-	-	-	7,896	7,896	-
Total Environmental Services	-	-	-	-	-	-	11,330	2,391	8,939	11,330	2,391	8,939
Total Inclusive Economy, Leisure & Culture	3,472	517	2,955	216	203	13	1,376	1,000	376	5,064	1,720	3,344
Total Regeneration & Development	300	300	-	275	275	-	1,550	900	650	2,125	1,475	650
Total Housing General Fund	-	-	-	-	-	-	1,722	1,722	-	1,722	1,722	-
Total Place Directorate	3,772	817	2,955	491	478	13	15,978	6,013	9,965	20,241	7,308	12,933
Total General Fund	11,668	8,713	2,955	491	478	13	17,478	6,013	11,465	29,637	15,204	14,433

12. Whilst the request was for services to put forward proposals for 2025/26, (on the basis that there is already an existing approved Capital Programme to 2024/25) there are proposals across 2023/24 and 2024/25 which total a net £2.968m (£2.955m 2023/24 and £13k 2024/25) as follows:

- **Schools** - £7.896m has been added to the capital programme in 2023/24 for SEN and general school improvements, but there is a net nil cost as it is all grant funded and therefore has a nil impact on the revenue budget.

- **Leisure Centre Infrastructure.** £2.968m has been proposed as an addition to the programme (£2.955m in 2023/24 and £13k in 2024/25). This is as a response to condition surveys undertaken at the 3 leisure facilities (Harrow Leisure Centre, Hatch End Swimming Pool, and Bannister Sports Centre) in 2022. The works are either health and safety related or operationally required - a failure to undertake the works will impact the sites' ability to open. This will require council funding and is therefore shown as an increase in borrowing.

- **Biodiversity Net Gains in Harrow** - £575k (£300k in 2023/24 and £275k in 2024/25 - BCIL funded). This is around the strategic use of Council land to facilitate sustainable development, enhance green infrastructure, improve residents' wellbeing and support nature's recover, and investment in the up-front creation of habitat banks, against which developer's statutory biodiversity net gain (BNG) obligations and local plan Environmental Gain obligations may be set. There is no impact on revenue of this proposal.

- **UK Shared Prosperity Fund (UKSPF) –** £720k. (£517k in 23/24 and £203k in 24/25). This fund is managed by the GLA and provides funding – a mix of capital and revenue - directly to London boroughs to deliver projects under the Communities and Place and Supporting Local Business Themes. As this is grant funded, there is no impact on the revenue budget.

13. Table 4 sets out the changes between the existing Capital Programme (which covers the period 2023/24 to 2024/25) and the proposed programme which extends a further year to 2025/26. The reconciliation below shows that there is a net increase of £14.433m between the 2 Programmes which is the total of the additions in Appendix 2. There has also been some movement between years where some existing capital projects have been realigned between financial years to better reflect when the spend will take place.

Table 4 - Changes to the Capital Programme between February 2022 and February 2023

	2023/24			2024/25			2025/26			2023/24 to 2025/26		
	Gross Budget	External Funding	Net Budget	Gross Budget	External Funding	Net Budget	Gross Budget	External Funding	Net Budget	Total Gross Budget	Total External Funding	Total Net Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Original General Fund Capital Programme agreed by Cabinet in February 2022	39,654	18,043	21,611	21,764	5,763	16,001				61,417	23,805	37,612
Total General Fund Capital Programme to agreed by Cabinet in February 2023	43,171	17,605	25,566	28,767	15,253	13,514	18,978	6,013	12,965	90,915	38,870	52,045
Movement between 2022 and 2023 agreed Programmes	**3,517**	**- 438**	**3,955**	**7,003**	**9,490**	**- 2,487**	**18,978**	**6,013**	**12,965**	**29,498**	**15,065**	**14,433**
Analysis of the Movement												
Addition of New bids from Appendix 2	11,588	8,633	2,955	432	419	13	17,478	6,013	11,465	29,498	15,065	14,433
Council Wide Schemes	500	-	500							500	-	500
Realignment of Schools Capital Programme between years (grant funded)	- 9,071	- 9,071	-	9,071	9,071	-				-	-	-
Realignment of Street Lighting Programme	1,000	-	1,000	- 1,000	-	- 1,000				-	-	-
High Street Fund	- 1,500	- 1,000	- 500							- 1,500	- 1,000	- 500
Borough CIL - subject to Business Cases	1,000	1,000	-							1,000	1,000	-
New Council Head Office refit – Flexible Futures				- 500	-	- 500	500	-	500	-	-	-
Network upgrade and Migration of remaining azure applications into SaaS.				- 500	-	- 500	500	-	500	-	-	-
Improvements and refresh of cyber security, rolling device and peripheral refresh of IT equipment (W10/O365 & Sharepoint)				- 500	-	- 500	500	-	500	-	-	-
Total Movement	**3,517**	**- 438**	**3,955**	**7,003**	**9,490**	**- 2,487**	**18,978**	**6,013**	**12,965**	**29,498**	**15,065**	**14,433**

New Capital proposals and the impact on the Revenue Budget

14. The new Capital proposals at Appendix 2 of £29.637m are funded by borrowing as well as other funding sources such as grants, revenue funding and the Borough Community Infrastructure Levy (BCIL).

15. The projects funded by other sources (excluding borrowing) amount to £15.204m as follows:

	£000	
• Schools Capital Improvements	7,896	Govt grant
• Borough CIL funded projects – subject to business cases	1,000	BCIL
• Flood defence and drainage	500	BCIL
• Green Grid Programme	150	BCIL
• Neighbourhood CIL schemes	500	NCIL
• Biodiversity Net Gains in Harrow	825	BCIL
• Disabled Facilities grants	1,722	*Govt grant
• Transport projects	1,391	*TFL grant
• UK Shared Prosperity Fund (UKSPF)	720	*TFL grant
• Energy emissions reduction measures	500	**S106
Total proposals	**15,204**	

*The grant is based on 2022/23 levels and subject to confirmation.
** This is specifically the S106 carbon offset fund

16. The remaining new Capital proposals bids to be funded from borrowing total a net figure of £14.433m as set out in the attached appendix 2 but summarised at high level below:

	£000
Resources IT projects	**1,500**
Place Directorate	
High Priority works - Corporate sites	650
Parks Infrastructure	350
Civic Amenity site Infrastructure	75
Highways Programme	6000
Street Lighting	2000
CPZ Parking schemes	300
Vehicle Replacement	214
Leisure and Libraries Infrastructure (minor)	150
Leisure Centre Infrastructure (major)	3,134
Harrow Arts Centre & Headstone Manor	60
Place Directorate Total	**12,933**
Total proposals	**14,433**

17. The additional capital financing cost associated with the proposed Capital Programme is £1.5m in total. In effect this is the cost of the net increase of £14.433m. As this cost is primarily in relation to 2025/26, the capital financing costs will fall due in 2026/27 which is outside the existing MTFS period. Therefore, £1.5m needs to be factored into the budget for 2026/27 as part of next year's 2024/25 budget process.

Table 5 – Additional Capital Financing Implications Proposed Capital Programme

Capital Financing Costs	Annual costs
	£000
MRP	900
Interest	600
Total Capital Financing Costs	1,500

Community Infrastructure Levy (CIL) Funding

18. The Community Infrastructure Levy (CIL) enables the council to raise funds for infrastructure from new development. It is levied on the net increase in floor space arising from new developments and is paid when that development starts. The Community Infrastructure Levy (CIL) is a tool for local authorities to support the development of their area by funding the provision, improvement, replacement, operation or maintenance of infrastructure. However, the focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area.

19. CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities. Harrow's list of strategic infrastructure requirements known as a Regulation 123.

20. Of all CIL monies collected, 85% is used to fund strategic borough wide infrastructure projects, which includes a 5% allowance to cover the administrative costs of CIL. The decisions on where to spend CIL at a borough-wide level is determined by the Council. The remaining 15% is allocated to Neighbourhood CIL (NCIL) and must be spent on projects that have taken account of the views of the communities in which the income was generated, and these projects should support the development of the area.

21. In 2017, the principle was adopted by the Major Development Panel (14th November 2017) and recommended to Cabinet that the allocation of Borough and Neighbourhood CIL is included as part of the Annual Budget Setting process and included in the Capital Programme report which goes to Cabinet in draft (in December each year) and in February in its final version.

22. In terms of the Neighbourhood element of CIL a review of the process agreed by the Major Development Panel (November 2017) and Cabinet (December 2017) has recently been undertaken. The scope of the review was presented to the Planning Policy Advisory Panel on 3 October 2022 and the outcome of the review is presented to Cabinet as a separate item

on this meeting agenda, including the revised process for identification of projects and arrangements for assessment and approval of these under delegated authority. The revised process is expected to be in place in time for the 2023/24 financial year.

23. The Borough CIL element is used to fund the core Capital programme. Schemes in the Capital Programme that have been funded by BCIL between 2017/18 to 2021/22 are set out in Table 5 and total £14.399m. Of this total, £1.776m of schemes remained outstanding as at 31 March 2022 and this sum has been carried forward as a commitment for 2022/23 and included in Table 8. Therefore, for the period covering 2017/18 to 2021/22, BCIL of £12.623m has been used to fund the Capital Programme.

Table 6 – Schemes funded from BCIL up to 2021/22

Financial year	Description	BCIL	17/18 Actual Exp	18/19 Actual Exp	19/20 Actual Exp	20/21 Actual Exp	21/22 Actual Exp	Outstanding commitment
		£	£	£	£	£	£	£
2017/18	Highway projects	4,800,000	4,800,000					0
2018/19	Headstone Manor (Parks for People)	300,000		51,293	233,081	15,626		0
2018/19	Rayners Lane Triangle project	40,000		40,000				0
2018/19	Parks Infrastructure (Playground replacement)	545,000		219,138	325,862			0
2019/20	Parks Infrastructure (Playground replacement)	350,000			227,458	122,542		0
2019/20	Harrow Arts Centre - refurbishment & new build	1,150,000			71,737	841,490	26,978	209,795
2019/20	Sudbury Hill step-free access	50,000						50,000
2019/20	Flood Defence	300,000			300,000			0
2019/20	Highway Drainage	200,000			199,999			1
2019/20	Green Grid	75,000			39,761	35,239		0
2019/20	New Town Centre Library	2,090,000			1,569,662	520,338		0
2020/21	Headstone Manor (Flood alleviation scheme)	500,000				30,574	469,426	0
2020/21	Parks Infrastructure (Playground replacement)	250,000				204,329		45,671
2020/21	Harrow Arts Centre - refurbishment & new build	599,000						599,000
2020/21	Harrow Arts Centre Capital Infrastructure	300,000				266,212	11,201	22,587
2020/21	Flood Defence	300,000				300,000		0
2020/21	Highway Drainage	200,000				149,607	38,067	12,326
2020/21	Green Grid	150,000				150,000		0
2020/21	High Street Fund	250,000				152,733	97,267	0
2021/22	Green Grid	150,000					130,270	19,730
2021/22	Flood Defence and Highway Drainage	500,000					414,953	85,047
2021/22	High Street Fund	1,300,000					568,199	731,801
Total		**14,399,000**	**4,800,000**	**310,431**	**2,967,560**	**2,788,690**	**1,756,361**	**1,775,958**

24. Table 7 sets out the balance of CIL funding remaining as at 31st March 2022, plus CIL received in 2022/23 to 31st January 2023, which shows that £10.951m of BCIL and £2.855m of NCIL is currently available to fund projects in Table 8, from 2022/23 onwards. The BCIL funding in 2022/23 is much higher than usual as a result of a large receipt of £5.9m and therefore this level of income cannot be assumed for future years as past trends have been for BCIL income to average around £2m pa.

Table 7 – CIL Funding available as at 31st January 2023

	BCIL	NCIL	Total
	£'000	£'000	£'000
Balance as at 31.3.2022	4,771	1,812	6,583
2022/23 Receipts (up to 31/01/2023)	6,180	1,043	7,223
Total Balance (up to 31/01/2023)	**10,951**	**2,855**	**13,806**

25. The projects in the Capital Programme covering the period 2022/23 to 2025/26, to be funded from BCIL totals £11.011m as set out in Table 8 which shows the total spend over financial years

Table 8: Schemes funded from BCIL from 2022/23 to 2025/26

New capital bids as part of 23/24 Budget process with CIL request:	2022/23	2023/24	2024/25	2025/26	Total
(N.B. Amount shown in the BCIL element only)	£'000	£'000	£'000	£'000	£'000
Flood Defence and Highway Drainage	500	500	500	500	**2,000**
Green Grid	170	150	150	150	**620**
Harrow Arts Centre - refurbishment & new build	809				**809**
Parks Playground replacement	46				**46**
HAC Capital Infrastructure	22				**22**
Flood Defence and Highway Drainage	97				**97**
Harrow High Street Fund	1,832				**1,832**
Wealdstone Future High Street Fund		1,760			**1,760**
Biodiversity Net Gains in Harrow		300	275	250	**825**
BCIL funded projects, subject to business cases		1,000	1,000	1,000	**3,000**
Total BCIL funding requests	**3,476**	**3,710**	**1,925**	**1,900**	**11,011**

26. The total BCIL available as at 31st January 2023 amounts to £10.951m as set out in Table 7. The total requirement for BCIL funding to cover the total commitment of the existing capital programme and the new bids is £11.061m as set out in Table 8. This means that only a further £60k of BCIL is needed to fund the full programme as far as 2025/26 and this is very likely to be received in 2022/23.

27. Therefore, by the end of 2022/23 there will be sufficient BCIL funding to fund all the projects included in Table 8. Given that the Council generally receives £2m of BCIL income pa, a further estimated £6m could be received in the 3 years from 2023/24 to 2025/26 which would be available to either fund existing projects in the capital Programme or could be used for future Capital Programme additions. In the case, where schemes currently funded from borrowing could be substituted for BCIL funding instead this would then lead to a reduction in borrowing costs.

28. With any source of capital funding, if the estimated level is not received, then it would be necessary to fund the schemes from other sources or remove them from the Capital Programme. If the alternative source is borrowing, then this will impact upon future year’s budgets as it will increase the cost of borrowing and impact the revenue budget.

29. **Housing Revenue Account (HRA)**
The proposed HRA Capital Programme is set out elsewhere on the agenda in more detail but also included in Appendix 1. Any implications from the HRA Capital Programme are funded from the Housing Revenue Account and do not impact upon the General Fund Budget.

Options considered

30. A number of capital proposals are considered during the budget setting process.

Legal Implications

31. Under the Financial Regulations paragraph B2 full council is responsible for agreeing the authority's policy framework which are proposed by the Cabinet and this includes the capital programme. Under B41 the Director of Finance is responsible for producing an annual capital strategy for Cabinet to recommend to Council.

Financial Implications

32. Financial matters are integral to the report. The capital financing costs of all capital investment must be provided for within the revenue budget.

Procurement Implications

33. There are no procurement implications arising from this report.

Performance Issues

34. The capital programme proposed represents a significant investment by the Council in infrastructure. This will have an impact on a range of performance indicators across the Council's services.

35. Monitoring of the approved programme is ongoing and is essential for good financial management.

Risk Management Implications

36. Risks included on corporate or directorate risk register? **~~Yes~~/No**

37. Separate risk register in place? **~~Yes~~/No**

38. The relevant risks contained in the register are attached/summarised below. **~~Yes/No~~/n/a**

39. The following key risks should be taken onto account when agreeing the recommendations in this report:

Risk Description	**Mitigations**	**RAG Status**
Proposals put forward by Directorates are not part of an agreed Corporate Asset Management Plan(s) and therefore it is not possible to confirm that the proposals put forward cover the full estate which could lead to an increase in health and safety risks	Two of the key criteria for including projects in the capital Programme are those projects that are needed to ensure that we continue to invest in our capital assets to ensure the Council meets its requirements for both Life and Limb/Health and Safety requirements and to fulfil the Council's Statutory and	Amber

and additional costs in replacing assets if they deteriorate too much to repair.	legislative duties. However, there is not an overarching plan for this.	
The cost of the Capital programme is not affordable.	The additional capital financing costs (borrowing) of these Capital proposals impacts the Revenue Budget in 2026/27 and will be included in Revenue Budget for 2026/27 as part of next year's budget process when the year of 2026/27 will be included in the MTFS. At this stage it is not possible to provide assurance that the 2026/27 budget will be balanced and hence make the Capital proposals affordable.	Amber
The risk that the required level of BCIL does not materialise.	As the Capital programme is an annual process and the BCIL funding is now included in the report each year to Cabinet, the availability of BCIL to fund the Capital Programme is kept under review. In normal circumstances, should the level of BCIL not be sufficient then either the schemes can be removed from the programme or funded from an alternative source. If that source is borrowing, then the revenue cost of borrowing will need to be included in the revenue budget. However, for 2022/23 due to one large receipt being received, there is already 95% of the BCIL funding available for all schemes proposed across all 3 years, therefore all schemes will be fully funded by the end of 2022/23 -see paragraphs 28 and 29.	Green

Equalities implications / Public Sector Equality Duty

40. One of the aims of the Capital Strategy is to ensure the responsible allocation of funding in line with the Council's priorities and legislative requirements such as equalities legislation. Equalities implications form part of the way that the projects are prioritised. The officer's initial views are that no protected group is adversely affected by the proposals. The projects proposed in the programme may require full Equality Impact Assessments before they commence.

41. Decision makers should have due regard to the public sector equality duty in making their decisions. Consideration of the duties should precede the decision. It is important that Cabinet has regard to the statutory grounds in the light of all available material such as material in the press and letters from residents. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

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

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are:

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

42. **Council Priorities**

The Council's Final Capital Programme for 2032/24 to 2025/26 has been prepared in line with the Council's priorities:

- A council that puts residents first
- A borough that is clean and safe
- A place where those in need are supported

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert
Signed by the Chief Financial Officer
Date: 03/02/2023

Statutory Officer: Caroline Eccles
Signed on behalf of the Monitoring Officer
Date: 07/02/2023

Chief Officer: Dawn Calvert
Signed on behalf of the Corporate Director
Date: 07/02/2023

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 07/02/2023

Head of Internal Audit: Neale Burns
Signed on behalf of the Head of Internal Audit
Date: 07/02/2023

Has the Portfolio Holder(s) been consulted? Yes ☒

Mandatory Checks

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

EqIA carried out: *NO as these capital proposals are in the main rolling programme items which will improve the Council's infrastructure and assets*

EqIA cleared by: *N/A*

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Head of Strategic and Technical Finance (Deputy S151), sharon.daniels@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee - NO

Capital Programme 2023-24 - 2025-26 **Appendix 1**

Project Title	2023/24			2024/25			2025/26			Total		
	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000
Resources Directorate												
Digital Improvements Programme	600	0	600	0	0	0	0	0	0	600	0	600
Ongoing ICT Refresh and Enhancements	1,000	0	1,000	0	0	0	0	0	0	1,000	0	1,000
Devolved IT Applications	250	0	250	0	0	0	0	0	0	250	0	250
New Council Head Office refit – Flexible Futures	0	0	0	250	0	250	500	0	500	750	0	750
My Harrow Account upgrade	0	0	0	150	0	150	0	0	0	150	0	150
Ongoing ICT Refresh - to include core Network upgrade and Migration of remaining azure applications into SaaS.	0	0	0	1,000	0	1,000	500	0	500	1,500	0	1,500
Ongoing ICT refresh - to cover improvements and refresh of cyber security, rolling device and peripheral refresh of IT equipment (W10/O365 & Sharepoint)	0	0	0	650	0	650	500	0	500	1,150	0	1,150
Dynamics F&D Improvement projects	0	0	0	0	0	0	750	0	750	750	0	750
Ongoing ICT Refresh	0	0	0	0	0	0	750	0	750	750	0	750
Council Wide Schemes	500	0	500	0	0	0	0	0	0	500	0	500
Total Resources and Commercial Directorate	**2,350**	**0**	**2,350**	**2,050**	**0**	**2,050**	**3,000**	**0**	**3,000**	**7,400**	**0**	**7,400**
People's Directorate												
Adults:												
	0	0	0	0	0	0	0	0	0	0	0	0
Total Adults	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Public Health:	0	0	0	0	0	0	0	0	0			
	0	0	0	0	0	0	0	0	0	0	0	0
Total Public Health	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Schools:	0	0	0	0	0	0	0	0	0			

Capital Programme 2023-24 - 2025-26

Appendix 1

	2023/24			2024/25			2025/26			Total		
Project Title	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**
SEN Expansion	5,896	5,896	0	0	0	0	0	0	0	5,896	5,896	0
Secondary Expansion	0	0	0	9,071	9,071	0	0	0	0	9,071	9,071	0
Schools Capital Maintenance	2,000	2,000	0	0	0	0	0	0	0	2,000	2,000	0
Total Schools	**7,896**	**7,896**	**0**	**9,071**	**9,071**	**0**	**0**	**0**	**0**	**16,968**	**16,968**	**0**
Total People's Directorate	**7,896**	**7,896**	**0**	**9,071**	**9,071**	**0**	**0**	**0**	**0**	**16,968**	**16,968**	**0**
Environment:												
Parks Infrastructure On-going programme to address historic under-investment and responsive only maintenance regimes to parks infrastructure; to address areas of deterioration and improve existing facilities and provide safe access for users.	350	0	350	350	0	350	350	0	350	1,050	0	1,050
CA Site Infrastructure On-going maintenance programme to the Civic Amenity site to ensure it provides a safe and secure environment in which to operate its business and continue to meet the needs of staff and users.	75	0	75	75	0	75	75	0	75	225	0	225
Highways Programme To deliver the highways programme of investment and undertake essential structural maintenance to the highway asset.	5,500	0	5,500	6,000	0	6,000	6,000	0	6,000	17,500	0	17,500

Capital Programme 2023-24 - 2025-26

Appendix 1

	2023/24			2024/25			2025/26			Total		
Project Title	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**
Flood Defence & Highways Drainage -BCIL funded To deliver the flood defence and alleviation programme of investment and implement schemes that minimise the risk of flooding from approximately 80kms of rivers and watercourses in the borough, and the highways drainage programme of investment and implement schemes in 15 critical drainage areas identified in the Council's Surface Water Management Plan.	500	500	0	500	500	0	500	500	0	1,500	1,500	0
Street Lighting Programme To continue the street lighting programme of investment, which includes upgrading life expired street lighting columns and replacing conventional lanterns for more energy efficient LED lanterns	2,500	0	2,500	1,000	0	1,000	2,000	0	2,000	5,500	0	5,500
Local Implementation Plan (LIP) including Parking Management Programme To deliver the transport projects and initiatives set out in the third Transport Local Implementation Plan (LIP) programme of investment for 2020/21 - 2022/23. A Parking Management Programme to implement controlled parking schemes and restrictions is funded by Harrow Capital and supports the delivery of the LIP.	1,691	1,391	300	1,691	1,391	300	1,691	1,391	300	5,073	4,173	900
Wealdstone Major Transport Infrastructure Project: Liveable Neighbourhood for the wider transport network and residential neighbourhoods around the town centre. The project is anticipated to be funded from external funding from TFL (£3.84m).	0	0	0	0	0	0	0	0	0	0	0	0

Capital Programme 2023-24 - 2025-26

Appendix 1

	2023/24			2024/25			2025/26			Total		
Project Title	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**
Wealdstone Future High Street Fund (FHSF): An in principle offer of £7.449m has been secured from the MHCLG for a number of capital projects in the town centre. Confirmation of funding will be received by the council in March 2021. The funding will be used to deliver various infrastructure iinvestments. BCIL match funding of	3,209	3,209	0	0	0	0	0	0	0	3,209	3,209	0
Vehicle Procurement Vehicles replacement programme The proposed capital investment assumes vehicles are replaced on a like for like basis (i.e. primarily diesel fuel). Should a decision on alternative fuel vehicles be made, the cost would be considerably more. A wider discussion is required to develop a Fleet Strategy to contribute towards carbon neutrality targets and how the costs of decarbonising the fleet can be funded.	2,731	0	2,731	2,086	0	2,086	214	0	214	5,031	0	5,031
Climate Emergency - Energy emissions reduction measures	500	500	0	500	500	0	500	500	0	1,500	1,500	0
Breakspear Crematorium - Replacement of 3 cremators The facility is shared between Harrow and Hillington, with Harrow owning 1/3rd of the share. The existing cremators are reaching the end of useful life and will require replacement. Harrow will be responsible for 1/3rd of the investment cost.	0	0	0	700	0	700	0	0	0	700	0	700
Total Environment	**17,056**	**5,600**	**11,456**	**12,902**	**2,391**	**10,511**	**11,330**	**2,391**	**8,939**	**41,288**	**10,382**	**30,906**
Inclusive Economy, Leisure & Culture												
Leisure and Libraries Capital Infrastructure Targeted investment to improve the infrastructure of the Council's leisure and library facilities.	150	0	150	150	0	150	150	0	150	450	0	450

Capital Programme 2023-24 - 2025-26 | **Appendix 1**

	2023/24			2024/25			2025/26			Total		
Project Title	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**
Harrow Arts Centre & Headstone Manor Capital Infrastructure 'Replacement of roof tiles at Rayners Building to meet H&S issues; replacement of cast iron guttering for some parts of the existing buildings to ensure that buildings remains water-tight; and repairs/replacement of external railings, fencing etc.	20	0	20	20	0	20	60	0	60	100	0	100
Harrow High Street Fund To improve cycling and walking infrastructure and high street improvement works. £3.65m to be funded from BCIL.	0	0	0	0	0	0	0	0	0	0	0	0
UK Shared Prosperity Fund (UKSPF) The UK Shared Prosperity Fund (UKSPF), managed by the GLA, provides funding – a mix of capital and revenue - directly to London boroughs to deliver projects under the Communities and Place and Supporting Local Business Themes. The capital allocation for Harrow is £720k over 3 years. This is profiled as £517k in 23/24 and £203k in 24/25.	437	437	0	144	144	0	0	0	0	581	581	0
Leisure Centre Infrastructure Condition Surveys of the 3 leisure facilities (Harrow Leisure Centre, Hatch End Swimming Pool, and Bannister Sports Centre) were undertaken in 2022. The works are either health and safety related or operationally required - a failure to undertake the works will impact the sites ability to open.												
1. Harrow Leisure Centre	2,047	0	2,047	0	0	0	126	0	126	2,173	0	2,173
2. Hatch End Swimming Pool	650	0	650	0	0	0	40	0	40	690	0	690

Capital Programme 2023-24 - 2025-26 **Appendix 1**

	2023/24			2024/25			2025/26			Total		
Project Title	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**
3. Bannister Sports Centre	258	0	258	13	0	13	0	0	0	271	0	271
Total Inclusive Economy, Leisure & Culture	**3,562**	**437**	**3,125**	**327**	**144**	**183**	**376**	**0**	**376**	**4,265**	**581**	**3,684**
Regeneration & Development:												
High Priority Planned Works - Corporate Sites To continue the programme of investment to undertake essential improvements across the Corporate Estate to ensure that properties in a safe and appropriate condition and comply with appropriate statutory, regulatory and corporate standards.	650	0	650	650	0	650	650	0	650	1,950	0	1,950
Green Grid Programme - BCIL funded Improvements to Harrow's green infrastructure to provide a network of interlinked and multifunctional open spaces.	150	150	0	150	150	0	150	150	0	450	450	0
	0	0	0	0	0	0	0	0	0	0	0	0
Neighbourhood CIL funded projects	500	500	0	500	500	0	500	500	0	1,500	1,500	0
Borough CIL funded projects - subject to business cases	1,000	1,000	0	1,000	1,000	0	1,000	1,000	0	3,000	3,000	0
Investment in 3 core sites	1,915	0	1,915	0	0	0	0	0	0	1,915	0	1,915
Biodiversity Net Gains in Harrow - BCIL funded Strategic use of Council land to facilitate sustainable development, enhance green infrastructure, improve residents' wellbeing and support nature's recovery. Invest in the up-front creation of habitat banks, against which developer's statutory biodiversity net gain (BNG) obligations and local plan Environmental Gain obligations may be set.	300	300	0	275	275	0	250	250	0	825	825	0

Capital Programme 2023-24 - 2025-26 **Appendix 1**

	2023/24			2024/25			2025/26			Total		
Project Title	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**	**Total Project cost £000**	**Funding excluding Borrowing £000**	**Net project cost funded from borrowing £000**
Total Regeneration & Development	**4,515**	**1,950**	**2,565**	**2,575**	**1,925**	**650**	**2,550**	**1,900**	**650**	**9,640**	**5,775**	**3,865**
Housing General Fund:												
Disabled Facilities Grant	1,722	1,722	0	1,722	1,722	0	1,722	1,722	0	5,165	5,165	0
Empty Property Grant -	120	0	120	120	0	120	0	0	0	240	0	240
'Property Acquisition Programme - 2021/22 onwards assume 15 x £396k ea, round up to £5.950k p.a based on empirical purchase profile Financing : Can no longer use RTB 1-4-1 receipts due to changes in legislation.	5,950	0	5,950	0	0	0	0	0	0	5,950	0	5,950
Total Housing General Fund	**7,792**	**1,722**	**6,070**	**1,842**	**1,722**	**120**	**1,722**	**1,722**	**0**	**11,355**	**5,165**	**6,190**
Total Place Directorate	**32,925**	**9,709**	**23,216**	**17,646**	**6,182**	**11,464**	**15,978**	**6,013**	**9,965**	**66,548**	**21,903**	**44,645**
Total General Fund	**43,171**	**17,605**	**25,566**	**28,767**	**15,253**	**13,514**	**18,978**	**6,013**	**12,965**	**90,915**	**38,870**	**52,045**
Housing Revenue Account												
Planned Investment Programme	10,073	9,221	852	10,073	10,073	0	10,073	9,273	800	30,219	28,567	1,652
Grange Farm phase 2	2,356	756	1,600	13,496	4,427	9,069	18,348	0	18,348	34,201	5,184	29,017
Grange Farm phase 3	212	0	212	0	0	0	0	0	0	212	0	212
Grange Farm Infrastructure and Costs	2,615	0	2,615	0	0	0	0	0	0	2,615	0	2,615
Building Council Homes For Londoners'	13,546	3,006	10,540	3,643	1,917	1,726	0	0	0	17,189	4,923	12,266
Housing IT-Phase 2	600	600	0	0	0	0	0	0	0	600	600	0
Homes for Harrow-phase2	1,079	308	771	15,986	9,783	6,203	25,738	7,145	18,593	42,803	17,235	25,568
Total HRA	**30,483**	**13,891**	**16,591**	**43,198**	**26,200**	**16,998**	**54,160**	**16,418**	**37,742**	**127,840**	**56,509**	**71,331**
Total General Fund + HRA	**73,653**	**31,496**	**42,157**	**71,965**	**41,453**	**30,512**	**73,137**	**22,430**	**50,707**	**218,755**	**95,379**	**123,376**

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Capital Bids for 2023-24 to 2025-26 Capital Programme **Appendix 2**

	2023/24			2024/25			2025/26			Grand Total		
Project Title	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from borrowing**	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from borrowing**	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from borrowing**	**Total Project cost**	**Funding excluding Borrowing**	**Net project cost funded from borrowing**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Resources Directorate												
Dynamics F&D Improvement projects			-			-	750	-	750	750	-	750
Ongoing ICT Refresh			-			-	750	-	750	750	-	750
			-			-			-	-	-	-
Total Resources	**-**	**-**	**-**	**-**	**-**	**-**	**1,500**	**-**	**1,500**	**1,500**	**-**	**1,500**
People's Directorate												
Adults:												
			-			-			-	-	-	-
Total Adults	-	-	-	-	-	-	-	-	-	-	-	-
Public Health:												
			-			-			-	-	-	-
Total Public Health	-	-	-	-	-	-	-	-	-	-	-	-
Schools:												
SEN Expansion	5,896	5,896	-			-			-	5,896	5,896	-
Schools Capital Maintenance	2,000	2,000	-			-			-	2,000	2,000	-
						-			-	-	-	-
Total Schools	7,896	7,896	-	-	-	-	-	-	-	7,896	7,896	-
Total People's Directorate	**7,896**	**7,896**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,896**	**7,896**	**-**
Place Directorate												
Environmental Services:												
Highways Programme To deliver the highways programme of investment and undertake essential structural maintenance to the highway asset.			-			-	6,000		6,000	6,000	-	6,000

Capital Bids for 2023-24 to 2025-26 Capital Programme **Appendix 2**

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	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Flood Defence & Highways Drainage - BCIL funded To deliver the flood defence and alleviation programme of investment and implement schemes that minimise the risk of flooding from approximately 80kms of rivers and watercourses in the borough, and the highways drainage programme of investment and implement schemes in 15 critical drainage areas identified in the Council's Surface Water Management Plan.			-			-	500	500	-	500	500	-
Street Lighting Programme To continue the street lighting programme of investment, which includes upgrading life expired street lighting columns and replacing conventional lanterns for more energy efficient LED lanterns			-			-	2,000		2,000	2,000	-	2,000
Local Implementation Plan (LIP) including Parking Management Programme To deliver the transport projects and initiatives set out in the third Transport Local Implementation Plan (LIP) programme of investment for 2020/21 - 2022/23. A Parking Management Programme to implement controlled parking schemes and restrictions is funded by Harrow Capital and supports the delivery of the LIP.			-			-	1,691	1,391	300	1,691	1,391	300

Capital Bids for 2023-24 to 2025-26 Capital Programme **Appendix 2**

	2023/24			2024/25			2025/26			Grand Total		
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	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Parks Infrastructure On-going programme to address historic under-investment and responsive only maintenance regimes to parks infrastructure; to address areas of deterioration and improve existing facilities and provide safe access for users.							350		350	350		350
CA Site Infrastructure On-going maintenance programme to the Civic Amenity site to ensure it provides a safe and secure environment in which to operate its business and continue to meet the needs of staff and users.							75		75	75		75
Vehicle Procurement Vehicles replacement programme							214		214	214		214
Climate Emergency - Energy emissions reduction measures (funded from S106 Carbon Offset Fund)			-			-	500	500	-	500	500	-
			-			-				-	-	-
Total Environmental Services	-	-	-	-	-	-	11,330	2,391	8,939	11,330	2,391	8,939
Inclusive Economy, Leisure & Culture												
Leisure and Libraries Capital Infrastructure Targeted investment to improve the infrastructure of the Council's leisure and library facilities.			-			-	150		150	150	-	150
Harrow Arts Centre & Headstone Manor Capital Infrastructure Building improvement works to address H&S issues			-			-	60		60	60		60

Capital Bids for 2023-24 to 2025-26 Capital Programme **Appendix 2**

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	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
UK Shared Prosperity Fund (UKSPF) The UK Shared Prosperity Fund (UKSPF), managed by the GLA, provides funding – a mix of capital and revenue - directly to London boroughs to deliver projects under the Communities and Place and Supporting Local Business Themes. The capital allocation for Harrow is £720k over 3 years. This is profiled as £517k in 23/24 and £203k in 24/25.	437	437	-	144	144	-			-	581	581	-
Leisure Centre Infrastructure Condition Surveys of the 3 leisure facilities (Harrow Leisure Centre, Hatch End Swimming Pool, and Bannister Sports Centre) were undertaken in 2022. The works are either health and safety related or operationally required - a failure to undertake the works will impact the sites ability to open.			-			-			-	-		-
1. Harrow Leisure Centre	2,047		2,047	-		-	126		126	2,173		2,173
2. Hatch End Swimming Pool	650		650	-		-	40		40	690		690
3. Bannister Sports Centre	258		258	13		13	-		-	271	-	271
Total Inclusive Economy, Leisure & Culture	3,392	437	2,955	157	144	13	376	-	376	3,925	581	3,344
Regeneration & Development												

Capital Bids for 2023-24 to 2025-26 Capital Programme **Appendix 2**

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	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
High Priority Planned Works - Corporate Sites To continue the programme of investment to undertake essential improvements across the Corporate Estate to ensure that properties in a safe and appropriate condition and comply with appropriate statutory, regulatory and corporate standards.			-			-	650		650	650	-	650
Green Grid Programme - BCIL funded Improvements to Harrow's green infrastructure to provide a network of interlinked and multifunctional open spaces.			-			-	150	150	-	150	150	-
Neighbourhood CIL funded projects			-			-	500	500	-	500	500	-
Borough CIL funded projects - subject to business cases			-			-	1,000	1,000	-	1,000	1,000	-
Biodiversity Net Gains in Harrow - BCIL funded Strategic use of Council land to facilitate sustainable development, enhance green infrastructure, improve residents' wellbeing and support nature's recovery. Invest in the up-front creation of habitat banks, against which developer's statutory biodiversity net gain (BNG) obligations and local plan Environmental Gain obligations may be set.	300	300	-	275	275	-	250	250	-	825	825	-
Total Regeneration & Development	300	300	-	275	275	-	2,550	1,900	650	3,125	2,475	650
Housing General Fund:												

Capital Bids for 2023-24 to 2025-26 Capital Programme **Appendix 2**

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	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Disabled Facilities Grant			-			-	1,722	1,722	-	1,722	1,722	-
Total Housing General Fund	-	-	-	-	-	-	1,722	1,722	-	1,722	1,722	-
Total Place Directorate	**3,692**	**737**	**2,955**	**432**	**419**	**13**	**15,978**	**6,013**	**9,965**	**20,102**	**7,169**	**12,933**
Total General Fund	**11,588**	**8,633**	**2,955**	**432**	**419**	**13**	**17,478**	**6,013**	**11,465**	**29,498**	**15,065**	**14,433**

Report for:	**Licensing and General Purposes Committee**
Date of Meeting:	8 February 2023
Subject:	Revised Statement of Licensing Policy (Licensing Act 2003)
Responsible Officer:	Dipti Patel - Corporate Director of Place
Exempt:	No
Wards affected:	All
Enclosures:	Appendix A - Revised Licensing Policy (Statement of Principles) Appendix B – Revised 2022 Licensing Policy Consultation responses Appendix C – Equalities Impact Assessment (EqIA)

Section 1 – Summary and Recommendations

The Council in its role as the licensing authority for Harrow under the Licensing Act 2003 ('the Act') is required to publish and keep under review a Statement of Licensing Policy. This report encloses the latest proposed Statement of Licensing Policy which has been revised since it was last approved by Council.

Recommendations:

The Licensing and General Purposes Committee is requested to:

1. Consider the revised Statement of Licensing Policy, the consultation responses, and the Equalities Impact Assessment, as set out in the appendices.

2. Subject to any comments or amendments, recommend the revised Statement of Licensing Policy to Council for approval.

Section 2 – Report

2.1 Background & Current Situation

It is the responsibility of a Licensing Authority to issue licences for premises seeking to carry out any licensable activity under the Licensing Act 2003. Any application must meet the requirements of the legislation, and the applicant must demonstrate they will promote and uphold the four licensing objectives. Responsible Authorities for the purpose of the Licensing Act are defined in Section 13 of the Act and includes the police, the fire authority, local planning authority etc. A Licensing Authority can authorise a variation to a licence, reject a licence application or issue a licence (amongst other responsibilities) and these functions should take into account the Licensing Policy as well as other provisions including the duty to promote the statutory objectives (preventing crime and disorder; preventing public nuisance; protecting public safety; and protecting children from harm).

Under Section 5 of the Licensing Act 2003, a licensing authority must prepare a statement of the principles (the policy) that they propose to apply in exercising their functions under this Act. The current Licensing Policy was published in 2017 and it is a requirement of the Licensing Act that the Authority reviews this at least before each successive period of five years. A review of the policy took place in 2017, and subsequently now in 2022.

The proposed policy is a refresh of the old policy with minor changes made to:

- Update the scheme of delegation
- Provide more information in relation to representations
- Provide more information relating to temporary events

- Removal & replacement of obsolete terminology and previous organisational names
- Amendments to grammar to allow for Policy to be more succinct.

The revised Statement of Licensing Policy attached to this report as Appendix A was under consultation for 28 days.

The responses to that consultation are attached to this report as Appendix B.

Members of the Licensing and General Purposes Committee form the Licensing Panels that hear applications under the Act. The Council acts as the full licensing authority in order to adopt the Statement of Licensing Policy.

2.2 Main Options

The London Borough of Harrow, as licensing authority, has a duty to prepare, consult and publish a statement of licensing policy (and to review) this at least every five years. Failure to approve this policy (with or without changes) could leave London Borough of Harrow susceptible to a challenge over the enforceability of the current policy and/or its failure to comply with statutory requirements.

The options (for the Licensing and General Purposes Committee) are therefore to recommend the proposed Statement of Licensing Policy to Council (as drafted, or with amendments), or to not do so. The latter is not recommended for the reasons stated above.

2.3 Consultation

A consultation on the proposed Licensing Policy took place for a period of 28 days.

The consultation was carried out in accordance with the Licensing Act 2003, which requires the licensing authority (under section 5) to consult the following on the policy statement or any subsequent revision to it:

(a) the chief officer of police for the licensing authority's area,

(b) the fire and rescue authority for that area,

- (ba) each Local Health Board for an area any part of which is in the licensing authority's area,

- (bb) each local authority in England whose public health functions within the meaning of the National Health Service Act 2006 are exercisable in respect of an area any part of which is in the licensing authority's area,

(c) such persons as the licensing authority considers to be representative of holders of premises licences issued by that authority,

(d) such persons as the licensing authority considers to be representative of holders of club premises certificates issued by that authority,

(e) such persons as the licensing authority considers to be representative of holders of personal licences issued by that authority, and

(f) such other persons as the licensing authority considers to be representative of businesses and residents in its area.

This Authority consulted with the above, including a selection of premises carrying out licensable activities in Harrow,. Furthermore, the consultation and proposed licensing policy were published on the Council's website so that anyone who wished to comment could do so .

Responses to the consultation can be found in Appendix B.

2.4 Legal Implications

Section 5 of the Licensing Act 2003 requires a licensing authority in respect of each five-year period to determine its licensing policy with respect to the exercise of its licensing functions and to publish this before the beginning of the period.

As noted above, section 5(3) of the Act lists those persons that must be consulted by a licensing authority in relation to a proposed Statement of Licensing Policy and section 5(4) of the Act requires an authority to keep this policy under review and to make such revisions to it, at such times, as it considers appropriate, again subject to the same consultation requirements.

The authority must publish a statement of the revisions (to the policy) or the revised policy itself if revisions are made and approved. The proposed policy will apply after the date it is adopted by the licensing authority.

2.5 Equalities Impact

Under section 149 of the Equality Act 2010, the Council (as a public authority) has a duty to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act,

- advance equality of opportunity between persons with a protected characteristic and those without

- foster good relations between persons with protected characteristics and those without.

The 'protected characteristics' are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex and sexual orientation, and marriage and civil partnership.

An initial Equalities Impact Assessment (EqIA), carried out in line with the Corporate Equalities Policy, established that there were no adverse impacts on any of the protected groups arising out of the proposed policy and a full (EqIA) was therefore not required.

2.6 Financial Implications

The cost of carrying out the duties under the Licensing Act will be met from within the service budget.

2.7 Risk Management

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **No**

The relevant risks contained in the register are attached/summarised below. **N/A**

The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
Failure to approve a new Licensing Statement of Policy and/or for this not to occur within the relevant statutory periods could leave the authority susceptible to challenges.	▪ Licensing Act 2003 and revised guidance on preparation of the Statement has been fully followed and complied with in the preparation of this Statement ▪ The current Licensing Statement of Policy was published in 2017 and once approved the revised policy will come into immediate effect in compliance with the Licensing Act 2003 which states that the Statement must be reviewed at least every five years.	**Green**
Failure to fully consult with residents, businesses and relevant organisations in the borough affected by the Licensing Statement of Principles (Policy)	▪ Consultation on the proposed Licensing Statement of Principles (Policy) took place in the borough for a period of 28 days ▪ The consultation was carried out in accordance with Guidance and under the Licensing Act 2003 ▪ Consultation undertaken included consultation with the Chief Officer of Police for the Harrow area, and a selection of local premises carrying out licensable activities in Harrow and also a selection of resident's associations. The consultation exercise and the proposed licensing policy have also been both published on the Council's website in advance of this decision for anyone to comment	**Green**

2.8 Procurement Implications

There are no procurement implications associated with this Report.

2.9 Resource Implications

There are no resource implications associated with this Report.

Council Priorities

The Council priorities are:

1. **A council that puts residents first**

2. **A borough that is clean and safe**

3. **A place where those in need are supported**

The policy will support well run and compliant premises, therefore helping to achieve safe Borough

The Licensing Objectives will be upheld by the policy, which are:

- Prevention of Crime & Disorder
- Prevention of a Public Nuisance
- Protection of Children from Harm
- Promoting Public Safety

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 06 11 2022

Statutory Officer: Paresh Mehta
Signed on behalf of the Monitoring Officer

Date: 23 1 2023

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement

Date: 07 11 2022

Head of Internal Audit: Susan Dixson
Signed by the Head of Internal Audit

Date: 07 11 2022

Chief Officer: **Dipti Patel - Corporate Director of Place**

Signed by the Corporate Director

Date: 07 11 2022

Mandatory Checks

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

Section 4 - Contact Details and Background Papers

Contact: Ally Darwood, Team Leader Licensing, Ally.Darwood@harrow.gov.uk

Background papers: None

Does the report include the following considerations?

1.	Consultation	YES
2.	Priorities	NO

Community Directorate

London Borough of Harrow

Statement of Licensing Policy

Contents

1. Introduction

1.1 Harrow is an outer London Borough in North West London, approximately 10 miles from central London. Covering 50 square kilometres (20 square miles) and it is the 12th largest borough in Greater London in terms of size and 20th in terms of population. There are nine district centres, plus Harrow Town Centre which is one of London's twelve metropolitan centres.

Much of the population growth is within our main towns of Harrow, Wealdstone and Edgware, with a less densely populated area to the north of the borough which is home to smaller towns and villages.

The borough benefits from fast links into central London, served by overground trains and three tube lines.

Harrow is a great place: we are the safest Borough in London; one of the most diverse places in the country; a suburb with bountiful green space with just over a quarter of the area (over 1,300 hectares) consisting of open space, yet incredibly well-connected to a global airport hub and the centre of the world's greatest city.

1.2 This policy sets out how Harrow Council approaches its role as the Licensing Authority under the Licensing Act 2003 ('the Act.') It is responsible for premises licences, club premises certificates, temporary events notices, community and ancillary sale notices and personal licences in the Borough in respect of licensable activities:

- the sale and/or supply of alcohol
- the provision of regulated entertainment
- late night refreshment.

1.3 As the licensing authority the council is under a duty to promote the objectives of the Act, each of which is considered of equal importance:

- the prevention of crime and disorder
- public safety
- the prevention of public nuisance
- the protection of children from harm.

1.4 The council recognises that as a licensing authority it may only act within the powers granted under the Act. Where circumstances are appropriate to promote the licensing objectives the licensing authority will amongst other matters take into account:

- matters within the control of the premises licence holder/club premises certificate holders
- the specific premises and the places used

- the direct impact of the activity taking place at the licensed premises on people in the vicinity of the premises.

1.5 The licensing policy has 3 main purposes:

- To inform licence applicants of the parameters under which the Licensing Authority will make licence decisions, and therefore how a licensed premises is likely to be able to operate within an area[1].
- To inform residents and business of the parameters under which the Licensing Authority will make licence decisions and therefore how their needs will be addressed.
- To reinforce the elected Members on the licensing Committee, the powers of the Licensing Authority and the limits of those powers, and to provide them with parameters under which to make decisions.

1.6 The Licensing Authority is empowered under the Act to grant, review, vary, suspend or refuse premises licences, club premises certificates, personal licences and deal with temporary event notices in the Borough. The licensable activities dealt with by the licensing authority and set out in the act are as follows:

- The sale by retail of alcohol
- Supply of alcohol to club members
- Provision of “regulated entertainment” – to the public, to club members or with a view to profit. This includes the;
  - Performance of a play
  - Exhibition of a film
  - Indoor sporting events
  - Boxing or wrestling entertainment
  - Performance of live music
  - Playing recorded music
  - Performance of dance

- The provision of late night refreshment being the supply of hot food and/or drink from any premises between 11pm and 5am.

1.7 The Act divides licences into premises licences for the building and personal licences for each licensee.

1.8 Harrow has a vision which set out aspirations for the the borough, including:

- Everyone looks after each other
- Neighbourliness and cohesiveness
- Sense of belonging
- Caring for people and the area
- Resilience

1.9 Harrow aspires to achieve big and bold goals by 2030 through the Borough Plan .

- Improve the environment and address climate change by becoming a carbon neutral borough by 2030;

[1] Each case will be examined on its individual merits

- Tackle poverty and inequality by removing the variation in life expectancy in the borough;
- Build homes and infrastructure by building over 1,500 homes, including council homes and affordable homes;
- Address health and social care inequality by reducing health inequalities across communities in the borough;
- Develop a thriving economy by supporting our high streets to flourish and be vibrant;
- Sustain quality education and training by making Harrow one of the best boroughs for children and young people to live and grow up in;
- Celebrate communities and cohesion by continuously celebrating the diverse heritage within the borough and challenging all forms of discrimination
- Maintain low crime and improve community safety by keeping Harrow one of the safest boroughs in London.

1.10 In applying this policy the licensing authority will seek to implement the council's priorities The Harrow Council priority is to restore pride in Harrow by ensuring it is:

- A council that puts residents first
- A borough that is clean and safe
- A place where those in need are supported

1.11 The London Borough of Harrow has produced this Licensing Policy Statement in accordance with the provisions of the Licensing Act 2003 and the guidance issued under Section 182 by the Home Office.

1.12 This policy succeeds Licensing Authority Policy statement dated 23 February 2017 and whilst subject to on-going review will be in force for a period of 5 years from 23 February 2023.

1.13 Any comments about this policy can be addressed to licensing@harrow.gov.uk.

2. Fundamental Principles

2.1 Licensing is not a mechanism for the general control of anti-social behaviour by individuals beyond the direct control of the licensee of the premises concerned. However the licensing authority considers that licensing legislation plays a key role in seeking to ensure premises are managed well in order to promote the licensing objectives. There are several options available to the licensing authority to assist with this control in areas where licensed premises are contributing or considered responsible for anti-social behaviour and where informal resolution has failed:

- the power of responsible authorities including the licensing authority itself, Members (Councillors) of the licensing authority, residents or businesses to seek a review of the licence or certificate in question

- enforcement action (including prosecution) of any person responsible for providing unlicensed activities or allowing the breach of a condition on a premises licence or club premises certificate

- enforcement action (including prosecution, fixed penalty notices or closure notices) of any personal licence holder or member of staff at such premises who is selling alcohol to a person who is drunk or under age

- the use of closure and other statutory orders under the Licensing Act 2003 and related anti-social behaviour legislation

- Early Morning Alcohol Restriction Orders

- introduction of a Late Night Levy

2.2 Nothing in this policy shall override the right of an applicant to submit a valid application for consideration, or prevent any party from making valid representations about applications.

2.3 The Licensing authority is not expected to act as responsible authorities on behalf of other parties (for example, local residents, local Councillors or community groups) although there are occasions where the authority may decide to do so. Such parties can make relevant representations to the licensing authority in their own right, and it is reasonable for the licensing authority to expect them to make representations themselves where they are reasonably able to do so.

2.4 It is also reasonable for the licensing authority to expect that other responsible authorities should intervene where the basis for the intervention falls within the remit of that other responsible authority.

For example, the police should make representations where the representations are based on concerns about crime and disorder. Likewise, it is reasonable to expect the local authority exercising environmental health functions to make representations where there are concerns about noise nuisance. Each responsible authority has equal standing under the 2003 Act and may act independently without waiting for representations from any other responsible authority.

2.5 In determining a licence application the overriding principle will be that each application will be determined on its individual merits.

2.6 Licence conditions imposed will be relevant to the individual application and appropriate to meet the licensing objectives. Licence conditions will not be imposed where other regulatory regimes, such as fire safety legislation, provide sufficient protection for patrons and other members of the public

2.7 Where an application is made for a new or transfer and variation of a licence, in respect of premises that have closed and that closure was to a relevant extent as a consequence of crime and disorder and/or nuisance issues at the premises, the Licensing Authority would expect the applicant to make clear in their operating schedule how they will ensure the crime and disorder and public nuisance objectives will be met, bearing in mind any previous crime and disorder/nuisance concerns there may have been.

2.8 The Licensing Authority recommends that all applicants carry out sufficient risk assessments for the activities on their premises, and that the findings are put into practice. The Licensing Authority encourages applicants to carry out an assessment of the likely impact of the activities to be carried on at the premises, with a view to identifying any control measures that may be appropriate.

2.9 When exercising its licensing functions the Licensing Authority will not be influenced by the question of need. The question of whether or not there is a need for any particular premises is a commercial matter which is not relevant to the Licensing Authority's considerations. The issue of need may be a matter for planning consideration or for the market to decide and does not form part of this licensing policy statement.

3. Engagement

3.1 Public engagement is an important element of the Licensing Act. Written representations about licence applications are welcome. Representations that are considered by the licensing authority's officers to be out of time; irrelevant (because they do not address the licensing objectives); vexatious (because they for example repeat matters that have been previously raised unsuccessfully by the same respondent); or frivolous (lacking in seriousness) may be rejected. (Please also see sections 5 and 6 of this policy).

3.2 The licensing authority aims to work with applicants and residents to help licensable activities contribute to the diverse and vibrant commercial and cultural life of the Borough without having an adverse impact on our residents or their amenity. The licensing authority strongly encourages pre-application discussions and will make representations as a licensing authority where it believes it would be appropriate to further the licensing objectives.

4. Partnership working

4.1 This policy relies on strong partnership working, and the licensing authority will work particularly with licence holders, residents, police, Trading Standards, Environmental Health and Public Health in implementing it. The licensing authority strongly encourages and participates in schemes such as Pubwatch and Best Bar None.

4.2 The licensing authority will be mindful of the cost and regulatory burden that imposing conditions and other restrictions places on applicants and licensees. The licensing authority will work (with others where possible) to ensure conditions and restrictions are appropriate to only further the licensing objectives, are proportionate, clearly understandable and enforceable. To this end we have produced a separate non-binding pool of model conditions for reference that will be updated by the licensing authority's officers in the light of operational experience.

4.3 Where our discretion is engaged, because representations have been made about an application, the licensing authority will consider each application on its own individual merits including the impact of an application on the local area before making a determination.

5. The licensing objectives

5.1 An operating schedule is an important part of a premises licence or club premises certificate addressing how the applicant will promote the licensing objectives. The licensing authority encourages applicants to discuss their operating schedules with our officers before an application is submitted. Although applications may be submitted without completing an operating schedule it is more likely that representations will be made by responsible authorities or others.

5.2 The licensing authority may take into account the (non-exhaustive list of) factors below when considering applications, particularly when representations have been raised that are not otherwise withdrawn. The licensing authority's officers will consult with applicants about conditions during the consultation period and consider making representations about these matters where it is appropriate to do so.

5.3 These factors may also be taken into account by a Licensing Panel of councillors should representations be raised in relation to these matters.

Objective	***Factors to consider***
Prevention of crime and disorder	• degree of confidence in the management of the premises • location of premises • gang-related activity in the area • participation in local crime prevention schemes (such as Pubwatch or the Harrow Business Improvement District scheme) • commitment to reporting all crimes and anti-social behaviour associated with premises • crime prevention audit conducted by police/professional security organisation • staff training • responsible alcohol sales including provision of customer information and staff training • membership of the Brent and Harrow Trading Standards Responsible Trading Scheme • employment of licensed security staff and/or door supervisors • drug prevention and detection measures • search and detection of weapons • entry control measures (for example membership schemes, ticketing, electronic identity checking, queue controls etc) • suitable and sufficient security plan • effective wind-down and dispersal policies • use of CCTV • anti-theft provisions (eg time-locked safes, magnetic door locks, regular removal of cash from tills) • use of information to ban potential causes of alcohol-related crime and disorder, such as liaison with police about street drinkers, use of banning schemes

	• restrictions on sales of certain alcohol where appropriate (eg not selling high-strength alcohol where street drinkers may be prevalent) • position, display and promotion of alcohol • style, design and layout of the premises including provision for the safety of children • use of non-glass containers for alcohol where appropriate • measures to prevent or reduce anti-social behaviour arising from licensable activities • compliance with the Portman Group's Code of Practice on the naming, packaging and promotion of alcoholic drinks • trading hours • compliance with other business legislation with criminal penalties such as immigration offences; waste management; and smoking controls under the Health Act 2006
Prevention of public nuisance	• trading hours • noise reduction measures associated with licensable activities, particularly near to residential properties such as noise limiters, acoustic lobbies, double glazing, ventilation systems etc • noise mitigation measures associated with licensable activities, particularly near to residential properties • provision of litter bins and litter patrols • use of low-impact litter materials • measures to control smoking • extent of any external areas such as beer gardens, smoking areas and pavement cafes • effective wind-down and dispersal policies • noise from people arriving at or leaving from the premises and which is related to licensable activities • control of other nuisances relating to licensable activities such as light or odours • management of waste particularly preventing fly-tipping • arrangements in place for hiring licensed premises for private parties especially younger "anniversary birthday" parties • clear identification of staff authorized to sell alcohol

Public safety	• event management plans (and liaison with relevant agencies) for large-scale and/or high risk events • capacity limits other than those assessed purely for fire safety reasons • arrangements to prevent use of premises by extremist or other radical groups and to promote equality • the control of any hazards other than those controlled under the Health & Safety at Work etc Act 1974 • First Aid arrangements for customers above those required for workers under the Health & Safety at Work etc Act 1974 • identifiable high levels of alcohol consumption in the vicinity of the premises that might be increased by the grant of an authorisation
Protection of children from harm	• age verification policies over and above the mandatory minimum • measures to protect children from being exploited or coming to harm • procedures to deter and report under-age and proxy alcohol sales • membership of the Brent and Harrow Trading Standards Responsible Trading Scheme • measures to ensure children are not exposed to age-inappropriate products or activities (eg cigarettes, gaming machines, relevant entertainment or age-inappropriate films) • exclusion or designated areas and/or times for children with or without accompanying adults • measures to protect children as performers at any premises • arrangements in place at events solely aimed at those under 18 years old • procedures for dealing with lost and found children, particularly at open-air events

6. Health Considerations of Licensing

6.1 Health bodies are now responsible authorities as identified by the Act and as such are notified of all new premises applications to which they can make representations. Their representations must however still be relevant to the existing statutory licensing objectives.

7. Live Music, Dancing & Theatre

7.1 The Licensing Authority wishes to encourage and promote live music, dance and theatre for the wider cultural benefit of the community particularly for children.

7.2 When considering applications for such events and the imposition of conditions on licences, the Licensing Authority will carefully balance the cultural needs with the necessity of promoting the licensing objectives. The Licensing Authority would wish to avoid, so far as possible, measures which deter live music, dancing and theatre.

7.3 The licensing Authority draws all applicant's attention to the Live Music Act and other similar deregulations.

7.4 The Licensing authority suggest where applicants are minded to consider restricting the timings of live or recorded music to attempt to satisfy responsible authority concerns, that they also consider conditions in relation to the application of the deregulation. This is applicable when the application is requesting the sale of alcohol on the licence and would be entitled to utilise the deregulations mentioned above. The Licensing Authority recommend that in these circumstances the applicant speak to the Noise Nuisance department prior to application

7. Other legislative responsibilities

8.1 **Crime and disorder**
The licensing authority is under a duty under section 17 of the Crime and Disorder Act 1998 to consider the crime and disorder implications of its' decisions, and to seek to reduce crime and disorder within the Borough.

8.2 **Human Rights**
The Human Rights Act 1998 incorporates the European Convention on Human Rights and makes it unlawful for a local authority to act in a way that is incompatible with a Convention Right. The licensing authority will have particular regard to the following provisions of the European Convention on Human Rights:

- Article 6 that in determination of civil rights and obligations everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal established by law;

- Article 8 that everyone has the right of respect for their home and private life; and

- Article 1 of the First Protocol that every person is entitled to the peaceful enjoyment of their possessions, including for example the possession of a licence.

8.3 **Better regulation**

The licensing authority is under a duty to have regard to the statutory Regulators' Code when setting this policy to:

- help those the licensing authority regulates comply with the Act and to grow

- provide straightforward and simple ways to comment on the licensing authority's policy and how we enforce the Act

- base regulatory activities on risk

- share information about compliance and risk with other regulators where possible

- make clear information, guidance and advice available to help licensees meet their responsibilities to comply

- ensure our regulatory approach is transparent.

8.4 **Equalities**

Harrow's diversity is one of its strengths and the Equality Act 2010 aims to tackle potential discrimination against persons with "protected characteristics". Harrow Council has published its Equal Opportunities Policy that sets out how it aims to reduce inequality issues within the Borough and create a more inclusive community. An Equalities Impact Assessment has been prepared in relation to the statement of licensing policy and is available on request and on our website.

We aim to ensure that our Statement of Licensing Policy and associated practices do not discriminate against any people with protected characteristics within the community and will pursue any opportunity to promote equality of opportunity and good community relations. To this end we will:

- encourage applications for licences and certificates to be made from the widest range of ethnic and cultural groups

- provide information and documentation in other languages and formats on request so the licensing policy can be conveyed to all members of the community

- conduct an equalities impact assessment during the five year period of the policy to identify the effects the policy may have had for different groups within the community, take appropriate action to prevent direct and indirect discrimination which may have been the result of the policy statement

- conduct a health impact assessment during the first two years of the policy to identify the possible health impacts and so the positive impacts can be maximised and any negative impacts minimised and monitored.

8.5 **Planning permission**

Planning and licensing are distinct regimes and will be properly separated to avoid duplication and inefficiency. Where planning permission has not yet been granted, or there appears likely to be a clear conflict between licensing and planning permissions (eg a difference in permitted hours) an informative will be issued to the premises licence holder to remind them of the need to seek permission or to comply with the current permission as granted.

8.6 **Cultural strategies**
In its role of implementing local authority cultural strategies, the licensing authority recognises the need to encourage and promote live music, dance and theatre for the wider cultural benefit of the community. When considering applications for such events and any conditions on licences or certificates, the licensing authority will carefully balance the cultural needs with the necessity of promoting the licensing objectives and the protection of the vulnerable.

Consideration will be given to the particular characteristics of any event, including the type, scale and duration of the proposed entertainment, especially where only limited disturbance may be caused.

9. Specific circumstances

9.1 The licensing authority considers the following paragraphs to be appropriate to certain specific circumstances:

9.2 Good neighbour principle
The licensing authority expects all premises to promote the licensing objectives, regardless of whether any specific conditions are included on the authorisation. The licensing authority would encourage all premises to adopt the following Good Neighbour principles to:

- let neighbouring properties know about any changes to normal operations that might have an impact on them – such as temporary events notices that will end late at night or events likely to attract more customers than usual

- report to the council incidents of fly-tipping and excessive littering in the immediate vicinity, even if it does not directly affect the licensed premises

- report via the 101 non-emergency telephone line incidences of anti-social behaviour in the immediate vicinity, even if it does not directly affect the licensed premises

- provide a temporary haven for anyone in distress or need of immediate assistance (such as calling the police for someone who has been a victim of crime)

- maintain a litter-free and presentable area around their premises, even if it includes public highway

- help promote responsible alcohol consumption and local health initiatives such as health walks

- allow communal use of toilets where available

9.3 **Opening times and shops**
In accordance with the Secretary of State's guidance, the presumption will be that shops shall be licensed to sell alcohol during the same times as other goods in that shop, unless it is appropriate not to in order to further the licensing objectives. In some

cases it may be appropriate to restrict alcohol sales to certain times and conditions imposed to ensure alcohol are segregated from other goods on sale.

9.4 **Restaurants and take-aways**
Applications received from premises ostensibly acting as a restaurant will be closely scrutinised. The licensing authority reserves the right to examine the operating emphasis of premises and to take such steps as appropriate to avoid misrepresentation. A restaurant or take-away will normally be expected to offer the condition that alcohol would be served as being ancillary to a meal.

9.5 **External drinking areas**
Sales of alcohol may only take place where the external area has been included on the plan for the premises. Where appropriate, conditions will be placed on external drinking areas, including beer gardens. The council has a separate policy for licensing furniture on the public highway, which is available on our website.

9.6 **Arrangements for films**
The licensing authority would expect premises where films are shown to have in place measures to prevent children from viewing age-inappropriate films as classified by the British Board of Film Classification (BBFC) or the requirements of the licensing authority.

9.7 The licensing authority reserves the right to classify or reclassify any film to promote the child protection objective. Any classification will be notified to the relevant premises licence holder for advertisement at the premises and where tickets are sold for the performance, and a notice placed on the Council's website.

9.8 Any representation to reclassify a film that has already been classified by the BBFC must be presented with clear and cogent reasons why the licensing authority ought to contradict the professional view of the BBFC.

9.9 **Child protection and safeguarding**
Many children go to see and/or take part in entertainment arranged especially for them, for example children's film shows and dance or drama productions. Additional arrangements are required to safeguard them while at licensed premises without an accompanying responsible adult. Where appropriate the licensing authority will expect the licensee to provide evidence of how they intend to provide for the supervision and welfare of children as customers and as performers. Where children are supervised, the licensing authority will expect the operating schedule to demonstrate that staff are appropriately vetted, including via the Disclosure and Barring Service if necessary.

9.10 Where events are taking place that are solely provided for children, for example an under 18s disco, premises licences should include a risk assessment to prevent consumption of alcohol at or near the event; appropriate means for safeguarding children whilst at the event; and adequate arrangements to ensure the safe dispersal of children from the event.

9.11 The licensing authority will generally expect premises applying to open after 11 pm or that may be attractive to children to have in place a policy such as engagement with the Metropolitan Police Service's Operation Makesafe to ensure that staff are aware of the signs of potential child exploitation and how to report concerns about safeguarding.

9.12 **Adult entertainment**
When no entry is made in the application box relating to 'adult entertainment' it will be taken that there is no application for such entertainment and that a condition will be made to this effect. The licensing authority is responsible for licensing premises as sex entertainment venues under the Local Government (Miscellaneous Provisions) Act 1982, as amended by section 27 of the Policing and Crime Act 2009. The licensing authority has published a policy on the control of sex entertainment venues.

10 Conditions and consultations

10.1 In order to achieve the best outcome for promoting the licensing objectives, the licensing authority will liaise with applicants for new or varied premises licences (and club premises certificates) during the consultation process about conditions to be ultimately included on their licence. Where appropriate, the licensing authority will draw the wording for proposed conditions from its pool of model conditions that is available separately, unless the proposed wording on the operating schedule is appropriate, proportionate, clearly understandably and capable of being enforced. This will allow any discrepancies to be addressed during the consultation process, and for the licensing authority to submit a formal representation in the event of unresolved disputes. In accordance with the Secretary of State's guidance the licensing authority would expect applicants to also take into account the impact that their application might have on the local area.

11 Representations

11.1 The Licensing Act places duties on persons and organisations to make relevant representations and often in a relatively short timescale. In this context a "relevant representation" has to positively link the issues to the premises (or person) in question and the issues must relate to the statutory objectives.

11.2 The licensing authority cannot accept representations that it considers frivolous or vexatious. Additionally, in the case of a review of a licence or certificate, repetitive representations are also invalid. Officers will also be aware of the possibility of review applications being submitted as a consequence of an unsuccessful or rejected representation.

11.3 Licensing authority officers will determine whether a representation is irrelevant, frivolous, vexatious or repetitive in accordance with the Licensing Act and Guidance. In cases of doubt the representation will be allowed to stand and to be considered by a Licensing Panel.

11.4 Where the licensing authority determines that a representation is invalid it will notify the person of the decision and the reason. Where time exists, the person will be invited to make a further valid representation.

11.5 Representations should be made in writing to the licensing authority. The interested party must ensure they include their name, address and contact details. Please be aware that the Licensing Act 2003 requires all parties that wish to make a representation against an application ensure that their name and addresses are included in the representation to make it valid.

11.6 The representee name and address is required so that the Licensing Authority and the applicant or their representation can validate that the person making the representation qualifies to make the representation in terms of living or working in the vicinity to the premises concerned.

12.3 In exceptional cases an interested party can request the Licensing Authority to withhold their details, in any event the original letter must contain the information required.

11.7 All representation will be put out into the public domain and some will end up in reports that will be able to be viewed on the website.

11.8 All representations must be about the likely effect of granting the licence or certificate on the promotion of at **least one** of the four licensing objectives. It would be wise, therefore, to explicitly link any representation to one or more of the objectives.

11.9 It will also assist if the representations are specific to the premises and evidence based. Interested parties may, therefore wish to talk to the relevant responsible authority beforehand, or document problems themselves by, for example, keeping a diary or photographic evidence of any incidents.

11.10 Licensing authorities will need to be satisfied that there is an evidential and causal link between the representations made, and the effect on the licensing objectives.

11.11 When a representation is made which purports to be on behalf of a group, society or other association, the licensing authority will require reasonable proof to verify that a signatory is genuinely speaking on behalf of the members of that group. This could take the form of minutes to a meeting, a resolution passed or similar documentation. ‘Group’ has a wide meaning and can include a residents’ association or similar.

11.12 Petitions will be accepted by the licensing authority. The licensing authority’s approach will be to enquire how the petition was compiled, and whether each signatory signed in full knowledge of the facts of the application in order to assess how much weight to give the petition when determining the application. Names and addresses will be assessed to ensure they appear to be prima facie genuine, and that signatories have not also submitted their own representation independently of the petition.

11.13 In the absence of contrary evidence, the organiser(s) of the petition will be deemed to have been the person making the representation. Consequently they will be deemed to have the right to speak at and present evidence to any Licensing Panel and to exercise any right of appeal. They may invite other petitioners to speak and present evidence on their behalf but the other petitioners may not do so on their own behalf. The other petitioners will not be treated as parties to the hearing unless they have submitted their own independent and relevant representations.

11.14 The licensing authority will carefully scrutinise representations to ensure signatories have signed in full knowledge of the facts of the application. It is likely that more weight will be given to standard or ‘round robin’ letters than to petitions. Each signatory on a standard or ‘round robin’ letter will be deemed to be a party to the application with their own right to speak and present evidence to any Licensing Panel, and to exercise any right of appeal.

11.15 If no relevant representations are made, the licence or variation must be granted, therefore interested party representations are very important.

11.16 It may be beneficial for representees to get the backing of other people living, or businesses operating in the vicinity of the premises.

11.17 If interested parties want to ask another person, such as an MP or local Councillor to represent them, it is advisable to make such a request in writing so that the individual can demonstrate he or she was asked.

11.18 Representees should address how they would like the situation to be rectified. The Licensing authority often has to balance conflicting needs when determine licensing applications, it is beneficial for representees to outline what they feel would resolve or reduce their concerns.

12 Temporary event notices

12.1 Whilst the Act requires 10 working days' notice to be given of the temporary event (exclusive of the day which the event is to start and the day on which the notice is given), the Licensing Authority would wish applicants to make contact with the Licensing Authority at an early stage before a formal application is made. This is particularly important for large events and will enable responsible authorities to consider proposals. Early consideration will allow issues and the licensing objectives to be addressed and may avoid objections from the police and/or the Environmental Health Department..

12.2 Applicants should be aware that the serving on the Licensing Authority of a Temporary Event Notice does not remove their obligations under other legislation. Where appropriate, permissions should be sought from the appropriate body. The Licensing Authority expects that applicants understand their obligations in respect of:

- Planning permissions
- Health and safety
- Noise pollution
- The erection of temporary structures
- Road closures
- The use of pyrotechnics
- Anti-social behaviour

12.3 Applicants intending to sell alcohol should be aware that it is an offence to supply alcohol to minors or persons who are drunk. Also that the Police have powers to close down events without notice on the grounds of disorder, the likelihood of disorder or because of public nuisance caused by noise.

12.4 Applicants should be aware that a limit of less than 500 persons at any one time applies to temporary events and failure to comply with this limit may lead to prosecution. Organisers should be aware this is the total number of persons, not customers, therefore staff should be included in this number.

12.5 Where appropriate, organisers are strongly recommended to employ means of recording the number of persons entering and leaving the premises.

12.6 The attention of applicant is drawn to the Licensing Authorities need to be provided with adequate information on the TEN. The applicant should make clear:

- The nature of the event
- If the event involves live or DJ music
- whether it is open to the public or section of the public

12.7 The applicant should also ensure all fields on the application form are completed, including the national insurance number.

12.8 If a TEN is submitted without the required information it will be refused as invalid. In these circumstance any fee submitted is non refundable.

12.9 Late Temporary Events Notices

Late notices can be given no later than 5 working days but no earlier than 9 working days before the event in relation to which the notice is given. For the Licensing authority to be able to accept the applicant should confirm that they are submitting a Late TEN Failure to do so will deem the TEN invalid. In these circumstance any fee submitted is non refundable.

13 Administration, exercise and delegation of functions

13.1 The following table sets out the delegation of decisions and functions to Licensing and General Purposes Committee, the Licensing Panel (sub-committee) and to officers.

13.2 Delegations are without prejudice to officers referring an application to a Licensing Panel; or a Licensing Panel to the Licensing and General Purposes Committee, if considered appropriate in the circumstances of any particular case.

13.3 Officers have delegated authority to classify films in the absence of classifications by the British Board of Film Classification, or to refer films to a Licensing Panel in the case of doubt. Officers will liaise with the chair of the Licensing and General Purposes Committee as to the approach to be taken about films to be re-classified that have already been classified by the BBFC.

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DECISION	FULL COMMITTEE	LICENSING PANEL	OFFICERS
Application for personal licence		If a police objection	If no objection is made
Application for premises licence/club premises certificate		If a valid representation is made	If no valid representation is made
Application for provisional statement		If a valid representation is made	If no valid representation is made
Application to vary premises licence/ club registration certificate		If a valid representation is made	If no valid representation is made
Application for minor variation to premises licence/club registration certificate			All cases
Application to vary designated personal licence holder		If a police Representation is received	All other cases
Request to be removed as designated personal licence holder			All cases
Application for transfer of premises licence		If a police objection is received	All other cases
Application for Interim Authorities		If a police objection is received	All other cases
Application to review premises licence/club premises registration		All cases	
Decision on whether a representation is irrelevant, frivolous or vexatious			All cases
Making a representation as a responsible authority			All cases

DECISION	FULL COMMITTEE	LICENSING PANEL	OFFICERS
Determination of an objection notice to a temporary event notice (and Community and Ancillary Sales Notices when introduced)		All cases	
Determination of objection to disapply requirement to have Designated Premises Supervisors in community premises		All cases	
Power to vary time limits under the Licensing Act 2003 (Hearings) Regulations 2005		All cases once a hearing has commenced	All cases before a hearing commences
Determination of an objection to a temporary event notice		All Cases	
Decision on whether a minor variation application is valid, the need to go out to consultation and determination			All cases
Power to suspend a premises licence (S.55A (1) LA2003) or club premises certificate (S.92A (1) LA2003) for non payment of annual fees			All Cases
Determination of application to vary a premises licence at community premises to include alternative licence condition		If a Police objection is received	All other cases
Power to specify the date on which suspension takes effect. This must be at least 2 working days after the day the Authority gives notice			All Cases
Fulfil the function of the responsible authority for the Licensing Authority under the Licensing Act 2003			All Cases

14 Enforcement protocol

14.1 **Licence reviews**

To maintain a degree of consistency and transparency in decision-making, the Licensing Panel will be referred to the guidelines in appendix 1 when considering a review of a premises licence or club premises certificate. Each application for a review will be considered on its own merits and the Panel may depart from the guidelines should they have good reason to do so. The licensing authority reserves the right to amend and republish these guidelines in the light of operational experience.

14.2 **Other enforcement powers**

The licensing authority will work with other enforcement agencies and take a proportionate, risk-led approach to proactive and reactive enforcement.

14.3 Whilst the licensing authority will investigate complaints about unlicensed activities or licensed premises, it will also encourage self-resolution, mediation or referral to other agencies if that is more appropriate.

14.4 Complaints against licensed premises will be investigated promptly, having regard to feasibility. It must be noted that the licensing officers have limited statutory powers and that complete satisfaction to all parties may not be achieved. Regard will be given to all the events and wishes, and a resolution will be sought that is proportionate in the circumstances. The requirements of one individual cannot take precedence over others. Any decision taken on enforcement will be guided by our corporate enforcement policy and will not be driven by the wishes of any individual or group.

14.5 In most cases, advice or a written warning will be given for first and minor breaches. The table below is *indicative* of our approach to ensuring compliance and enforcing the Act in relation to first or single contraventions:

NATURE OF CONTRAVENTION	INDICATIVE RESPONSE(S)
Activities at premises likely to undermine the licensing objectives	• Action Plan • Notice under section 19, Criminal Justice & Police Act 2001 • Request to submit minor variation and/or review application
First contravention of administrative issues eg failure to display summary of the licence, a "refusals" book or incident book in breach of a condition	• Written warnings
Breach of other condition	• Action Plan • Notice under section 19, Criminal Justice & Police Act 2001 • Caution/prosecution and/or review application

Conducting unlicensed activities	• Notice under section 19, Criminal Justice & Police Act 2001 • Caution/prosecution
Failure to maintain safety systems eg CCTV, panic buttons in breach of condition	• Notice under section 19, Criminal Justice & Police Act 2001 • Caution/prosecution

NATURE OF CONTRAVENTION	**INDICATIVE RESPONSE(S)**
Management failure leading to serious injury of any person	• Action Plan • Caution/prosecution and review application
Providing licensable activities in breach of licensable hours	• Notice under section 19, Criminal Justice & Police Act 2001 • Caution/prosecution
Sustained disturbance to neighbouring properties in breach of condition	• Informal mediation • Action Plan • Caution/prosecution and/or review application
Sustained disturbance to neighbouring properties not in breach of condition	• Informal mediation • Action Plan • Review application
Unauthorised alteration to premises layout	• Warning and/or request to submit variation application • Notice under section 19, Criminal Justice & Police Act 2001 • Caution/prosecution
Underage sales	• Warning and/or request to submit variation application to adopt Brent & Harrow Trading Standards' Responsible Trader Manual

NB: Enforcement of underage alcohol off-sales is the responsibility of Brent & Harrow Trading Standards Service who will utilise their own enforcement policy

APPENDIX 1 **Licence review guidelines**

	Aggravating factors	Mitigating factors
Prevention of crime and disorder	• Failure to heed police or licensing authority advice • Encouraging or inciting criminal behaviour associated with licensed premises • Serious injury results from poor management • Previous track record • Deliberate or direct involvement in criminality	• Minor breach of condition not justifying a prosecution • Confidence in management ability to rectify defects • Previous track record • Voluntary proposal/acceptance of additional conditions
Prevention of public nuisance	• Noise late at night in breach of condition or statutory abatement notice • Previous warnings ignored • Long and prolonged disturbances • Excessive noise during unsocial hours (relating to locality and activity concerned)	• Noise limiting device installed • Licence-holder apologised to those disturbed by nuisance • Hotline complaints telephone available • Undertaking/commitment not to repeat activity leading to disturbance • Willingness to attend mediation • Voluntary proposal/acceptance of additional conditions
Public safety	• Death or serious injury occurred • Substantial risk in view of a responsible authority to public safety involved • Previous warnings ignored • Review arose out of wilful/deliberate disregard of licence conditions	• Minor or technical breach of licence condition • Confidence in management to rectify defects • Confidence in management to avoid repetition of incident • Voluntary acceptance/proposal of additional condition
Protection of children from harm	• Age of children • Previous warnings ignored • Children exposed to physical harm/danger as opposed to other threats • Activity arose during normal school hours • Deliberate or wilful exploitation of children • Large number of children affected/involved • Children not allowed on premises as part of operating schedule/conditions	• Conduct occurred with lawful consent of persons with parental responsibility for child • Short duration of event • No physical harm • Short-term disturbance • Undertaking/commitment not to repeat activity • Children permitted on the premises as part of operating schedule • Not involving under-age exposure to alcohol

	Aggravating factors	Mitigating factors
Application for review after other enforcement action taken by responsible authorities	• Penalty imposed by court • Previous warnings ignored • Previous review hearing held resulting in any corrective action • Premises licence holder previously convicted or cautioned for same or similar offences/contraventions • Offences over prolonged period of time • Offences resulted in significant danger or nuisance • Offences as a result of deliberate actions or reckless disregard for licensing requirements • Offence likely to be repeated	• Compensation paid by offender or agreement towards mediation • Voluntary acceptance/proposal of additional conditions • Offence disposed of by way of simple caution or fixed penalty notice • First offence or warning • First review hearing • Single offence/breach • No danger to the public or nuisance • Offences merely administrative in nature • Offence unlikely to be repeated
Range of likely responses available to the Licensing Panel	• To take no action • To issue a written warning • To remove the designated premises supervisor (or require a designated premises supervisor in community premises without one) • Modify the conditions of a premises licence or club premises certificate, including adding new conditions or deleting old conditions • To exclude a licensable activity or qualifying club activity from the scope of the premises licence or club premises certificate • To suspend the licence for a period not exceeding three months • To revoke the premises licence or withdraw the club premises certificate	

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Appendix B: Consultation responses:

Four people responded to the consultation:

How well do you think the proposed changes to the policy help promote the licensing objectives...	4 responses
Well	1
Poor	1
Very Poor	2

The following resident/business comments were made.

In the Kenton Lane area we have a densely populated residential area with on older demographic and a primary school in very close proximity to a recently licensed premises offering food, takeaway and alcohol. How and why was this permitted and how does Harrow council propose that we deal with the imminent increasing littering issues in that location as well as the noise pollution and anti-social behaviour issues? Given the recent local Government change, I would have expected more rigour around this type of approval. The residents are generally unhappy with this and it questions the integrity of the policy and those who regulate it.	**LBH Comment:** Each application has to be treated on its merits. Applications for premises licences will automatically be granted if representations are not received. If representation are received these must specifically related to one of the licensing objectives: • the prevention of crime and disorder • public safety • the prevention of public nuisance • the protection of children from harm.
The policies look like they will help to resolve potential licensing issues.	
The policy refers to prompt action. This has not taken place in the past. If the policy brings the Licensing Dept up to speed with complaints, that will be an excellent thing.	**Comment:** The Licensing team prioritise matters that are most urgent, whilst at the same time aiming to put residents first and respond quickly to all matters.

Equality Impact Assessment (EqIA) October 2022

You will need to produce an Equality Impact Assessment (EqIA) if:

- You are developing a new policy, strategy, or service
- You are making changes that will affect front-line services
- You are reducing budgets, which may affect front-line services
- You are changing the way services are funded and this may impact the quality of the service and who can access it
- You are making a decision that could have a different impact on different groups of people
- You are making staff redundant or changing their roles

Guidance notes on how to complete an EqIA and sign off process are available on the Hub under Equality and Diversity.
You must read the guidance notes and ensure you have followed all stages of the EqIA approval process (outlined in appendix 1). Section 2 of the template requires you to undertake an assessment of the impact of your proposals on groups with protected characteristics. Equalities and borough profile data, as well as other sources of statistical information can be found on the Harrow hub, within the section entitled: Equality Impact Assessment - sources of statistical information.

Equality Impact Assessment (EqIA)

Type of Decision:	○ Cabinet ○ Portfolio holder ● Other (state)	
Title of Proposal	Licensing Policy	**Date EqIA created 03 10 2022**
Name and job title of completing/lead Officer	Emma Phasey Head of Licensing and Enforcement	
Directorate/ Service responsible	Place	
Organisational approval		
EqIA approved by Directorate Equalities Champion	**Name** **Zayn Darr** **Equality, Diversity & Inclusion Project Support Officer**	**Signature** ☒ **Tick this box to indicate that you have approved this EqIA** **Date of approval 10/11/2022**

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1. Summary of proposal, impact on groups with protected characteristics and mitigating actions
(to be completed **after** you have completed sections 2 - 5)

a) What is your proposal?

The Licensing Act places a responsibility on all local authorities to publish a policy every 5 years. Failure to review the policy would be a breach of the Licensing Act and would place the Council at risk of challenge.

The Policy sets out the framework against which the London Borough of Harrow will carry out its functions under the Act. The Policy has been developed to ensure it complies with the requirements under the Act .

The Policy must support the Four Licensing Objectives;

- Prevention of Crime & Disorder
- Prevention of a Public Nuisance
- Protection of Children From Harm
- Promoting Public Safety

The adoption of an unsound policy may result in a challenge to its lawfulness and the possibility of poor licensing decisions being taken and could cause difficulty to businesses, residents and responsible authorities and could adversely affect the Council's reputation

b) Summarise the impact of your proposal on groups with protected characteristics

There is no identified differential impact. The policy must uphold the Four Licensing objectives. The third may lead to a positive impact on protected groups.

- Prevention of Crime & Disorder
- Prevention of a Public Nuisance
- Protection of Children From Harm
- Promoting Public Safety

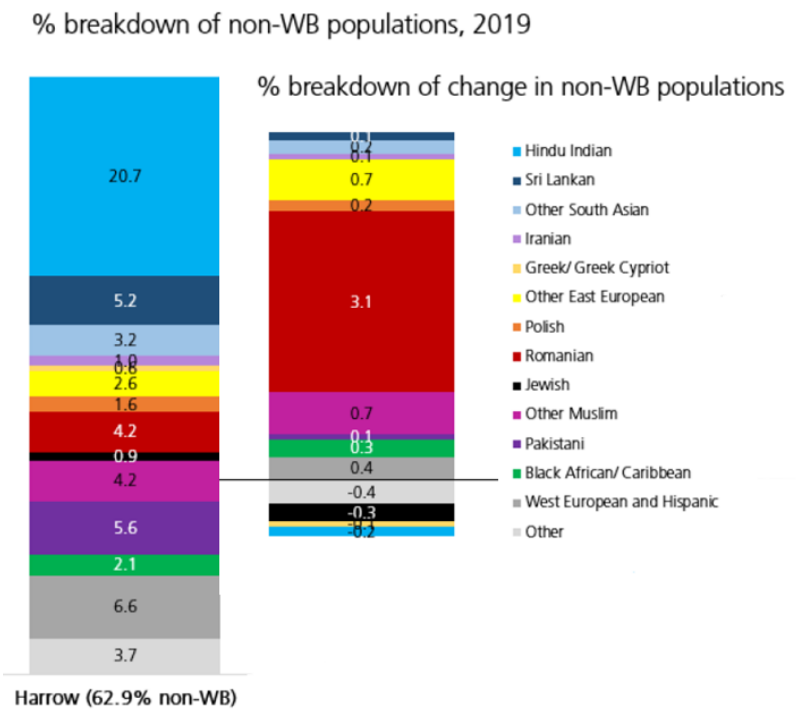
c) Summarise any potential negative impact(s) identified and mitigating actions

None

2. Assessing impact					
You are required to undertake a detailed analysis of the impact of your proposals on groups with protected characteristics. You should refer to borough profile data, equalities data, service user information, consultation responses and any other relevant data/evidence to help you assess and explain what impact (if any) your proposal(s) will have on **each** group. Where there are gaps in data, you should state this in the boxes below and what action (if any), you will take to address this in the future.		What does the evidence tell you about the impact your proposal may have on groups with protected characteristics? Click the relevant box to indicate whether your proposal will have a positive impact, negative (minor, major), or no impact			
Protected characteristic	For **each** protected characteristic, explain in detail what the evidence is suggesting and the impact of your proposal (if any). Click the appropriate box on the right to indicate the outcome of your analysis.	Positive impact	**Negative impact**		No impact
			Minor	Major	
Age	Harrow has a resident population of 252,300 (as of Mid-2020). It has an above average working age population aged 16-64 of appx 63% (157,900) and a growing younger population aged 0-15, which is higher than the London average, suggesting that the borough is a popular destination for families. **The policy will:** Ensure that the decision making process is transparent and fair Have a positive effect on the protection of children as one of the licensing objectives is protection of children from harm.	☒	☐	☐	☐
Disability	• ONS data for 2016-2018 shows that 19,208, (12.2%) of Harrow's working age population have a disability. • There is a strong correlation between disability, in particular the extent of the disability, and economic inactivity. • There are also particular groups that have specific obstacles in progressing to the labour market. These include adults with learning disabilities and those with severe mental health issues.	☒	☐	☐	☐

	• Accessibility and suitable transport are also barriers for disabled people. • Disabled people are also likely to be under-represented among business owners within Harrow. **The policy will:** Ensure that the decision making process is transparent and fair Have a positive effect on people considered to have a disability under the equalities Act 2010. The policy states that an applicant should take account of the local area profile produced by the London Borough of Harrow when making applications. The policy encourages operators to contact the licensing authority to consider and identify potential areas of mutual concern affecting their business in a way that aims to permit Licensing without presenting risks to the licensing objectives, as required by the Licensing Act. Our local area profile is informed by data that considers that people with a disability may frequent locations of mental health services and care facilities, drug and alcohol treatment and recovery centres, supervised pharmacies, hostels, supported housing, registered care locations and temporary accommodation. Therefore, for premises to have due regard of the local area should reduce the risk of vulnerable people developing Licensable activity (namely alcohol)-related problems because through the completion of risk assessments, licensed premises will have an improved understanding and focus on local risks and mitigating Licensable activity-related harm.				
Gender reassignment	• There is limited national data collected for this characteristic. We will need to consider the inequalities and discrimination experienced for this protected group when data becomes available. • The charity GIRES estimated in their Home Office funded study in 2009 the number of transgender people in the UK to be between 300,000 and 500,000. More recently Stonewall advised that it is estimated that around 1% of the population might identify as trans, including people who identify as non-binary. This would represent about 600,000 trans and non-binary people in Britain and about 2,500 people in Harrow. **<u>Impact</u>**	☐	☐	☐	☒

	The policy will aim to support residents and local businesses regardless of gender				
Marriage and Civil Partnership	At the time of the 2011 Census 54% of Harrow's residents were married, which was the highest level in London. 21% of households were married, or in same-sex civil partnerships, with dependent children, the highest level in London. At October 2020 there have been 144 Same Gender Civil Partnerships in Harrow, 25 of which has been converted to a Marriage. There have been 8 Opposite Gender Civil Partnerships. There have been 57 Same Sex marriages. **Impact** The policy will aim to support residents and local businesses regardless of their partnership status. It is unlikely that the proposal will lead to differential impact for people based on this protected characteristic	☐	☐	☐	☒
Pregnancy and Maternity	• ONS births figures show Harrow as having 3,526 live births in 2019. 14 live births per 1000 population is higher than the England & Wales average of 10.8 • The borough has the worst infant mortality rate in London, at a rate of 5.1 deaths per 1000 live births, which is a strong indicator of poverty and inequality in the borough. • Nationally, women have faced discrimination during pregnancy and maternity in the workplace. EHRC Survey data shows that around one in nine mothers (11%) reported that they were either dismissed; made compulsorily redundant, where others in their workplace were not. **Impact** It is unlikely that the proposal will lead to differential impact for people based on this protected characteristic.	☐	☐	☐	☒

Race/ Ethnicity	 • Harrow is one of the most culturally diverse local authorities in the UK, with over 60% of residents from Black, Asian, and Multi-Ethnic backgrounds and an estimated 20% Eastern European community, which is fast growing[1]. Black African (notably the Somali Community) groups have been fast growing over the last 6 years or so, as has the Afghan community. • Unemployment rates are significantly higher in certain areas of the borough, particularly in the Wealdstone and Marlborough wards (Central Harrow) and Roxbourne (South Harrow), focused in an around the Rayners Lane estate and among residents classified as Black and Other ethnic groups. These areas are also ranked high on the indices of deprivation for the UK.	☐	☐	☐	☒

[1] Harrow Economic assessment 2019-2020:population

	• The majority of 16–18-year-olds that are classed as NEET are from Black, Asian and Multi Ethnic backgrounds and located in wards with high levels of deprivation. However, the data also shows that the single largest ethnic group of pupils aged 16-18 classed as NEET is White British. • At ward level Marlborough, and Wealdstone have the highest number of households in need of re-housing. These respectively have a Black, Asian and Multi Ethnic population of 77% and 75%. • The highest rates of overcrowding is in Greenhill ward (97.5 per 1,000 households) and a Black, Asian and Multi Ethnic population of 74% (2011 census). • Black, Asian and Multi Ethnic residents are more likely to experience barriers to employment due to lack of English language , functional and digital skills. • Over 94% of Harrow businesses are classed as micro-businesses. There is limited data on the profile of business ownership by protected characteristics. Anecdotal evidence suggests that most retail businesses in Harrow's town centres are Black, Asian and Multi Ethnic- owned. **<u>Impact</u>** The policy will aim to support residents and local businesses regardless of their race. . It is unlikely that the proposal will lead to differential impact for people based on this protected characteristic				
Religion or belief	• Religious diversity is strong in Harrow. At the 2011 Census Harrow was the most religiously diverse borough in the country. Harrow had the highest number (and proportion) of Hindu followers in the country (25.3%), the highest number of Jains (2.2%) and the second highest number of Zoroastrians. Harrow 's Jewish community was the sixth largest nationally. 37.3% of residents were Christians (the 5th lowest proportion in the country) and 12.5% were Muslims. Harrow had the 2nd lowest ranking for 'no religion'. • As the population's ethnic composition changes, rates of participation in various religions are also likely to change[2]. • There is limited data on employment/unemployment rates for Harrow by religion.	☐	☐	☐	☒

[2] Harrow Economic Assessment: 2019-2020:population

	• Data for London suggests that educational attainment and employment among the capital's Muslim community is lower than those from other faith groups located in the borough[3]. **<u>Impact</u>** The policy will aim to support residents and local businesses regardless of their religion. . It is unlikely that the proposal will lead to differential impact for people based on this protected characteristic				
Sex	• The Government's population estimates as of mid-2020 show that the total population of Harrow is now 252,300, made up of 126,800 men and 125,500 women. • Economic activity among Harrow's male population is higher than the London average at 86%, compared with 83%[4]. However, economic activity among females in the borough is lower than the London average at 72%. • Harrow is a low wage borough, with both men and women that are employed in the borough earning less than the London average of £760[5]earning less compared to men. Women earn less than men in the borough. Average gross weekly earnings among women working in Harrow is £500, nearly 38% lower than the London average of £688[6]. • 20% of Harrow businesses are female led.[7] • While the pandemic may have negatively impacted both sexes, the shift to home working may have had a positive impact in enabling women ton return to work, as they are able to share childcare responsibilities. **<u>Impact</u>** The policy will aim to support residents and local businesses regardless of their sex. . It is unlikely that the proposal will lead to differential impact for people based on this protected characteristic	☐	☐	☐	☒

[3] Annual Population Survey 2018.
[4] NOMIS: Labour supply (at December 2020)
[5] NOMIS: earnings by place of work 2020
[6] NOMIS: earnings by place of work: 2020
[7] Beauhurst: number of companies registered at Companies House that are female led (April 2021)

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Sexual Orientation	• The Office for National Statistics estimated in 2014, 2.6% of Londoners identify as lesbian, gay, or bisexual, the highest of any UK region[8]. There is no official data on sexual orientation for Harrow in relation to employment. • LGBT people are also likely to be underrepresented among business owners within Harrow. **Impact** The policy will aim to support residents and local businesses regardless of their sexual orientation. . It is unlikely that the proposal will lead to differential impact for people based on this protected characteristic	☐	☐	☐	☒
2.1 Cumulative impact – considering what else is happening within the Council and Harrow as a whole, could your proposals have a cumulative impact on groups with protected characteristics? ☐ **Yes** **No** ☒					
If you clicked the Yes box, which groups with protected characteristics could be affected and what is the potential impact? Include details in the space below					
2.2 Any other impact - considering what else is happening nationally/locally (national/local/regional policies, socio-economic factors etc), could your proposals have an impact on individuals/service users, or other groups? ☐ **Yes** **No** ☒					
If you clicked the Yes box, Include details in the space below					

[8] Trust for London: London's Poverty profile 2016.

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3. Actions to mitigate/remove negative impact

Only complete this section if your assessment (in section 2) suggests that your proposals may have a negative impact on groups with protected characteristics. If you have not identified any negative impacts, please complete sections 4 and 5.

In the table below, please state what these potential negative impact (s) are, mitigating actions and steps taken to ensure that these measures will address and remove any negative impacts identified and by when. Please also state how you will monitor the impact of your proposal once implemented.

State what the negative impact(s) are for **each** group, identified in section 2. In addition, you should also consider and state potential risks associated with your proposal.	Measures to mitigate negative impact (provide details, including details of and additional consultation undertaken/to be carried out in the future). If you are unable to identify measures to mitigate impact, please state so and provide a brief explanation.	What action (s) will you take to assess whether these measures have addressed and removed any negative impacts identified in your analysis? Please provide details. If you have previously stated that you are unable to identify measures to mitigate impact please state below.	Deadline date	Lead Officer

4. Public Sector Equality Duty

How does your proposal meet the Public Sector Equality Duty (PSED) to: 1. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010 2. Advance equality of opportunity between people from different groups 3. Foster good relations between people from different groups
All applications must be treated on their own merits, irrespective of protected characteristics, so that no group is unfavourably and disproportionately impacted or discriminated against. The decision making process is subject to primary legislation to ensure transparent and fair decision making.

5. Outcome of the Equality Impact Assessment (EqIA) click the box that applies
☒ **Outcome 1** **No change required: the EqIA has not identified any potential for unlawful conduct or disproportionate impact and all opportunities to advance equality of opportunity are being addressed**
☐ **Outcome 2** **Adjustments to remove/mitigate negative impacts identified by the assessment, or to better advance equality, as stated in section 3&4**
☐ **Outcome 3** **This EqIA has identified discrimination and/ or missed opportunities to advance equality and/or foster good relations. However, it is still reasonable to continue with the activity. Outline the reasons for this and the information used to reach this decision in the space below.**
Include details here

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