

**Report for: Cabinet**

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<b>Date of Meeting:</b>	10 February 2022
<b>Subject:</b>	Final Revenue Budget 2022/23 and final Medium Term Financial Strategy 2022/23 to 2024/25
<b>Key Decision:</b>	Yes – affects all wards
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance (S151 Officer)
<b>Portfolio Holder:</b>	Councillor Natasha Proctor – Portfolio Holder for Finance and Resources
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	No - decisions reserved to Council
<b>Wards affected:</b>	All
<b>Enclosures:</b>	<p><b>Appendix 1A</b> – Growth/Reversed savings and savings from 2021/22 and 2022/23 Budget Process</p> <p><b>Appendix 1B</b> – Savings and Growth 2022/23 from the 2020/21 Budget Process</p> <p><b>Appendix 2</b> - Medium Term Financial Strategy 2022/23 to 2024/25</p> <p><b>Appendix 3</b> – Revenue Budget Summary 2022/23</p> <p><b>Appendix 4</b> – Levies, contributions, and subscriptions</p> <p><b>Appendix 5</b> – Policy on use of contingency</p> <p><b>Appendix 6</b> - Schools Budget 2022/23</p> <p><b>Appendix 7</b> - Public Health Budget 2022/23</p> <p><b>Appendix 8</b> – Reserves Policy</p>

**Appendix 9** – Reserves Forecast

**Appendix 10** – Report of the Chief Finance Officer

**Appendix 11** – Model Council Tax Resolution

**Appendix 12** – Members Allowance Scheme 2022/23

**Appendix 13** – Annual Pay Policy Statement for 2022/23

**Appendix 14** – Flexible Use of Capital Receipts

**Appendix 15** – Summary of EQIA for Saving Proposals 2022/23

**Appendix 16** - Summary of Resident Consultation

## **Section 1 – Summary and Recommendations**

This report sets out the final revenue budget for 2022/23 and final Medium Term Financial Strategy (MTFS) for 2022/23 to 2024/25. In December 2021, Cabinet approved the draft versions of the revenue budget and MTFS for general consultation.

### **Recommendations:**

Cabinet is requested to:

- 1) Recommend the 2022/23 budget to Council for approval, being mindful of the results of the various consultations and equality impact assessments, to enable the Council Tax for 2022/23 to be set (Appendix 15).
- 2) Recommend the Model Council Tax Resolution 2022/23 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 (MTFS) for referral to Council (Appendix 2).

- 5) Note the balanced budget position for 2022/23 and 2024/25 and the budget gap of £16.593m for 2023/24 (Table 2a).
- 6) Note the use of £14.7m Budget Planning Reserve MTFs to achieve the balanced budget position for 2022/23, which is reversed out in the following year (Table 2a, paragraph 1.49).
- 7) Note the intention to increase Council Tax by 1.99% in 2022/23 (Paragraph 1.13 and 1.21).
- 8) Note the intention to increase Council Tax by a further 1% in 2022/23 in respect of the Adult Social Care Precept (Paragraph 1.13 and 1.21).
- 9) Note the 2022/23 budgets for Schools and Public Health as set out in Appendices 6 & 7.
- 10) Note the assumed funding for the protection of social care 2022/23 through the BCF as set out in paragraphs 1.62 to 1.65.
- 11) Note the requirement to develop a robust finance strategy to address the predicted MTFs shortfall of £16.593m ready for presentation to the incoming administration in May 2022 (Paragraphs 1.69 to 1.73).
- 12) Recommend the 2022/23 Members Allowance Scheme to Council for approval (Appendix 12).
- 13) Recommend the 2022/23 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 2022/23.

## **Section 2 – Report**

### **BACKGROUND**

1.1 Prior to the Covid-19 pandemic, Local Government finances continued to have a very difficult decade. A number of bodies, over recent years, have published studies which paint a similar picture of the challenges faced by the sector. In its recent publication ‘The Local Government Finance System: Overview and Challenges’, the National Audit Office provided an insight into such challenges affect the sector as a whole including:

- After removing Council Tax, spending power funded by central government fell in real terms by more than 50% on a like for like basis

between 2010/11 and 2020/21 with the reliance on Council Tax growing significantly over this period.

- Funding reductions have coincided with growing service demand and cost pressures:
  - The population has grown by 7% since 2010/11.
  - Between 2010/11 and 2019/20 the number of adults aged 65 to 84 has increased by 21% and those over 85 have increased by 20%
  - Overall gross spending on Children's social care has increased by 17% between 2010/11 and 2019/20
  - The number of homeless households in temporary accommodation has increased from approximately 48,000 in 2010/11 to approximately 92,000 by 2019/20

1.2 In their publication 'Local Government Funding – Moving the conversation' (June 2018) the Local Government Association shared a similar picture about the whole sector with their key statistics including:

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

1.3 In their press release following Spending Review 21, London Councils highlighted the specific challenges for London with borough's seeing a 25% reduction in funding since 2010 even though population growth means there are now a million more Londoners.

1.4 With the Local Government sector being 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. Throughout the pandemic London Councils have monitored the financial impact of Covid-19 on boroughs using the monthly returns submitted to the Department for Levelling Up, Housing and Communities (DLUHC). In autumn 2021, findings show that Boroughs are forecasting just over £1b of additional funding pressures in 2021/22 and funding announced is approximately one third short.

1.5 Harrow remains one of the lowest funded Councils both within London and nationally. Table 1 below summarises the key financial changes over the 9-year period up to 2022/23:

**Table 1: Summary of Key Financial Changes 2013/14 to 2022/23**

	Revenue Support Grant	Demand Led Growth	Technical Growth	Savings	Additional Revenue from Council Tax	Business Rate	Revised Budget Requirement	Amount to be raised from Council Tax	Council Tax as a % of Budget Requirement
	£000	£000	£000	£000	£000	£000	£000	£000	%
2013/14	52.1	10	10	-22	-1.8	14.7	181,063	93,039	51
2014/15	42.6	5.5	-2.1	-10	-1.9	14.5	174,426	95,067	55
2015/16	32	7.7	5.9	-20.6	-3.4	14	166,171	98,496	59
2016/17	21.9	4.7	9.5	-16.6	-6.8	13.2	164,987	105,256	64
2017/18	13	10.7	-0.6	-10.2	-7.3	14.4	164,804	112,530	68
2018/19	7.3	9.8	1.7	-7.4	-5.3	14.4	168,917	117,804	70
2019/20	1.6	7.4	-4	-5.2	-8.5	14.4	167,081	126,295	76
2020/21	1.6	5.1	5.7	-3.8	-7.2	14.9	174,762	133,492	76
2021/22	1.6	16.5	-6.7	-3.6	-6.4	14.9	178,856	139,706	78
2022/23	1.6	4.2	-1.3	1.0	-6.5	15.1	183,285	146,185	80
<b>Total</b>	<b>50.5</b>	<b>81.6</b>	<b>18.1</b>	<b>-98.4</b>	<b>-55.1</b>				

Over the 10-year period, the table shows:

- The Council's Revenue Support Grant (RSG), its main source of funding from central government, has reduced by 97% to just £1.6m, a reduction of £50.5m. To set this in context, the Council's net revenue budget requirement to support service delivery is £183.2m.
- In addition to the RSG, the Council does receive several other grants to support services. In the current financial year government grants are estimated at £348m however these grants are all ring fenced to specific areas of activity and cannot be used to support the core budget. The most significant of the grants include the Dedicated Schools Grant (£138m), Housing Benefits Grants (£116m) and Public Health Grant (£11m). The RSG is unringfenced and the Council has the discretion to spend it across all services hence why its reduction has caused significant challenges.
- Until SR 21 and the allocation of the Core Spending Grant, the Council has not received additional funding to meet demographic and inflationary pressures. Therefore, growth of circa £81.6m has had to be provided to fund the continued pressures on front line services, including adults and children's social care, homelessness and waste services. Technical growth of £18.1m has had to be provided to fund inflationary pressures (pay and non-pay) and the cost of capital investment for which the council receives no additional funding.

- These three factors have taken the total budget shortfall to find over the nine years to over £150.0m to achieve a balanced budget.
- Savings and efficiencies of £98.4m have been achieved but the profiling of these savings, and how the quantum has reduced in recent years, demonstrates the challenges of finding sustainable savings year on year. For the first time in 2020/21 the Council had to rely upon the use of reserves to balance its budget. Thankfully, through tight financial management, these reserves are now unlikely to be drawn down and can be retained to support the even larger pressures the Council faces over its MTFS.
- Council Tax has been increased largely just below referendum limits and full use has been made of the Adults Social Care precept, both of which are in line with central government expectation. Again for 2022/23, the Council has limited options and is proposing the maximum allowable increase in Council Tax of 1.99% plus 1% Adult Social Care Precept which increases the transfer of responsibility onto the council taxpayer to 80%. It is important to note that again the Council is following central government expectations in terms of Council Tax increases as per their spending power calculations.

1.6 Despite all reasonable actions, including council tax increases, significant savings, and efficiencies and generating income, it still remains a considerable challenge for the Council to balance its annual budget in light of continued demand pressures, demographic changes and inflationary pressures compounded by a historically low funding base. In February 2021 full Council approved the Medium-Term Financial Strategy (MTFS) 2021/22 to 2023/24. Despite achieving a balanced budget for 2021/22, there remained a budget gap of £29.749m over the final two years of the MTFS.

1.7 A budget gap of £29.749m is enough of a significant financial challenge from which to refresh the MTFS. Factor into this a disproportionate impact of Covid- 19 on the Borough and it leaves the Council in a grave financial position facing very difficult budget decisions. Covid-19 has had a disproportionate impact on the residents of Harrow. Since August 16th there have been 9,117 diagnosed cases of Covid-19 in Harrow, which represents a rate of 3,613 per 100,000 residents, a rate significantly higher than London of 3,110 per 100,000. Since the start of the pandemic the rate of deaths within 28 days of a positive test in London was 189 per 100,000 residents, in Harrow the rate was 218.

The Covid-19 pandemic has shown a light on existing health disparities within community cohorts which need managing. An example is the significant migration of the Romanian Community into Harrow. From August 2018 to June 2021 nearly 40,000 Romanians applied for settled status in Harrow (EUSS Statistics Home Office June 2021). Whilst many may move out of Harrow a significant number remain, particularly in East Harrow. It is in such community cohorts, that we have found higher degrees of vaccine hesitancy and reluctance to undertake Covid-19 testing which presents not only a health risk to the community, but also a risk to Harrow's Councils recovery plans.

- 1.8 Covid-19 has been shown to disproportionately affect older people and people from BME communities. Both these groups are more likely to become ill from Covid-19, require admission to hospital and subsequent support, and both these groups are more highly represented in Harrow than many other London Boroughs. The high number of 57 residential and care homes in Harrow, and outbreaks within them have certainly contributed to the high number of cases of Covid-19 in Harrow.
- 1.9 The disproportionate impact felt by Harrow has not been matched by a proportionate share of funding. Analysis shows that, over the four tranches of Emergency Funding received, Harrow ranked in 108th position nationally (out of 339) and across London in 26<sup>th</sup> position (out of 33, which is 8<sup>th</sup> lowest). In terms of the £1.55b grant allocated in the current financial year to Local Authorities to meet additional Covid-19 expenditure, Harrow received £6.051m, the 7<sup>th</sup> lowest allocation across London.

## **SUMMARY**

- 1.10 The final budget set out in this report shows an updated MTFs with several changes which Cabinet are asked to note. The changes achieve a balanced budget position for 2022/23 (after the application of £14.7m from the Budget Planning MTFs Reserve), a budget gap of £16.593m for 2023/24 and a balanced budget position for 2024/25. It's important to note that for 2024/25, a number of the budget adjustments are estimated at a high level due to the challenges of forecasting complex issues such as demand and demographics so far in advance. As the budget is approved annually the latter two years of the MTFs will be subject to much review and adjustment before finally being approved.
- 1.11 The final MTFs is based on the Local Government Indicative Financial Settlement received 16 December. The final settlement is expected to be agreed in early February. Whilst it is intended that members will approve the MTFs in February 2022, 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

## **EXTERNAL FUNDING POSITION**

- 1.12 Harrow Council remains one of the lowest funded councils both in London and nationally. Harrow's core spending power per head in 2019/20 was estimated to be £170 lower than the London average and £75 lower than the rest of England average. Settlements since these calculations have done little to address the relative position of Harrow's funding baseline.

## **SPENDING REVIEW 2021**

- 1.13 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. The key areas of the review pertaining to Local Government are detailed below and included in the final MTFs:

- The main Council Tax referendum level is set at 2% and the Adults Social Care Precept at 1% per annum. The final MTFS assumes a Council Tax increase of 2.99% per annum.
- £3.6b over the 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. Funding was confirmed for 2022/23 only and Harrow's share is £654k and is assumed to be recurrent for budgeting purposes.
- £1.5b per annum of new grant funding 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). This must also cover the inflationary pressures felt by those outside Local Government which will come back into the sector via increased costs. Harrow's share is £5.4m for 2022/23, of which £2.735m is non recurrent.
- There is no separate funding for the legacy impacts of Covid-19 and the Covid-19 Income Compensation Scheme for Sales, Fees and Charges will not be continued into 2022/23. The final MTFS assumes no specific Covid-19 financial support.
- The New Homes Bonus grant continued for a further year and Harrow's share is £3.022m and is assumed to be recurrent for budgeting purposes. Announcements on the reform of the scheme are expected later in the year.
- Grant funding for Public Health, the Troubled Families Programme and the Improved Better Care Fund will continue a cash flat basis and the final MTFS reflects this.
- Three announcements on pay covering increases to both the National Living Wage and National Minimum wage and references to public sector workers receiving pay rises over the next three years via the normal pay setting process. The final MTFS includes £7.5m of pay inflation over the three years.
- The Business Rates multiplier will be frozen in 2022/23 which will reduce business rate bills. The Multiplier Grant remained a separate funding stream and Harrow's grant for 2022/23 is £3.259m.
- The Local Tier Services Grant was continued in 2022/23. Harrow's grant was confirmed at £421k and is assumed as on going for budget purposes.
- There was no confirmation of either the scope or timetable for the planned Local Government Finance Reforms, including business rates reset and the review of Relative Needs and Resources. Following SR21, there have been references in various publications to the Fair Funding Review and assessment of need for 2023/24. However, at the time of writing this report, no details and time frames are known.



## **DELIVERY OF THE 2021/22 BUDGET**

- 1.14 In these unprecedented times, delivery of the 2021/22 budget is critical to maintaining the Council's financial standing and to do everything possible to protect front line services whilst managing the impact of Covid-19 and the future impact of demand and activity on the MTFs.
- 1.15 Harrow has a good track record of robust financial management and has not reported a revenue budget overspend for many years. The performance against the 2021/22 budget is detailed in a separate report on this agenda, 'Qtr 3 Revenue and Capital Budget Monitoring 2021/22' report. This report forecasts to year end a net underspend of £776k. This is an improvement of £877k on the Qtr 2 reported forecast and confirms the Council will contain expenditure within its budget envelope for the financial year 2021/22.
- 1.16 The 2021/22 budget is supported by £6.051m of nonspecific grant to meet additional Covid-19 expenditure, £700k Covid-19 income compensation grant and £3.5m of Controlling Outbreak Management Funding (COMF). SR21 made no announcement of continued funding for the impacts of Covid-19 beyond 2021/22 and the MTFs assumes no financial support from 2022/23. All activities funded from the Covid -19 grants are being reviewed to ensure they are ceased by the end of March 2022. Other Covid-19 Grant funding, which is received to support specific expenditure and not the general budget is all accounted for on a non-recurrent basis and is detailed in Appendix 3 of the 'Qtr 3 Revenue and Capital Budget Monitoring 2021/22' report which is elsewhere on this agenda.

## **BUDGET PROCESS 2022/23**

- 1.17 The Council has a statutory obligation to agree and publish the budget for 2022/23, and approval for this is being sought in February 2022. In preparing the 2022/23 budget and rolling forward the MTFs to cover the three-year period 2022/23 to 2024/25, the current MTFs has been the starting point for the process.
- 1.18 The Council's financial position and its operational environment has always been dynamic 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 2022/23 the existing MTFs has been:
- Refreshed and rolled on a year
  - Updated to reflect the cessation of Covid -19 financial support
  - Updated to reflect the impact of SR 21 and the Indicative Financial Settlement
- 1.19 The draft budget was presented to Cabinet in December. For completeness, the adjustments required to set the draft budget are repeated in this report and summarised in Table 2 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 2021/22 Budget process:

<b>Table 2: Changes to MTFS (Prior to Indicative Finance Settlement )</b>			
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Published Budget Gap - February 2021</b>	<b>24,651</b>	<b>5,098</b>	<b>0</b>
Adjustments:			
<b>Council Tax /National Non Domestic Rates (NNDR)</b>			
Increase in Council Tax @ 2.99% (1.99% core and 1% Adults Social Care Precept	-£4,229	-£4,371	-£4,500
Increase in Council Tax base	-£2,250		
Council Tax increase of 1.99% already in MTFS	£2,780	£0	£0
Collection Fund Deficit 2022/23	£52	-£52	
Reduction in retained NNDR	£205	£0	£0
NNDR Multiplier Grant	-£1,710		£0
<b>Summary of Directorate Changes</b>			
Investment - Special Educational Needs Transport	£750	£750	£750
Investment - Children's Services Placements and Workforce		£1,100	
Investment - Regeneration Team		£1,250	£0
Investment - London Living Wage	£450	£450	£1,000
Reversal of Savings - Transformation	£2,000		£0
Reprofiling - of Social Care growth already in MTFS:			
From Adults Services	-£565		
To Childrens Services	£565		
Reprofiling - Gayton Road LLP MTFS contribution	£62	-£22	-£12
Reprofiling - Community COVID loss of income	-£300	£300	£0
<b>Technical Changes</b>			
Saving - Existing Capital Financing and MRP	-£2,000	£0	£0
Additional Capital Financing from 2021/22 budget process			£224
Pay and Non Pay Inflation			£3,750
Estimated Directorate Growth			£3,788
Concessionary Fares / Freedom Passes	-£1,271	£644	£1,000
<b>Spending Review - Estimated Additional Grants</b>			
Increase - Adults Social Care Grant	-£800	-£5,600	-£8,000
Additional cost - Adult Social Care Reform	£800	£5,600	£8,000
Increase - Core Spending Grant	-£6,000	-£6,000	-£6,000
Additional cost - Employer NI increase @ 1.25%	£800	£0	£0
Additional cost - NNDR Multiplier Grant	£1,710		
<b>Revised Budget Gap</b>	<b>15,700</b>	<b>-853</b>	<b>0</b>
<b>Application of Budget Planning Reserve MTFS</b>	<b>-£15,700</b>	<b>£15,700</b>	
<b>Estimated Budget Gap December 2021</b>	<b>£0</b>	<b>£14,847</b>	<b>0</b>

## **Council Tax, Collection Fund and National Non-Domestic Rate Adjustments**

- 1.20 2021/22 the Council tax base reduced to 87,387 from its 2020/21 base of 87,667 as a result of the weakening economy largely due to the Covid-19 pandemic. The current MTFs assumed no increase in the base beyond 2021/22. For 2022/23 the Council's tax base has been calculated, according to the relevant procedures and guidance, at 88,785 Band D equivalent properties, this being the gross tax base of 90,579 less a 2% bad debt provision. This is an increase of 1,398 Band D equivalent properties which will generate additional income of £2.250m. This estimated increase is based on assumptions new properties will come on stream and the numbers claiming Council Tax Support will reduce as the country moves out of the pandemic. Collection rates have performed better than expected throughout the pandemic and Harrow has provision for outstanding arrears up to the 31/03/21 of almost 100%. The collection rate for 2022/23 will remain at 98%. The calculation of the Council tax base for 2022/23 is subjected to a separate and more detailed report elsewhere on this agenda (Report: Calculation of Council Tax Base for 2022/23).
- 1.21 A maximum Council Tax increase of 2.99% is budgeted for 2022/23 to 2024/25 which is in line with central government expectations included in the SR21 announcements on core spending power for local government. This covers 1.99% for core Council Tax and a 1% for the Adult Social Care Precept. This will generate additional revenue of £4.229m in 2022/23. The current MTFs already assumes a core Council Tax increase of 1.99% (£2.780m) which is adjusted for.
- 1.22 The Collection Fund and its impact on the 2022/23 budget is subject to a separate report elsewhere on this agenda (Report: Estimated Surplus / (Deficit) on the Collection Fund 2021/22). The estimated impact on the 2021/22 Collection Fund is a small deficit of £52k which must be accounted for as a one-off charge against the 2022/23 budget.
- 1.23 Of the National Non-Domestic Rates collected, Harrow retains 30% with 70% being handed over to Central Government and the Greater London Authority. Harrow's 30% retained share is estimated to reduce from £15.346m to £15.141m, hence a reduction of £205k in the 2022/23 draft budget. The main reasons for the changes in yield are:
- Tax Base being eroded by commercial property being converted to domestic accommodation or being demolished and awaiting domestic properties being built
  - More occupiers claiming Small Business Rates Relief (SBRR) and Retail Relief
  - Insufficient new commercial properties being built to offset losses

The NNDR collection rate will remain at 98%. A more detailed report on the calculation of the retained NNDR tax base will be brought to Cabinet in January 2022.

- 1.24 The NNDR tax base used to calculate the 2022/23 rate retention amounts has not this year benefited from the September 2021 CPI which is used to calculate the following financial year's rating multiplier. SR21 announced that the multiplier would be frozen for 2022/23 which 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 which is estimated at £1.710m. SR21 was very unclear whether the Multiplier Grant would continue as a separate grant or whether it would be wrapped up as part of the new core spending grant. The draft 2022/23 budget has been prepared on a prudent basis and assumes the Multiplier Grant will no longer be a separate grant.

### **Summary of Directorate Changes**

- 1.25 Spend on Special Educational Needs (SEN) Transport continues to grow and over the last four years spend has on average increased by £500k per year from £4.1m in 2017/18 to projected £5.9m in 2021/22. 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. The type of transport required is dependent upon the education setting the child attends as well as the child's special educational need and disability (SEND) /medical diagnosis and behaviour. The main focus of the Council's SEND strategy is to ensure that as many children are educated in local in-borough SEND provision to prevent high cost out of borough independent placements where the needs could be met in borough but for the fact that capacity is an issue. However, the SEND Strategy is a medium to long term strategy due to the lead-in time it takes to create additional provision. It is projected that £750k growth per annum will be required to meet the costs of SEN Transport over the period of the MTFS. This has been provided for, but SEN Transport is subject to a separate review with a view to, amongst other things, reduce this estimated pressure on the MTFS.
- 1.25a 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 increased 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. In Education Services there has been a significant increase in referrals and assessments and the number of young people with an Education Health & Care Plan. This is putting significant pressure on the workforce and casework officer caseloads. In the current financial year, Children's Services are forecasting a net pressure, after draw down from reserve, of £1.564m. The current MTFS already assumes growth of £1.205m for 2022/23 and draft budget for 2022/23 proposes to re-profile an additional £565k growth from Adult Services. Also, there is expected to be a balance on the Children's Social Care Reserve (currently sitting in the Revenue Grants Reserve) of £1.117m at the end of this financial year which

can be used in 2022/23 to support pressures. As this reserve funding is temporary, this has been provided for as permanent growth from 2023/24.

- 1.26 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.
- 1.27 Elsewhere on this agenda, there is a separate report which recommends the Council's application to the Living Wage Foundation to become an accredited authority. To support this strategy, which has a seven-year implementation plan, investment of £1.9m is provided for in the draft MTFS. (Report: Application to the Living Wage Foundation to become an accredited authority).
- 1.28 In the 2020/21 budget setting process, a Council Wide transformation target of £1m in both 201/22 and 2022/23 was set. Due to the impact of Covid-19 on the organisation's capacity, this £2m target has had to be removed from the draft MTFS at this time.
- 1.29 In the current MTFS Adults Social care growth of £3.691m is already provided for to fund complexity and demand care growth and care provider inflation. This growth has been reviewed and it is estimated that it can be reduced by £565k and moved over to Children's Services to support their increasing pressures already covered in this report. The Adult Social Care Reserve is forecast to have no planned draw downs in the current financial year and will remain at £1.969m to support the service.
- 1.30 The current MTFS assumes an annual contribution from Concilium Assets LLP (which manages the private rented sector properties at Gayton Road) of £642k by 2022/23. This annual contribution has been reprofiled slightly to be re-profiled in full by 2025/26.
- 1.31 A significant impact of Covid-19 in the current financial year is the loss of income in the Community directorate. Growth of £5m had to be provided for in the current year's budget with 80% of this income loss estimated to be recovered over the next two years. Income budgets within the directorate have been robustly managed throughout the year and, whilst the quantum of income recovery remains at 80%, its recovery is estimated to be quicker than originally planned to the betterment of £300k in 2022/23.

### **Technical Changes**

- 1.32 Over recent years the Council has pursued a strategy of internal borrowing rather than taking on external debt to fund its Capital Programme. This, along with the application of capital receipts and the continued slippage on the programme has led to in year savings against the capital financing budget. In year these savings are being used to minimise the planned draw down from reserves and from 2022/23 a permanent budget reduction of £2m is estimated. This will be refined in preparation for the final budget.

- 1.33 As part of the prior year's process for re setting the existing three-year Capital Programme up to 2023/24, there was a cost implication of £224k which fell in 2024/25 and this is now reflected in the draft MTFs. The updated Capital Programme is subject to a separate report on this agenda. The additional capital financing cost associated with the new proposed Capital bids across all 3 years (which total a net increase in the Programme of £16.325m) is £2m in total in 2025/26. As this year is outside of the current period of the MTFs, this increase needs to be factored into the budget for 2025/26 as part of next year's 2023/24 budget process.
- 1.34 The current MTFs assumes £4.750m in both 2022/23 and 2023/24 for pay and non-pay inflation. For 2022/23 this is notionally split £2m for pay inflation at 2% and £2.75m non pay inflation. The pay award for the current financial year is not agreed at the time of writing this report and, with high inflation rates, there is concern that the current provision for 2% for pay in 2022/23 may not be sufficient and there will be a call on the non-pay provision. The remainder of the non-pay inflation budget is provisionally allocated to energy inflationary pressures and as further support to the front-line budgets. In 2023/24 the £4.750m is provisionally split £2.75m for pay and £2m for front line pressures which are not accounted for separately in the MTFs.
- 1.35 In 2024/25 provisions has been made for £3.750m pay and non-pay inflation and £3.788m for directorate growth. It is accepted that these are high level estimates for the third year of the MTFs, which could be achieved within a forecast balanced budget position and which will be refined as part of the MTFs refresh process and as future directorate plans are worked through. If these provisions do prove to be high, they can be reversed out of the budget.
- 1.36 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. Covid-19 has significantly reduced the use of public transport, including among concessionary fare passengers and London Councils have provided 2-year cost estimates for each London Borough. Harrow's concessionary fares base budget is £8.590m. Further savings of £1.253m are estimated for 2022/23 over and above those already assumed. However, for 2023/24, journeys are estimated to increase and growth of £644k will be required in addition to that already planned to take the base budget to £7.778m.

### **Spending Review – Estimated Additional Grants**

- 1.37 As previously explained, SR21 announced £3.6b over the 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 allocation of this funding will not be announced until the Indicative Financial Settlement in December. For budgeting purposes, the profiling of the funding has been based on information received from London Councils. The Council 's share is based on proportionality, i.e. Harrow's proportionate share of Adults Social care nationally (0.004). As this funding is ring fenced to funding the costs of the reforms, it will have a neutral impact on the MTFs as funding received is matched by new expenditure.

- 1.38 Again, as previously explained, SR21 announced £1.5b per annum of new core grant funding 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). This must also cover the inflationary pressures felt by those outside Local Government which will come back into the sector via increased costs. Again, the allocation of this funding will not be announced until the Indicative Financial Settlement in December and proportionality of 0.004 has been applied resulting in an estimated annual grant sum into the Council of £6m.
- 1.39 Prior to SR21, an increase in employer NI by 1.25% was announced and the estimated impact for the Council is £800k.

### **Application of Budget Planning Reserve MTFS**

- 1.40 After all known adjustments, some based on estimates which will be subject to change, the draft budget for 2022/23 still shows a budget gap of £15.7m. Whilst all efforts have been made to include all quantifiable SR21 announcements within the MTFS it is recognised that there is still a level of clarity to be sought from the indicative settlement in late December, which will impact on the budget gap making it better or worse. The Council could embark on a drastic programme of cuts to immediately address the draft budget gap or it could call upon reserves, set aside for budget planning purposes, to provide a temporary solution. However, once the indicative settlement had been announced and the implications worked through for the Council, this will finally clarify the Council's financial position for the next three years. Whilst the Council will continue its lobbying for a fairer funding settlement which meets the needs of the borough, the Council must now urgently focus on a strategy to tackle its financial challenges and for this reason the Council must develop a fully costed budget and implementation plan addressing the budget gap. This plan will be reported through the Cabinet process identifying in years and / or savings to be built into the next refresh of the MTFS.
- 1.41 The Council has a Budget Planning Reserve MTFS of £15.836m. This report recommends applying £15.7m of this reserve to clear the 2022/23 estimated budget gap. The action of applying one off reserves to the budget gap is only temporary in nature and must be reversed out in the following year, the impact being the draft MTFS shows a budget gap of £14.847m in 2023/24.
- 1.42 All efforts have been made to set a realistic budget for 2022/23 making provisions for all known growth / investment requirements and prudent assumption on grants not quantified. For these reasons, it is hoped that the settlement does not have an adverse impact on the budget gap. The first call on any financial benefit gained from the settlement not already planned for must be applied to reducing the £15.7m of one-off reserves to balance the 2022/23 budget gap. This action will immediately reduce the estimated budget gap of £14.847m in 2023/24 as a lower level of one-off reserves will be reversed out.

### **Adjustments required following the Indicative Local Government Settlement announcement.**

1.43 The indicative settlement was announced on 16 December 2021. The final settlement is expected to be published in early February 2022. The indicative settlement was broadly in line with SR21 announcements which were used as the basis for the draft budget and MTFs. Although SR21 made broad funding announcements for the next three years the settlement included specific funding allocations for 2022/23 only. The final MTFs retains the additional funding assumptions for 2023/24 and 2024/25 that were included in the draft MTFs. There is an element of risk to this, but the assumptions remain in line with SR21 announcements. The adjustments to the draft MTFs are summarised in table 2a below and supported by explanatory text which follows the table:

<b>Table 2a: Changes to MTFs (Post Indicative Finance Settlement on 16 December)</b>			
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Published Budget Gap - February 2021</b>	<b>0</b>	<b>14,847</b>	<b>0</b>
Adjustments:			
<b>Changes as a result of December Finance Settlement</b>			
Increase - Adults Social Care Grant for 2022/23	£800	£0	£0
Additional cost in 2022/23 - Adult Social Care Reform	-£800	£0	£0
Reverse 2022/23 Grant assumption in increase in Core Spending Grant and replace with actual allocations but assume estimated increases in future years of £6m each year will be maintained.	£6,000		
Lower Tier Grant Announced	-£421		
2022/23 services grant - indicted as one year grant only	-£2,735	£2,735	
Multiplier Cap Funding (Budget assumed £1.590m, allocation is £3.259m)	-£1,669	£0	
New Homes Bonus (Budget assumed £3.176m, allocation is £3.022m)	£154		
Adults Social Care Grant (Budget assumed £5.465m, allocation is £7.720m)	-£2,255		
Adults Social Care Reform - Market Sustainability and Fair Cost of Care Fund	-£654		
Assumed all this will be spent by Adults in 2022/23	£654		
Better Care Fund ( Budget assumed £6.467m and allocation was £6.663m). Pooled budget - no MTFs benefit			
RSG inflationary increase from £1.585m to £1.648m	-£63		
<b>Other Changes</b>			
Change to Retained Business Rates for 2022/23 (Reduced from £15.141m to £12.881m)	£2,260	-£2,260	
Compensating increase in Section 31 grants	-£2,260	£2,260	
<b>Revised Budget Gap</b>	<b>-989</b>	<b>17,582</b>	<b>0</b>
<b>Reduction in Application of Budget Planning Reserve MTFs**</b>	<b>£989</b>	<b>-£989</b>	
<b>Estimated Budget Gap December 2021</b>	<b>£0</b>	<b>£16,593</b>	<b>0</b>



### **Adults Social Care Grant for 2022/23**

- 1.44 SR21 announced £3.6b over the 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. Based on Harrow's proportionate share of Adults Social Care nationally, the draft budget assumed Harrow's share at £800k, £5.6m and £8m for 2022/23, 2023/24 and 2024/25 respectively. The settlement provided funding of £162m for 2022/23, which results in an allocation of £654k for Harrow and is reflected in the final budget as the Adult Social Care Reform - Market Sustainability and Free Cost of Care Grant. Funding of £600m has been announced for 2023/24 and 2024/25, however the funding mechanism, and therefore allocation for Harrow, is not yet known and the place holder sums included in the draft budget have been retained in the final MTFS. As this funding is ring fenced to reform, it will have a neutral impact on the MTFS as funding received will be matched by new expenditure.

### **Core Spending Grant**

- 1.45 SR21 announced £1.5b per annum of new core grant funding intended to cover various inflationary and demographic pressures. Based on Harrow's proportionate share of Adults Social Care nationally, the draft MTFS assumed £6m per annum. In the settlement, this manifested itself in two separate funding streams:
- Adult Social Care Grant - additional funding of £2.255m which is assumed on going for budgeting purposes
  - 2022/23 Services Grant – new funding of £2.735m. As this new grant specifically states it is for 2022/23 only, is it assumed to be non-recurrent for budgeting purposes.

As SR21 did announce additional core spending grant over three years, the assumption that additional funding will be received in 2023/24 and 2024/25 is retained in the MTFS at £6m per annum.

### **Lower Tier Grant**

At draft budget this grant was assumed to discontinue. The settlement announced continuation of the grant at £421k and this has been reflected in the final budget and assumed recurrent for budgeting purposes.

### **Multiplier Cap Funding**

- 1.46 The draft budget assumed a cost neutral position for the 2022/23 estimated additional NNDR Multiplier Grant of £1.710m due to the lack of clarity as to whether it would be separate or subsumed into another grant. The settlement confirmed the funding as a separate income stream of £1.669m which is now included in the final budget.

### **New Homes Bonus**

- 1.47 The draft budget assumed the New Homes Bonus grant at £3.176m. The settlement allocated a grant of £3.022m and £154k has been removed from the final budget.

### **Change to Retained Business Rates 2022/23**

- 1.48 Whilst originally Government had not announced a retail relief scheme for 2021/22 before the business rates bills were issued, the original 30% retention amount for Harrow for that year was in excess of £15m. However,

for 2022/23 Government did announced a 50% retail relief scheme in good time and as such retention amounts are lower by £7.5m gross. This reduced Harrow's retention amount to just over £12m for 2022/23 or a £2.26m reduction. This is however compensated for via an increase in s31 grant by the same amount. Cabinet should therefore read both the retention amount and the s31 grant amounts together which in effect means the changes have a neutral impact on income.

### **Reduction in Application of Budget Planning Reserve MTFS**

- 1.49 Overall the settlement delivered a net benefit of £989k for the 2022/23 budget. The draft budget assumed a draw down of £15.7m from the Budget Planning Reserve (one off). The overall settlement benefit of £989k reduces the reliance on reserves required to balance the 2022/23 budget to £14.7m.

### **Council Tax Base**

- 1.50 The draft MTFS included a significant increase of 1,398 Band D equivalent properties generating income of £2.250m for 2022/23 and this assumption remains in the final budget. Even though it is very likely there will be annual growth in the council tax base, there needs to be further work done on the additional calls on service delivery, for example waste services, before additional net income can be committed to the MTFS

### **Budget Refresh, Growth & Savings**

- 1.51 There is a commitment to refresh the three-year MTFS annually to ensure it remains reflective of the changing Harrow and Local Government landscape. All the savings in the current MTFS for 2022/23 have been reviewed to ensure that they can either be taken forward or removed as part of this draft budget. Table 3 below summarises the growth/reversed savings and savings from the 2021/22 and 2022/23 process and table 4 summarises the position from the prior year's budget setting process. The summary information in the tables is support by the details in appendices 1A and 1B:

**Table 3 – Summary from Appendix 1A – Savings and Growth from 2021/22 and 2022/23 Budget Process**

	2022-23	2023-24	2024-25	Total
	£000	£000	£000	£000
<b>Reversal of prior year savings/ growth and new savings</b>				
Resources	(177)	-	-	(177)
Children		-	-	-
Community	(300)	(600)	-	(900)
Corporate	3,475	600	-	4,075
<b>Total</b>	<b>2,998</b>	<b>-</b>	<b>-</b>	<b>2,998</b>
<b>Growth and reversal of prior year savings</b>				
Resources	-	-	-	-
Adults	3,126	-	-	3,126
Children	2,520	1,850	750	5,120
Community	(2,218)	51	-	(2,167)
Corporate	-	-	-	-
<b>Total</b>	<b>3,428</b>	<b>1,901</b>	<b>750</b>	<b>6,079</b>
<b>Net Impact of Reversals/Growth and Savings</b>	<b>6,426</b>	<b>1,901</b>	<b>750</b>	<b>9,077</b>

**Table 4: Savings and Growth 2022/23 from the 2020/21 Budget Process**

	2022-23	Total
	£000	£000
<b>Savings Summary</b>		
Resources	-	-
Children	-	-
Community	-	-
Corporate	(2,222)	(2,222)
<b>Total Savings</b>	<b>(2,222)</b>	<b>(2,222)</b>
<b>Growth Summary</b>		
Resources	678	678
Adults	-	-
Children	-	-
Community	-	-
Corporate	-	-
<b>Total Growth</b>	<b>678</b>	<b>678</b>
<b>Total Savings and Growth</b>	<b>(1,544)</b>	<b>(1,544)</b>

## INVESTMENT

- 1.52 In 2020/21, a sum of £3m was set aside in the Business Risk Reserve to fund member investment in front line priorities at an estimated £1m per annum.
- 1.53 A final £1m of investment is being made into the following priority areas (will cover two financial years, 2021/22 and 2022/23):
- Domestic Violence (£60k)

- Improved Safety for women and girls (£100k)
- Improved support for young carers (£50k)
- Climate change (£100k)
- Street Cleansing (£250k)
- Enforcement (£300k)
- Customer care (£150k)

### **CAPITAL RECEIPTS FLEXIBILITY**

- 1.54 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 current flexibility is in place until 2021/22. The Department for Levelling Up, Housing and Communities have been contacted and the scheme will continue with announcements in due course. Until such announcements are made, the principles of the existing flexibilities will be assumed.
- 1.55 The final MTFS does not assume any capital flexibilities being applied to core budget over the three years.

### **SCHOOLS FUNDING FOR 2022/23**

- 1.56 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 LAs 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.
- 1.57.1 The LA 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.
- 1.58 The NFF will therefore continue to be used to distributed school budgets for 2022/23 There are no proposed changes to the structure of the formula for 2022/23. The Schools Budget for 2022/23 is attached at Appendix 6 for approval.

### **PUBLIC HEALTH FUNDING 2022/23**

- 1.59 In 2021/22 the total public health grant to local authorities totalled £3.324bn, with £11.310m 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.
- 1.60 The Public Health commissioning intentions detailed in Appendix 7 are based on the current (2021/22) grant allocation as Public Health England have yet to announce national funding for 2022/23, however SR21 confirmed that the grant would be maintained in real terms. The draft expenditure assumes a

drawdown of £114k from the specific Public Health reserve, resulting in total anticipated expenditure of £11.424m. These commissioning intentions reflect alignment with the Health & Wellbeing Strategy, Borough Plan and evidence of population priorities.

- 1.61 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 in the event that 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) 2022/23**

- 1.62 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.
- 1.63 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.
- 1.64 The 2022/23 Adults budget assumes that funding for the Protection of Social Care through the BCF will remain at the agreed 2021/22 level of £6.759m, although this should be expected to increase considering the NHS funding commitments made within the spending review. The Better Care Fund Policy statement and Policy Framework and Planning Requirements will provide the detailed guidance when published in early 2022 (usually March), however the requirements around integration and collaborative working are expected to continue.
- 1.65 The 2022/23 BCF plan will be signed off by the Health & Wellbeing Board ahead of submission to, and assurance by, NHS England.

### **RESERVES AND CONTINGENCIES**

- 1.66 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 and funding 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 any unforeseen events. The Councils overall reserves position is reported to Cabinet quarterly as part of the revenue monitoring update. At quarter 3 (end of December 2021), total reserves estimated for carry forward into 2022/23 are £59.055m. After accounting for earmarked reserves and the £14.711mm

recommended to balance the 2022/23 budget, this does leave the Councils remaining reserves at a much-reduced level:

- Contingency for Unforeseen items £1.248m (on going revenue reserve)
- General Fund – £10m
- London Living Wage - £250k (provision recommended for base budget)
- Business Risk Reserve - £3.350m
- MTFs Implementation Reserve – £349k
- Balance Budget Planning MTFs - £2.425m

1.67 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**

1.68 Appendix 4 sets out the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2022/23. 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.

### **BUDGET PROCESS 2023/24 and 2024/25**

1.69 At the point of setting the draft budget, it was recognised that there was still a level of clarity to be sought from the indicative settlement. The draft budget showed a budget gap of £15.7m for 2022/23. The Council could have embarked upon a drastic programme of cuts to immediately address the draft budget gap or it could call upon reserves, set aside for budget planning purposes, to provide a temporary solution. At draft budget stage it was recommended to apply £15.7m from the reserve set aside for Budget Planning MTFs. The temporary nature of reserves means that they must be reversed out the following year which left 2023/24 with a draft budget gap of £14.847m. The draft budget for 2024/25 showed a notional balanced budget position. Therefore, at draft budget stage, the budget gap over the draft three-year MTFs was £14.847m.

1.70 The indicative settlement provided additional funding of £989k for 2022/23 which reduces the draw down from the reserves to £14.7m. The impact of the 2022/23 Services Grant being announced for 1 year only means the funding must be treated as non-recurrent only. Therefore, after settlement the final budget gap over the final three-year MTFs is £16.593m.

1.71 Despite the settlement confirming levels of funding for 2022/23 only, this cannot be used as a deterrent from the Council developing a robust strategy to address its MTFs shortfall of £16.593m. It is important to remember that the MTFs shortfall already includes an increase in Council Tax of 2.99% per annum and assumes additional core grant funding of £12m therefore changes in future settlements are unlikely to have a materially beneficial impact on the final MTFs shortfall.

1.72 Recognising that the Council has already had to make significant savings over many years because of reductions in central government funding and

increasing demand pressures, the strategy will have to be a hybrid of actions to achieve financial sustainability:

- Maintaining the tight grip on the 2022/23 budget to ensure no cost overruns and look at all safe options to deliver an in-year underspend
- Options to 'smooth' the budget gap over the current MTFS period to provide for robust planning of the actions required to reduce expenditure to within the budget envelope sustainable
- Options to generate income to provide implementation funding and / conversion to permanent revenue budget savings
- Shorter term actions capable of being implemented by or before 01/04/23
- Medium term actions, including changes to service delivery, to sustainably reduce expenditure over the next 18 to 24 mths.
- The backdrop to the strategy will be continued lobbying to ensure Harrow receives the funding required to support its residents.

- 1.73 The draft strategy must be completed by May 2022 to present to the incoming administration and will be reported through the Cabinet process as appropriate.

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

- 1.74 The Council Tax Model Resolution is attached at Appendix 11 which proposes the Band D council tax of £1,646.50 for Harrow Council. The proposed GLA precept of £395.59 takes the overall proposed Band D council tax to £2,042.09. The GLA precept is still subject to confirmation and is expected to be confirmed on 24 February 2022.
- 1.75 The proposed GLA precept is an increase of 8.78% taking the aggregate Council Tax increase to 4.06%.

#### **MEMBER ALLOWANCES**

- 1.76 The proposed Members Allowances scheme for 2022/23 is attached at Appendix 12. This has been prepared having regard to the report of the Independent Panel titled 'The Remuneration of Councils in London 2022.' The report recommends that all member allowances should be updated annually in accordance with the headline figure in the annual local pay settlement and the Panel will undertake a further review of remuneration of Councillors during 2022/23. 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 2022/23. At the time of writing this report, the pay settlement for 2021/22 and 2022/23 remains outstanding therefore the uplift is included at 1.75%.

#### **ANNUAL PAY POLICY STATEMENT**

- 1.77 Under the Localism Act all public authorities must publish annual pay policy statements. The statement must set out the Authorities policies for the financial years relating to:
- Remuneration of Chief Officers
  - Remuneration of its lowest paid employees
  - The relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers.

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

## **LONDON BOROUGH GRANTS SCHEME**

1.78 Harrow's contribution to the London Borough Grants Scheme was £187k in 2021/22 and will be £186,907 in 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 three-week consultation to provide residents with the opportunity to comment on the draft budget proposals. 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 70,000 MyHarrow email accounts. There were 59 respondents to the general survey. A summary of the response data is included in Appendix 16. Over the three main questions, responses disagreed with the draft budget and proposed increases in core Council Tax and the Adult Social Care Precept:

**Question 1** - Given the extent of the savings required, overall do you agree with the Council's proposed draft budget? (11 agree, 48 disagree).

**Question 2** - Given the Council's funding situation, do you agree



with the Council's proposal to increase Council Tax by 1.99%? (10 agree, 49 disagree).

**Question 3** - Given the Council's funding situation, do you agree with the Council's proposal to further increase in Council Tax by the 1% adult social care precept? (11 agree, 48 disagree)

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
- Concerns around services and initiatives not being run as efficiently as possible
- Concerns re the level of management pay and the use of non-permanent staff

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.

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.

The response rate was not high enough to mean that any equalities breakdown of the responses would be statistically significant.

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

**Table 6: Key Stakeholder Consultation**

<b>Stakeholder</b>	<b>Meeting</b>	<b>Date</b>
Unions	Corporate Joint Committee	12/01/22
Health Partners	Health & Care Executive Meeting	04/02/21 (1)
Local Businesses	Harrow Business Consultative Panel	20/01/22
Overview and Scrutiny	Special meeting of the O & S Committee to review the budget	11/01/22
Unions / Employees	Employees Consultative Forum	12/01/22

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

2.7 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.

### 3.0 PERFORMANCE ISSUES

3.1 In terms of financial performance, Cabinet are 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	<ul style="list-style-type: none"> <li>• Agreed strategy to maintain a tight grip on the 2022/23 revenue and capital budget to deliver an underspend.</li> <li>• Revenue &amp; Capital monitoring reported to CSB, Cabinet and all Members regularly</li> <li>• Strategic financial planning with CSB and Cabinet</li> <li>• Robust finance strategy to achieve sustainability over the MTFS. To be completed by May 2022.</li> <li>• Revenue budget contingency remains in place for unforeseen items</li> <li>•</li> </ul>	Red At Quarter 3 2021/22 this risk is rated at B2 on the Corporate Risk Register – high likelihood and critical impact.
The estimated budget gap of £16.593m identified for 2023/24 is larger than predicted and the estimated balanced budget for 2024/25 is unachievable.	<ul style="list-style-type: none"> <li>• Final budget based on the Local Government Indicative Financial Settlement (December 2021)</li> <li>• MTFS assumptions for 2023/24 and 2024/25 based on SR21 announcements</li> <li>• Directorate pressures have been included where known and provisions for pay and non-pay inflation are included</li> </ul>	Red

	<ul style="list-style-type: none"> <li>• Agreed strategy to maintain a tight grip on the 2022/23 budget to deliver an underspend and ensure no unbudgeted cost pressures transfer into 2023/24</li> <li>• The Council retains its general fund reserve balance of £10m</li> </ul>	
The application of one off reserves to balance the 2022/23 budget pushes the budget gap into 2023/24	<ul style="list-style-type: none"> <li>• Robust finance strategy to achieve sustainability over the MTFS. To be completed by May 2022.</li> <li>• The Council still has its general fund reserve balance of £10m</li> <li>• £6.4m of other reserves remain on the balance sheet to help support the MTFS</li> <li>•</li> </ul>	Red
Balanced budget for 2021/22 not achieved adversely impacting on the 2022/23 budget	<ul style="list-style-type: none"> <li>• The 'Qtr 3 Revenue and Capital Budget Monitoring 2021/22' report forecasts a net underspend of £776k.</li> <li>• There is a contingency for unforeseen items (£1.248m) which has not been called upon</li> <li>• Harrow has a good track record of robust financial management and has not reported a revenue budget overspend for many years.</li> </ul>	Green

## 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 r consultation responses and the cumulative equalities impact assessment. These proposals will be referred to Council so that Council can approve the budget envelope and set the Council Tax. There will be contingencies within the budget envelope so that decision makers have some flexibility should any decisions have detrimental equalities impacts that cannot be mitigated.

## **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 Directorate proposals will be subject to an initial equalities impact assessment followed by a full assessment where appropriate. . A cumulative equality impact assessment has been done this is attached at Appendix 15.

## **9.0 COUNCIL PRIORITIES**

- 9.1 The Council's draft budget for 2022/23 has been prepared in line with the Council's priorities:

- Building a Better Harrow
- Supporting Those Most in Need
- Protecting Vital Public Services
- Delivering a Strong Local Economy for All
- Modernising Harrow Council

## **Section 3 - Statutory Officer Clearance**

### **Statutory Officer: Sharon Daniels**

Signed on behalf of the Chief Financial Officer

**Date: 2 February 2022**

### **Statutory Officer: Jessica Farmer**

Signed on behalf of the Monitoring Officer

**Date: 2 February 2022**

### **Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 2 February 2022**

**Head of Procurement: Nimesh Mehta**

Signed by the Head of Procurement

**Date: 2 February 2022**

**Head of Internal Audit: Susan Dixon**

Signed by the Head of Internal Audit and Corporate Anti-Fraud

**Date: 2 February 2022**

**Mandatory Checks**

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

*EqlA carried out: Cumulative equalities impact on the budget*

*EqlA cleared by: Jessica Farmer*

**Section 4 - Contact Details and Background Papers**

**Contact: Dawn Calvert, Director of Finance and Assurance,**

Tel: 0208 4209269, [dawn.calvert@harrow.gov.uk](mailto:dawn.calvert@harrow.gov.uk)

**Background Papers:**

- Recommendation from Employees' Consultative Forum
- Recommendation from Harrow Business Consultative
- Reference from Overview and Scrutiny Committee (to follow)

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