

Performance and Finance Scrutiny Sub-Committee Second Supplemental Agenda

Date: Monday 14 December 2020

3. **Declarations of Interest** (Page 1)
To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:
 - (a) all Members of the Sub-Committee;
 - (b) all other Members present.

8. **Reports from the Director of Finance** (Pages 2 - 72)

Reports of the Director of Finance

Note: *In accordance with the Local Government (Access to Information) Act 1985, the following agenda item has been admitted late to the agenda by virtue of the special circumstances and urgency detailed below:*

Agenda item Special

Circumstances/Grounds for Urgency

- | | |
|---------------------------------------|--|
| 8. Reports of the Director of Finance | The reports were not available at the time the agenda was printed and circulated due to some information not been available at the time. Members are requested to consider the reports, as a matter of urgency. The reports are the same ones being considered by Cabinet on 17 December 2020. |
|---------------------------------------|--|

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**PERFORMANCE AND FINANCE SCRUTINY SUB-COMMITTEE
MEETING**

14 DECEMBER 2020 – 6:30PM

THE FOLLOWING INTERESTS ARE TO BE TAKEN AS READ AT THE MEETING:

DECLARATIONS OF INTERESTS MADE BY MEMBERS OF THE COMMITTEE

MEMBER	AGENDA ITEM	PECUNIARY AND/OR NON- PECUNIARY INTERESTS	NATURE OF INTEREST
Councillor Kiran Ramchandani (Chair)	All	None	N/A
Councillor Pritesh Patel (Vice-Chair)	All	None	N/A
Councillor Ghazanfar Ali	All	None	N/A
Councillor Honey Jamie	All	None	N/A
Councillor Nitesh Hirani	All	None	N/A

REPORT FOR: CABINET

Date of Meeting:	17 December 2020
Subject:	Draft Capital Programme 2020/21 to 2023/24
Key Decision:	Yes - involves expenditure in excess of £1m
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Proposed Capital Programme 2020/21 to 2023/24 Appendix 2 – Net Capital additions to the Capital Programme

Section 1 – Summary and Recommendations

This report sets out the draft General Fund capital programme which has been proposed as part of the 2021/22 budget process.

Recommendations:

1. Cabinet is requested to note the draft capital programme, as detailed within Appendix 1, which will be brought back to Cabinet in February 2021 for approval.

The final version of the Capital Programme 2020/21 to 2023/24 will be brought back to Cabinet in February 2021 for recommendation to Council in February.

Reason: To enable the Council to have an approved Capital Programme for 2020/21 to 2032/24.

Section 2 – Report

Development of the Capital Programme

1. The purpose of this draft Capital Programme report is to set out the Council's capital proposals for investment over the years 2020/21 to 2023/24 which have been proposed as part of the Annual budget setting process. The final Capital programme report will be presented to Cabinet in February 2021.

Capital Programme 2020/21 to 2023/24

2. Given the current financial situation coupled with the slippage on schemes in previous years, Service Directorates were asked to carry out a review of the Capital Programme using a bottom up approach to ensure the capital programme represents capital investment that is necessary up to financial year 2023/24. The criteria used 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).

Generally, the preparation of the draft Capital Programme looks at the 3 years ahead and not the current financial year (2020/21) but in order to fulfil the requirement for a full review, the current financial year of 2020/21 was also included as part of the review, so that services could better set

out the likely spend for the current year given the situation with COVID-19 which put a halt on many Capital projects for several months.

Cost of the Existing Capital Programme

3. 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 CIL 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.
4. 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.
5. Table 1 shows the capital financing cost budgets that are already factored into the existing MTFs from 2019/20 to 2021/22 in relation to the Capital Programme agreed in February 2020 and also what proportion of the 2020/21 net revenue budget of £174.8m is made up of Capital Financing costs.

Table 1 - Capital Financing Costs as % of the Net Revenue Budget as at 2020/21 Budget Setting

	Capital Financing Costs	Capital financing costs as % of 2020/21 Net Budget
	£m	%
2020/21	31.8	18%
2021/22	38.7	22%
2022/23	43.6	25%

6. The capital financing cost of the existing Capital programme 2020/21 to 2022/23 (**agreed at Council last year in February 2020**) is £31.8m in 2020/21 and then increases to £43.6m by 2022/23. These figures also relate to the cost of historic capital programmes.
7. In addition, the figures 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. Some of these projects totalling approximately £128m are being removed from the Programme as set out in paragraph 12 and Table 3, and the capital financing costs in Table 1 will therefore reduce accordingly.
8. When the Final Capital Programme report is presented to cabinet in February 2021, an updated table will be included which shows the revised capital financing costs for the period 2021/22 to 2023/24.

Capital proposals put forward 2020/21 to 2023/24

9. The proposed Capital Programme for 2020/21 to 2023/24 is detailed in Appendix 1. The list of changes proposed within the programme, which is

over and above what was in the existing Capital Programme is detailed in appendix 2. Table 2 sets out the total proposed Capital Programme.

Table 2 – Total Capital Programme 2020/21 to 2023/24

Directorate	2020/21			2021/22			2022/23			2023/24			TOTAL		
	Gross Value £000	External Funding £000	Net Value £000	Gross Value £000	External Funding £000	Net Value £000	Gross Value £000	External Funding £000	Net Value £000	Gross Value £000	External Funding £000	Net Value £000	Gross Bid Value	External Funding £000	Net Bid Value £000
Resources and Commercial	12,362	100	12,262	17,350	0	17,350	2,550	0	2,550	1,850	0	1,850	34,112	100	34,012
People's	4,990	4,317	674	22,803	22,033	770	9,071	9,071	0	0	0	0	36,865	35,421	1,444
Community	51,849	14,469	37,380	46,774	10,997	35,777	34,293	11,229	23,064	28,886	8,629	20,256	161,802	45,324	116,477
Total General Fund	69,201	18,885	50,316	86,927	33,030	53,897	45,915	20,301	25,614	30,736	8,629	22,106	232,778	80,845	151,933

10. The gross value of the new proposed capital programme for 2020/21 to 2023/24 as detailed in Appendix 1 and summarised in Table 2 is **£232.778m**, with external funding of **£80.845m** and a net programme of **£151.933m**. The net figure is the element of the Programme which requires financing from borrowing.

11. In preparing the proposed Capital Programme, services reviewed the need for investment according to the criteria set out in paragraph 2 and also reviewed a number of schemes which had been included in the Programme on an invest to save basis, but which were no longer feasible and therefore these projects have been removed.

Overall change to the Capital Programme

12. Overall, the net increase in the Programme is £10.4m as set out in Appendix 2. However, projects which were originally put into the Capital Programme on an invest to save basis and have now been removed or reduced, total a reduction of (£127.7m). Therefore, the net movement is a reduction in the Capital Programme of (£117.3m).

13. The projects that have been removed were either built into the Programme on a cost neutral basis, where the capital financing costs were met by income, or on a net income generating basis, where the scheme should result in a net revenue stream to the Council. The reductions in both capital financing costs and the income streams have also been removed from the revenue budget and included in the draft Revenue budget 2021/22 and MTFs 2021/22 to 2023/24.

14. The Property Acquisition Programme is shown in table 3 as 2 entries as there has been a reduction in the budget of £4.5m and an addition of Right to Buy receipts of £9.873m as a funding resource which has reduced the requirement for borrowing by a total of £14.4m.

15. The following table sets out changes (apart from slippage of projects between years) between the existing Capital Programme (which covers the period 2020/21 to 2022/23) and the proposed programme which extends a further year to 2023/24:

Table 3 - Changes to the Capital Programme

	2020/21	2021/22	2022/23	2023/24	Total
	£000	£000	£000	£000	£000
Net Capital Additions (Appendix 2)	-6,879	3,422	2,404	11,435	10,382
<u>Removal of Invest to save projects</u>					
Resources					
Investment properties	-94,407				-94,407
Community Directorate					
Unmanned aerial Vehicles	-400				-400
Development of Vernon Lodge	-9177				-9,177
Probation Centre	-5000				-5,000
Vehicle Acquisitions	-7234	60	136	2731	-4,307
Property Acquisition Programme - budget removed from Programme			-4500		-4,500
Property Acquisition Programme - contribution from Right to Buy receipts and therefore reduction on net cost	-2,435	-8,838	-4550	5,950	-9,873
Total	-125,532	-5,356	-6,510	20,116	-117,282

Capital Programme changes and impact on the Revenue Budget

16. The proposed Capital Programme of £232.778m is supported by external funding of £80.845m. £10.736m of the external funding is Borough Community Infrastructure Levy (BCIL). The detail of this £10.736m is set out in Table 7 but summarised below:

- **£2.660m** for the Wealdstone Major Transport Project
- **£2.650m** for the High Street Fund
- **£2.076m** for the Harrow Arts Centre
- **£2.000m** for Flood Defence and Highways Drainage
- **£0.600m** for the Green Grid Programme
- **£0.500m** for the Headstone Manor Flood Alleviation Scheme
- **£0.250m** for Playground Infrastructure

17. The additional capital financing cost associated with the proposed Capital Programme is £694k in total. In effect this is the cost of the net increase of £10.4m. Of the £694k, £470k of this cost is in 2023/24, with a further £224k

increase in 2024/25 which is outside the existing MTFS period. Therefore, a further £224k needs to be factored into the budget for 2024/25 as part of next year's 2022/23 budget process.

Table 4 – Additional Capital Financing Implications Proposed Capital Programme

Capital Financing Costs	Annual costs
	£000
2023/24 Impact	470
2024/25 Impact	224
Total Capital Financing Costs	694

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 (this report) and in February in its final version.
22. In terms of the Neighbourhood element of CIL 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 was delegated to the Divisional Director – Regeneration and Planning*, in consultation with the Portfolio Holders for

Regeneration and Planning, and Finance and Resources. *The current delegation is with the Interim Chief Planning Officer.

23. The Borough CIL element is used to fund the core Capital programme. Schemes in the Capital Programme that have been funded by BCIL to 2019/20 are set out in Table 5 and total £9.9m. Of the £9.9m, £1.822m remains outstanding as at 31.3.2020 and will therefore be a commitment on the funding available in Table 6.

Table 5 – Schemes funded from BCIL up to 2019/20

Financial year	Capital Project	£	Outstanding commitment
2017/18	Highway projects	4,800,000	0
2018/19	Headstone Manor (Parks for People)	300,000	15,626
2018/19	Rayners Lane Triangle project	40,000	0
2018/19	Parks Infrastructure (Playground replacement)	545,000	0
2019/20	Parks Infrastructure (Playground replacement)	350,000	122,542
2019/20	GGF Round 2 - HAC modular buildings	1,150,000	1,078,263
2019/20	Sudbury Hill step-free access	50,000	50,000
2019/20	Flood Defence	300,000	0
2019/20	Highway Drainage	200,000	1
2019/20	Green Grid	75,000	35,239
2019/20	New Town Centre Library	2,090,000	520,338
2019/20	High Street Fund	0	0
Total		9,900,000	1,822,009

24. Table 6 sets out the CIL funding received to 15th October 2020 showing that £6.225m of BCIL and £1.784m of NCIL is available to date to fund projects from 2020/21 onwards:

Table 6 – CIL Funding available as at 15 October 2020

	BCIL	NCIL	Total
	£'000	£'000	£'000
Balance as at 31.3.2020	5,627	1,683	7,787
20/21 Receipts (up to 15/10/20 as per SAP)	598	101	747
Total Balance (up to 15/10/20)	6,225	1,784	8,534

25. The projects in the new Capital Programme for 2020/21 to 2023/24, to be funded from BCIL is £10.736m as set out in Table 7 which shows the spend over financial years.

Table 7: Schemes funding from BCIL from 2020/21 to 2023/24

New capital bids as part of 21/22 Budget process with CIL request:	2020/21	2021/22	2022/23	2023/24	Total
(N.B. Amount shown is the CIL element only)	£'000	£'000	£'000	£'000	£'000
Parks Infrastructure (Playground replacement)	250				250
Flood Defence and Highway Drainage	500	500	500	500	2,000
Green Grid	150	150	150	150	600
Headstone Manor (Flood alleviation scheme)	500				500
Wealdstone Major Transport Infrastructure projects - Bus Improvement		900	1,130	630	2,660
Harrow Arts Centre Capital Infrastructure	300				300
Harrow Arts Centre - refurbishment & new build	599	1,177			1,776
High Street Fund	250	1,300	1,100		2,650
Total BCIL funding requests	2,549	4,027	2,880	1,280	10,736

26. The total funding currently available of BCIL amounts to £6.225m as set out in Table 6. The requirement for BCIL funding considering the sum still outstanding from 2019/20 of £1.822m (Table 5) and the new Programme in Table 7 of £10.736m is £12.558m. This means a further £6.333m of BCIL is needed between the remainder of this current financial year of 2020/21 and the 3 years 2021/22, 2022/23 and 2023/24.

27. The impact of COVID-19 has seen the BCIL receipts drop from an average of £2.4m pa to only £598k to date this financial year. In order to fund the commitments in the Capital Programme an average of £2.1m is required pa for the next 3 years 2021/22 to 2023/24. Based on years prior to 2020/21 and the impact of COVID-19, this has been considered a reasonable assumption. If this estimated level of BCIL is not received, then it would be necessary to fund the schemes from other sources. If this is ultimately borrowing, then this will impact upon future year's budgets.

Housing Revenue Account (HRA)

28. The proposed HRA Capital Programme will be detailed in a separate report to Cabinet in January 2021. Any implications from the HRA Capital Programme are funded from the Housing Revenue Account and do not impact upon the General Fund Budget. The HRA Capital Programme will be included in the Final Capital Programme report going to cabinet in February 2021.

Options considered

29. A number of capital proposals are considered during the budget setting process.

Legal Implications

30. 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

31. 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

32. There are no procurement implications arising from this report.

Performance Issues

33. 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.
34. Monitoring of the approved programme is ongoing and is essential for good financial management.
35. It is proposed that a performance target is set of 90% of the approved budget to be spent in year. Having approved an investment programme it is important that the programme is then substantially delivered in the planned timeframe, in line with member priorities.

Risk Management Implications

36. Risk included on Directorate risk register? Yes/ No.
Separate risk register in place? Yes/ No (The individual schemes within the programme should be incorporated within departmental registers or have individual registers.)

The considerations in terms of risk management are as follows:

- A significant consideration in developing the programme has been the risks arising from not keeping our infrastructure in good order. Not doing so would lead to an increase in health and safety risks and additional costs in replacing assets when they deteriorate too much to repair.
- The additional cost of this revised capital programme has been factored into the Revenue Budget and is included in the Draft Revenue Budget report set out elsewhere on the agenda and is therefore affordable.
- The risk that the required level of BCIL does not materialise, will be kept under review and is considered annually as part of the annual process.
- A number of projects that were reliant of income generation to fund the capital financing costs have been removed from the Capital Programme which has reduced the risk associated with income generation.

Equalities implications / Public Sector Equality Duty

37. One of the aims of the Capital Strategy is to ensure the responsible allocation of funding in line with the Council's priorities and legislative requirements such as equalities legislation. Equalities implications form part of the way that the projects are prioritised. The officer's initial views

are that no protected group is adversely affected by the proposals. A number of the projects proposed in the programme will require full Equality Impact Assessments before they commence. Following consultation the impact will be further reviewed before the programme is finalised.

38. 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*

39. Consultation responses received on this draft programme will be taken into account in drafting the final EIA.

40. **Council Priorities**

The Council's draft Capital Programme for 2020/21 to 2023/24 has been prepared in line with the Council's priorities:

- 1. Improving the environment and addressing climate change**
- 2. Tackling poverty and inequality**
- 3. Building homes and infrastructure**
- 4. Addressing health and social care inequality**
- 5. Thriving economy**

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed on by the Chief Financial Officer

Date: 7 December 2020

Statutory Officer: David Hodge

Signed on behalf of the Monitoring Officer

Date: 7 December 2020

Statutory Officer: Nimesh Mehta

Signed by the Head of Procurement

Date: 7 December 2020

Statutory Officer: Charlie Stewart

Signed by the Corporate Director

Date: 7 December 2020

Statutory Officer: Susan Dixon

Signed by the Head of Internal Audit

Date: 7 December 2020

Mandatory Checks

Ward Councillors notified: NO as it impacts on all Wards

EqIA carried out: NO

EqIA cleared by: N/A - any projects with potential impacts will separately be required to do an impact assessment.

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Head of Strategic and Technical Finance (Deputy S151); email: sharon.daniels@harrow.gov.uk

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee

NO

Project Title	2020/21			2021/22			2022/23			2023/24			TOTAL			Governance Board
	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	Total Project cost	Funding excluding Borrowing	Net project cost funded from borrowing	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Resources and Commercial Directorate																
Capital cost of transition and transformation of ICT service	159		159			0			0			0	159	0	159	IT Strategy Board
ICT Re-Commissioning To deliver transformed ICT function following end of contract with the current provider.	1,044		1,044			0			0			0	1,044	0	1,044	IT Strategy Board
Legal Case Management System	41	41	0			0			0			0	41	41	0	IT Strategy Board
Digital Improvements Programme - New programme £1.750m to cover website refresh, careline devices, online forms migration, dynamics customers records, data visualisation, AI and machine learning			0	750		750	400		400	600		600	1,750		1,750	IT Strategy Board
Enterprise Resources Planning - new scheme to cover workflow improvements, Phase 2 HR, Estate and Facilities management, transition projects			0	1,050		1,050	650		650			0	1,700		1,700	Dynamics Programme Board
Enterprise Resource Planning System - replacement of the SAP ERP system.	6,022		6,022	110		110			0			0	6,132	0	6,132	Dynamics Programme Board
Ongoing ICT Refresh and Enhancements Rolling programme of ICT enhancements	3,581		3,581	4,061		4,061	1,000		1,000	1,000		1,000	9,642	0	9,642	IT Strategy Board
Devolved IT Applications Rolling programme of IT applications delivery	918		918	2,378		2,378	500		500	250		250	4,046	0	4,046	IT Strategy Board
ABAVUS and Waste Collector	538		538			0			0			0	538	0	538	Integrated Streets and Grounds Project Group
LAA Performance Reward Grant	59	59	0			0			0			0	59	59	0	Capital Forum
Other Schemes (Council wide)	0		0	9,001		9,001			0			0	9,001	0	9,001	Capital Forum
Total Resources and Commercial Directorate	12,362	100	12,262	17,350	0	17,350	2,550	0	2,550	1,850	0	1,850	34,112	100	34,012	
People's Directorate																
Adults																
Careline	230	0	230	0		0	0		0	0		0	230	0	230	
Assistive Technology	25		25	245		245	0		0			0	270	0	270	Contracts & Commissioning Board
Inhouse projects	55		55	125		125	0		0			0	180	0	180	Contracts & Commissioning Board
Total Adults	310	0	310	370	0	370	0	0	0	0	0	0	680	0	680	
Public Health - HPCF	77	77	0			0			0			0	77	77	0	
Total Public Health	77	77	0	0	0	0	0	0	0	0	0	0	77	77	0	
Schools																
Bulge Classes	0	0	0	552	552	0			0			0	552	552	0	Education Services Management Team
Children's IT	264		264			0			0			0	264	0	264	People Services Management Team
Children's Services Building Programme	100		100			0			0			0	100	0	100	People Services Management Team
Day Respite Provision			0	400		400			0			0	400	0	400	SEND Programme Board
Devolved Formula Capital	53	53	0			0			0			0	53	53	0	Education Services Management Team
School Amalgamation	730	730	0			0			0			0	730	730	0	Education Services Management Team

Capital Programme 2020/21 to 2023/24

Appendix 1

Project Title	2020/21			2021/22			2022/23			2023/24			TOTAL			Governance Board
	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	Total Project cost	Funding excluding Borrowing	Net project cost funded from borrowing	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Schools Capital Maintenance	3,264	3,264	0	1,000	1,000	0			0			0	4,264	4,264	0	Education Services Management Team
Schools Expansion Programme Phase 2	118	118	0	0	0	0			0			0	118	118	0	Education Services Management Team
Secondary Expansion			0			0	9,071	9,071	0			0	9,071	9,071	0	Education Services Management Team
SEN Expansion	75	75	0	5,507	5,507	0			0			0	5,582	5,582	0	SEND Programme Board
Additional Basic Need Funding - this will be split over SEN, Primary and Secondary but not known where greatest need will be at this stage			0	14,973	14,973	0			0			0	14,973	14,973	0	SEND Programme Board/Education Services Management Team
Total Schools	4,603	4,240	364	22,433	22,033	400	9,071	9,071	0	0	0	0	36,108	35,344	764	
Total People's Directorate	4,990	4,317	674	22,803	22,033	770	9,071	9,071	0	0	0	0	36,865	35,421	1,444	

Project Title	2020/21			2021/22			2022/23			2023/24			TOTAL			Governance Board
	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	Total Project cost	Funding excluding Borrowing	Net project cost funded from borrowing	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Community Directorate																
Commissioning and Environment																
High Priority Planned Works - Corporate Sites To continue the programme of investment to undertake essential improvements across the Corporate Estate to ensure that properties are in a safe and appropriate condition and comply with appropriate statutory, regulatory and corporate standards.	1,278		1,278	650		650	650		650	650		650	3,228	0	3,228	Community Contracts Board
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.	951		951	350		350	350		350	350		350	2,001	0	2,001	Community Contracts Board
Parks Playground Improvement	373	373	0			0			0			0	373	373	0	Community Contracts Board
Car Park Infrastructure	19		19	0		0			0			0	19	0	19	Community Contracts Board
Waste Services bins (Trade) Replacement of aged, damaged and/or lost wheeled bins, as well as bins provision for new residential development within the borough and bins for business (as part of trade waste service).	157		157	150		150	0		0	0		0	307	0	307	Community Contracts Board
Waste Services bins (Domestic) Replacement of aged, damaged and/or lost wheeled bins for domestic properties	238		238	0		0	0		0	0		0	238	0	238	Community Contracts Board
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.	0		0	100		100	75		75	75		75	250	0	250	Community Contracts Board
Green Grid Programme - BCIL funded Improvements to Harrow's green infrastructure to provide a network of interlinked and multifunctional open spaces.	217	185	32	150	150	0	150	150	0	150	150	0	667	635	32	Community Contracts Board
Highways Programme To deliver the highways programme of investment and undertake essential structural maintenance to the highway asset.	5,025	25	5,000	6,000		6,000	6,000		6,000	6,000		6,000	23,025	25	23,000	Community Contracts Board
Parking Management Programme to implement controlled parking schemes and restrictions and support the delivery of LIP	300		300			0			0			0	300	0	300	Community Contracts Board
Headstone Manor - Park for People Project	897	897	0			0			0			0	897	897	0	Community Contracts Board
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	500	500	0	2,000	2,000	0	Community Contracts Board

Project Title	2020/21			2021/22			2022/23			2023/24			TOTAL			Governance Board
	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	Total Project cost	Funding excluding Borrowing	Net project cost funded from borrowing	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
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	1,000		1,000	1,500		1,500	1,500		1,500	1,500		1,500	5,500	0	5,500	Community Contracts Board
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.	530	530	0	1,691	1,391	300	1,691	1,391	300	1,691	1,391	300	5,603	4,703	900	Community Contracts Board
Wealdstone Major Transport Infrastructure Project: Town centre / bus improvements scheme along the High Street / A409 corridor The project is funded from external funding from TFL (£1.5m) and a match fund from BCIL (£0.9m).	1,000	1,000	0	1,400	1,400	0			0			0	2,400	2,400	0	Community Contracts Board
Wealdstone Major Transport Infrastructure Project: Liveable Neighbourhood for the wider transport network and residential neighbourhoods around the town centre. The project is funded from external funding from TFL (£3.84m) and a match fund from BCIL (£1.76m).	0		0	300	300	0	3,400	3,400	0	1,900	1,900	0	5,600	5,600	0	Community Contracts Board
Headstone Manor Flood Alleviation scheme The proposed scheme is a combination of works in the Headstone Manor Recreation Ground playing fields and comprises the construction of a 20,000 m3 storage basin, to reduce flow leaving site and reducing the pressure on the existing sewer and river network downstream. Environment Agency funding of £0.968m has been granted, with the match fund of £0.5m being anticipated from BCIL .	1,468	1,468	0			0			0			0	1,468	1,468	0	Community Contracts Board
CCTV cameras and equipment at the depot	50		50			0			0			0	50	0	50	Community Contracts Board
CCTV Infrastructure	18	0	18	1,246		1,246			0			0	1,264	0	1,264	Community Contracts Board
Parking Enforcement Review - Infrastructure to support delivery of footway parking and enforcement in recreation grounds, Arts Centre and Museum car parks. Placeholder, subject to the finalisation of Parking Modernisation business case and capital budget requirements.	0		0	0		0			0			0	0	0	0	Community Contracts Board

Project Title	2020/21			2021/22			2022/23			2023/24			TOTAL			Governance Board
	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	Total Project cost	Funding excluding Borrowing	Net project cost funded from borrowing	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Car Park Refurbishment Replace all existing surface car park lighting with the same LED lighting as used on street. Replace all signage within car parks, reline all car parks, service all lifts in multi storey car parks so that they can be brought back into operation and provide shutters for Davy House car park to prevent overnight ASB. Renovate accommodation for the car parks team or provide new accommodation if existing is to be demolished for new Civic Centre. Placeholder, subject to the finalisation of Parking Modernisation business case and capital budget requirements.	0		0	0		0		0		0		0	0		0	Community Contracts Board
CCTV - enforcement & crime prevention Introduce additional ANPR cameras that could be relocated from area to area for parking enforcement; Invest to enable provision of additional CCTV cameras that can be monitored from the new CCTV room to offer replacement or additional security for schools, museums, libraries and other service areas to provide savings. Placeholder, subject to the finalisation of Parking Modernisation business case and capital budget requirements.	0		0	0		0		0		0		0	0		0	Community Contracts Board
Street Litter Bins	28		28			0		0		0		0	28	0	28	Community Contracts Board
Harrow Weald Toilet Block	149		149			0		0		0		0	149	0	149	Community Contracts Board
Redevelopment of Rayners Lane Toilet Block	71		71			0		0		0		0	71	0	71	Community Contracts Board
Redevelopment of Vernon Lodge	5		5			0		0		0		0	5	0	5	N/A (as project being removed from programme)
Vehicle Procurement	425		425	60		60	136		136	2,731		2,731	3,352	0	3,352	Community Contracts Board
Depot redevelopment project	14,571		14,571			0			0			0	14,571	0	14,571	Depot Project Board
Climate Emergency - Energy emissions reduction measures			0	250		250	250		250			0	500	0	500	Climate Emergency Officers Steering Group
Total Commissioning and Environment	29,270	4,978	24,292	14,347	3,741	10,606	14,702	5,441	9,261	15,547	3,941	11,606	73,866	18,101	55,765	
Cultural Services																
Libraries Self-Service Kiosks Refresh To replace the 14 self-service kiosks across the 6 Harrow Libraries.			0	120		120			0			0	120	0	120	Community Contracts Board
Leisure and Libraries Capital Infrastructure Targeted investment to improve the infrastructure of the Council's leisure and library facilities.	352	0	352	150		150	150		150	150		150	802	0	802	Community Contracts Board
Bannisters Former Civil Defence Building	348		348			0			0			0	348	0	348	Community Contracts Board
Sec 106 Banister Sport Pitch	1,159	1,159	0			0			0			0	1,159	1,159	0	Community Contracts Board
Central Library Fit out	1,039	1,009	30			0			0			0	1,039	1,009	30	Community Contracts Board

Project Title	2020/21			2021/22			2022/23			2023/24			TOTAL			Governance Board
	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	Total Project cost	Funding excluding Borrowing	Net project cost funded from borrowing	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Harrow Arts Centre Capital Infrastructure Capital investment to deliver essential Health and Safety works including drainage, toilet facilities, roof tiles, external railings, fencing and paving, and intruder alarms.	300	300	0			0			0			0	300	300	0	Community Contracts Board
Harrow Arts Centre - BCIL funded Funding to complete the existing refurbishment and new build project. The total cost estimates are £3.686m for the whole project, which takes into account the revised cost for refurbishing existing buildings based on updated QS advice and the requirement for traditional build for the new building (instead of modular building).	2,130	2,130	0	1,177	1,177	0			0			0	3,307	3,307	0	Community Contracts Board
Harrow Museum Capital Infrastructure	44	0	44			0			0			0	44	0	44	Community Contracts Board
Total Cultural Services	5,372	4,598	774	1,447	1,177	270	150	0	150	150	0	150	7,119	5,775	1,344	

Project Title	2020/21			2021/22			2022/23			2023/24			TOTAL			Governance Board
	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	Total Project cost	Funding excluding Borrowing	Net project cost funded from borrowing	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Housing General Fund																
Disabled Facilities Grant	2,306	1,517	789	2,070	1,638	432	2,111	1,638	473	2,154	1,638	515	8,641	6,432	2,209	Housing Contracts Board
Empty Property Grant -Bringing empty properties back into use and contribute to the supply of homes in the borough for those in need.	120	0	120	120	0	120	120	0	120	120	0	120	480	0	480	Housing Contracts Board
Property Acquisition Programme - Funding to purchase and refurbish residential properties for use as temporary accommodation-Funded 30% RTB 1-4-1 receipts, 70% Borrowing	7,109	2,133	4,976	8,802	2,641	6,162	8,500	2,550	5,950	8,500	2,550	5,950	32,911	9,873	23,038	Housing Contracts Board
Total Housing General Fund	9,534	3,650	5,885	10,992	4,279	6,713	10,731	4,188	6,543	10,774	4,188	6,585	42,032	16,305	25,726	
Regeneration, Enterprise and Planning																
Harrow High Street Fund To improve cycling and walking infrastructure and high street improvement works.	350	250	100	1,800	1,300	500	1,600	1,100	500			0	3,750	2,650	1,100	Community Contracts Board
Lyon Rd Pop Restaurant & Square	685	685	0			0			0			0	685	685	0	Community Contracts Board
Trinity Square	151	151	0			0			0			0	151	151	0	Community Contracts Board
New Planning IT system	875	0	875			0			0			0	875	0	875	Planning and Public Protection IT Solution Project Board
Neighbourhood CIL funded projects	157	157	0	500	500	0	500	500	0	500	500	0	1,657	1,657	0	Community Contracts Board
Waxwell Lane Development	3,716	0	3,716	1,752	0	1,752	0	0	0	0	0	0	5,468	0	5,468	Building a Better Harrow Board
Haslam House Redevelopment	1,732	0	1,732	865	0	865	0	0	0	0	0	0	2,598	0	2,598	Building a Better Harrow Board
Other Regeneration	0	0	0	1,788		1,788			0			0	1,788	0	1,788	Building a Better Harrow Board
Poets Corner	0	0	0	8,119		8,119			0			0	8,119	0	8,119	Building a Better Harrow Board
Gayton Rd	5		5	2,293		2,293			0			0	2,298	0	2,298	Building a Better Harrow Board
Plot S			0	500		500			0			0	500	0	500	Building a Better Harrow Board
Demolition of Social club				300		300			0			0	300	0	300	Building a Better Harrow Board
Investment in HNC				2,070		2,070			0			0	2,070	0	2,070	Building a Better Harrow Board
Investment in 3 core sites							6,610		6,610	1,915		1,915	8,525	0	8,525	Building a Better Harrow Board
Total Regeneration, Enterprise and Planning	7,672	1,243	6,429	19,987	1,800	18,187	8,710	1,600	7,110	2,415	500	1,915	38,785	5,143	33,642	
Total Community Directorate	51,849	14,469	37,380	46,774	10,997	35,777	34,293	11,229	23,064	28,886	8,629	20,256	161,802	45,324	116,477	
Total General Fund	69,201	18,885	50,316	86,927	33,030	53,897	45,915	20,301	25,614	30,736	8,629	22,106	232,778	80,845	151,933	

Capital Programme net additions 2020/21 to 2023/24

Appendix 2

Project Title	2020/21	2020/21	2020/21	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24	TOTAL for all years		
	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	Total Project cost	Funding excluding Borrowing	Net project cost funded from Borrowing
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Resources and Commercial Directorate															
Legal Case Management System	41	41	0										41	41	0
Digital Improvements Programme				750		750	400		400	600		600	1,750	0	1,750
Enterprise Resources Planning TT				1,050		1,050	650		650				1,700	0	1,700
Ongoing ICT Refresh and Enhancements							-882		-882	1,000		1,000	118	0	118
Devolved IT Applications							338		338	250		250	588	0	588
Total Resources and Commercial Directorate	41	41	0	1,800	0	1,800	506	0	506	1,850	0	1,850	4,197	41	4,156
People's Directorate															
Adults															
Integrated Health Model	-85	0	-85										-85	0	-85
Schools															
Schools Expansion Programme Phase 2	-1,148	-680	-468										-1,148	-680	-468
Secondary Expansion	-13,233	-9,071	-4,162										-13,233	-9,071	-4,162
SEN Expansion	-6,511	-4,752	-1,759										-6,511	-4,752	-1,759
Total Schools	-20,892	-14,503	-6,389	0	0	0	0	0	0	0	0	0	-20,892	-14,503	-6,389
Total People's Directorate	-20,977	-14,503	-6,474	0	0	0	0	0	0	0	0	0	-20,977	-14,503	-6,474
Community Directorate															
High Priority Planned Works to Corporate Sites				-30		-30	-30		-30	650		650	590	0	590
Parks Infrastructure				-150		-150	-150		-150	350		350	50	0	50
Car Park Infrastructure				-15		-15	-30		-30			0	-45	0	-45
Waste Services bins (Trade)							-150		-150	0		0	-150	0	-150
Waste Services bins (Domestic)							-100		-100	0		0	-100	0	-100
Green Grid Programme - BCIL funded Improvements to Harrow's green infrastructure										150	150	0	150	150	0
Highways Programme							500		500	6,000		6,000	6,500	0	6,500
Flood Defence & Highways Drainage -BCIL funded										500	500	0	500	500	0
Street Lighting Programme				500		500	500		500	1,500		1,500	2,500	0	2,500
Local Implementation Plan (LIP) including Parking Management Programme To deliver the transport projects and initiatives set out in the 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
Climate Emergency - Energy emissions reduction measures				250		250	250		250			0	500	0	500

Capital Programme net additions 2020/21 to 2023/24

Appendix 2

Project Title	2020/21	2020/21	2020/21	2021/22	2021/22	2021/22	2022/23	2022/23	2022/23	2023/24	2023/24	2023/24	TOTAL for all years		
	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	Total Project cost	Funding excluding Borrowing	Net project cost funded from Borrowing
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Total Commissioning and Environment	0	0	0	555	0	555	790	0	790	10,841	2,041	8,800	12,186	2,041	10,145
Cultural Services															
Leisure and Libraries Capital Infrastructure				15		15	15		15	150		150	180	0	180
Total Cultural Services	0	0	0	15	0	15	15	0	15	150	0	150	180	0	180
Housing General Fund															
Disabled Facilities Grant	337	412	-75	553	121	432	594	121	473	2,153	1,638	515	3,637	2,292	1,345
Empty Property Grant -	-330	0	-330	120	0	120	120	0	120	120	0	120	30	0	30
Total Housing General Fund	7	412	-405	673	121	552	714	121	593	2,273	1,638	635	3,667	2,292	1,375
Regeneration, Enterprise and Planning															
Harrow High Street Fund To improve cycling and walking infrastructure and high street improvement works.	-1,387	-1,387	0	1,800	1,300	500	1,600	1,100	500			0	2,013	1,013	1,000
Neighbourhood CIL funded projects				500	500	0	500	500	0	500	500	0	1,500	1,500	0
Total Regeneration, Enterprise and Planning	-1,387	-1,387	0	2,300	1,800	500	2,100	1,600	500	500	500	0	3,513	2,513	1,000
Total General Fund	-22,316	-15,437	-6,879	5,343	1,921	3,422	4,125	1,721	2,404	15,614	4,179	11,435	2,766	-7,616	10,382

REPORT FOR: CABINET

Date of Meeting:	17 December 2020
Subject:	Draft Revenue Budget 2021/22 and draft Medium Term Financial Strategy 2021/22 to 2023/24
Key Decision:	Yes
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance (S151 Officer)
Portfolio Holder:	Councillor Adam Swersky – Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1A – Growth/Reversed savings and savings from 2021/22 Process Appendix 1B – Savings and Growth 2021/22 to 2022/23 from the 2020/21 Budget Process Appendix 2 - Medium Term Financial Strategy 2021/22 to 2023/24 Appendix 3 - Schools Budget 2021/22 Appendix 4 - Draft Public Health Budget 2021/22

This report sets out the draft revenue budget for 2021/22 and draft Medium Term Financial Strategy (MTFS) for 2021/22 to 2023/24. The budget and MTFS will be brought back to Cabinet in February 2021 for final approval and recommendation to Council.

Recommendations:

Cabinet is requested to:

- 1) Approve the draft budget for 2021/22 and the MTFS 2021/22 to 2023/24 for general consultation as set out in Appendices 1 and 2 so that Cabinet may later consider the budget in light of the consultation responses and the equality impact assessments before it is referred to Council in February 2021.
- 2) Note the Spending Review 2020 confirmed broad plans for public spending for 2021/22, which will impact on local government, and that the draft budget will be updated when the detail is announced in the Indicative Financial Settlement expected mid to late December followed by the Final Settlement no later than January 2021 (paragraph 1.8).
- 3) Note the balanced budget position for 2021/22, and the budget gaps of £25.754m and £5.098m for 2022/23 and 2023/24 respectively based on the scenario of a total Council Tax increase of 4.99% in 2021/22 and 1.99% in 2022/23 (table 2).
- 4) Note the proposal to increase core Council Tax by 1.99% in 2021/22 and in 2022/23 (Table 2 and paragraph 1.21).
- 5) Note the proposal to increase Council Tax by 3.0% in 2021/22 in respect of the Adult Social Care Precept (Table 2 and paragraph 1.21).
- 6) Note the requirement to develop a fully costed budget and implementation plan to support the estimated financial challenges over the MTFS for presentation to Cabinet in summer / autumn (paragraph 1.50)
- 7) Note there are no proposed structured changes to the schools funding formula for 2021/22 as set out in Appendix 3 and paragraph 1.58
- 8) Approve the draft Public Health budget for 2021/22 as set out in Appendix 4
- 9) Note the assumed funding for the protection of social care 2021/22 through the BCF as set out in paragraphs 1.65

10) Authorise the Director of Finance and Assurance, following consultation with the Portfolio Holder for Finance and Resources, to agree Harrow's 2021/22 contribution to the London Borough's Grant Scheme (paragraph 1.69).

11) Note that the London 75% Business Rate Retention Pilot will again not apply in 2021/22 but the London Borough's Leaders Committee have agreed to continue to informally post business rates across all London authorities in 2021/22 (as occurred in 2020/21), subject to no London Authority withdrawing before the cooling off period lapses in mid-January.

12) Delegate to the Director of Finance and Assurance, in consultation with the Leader of the Council, Portfolio Holder for Finance and Resources and the Monitoring Officer the authority to respond on behalf of the authority with regard to any recommendations from the informal business rates pool from 2021/22.

Final approval will be sought from Cabinet and Council in February 2021

Reason: (For recommendations)

To ensure that the Council publishes a draft budget for 2021/22 and a draft 3 Year MTFS to 2023/24.

Section 2 – Report

BACKGROUND

- 1.1 Prior to the Covid-19 pandemic, Local Government finances continued to have a very difficult decade. Revenue expenditure has reduced by 20 to 30% on average against a backdrop of a rising UK population and a continued increase in demand for social care across all age groups and for pupils with special educational needs. In their publication ‘Local Government Funding – Moving the conversation’ (June 2018) the Local Government Association shared a number of their key statistics including:
- Analysis indicated that local services face a funding gap of £7.8billion 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.
- 1.2 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 following a decade where resources have been reduced by over a quarter. Early in the pandemic London Councils published their report ‘Impact of Covid-19 on Local Government Finance.’ The report published the findings of the surveys issued by the Ministry of Housing, Communities and Local Government (MHCLG) to track the financial impact of the pandemic over the first three months of the year. The estimated financial impact across London Borough’s was £1.96b against Emergency Funding allocated at the time of £500m. Whilst it is appreciated that further financial support has been provided which is gratefully received, so too have increased, and continue to emerge, the associated costs of the pandemic on the sector and the wider local government economy including the impact on local business, jobs and employment, housing and the high street.
- 1.3 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 2021/22:

Table 1: Summary of Key Financial Changes 2013/14 to 2021/22

	Revenue Support Grant	Demand Led Growth	Technical Growth	Savings	Additional Revenue from Council Tax	Business Rate	Council Tax as a % of Budget Requirement
	£000	£000	£000	£000	£000	£000	%
2013/14	52.1	10	10	-22	-1.8	14.7	51
2014/15	42.6	5.5	-2.1	-10	-1.9	14.5	55
2015/16	32	7.7	5.9	-20.6	-3.4	14	59
2016/17	21.9	4.7	9.5	-16.6	-6.8	13.2	64
2017/18	13	10.7	-0.6	-10.2	-7.3	14.4	68
2018/19	7.3	9.8	1.7	-7.4	-5.3	14.4	70
2019/20	1.6	7.4	-4	-5.2	-8.5	14.4	76
2020/21	1.6	5.1	5.7	-3.8	-7.2	14.9	76
2021/22	1.6	16.5	-6.7	-3.6	-6.4	14.9	78
Total	50.5	77.4	19.4	-99.4	-48.6	-0.2	

Over the 9-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 £179m.
- Over and above the RSG, the Council receives no additional funding to meet demographic and inflationary pressures. Therefore, growth of £77.4m 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 £19.4m 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 £147.3m to achieve a balanced budget.
- Savings and efficiencies of £99.4m 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 in future years.
- Council Tax has been increased largely in line with referendum limits and full use has been made of the Adults Social Care precept. Again for 2021/22, the Council has little choice but to propose the maximum allowable increase in Council Tax of 4.99% which increases the transfer of responsibility onto the council taxpayer to 78%.

- 1.4 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 and funding certainties compounded by a historically low funding base. In February 2020 full Council approved the Medium Term Financial Strategy (MTFS) 2020/21 to 2022/23. Despite achieving a balanced budget for 2020/21, there remained a budget gap of £22.592m over the final two years of the MTFS.
- 1.5 A budget gap of £22.592m 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. Between the period of 1st March to 14th June, a total of 1,045 lab-confirmed cases were recorded for the London Borough of Harrow. Harrow had the second highest reported rate in London at 414.6 per 100,000 population, compared to the overall rate in London of 304.7 cases per 100,000. Between January 1st and June 16th, there were 1,164 deaths registered to Harrow residents, of which 391 mentioned Covid-19 on the death certificate. The Age Standardised Mortality Rate per 100,000 was 36.2 deaths in England and Wales, in London the rate was 85.7 and in Harrow it was 114.7, Harrow was the 6th highest in London.
- 1.6 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.
- 1.7 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 26th position (out of 33, which is 8th lowest).

SUMMARY

- 1.8 The draft 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 2021/22 and budgets gaps of £25.754m and £5.098m for 2022/23 and 2023/24 respectively. The draft MTFS is based on the Spending Round 2020 (SR 20), announced Wednesday 25 November, which confirmed broad plans for public spending for 2021/22 only. SR 20 contained several policies and announcements which will impact on local government although the detail of these will only become clear in the Local Government Indicative Financial Settlement expected mid-December. The final settlement is expected to be agreed no later than the end of January 2021. Section 30 of the Local Government Finance Act

1992 requires local authorities to set their council tax no later than 11 March 2021 therefore the final budget and MTFS will proceed to Cabinet and Council in February 2021. Whilst it is intended that Members will approve the MTFS in February 2021, 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

1.9 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. The announcements within the SR 20 have done little to address the relative position of Harrow's funding baseline.

1.10 The SR 20 confirmed broad public spending allocations for 2021/22. Until the summer the indication from government was still an intention to set a three-year revenue settlement after representations from the sector of the challenges managing temporary funding over the medium and longer term, for budget planning and sustainability purposes. After the cancellation of the Autumn Budget, confirmation was finally received that SR 20 would be a one-year settlement only. The key areas of the review are detailed below and those that have been quantified in enough detail have been included in the draft budget and MTFS:

- The main Council Tax referendum limit will be 2% and the Adult Social Care Precept at 3%.
- £300m of extra grant funding for Social care. Harrow's share is estimated at £1.044m and will be assumed to be recurrent for budgeting purposes.
- £670m of additional grant funding to help local authorities support more than 4m households least able to afford Council Tax payments. Current understanding is that the funding is discretionary and Councils can use their grant to best support their residents, including council tax support schemes. Specific grant guidance and allocations are pending.
- An estimated £762m is allocated to compensate for 75% of irrecoverable loss of CT and NNDR revenues in 20/21. Again, specific grant guidance and allocations are pending and any potential impact on the Collection Fund and budget are unquantifiable at draft budget stage.
- An extra £1.55n of grant funding to meet additional Covid-19 expenditure pressures. This will be allocated out using the same methodology for Emergency Funding Tranche 4 in the current

financial year. The Council's share is estimated to be £4.6m which is reflected in the draft budget on a one-off basis.

- The Income Compensation Scheme for Sales, Fees and Charges will be extended for three months until June 2021. The estimated compensation for Harrow is £500k which is reflected in the draft budget on a one-off basis.
- The New Homes Bonus grant will continue for a further year into 2021/22 with reform of the scheme planned for implementation in the following year.
- Grant funding for Public Health, the Troubled Families Programme and the Improved Better Care Fund will continue on a cash flat basis.
- The Business Rates multiplier will be frozen in 2021/22 which will reduce business rate bills.
- There is a delay to the planned move to 75% Business Rates Retention and the implementation of the Fair Funding Review and Government will not proceed with the reset of the business rate baselines in 2021/22. These are all likely to be considered for SR21.

DELIVERY OF THE 2020/21 BUDGET

- 1.11 In these unprecedented times, delivery of the 2020/21 budget is critical to maintaining the Council's financial standing and to do everything possible to protect front line services and to manage the future impact on the MTFS. Due to the Covid-19 pandemic, the monitoring of financial performance is being separated between business as usual and Covid-19. This is to ensure the impact of the pandemic is fully understood on the current and future years and business as usual budget is robustly managed to ensure no unfunded pressures.
- 1.12 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 2020/21 budget is detailed in a separate report on this agenda, 'P2 20/21 Revenue & Capital Monitoring 20/21 – as at Qtr 2 (30/09/20).' This report forecasts a net overspend of £579k made up of a forecast underspend against the business as usual budget of £29k off set against unfunded Covid-19 pressures of £608k. It should be noted that the Qtr 2 report was prepared before it was announced that the country would enter into a second lockdown on 5 November for one month. The impact of this and current tier restrictions are being assessed, alongside additional central government funding announcements, and will be reflected in the Qtr 3 Financial Performance report scheduled for Cabinet in February.
- 1.13 The Qtr 2 Covid-19 estimated overspend is supported by one off central government support of £22.465m of which £18.165m is Emergency Funding to cover additional expenditure pressures and £4.3m is income received through the Income Compensation Scheme for the loss of sales,

fees and charges. Whilst SR20 did announce continued Covid-19 financial support into 2021/22, this funding is estimated at a quarter of what has been received in the current financial year creating significant implications for the MTFs, especially around income.

- 1.14 It is well reported that the Council does not have large reserve balances when benchmarked with other local authorities and during this decade of austerity has steered away from applying one off reserves to balance the budget. However, due to the continued challenging fiscal environment and additional unfunded adult social care pressures, the 2020/21 budget included £3.805m to be drawn down from the Budget Planning and Business Risk reserves on a one-off basis.
- 1.15 The Qtr 2 forecast for the business as usual budget is an estimated underspend of £29k and, through robust management and grip on the in-year budget, this estimate does not require the drawdown of the £3.805m from reserves. This means these reserves can remain on the balance sheet to support the considerable strain on the MTFs in future years.

BUDGET PROCESS 2021/22

- 1.16 The Council has a statutory obligation to agree and publish the budget for 2021/22, and approval for this will be sought in February 2021. In preparing the 2021/22 budget and rolling forward the MTFs to cover the three-year period 2021/22 to 2023/24, the current MTFs (approved by Council in 2020) has been the starting point for the process.
- 1.17 The MTFs approved in February 2020 assumed a budget gap of £11.414m for 2021/22 and £11.178m for 2022/23. This is the starting point for the refreshed 3-year MTFs. It's important to note that this starting point assumes achieving existing directorate savings of £2.947m in 2021/22.
- 1.18 The Council's financial position has always been dynamic affected by a number of financial uncertainties and adjustments that impact upon its financial position over the short and medium term. The impact of Covid-19 upon both the Council's financial position and its internal capacity has made the sustainability of Council finances a key strategic issue. In preparing the draft budget for 2021/22 the existing MTFs has been:
- Refreshed and rolled on a year
 - Updated to reflect the estimated impact of Covid -19 (both expenditure and income) beyond the current year
 - Updated to reflect the estimated impact of SR 20 where the financial implications can be assessed for the Council with a reasonable degree of certainty, accepting that there is an element of risk until the Indicative Financial Settlement is received mid to late December.
- 1.19 The adjustments are summarised in Table 2 below. Following Table 2 there is an explanation for the figures contained within. These adjustments are also set out in Appendix 2 along with adjustments included within the previous MTFs agreed as part of the 2020/21 Budget process:

Table 2: Changes to MTFS (Prior to Indicative Finance Settlement)				
	2021/22	2022/23	2023/24	Total
	£'000	£'000	£'000	£'000
Published Budget Gap - February 2020	11,414	11,178	0	22,592
Adjustments:				
Council Tax				
Increase in Council Tax @ 4.99% (1.99% core and 3% Adult Social Care precept	-6,213			
Increase in Council Tax @ 1.99% core		-2,780		
Removal of increase in tax base previously estimated at 88,160	750			
Summary of Budget changes - Appendix 1A				
Resources - reversal of growth	-176	-177		
Community savings	-250			
Reversal of Commercial Investment income	1,175	1,175		
Resources growth	134			
Adults Growth - £652k was allocated in 2019/20 in respect of 2021/22 but this is being reversed and replaced with £3.895m, therefore an addition of £3.243m in terms of impact this year. In addition to the £3.895m a figure of £2.344m was allocated last year, bringing the total growth included in the budget to £6.239m.	3,243	1,047		
Adults growth to be retained centrally - this deduction will mean that £4.772m is allocated to adults which is the value of the 3% precept and expected grant allocation of £1.044m	-1,467			
Adults growth - transfer of Capital Adaptations and careline equipment budgets to Revenue	465			
Children's Placements and SEN transport growth	2,004	1,205		
Community - growth required across the Directorate	2,920	300	300	
Community - covid Loss of income @ 25% of 20/21 income budget & phased back	5,000	-2,218	-1,799	
Corporate - reversal of SEN transformation savings	800			
Technical Changes				
New Homes Bonus - continuation of scheme previously assumed to reduce	-782	-728		
Freedom Passes - estimated reduction in usage	-1,108	-1,580	1,377	
Application of Capital Flexibilities in 2021/22	-2,000	2,000		
Pay and Non Pay Inflation			4,750	
Additional Capital Financing required for new 3 Year Capital Programme			470	
Realignment of 2021/22 MRP budget to account for slippage	-2,981	2,981		
Spending Review - Estimated additional COVID Funding:				
Additional Grant For Social Care (assumed to be permanent)- allocation to be confirmed in December settlement	-1,044			
£1.55b grant to meet additional COVID expenditure (one off)	-4,600	4,600		
Income compensation for sales, fees and charges - 3 month extension	-500	500		
Adults growth to be retained Corporately.	1,467			
Revised Budget Gap	8,251	17,503	5,098	
Application of non GF reserves:				
Adults Social Care Reserve	-920	920		
Budget planning reserve not applied in 20/21	-2,628	2,628		
Business Risk Reserve - not applied in 20/21 & balance	-1,771	1,771		
Children's social care reserve - no applied in 20/21	-932	932		
£2m 20/21 target underspend - to be added to reserves in 2021/22	-2,000	2,000		
Budget Gap December 2020	0	25,754	5,098	

1.20 Council Tax Adjustments

In 2021/22 the Council tax base will reduce to 87,387 from its 2020/21 base of 87,667. This is a reduction of 280 Band D equivalent properties which equates to a total loss of Council Tax income of £426k. Whilst the base is estimated to increase by 1,141 new properties this is offset by a loss of 1,421 properties due to growth in Council Tax Support as a result of the weakening economy largely due to the pandemic. Had it not been for the impact of the pandemic the increase in the tax base would have generated in the region of £1.78m additional council tax income. The current MTFS already assumed an increase in the Council Tax base of 313 band D equivalent properties generating £750k. This has been removed from the draft budget as this increase is not achievable in light of the pandemic. The collection rate will remain at 98% for 2021/22. Collection rates have performed better than expected throughout the pandemic and Harrow has provision for outstanding arrears up to the 31/03/20 of almost 100%.

- 1,21 A maximum Council Tax increase of 4.99% is budgeted for 2021/22 generating Council tax income of £6.213m. There has been an indication that the precept can be applied over 2 years. However, as the 2021/22 settlement is for one year only and there is no information on precepts for 2022/23 alongside significant pressures on the MTFS driven by adult social care growth, the full 3% precept is included in the 2021/22 draft budget. An increase in core Council Tax of 1.99% is included in the draft MTFS for 2022/23.

1.22 Technical Adjustments

- 1.23 **New Homes Bonus Grant (NHB).** In 2020/21 the NHB is £3.716m. As part of the 2020/21 budget setting process, reductions in the NHB were built into the budget on the assumption that the grant would be reduced, and no new payments would be made for 2021/22. SR 20 announced that NHB funding would continue for a further year but without legacy payments. At this stage it is still unclear what this means and what the grant allocation will be for 2021/22, but the previous reductions of £782k in 2021/22 and £728k in 2022/23 have been reversed for the draft MTFS.

- 1.24 **Freedom Passes.** The Freedom Pass Scheme (FPS) provides free travel for older and disabled London residents on all Transport for London (TFL) travel modes and on most National Rails routes (with restrictions). The methodology used for settlement of the FPS 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 3-year cost estimates for each London Borough. Harrow's concessionary fares budget is £9.883m. Savings of £1.108m and £1.580m are estimated for 2021/22 and 2022/23 with journey numbers estimated to pick up in 2023/24 requiring the baseline budget to be increased by £1.377m. These adjustments are reflected in the MTFS.

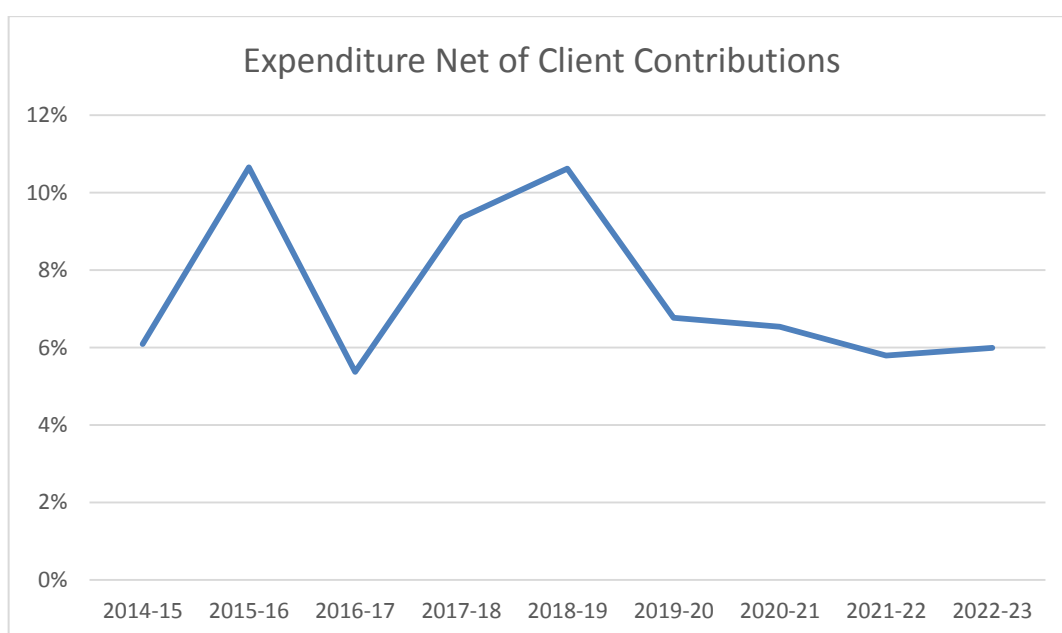
- 1.25 **Allocation of Capital Flexibilities.** The current capital flexibility arrangements are in place until 2021/22 and any announcements around their extension are anticipated in the Indicative Financial Settlement. £2m of capital flexibilities will be applied in 2021/22 to fund the qualifying revenue costs of reform projects which must be reversed out of the budget in the following year.
- 1.26 **Pay and Non-Pay Inflation.** The current MTFs assumes £3.1m in 2021/22 to fund pay and non-pay inflation and £4.750m in 2022/23 to fund all inflationary costs and budget pressures. A provision of £4.750m is now included in the MTFs for 2023/24. The SR 20 announced a public sector pay freeze. As local government pay is subject to separate negotiations, any savings as a result of an agreement to freeze pay for local government has not been assumed in the MTFs. If a pay freeze is subsequently negotiation, the budget saving will be transferred to reserves to support the MTFs.
- 1.27 **Additional Capital Financing required for the new 3 Year Capital Programme.** The draft 3 Year Capital Programme is subject to a separate report in the agenda. The draft document requires additional capital financing costs of £470k in 2023/24. The government has published its response to the Treasury's consultation on Public Works Loans Board (PWLb) lending terms and will end use of the PWLB for investment property bought primarily for yield. As previously explained the Council has already decided not to pursue its programme of commercial investment and the financial implications have been removed from both the budget and capital programme. The government also announced it will cut PWLB lending rates to gilts + 100 bps for Standard Rate and gilts + 80 bps for Certainty Rate. The impact of this reduction is being worked through in terms of the impact on the capital financing budget and any reductions will be built into the final budget.
- 1.28 **Realignment of the 20/21 Minimum Revenue Provision (MRP) Budget to account for slippage.** Due to the slippage of the in-year Capital Programme, the timing of required MRP's has been reviewed resulting in a realignment of provisions required. This generates a one-off budget benefit of £2.981m in 2021/22.
- 1.29 **Reversal of Commercial Investment Income.** £100m was approved by Cabinet in July 2019 as an addition to the Capital Programme for Commercial Investments. The basis of the inclusion was that this £100m would generate a minimum net return of £2.5m after repaying the capital financing costs. One property has been bought from the £100m which is generating a net return of £150k which was built into the 2020/21 budget. The net return from the balance of £94m was reflected in the MTFs equally over 2021/22 and 2022/23. The decision has been made to not continue with the strategy of commercial investment due to the challenges of securing properties which meet the investment criteria and the decision of the government to stop the use of Public Loans Works Board for investment in property bought primarily for yield. The remaining net return within the MTFs of £2.350m has now been removed.

1.30 Adult Social Care Growth

At the point of setting the 2020/21 budget in February 2020, the final budget report identified adults social care growth pressures of £6.439m and £7.063m for 2021/22 and 2022/23 respectively. The report also explained that because future funding to support the growth pressures was very uncertain and could not be built into the MTFS with any degree of certainty, it was reasonable that the estimated pressures were identified but also not included in the MTFS. The work within the Adults Service to further understand growth projections has continued throughout the year and now must be reflected in the MTFS alongside SR 20 funding announcements on social care grant and precept.

1.31 The Institute for Fiscal Studies has found that Councils need an estimated additional £1.6bn by 2024/25 to fully meet the cost of adult social care. Even before Covid-19, London's adult social care sector faced a funding shortfall of £130 million this year. While SR 20 has provided a short-term boost (an additional £300m nationally which translates to an additional estimated £1.044m for Harrow in 2021/22), boroughs will continue to call for a long-term, sustainable solution to the challenge of funding adult social care services.

As part of the modelling work to understand the future demands on Adults Social care, evidence-based analysis does show that costs pressures are volatile, as detailed below. The forecast for 2021/22 and 2022/23 assumes the growth detailed in the table below:



1.32 Against a backdrop of a rising UK population, increasing social care demands for older people and young adults with learning difficulties and the NHS under pressure, the modelling continues to estimate future cost pressures.

The draft MTFS includes estimated adult social care growth pressures as detailed in table 3 below:

Table 3: Estimated Adult Social Care Growth 2021 to 2024

Growth	2021/22	2022/23	2023/24
	£'000	£'000	£'000
Complexity	1,305	1,644	0
Demand	2,491	912	0
Commissioning activity	(300)	0	0
Care provider inflation	1,046	1,135	0
Mitigations not achieved	1,034	0	0
ASC reserve (one-off)	663	0	0
MTFS Impact	6,239	3,691	0

The following narrative supports the numbers in the table above:

- 1.33 **Complexity** includes the increased cost of existing packages or care as clients remain within the system. A 5% year on year increase in the current average weekly cost of £334 per week has been assumed.
- 1.34 **Demand** assumes accepting liability for 30 Covid-19 nursing placements from health following care act assessment from April 2021, together with net new demand during each financial year (approx. 4,420 weeks of care 21/22 and 3,490 22/23 assuming an average community package of £261 per week).
- 1.35 **Commissioning activity** is to support the review of elements of care aiming to increase quality and keep pace with the external market.
- 1.36 **Care provider inflation** is assumed at 1.5% of the Adults budget. The National Living Wage will increase in April 2021 by 2.2% from £8.72 to £8.91. As a result, containing increases in the cost of care will need to be targeted to ensure that increases are agreed within the available financial envelope.
- 1.37 **Mitigations did not achieve** the 2020/21 Adults budget assumed mitigations of £1.584m to achieve a balanced position within the approved growth allocation. At the time of setting the budget £0.9m of mitigations had been identified. The impact of Covid-19 has reduced the achievement of the savings identified (a lower level of learning disability commissioning savings and the delayed implementation of the changes in the Adults charging policy) to £550k and it has not been possible at this stage to identify further reductions to mitigate the original unidentified savings.
- 1.38 The estimated growth projections, and the assumptions upon which they were based, are dynamic and continue to be worked upon and refined, especially in light of the service approaching one of its most challenging times of the year, winter pressures coupled with the second wave of Covid-19.
- 1.39 The underlying budget, assumes the following for 2021/22:

- 29,172 weeks of bedded care (residential and nursing), the equivalent of 561 citizens for a full year, with an average gross cost of £980 per week
- 7,072 weeks of care in supported accommodation, the equivalent of 136 citizens for a full year, with an average gross cost of £1,097 per week
- 100,152 weeks of care for community services (domiciliary care, cash personal budgets and external day care), the equivalent of 1,926 citizens for a full year, with an average gross cost of £261 per week

1.40 Without a national solution for the longer term sustainable financing of Adult Social Care, and given the challenging financial picture of the wider Council position, the directorate will need to continue to work to reduce the costs of service provision to mitigate future growth requirements, including in 2023/24 where there is no specific growth included in the MTFS and Council wide growth to fund inflationary and growth pressures is restricted to £4.750m. Adults forecast a growth requirement of £6.239m in 2021/22. After accounting for what is already in the MTFS, to meet this growth requirement an additional £3.243m is provided in the budget. In terms of funding the growth requirement, the Council has received an estimated £1.044m in additional social care grant and can raise an estimated £3.782m through the 3% precept. This leaves a funding pressure of £1.467m which is a strain on the MTFS. This strain has been provided for within the draft 2021/22 budget, but it will be held corporately, and allocation will be reviewed alongside the services ability to review areas to mitigate pressures and the key areas for review are detailed below:

- Continue the work with learning disabilities working with individuals to promote independence and reduce the costs of packages (Home is Harrow)
- Continue to roll out the strengths-based working across adults (3 conversations) (this is challenging in a Covid environment given the inability of social workers to make home / face to face contact visits)
- Market shaping to ensure the most efficient use of available resources, and potentially targeting a cohort of high cost packages
- Subject to the evaluation of the Assisted Technology (AT) pilot, implementation of the AT equipment to reduce care packages
- Focus on the hospital discharge to avoid an over reliance on admission to care homes

1.41 **Adults growth - transfer of capital Adaptations and careline equipment budgets to Revenue.** There has been a capital budget of £230k allocated annually for equipment needed to adapt homes for adults requiring help to remain at home and a separate allocation of £235k to fund careline

equipment. This was previously funded as part of the allocation of grant funding for Disabled Facility Grants (DFG). As the requirement for DFG funded adaptations has increased, it has been decided to allocate the full grant to those more substantial adaptations made in homes and move the smaller equipment budgets to revenue. There is a one-off impact of growth this year of £465k in moving these budgets to revenue, but there will be a longer-term benefit of no requirement to borrow in order to fund these smaller equipment-based adaptations.

1.42 Children's Placements & Accommodation

There are significant pressures on Children's Placements & Accommodation in 2020/21 which are estimated to continue into future financial years. There has been a net increase in the number of Looked After Children rising from 169 in March 2020 to 206 in October 2020. There are a number of factors contributing to this including, but not limited to, Covid-19 which has led to delays in court proceedings, reductions in face to face family work to prevent or delay young people coming into care where it is safe to do so and increased statutory intervention due to family mental health leading to more children coming into care. In addition, children are presenting with more complex and challenging needs leading to higher cost residential placements. There is also a net increase in the number of children subject to Child Protection plans rising from 279 in March 2020 to 340 in October 2020. This has meant that the savings of £820k over the period 2020/2022 have not been achieved and further growth is required to fund the underlying demand over the next two years as one off funding currently being used to mitigate some of these pressures in 2020/21 is exhausted. Growth of £1.227m and £1,205m is provided in the draft budget for 2021/22 and 2022/23 respectively.

1.43 SEN Transport

There is estimated to be significant pressures on SEN Transport in 2020/21 brought about by a net increase in the number of children requiring home to school transport and complexity of children's needs. In addition to this the re-procurement of the inhouse vehicle contract has led to increased prices and a different mix of vehicle types as well as the current managed service contract which provides drivers and escorts is also being re-procured and is anticipated to lead to higher costs. A system-wide review of special needs transport began in 2019 which started with a review of back office functions and the flow of information between families and council departments. The second phase would review the mix of provision between inhouse vehicles and commissioned taxis to demonstrate cost effectiveness. It was anticipated that these reviews would lead to savings. However due to Covid the second part of this review had to be postponed and is unlikely to begin again until 2021. Therefore, achievement of any possible savings will be delayed and until actions and savings can be quantified with sufficient robustness, growth of £777k is included in the draft budget for 2021/22 as a result of the inherent pressure carried forward from 2020/21. This growth will remain under review as the second phase of the review progresses, with a view to removing the growth as efficiencies are identified. In the meantime, it is anticipated that approximately 30 additional children per year will require home to school transport.

1.44 **Community – growth required across the Directorate**

A total growth of £2.920m is required in 2021/22 to mitigate against the baseline budget pressures (£1.855m) and unachieved MTFS targets (£1.065m) across Community Directorate as set out below:

1.45 **Waste Services (£1.475m)**

- There is a significant pressure on waste disposal budgets. Residual waste tonnage has increased significantly since the start of the health pandemic due to working from home arrangements thereby more waste is produced by

households. Based on the forecast waste tonnage for 2021/22, the budget pressure on West London Waste Levy (WLWL) is estimated at £0.75m in 2021/22, increasing by £300k each year in 2022/23 and 2023/24 to account for household growth and price inflations. The re-procurement of dry mixed recycling (DMR) waste disposal contract has been completed. Due to the continuous unfavourable market prices for mixed dry recyclates, the level of revenue rebate achieved from the sales of these has been low and is expected to remain so. The processing cost of the DMR waste has also increased in the new contract. The combined effect of these is that the cost of DMR waste disposal is estimated to be £0.6m more than budget.

- Following a review of the capital programme, the funding source for the purchase of domestic bins is switched from capital to revenue and therefore a revenue budget of £125k is required from 2021/22 in Waste Management.

1.46 **Facilities Management (£380k)**

- Building maintenance and responsive repairs for all corporate sites is forecast to overspend by £300k in 2020/21 against the base budget of £0.77m. A budget review in this area was undertaken and identified that the cost of Planned Preventative Maintenance (PPM) works across the corporate

property portfolio was in excess of £420k. This does not include the cost of any remedial works following PPM or any cost of responsive repairs. Due to the age and the lack of investment of some of the buildings, the current budget is not sufficient to cover all building repairs and therefore a growth of £300k is included in 2021/22 budget.

- There is a reduction in the uptake of SLA services by schools, in particular in the area of Facilities Management. This has created an income pressure of £80k for the service.

1.47 **Unachieved MTFS (£1.065m)**

- A MTFS target of £1.234m was originally set for the depot redevelopment project to reflect the financing cost of the capital borrowing. The targets

profiled to 2019/20 and 2020/21 were £246k and £681k respectively. Some of the overall target has been achieved from additional rent income across the corporate property portfolio, leaving a net target of £0.861m which remains unachievable in 2020/21 and will not be achieved from the new depot following a review of commercial opportunities earlier of the year.

- The existing MTFS has set a net target of £172k to be achieved from Vernon Lodge site through a combination of B&B saving and additional rent income in 2021/22. This is no longer achievable as the original Vernon Lodge redevelopment project did not go-ahead following planning issues and environmental health concerns.
- A procurement saving target of £200k was included in the MTFS in 2019/20. Despite some savings have been achieved from various contract re-procurements, a net target of £32k remains unachievable.

1.48 **Community – Covid-19 loss of income @25% of 20/21 income budget and phased back in.**

Community Directorate provides a wide range of discretionary chargeable services. The COVID-19 health crisis and the social distancing restrictions imposed by Government have had a significant financial impact on Community Directorate as this adversely affects its ability to generate income which the directorate relies heavily on to deliver its budgets. A slow economic recovery is anticipated after lockdown measures are eased. This is likely to result in an adverse impact on 2021/22 income. A regular review of the income trend throughout 2020/21 forms the basis of estimating the likely budget impact over the MTFS period. Key areas of pressures are identified in Parking Services and Cultural Services and Leisure, with estimated income losses of £2.4m and £1.6m respectively in 2021/22. In addition, a pressure of £1m is identified from other transactional activities across various service areas. Therefore, the total income losses are estimated at £5m in 2021/22.

At this stage it is assumed that the income will gradually get back to the pre-COVID level over the MTFS period. The £5m growth will therefore be reversed in 2022/23 and 2023/24 respectively, except for some income which is expected to be lost permanently due to the redevelopment of the Civic Centre site. This includes income from the car park, staff restaurant, filming, cookery school and training academy. In addition, the current leisure contract will expire in 2023. The impact of the health pandemic in the leisure sector is likely to result in some longer term loss of income regardless of the future service delivery model, and therefore the MTFS assumes 50% reversal of the growth in this area, subject to further review in the next round of the MTFS.

1.49 **Spending Review - Estimated additional Covid-19 Funding.** The SR 20 announcements on additional Emergency Funding and Income

Compensation for 2021/22 have been estimated at £4.6m and £500k respectively for Harrow and included in the draft budget for 2021/22 only.

1.50 **Application of non-General Fund Reserves**

After all known adjustments, the draft MTFS shows a revised budget gap of £30.852m of which £8.251m relates to 2021/22. In October 2020 a report was brought to Cabinet with an early indication of a draft MTFS for 2021/22 to 2023/24 which also showed a significant budget gap. This report explained the choices the Council was faced with in light of the indicative budget gap:

- 1) The Council could embark on a drastic programme of cuts to address the budget gap. At the time of it was considered unwise to consider any programme to reduce Council until there is clarity on the Councils funding settlement.
- 2) The Council has limited reserves that can be applied to the budget gap, mindful that the reserves are one off in nature and will only provide a temporary solution.

At the time of writing this draft budget report, it is accepted that the Council is still waiting for the Indicative Financial Settlement due to be received mid to late December. However, all efforts have been made to include all quantifiable SR 20 announcements within the MTFS and it is considered unlikely the indicative settlement will materially change the estimated budget gap. It is also accepted that the draft MTFS for future years is an estimate. The estimate includes known growth and demand pressures but includes no potential funding implications from SR 21, additional support for social care (either grant or precept), support for the impacts of Covid-19. Therefore, it's not unrealistic that the indicative future budget gaps have the potential to reduce but the budget shortfall for 2022/23 is estimated £25.754m which exceeds the balance of the Councils remaining none earmarked and General Fund reserves (£15.2m). Whilst the Council will continue its lobbying for a fairer funding settlement which meets the needs of the borough, the Council must have a strategy in place to tackle its financial challenges and for this reason the Council must develop a fully costed budget and implementation plan, ready to bring to Cabinet in the summer / autumn ready to feed into the budget setting round for 2022/23. Further detail will be presented on this in the final budget report to Council in February.

For the purposes of the 2021/22 budget, at draft budget stage the estimated budget gap of £8.251m will be funded through a mixture of reserves and a further tightening of expenditure in the current financial year to create a £2m reserve to support 2021/22. The reserves being applied are those reserves which were planned to be drawn down in 2020/21 but robust management of the in-year budget no longer requires this:

Budget Planning Reserve	£2.628m
Budget Risk Reserve	£1.771m
Adults Social Care Reserve	£0.920m

Children's Social Care Reserve	£0.932m
2020/21 Savings Target	<u>£2m</u>
Total	£8.251m

If the indicative settlement does deliver any additional financial benefit to budget, the draw down in reserves will be reduced.

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 savings in the current MTFs for 2021/22 and 2022/23 have been reviewed to ensure that they can either be taken forward or removed as part of this draft budget.
- 1.52 Table 4 summarises the total savings and growth put forward as part of the budget process last year in respect of financial years 2021/22 and 2022/23. Table 4 shows total savings of £8.410m between 2021/22 and 2022/23 and growth of £2.067m, so net savings of £6.343m. The detail is set out in Appendix 1B.

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

	2021-22	2022-23	Total
	£000	£000	£000
<u>Savings Summary</u>			
Resources	(1,934)	-	(1,934)
Children	(410)	-	(410)
Community	(1,125)	-	(1,125)
Corporate	(2,719)	(2,222)	(4,941)
Total Savings	(6,188)	(2,222)	(8,410)
<u>Growth Summary</u>			
Resources	493	678	1,171
Adults	652	-	652
Children	-	-	-
Community	-	-	-
Corporate	244	-	244
Total Growth	1,389	678	2,067
Total Savings and Growth	(4,799)	(1,544)	(6,343)

- 1.53 Table 5 sets out the total changes in terms of Growth/reversed savings and growth and savings proposed as part of the 2021/22 budget process. Table 5 shows a net growth as a result of reversed savings/growth and new growth of £15.148m over the three year period 2020/21 to 2022/23. The detail is set out at Appendix 1A.

Table 5: Growth/Reversed savings and savings from 2021/22 Process

	2021-22	2022-23	2023-24	Total
	£000	£000	£000	£000
Reversal of prior year savings/ growth and new savings				
Resources	(176)	(177)	-	(353)
Children				-
Community	(250)	(300)	(600)	(1,150)
Corporate	1,175	1,475	600	3,250
Total	749	998	-	1,747
Growth and reversal of prior year savings				
Resources	134	-	-	134
Adults	3,708	1,047	-	4,755
Children	2,004	1,205	-	3,209
Community	7,920	(1,918)	(1,499)	4,503
Corporate	800	-	-	800
Total	14,566	334	(1,499)	13,401
Net Impact of Reversals/Growth and Savings	15,315	1,332	(1,499)	15,148

CAPITAL RECEIPTS FLEXIBILITY

- 1.54 In the Spending Review 2015, it was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects. This flexibility was initially offered for the three years 2016/17 to 2018/19 but was extended as part of the 2018/19 Finance settlement for a further 3 years from 2019/20 to 2021/22.
- 1.55 The Council signified its intent to make use of this flexibility in its final budget report to Cabinet and Council in February 2016. The draft budget for 2021/22 assumes capital flexibilities of £2m.

SCHOOLS FUNDING FOR 2021/22

- 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 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 two years have been set based on the NFF.

- 1.58 The NFF will therefore continue to be used to distributed school budgets for 2021/22. There are no proposed changes to the structure of the formula for 2021/22 however there are a number of changes for schools to be aware of and the Local Authority are required to consult on the value of the Minimum Funding Guarantee (MFG). A short consultation was carried out from 5th to 23rd October 2020. There was a total of 10 (19%) responses received. The consultation question asked: Do you support the proposal to apply the highest MFG subject to affordability and ensuring that no school's budgets are unfairly distorted. 100% of respondents support the highest MFG subject to affordability. The full outcome of the consultation proposed final funding formula and final DSG allocations will be reported to Cabinet in February 2021 for approval.

PUBLIC HEALTH FUNDING

- 1.59 In 2020/21 the total public health grant to local authorities totalled £3.279bn, with £11.150m 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 draft Public Health commissioning intentions detailed in Appendix 4 are based on the current (2020/21) grant allocation as Public Health England have yet to announce national funding for 2021/22. These commissioning intentions reflect alignment with the Health & Wellbeing Strategy, Borough Plan and evidence of population priorities. At this stage there is no assumption of additional duties arising from the pandemic being placed on local authorities on an ongoing basis, and as a result 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.
- 1.61 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)

- 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 Better Care Fund Policy statement announced at the beginning of December advised that the CCG contribution will again increase by 5.3% in line with the NHS Long Term Plan settlement. Whilst the Policy Framework and Planning Requirements which provide the detailed guidance are expected to be published in early 2021 (usually March), the requirements around integration and collaborative working are expected to continue.
- 1.65 The 2021/22 Adults budget assumes that funding for the Protection of Social Care through the BCF will remain at the agreed 2020/21 level of £6.436m, although this should be expected to increase by up to 5.3% in light of the NHS increase committed within the spending review.
- 1.66 The 2021/22 BCF plan will be signed off by the Health & Wellbeing Board ahead of submission to, and assurance by, NHS England.

RESERVES AND CONTINGENCIES

- 1.67 Reserves and contingencies need to be considered in the context of their role to protect the Council's good financial standing and in the context of the overall risks that the Council faces during a continuing period of economic uncertainty. The MTFS reflects the Council's need to ensure an adequate level of reserves and contingencies which will enable it to manage the risks associated with delivery of the budget including equalities impacts and unforeseen events. As at the time of writing this report general fund non earmarked balances remain at £10m. The remaining ear marked reserves total £6.483m (excluding reserves totalling £6.251m applied to 2021/22 as detailed in table 1):
- Contingency for Unforeseen items £1.248m (on going revenue reserve)
 - Business Risk Reserve – £1m
 - Adult Social Care Reserve - £1m
 - Transformation Reserve - £0.545m
 - MTFS Implementation Reserve – £1.426m.
 - The Commercialisation Reserve - £1.264m.
- 1.68 At the end of the financial year, all the reserves listed above will be transferred into the Business Risk Reserve. The Director of Finance and Assurance will report on the adequacy of the Council's reserves as required in the budget setting report in February 2021.

LONDON BOROUGH GRANTS SCHEME

1.69 Harrow's contribution to the London Borough's Grant Scheme was £187k in 2020//21. At the time of writing this report the Council has not been notified of the recommended contribution for 2021/22. To ensure that the Council can respond to London Council's when contribution rates are notified, it is recommended that Cabinet authorise the Director of Finance & Assurance to agree Harrow's 2021/22 contribution to the London Borough's Grant Scheme, in consultation with the Portfolio Holder for Finance and Resources. The contribution rate will be reported to Cabinet in February 2021 as part of the final budget.

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 Public consultation on the overall budget for 2021/22 will commence on 18 December 2020 and will last for a period of 4 weeks ending 15 January 2021 before the final budget is recommended to Full Council on the 25 February 2021. The public consultation will give residents an opportunity to comment on the 2021/22 overall budget before final decisions are formalised in the council's annual budget. Other key stakeholders, including Union Representatives, local businesses, employees and the Council Scrutiny function will also be fully consulted in the draft budget and MTFs before final approval.

2.4 In terms of service specific consultations, the council has a duty to consult with residents and service users in a number of different situations including where proposals to significantly vary, reduce or withdraw services. Consultation is also needed in other circumstances, for example to identify the impact of proposals or to assist with complying with the council's equality duties. Where appropriate, separate service specific consultations have already taken place or will be taking place for the 2021/22 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 The following risk is covered in the Council's Corporate Risk Register:

- 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. At Quarter 3 2020/21 this risk is rated at B2 – high likelihood and critical impact.

4.2 A balanced budget position is not achievable in 2022/23 or 2023/24 due to the overall reduction in revenue/funding, increases in the population, disproportionately high impact of Covid-19 on the borough, economic uncertainty and the difficulty of finding sustainable savings year on year. This leaves the Council in a grave financial position, facing very difficult budget decisions and potentially at risk of being unable to meet the demand for services, particularly Adult Social Care, Children's Placements and Accommodation and SEN. This risk is mitigated by tight financial management, maintaining the level of reserves and using them with caution, increasing Council Tax in line with referendum limits, full use of Adult Social Care precept, ongoing efficiencies, the generation of income and a budget strategy for savings.

4.3 In preparing the draft budget for 2021/22 it is accepted that there is an element of risk until the Indicative Financial Settlement is received mid to late December.

5.0 LEGAL IMPLICATIONS

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

- 5.2 Local authorities owe a fiduciary duty to council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of council tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.
- 5.3 Cabinet is approving these proposals for consultation after which a cumulative equalities impact will be drafted. These proposals will be referred to Council so that Council can approve the budget envelope and set the Council Tax. There will be contingencies within the budget envelope so that decision makers have some flexibility should any decisions have detrimental equalities impacts that cannot be mitigated.
- 5.4 The Secretary of State has the power to designate two or more "relevant authorities" as a pool of authorities for the purposes of the provisions of Schedule 7B of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 2012). Paragraph 45 (Interpretation) of Schedule 7B defines a "relevant authority" as a billing authority in England, or a major precepting authority in England. The list of billing authorities at Schedule 5, Part 1 of the Non-domestic Rating (Rates Retention) Regulations 2013/452 includes the GLA and the London Boroughs as billing authorities and the GLA is also a precepting authority pursuant to section 39 (1) of the Local Government Finance Act 1992. In relation to the project, the participating local authorities have implicit powers to enter into arrangements with each other for the purposes of fulfilling the requirements of Schedule 7B for obtaining an order of the Secretary of State authorising the establishment of a business rate pool.
- Local authorities have a power to enter into arrangements between them including under section 111 of the LGA 1972: "Without prejudice to any powers exercisable apart from this section but subject to the provisions of this Act and any other enactment passed before or after this Act, a local authority shall have power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions".

6.0 FINANCIAL IMPLICATIONS

- 6.1 Financial Implications are integral to this report.

7.0 PROCUREMENT IMPLICATIONS

- 7.1 There are no procurement implications arising from this report.

8.0 EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY

8.1 Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed. Consideration of the duties should precede the decision. It is important that Cabinet has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

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

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

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

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

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

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

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

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

The relevant protected characteristics are:

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

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

9.0 COUNCIL PRIORITIES

9.1 The Council’s draft budget for 2020//21 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

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 10 December 2020		
Name: Jessica Farmer	<input checked="" type="checkbox"/>	on behalf of the * Monitoring Officer
Date: 10 December 2020		

Section 3 – Procurement Clearance

Name: Nimesh Mehta	<input checked="" type="checkbox"/>	Head of Procurement Officer
Date: 10 December 2020		

Section 3 – Corporate Director Clearance

Name: Charlie Stewart	<input checked="" type="checkbox"/>	Corporate Director of Resources
Date: 10 December 2020		

Ward Councillors notified:	No, as it impacts on all Wards
EqIA carried out:	To be reported on as Part of the Feb Budget report
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	Call in applies
<i>(for completion by Democratic Services staff only)</i>	

Growth/Reversed savings and savings- 2021/22 Budget Process																	
Item No	Unique Reference No.	Specific Service Area	Headline Description re: saving / reduction	2020/21 Service Budget	agreed Savings /growth 2020/21	agreed' Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	2023-24	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	£000	£000	£000	£000	£000	£000	£000				
Reversal of prior year savings/ growth and new savings																	
Resources Directorate																	
1		Legal & Governance	Bucks and Aylesbury Vale District Council exit of shared service with Legal Services. Scale down the growth agreed in 20/21 budget process.The growth was to fund the net impact of this lost income.	7,550	0	0	7,550	TBC	-	(176)	(177)		(353)		N	N	
			Resources total	7,550	-	-	7,550	-	-	(176)	(177)	-	(353)				
People Directorate																	
			Total Adults														
			Total Children's Services														
Community Directorate																	
2	COM21.22_S01	Environment & Commissioning	Commissioning and Environmental Services re-organisation - net saving on salary budget	26,075	-	-	26,075	TBC	-	(250)			(250)		Y	N	Yes - Staff, trade unions
3		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 financing 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.										(900)		N	N	
			Community Total				966	-	-	(250)	(300)	(600)	(1,150)	-			
Corporate																	
4	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.										900		N	N	
5	Corporate	Corporate	Removal of Investment Property Capital Budget and savings associated.			(7,050)	(7,050)			3,525	3,525		7,050		N	Y	
6	Corporate	Corporate	Capital financing costs reduced as a result of removal of Investment Property Capital Budget			4,700	4,700			(2,350)	(2,350)		(4,700)		N	Y	
			Corporate Total					-	-	1,175	1,475	600	3,250	-			
			Total					-	-	749	998	-	1,747				

Growth/Reversed savings and savings- 2021/22 Budget Process																	
Item No	Unique Reference No.	Specific Service Area	Headline Description re: saving / reduction	2020/21 Service Budget	agreed Savings /growth 2020/21	agreed' Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	2023-24	Total	Risk	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
Growth and reversal of prior year savings																	
Resources																	
7	RES 1	Strategy	Emergency Planning & Business Continuity Pan London Resilience improvement programme.	167			167	-	-	70			70		N	N	N
8	RES 2	Transformation - PMO	Expansion of PMO	244			244		-	64			64		N	N	Yes
			Total Resources	411	-	-	411	-	-	134	-	-	134	-			
People Directorate																	
Adults																	
9		Transition and Personal Budgets	Reversal of 'Growth in the transition budget and Personal Budgets' agreed as part of the 2019/20 Budget Setting as this is replaced by the updated growth figure of £3.895m. The £652k was based on £300k for transitions (assumes additional 10 pa) and £352k for Personal Budgets (a further 1 new PB every other week)			652	652			(652)			(652)		N	N	N
10		Placements	Demand Pressures - additional pressures identified and reported to Cabinet in February 2020.	35,686	7,317	0	43,003	N/A		3,895	1,047	-	4,942		N	N	N
11		Equipment	Careline & Community Equipment - historic annual capital expenditure to be funded by revenue and no longer put through the Capital Programme	372	-	-	372	N/A		465			465		N	Y	N
			Total Adults					-	-	3,708	1,047	-	4,755				
Children's Services																	
12	PCS21.22_G01	CYPS	Children's Placements & Accomodation	25,482						1,227	1,205		2,432		N	N	No
13	PCS21.22_G02	Education	SEN Transport	5,015						777	(0)		777		N	N	No
			Total Children's Services					-	-	2,004	1,205	-	3,209				
			People Total					-	-	5,712	2,252	-	7,964				
Community																	
14	COM21.22_G01	Directorate wide	Impact of Covid-19: Loss of income across Community directorate	(46,399)	-	-	(46,399)			5,000	(2,218)	(1,799)	983		N	N	No
15	COM21.22_G02	Facilities Management	Income pressure for School SLA services	(226)			(226)			80			80		N	N	No
16	COM21.22_G03	Facilities Management	Building repair and maintenance for all corporate sites	771			771			300			300		N	N	No
17	COM21.22_G04	Depot	Residual amount of unachieved MTFS target relating to Depot	(1,234)			(1,234)			861			861		N	N	No
18	COM21.22_G05	Contracts Management	Residual amount of unachieved MTFS procurement saving (£250k profiled in 19/20)	(250)			(250)			32			32		N	N	No

Growth/Reversed savings and savings- 2021/22 Budget Process																	
Item No	Unique Reference No.	Specific Service Area	Headline Description re: saving / reduction	2020/21 Service Budget	agreed Savings /growth 2020/21	agreed' Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	2023-24	Total	Risk	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
19	COM21.22_G06	Waste Services	West London Waste Authority Levy increases as a result of waste growth, household growth and contract price inflation	8,357			8,357	-	-	750	300	300	1,350		N	N	No
20	COM21.22_G07	Waste Services	Increase in Mixed Dry Recycling waste disposal cost	947			947	-	-	600			600		N	N	No
21	COM21.22_G08.1		Redevelopment of Vernon Lodge - Reversal of MTFS target that reflects capital financing cost and net income	(80)	(643)		(723)	-	-	723			723		N	N	No
22	COM21.22_G08.2	Corporate Finance	Redevelopment of Vernon Lodge - Reduction in capital financing costs	307	244		551	-	-	(551)			(551)		N	N	No
23	COM21.22_G09.1		Probation Centre - Reversal of MTFS target which reflects capital financing cost of £5m capital	-	275		275	-	-	275			275		N	N	No
24	COM21.22_G09.2	Corporate Finance	Probation Centre - Reduction in capital financing costs	-	(275)		(275)	-	-	(275)			(275)		N	N	No
25	COM21.22_G10.1		Unmanned Aerial Vehicles -Reversal of MTFS target that reflects capital financing cost of £400k capital	-	(92)		(92)	-	-	92			92		N	N	No
26	COM21.22_G10.2	Corporate Finance	Unmanned Aerial Vehicles - Reduction in capital financing cost	-	92		92	-	-	(92)			(92)		N	N	No
27	COM21.22_G11	Waste Services	Waste bins - change the funding source from capital to revenue following capital programme review	-			-			125			125		N	N	No
													-				
			Community Total		-	-	-	-	-	7,920	(1,918)	(1,499)	4,503				
28		Corporate Finance	Reversal of saving from 'SEN Transport efficiency from Transformation		(400)	(400)	(800)			800			800		N	N	
			Corporate Total			-	-	-	-	800	-	-	800				
			Total		-	-	-	-	-	14,566	334	(1,499)	13,401				
			Net Impact of Reversals/Growth and Savings							15,315	1,332	(1,499)	15,148				

Total Savings and Growth 2021/22 to 2022/23 from 2020/21 Budget Process

Appendix 1B

Item No	Unique Reference No.	Headline Description re: saving / reduction	2019/20 Service Budget £000	agreed Savings /growth 2020/21 £000	agreed Savings /growth 2021/22 £000	Net budget £000	Implementation Costs & Redundancy £000	Implementation Costs CAPITAL £000	2021-22 £000	2022-23 £000	Total £000	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
Resources Directorate														
3	RES 4	Benefits - delete two posts over two years	913	0	0	913	-	-	(33)		(33)	N - Vacant Post.	N	N
6	RES 2019-20 S1-5	Reduction in Customer Channels (B) - closing telephony & email channels across Council Tax, Housing Benefits, Planning, Building Control, Education, Parking & Switchboard and only accepting on-line applications following the release of new on-line services by April 2019/20.							(175)		(175)	http://modern.gov:8080/documents/g64382/Public%20reports%20pack%20Thursday%2021-Feb-2019%2018.30%20Cabinet.pdf?T=10	Y	Affected services
9	RES	Investment Income : Income from investing in commercial properties							(1,726)		(1,726)	N	N	N
Resources total			5,756	-	-	5,756	20	-	(1,934)	-	(1,934)			
People Directorate														
10	PC_01	Reduction in expenditure in relation to children's placements, accommodation and client related spend. Targeted early intervention and support to prevent young people from coming into care or stepping young people down from care where it is safe to do so. Targeted actions continue to reduce the average cost of service provision through negotiation with providers and continued maximisation of capacity available within block contracts services and council properties.	9,880	0	0	9,880	-	-	(410)		(410)	N - Reduction in cost of provision rather than the provision. Assessment will be done on individual basis.	N	N
10	PC_01	This saving has been reversed as part of the Children's growth included in Appendix 1A.	9,880	0	0	9,880	-	-				provision rather than the provision. Assessment will be done on individual basis.	N	N
Children and Young People Total			9,880	-	-	9,880	-	-	(410)		(410)			
Community Directorate														
11	COM_20.21_S01	Substitute funding for 2 existing job brokers with external grant in 2020/21. External funding has been secured as part of Strategic Investment Pot (SIP) over 2 years. Part of this grant is earmarked for funding staffing costs. The proposed funding substitution means the delivery of the programme will have to be incorporated into the work of existing staff. If no further funding is secured beyond 2020/21, one post will be deleted and the other one retained.	202	-	-	202	TBC	-	45		45	N - external funding secured to retain the post in 2021/22	N	N

Total Savings and Growth 2021/22 to 2022/23 from 2020/21 Budget Process Appendix 1B

Item No	Unique Reference No.	Headline Description re: saving / reduction	2019/20 Service Budget	agreed Savings /growth 2020/21	agreed Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	Total	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
			£000	£000	£000	£000	£000	£000	£000	£000	£000			
6	RES 2019-20 G1-2	The Housing Benefit Admin Grant reduces annually due to year on year efficiency cuts to DWP (Department of Work and Pensions) funding under SR2007 & SR 2013 efficiency directives in relation to settlements to DWP funding. The DWP efficiency targets in place impact on the HB Admin Grant annually, reducing future grants by approximately 10% cumulatively (7% + 3%).							90		90	N	N	N
7	RES 2019-20 G1-3	Growth is required to replace cuts in both DWP (Department for Work and Pensions) Administration grants to the Local Authorities and for overpayments of compensation payments from DWP to Harrow. This is due to both imposed cuts to the LA admin grant by the DWP due to their own savings strategy and due to the fact that as we will administer less cases over time (due to the migration of new cases to Universal Credit), there will be less overpayments and therefore less compensation awarded to Harrow which reduces the income in the revenue budget.							50		50	N	N	N
Resources Total			-	-	-	-	-	-	493	678	1,171			
People														
Adults														
10	Adults	Growth in the transition budget and Personal Budgets over the next 3 years which will increase the transitions budget by a total of £1.4m and Personal Budgets by £1.218m. 'Growth 2019-20. This relates to £650k for transitions funding (additional 24pa) and £345k for personal budgets (additional 1 per week). Growth 2020-21. This relates to £450k for transitions funding (based on further 15) and £521k personal budgets (assumes a further 1 new PB every other week in addition to the 2019/20 increase) Growth 2021-22 - this relates to £300k for transitions (assumes additional 10 pa) and £352k for Personal Budgets (a further 1 new PB every other week)							652		652	N	N	N
10	Adults	This growth is being reversed out in Appendix 1A												
Adult Total									652	-	652			
People Total			-	-	-	-	-	-	652	-	652			

Total Savings and Growth 2021/22 to 2022/23 from 2020/21 Budget Process													Appendix 1B	
Item No	Unique Reference No.	Headline Description re: saving / reduction	2019/20 Service Budget	agreed Savings /growth 2020/21	agreed Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	Total	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
			£000	£000	£000	£000	£000	£000	£000	£000	£000			
	Corporate													
25		Capital Financing costs associated with the capital investment of the redevelopment of the Vernon Lodge and Atkins House site.							244		244	N	N	N
25		This growth is being reversed out in Appendix 1A along with the savings associated with the original scheme.												
		Corporate Total (financing Cost)							244	-	244			
		Total Growth	0	0	0	0	0	0	1,389	678	2,067			
		Net Savings/Growth							(4,799)	(1,544)	(6,343)			

MEDIUM TERM FINANCIAL STRATEGY 2021/22 to 2023/24

Appendix 2

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Budget Requirement Brought Forward	167,081	174,762	178,856	181,635
Corporate & Technical	6,393	-6,423	28,746	6,597
People	289	5,954	2,252	0
Community	1,286	6,545	-2,218	-2,099
Total Resources	383	-1,483	501	0
Corporate	-670	-500	-747	600
Total	7,681	4,093	28,534	5,098
FUNDING GAP	0	0	-25,754	-5,098
Total Change in Budget Requirement	7,681	4,093	2,780	0
Revised Budget Requirement	174,762	178,856	181,635	181,635
Collection Fund Deficit/-surplus	-2,120			
Revenue Support Grant	-1585	-1585	-1585	-1585
Top Up	-22,623	-22,623	-22,623	-22,623
Retained Non Domestic Rates	-14,942	-14,942	-14,942	-14,942
Amount to be raised from Council Tax	133,492	139,706	142,485	142,485
Council Tax at Band D	£1,522.72	£1,598.70	£1,630.51	£1,630.51
Increase in Council Tax (%)	3.99%	4.99%	1.99%	0.00%
Tax Base	87,667	87,387	87,387	87,387
Collection rate	98.00%	98.00%	98.00%	98.00%
Gross Tax Base	89,456	89,170	89,170	89,170

MTFS 2022/22 to 2023/24 – Proposed investments / savings

Technical Adjustments			
	2021/22	2022/23	2023/24
	£000	£000	£000
Capital and Investment			
2018/19 implications in 2021/22	1900		
Reversal of one off Regen MRP Provision used in 2020/21	1000		
MRP on Community projects and Property investment from 2019/20	1454		
Interest on Community projects and Property investment from 2019/20	967		
Capital Financing costs from additional Capital Programme		1250	
Capital Financing included as part of 2021/22 budget setting process			
Implications of Capital Programme agreed for 2020/21 to 2023/24	-2981	2981	470
Total Capital and Investment Changes	2,340	4,231	470
Grant Changes			
Additional 2019 New Homes Bonus after settlement from prior years	535		
Additional New Homes Bonus for 2020/21	787		
Assumption that New Homes Bonus reduces in 2022/23		728	
Reversal of previous reductions in NHB assumed on the basis it continues	-782	-728	
Reversal of 'Use of 2019/20 Business Rates Pool Budget in 2020/21 budget	1800		
Additional Social Care grant announced in SR estimated figure	-1044		
£1.55b grant to meet additional COVID expenditure (one off)	-4600	4600	
Income compensation for sales, fees and charges - 3 mth extension	-500	500	
Total Grant Changes	-3,804	5,100	0
Other Technical Changes			
Freedom Passes - estimated reduction in usage	-1108	-1580	1377
Use of Reserves			
Full use of the Budget Planning Reserve in 2020-21	2629		
Use of Business Risk Reserve smoothed over 2 years	1176	0	
Use of Business Risk Reserve for one off investment of £1m pa for 3 years	-1000	-1000	
One off Investment into front line priorities	1000	1000	
Use of Business Risk Reserve smoothed over 2 years	-3350	3350	
Budget planning reserve not applied in 20/21	-2628	2628	
Business Risk Reserve - not applied in 20/21	-1771	1771	
Children's social care reserve - no applied in 20/21	-932	932	
Adult Social Care Reserve	-920	920	
£2m 20/21 target underspend - to be added to reserves in 2021/22	-2000	2000	
Total Other Technical Changes	-8,904	10,021	1,377
Pay and Inflation			
Pay Award @ 2% pa	2000	2000	
Pay Award @ 2.75% pa			2750
Non Pay Inflation/budget pressures	1100	2750	2000
Total Pay and Price Inflation	3,100	4,750	4,750
OTHER			
Gayton Road Income - Reversal of 72 units transferred to HRA	500		
Capital Receipts Flexibility - £2m applied in 2021/22	-2000	2000	
Adults Growth / Pressure	2344	2644	
Total Corporate & Technical	-6,423	28,746	6,597

MTFS 2021/22 to 2023/24 – Proposed investments / savings

People			
	2021/22	2022/23	2023/24
	£000	£000	£000
Children & Families			
Proposed Savings - Appendix 1B	-410	0	0
Proposed Growth - see appendix 1a	2004	1,205	0
Sub total Children & Families	1,594	1,205	0
Adults			
Proposed Growth - see appendix 1a	3708	1047	0
Proposed Growth - see appendix 1b	652	0	0
Sub total Adults	4,360	1,047	0
Total People Directorate	5,954	2,252	0

MTFS 2021/22 to 2023/24 – Proposed investments / savings

Community			
	2021/22	2022/23	2023/24
	£000	£000	£000
Proposed Savings - see appendix 1a	-250	-300	-600
Proposed Growth - see appendix 1a	7,920	-1,918	-1,499
Proposed Savings - see appendix 1b	-1,125	0	0
Proposed Growth - see appendix 1b	0	0	0
Total Community	6,545	-2,218	-2,099

MTFS 2021/22 to 2023/24 – Proposed investments / savings

	2021/22	2022/23	2023/24
Resources	£000	£000	£000
Proposed Savings - see appendix 1b	-1,934	0	0
Proposed Growth - see appendix 1b	493	678	0
Proposed Savings - see appendix 1a	-176	-177	0
Proposed Growth - see appendix 1a	134		
Total Resources	-1,483	501	0

MTFS 2021/22 to 2023/24 – Proposed investments / savings

	2021/22	2022/23	2023/24
	£000	£000	£000
CORPORATE			
Proposed Savings - appendix 1a	1175	1475	600
Proposed Growth - appendix 1a	800	0	0
Proposed Savings - see appendix 1b	-2,719	-2,222	0
Proposed Growth - see appendix 1b	244	0	0
Total Corporate	-500	-747	600

School Budgets 2021/22 – Dedicated Schools Grant (DSG)

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.

Schools Funding for 2021-22

2. 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 on the basis of the total of the NFF for all school, 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.
3. 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 two years have been set based on the NFF.
4. The NFF will therefore continue to be used to distributed school budgets for 2021-22.
5. From 2020 the government 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. There are no proposed changes to the **structure** of the formula for 2021-22 however there are a number of changes for schools to be aware of.

Changes in 2021-22

Increase in factor values

Table 1 – indicative funding formula factor values

Factor	2020-21		Indicative 2021-22	
	Primary	Secondary	Primary	Secondary
Primary per pupil basic	£3,137.07		£3,429.15	
KS3 per pupil basic entitlement		£4,411.88		£4,835.72

KS4 per pupil basic entitlement		£5,008.11		£5,449.52
Free School Meals	£494.11	£494.11	£505.09	£505.09
Free School Meals Ever6	£614.90	£894.89	£631.37	£922.35
Deprivation IDACIF	£230.59	£329.41	£236.08	£340.39
Deprivation IDACIE	£274.51	£444.70	£285.49	£455.68
Deprivation IDACID	£411.76	£587.45	£450.19	£636.86
Deprivation IDACIC	£444.70	£636.86	£488.62	£691.76
Deprivation IDACIB	£477.64	£686.27	£521.56	£746.66
Deprivation IDACIA	£658.82	£922.35	£680.78	£949.80
Low Prior Attainment	£1,169.40	£1,767.83	£1,202.34	£1,822.73
English as an Additional	£587.45	£1,581.16	£603.92	£1,630.57
Mobility	£960.78	£1,372.54	£988.23	£1,416.46
Lump Sum	£125,614.63	£125,614.63	£129,347.93	£129,347.93

7. Basic per pupil funding factors have been increased by 3% since 2020-21.

Teacher's Pay Grant (TPG) and Teacher's Pension Employer Contribution Grants (TPECG)

8. The most significant change in 2021-22 is that funding previously received through the TPG and TPECG, including the supplementary fund, to mainstream schools for pupils from reception to Y11 will be allocated through the NFF thus increasing schools' baselines.
9. In addition to the 3% general inflationary amount added to each formula factor a further £180 has been added to the primary basic entitlement factor and £265 to each of the KS3 and KS4 basic entitlement factors. This funding (plus the Area Cost Adjustment) is equivalent to the funding received in the TPG and TPECGs for September 2018 and September 2019 pay awards. No further funding will be allocated for pay changes in September 2020 or beyond.
10. Therefore, despite an estimated additional £10m of funding in the NFF in 2021-22 for Harrow schools, nearly £8m of this represents funding already being received by schools through the TPG and TPECG.

Minimum Per Pupil Funding Levels (MPPL)

11. The MPPL will be set at £4,180 for primary schools and £5,415 for secondary schools. There are possibly 5 schools in Harrow who may be eligible for some additional top up funding where the funding as calculated through the NFF is below the national thresholds for primary and secondary schools.

Income Deprivation Affecting Children Index (IDACI)

12. The IDACI dataset has been updated in 2019 so that the IDACI bands are now assigned based on rank rather than score. For example, Band A now consists of pupils in the most deprived 2.5% of lower super output areas (LSOAs), instead of consisting of pupils in LSOAs with an IDACI score greater than 0.5.

13. Nearly all schools will lose funding as a result of this change. In order to compensate slightly some of the factor values have increased above the 3% generic inflation but this still does not mitigate overall losses.
14. The impact of the banding changes is that (based on the October 2019 census) 90% of pupils in Harrow schools are now in Band G which is the least deprived band and attracts no funding. This compares with 78% under the old banding methodology.
15. Schools will be protected through the Minimum Funding Guarantee from these per pupil losses but it does mean that in the event that MFG protection no longer applies there will be a real cash reduction as a result of these changes.

Minimum Funding Guarantee (MFG)

16. The MFG will continue and the allowable range for 2021-22 is between +0.5% and +2%.
17. This means that each school will gain at least +0.5% *per pupil* compared with the 2020-21 budget.
18. Where schools are protected by MFG this means that they are receiving funding over and above that which is calculated by the National Funding Formula because of the levels of funding they had been receiving prior to the introduction of the NFF. In future years if the MFG protection is removed then those schools who are funding above the NFF will see an immediate drop in funding from one year to the next.

Consultation 2021-22

19. Whilst there are no proposed changes to the structure of the formula for 2021-22 the LA as required to consult on the value of the Minimum Funding Guarantee
20. A short consultation was carried out from 5th to 23rd October 2020. There were a total of 10 (19%) responses received
21. The consultation question asked: Do you support the proposal to apply the highest MFG subject to affordability and ensuring that no school's budgets are unfairly distorted. A summary of responses is shown at Table 2:

Table 2 – consultation question summary of responses

Phase	Number of respondents	Yes		No	
		Number	%	Number	%
All Through	0	0		0	0%
Primary	5	5	100%	0	0%
Secondary	5	5	100%	0	0%
Total	10	10	100%	0	0%

22. As shown in Table 2 100% of respondents support the highest MFG subject to affordability.

Central School Services Block

23. The CSSB funds the following services:

- School Admissions
- Servicing of Schools Forum
- LA retained duties for schools and academies.

24. The indicative funding for 2021-22 has remained unchanged at £1.2m.

Growth Fund

25. Schools Forum agreed to continue to maintain a ring fenced growth fund from the DSG in order to fund in-year pupil growth in relation to additional classes in both maintained and academy schools which create additional classes at the request of the LA.

High Needs Funding

26. 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 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

27. The government introduced a National Funding Formula for High Needs from 2018-19. Funding has previously been based on historical allocations plus small annual amounts of growth. In order to manage increasing growth for demand and complexity, annual funding transfer from the schools block into the high needs block have been approved by Schools Forum

28. From 2018-19 the Schools Block has been ring-fenced and transfers between blocks has been restricted to 0.5% of the Schools Block (approx. £800k). The decision to agree a transfer remains with Schools Forum. It agreed a transfer of 0.5% in 2018-19 and a reduced transfer of 0.25% in 2019-20 however it did not agree to any transfer beyond 2019-20 on the basis that the government should be properly addressing the inherent underfunding of High Needs pupils and to continue to topslice mainstream school budgets masks the extent of the problem.

29. There is anticipated to be an additional £2.8m added to the HNB for 2021-22 however there are already significant pressures on the HNB.
30. In 2019-20 there was an overspend on the HNB of £2.944m and there is a further projected overspend in 2020-21 of £3.157m taking the projected cumulative deficit on the HNB to £6.101m by March 2021.

DSG deficits

31. The government consulted on the treatment of deficits in 2019. The outcome of the consultation was a change to the regulations for the treatment of DSG deficits so that LAs must carry forward any HNB deficit to be funded from the next year's budget share. It also explicitly states that LAs can not and should not fund any DSG deficit from its own reserves.

DSG Recovery Plans

32. 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
33. 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 2019-20 compared with the deficit shown in the authority's published draft accounts.
34. The final deficit in 2019-20 of £2.944m represents 1.35% of the overall DSG allocation (including academy funding). The recovery plan has been drafted however and discussed with Schools Forum. However the following points should be noted:
35. Despite the significant proposals and measures planned over the next ten years, this will not 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
 - 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

Early Years Funding

36. Funding for Early Years relates to free 15 hour nursery entitlement for all 3 & 4 year olds in maintained nurseries and nursery classes as well as private, voluntary and independent (PVI) provision. From September 2017 this was extended to 30 hour nursery entitlement for eligible 3&4 year olds. It also funds free 15 hour nursery entitlement for disadvantaged 2 year olds.

37. A National Funding Formula for Early Years was introduced in 2017-18. Cabinet approved the structure of the Harrow formula for the distribution of funding to providers in January 2018.

38. Funding rates and allocations will be announced in December 2020.

Draft Public Health Funding 2021-22**Appendix 4**

	£000	
Mandatory Services		
Sexual Health (incl Family Planning)	2,192	
0-19 Services	3,838	
Health Checks	<u>176</u>	
		6,206
Discretionary Services		
Tobacco Control	73	
Drug & Alcohol Misuse	1,858	
Physical Activity	<u>30</u>	
		1,961
Staffing & Support Costs		
Staffing	804	
Non-Staffing	59	
Overheads	<u>163</u>	
		1,026
Health Improvement	306	
Wider Determinants of Health	<u>1,651</u>	
		1,957
Total Expenditure		<u><u>11,150</u></u>
Funded by		
Department of Health Grant	<u>-11,150</u>	
Total Income		<u><u>-11,150</u></u>