

Cabinet Supplemental Agenda

Date: Thursday 11 February 2021

Agenda - Part I

**KEY 12. Final Revenue Budget 2021/22 and Medium Term Financial Strategy
2021/22 - 2023/24 (Pages 3 - 98)**

Report of the Director of Finance.

Agenda - Part II - Nil

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Report for: Cabinet

Date of Meeting:	11 February 2021
Subject:	Final Revenue Budget 2021/22 and final 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:	No – decisions reserved to Council
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 – Revenue Budget Summary 2021/22 Appendix 4 – Levies, contributions and subscriptions Appendix 5 – Policy on use of contingency Appendix 6 - Schools Budget 2021/22 Appendix 7 - Public Health Budget 2021/22 Appendix 8 - Reserves Policy Appendix 9 – Reserves Forecast Appendix 10 - Report of the Chief Finance Officer Appendix 11 - Model Council Tax Resolution

Appendix 12- Members Allowance Scheme 2021/22

Appendix 13 – Annual Pay Policy Statement for 2021/22

Appendix 14- Flexible Use of Capital Receipts

Appendix 15- Summary of EQIA for Saving Proposals 2021/22

Section 1 – Summary and Recommendations

This report sets out the final revenue budget for 2021/22 and final Medium-Term Financial Strategy (MTFS) for 2021/22 to 2023/24. In December 2020, Cabinet approved the draft versions of the revenue budget and MTFS for general consultation.

Recommendations:

Cabinet is requested to:

- 1) Recommend the 2021/22 budget to Council for approval, being mindful of the results of the various consultations and equality impact assessments, to enable the Council Tax for 2021/22 to be set (Appendix 2).
- 2) Recommend the Model Council Tax Resolution 2021/22 to Council for approval as set out in Appendix 11.
- 3) Recommend to Council that, in accordance with Section 38 (2) of the Local Government Finance Act 1992, the Chief Executive be instructed to place a notice in the local press of the amounts set under recommendation 2 above with a period of 21 days following the Council's decision.
- 4) Approve the Medium-Term Financial Strategy (MTFS) for referral to Council (Appendix 2).
- 5) Note the balanced budget position for 2021/22, and the budget gaps of £24.651m and £5.098m for 2022/23 and 2023/24 respectively (Table 5).
- 6) Note the intention to increase Council Tax by 1.99% in 2021/22 (Paragraph 1.20).

- 7) Note the proposal to increase Council Tax by a further 3% in 2021/22 in respect of the Adult Social Care Precept (Paragraph 1.20).
- 8) Note the 2021/22 budgets for Schools and Public Health as set out in Appendices 6 & 7.
- 9) Note the assumed funding for the protection of social care 2021/22 through the BCF as set out in paragraphs 1.74 to 1.78.
- 10) Note the requirement to develop a fully costed budget and implementation plan, to the value of a minimum £10m, to bring to Cabinet on preparation to feed into the budget setting round for 2022/23 (Paragraph 1.83).
- 11) Recommend the 2021/22 Members Allowance Scheme to Council for approval (Appendix 12).
- 12) Recommend the 2021/22 Annual Pay Policy Statement to Council for approval (Appendix 13).
- 13) Recommend the Capital Receipts Flexibility Strategy to Council (Appendix 14).

Reason: (For recommendations)

To ensure that the Council sets a balanced budget for 2021/22.

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	

1.4 Over the 9-year period, 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%.

- 1.5 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.
- 1.6 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. Between the period March 2020 and February 2021, a total of 18,594 lab-confirmed cases were recorded for the London Borough of Harrow. Harrow had an overall case rate of 7,365 per 100,000 population, higher than the London rate of 7,317 cases per 100,000. Since the beginning of the pandemic in 2020, there have been 522 deaths registered to Harrow residents, which mentioned Covid-19 on the death certificate. The cumulative rate of death in Harrow was 207.8 per 100,000, which is significantly higher than London (162 per 100,000) and England (171 per 100,000).
- 1.7 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.
- 1.8 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

- 1.9 The final budget set out in this report shows an updated MTFS with several changes which Cabinet are asked to note. The changes achieve a balanced budget position for 2021/22 and budgets gaps of £24.651m and £5.098m for 2022/23 and 2023/24 respectively. The final MTFS is based on the Indicative Local Government Settlement received on 17 December 2020. MP's will vote on the final Local Government finance settlement for 2021/22 on 10 February and the final settlement is likely to be published in the days beforehand. 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), including adverse equality impacts, 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

1.10 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.

1.11 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 included in the MTFS:

- The main Council Tax referendum limit is set 2% and the Adult Social Care Precept at 3%.
- £300m of extra grant funding for Social care. Harrow's share is confirmed at £326k and is 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. Harrow's indicative allocation is £2.325m and the funding is assumed to be non-recurrent for budgeting purposes.
- A mandatory requirement to spread the impact of Collection Fund losses for 2020/21 over the following three years. Harrow's collection rates have remained at good levels and this mandatory requirement has a minimal impact on the MTFS.
- An extra £1.55n of grant funding to meet additional Covid-19 expenditure pressures. Harrow's allocation is £6.051m 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 final 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

- 1.12 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.
- 1.13 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, 'P3 2020/21 Revenue & Capital Monitoring 2020/21 – as at Qtr 3 (31/12/20).' This report forecasts a net underspend of £1.864m made up of a forecast underspend against the business as usual budget of £1.985m off set against unfunded Covid-19 pressures of £121k. It should be noted that the Qtr 3 report was prepared before it was announced that the country would enter a third lockdown late December. The impact of this and current tier restrictions are being assessed, alongside additional central government funding announcements, and will be reflected in the final outturn report scheduled for Cabinet in June.
- 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 reserve 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. The Quarter 3 forecast, through robust management and grip on the in-year budget, estimates no 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

- 1.15 The Council has a statutory obligation to agree and publish the budget for 2021/22, and approval for this is being 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.

- 1.16 The MTFS approved in February 2020 assumed a budget gap of £11.414m for 2021/22 and £11.178m for 2022/23. This was the starting point for the refreshed 3-year MTFS. It's important to note that this starting point assumed achieving existing directorate savings of £2.947m in 2021/22.
- 1.17 The Council's financial position has always been dynamic affected by several 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 final Financial Settlement is announced early February.
- 1.18 The draft budget was presented to Cabinet in December and the adjustments required to set the draft budget are summarised in Table 2 below followed by a narrative explanation. These adjustments are also set out in Appendix 2 along with adjustments included within the previous MTFS agreed as part of the 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	

Council Tax Adjustments

1.19 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 considering 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%.

1.20 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.

Technical Adjustments

1.21 **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.

1.22 **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 Rail 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.

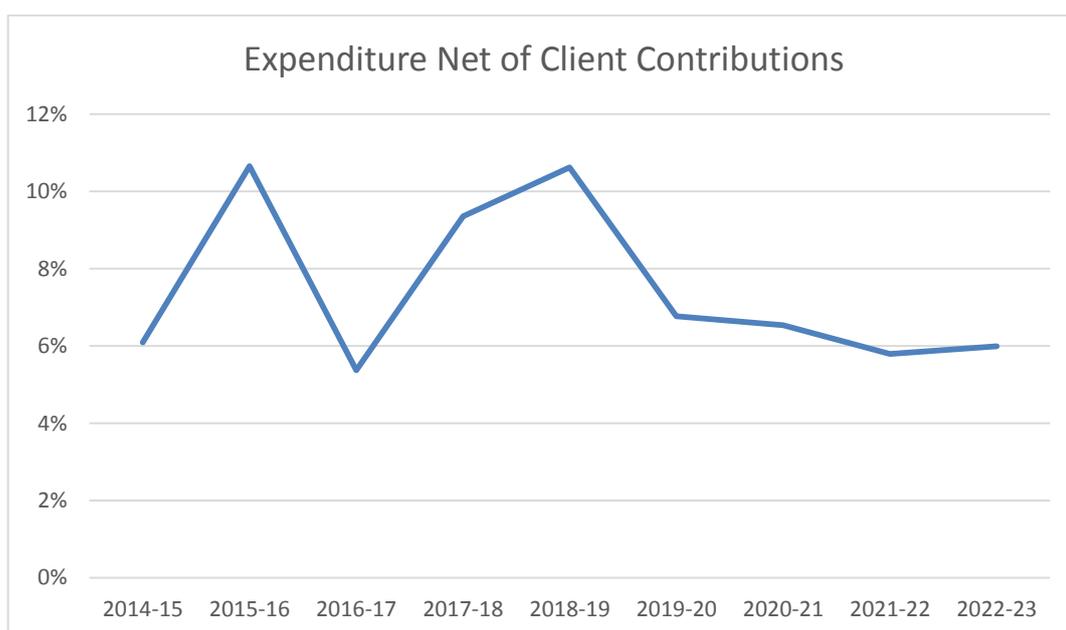
- 1.23 **Allocation of Capital Flexibilities.** The current capital flexibility arrangements are in place until 2021/22 and any announcements around their extension are anticipated in the Indicative Financial Settlement. £2m of capital flexibilities will be applied in 2021/22 to fund the qualifying revenue costs of reform projects which must be reversed out of the budget in the following year.
- 1.24 **Pay and Non-Pay Inflation.** The current MTFFS 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 MTFFS 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 MTFFS. If a pay freeze is subsequently negotiation, the budget saving will be transferred to reserves to support the MTFFS.
- 1.25 **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.
- 1.26 **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.
- 1.27 **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 MTFFS 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 MTFFS of £2.350m has now been removed.

1.28 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.

1.29 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.

1.30 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:



1.31 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
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	£'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:

- 1.32 **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.
- 1.33 **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).
- 1.34 **Commissioning activity** is to support the review of elements of care aiming to increase quality and keep pace with the external market.
- 1.35 **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.
- 1.36 **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.
- 1.37 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.
- 1.38 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.

1.39 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 MTF5. 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.

1.40 **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.

1.41 **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.

1.42 **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.

1.43 **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:

1.44 **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 recyclables, 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.

1.45 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 the area of Facilities Management. This has created an income pressure of £80k for the service.

1.46 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 target 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.

1.47 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.

1.48 **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.

1.49 **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.

1.50 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 non-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.

- 1.51 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.

Adjustments required following the Indicative Local Government Settlement announcement.

- 1.52 The indicative settlement was announced on 17 December, the final settlement being published early February before MP's vote on 10 February. The announcements, along with other changes, have resulted in several adjustments to the draft MTFS which are summarised in table 3 and supported by explanatory text which follows the table:

Table 3: Adjustments to the MTFS 2021/22 to 2023/24 (After the Indicative Local Government Settlement of 17/12/20)

	2021/22	2022/23	2023/24
	£'000	£'000	£'000
Budget gap as per the December 2020 Draft Budget (prior to application of reserves)	8,251	17,503	5,098
Adjustments:			
Council Tax and Business Rates			
Collection Fund surplus	-180	180	0
Business Rates Retention- increased from £14.942m to £15.346m. This increase will be offset by a reduction in Section 31 grant to the same value.	-404		
Reduction in Section 31 grant as above	404		
Summary of Budget changes - Appendix 1A			
Investment in Equalities, Diversity and Inclusion	100		
Adjustment to Adults Growth - a sum of £1.921m growth requirement being held as an ear marked reserve rather than budget growth.	-1,921		
Technical Changes			
Additional Grant For Social Care - the draft budget assumed £1.044m however the settlement announced £326k hence a reduction of £718k.	718		
£1.55b grant to meet additional COVID expenditure - the settlement announced £6.051m, an increase of £1.451m from the draft budget.	-1,451	1,451	
Additional multiplier grant	-477	477	
Additional lower tier grant	-399	399	
Additional New Homes Bonus	-9	9	
Additional Council Tax Support Grant	-1,780	1,780	
Planned £2m underspend in 2020/21 to support 2021/22	-2,000	2,000	
Use of non ear marked reserves	-852	852	
Budget Gap February 2021	0	24,651	5,098

- 1.53 **Collection Fund and Business Rates Retention-** due to sustained collection rates in 2020/21, a small surplus on the Collection Fund can be brought into the final budget for 2021/22 only. The value of retained business rates will increase by £404k but will be matched by an equal reduction in Section 31 grant hence a neutral impact on the MTFS.
- 1.54 **Investment in Equalities, Diversity and Inclusion** - Harrow prides itself in being one of the most ethnically and religiously diverse Boroughs in the country with people of many different backgrounds and life experiences living side by side. However, the Council recognises that more can be done to enhance the lived experience of all staff, service users and communities and to provide better outcomes for them. It is evident that a robust strategic approach is required to tackle inequality, one that although covers all protected characteristics, has a principle focus on race and ethnicity in the first instance. The council has developed a three-strand approach to address Equalities, Diversity and

Inclusion (EDI). This cover; addressing inequality in life outcomes; reviewing services delivered, and the Council’s role as an employer. To deliver this approach successfully, further resources are required and £100k of investment is being provided for to create a specialist EDI function that will develop a new strategic approach towards equalities, diversity and inclusion. Additionally, a further £250k is being set aside as an ear marked reserve for supplementary activity to take forward this agenda.

1.55 Adjustments to Adults growth investment / Additional grant for social care– At the draft budget stage, the growth requirement for adult social care in 2020/21 was £6.239m and this was to be funded by growth already in the MTFS (£2.996m), additional direct growth into the Adults Division of £1.776m (capped at the quantum raised by the 3% precept and additional direct grant) with the balance to reach the requirement (£1.467m) being provided within the budget but retained corporately. In the final budget the growth requirement of £6.239m remains the same and additional growth into the Adults Division will remain capped at the quantum raised by the precept and additional direct grant. The key difference is that the balance to reach the growth requirement will be set aside as an ear marked reserve rather than being provided for as permanent growth. This is to reflect the challenges of reaching a balanced budget position without an over reliance on one off reserve and for further work to be undertaken on the growth requirement considering any changes brought about because of the pandemic. Therefore, in the final budget the £6.239m growth requirement is funded as follows:

Funding already in the MTFS	£2.996m
Additional direct growth	£1.322m (1)
Ear marked reserve	<u>£1.921m</u>
	£6.239m

(1) The additional direct growth has reduced from £1.776m to £1.322m as a result of a precept increase of £264k and the additional social care direct grant reducing from £1.044m at draft budget to £326k.

Along with all services, the adult’s budget will be robustly monitored in 2021/22, including the growth requirement, to ensure the adjusted funding methodology is sufficient for 2021/22 and future years.

1.56 Additional Covid 19 expenditure grant / Multiplier grant / lower tier grant and New Homes Bonus – The lower tier grant was newly announced at settlement with the other three grants all increasing in value in the financial settlement. The challenge is, except for the New Homes Bonus, the grant income is non recurrent in nature and must be reversed out of the MTFS in 2022/23.

1.57 Additional Council Tax Support Grant- This is a new grant to help local authorities support households least able to afford Council Tax. The Council has been given an indicative allocation of £2.325m with the final value subject to confirmation. The draft budget explained that

£1.78m has been reduced from the council tax base (loss of 1,421 properties) due to the growth in Council Tax Support as a result of the weakening economy and the pandemic. Therefore £1.78m of the grant is being applied to the 2021/22 budget to compensate for the CTS related loss in the base. £370k will be set aside to award everyone receiving CTS as at 1/4/2021 a one off council tax hardship award which will negate the inflationary increase of 4.99%. It will not however cover the GLA element within any overall yearly increases. Based on the average band D band, CTS recipients will therefore be awarded between £35 and £60 (depending on their Council Tax band and the percentage of CTS entitlement). Additionally, an extra £50k has been set aside to also ensure the same inflationary award is granted to any further new claimants of CTS throughout 2021/22 as and when they are assessed as eligible. The balance of £125k will be set aside for further hardship support during the year.

- 1.58 **Planned £2m underspend in 2020/21 to support 2021/22** – The report ‘P3 2020/21 Revenue and Capital Monitoring 2020/21’, elsewhere on this agenda, shows a forecast underspend against the business as usual budget of £1.985m which supports the target £2m being achieved.
- 1.59 **Use of none ear marked reserves-** The draft budget assumed using £6.251m of reserves to achieve a balanced budget, at final budget this has reduced significantly to £852k releasing £5.399m of reserve to support the MTFS.
- 1.60 The draft budget included a reduction in the cost of **Freedom Passes** of £1.108m, the reduction has been confirmed at £1.292m, an improvement of £184k. The final budget has not been adjusted on account of several other levies payable by the Council have yet to be confirmed for 2021/22 and the benefit of £184k will be held to offset any adverse variances in the outstanding levies.

Budget Refresh, Growth & Savings

- 1.61 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.
- 1.62 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 across 2 years. The net saving for 2021/22 is £4.799m. 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
Savings Summary			
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)
Growth Summary			
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)

1.63 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 £13.327m over the three-year period 2021/22 to 2023/24. The impact in 2021/22 is net growth of £13.494m. The detail is set out at Appendix 1A.

The net impact on the 2021/22 budget from the £4.799m net saving in Table 4 and the £13.494m of net growth in Table 5, is net growth on the budget of £8.695m.

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	234	-	-	234
Adults	1,787	1,047	-	2,834
Children	2,004	1,205	-	3,209
Community	8,838	(1,918)	(1,499)	5,421
Corporate	(118)	-	-	(118)
Total	12,745	334	(1,499)	11,580
Net Impact of Reversals/Growth and Savings	13,494	1,332	(1,499)	13,327

INVESTMENT

1.64 In the 2020/21, £965k was invested into front line services, funded by an earmarked amount in the Business Risk Reserve. A balance of £1m is within the reserve to cover investments in 2021/22 and 2022/23 and those being funded in 2021/22 are detailed:

investments will continue into 2021/22:

- Street Sweeping (2 weekly sweeping within the borough) (£184k)
- School Improvement (£90k)
- Enforcement (£100k)
- Ward Priorities (£21k)
- Community Cohesion (£70k)

CAPITAL RECEIPTS FLEXIBILITY

1.65 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.

1.66 The Council signified its intent to make use of this flexibility in its final budget report to Cabinet and Council in February 2016. The final budget for 2021/22 includes capital flexibilities of £2m.

SCHOOLS BUDGET – Dedicated Schools Grant (DSG) 2021/22

1.67 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.

1.68 There are no proposed changes to the **structure** of the formula for 2021/22 however, there are several changes which impact on school budgets.

1.69 The LA undertook a consultation with all schools, academies and free schools in Harrow to seek views on aspects of school funding for 2021/22 in the autumn term.

1.70 The full outcome of the consultation, proposed final funding formula and final DSG allocations is set out at Appendix 6 of this report.

PUBLIC HEALTH FUNDING

1.71 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.

- 1.72 The Public Health commissioning intentions detailed in Appendix 7 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 need's assessment.
- 1.73 In the event that additional duties are required by Councils, and if these were unfunded, the commissioning intentions would need to be reviewed considering the allocated grant envelope.

BETTER CARE FUND (BCF)

- 1.74 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.
- 1.75 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.
- 1.76 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 is expected to be published in early 2021 (usually March), the requirements around integration and collaborative working are expected to continue.
- 1.77 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.
- 1.78 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

1.79 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. At the time of writing this report, the Council has £42.802m of reserves (detailed in Appendix 9 – Reserves Forecast):

Ear marked reserve of £23.352m – ear marked to specific items of expenditure, for example Community Infrastructure Levy, PFI and Public Health. Within this figure there is £1.969m which relates to Adult Social Services (£1.753m in the Carry Forward Reserve and £216k in the Revenue Grant Reserve) which will now form the ear marked Adult Social Care growth reserve.

Non ear marked reserve of £9.450m – covers those reserves which are currently titled Business Risk, Budget Planning, Children's Social Care, Capacity and Transformation, MTFs Implementation and Commercialisation. In the 2020/21 outturn report these reserves will be transferred into one single Budget Risk Reserve with 2 sums moved into ear marked reserves to cover:

- Equality, Diversity and Inclusion £250k
- London Living Wage £250k

General Fund Reserve of £10m

1.80 The Councils holds a recurrent contingency for unforeseen items in its revenue budget of £1.248m.

1.81 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.

LEVIES, CONTINGENCIES AND SUBSCRIPTIONS

1.82 Appendix 4 sets out the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2021/22. These sums are set by other bodies and are outside the Council's control. With the exception of the subscriptions to London Councils.

BUDGET PROCESS 2022/23 and 2023/24

1.83 There is a good track record of containing revenue expenditure within annual budget. Since 2017/18 underspends have been declared at outturn allowing very low reserve balances to be added to and the current financial year is forecasting a budget underspend on business as usual to support 2021/22. This report does recommend a balanced budget for 2021/22 but a significant budget gap of £29.7m remains over the last two years of the MTFs. 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, to the value of a minimum £10m,

ready to bring to Cabinet in the summer / autumn ready to feed into the budget setting round for 2022/23.

COUNCIL TAX MODEL RESOLUTION

- 1.84 The draft Council Tax Model Resolution is attached at Appendix 11 which proposes the Band D council tax of £1598.70 and assumes a GLA precept of £363.66. This is still subject to confirmation of the GLA precept which is expected to be confirmed on 25 February 2021.

The proposed GLA precept for 2021/22 of £363.66 is an increase of 9.5%. This takes the aggregate Council Tax increase to 5.8%.

MEMBERS ALLOWANCES

- 1.85 The proposed Members Allowances scheme for 2020/21 is attached at Appendix 12. This has been prepared having regard to the report of the Independent Panel that considered the Remuneration of Councillors in London. Member allowances are to be frozen for 2021/22 and hence will remain the same as 2020/21.

ANNUAL PAY POLICY STATEMENT

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

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

LONDON BOROUGH GRANTS SCHEME

- 1.87 Harrow's contribution to the London Borough's Grant Scheme was £187k in 2020//21 and will be £186,875 in 2021/22.

2.0 CONSULTATION

- 2.1 As a matter of public law the duty to consult with regards to proposals to vary, reduce or withdraw services will arise in 4 circumstances:
- Where there is a statutory requirement in the relevant legislative framework;
 - Where the practice has been to consult or where a policy document states the council will consult then the council must comply with its own practice or policy;
 - Exceptionally, where the matter is so important that there is a legitimate expectation of consultation and;
 - Where consultation is required to complete an equalities impact assessment.
- 2.2 Regardless of whether the council has a duty to consult, if it chooses to consult, such consultation must be carried out fairly. In general, a consultation can only be considered as proper consultation if:

- Comments are genuinely invited at the formative stage;
- The consultation documents include sufficient reasons for the proposal to allow those being consulted to be properly informed and to give an informed response;
- There is adequate time given to the consultees to consider the proposals;
- There is a mechanism for feeding back the comments and those comments are conscientiously taken into account by the decision maker / decision making body when making a final decision;
- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting and;
- The consultation is clear on the reasons and extent to which alternatives and discarded options have been discarded.

2.3 The Council held a three-week consultation to provide residents with the opportunity to comment on the draft budget proposals. The draft budget reported was available to view on the Council's website and the consultation was also advertised via the MyHarrow weekly email which is sent to 74,000 MyHarrow email accounts

2.4 The consultation closed on Thursday 28 January 2021. There were 22 respondents to the general survey. Over the three main questions, responses disagreed with the draft budget and proposed increases in Council Tax:

Question 1 - Given the extent of the savings required, overall do you agree with the Council's proposed draft budget? (7 agree, 15 disagree).

Question 2 - Given the Council's funding situation, do you agree with the Council's proposal to increase Council Tax by 1.99%? (9 agree, 13 disagree).

Question 3 - Given the Council's funding situation, do you agree with the Council's proposal to further increase in Council Tax by the 3% adult social care precept? (8 agree, 14 disagree).

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

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

Table 6: Key Stakeholder Consultation

Stakeholder	Meeting	Date
Unions	Corporate Joint Committee	13/01/21
Health Partners	Health & Care Executive Meeting	05/02/21 (1)
Local Businesses	Harrow Business Consultative Panel	25/01/21
Overview and Scrutiny	Special meeting of the O & S Committee to review the	12/01/21

	budget		
Unions / Employees	Employees Forum	Consultative	25/01/21

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

2.6 In terms of service specific consultations, the council has a duty to consult with residents and service users in a number of different situations including where proposals to significantly vary, reduce or withdraw services. Consultation is also needed in other circumstances, for example, to identify the impact of proposals or to assist with complying with the council's equality duties. Where appropriate, separate service specific consultations have already taken place or will be taking place for the 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 Risks included on corporate or directorate risk register? **Yes**

4.2 Separate risk register in place? **No**

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

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

Risk Description	Mitigations	RAG Status
Inability to deliver the Council's approved MTFS - over the next 3 years leading to an inability to set a balanced budget and provide core services. At Quarter 3 2020/21 this risk is rated at B2 – high likelihood and critical impact.	<ul style="list-style-type: none"> ▪ Annual budget setting process ▪ Process to challenge and quality assure MTFS ▪ Process to ensure MTFS accurately reflects demand & legislative changes ▪ In-year Revenue & Capital monitoring reported to CSB, Cabinet and all members regularly ▪ In-year budget on track for delivery to minimise impact on MTFS ▪ Watching brief maintained on the external environment and financial impact ▪ Refreshed MTFS reported to Oct Cabinet in advance of draft 21/22 budget ▪ Revenue budget contingency remains in place for unforeseen items 	

	<ul style="list-style-type: none"> ▪ Clean bill of health on our 18/19 Statement of Accounts and VFM audit from the External Auditors ▪ Strategic financial planning with CSB & Cabinet 	
<p>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.</p>	<ul style="list-style-type: none"> ▪ 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 ▪ A budget strategy for savings 	
<p>In preparing the final budget for 2021/22 it is accepted that there is an element of risk until the Final Financial Settlement is received mid-February 2021.</p>	<ul style="list-style-type: none"> ▪ The revenue budget includes a contingency for unforeseen items of £1.248m 	

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 taxpayers, 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 taxpayers 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.

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 Relevant directorate proposals will be subject to an initial equalities impact assessment followed by a full assessment where appropriate. These are published with this report. There is also a cumulative equalities impact on the budget which shows an overall minor adverse impact on age but the equalities impact indicates that mitigation is in place to minimise this impact.

9.0 COUNCIL PRIORITIES

9.1 The Council's draft budget for 2021/22 has been prepared in line with the Council's priorities:

- Improving the environment and addressing climate change
- Tackling poverty and inequality
- Building homes and infrastructure
- Addressing health and social care inequality
- Thriving economy

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 02/02/2021

Statutory Officer: Jessica Farmer

Signed on behalf of the Monitoring Officer

Date: 02/02/2021

Chief Officer: Charlie Stewart

Signed off by the Corporate Director

Date: 02/02/2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 02/02/2021

Head of Internal Audit: Susan Dixon

Signed by the Head of Internal Audit

Date: 02/02/2021

Mandatory Checks

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

EqlA carried out: NO - Cumulative equalities impact on the budget

EqlA cleared by: Jessica Farmer

Section 4 - Contact Details and Background Papers

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

Background Papers:

- Equality Impact Assessments
- Reference from Performance and Finance Sub-Committee
- Reference from Overview and Scrutiny Committee
- Recommendation from Harrow Business Consultative
- Recommendation from Employees' Consultative Forum

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

NOT APPLICABLE (decisions reserved to Council)

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Appendix 1A - 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	234	-	-	234
Adults	1,787	1,047	-	2,834
Children	2,004	1,205	-	3,209
Community	8,838	(1,918)	(1,499)	5,421
Corporate	(118)	-	-	(118)
Total	12,745	334	(1,499)	11,580
Net Impact of Reversals/Growth and Savings	13,494	1,332	(1,499)	13,327

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
8	RES 3	Strategy	Growth in HR to fund the establishment of a small team to take forward Council's Equality, Diversity and Inclusion (EDI) strategy and action plan, particularly in response to Black Live Matters movement."	-			-		-	100			100		N	N	Yes
Total Resources				411	-	-	411	-	-	234	-	-	234	-			
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
		Placements	Adjustment to Adults Growth agreed at draft budget - a sum of £1.921m for growth will be held as a budget reserve rather than permanent growth being added to the budget.							(1,921)			(1,921)				
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										1,787	1,047	-	2,834				
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										3,791	2,252	-	6,043				
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

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
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
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_G09.1		Probation Centre - Reversal of MTFS target which reflects capital financing cost of £5m capital	-	275		275	-	-	275			275		N	N	No
23	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
24	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		-	-	-	-	-	8,838	(1,918)	(1,499)	5,421				
26		Corporate Finance	Reversal of saving from 'SEN Transport efficiency from Transformation		(400)	(400)	(800)			800			800		N	N	
26	COM21.22_G08.2	Corporate Finance	Redevelopment of Vernon Lodge - Reduction in capital financing costs	307	244		551	-	-	(551)			(551)		N	N	No
27	COM21.22_G09.2	Corporate Finance	Probation Centre - Reduction in capital financing costs	-	(275)		(275)	-	-	(275)			(275)		N	N	No
28	COM21.22_G10.2	Corporate Finance	Unmanned Aerial Vehicles - Reduction in capital financing cost	-	92		92	-	-	(92)			(92)		N	N	No
			Corporate Total			-	-	-	-	(118)	-	-	(118)				
			Total		-	-	-	-	-	12,745	334	(1,499)	11,580				
			Net Impact of Reversals/Growth and Savings					-	-	13,494	1,332	(1,499)	13,327				

Appendix 1B - Savings and Growth 2021/22 to 2022/23 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)

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			
14	COM_20.21_S03	Removal of base budget from October 2020 for 4 positions that are currently 67% grant funded. These 4 FTC positions are created as part of the successful bid to HLF for the Headstone Manor refurbishment project. HLF funding will end in Sept 2020, thereby the future of these posts will be dependent on the availability of further external funding. As no further external funding has been secured, these positions are deleted in 2020/21. This saving started in 2020/21 with a £22k saving made in 2020/21, therefore a total of £44k across 2 years.	157	-	-	157	TBC	-	(22)		(22)	Y - already completed as part of 2020/21 budget process	N	N
15	COM_20.21_S04	Review of Travellers site- The council has a duty to provide suitable accommodation for Gypsy and Travellers and use Watling farm site for this purpose. Saving proposal is to seek a cost neutral outcome for the council. The housing service have reconsidered this proposal and will not be able to carry out a review to achieve full cost recovery for 2021/22. Therefore this saving will not be made in 2021/22 and will be considered as a 2022/23 saving. The £14k saving in 2021/22 will be met from within the existing 2021/22 housing general fund budget.	14	-	-	14	-	-	(14)		(14)	N - not required in 2021/22 but will be required for 2022/23 budget process.	N	N
16	COM_20.21_S05	Reduction in EACH contract and Sheltered housing support from April 2020- Each contract to be transferred to floating support scheme and reduction in sheltered housing support proposed to finance through enhanced housing management service charge which is HB eligible/ or reduce scope of the service provided.	400	-	-	400	-	-	(68)		(68)	Y - required in 2021/22. Individual assessments will be done.	N	N
18	COM_20.21_S07	Building Control - Additional income from commercialisation of the service	(132)	-	-	(132)	-	-	(20)		(20)	N	N	N
24	COM_19.20_S04	Redevelopment of the Vernon Lodge Homelessness Hostel and the Atkins House Site The maximisation of the assets to increase the homelessness provision at Vernon Lodge while providing capacity to generate additional income at both Vernon Lodge and Atkins House, following Cabinet approval of the redevelopment work in July 18. Gross savings.							(643)		(643)	http://modern.gov:8080/documents/g64382/Public%20reports%20pack%20Thursday%2021-Feb-2019%2018.30%20Cabinet.pdf?T=10	N	Y for any planning application

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				
24	COM_19.20 S04	This saving is being reversed out in Appendix 1A													
26		Additional Financing Income : Banister (25k) Harrow Weald Toilet (£11k) Probation Centre (£275k) Drones (unmanned aerials) (£92k)							(403)		(403)	N		N	N
26		This saving for the Probation Centre and Drones is being reversed out in Appendix 1A										N		N	N
Community Total			966	-	-	966	-	-	(1,125)	-	(1,125)				
Corporate															
27	COR 02	Gayton Road - income from 53 PRS units							(144)	(47)	(191)	N		N	N
28	COR 03	SEN Transport efficiency from Transformation							(400)		(400)	N		N	N
28	COR 03	This saving is being reversed out in Appendix 1A													
29	COR 04	Income from £100m Investment Property Purchase							(3,525)	(3,525)	(7,050)	N		N	N
30	COR 05	Capital Financing Cost of the £100m Investment Property							2,350	2,350	4,700	N		N	N
	COR 04 and 05	The net impact of the Investment Property income is being reversed out in Appendix 1A													
31	COR 06	Transformation Target - additional £1m over and above SEN Transport target per annum							(1,000)	(1,000)	(2,000)	N		N	N
Corporate Total									(2,719)	(2,222)	(4,941)				
Total Savings									(6,188)	(2,222)	(8,410)				
Growth															
Resources															
2	RES G2	Bucks and Aylesbury Vale District Council exit of shared service with Legal Services. The growth is to fund the net impact of this lost income.							353	678	1,031	N		N	N
	RES G2	A proportion of this growth is being reversed out in Appendix 1A													

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	179,440	182,039
Corporate & Technical	6,393	-4,018	27,463	6,597
People	289	4,033	2,252	0
Community	1,286	7,463	-2,218	-2,099
Resources	383	-1,383	501	0
Corporate	-670	-1,418	-747	600
Total	7,681	4,677	27,251	5,098
FUNDING GAP	0	0	-24,651	-5,098
Total Change in Budget Requirement	7,681	4,677	2,600	0
Revised Budget Requirement	174,762	179,440	182,039	182,039
Collection Fund Deficit/-surplus	-2,120	-180	0	0
Revenue Support Grant	-1585	-1585	-1585	-1585
Top Up	-22,623	-22,623	-22,623	-22,623
Retained Non Domestic Rates	-14,942	-15,346	-15,346	-15,346
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			0
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	
Additional NHB over estimated sum (£3.185m v £3.176m estimated)	-9	9	
Reduction in Section 31 grant of £404k to offset increase in Retained Business rates	404		
Reversal of 'Use of 2019/20 Business Rates Pool Budget in 2020/21 budget	1800		
Additional Social Care grant announced in SR estimated figure	-326		
£1.55b grant to meet additional COVID expenditure (one off)	-6051	6051	
Income compensation for sales, fees and charges - 3 mth extension	-500	500	
Extra Multiplier grant	-477	477	
Council Tax Support Grant	-1,780	1780	
Lower Tier grant	-399	399	
Total Grant Changes	-6,798	9,216	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	0	0	
Business Risk Reserve - not applied in 20/21	0	0	
Children's social care reserve - no applied in 20/21	-852	852	
Adult Social Care Reserve	0	0	
£2m 20/21 target underspend - to be added to reserves in 2021/22	-2000	2000	
Total Other Technical Changes	-3,505	4,622	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	-4,018	27,463	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	1787	1047	0
Proposed Growth - see appendix 1b	652	0	0
Sub total Adults	2,439	1,047	0
Total People Directorate	4,033	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	8,838	-1,918	-1,499
Proposed Savings - see appendix 1b	-1,125	0	0
Proposed Growth - see appendix 1b	0	0	0
Total Community	7,463	-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	234	0	0
Total Resources	-1,383	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	-118	0	0
Proposed Savings - see appendix 1b	-2,719	-2,222	0
Proposed Growth - see appendix 1b	244	0	0
Total Corporate	-1,418	-747	600

REVENUE BUDGET SUMMARY 2021-22						Appendix 3
	2020/21 Net Budget	Gross Controllable Expenditure	Gross Income	Net Controllable Expenditure	Uncontroll- able Expenditure	2021/22 Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Local Demand - Borough Services						
Resources & Commercial	19,042	218,248	- 181,632	36,616	- 19,555	17,061
Environment & Commissioning	38,983	59,581	- 33,115	26,466	20,357	46,823
Housing General Fund	7,736	11,730	- 7,379	4,351	3,600	7,951
Regeneration	2,478	4,897	- 3,859	1,038	1,172	2,210
Sub-total Community	49,197	76,208	- 44,353	31,855	25,129	56,984
Adult Services	72,641	103,479	- 31,891	71,588	5,694	77,282
Public Health	- 1,704	9,336	- 11,150	- 1,814	1,770	- 44
Children & Families	42,529	173,142	- 137,725	35,417	8,991	44,408
Sub-total People	113,466	285,957	- 180,766	105,191	16,455	121,646
Total Directorate Budgets	181,705	580,413	-406,751	173,662	22,029	195,691
Corporate And Technical Budgets						
Coroners Court	216					216
Freedom pass	0					- 1,108
LPFA levy	297					297
Contribution to subscription	5					5
Car leasing	5					5
Corporate Democratic Core	1734					1,734
Levies, grants, subscriptions	269					269
External Audit Fees	191					191
London Borough Grant Committee	188					188
Apprenticeship Levy	400					400
Pay Inflation	-					1,221
Employer's Pension Contribution	192					192
Other Corporate budget	33					245
Goods And Service Inflation	-					1,100
Treasury Management expenses	2,012					2,012
Capital Financing Cost	30,786					32,452
Capital Financing adjustments	- 27,411					- 27,082
Grant						
Sec.31 Grant Business Rate Reliefs	- 2,904					- 2,500
Income compensation for sales, fees and charges - 3 mth extension	-					- 500
Use of 2019.20 Business Rate Pool in 2020/21	- 1,800					-
Covid-19 pressures grant 2021/22	-					- 6,051
New Homes Bonus	- 3,716					- 3,185
Lower Tier Grant 2021/22	-					- 399
Council Tax Support Grant	-					- 1,780
Multiplier Cap Funding - Continuation for 2020/21	- 1,590					- 2,067
Additional Adult Social care grant	- 3,482					- 3,808
Other Budget Adjustments						
Budget Planning Contingency	- 2,629					-
Business Risk Reserve	- 1,176					- 3,350
Other Reserves						- 2,852
Contingency - General	1,248					1,248
Litigation Budget	250					250
SEN Transport Growth/savings	789					-
SEN transformation savings	- 400					-
Transformation savings						- 1,000
Use of Capital Receipt Flexibility	-					- 2,000
Gayton Road Income	- 450					- 594
Sub Total Corporate and Technical Adjustment	-6,943					-16,251
Funding Gap						
TOTAL BUDGET REQUIREMENT	174,762				0	179,440
BUDGET REQUIREMENT FUNDED BY						
Contribution re Collection Fund Deficit/Surplus(-) b/f	- 2,120					- 180
Revenue Support Grant	- 1,585					- 1,585
Business Rates Top-up Grant	- 22,623					- 22,623
Retained Business Rates	- 14,942					- 15,346
Council Tax Income	- 133,492					- 139,706
Total Funding	- 174,762					- 179,440
Council Tax for Band D Equivalent						
General (£)	1,395.64					1,425.94
ACS(£)	127.08					172.76
Harrow Increase (£)	1,522.72					1,598.70
GLA (£)	332.07					363.66
Total after Increase (£)	1,854.79					1,962.36
Increase						
General (%)	1.99%					1.99%
ASC (%)	2.00%					3.00%
GLA (%)	3.60%					9.51%
Total Increase (%)	3.92%					5.80%
Tax base	87,667					87,387
Collection Rate	98.00%					98.00%
Funds / Balances						
Balances Brought Forward	10,009					10,009
Balances Carried Forward	10,009					10,009

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Levies, Contribution and Subscriptions 2021/22

The table below shows the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2021/22. These sums are set by other bodies and are outside the Council's control.

	2020/21	2021/22	Changes	Changes	Comments
	£'000	£'000	£'000	%	
London Borough Grant	187	187	-	0.00%	Based on notification
Freedom Pass Levy	9,883	8,591	- 1,292	-13.07%	Based on notification
Joint Committee Subscription	162	162	-	0.00%	Based on notification
Environment Agency Levy	200	200	-	0.00%	21/22 is not known. 21.22 is due around March.
Coroners Court Levy	226	226	-	0.00%	21/22 is not known. 21.22 is due around March.
Traffic Control Levy	295	295	-	0.00%	21/22 is not known. 21.22 is due around March.
London Pension Fund Authority Levy	296	296	-	0.00%	21/22 is not known. 21.22 is due around March.
West London Waste Authority Levy	2,054	2,000	- 54	-2.63%	2021-22 budget is based on WLWA's draft budget report for 2021/22.
Lee Valley Levy	205	205	-	0.00%	21/22 is an estimate based on 19.20 notification, 20.21 is due around March.
Apprentice Levy	400	400	-	0.00%	Based on 0.5% of Salaries

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Policy on Use of Contingency

General Principles

1. As a general principle, directorate budgets should be structured to cover business as usual, investment and efficiency programmes that have been agreed as part of the budget and service planning round and administration priorities. Contingency budgets should not be included in financial planning as part of a service's annual operational revenue budget.
2. Budgets which are "demand led" should be set to deal with the forecast level of activity. For example the predicted client numbers and needs in Adults and Children's social care, the usual level of activity for planning appeals and winter gritting average weather conditions.
3. Income budgets should be set to take into account likely activity levels and any changes in fees and charges.
4. The contingency is there to deal with unforeseen/exceptional items which occur during the financial year.

Appropriate uses

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

Criteria

6. Clear evidence will be required to support variations from estimated demand agreed as part of the budget review process.
7. Contingency funds will not be used where there has been a failure to deliver planned savings (except where this is due to the outcome of consultation) or properly manage spending.

Approval Process

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

Unspent balances

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

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

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.

Funding Announcements Autumn 2019

2. In September 2019 the government announced an increased investment in school budgets and high needs for the next three years.
3. The per pupil value of all of the key factors have increased in the Schools National Funding Formula (NFF) by 3% with the exception of the Free School Meals factor which has increased by 2% in line with inflation. In addition, IDACI factors have increased between 2% and 10% to reflect the re-banding undertaken in 2019.
4. There is an additional approx. £11m in for school budgets available in 2021-22 however this includes £8m of other grants rolled into the funding formula that will no longer be paid separately. This means there is only a real cash increase of approx. £3m compared with 2020-21.

DSG Settlement 2021-22

5. The 2021-22 DSG settlement is based on the number of pupils on the October 2020 schools census for the Central School Services Block and Schools Block as well as a lump sum for historical items related to premises, the January 2020 Early Years census for the Early Years Block and a combination of a historical lump sum and per pupil funding for the High Needs Block. The total DSG allocation for 2021-22 is £239.59m.

Table 1 – 2021-22 Dedicated Schools Grant allocation

Blocks	Unit of funding		Pupil numbers		Total
	Primary	Secondary	Primary	Secondary	
Schools Block – per pupil	£4,559.49	£6,253.54	21,419.00	12,805.50	£177,739,423
Schools Block – lump sum premises					£2,730,395
Schools Block – growth fund formula					£1,268,468
Total Schools Block					£181,738,286
Central Schools Block					£1,387,804

High Needs Block (after import/export adjustments & recoupment)	£37,024,161
Early Years Block	£19,441,547
Total Dedicated Schools Grant Allocation 2021-22	£239,591,798

6. In 2018-19 the Government introduced a new National Funding Formula (NFF) for Schools, High Needs and Central Services Blocks. For the Schools block this means that LAs are funded on the basis of the total of the NFF for all schools, academies and free schools in its areas but the final formula for distribution is determined by each LA, subject to prescribed limits, following consultation with schools and Schools Forum.
7. From 2020 the government had intended to implement the NFF in full which means that school allocations will be determined by the DfE rather than LAs. However, this has been delayed and there is currently no confirmed date for this.
8. In 2018-19 the LA implemented the NFF after consultation with schools and Schools Forum. Whilst there are no proposed changes to the structure of the formula for 2021-22, the factor values have increased. This is set out at Table 2.

Table 2 – proposed funding formula and factor values 2020-21

Factor	2021-22 funding formula and factor values	
	Primary per pupil	Secondary per pupil
Primary per pupil basic entitlement	£3,429.15	
KS3 per pupil basic entitlement		£4,835.72
KS4 per pupil basic entitlement		£5,449.52
Free School Meals	£505.09	£505.09
Free School Meals Ever6	£631.37	£922.35
Deprivation IDACIF	£236.08	£340.39
Deprivation IDACIE	£285.49	£455.68
Deprivation IDACID	£450.19	£636.86
Deprivation IDACIC	£488.62	£691.76
Deprivation IDACIB	£521.56	£746.66
Deprivation IDACIA	£680.78	£949.80
Low Prior Attainment	£1,202.34	£1,822.73
English as an Additional Language	£603.92	£1,630.57
Mobility	£988.23	£1,416.46
Lump Sum	£129,347.93	£129,347.93

Consultation

9. The LA undertook a consultation with all schools, academies and free schools in Harrow seek views the value of the minimum funding guarantee
10. There were a total of 29 (54%) responses received.

Minimum Funding Guarantee

11. In 2021-22 the Minimum Funding Guarantee (MFG) will continue to protect schools from *per pupil* losses between years. For the second year the LA will be required to set a positive MFG meaning schools will see an increase in their per pupil budgets between years. The MFG must be between +0.5% and +2.0%.
12. In the previous financial years Schools Forum agreed to set a negative MFG at -1.5% in order that schools reach the NFF as soon as possible so as to ensure there won't be significant losses if the MFG protection is no longer applied in future years.
13. In the consultation 100% (10) schools supported a maximum MFG of 2% subject to affordability within the overall formula. Schools Forum voted in agreement of this.
14. In the overall formula it is affordable to set the maximum MFG and therefore 2021-22 school budgets have been prepared on this basis. Gains in excess of 2% have not been capped, which is consistent with the approach in previous years.

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

15. The most significant change in 2021-22 is that funding previously received through the TPG and TPECG, including the supplementary fund for LAs, to mainstream schools for pupils from reception to Y11 will be allocated through the NFF thus increasing schools' baselines.
16. 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.
17. Therefore, despite an additional approx. £11m of funding in the NFF for 2021-22 nearly £8m of this represents funding already being received by schools through the TPG and TPECG.

Income Deprivation Affecting Children Index (IDACI)

18. 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.
19. As set out at Appendix B 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 the overall losses.
20. The impact of the banding changes is that is that more pupils are in Band G which is the least deprived band and attracts no funding and more are in Band F which attracts the lowest rate of funding.

Additional Funding

21. In 2021-22 School Forum voted to allocate £632k funding from its brought forward contingency to support school budgets in 2021-22. This funding is one off as it is built up from historical underspends and has been distributed on a per pupil basis with differential rates for Primary, Key Stage 3 and Key Stage 4 pupils, which mirrors the NFF.

High Needs Block

22. High Needs funding is designed to support a continuum of provision for pupils and students with special educational needs and disabilities (SEND) from 0-25 years old. The following are funded from the High Needs Block (HNB) of the DSG:

- Harrow special schools and academies
- Additionally Resourced Mainstream (ARMs) units in mainstream schools and academies
- Places in out of borough special schools and independent school provision
- EHCPs in mainstream schools and academies
- Post 16 provision including further education
- SEND Support services and support for inclusion
- Alternative Provision including Pupil Referral Units and education other than at school

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

24. The government introduced a NFF for the HNB from 2018-19. This has led to a shortfall in funding compared with the 2017-18 baseline of approx. £2.9m. This was because there was an overall shortfall of DSG in 2017-18 which was funded by the use of a brought forward contingency.

25. In addition, between 2013-21 there has been an increase in HNB funding of £9.4m (39%) compared with an increase in HNB spend of £12.5m (51%) and an increase in the number of EHCPs from 1,170 in January 2014 to nearly 2,000 by January 2021 (71%).

26. The HNB budget allocation for 2021-22 is set out at Table 3

Table 3 – 2021-22 High Needs Block Funding

Description	Value
High Needs Block Allocation (excl basic entitlement factor)	£36,656,775
Basic Entitlement Factor (excl TPG/TPECG)	£2,643,647
Basic Entitlement related to TPG/TPECG Special Schools	£436,202
Import/Export Adjustments (2020-21 figure)	-£1,620,000
Additional Funding for Special Free Schools	£12,000

Hospital Education	£197,092
AP & INMSS TPG/TPECG allocation	£130,445
Total HNB before academy recoupment	£38,456,160
Academy recoupment for SEN units, special schools and FE	-£1,432,000
Net High Needs Block 2020-21	£37,024,160

27. It should be noted that the import/export adjustment figure will be updated in June 2021 to reflect the January census.
28. As with the mainstream schools, the TPG/TPECG for special schools has also been rolled into the HNB funding formula and included in the basic entitlement. This totals £436k and is required to be passported to special schools. In addition, a further £130k lump sum has been added to the HNB for TPG/TPECG related to Alternative Provision settings and INMSS. Again, this must be passported to providers.
29. In 2021-22, not including the £566k of TPG/TPECG rolled into the HNB there is an increase in funding of approx. £2.9m. This will contribute to the increasing shortfall in funding provided for the HNB and mitigate some of the estimated £6m deficit projected for March 2021 but does not allow for growth in demand for increased numbers and complexity of need.
30. The additional HNB is welcomed although the pressure on the High Needs Block in 2020-21 is £6m and this is projected to continue and to grow as growth in demand continues and the LA becomes even more reliant on expensive out of borough provision.

DSG Deficits

31. The government consulted on the accounting treatments of deficits on the DSG. The consultation focussed on changing the conditions of grant and regulations applying to the DSG so as to clarify that the DSG is a ring-fenced specific grant separate from the general funding of local authorities. Therefore any deficits an authority may have on its DSG account is expected to be carried forward and does not require to be covered by the authority's general reserves.
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 2020-21 compared with the deficit shown in the authority's published draft accounts.
34. Harrow's projected cumulative deficit of £6m as a proportion of gross budget of £225m would equate to approx. 2.7% and will therefore require a deficit recovery plan.
35. An initial Deficit Recovery Plan has been discussed with Schools Forum. This requires further work and needs to take into account delays due to Covid-19.

36. This means that the LA will start 2021-22 with a brought forward deficit of approx. £6m. The additional investment in the HNB from 2021-22 will therefore only contribute to offsetting existing deficits.

Early Years Block

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

3 & 4 year old funding

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

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

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

40. In 2020-21 the hourly rate per pupil that the LA receives will increase by £0.06.

41. It is proposed to distribute the additional funding through the existing formula structure and proportionately increasing each supplement.

Table 4 – indicative 2021-22 EYSFF

Description	2021-22		
	Hourly	Pupils	Total
Total Early Years Block	£5.72	5,404.19	£17,619,821
5% LA Early Years Service Retention			£880,991
Funding available to providers	£5.43		£16,738,830
Top-slice SEN inclusion fund 5%			£836,942
Funding available to providers through formula			£15,901,889

Base rate minimum 90%	£4.65	£12,932,214
Supplements up to 10%	£0.51	£1,424,768
Funding available to providers through formula	£5.16	£14,356,982

2 year old funding

42. There is also a rate increase for the funding for 2 year olds. This will increase from £6.00 to £6.08 per hour from April 2021.

SEND Inclusion

43. LAs are required to have SEND Inclusion Funds for all 3 and 4 year olds with SEND who are taking up the free entitlements, regardless of the number of hours taken. These funds are intended to support LAs to work with providers to address the individual needs of children with SEND.
44. LAs should target SEND Inclusion Funds at children with lower level or emerging SEND. As with other elements of early years funding, SEND Inclusion Funds should apply to children attending settings in the relevant LA area, regardless of where they live.
45. The SEND Inclusion Fund in 2021-22 will be £837k.

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Public Health Grant Funding 2021-22**Appendix 7**

	£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>

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Reserves Policy

The recommended reserves policy is as follows:

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

The rationale for this policy is set out below.

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

There is no statutory definition of a minimum level of reserves. The level of reserves is a balance between the risk facing the Authority and the opportunity costs of holding these balances.

The Council should at least be able to cope with a modest overspend in any one year and still be in a stable financial position.

The target level of reserves depends on:

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

The Council is continually working to improve financial management and in 2020/21 will continue to focus on accurate and robust management of its revenue and capital monitoring and, considering the level of savings built into the budget, an increased emphasis will be placed on the delivery of in-year savings and the delivery of new savings proposals.

The Council has built up more appropriate annual contributions to provisions for debt, litigation and insurance in the last few years, and strengthened its balance sheet, but still has limited earmarked reserves and general fund balances.

There is greater risk as central government grant settlements continue to reduce the level of revenue support grant given to the Authority requiring large savings to be built into the budget over a prolonged and continuous period of time.

As at 31 March 2021 the level of General Fund Reserve will be £10m, which represents 5.6% of the Council's budget requirement for 2021/22 (£179m), which is the recommended minimum level. In addition, the Authority holds a limited number of earmarked reserves and non earmarked as detailed in Appendix 9.

A decision will be made at year end on the best use of any available capacity.

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

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

Description	Balance Brough Forward 1/4/2020	Addition to Reserves 2020-21	Directorates Draw Down From Reserves	Corporate Draw Down From Reserves	Balance Carry Forward 31/03/2021	Reserves Committed to future MTFS	Total Uncommitted Reserves
CIL Harrow	-7,787,893				-7,787,893		-7,787,893
Revenue Grant Reserve	-4,795,864	-112,000	61,000		-4,846,864		-4,846,864
Compensatory Added Year Reserve	-322,782			80,000	-242,782		-242,782
Business Pool Reserve	-1,800,000			1,800,000	0		0
PFI Schools Sinking Fund	-2,371,579				-2,371,579		-2,371,579
Public Health Reserve	-1,847,250				-1,847,250		-1,847,250
PFI NRC Sinking Fund	-1,665,557				-1,665,557		-1,665,557
Legal Services Contingency	-1,054,339		390,000		-664,339		-664,339
Legal Expansion Reserve	-418,639				-418,639		-418,639
HRA Transformation Reserve	-421,551				-421,551		-421,551
Carryforward Reserve	-3,223,305				-3,223,305		-3,223,305
IT Reserve	-250,000	-18,000	134,000		-134,000		-134,000
Borough Election	-242,747				-242,747		-242,747
Harvist Reserve Harrow Share	-36,135				-36,135		-36,135
Proceeds Of Crime Reserve	-63,000				-63,000		-63,000
Proceeds Of Crime Reserve Planning	-326,550				-326,550		-326,550
Headstone Manor Reserve	-287,750				-287,750		-287,750
CIL Mayor	-223,560				-223,560		-223,560
Libraries Reserve	-150,000				-150,000		-150,000
Vehicle Fund	-774,478				-774,478		-774,478
Investment Property Reserve	-206,875				-206,875		-206,875
DSG Overspend	2,944,000				2,944,000		2,944,000
HRA Hardship Fund	-172,513				-172,513		-172,513
HRA Regeneration Reserve	-25,000				-25,000		-25,000
HRA Repair Reserve	-163,756				-163,756		-163,756
Total Earmarked Reserves	-25,687,123	-130,000	585,000	1,880,000	-23,352,123	0	-23,352,123
Business Risk Reserve	-7,526,000		402,000		-7,124,000	4,350,000	-2,774,000
Budget Planning Reserve	-2,628,689				-2,628,689		-2,628,689
Children's Social Care Reserve	-2,286,000				-2,286,000	2,186,000	-100,000
Capacity Build/ Transformation Reserve	-3,221,091		1,964,000		-1,257,091		-1,257,091
MTFS Implementation Reserve	-1,775,209				-1,775,209	349,683	-1,425,526
Commercialisation Reserve	-1,264,773				-1,264,773		-1,264,773
Total Non-Earmarked Reserves	-18,701,762	0	2,366,000	0	-16,335,762	6,885,683	-9,450,079
Total non General Fund Reserves	-44,388,885	-130,000	2,951,000	1,880,000	-39,687,885	6,885,683	-32,802,202
General Fund Reserves	-10,000,000				-10,000,000		-10,000,000

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Report of the Chief Finance Officer – 2021/22 Budget

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

Robustness of the Budget

The current budget climate and timeframe continues to be the most volatile in the Borough's history. With Local Government 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. Running alongside this, Harrow remains one of the lowest funded Councils both within London and nationally and has had to make significant savings for the last 9 years to achieve the legal requirement of a balanced budget.

Until the summer of 2020 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 Spending Review 20 would be a one-off settlement only for 2021/22. There are significant areas of uncertainty around the future of Local Government funding beyond 2021/22, with a direct impact on Harrow finances, with the outcome of major events unknown:

- Spending Review 2020
- Fair Funding Review
- Business Rates Reform and Revaluation
- The Adult Social Care Green Paper
- The High Needs Block within the Dedicated Schools Grant

This list of unknowns is extended as a result of the Covid-19 pandemic:

- The legacy impact of the pandemic and the long-term impact on income and expenditure budgets beyond central government support
- The role of Local Government in the economic recovery of the Borough
- The impact of the end of the Furlough Scheme both on residents and businesses
- The new phrase 'levelling up' between the regions

At the time of writing this report there is little tangible information on the unknown events listed above increasing the risk around making budget planning and financial sustainability over the short and medium term.

The Council continues to experience increasing demographic and demand pressures, largely around social care. In prior years such pressures have been largely related to Adults services. However, from 2021/22 pressures are starting to emerge in Children's social care with growth being required in the budget for both 2021/22 and 2022/23. In Adult services, the forecast demand pressures continue to be far in excess of what funding is provided through additional direct grant and income generated through the Adults Social Care precept requiring the Council to make savings elsewhere or call upon reserves.

In the wider economy there remains considerable uncertainty around the impact of Brexit, inflation, interest rates, the property market, employment levels and the impact of the economic climate. All these issues affect the Council's own finances and have major implications for Harrow residents and businesses increasing uncertainty and may result in additional demand on services.

The Council has set a three-year Medium Term Financial Strategy to 2023/24 but, due to uncertainties, has only achieved a balanced budget for 2021/22 and a budget gap of £29.7m remains over years 2 and 3 of the MTFS. The position on the MTFS has moved little between the draft and final budget. The Council could have embarked on a drastic programme of cuts to address the budget gap and this was not considered wise alongside the challenges posed by the Covid-10 pandemic. However, the position of the MTFS cannot be ignored and the advice of the S151 Officer is detailed later in this report to ensure financial sustainability.

The advice of the S151 Officer is that the budget for 2021/22 is sufficiently robust but there are significant budget gaps for 2022/23 and 2023/24 which require robust and sustainable proposals to address. Specifically, in relation to the 2020/21 budget, the robustness assessment is provided following the consideration of several factors:

- The 2021/22 budget includes a much-reduced level of savings compared to previous years which will be easier to manage alongside managing the legacy impacts of the Covid-19 pandemic. However, those saving proposals built into the budget must be delivered in full and on time. Any variances from the agreed saving must be reported and mitigated in full.
- Growth requirements have been scrutinised in detail to ensure growth is enough to ensure the safe delivery of services but being mindful of the challenging financial position.
- However, growth requirements will be monitored closely to ensure the provisions are enough and any over provision will be held corporately to support the MTFS.
- The financial impact of the Covid-19 pandemic has been closely tracked throughout 2020/21 to ensure, as far as possible, the impact into 2021/22 can be assessed and provided for but this will remain under review.
- Every effort has been made to ensure that the technical assumptions underpinning the budget are robust.
- Prudent assumptions have been made about capital financing costs and investment income.
- Key financial risks are managed and reported as part of the Corporate Risk Register.
- The recommended increases in fees and charges are in line with the assumptions in the budget.
- The budget for 2020/21 includes a general contingency of £1.248m.
- There is a commitment within the organisation to robust financial management with any potential adverse budget variations been reported, tightly controlled and contained within service budgets unless there is an agreement the variation is managed pan organisation.
- There is a commitment within the organisation to ensure all new budget proposals are supported by a robust business case that has been scrutinised pan organisation and, unless specifically stated, makes a clear net financial contribution to the MTFS after considering all costs.

Adequacy of General Reserves, Ear marked Reserves, and Contingencies

There is no statutory definition of a minimum level of reserves and it is for this reason that the matter falls to the judgement of the S151 Officer. The level of reserves is a balance between the risk facing the Authority and the opportunity costs of holding those balances. Reserves can only be spent once and should ideally only be used to support one off expenditure or to allow time for management actions to be implemented. The general fund balances are adequate however they must not drop below the £10m level and no allocations can be made unless already planned and there are no such plans.

The Council holds £42.802m in reserve:

General Fund Reserve £10m - which represents the balance of last resort in the event of any major and unforeseen event that compromises the delivery of the council's budget. At current levels, this balance represents 5.6% of the council's budget requirement for 2021/22 (£179m). This balance of £10m does place Harrow Council in the lower quartile of general fund balance when benchmarked with other authorities. No draw down on the general fund balance is forecast for 2021/22 and the three-year MTFs (2021/22 to 2023/24) does not rely upon general fund balances being applied.

Ear Marked Reserve £23.352m- ear marked to specific items. Within this reserve there is £1.969m which is ear marked to Adults Social Care and can be called upon to support the revenue account if demand pressures exceed the additional growth provided for in the 2021/22 budget.

Non ear marked reserve of £9.45m – several individual reserves make up this balance and for 2021/22. £500k will be transferred into two ear marked reserves for Equality, Diversity and Inclusion (£250k) and London Living Wage (£250k). The balance will be transferred into one single Budget Risk reserve.

The 2021/22 budget still includes the ongoing revenue contingency of £1.248m for unforeseen items.

In conclusion, the 2021/22 has been prepared as robustly as possible to achieve a balanced position. It is accepted that years 2 and 3 of the MTFs are an estimate and there is much uncertainty surrounding the ongoing impact of the pandemic, further government support and what Spending Review 21 will bring. Therefore, whilst it is not unrealistic that the indicative future budget gaps have the potential to reduce, the budget shortfall for 2022/23 and 2023/24 is £29.7m which far exceeds the level of general fund and non-ear marked reserve. Therefore the Council must have a strategy in place to tackle its financial challenges and, for this reason, it is the advice of the S151 Officer that the Council must develop a fully costed budget and implementation plan, ready to bring to Cabinet in summer / autumn ready to feed into the budget setting process for 2022/23. This plan must have a minimum value of £10m.

Budget Monitoring

The Local Government Act 2003 also introduced requirements in relation to budget monitoring and management action. The Council has robust budget monitoring procedures in place with revenue budgets being monitored monthly and the capital programme quarterly. The financial position can change relatively quickly, and any adverse variations must be identified and addressed promptly by Service Managers and directorates to avoid a call on reserves. Financial

performance is reported in detail to Cabinet quarterly and regularly to Scrutiny. These robust arrangements will continue into 2021/22 and will remain under review to ensure they keep pace with the requirements of the organisation.

Model Council Tax Resolution

Harrow Council

Council Tax Resolution 2021/2022

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

Council is requested to determine the level of the Council Tax for 2021/2022 in the light of the information on the precept and make the calculations set out in the resolution shown below.

- (1) To note that at its meeting on 17 December 2020 the Council calculated the amount of 87,387 as its Council Tax Base for the year 2021/2022 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) England Regulations 2012 made under Section 31B(1), (3) – (5) of LGFA 1992 of the Local Government Finance Act 1992 (The Act).
- (2) That the following amounts be now calculated by the Council for the year 2020/2021, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992:
 - (i) Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act. **(Gross expenditure)** £607,074,597
 - (ii) Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3)(a) to (d) of the Act. **(Gross income including use of reserves)** £467,369,000
 - (iii) Being the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above, calculated by the Council, in accordance with Section 31A(4) of the Act, **as its Council Tax Requirement for the year.** £139,705,597
 - (iv) Being the amount at (iii) divided by the Council Tax Base, calculated by the Council at its meeting on 17 December 2020 in accordance with Section 31B(1) of the Local Government Finance Act 1992, as the basic amount of its Council tax for the year. **(The average Band D Council Tax)** £1,598.70

(v) Valuation Bands

	A	B	C	D	E	F	G	H
£	1,065.80	1,243.43	1,421.07	1,598.70	1,953.97	2,309.23	2,664.50	3,197.40

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

- (3) That it be noted that for 2021/2022 the Greater London Authority stated the following amount in precept issued to the Council, in accordance with section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below

Valuation Bands

	A	B	C	D	E	F	G	H
£	242.44	282.85	323.25	363.66	444.47	525.29	606.10	727.32

- (4) That, having calculated the aggregate in each case of the amounts at (2)(v) and (3) above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2021/2022 for each of the categories of dwellings shown below

Valuation Bands

	A	B	C	D	E	F	G	H
£	1,308.24	1,526.28	1,744.32	1,962.36	2,398.44	2,834.52	3,270.60	3,924.72

- (5) Determine for the purposes of 52ZB and Section 52ZC of the Local Government Finance Act that the Council's basic amount of Council Tax for 2021/22 is not excessive in accordance with the principles approved under Section 52ZB and 52ZC of the Local Government Finance Act 1992 and the Referendums Relating to Council Tax Increases (Principles) (England) Report 2021/2022.

Members' Allowances Scheme

1. This scheme shall have effect until 31st March 2022. It replaces all former schemes.

Basic Allowance

2. A basic allowance of £8,561 per annum shall be paid to each Councillor.

Special Responsibility Allowances and Mayoral Allowances

3. (1) A special responsibility allowance shall be paid to those Councillors who have the special responsibilities in relation to the posts specified in Schedule 1 to this scheme. The amount of each such allowance shall be the amount specified against that special responsibility in that schedule.
(2) An allowance of £10,685 per annum shall be paid to the Mayor and an allowance of £2,127 per annum shall be paid to the Deputy Mayor.
(3) No Member may receive special responsibility allowances in respect of more than one post. For the purposes of this paragraph, the mayoral allowances referred to in 3(2) above are considered to be special responsibility allowances.

Uprating the Basic and Special Responsibility Allowances

4. The basic allowance and special responsibility allowances may be uprated annually in line with an index approved by the London Councils Independent Panel. The index to be used will be the level of the Local Government Pay Settlement. When making the scheme for 2022/23, the indexing arrangements will be reviewed.

Travel and Subsistence Allowances

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

Carers' Allowance

6.
 - (1) The allowance shall only be paid for attendance at approved duties as listed in Appendix A.
 - (2) The maximum basic rate of pay is £2.96 per half hour for the duration of the meeting together with the Member's travel time between home and the place of the meeting and the carer's reasonable travelling time.
 - (3) The allowance is claimable in respect of children aged 15 or under or where a professional carer is required to meet a specialist need (eg a nurse for an elderly person).
 - (4) Actual costs will be paid on production of an invoice or receipt.
 - (5) Where the length of the meeting cannot be predicted and payment to the carer is necessarily contractually committed then a payment of up to 4 hours will be made. (For day time quasi-judicial meetings, payment of up to 8 hours may be made if the estimated length of the meeting is for the whole day).
 - (6) In addition, the reasonable travelling expenses of the person taking care of the dependent shall be reimbursed either at the appropriate public transport rate, or in cases of urgency or where no public transport is available, the amount of any taxi fare actually paid.
 - (7) The allowance is not to be paid where the carer is a member of the Member's household.
 - (8) Any dispute as to the entitlement and any allegation of abuse should be referred to the Governance, Audit, Risk Management and Standards Committee for adjudication.

Co-optees' Allowance

7. A basic allowance of £454 per annum shall be paid to co-optees to formal Council Committees and Independent Members of the Governance, Audit, Risk Management and Standards Committee.

Sickness, maternity and paternity leave

- 8.1 All Members shall continue to receive their Basic Allowance in full in the case of pregnancy, maternity, paternity and sickness leave.
- 8.2 Members entitled to a Special Responsibility Allowance shall continue to receive their allowance in the case of pregnancy, maternity, paternity and sickness leave in the same way that the Council's employees receive such benefits.
- 8.3 Where a Member's pregnancy renders her unable to attend a meeting of the Council for a period of 6 months, a dispensation will be granted in accordance with Section 85 Local Government Act 1972.
- 8.4 If a replacement to cover the period of absence is appointed by Council or the Leader of the Executive (or in the case of party group position, the party group) the replacement will be entitled to claim an SRA.

Claims and Payments

9. (1) A claim for allowances or expenses under this scheme shall be made in writing within two months of the date of undertaking the duty in respect of which the entitlement to the allowance or expense relates.
- (2) Payment shall be made
 - (a) in respect of basic and special responsibility allowances, in instalments of one-twelfth of the amount specified in this scheme each month;
 - (b) in respect of out-borough travel and subsistence expenses and Carers' Allowance, each month in respect of claims received up to one month before that date.

Backdating

10. Any changes made to this scheme during the year may be backdated to 1st April 2021 by resolution of the Council when approving the amendment.

Pensions

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

Renunciation

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

Approved duties for Carers' Allowance

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

Schedule 1

Special Responsibility Allowances (SRAs)

There are 6 bands of SRAs:

Band	Post	SRA - £/annum
1	Chief Whips of the two largest Groups Deputy Leader of the second largest Group Lead Members for Scrutiny Chair of Licensing and General Purposes Committee Portfolio Holder Assistants	£2,142
2	Nominated Member of the party not holding the Chair of the Planning Committee Chair of the Traffic Advisory Panel Chair of Governance, Audit, Risk Management and Standards Committee Chair of the Pension Fund Committee Chair of the Performance and Finance Scrutiny Sub Chair of the Health and Social Care Scrutiny Sub Nominated Member of the largest party not holding the Chair of the Performance and Finance Scrutiny Sub	£4,794
3	Nominated Member of the largest party not holding the Chair of the Overview and Scrutiny Committee Non Executive Members of Cabinet	£6,916
4	Chair of the Overview and Scrutiny Committee Leader of the Second Largest Group	£9,037
5	Cabinet Members	£20,502
6	Leader of the Council	£32,028

Note

The Groups are as follows:-

Largest Group = Labour Group

Minority Group = Conservative Group

Schedule 2

Claims for Out-Of-Borough Travel and Subsistence Expenses

Duties Undertaken Out-of-Borough

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

1. Members may claim travel and subsistence expenses in respect of the following **out-of-Borough** duties:-
 - (a) Attendance at any meeting which may be convened by the Authority provided that Members of at least two groups are invited and the meeting is not convened by officers.
 - (b) Attendance at a meeting of an outside body to which the Member has been appointed or nominated as a representative of the Council, where the Outside Body does not itself operate a scheme to reimburse travel and subsistence expenses.
 - (c)
 - (i) attendance at an appropriate out-of-Borough conference, seminar, meeting or other appropriate non-political event as a representative of an Outside Body to which that Member has been either nominated or appointed by Council to serve in a role with a specific pan-Authority remit;
 - (ii) attendance at meetings in the capacity of a direct appointee of a Local Authority Association, joint or statutory body or other London-wide or national body subject to the following proviso:

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

subject in either case to the Outside Body/Bodies concerned themselves not making provision for any travel and subsistence expenses necessarily incurred.
 - (d) Attendance at a meeting of any association of local authorities of which the Authority is a member and to which the Member has been appointed as a representative.

- (e) Attendance at a training session, conference, seminar or other non-political event, the attendance fees for which are being funded by the Council through a Departmental or a corporate budget.
 - (f) Attendance at any training session, conference, seminar or other non-political event for which there is either no attendance fee or any attendance fee is being met by the Member him/herself (or from the relevant political group secretariat budget) subject to the relevant Director confirming that the content of the training, conference, seminar or event is relevant to the Member's responsibilities in respect of the services provided by the Authority or to the management of the Authority.
2. Duties for which out-of-Borough travel and subsistence expenses may **not** be claimed include:-
- (a) Political meetings or events.
 - (b) Any meetings of 'Outside Bodies' to which the Member has not been appointed or nominated by the Council as its representative.
 - (c) Meetings of the Governing Bodies of Schools.

HARROW COUNCIL PAY POLICY STATEMENT 2021/22

Harrow Council supports openness and accountability and is pleased to publish its Pay Policy Statement for 2020/21. In compliance with the Localism Act 2011 this statement outlines the Council's policy on pay and benefits for Council employees (excluding Schools)¹ and specifically for its Chief Officers and senior management.

This pay policy is reviewed annually and agreed at Full Council.

Updates December 2020:

Annual Pay award

Pay scales are reviewed annually in line with the National Joint Council agreements and are usually effective from April 1st each year. A settlement agreement of the NJC and GLPC national annual pay award was reached and a 2.75% increase was implemented in September 2020 backdated to 1 April 2020.

London Living Wage update

Harrow Council's lowest paid employees are currently paid at £10.89 per hour from April 2020. The London Living Wage is £10.75 in 2020. Harrow Council increased the first point of scale on the its lowest salary to the London Living Wage during the implementation of a collective bargaining agreement in 2013. There was a temporary hiatus in the payment of the LLW in 2014, when due to financial constraints in local government Harrow Council adopted a pay freeze.

Since 2015, Harrow resumed increasing the lowest point on its salary scales to meet the London Living Wage and has continued to pay the London Living wage consistently to date. Harrow is currently seeking accreditation to acknowledge the payment of the London Living Wage to staff at the bottom of the scale.

The Restriction of Public Sector Exit Payments Regulations 2020

Legislation has been introduced to cap exit payments of public sector workers at a maximum amount of £95,000 from 4 November 2020.

Context

The Council's vision is: 'Working Together to Make a Difference for Harrow' and is focusing on supporting delivery of the Council's work on the Borough Plan and the "Modernising How we Work" transformation programme. To achieve the ambitions we need a commercially minded and agile workforce delivering higher productivity and increased performance at a lower cost base.

We need to be a modern and efficient Council, able to meet the challenges ahead. In order to help protect frontline services we will continue to deliver support functions in the most cost - effective way, improving working between services within the Council and continuing to collaborate with regional bodies and other local authorities where there are opportunities to. We will protect people and Council assets from risks and retain our customer services in Harrow where possible, modernising and simplifying the access channels to the Council, making more services available online and therefore accessible on a more '24/7' basis.

¹ The Pay Accountability provisions of the Localism Act 2011 do not apply to staff employed in Schools

Our Workforce Strategy reflects that the Council of the future may be very different and having the right people *engaged* with the Council will be vital for our future success. We already compete for people across London and this will increase as the needs of the organisation change and the search for talent in local government increases.

We will establish the people we want, the skills they need and the performance we require and develop recruitment and retention packages that maximise our employment offers. We work to have the right people in the right jobs, who are well managed, developed and supported and where everyone is valued. Our Pay Policy supports this by ensuring that fair and transparent processes are in place to determine the grading and pay for all jobs and that remuneration packages enable the attraction and retention of people with the skills we need. We will also look to create opportunities for staff to benefit through organisational change.

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

Modernising Terms & Conditions Review 2011/12

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

The collective agreement is published online: [Collective Agreement](#)

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

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

Council Pay Rates / Scales

The Council considers it important to be able to locally determine pay rates. This enables it to respond to regional and local labour market conditions. The Council benchmarks its pay rates with other London Boroughs to ensure that it is able to recruit and retain qualified and competent employees. The Council operates locally determined pay scales and adopts the national (JNC/NJC) GLPC national and regional pay award agreements. The Harrow pay structure applies to all staff with the exception of a small amount of staff such as TUPE transferred staff who have not yet been integrated on to the Harrow pay structure, transferred Public Health staff and Communications Team staff and Educational Psychologists².

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

The pay scales are revised annually and are published online: [Officers Payscale 2020/21](#)

Remuneration of Senior Management (Chief Officers)

The Council defines its senior management as the top tiers in the management structure. This includes the Chief Executive, Corporate Directors, Directors and Divisional Directors, comprising all statutory and non-statutory Chief Officer posts.

The senior management structure is published online [Senior Management Structure](#)

Senior management pay is published online: [Senior Management Pay 2019-20](#)

All Chief Officers are appointed by Members through the Chief Officer Employment Panel (COEP).

The Council may, in exceptional circumstances, employ senior managers under contracts for services. The Council publishes details of all payments made under contracts for services in excess of £500 online:

- [Senior Management Pay 2019-20](#)
- [Council Budgets and Spending](#)

Remuneration of Lowest Paid Employees

The Council defines its lowest paid employees as those paid at the lowest pay spine column point on the lowest Harrow pay grade. The Council's lowest paid employees are paid not less than the London Living Wage.

Pay Multiple

The 'pay multiple' is the ratio between the highest paid employee's pay and the median average pay of the Council's workforce and is currently 1:6. The Council's highest paid post is the Chief Executive and further details of the pay multiple is published online: [Senior Management Pay 2019-20](#)

Pay Grading

In 2004 the Council entered into a single status agreement with its recognised trade union, introducing common job evaluation schemes³ and pay scales for the Council's former manual workers, administrative, professional, technical and clerical employees with the exception of Education Psychologists, Nursery Nurses, Youth & Community Workers, Chief Officers and the Chief Executive.

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

From April 2013 the Council took over specific public health functions from the NHS and staff that transferred from the NHS to the Council remain on NHS grades and pay scales. New

³ The Greater London Provincial Council (GLPC) Scheme is used for all Harrow graded jobs and the Hay Scheme for senior professional and managerial jobs.

posts are being recruited to on the local government grades and pay scales. The Director of Public Health has been appointed on Harrow pay and terms and conditions.

Pay on Appointment

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

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

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

Pay Progression

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

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

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

Progression for Chief Officers is subject to the following qualifications:

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

Performance Related Pay

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

The Council operates a Reward and Recognition Scheme for employees who, subject to meeting the criteria of the scheme, may receive payments of £250 or £500, although it may be necessary to pay increased amounts on occasion according to individual circumstances and with Director approval. Details of Reward and Recognition payments to senior management are published online: [Senior Management Pay 2019-20](#).

National / Regional Pay Agreements

The Council supports the national (JNC/NJC⁴ and Soulbury) and regional (GLPC) collective bargaining arrangements for pay and conditions of service and the pay scales for all employees, including the Chief Executive and Chief Officers, are increased in line with national and regional pay agreements. Some conditions of service are negotiated locally.

Market Supplements

The Council may apply market supplement payments to jobs with recruitment or retention difficulties. Market supplements are applied following a robust evidenced business case that meets criteria defined in the Market Supplement policy and agreed by the Corporate Director, Director or HR and the portfolio holder of the directorate. Details of market supplement payments to senior management are published online: [Senior Management Pay 2019-20](#)

Fees for Election Duties

The Council's policy for payment of fees for election duties is published online: [Election fees and Charges](#).

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

Details of fees for election duties paid to senior management are published online: [Senior Management Pay 2019-20](#)

Other Payments

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

Details of any other payments to senior management are published online: [Senior Management Pay 2019-20](#)

Pension

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

- [Policy on Discretions / Pensions – 2014](#)
- [Pension Fund Accounts – 2018/19](#)

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

⁴ Joint Negotiating Committee / National Joint Council

Other Terms and Conditions of Employment

The pay, terms and conditions of council employees are set out in employee handbooks. Handbooks are produced for all employees, including managers and senior professionals, Chief Officers and the Chief Executive and the latest editions are published online: [Harrow Council Employee Handbooks](#).

Payments on Termination of Employment

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

- [Harrow Council Employee Handbooks](#)
- [Policy on Discretions / Pensions 2014](#)

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

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

Details of compensation payments paid to senior management are published at: [Senior Management Pay 2019-20](#)

Further information on the scheme is published online: [Red Payments Agreed](#)

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

The Council's approach to payments on termination of employment and re-employment of employees in receipt of such payments will be impacted by legislation from the introduction of The Restriction of Public Sector Exit Payments Regulations 2020.

Re-employment of Employees

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

Should a successful candidate be in receipt of a redundancy payment the Council will apply the provisions of the Redundancy Payments (Continuity of Employment in Local Government etc.) (Modification) Order 1999 (as amended) regarding the recovery of redundancy payments. The rules of the Local Government Pension Scheme also have provisions to reduce pension payments in certain circumstances to those who return to work within local government service.

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

If an employee in receipt of an augmented pension from the Council is re-employed, the augmented pension will cease during the period of re-employment.

Further Information

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

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INTRODUCTION

In the Spending Review 2015, it was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects. This flexibility was initially being offered to the sector for the three financial years 2016/17 to 2018/19, this was extended for a further 3 years as part of the provisional settlement announced on 19th December 2017. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.

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

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

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

EXAMPLES OF QUALIFYING PROJECTS

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

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

RULES OF QUALIFICATION

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

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

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

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

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

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

STRATEGY FOR USE OF FUNDS

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

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

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

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

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

Savings on Appendix 1A

Savings Reference	Description of Proposal	2021/22 £	Is an EQIA required (Y/N)	Age (including carers)	Disability (including carers)	Gender Reassignment	Marriage and Civil Partnership	Pregnancy and Maternity	Race	Religion and Belief	Sex	Sexual Orientation	Impact before mitigation	Impact after mitigation
COM21.22_S01	Commissioning and Environmental Services re-organisation - net saving on salary budget	250	Y	N	N	N	N	N	N	N	N	N	N	N

Savings on Appendix 1B

COM_20.21_S03	Removal of base budget from October 2020 for 4 positions that are currently 67% grant funded. These 4 FTC positions are created as part of the successful bid to HLF for the Headstone Manor refurbishment project. HLF funding will end in Sept 2020, thereby the future of these posts will be dependent on the availability of further external funding. As no further external funding has been secured, these positions are deleted in 2020/21. This saving started in 2020/21 with a £22k saving made in 2020/21, therefore a total of £44k across 2 years.	22	Y - already completed as part of 2020/21 budget process	Y - minor impact	N	N	N	N	N	N	N	N	N	N
COM_20.21_S05	Reduction in EACH contract and Sheltered housing support from April 2020- Each contract to be transferred to floating support scheme and reduction in sheltered housing support proposed to finance through enhanced housing management service charge which is HB eligible/ or reduce scope of the service provided.	68	Y - required in 2021/22. Individual assessments will be done.	N	N	N	N	N	N	N	N	N	N	N

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