

**Council (Council Tax)**

**Thursday 24 February 2022**

**Confirmation of Cabinet and Committee Recommendations and relevant Originating Background Papers**

| <b>Item on Summons</b> | <b>Cabinet / Committee Recommendation</b>  | <b>Originating Report</b>                      |
|------------------------|--|--|
| 8.                     | Recommendation: Cabinet (10 February 2022)<br>Borough Plan Update  | Report of Chief Executive (Pages 3 - 68)       |
| 9.                     | Recommendation: Cabinet (10 February 2022)<br>Revenue Budget 2022/23 and Medium Term Financial Strategy 2022/23 to 2024/25 | Report of Director of Finance (Pages 69 - 178) |

**Recommendation: Cabinet  
(10  
February  
2022)**

10. Housing Revenue Account Budget 2022/23 and Medium Term Financial Strategy 2023/24 to 2024/25
- Report of Divisional Director of Housing, Director of Finance and Corporate Director Community (Pages 179 - 206)
- 

**Recommendation: Cabinet  
(10  
February  
2022)**

11. Treasury Management Strategy Statement including Annual Investment Strategy for 2022/23 and Capital Strategy for 2022/23
- Report of Director of Finance (Pages 207 - 274)
- 

**Recommendation: Cabinet  
(10  
February  
2022)**

12. Final Capital Programme 2022/23 to 2024/25
- Report of Director of Finance (Pages 275 - 306)
-



**Report for: Cabinet**

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|                                     |   |
|-------------------------------------|---|
| <b>Date of Meeting:</b>             | 10 February 2022  |
| <b>Subject:</b>                     | Borough Plan – Key Achievements and Future Intentions   |
| <b>Key Decision:</b>                | Yes – affects all wards   |
| <b>Responsible Officer:</b>         | Sean Harriss - Chief Executive  |
| <b>Portfolio Holder:</b>            | Councillor Graham Henson – Leader of the Council and Portfolio Holder for Strategy, Regeneration, Partnerships & Devolution |
| <b>Exempt:</b>                      | No  |
| <b>Decision subject to Call-in:</b> | Yes   |
| <b>Wards affected:</b>              | All   |
| <b>Enclosures:</b>                  | Appendix 1 – Borough Plan: Key Achievements and Future Intentions   |

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

This report sets out progress to date against our Borough Plan 2020-2030 and recommends to reaffirm the current corporate priorities within the Plan. The Plan has been developed with our partners and voluntary and community sector colleagues in setting out aspirations for the borough for the 2020-2030 decade. This incorporates the council's Corporate Plan in representing our role in delivering the broader partnership agenda and our corporate priorities. Progress and future intentions are presented against each of the eight priority areas and the two cross cutting themes specifically looking at tackling inequality.

### **Recommendations:**

Cabinet is requested to:

1. Note the progress to date against delivery of the Borough Plan.
2. Reaffirm commitment to the eight priorities and two cross-cutting themes as corporate priorities and driving service planning activity for the 2022/23 year.
3. Give consideration to any comments from the Overview & Scrutiny Committee on the Borough Plan and scrutiny's involvement in its further development, as provided in the reference from O&S (8 February 2022) to Cabinet (10 February 2022).
4. Recommend the Borough Plan to Council and authorise the Director of Strategy and Partnerships, following consultation with the Leader of the Council, to make any minor amendments to the Plan as necessary prior to the matter going to Council.

### **Reason: (for recommendations)**

To reaffirm the council's Policy Framework and corporate priorities for the 2022/23 year.

## **Section 2 – Report**

### **Introductory paragraph**

This report provides Cabinet with an update on progress against the Borough Plan priorities agreed in February 2020, and further refreshed in November 2020.

Whilst our original plan had been to use 2020 as the year of engagement on the Borough Plan, this has not been possible due to the ongoing Covid pandemic, the country going into lockdowns and the practical implications of social distancing rules. We had also intended to bring the Council Delivery Plan to Cabinet for approval which would set out the Council's shorter-term contribution to the delivery of the Borough Plan and the performance measures against which progress would be assessed. However, organisational capacity has had to be re-prioritised and re-directed towards dealing with the Covid pandemic, with a focus on ensuring we delivered our core services well during this time as well as ensuring we appropriately planned for subsequent waves. The timescales for producing the Council

Delivery Plan have therefore had to be extended and the planned community engagement activity has not been able to take place. Yet despite all this, work on delivering against the Borough Plan priorities has continued and it is important for the council to recognise these key areas of progress and set down markers for future intentions against the Borough Plan's priorities.

### Options considered

- Continue with current Borough Plan priorities without making any amendments (recommended option).
- Amend the Borough Plan – this is rejected as there is nothing to suggest a change in priorities or direction since the Borough Plan priorities were refreshed in November 2020.

### Background

Developed in partnership with key public sector providers in the borough and colleagues from the voluntary and community sector, our Borough Plan sets out aspirations for the borough over the 2020-2030 decade.

The Council approved the draft Borough Plan in February 2020 just before the pandemic took hold and we refreshed the Plan in November 2020 to take account of the impact of the pandemic on our borough and how we will recover from it, as well as the inequalities highlighted by the work supporting Black Lives Matter and the broader race equality agenda.

We worked with partners to develop collective priorities for the borough, based on feedback received from the people of Harrow in our annual residents' survey. There are three foundations for maintenance / incremental improvement and five priorities presenting a significant challenge / requiring step-change improvement, in addition to the two cross cutting themes that were identified in last year's refresh of the Borough Plan. These priorities are set out below.



**Cross cutting themes:**

- Tackling disadvantage
- Tackling racial disproportionality

We had anticipated engaging residents, businesses, communities and other interested parties, in developing this vision and turning it into reality during 2020. However, with the ongoing pandemic and the council and partners' focus on responding to this and recovery, we have had to pause this intention. Nevertheless, we have used the Borough Plan to drive our partnership response to Covid-19 and used the partnership principles to guide our recovery, as the report on key achievements demonstrates. We will continue to shape the borough's priorities through the pandemic and beyond.

It is clear that tackling the impact of the pandemic is going to be a long-term issue, creating significant demands on council capacity and that of our partners. The activity that we are now undertaking to contribute to the Borough Plan has a large Covid-recovery dimension to it.

## **Current situation**

Since approving the Borough Plan priorities in February 2020 and despite the challenges that Covid has presented, we have managed to make progress in all areas of the Borough Plan:

- 1. Improving the environment and addressing climate change:**
  - Funding secured through the Public Sector Decarbonisation Scheme sees Harrow deliver energy related works at six schools and corporate sites. Measures include retrofitting commercial scale air source heat pumps to council owned public buildings (significantly reducing or eliminating those sites' gas heating requirements), heat pump installations, insulation, solar panels and LED lighting upgrades.
  - All of our school and council electricity supplies are now being procured on a green tariff.
  - Secured Green Homes Grant funding from Government to retro-fit 130 low-income households with energy saving measures.
  - Worked closely with community groups to complete (in 2021) major works to Headstone Manor Park which increase biodiversity, improve resilience against flooding and encourage better wildlife, complementing the improvement works at the museum and café.
  - Installed ground source heating pumps at three sheltered housing schemes costing £1.7m, with more planned, to significantly reduce carbon emissions and reduce residents' heating bills.
  - Made significant investment in fighting flytipping – identifying the top 20 hot spot areas in the borough and assigning crews to work intensively in these hotspot areas.
  - Invested £300k for a Priority Enforcement Team and introduced area-based enforcement teams which provide capacity to deal with emerging issues and demands in ward areas, meeting specific needs on a ward basis.
  
- 2. Tackling poverty and inequality**
  - Established Community Hub and Help Harrow platforms which continue to support the most vulnerable in our communities with support, advice and food supplies. During the two waves in 2020, we made over 70,000 call outs to residents and nearly 7,000 food deliveries.

- Worked closely with NHS partners to ensure Harrow has one of the most successful vaccination rates across NW London.
- Grants totalling £67m have been given to around 2,500 local businesses, to support them through the pandemic.
- Commissioned Citizens Advice Harrow to expand the borough's debt advice service.
- Working with schools and Young Harrow Foundation to run a very successful Holiday and Food Activity Programme providing over 3,000 vulnerable children with food and activities over the school holidays.
- Delivering the Household Support Fund to continue funding nearly 6,000 pupils with free school meals over winter school holidays and providing a further 9,000 vulnerable households with supermarket vouchers.
- Selective licensing schemes operate in some areas of the borough to ensure residential accommodation is safe, well maintained, and of good quality.

### **3. Building homes and infrastructure**

- Harrow Strategic Development Partnership between the council and Wates established and is the largest investment and development opportunity Harrow has seen.
- Redevelopment of three core sites – Byron Quarter, Peel Road, Poets Corner - will create housing, jobs and other opportunities.
- Council's major development at Forward Drive in Wealdstone is nearing completion, delivering an office building designed to provide the council with modern, collaborative and flexible workplace environment for staff and integrated service providers.
- Grange Farm Regeneration has continued, with Phase 1 on site delivering 89 new affordable homes, and a further 485 new homes being built around green space and community facilities.
- Town Centre developments through the High Street Fund and broader work in to improve Wealdstone.
- Council is partnering with broadband providers to enable digital connectivity and install superfast broadband to all council estates and blocks with vulnerable residents eligible for free broadband deals.

### **4. Addressing Health and Social Care Inequality**

- The partnership relationship between the council and local NHS is one of the best in London, with the collective response to the pandemic being used as catalyst for this.
- Through the Harrow Conversation, partners all signed up to support integration. The Integrated Care Partnership's 100-day plan was agreed in September 2021 and progress through new workstreams and work programmes monitored by the Joint Management and Health and Wellbeing Boards.
- Established an Independent Discharge Hub, staffed by all partners, during the pandemic which sees the transition of patients back into the community in the most efficient pathway.
- In-depth work on reducing health inequalities and improving outcomes for those with long term conditions (e.g. diabetes, hypertension, obesity) has led to designing more appropriate interventions and

culturally appropriate services. The Harrow East pilot rolled out initiatives on access to primary care, immunisation and antenatal care, predominantly in the Romanian community.

- Established a Care Providers Support Group to support domiciliary care providers and care homes, initially with Covid-related issues but continuing as an ongoing resource to respond to the needs of the care economy and support care providers.
- Successful testing and vaccination programmes and messaging, enabled by close work between the council, NHS, pharmacies, VCS, and schools.
- Much work on community engagement to build trust and confidence during the initial stages of the pandemic (e.g. with community leaders in Harrow's Black Communities) is now able to be taken forward in areas beyond Covid in conversations about wider health issues.

## **5. Thriving Economy**

- The Harrow Economic Strategy 2021-2030 was adopted in July 2021 and will support the economic recovery from Covid.
- Around £70m has been provided in business grants to provide financial relief and support businesses that have suffered as a result of trade restrictions through the pandemic.
- £7.8m has been secured to support district and metropolitan town centres.
- £1.4m in funds has been secured to increase the number of residents supported through skills and employment programmes.
- Providing employment brokerage through the Kickstart scheme, we have offered 80 apprenticeships across the council, small businesses and the VCS in the borough to young people aged between 16 and 24.
- Business Skills Accelerator programme helps 250 local micro businesses
- Traders' associations are being established across district centres and we have helped high streets bounce back from the pandemic by investing in improvements that make them safer, more vibrant and more desirable to visit, spend time and shop.

## **6. Sustaining quality education and training**

- A sector led response to pandemic with schools staying open in Harrow throughout Covid to support vulnerable children and key workers.
- Supporting the needs of children and young people with Special Educational Needs and Disability a key focus of recovery from the pandemic with additional investment agreed.
- Council and schools worked together to make sure funding was distributed for children eligible for free school meals over school holidays.
- Vaccination programme for 12-15 year olds successfully rolled out in secondary schools.
- Standards of educational outcomes broadly maintained despite impact of lockdowns.

- Learn Harrow piloted Ofsted's new set of standards for quality of online delivery during the pandemic, doubling its funding, capacity to deliver and achieving all intended outcomes set.
- 'How Are You' survey carried out in 25 schools and two colleges to understand the health and wellbeing of over 6,000 pupils in the borough.

## **7. Celebrating communities and cohesion**

- Proactively supported communities through Covid with well-attended webinars, engagement and the community champions programme.
- Through the Covid Awareness Fund, over 50 organisations have been funded to build understanding and support positive messaging on Covid and vaccinations to Harrow's diverse community, and ensure regular dialogue on community needs and co-producing community solutions.
- Building on the impetus given to work in tackling inequalities by the Black Lives Matter movement, we heightened our work with communities of Black heritage, bringing groups together on a single platform at two meetings to focus on improving inequality and health inequalities. The ICP subsequently funded an Engagement Commission, delivered by Voluntary Action Harrow, to follow up issues with communities.
- Through the Home Office's Afghan resettlement programmes (the Afghan Relocation and Assistance Policy and the Afghan Citizens Resettlement Scheme), working to match evacuated Afghan families suitable properties, and welcome, integrate and resettle them in the Harrow community.
- Wealdstone Action Group has continued to support local engagement with the community and businesses to make sure that the installation of lights, a mural, TfL infrastructure and footbridge were what the local community wanted.

## **8. Maintaining low crime and improving community safety**

- Partnership with the Police at operational level was very effective during lockdown.
- The Youth Offending Board and partnership working across the Violence, Vulnerability and Exploitation space continues to operate effectively.
- Safer Harrow has renewed its commitment to tackle Domestic Abuse and Violence Against Women and Girls (VAWG) and improve commissioning arrangements. Safer Harrow has established a VAWG sub-group to progress a multi-agency approach to VAWG and increase connectivity between agencies.
- Stopping domestic abuse remains a key priority and we have invested further in domestic abuse services to support victims and children to access specialist support.
- Our New Pathways Partnership brings together statutory partners, the VCS and schools to achieve positive change for children and young people through contextual safeguarding and early intervention. Projects commissioned include tackling the disproportionate impact of

exclusions on Black boys, parenting programmes and supporting girls at high risk of Child Sexual Exploitation.

## Implications of the Recommendation

### Performance Issues

Given the organisational stretch in capacity posed by the ongoing pandemic, the refresh of the performance framework to reflect the priorities within the Borough Plan is currently paused. We will continue work to re-cast the measures and targets under the eight priorities and identify new and appropriate performance measures for the cross-cutting themes. This will feed into a fully refreshed performance framework to be implemented alongside the Council Delivery Plan which will be developed in the 2022/23 year.

### Environmental Implications

There are no environmental implications from the proposed recommendations, other than to note the ambition to respond to the Climate Emergency.

### Data Protection Implications

There are no data protection implications from the proposed recommendations.

## Risk Management Implications

Risks included on corporate or directorate risk register? **Yes**

Specific risks relating to the delivery of the Borough Plan priorities themselves are contained either within the corporate or directorate risk registers.

Separate risk register in place? **No**

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

**Yes** (Corporate Risk Register)

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

| Risk Description  | Mitigations  | RAG Status |
|---|--|------------|
| These are not the most appropriate priorities for the Council | <ul style="list-style-type: none"><li>• There is nothing to suggest a change in priorities or direction since the Borough Plan priorities were refreshed in November 2020.</li><li>• Members and partners have been engaged as part of drafting this report.</li></ul> | Green      |

|   |  |       |
|---|--|-------|
| O&S comments and future involvement not appropriately considered  | <ul style="list-style-type: none"> <li>The report is being considered by the Overview and Scrutiny Committee on 8 February with the outcomes and comments being referred on to Cabinet along with this report.</li> </ul>  | Green |
| The Borough Plan does not have full support of Council  | <ul style="list-style-type: none"> <li>Cabinet to agree recommendation to refer plan to Council.</li> <li>To be presented to Council 24 February 2022.</li> </ul>  | Green |
| The Borough Plan is unaffordable  | <ul style="list-style-type: none"> <li>Ability to deliver the council's approved MTFS over the next three years - most of the delivery against the Borough Plan priorities is heavily reliant on the budget position over the next 2-3 years</li> <li>The Council's draft budget for 2022/23 (Cabinet – December 2021) required the use of £15.7m reserves to balance the 2021/22 budget, leaving a funding gap of £14.8m over the MTFS. The final budget to Cabinet in February 2022 will not have a material impact on the MTFS funding gap. The Council must now prepare a robust Financial Strategy to address the MTFS funding gap in preparation for the incoming Administration in May 2022. This may require a re-prioritisation against the proposed eight priorities.</li> </ul> | Red   |
| Lack of strategic leadership capacity - caused by the impact of the pandemic and lack of capacity at all levels poses a significant risk to delivery in terms of limiting our ability to undertake engagement activity and diverting resource and capacity away | <ul style="list-style-type: none"> <li>We worked with partners to develop collective priorities for the borough, based on feedback received from the people of Harrow in our annual residents' survey.</li> <li>Dedicated business planning meetings for the organisation's strategic leaders (CSB and Cabinet) creating time &amp; space for strategic planning.</li> <li>Director of Strategy post refocused to include partnership development</li> <li>Staff leadership and management programmes rolled out.</li> <li>New/refreshed Organisational Development strategy in place.</li> <li>Additional programme management support in place.</li> </ul>   | Red   |

|  |  |       |
|--|--|-------|
| from Borough Plan work.  |  |       |
| The delay in the production of the Council Delivery Plan poses risk to our ability to be able to monitor delivery and demonstrate progress against our targets and measures. | <ul style="list-style-type: none"> <li>• Continue work to re-cast the measures and targets under the eight priorities.</li> <li>• Identify new and appropriate performance measures for the cross-cutting themes.</li> <li>• Use this to feed into a fully refreshed performance framework to be implemented alongside the Council Delivery Plan which will be developed in the 2022/23 year.</li> </ul> | Amber |

## Procurement Implications

There are no direct procurement implications arising from the recommendations of this report. Any procurement that is required as a result of the delivery of the Borough Plan will be undertaken compliant with the Public Procurement Regulations 2015 and the Council Procurement Procedures.

## Legal Implications

The Borough Plan sets out the development of a new partnership plan for the borough, which sits above our overall Policy Framework and incorporates the Corporate Plan.

It is proposed that the Borough Plan, following consultation, is presented back to Cabinet for sign off within the next year. A two-year Council Delivery Plan will also be presented setting out the Council's short term contribution to delivery of the Borough Plan and emerging priorities, as well as a re-alignment of existing performance measures and initial proposals for new measures which can be used to monitor delivery of the Corporate Plan and Borough Plan over the next decade. It is proposed that the revised Council Delivery Plan, as set out above, is submitted to Cabinet for approval during 2022/23.

## Financial Implications

The Borough Plan accompanies the Council's Medium Term Financial Strategy (MTFS) for Cabinet and Council approval. The financial implications of delivering the Borough Plan are therefore supported through the MTFS, and the financial risks to delivery are covered in the Risk Management section above. Where there are financial implications arising from delivery of the major programmes of work supporting the Borough Plan these will be

addressed in the relevant reports to Cabinet on those specific pieces of work or projects.

## **Equalities implications / Public Sector Equality Duty**

Delivery of a Borough Plan will support delivery of our equalities duties across the borough. The themes that cut across each of the priorities explicitly address tackling socio-economic disadvantage, inequality and racial disproportionality. There is a focus on improving outcomes for lower attaining groups across each of our priorities, as the review of the key achievements and the future intentions has highlighted.

Performance measures established over the next year as part of the Borough Plan development process will enable monitoring of the narrowing of gaps and the improvements achieved in addressing inequality. Multiple datasets support identification of those groups who are not experiencing the same level of outcomes as others, enabling specific and targeted plans to be developed over the 10-year delivery window to improve outcomes.

Whilst there is much that can be done working in partnership across the borough, there are many aspects of addressing inequality that cannot be driven purely within Harrow - in these instances we will work with and lobby others to support delivery of our bold plans.

## **Council Priorities**

This report sets out the reaffirmation of the existing Corporate Priorities and details progress made on each of them.

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

**Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 31 January 2022**

**Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer

**Date: 31 January 2022**

**Chief Officer: Alex Dewsnap**

Signed off by the Director of Strategy & Partnerships

**Date: 26 January 2022**

**Head of Procurement: Nimesh Mehta**

Signed by the Head of Procurement

**Date: 20 January 2022**

**Head of Internal Audit: Susan Dixon**

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

**Date: 26 January 2022**

## **Mandatory Checks**

**Ward Councillors notified: YES, as it impacts on all Wards**

The Borough Plan affects all wards and has been developed with full engagement of all Cabinet members.

**EqIA carried out: NO**

No EQIA is required at this stage. EQIAs will be developed following consultation on the Borough Plan with Harrow communities. This will inform the development of specific activities and deliverables, supported by EQIAs as appropriate.

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

**Contact:** Nahreen Matlib, Joint Interim Head of Policy,  
[nahreen.matlib@harrow.gov.uk](mailto:nahreen.matlib@harrow.gov.uk), tel: 07874 891499

**Background Papers:** None

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

# Harrow Borough Plan 2030

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## Key Achievements and Future Intentions

*Harrow – the borough we are proud to call our home*



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Harrow Borough Plan is a partnership plan for Harrow. Current partners supporting this plan are:

*Harrow Council*

*Metropolitan Police*

*Voluntary Action Harrow*

*London Fire Brigade*

*London North West  
University Healthcare  
NHS Trust*

*Central & North West  
London Mental Health  
Trust*

*Harrow Voluntary &  
Community Sector Forum*

*Central London  
Community  
Healthcare NHS Trust*

*Harrow Health CIC*

*Harrow College*

*Young Harrow Foundation*

*Home Group*

*Harrow Clinical  
Commissioning Group*

*Harrow Schools*

*University of Westminster*

*Harrow  
Community Action*

*February 2022*

# HARROW BOROUGH PLAN 2030

## KEY ACHIEVEMENTS AND FUTURE INTENTIONS

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## **Leader's Introduction**

*To follow.*

**Graham Henson  
Leader of the Council**

## Introduction

Developed in partnership with key public sector providers in the borough and colleagues from the voluntary and community sector, our Borough Plan sets out aspirations for the borough over the 2020-2030 decade. The Plan recognises that there will be significant change over that period, and as the Covid-19 pandemic has demonstrated, some of these changes cannot be predicted. The Borough Plan was launched in early 2020 just before the pandemic took hold and we refreshed the Plan in November 2020 to take account of the impact of the pandemic on our borough and how we will recover from it, as well as the inequalities highlighted by the work supporting Black Lives Matter and the broader race agenda.

We have a clear vision of our borough and are building a strong partnership to deliver this to make significant improvements for the borough by 2030. We want to focus on

- Tackling racial disproportionality in life outcomes
- Improving our district centres for living, shopping and entertainment
- Narrowing the gap in healthy life expectancy
- Reducing inequality in earnings, attainment and opportunity
- Achieving net-zero carbon emissions across the borough
- Building 3,000 more affordable homes

We had anticipated engaging residents, businesses, communities and other interested parties, in developing this vision and turning it into reality during 2020. However, with the ongoing pandemic and the council and partners' focus on responding to the emergency and recovery, we have had to pause this intention. Nevertheless, we have used the Borough Plan to drive our partnership response to Covid-19 and used the partnership principles to guide our recovery, as you will see from the key achievements that follow. We will continue to shape the borough's priorities through the pandemic and beyond.

It is clear that tackling the impact of the pandemic is going to be a long-term issue, creating significant demands on council capacity and that of our partners. The activity that we are now undertaking to contribute to the Borough Plan has a large Covid-recovery dimension to it. Council services continue to run in a Covid-secure way whilst also managing the response to the pandemic in terms of: PPE, communications, test and trace, emergency payments and benefits, the community hub, enforcement and supporting the vaccination programme.

As you will see from the Plan<sup>1</sup>, we set out our priorities along with a series of objectives we want to achieve during its life - these will be reviewed frequently during the ten-year implementation period. Much of what we seek to do relies upon others to deliver, or support delivery, meaning that we will need to work with and influence others to enable achievement of our ambitions for Harrow, including influencing and lobbying government at a regional and national level. There is also a strong role for individuals and communities in delivering this plan: we need a collaborative model where everyone has a role in caring for our people and caring for our place.

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<sup>1</sup> [Draft Borough Plan \(modern.gov.co.uk\)](https://modern.gov.co.uk)

This review looks over what we have progressed and achieved over the first two years of the Plan against the priorities, recognising that it has not been a 'normal' two years but ones heavily impacted by a global pandemic. Although the pandemic has brought the world to a standstill at times, we cannot afford to stand still in delivering improvements for our borough.

## **Our Vision and Priorities**

Within Harrow, we are serious about making the borough a great place we are all proud of and in which families flourish. We have set out a bold Borough Plan through to 2030 which will deliver strong and positive outcomes for our residents, businesses and our environment for future generations to enjoy. Whilst being bold, we cannot deliver this on our own and require the support and commitment from a range of stakeholders. We will pool our resources and effort to deliver, influence and enable others to meet our shared vision for the borough.

### **Vision**

Our Plan proposed to create a vision which demonstrates why we are proud of Harrow and set out aspirations for the partnership across the borough, encapsulating our sense of community, including:

- Everyone looks after each other
- Neighbourliness and cohesiveness
- Sense of belonging
- Caring for people and the area
- Resilience

We seek to retain our many strengths, but also collectively tackle the challenges we face as a borough. In delivering our vision for Harrow, we want to ensure equality of opportunity for all of our communities and multi-ethnic groups who contribute significantly to the diversity and culture within the borough. We want to ensure that Harrow is accessible to all.

### **Tackling Racial disproportionality, Inequality and Disadvantage**

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, we recognise that the council and its partners can do more to enhance the lived experience and better outcomes for all residents. That is why, when the Plan was refreshed in November 2020, we agreed that the two main issues that cut across all of the priorities we want to tackle over the next decade are racial disproportionality and socio-economic inequality and disadvantage.

These are recurring themes throughout our Borough Plan and its eight priorities and across our partnership. Through engagement we will ensure that our approach and actions to tackling racial disproportionality and tackling socio-economic inequality and disadvantage continue to make Harrow a better place for all of our residents and businesses.

### **Priorities**

We worked with partners to develop collective priorities for the borough, based on feedback received from the people of Harrow in our annual residents' survey. There are three foundations for maintenance / incremental improvement and five priorities presenting a significant challenge / requiring step-change improvement, in addition to the two cross cutting

themes that were identified in the refresh of the Borough Plan in November 2020. These priorities and cross-cutting themes are set out below.



**Cross cutting themes:**

- Tackling disadvantage
- Tackling racial disproportionality

The Borough Plan was agreed just a month before the pandemic took hold, and therefore much of the efforts of the council and partners on progressing the priorities has been rooted in responding to the pandemic and the needs of our residents in this context. Our progress and achievements against each of the priority areas are set out in the pages that follow.

[All figures quoted are correct as of 31 December 2021 unless otherwise stated]

## **PRIORITY: Improving the environment and addressing climate change**

The council has set itself the ambitious target of being a **carbon neutral borough by 2030**. In autumn 2021 we held our first Climate Emergency webinar to look at how we are creating a sustainable borough and identifying what more we have to do. We are committed to helping our residents understand the impact of their choices and help them to switch to less carbon emitting alternatives e.g. the switchover to electric vehicles. We have established a framework around which the council, our partners and residents can take action to reduce the climate impact of everything that happens in our borough. This includes clean energy used efficiently, zero-emission transport, a waste-free borough, healthy places for us and the rest of nature, good governance for long term sustainability, eco-literate and engaged communities and a socially just transition.

In **addressing the council's carbon use**, our vehicle fleet now includes 16 electric vans, from which our meals on wheels and a range of other services are delivered, and the majority of our remaining vehicles meet the highest Euro 6 emissions standard. Over recent years we have supported a significant programme of solar panel installations at school sites, with 16 Harrow schools now producing a proportion of their own electricity. Since October 2021, all of our school and council electricity supplies are being procured on a green tariff, with our demand matched by generation from renewable sources such as wind and solar. We are engaging with companies that provide the council with goods and services to see what opportunities exist to drive down emissions throughout our supply chain. We have also reviewed our pension investment strategy and diverted significant funds towards delivering low carbon outcomes.

We are also undertaking a range of initiatives to **help the borough as a whole to decarbonise**. In October 2020 we introduced an emissions-based parking permit scheme for residents, to incentivise a transition to low emission vehicles. In early 2021 we installed a further 24 on-street charging points for electric vehicles, with plans to install more over the next 12 months.

Like many large organisations, the council recognises that a significant part of its overall carbon footprint is associated with the goods and services that it procures. During 2021 we introduced a standard question as part of our procurement activity that tests suppliers' ability to deliver low carbon outcomes when providing the relevant goods and services to the authority. Building upon this we have coordinated a West London wide project to develop a more comprehensive **Low Carbon Procurement Toolkit** for use by local authorities, which includes a low carbon charter that will be widely distributed to existing and prospective suppliers across the sub-region.

The council is implementing a £2.4 million grant from the **Public Sector Decarbonisation Scheme** to carry out energy related works to six school and corporate sites. This will significantly reduce or eliminate the gas heating requirements of these council owned sites. The range of works include LED lighting upgrades, external, loft and cavity wall insulation, solar panels and air source heat pumps. We are installing ground source heat pumps at three sheltered housing schemes across the borough at a cost of £1.7 million. These will significantly reduce carbon emissions and reduce residents' heating bills. Further pilots of air source heat pumps are planned.

In 2021 we helped low income families retrofit their homes via the Green Homes Grant Local Authority Delivery Scheme which as part of a West London consortium, provides for **domestic retrofit in the borough**. The scheme targets homes with a poor energy rating that are occupied by households on low incomes. Around 130 properties are anticipated to be retrofitted in the borough with fabric improvement measures, as part of implementation of Phase 1 and Phase 2 of the scheme.

In the spring and summer of 2021, we participated for the first time in the **Solar Together London Scheme** helping residents save money on the cost of solar panel installation. 1,500 households responded, demonstrating an appetite amongst residents for exploring installation of solar panels at their homes. The scheme is expected to open again in early 2022.

Working closely with community groups, in 2021 we completed major works as part of the **Headstone Manor Park Project**, which increases local biodiversity and resilience against future flood events. New wetland areas and improvements to the flow of the brook have been completed, which will help reduce the flood risk around North Harrow. There is a new orchard and planting to encourage wildlife, a new playground for children and nature walks and picnic area. This complements the improvement works at the museum and café at this historic site.

The **Grove Open Space** behind Lowlands in Harrow has seen saplings planted by Trees for Cities volunteers and Harrow residents, as a lasting memorial for the over 700 lives lost to Covid in the borough. The 21 trees were announced by the Mayor of Harrow during the pandemic and represent the borough's 21 wards.

As in many other London boroughs, the levels of **fly tipping** are a concern that many Harrow residents have. There were 8,844 fly tips reported in the 12 months ending April 2021. In Harrow the trend appears to be waste predominantly left in black bags and in small numbers. This suggests that the individuals fly tipping in Harrow are more likely to be from local residential properties. The council will always look to take enforcement action when the perpetrator can be easily identified, such as when there is a witness to the act of dumping or the bags themselves contain evidence clearly identifying the owner, as it makes it easier for the council to issue fines and take people to court. Areas once known locally for fly tipping will repeatedly attract further fly tipping. As a result, clearing a fly tip does not always solve the problem and it is costly for the council to repeatedly clear locations of fly tip rubbish. Therefore, the council's strategy has been focused on finding perpetrators, issuing fines and taking them to court but also putting up signs and sending letters to residential homes to deter people from fly tipping.

Fly tips themselves are often found where there are other local issues that may be contributing to the issue, such as unlicensed HMOs (Houses of Multiple Occupation) and commercial premises without a trade waste agreement. Areas susceptible to fly tipping may also experience other nuisance issues or anti-social behaviour. The Licensing and Enforcement service have identified the top twenty hot spot areas and created a strategy to deal with these which we will progress - this involves taking a bespoke and holistic approach to each fly tip hot spot area.

There has been more investment in fighting fly tipping, with crews working across the borough and intensively in hotspot areas to gather evidence including from new CCTV cameras and responding promptly to reports of illegal dumping.

Our **licensing and enforcement** team help improve the environment in Harrow by reducing fly tips, dealing with filthy and verminous properties, and reducing nuisance from smoke, odour, light and noise. During the height of the pandemic, we suspended normal enforcement patrols and our enforcement team concentrated on patrolling communities to ensure that residents and businesses were complying with Covid regulations and good practice. Kingdom LA Support were tasked with monitoring the borough for compliance with the various stages of control and lockdown. Environmental health staff suspended business as usual and moved to a seven-day a week format providing support to the Public Health England Track and Trace Service, monitoring parks and neighbourhoods and providing the enforcement escalation for businesses.

Guidance was issued locally and nationally at the beginning of the first lockdown and subsequently to ensure that businesses were aware of the restrictions in place. Working with the Health and Safety Executive, many small and medium businesses were directly contacted to assess their compliance in the workplace and our team supported the recovery of High Streets with guidance and simplified street trading or 'pavement licences'.

We have recently invested an additional £300k for a **Priority Enforcement Team** to tackle a range of environmental issues. Areas that have been identified as being priority enforcement include:

- Visiting fly tip hotspots, securing evidence and taking enforcement action
- Undertaking evening/morning visits to evidence possible Houses of Multiple Occupation properties
- Monitoring commercial licensed premises in evenings and weekends
- Responding to ongoing nuisance such as bonfires

Six additional officers were recruited by mid-December 2021 to take on this work. As part of this delivery an 8-week rolling calendar has been created, moving resources around ward by ward to deal with priority enforcement issues in each area. Each week the focus has been on a particular ward undertaking enforcement and engagement focused on the specific problems in that area/ward, with regular feedback and engagement with the ward councillors. Due to varying levels of priority enforcement need in each ward, different actions may be undertaken in each ward and the levels of resources given to a focus ward in each week will differ. Local policing teams and other council departments are kept informed of the focus ward programme for the forthcoming weeks and given an opportunity to be involved where appropriate.

These new **area-based enforcement teams** have moved away from traditional subject matter-based teams. The benefit of this model is that it creates a multi discipline environment where the area team can pull their combined expertise together to resolve complex issues. It provides capacity to deal with emerging issues as the teams meet the demands of the ward area rather than being focused on individual subject areas. In turn, this allows us to set priorities for different areas depending on need. Being based by area also means closer working relationships can be established with the local police, other council departments, resident, businesses and ward members.

We have already seen the impact of the £300k investment to the Enforcement team, with additional staff and the new area-based focus, for example more perpetrators have been identified and issued fines in the Greenhill ward (town centre) in the November to December 2021 period than in any other two-month period of 2021.

### **Looking ahead**

We will continue to make sure Harrow is an attractive and healthy environment with improved streets, enhanced parks and accessible open spaces, providing relaxing recreation, supporting sport and active travel opportunities for all. We will do this by encouraging active travel and creating a modal shift in favour of sustainable transport – walking and cycling – and address the over reliance on cars to reduce the carbon footprint, reduce pollution and improve health. We will continue to improve our access to clean air and water, and the other ecosystem services that are essential for us to all live healthy lives, reduce residual waste and increase recycling, and support equitable access to sport and physical activity across Harrow. Green spaces enable exercise and the reduction of carbon footprints.

We will play our part in implementing London Council's Retrofit London Action Plan by retrofitting all council housing. Our ambition for high quality and energy efficient housing will also address fuel poverty, carbon emissions and heat loss causing global warming.

Our commitment to be a carbon neutral borough by 2030 remains and we will make sure that the way we address climate change does not disproportionately impact on the poorest and most vulnerable in society and builds a more sustainable borough.

Deploying our Priority Enforcement Team to target priority environmental issues and delivering quick results to residents is a key area we will be improving in 2022. By targeting our enforcement and engagement efforts on an area-by-area basis, we can focus on the enforcement issues that matter most to specific areas and communities.

We will continue to target fly tipping - fly tipping needs to be made socially unacceptable across all parts of the borough. Publicity and communications will be used to educate the public to dispose of their waste correctly and also focus on the fact that the continual clearance of the fly tip is a cost borne by the public purse. We will continue to progress the strategy developed to address the fly tipping hot spot areas and we continue to adopt a zero tolerance approach with offenders.

We will also continue to promote the ways in which residents and councillors can report fly tipping to the council and how best to relay information to our Priority Enforcement Teams, so that we not only work with our communities to tackle the issue that blights our borough but also encourage information sharing so we can tackle the issue.

## **PRIORITY: Tackling poverty and inequality**

The last couple of years have been unprecedented and challenging. The pandemic has affected us all and exacerbated inequalities that already existed in society. In supporting our residents through such challenging times, the council and its partners have responded to the pandemic in several ways: emergency response to protecting vulnerable residents, providing financial support, addressing food poverty, tackling poor housing and homelessness, encouraging the development of employability skills and promoting mental wellbeing and resilience.

Harrow Council along with several local voluntary sector organisations came together to form a partnership called the **Community Hub** to support Harrow residents during the Covid-19 outbreak. This initial response was to create a borough wide, coordinated approach to support residents unable to access support, advice or food supplies. Operating from Wealdstone, as an immediate response to helping the most vulnerable at the start of the pandemic, this initiative continues to support residents. Struggling and vulnerable residents can also receive regular food parcels, through a support platform called **Help Harrow**, which was launched in March 2020. The service was initially set up to respond to the need to support Clinically Extremely Vulnerable (Shielding) residents access food at the start of the pandemic but has since been expanded further to include add-on services such as the provision of general advice and information and a referral point for mental health support. Help Harrow has been working in collaboration with several key partner organisations and stakeholders across the borough and nationally. On average up to 500 residents have received food parcels each month since the scheme's launch.

We have protected the most vulnerable in our communities by checking in on residents and making calls to people **shielding**. In the first wave in 2020, we made 27,862 calls to the 8,167 local residents who were identified as clinically extremely vulnerable and shielding, to identify any support that they needed. We worked with our partners to deliver 3,557 food packages. In the second wave and from October 2020 onwards, the total number of residents who were shielding rose to 25,033 and we made a further 42,670 contacts, delivering another 3,176 food packages, alongside other support. Working with others in the local voluntary and community sector, Harrow Central Mosque has also been running the Helping Hands support service to help meet the critical and urgent needs of the most vulnerable and needy people within the borough such as assistance with food shopping and medications.

Between 14 November 2020 and 12 November 2021, our teams dealt with 6,219 **Track and Trace** cases, attempting to contact 100% of cases within 24 hours of notification. All but a small number who could not be contacted were provided with advice on self-isolation and the support available. Complex cases were passed on to the relevant experts in Public Health and Environmental Health teams for their follow up.

As at 5 January 2022, 188,307 Harrow residents (72% of over 12's) had received their first dose of the **Covid vaccine**, 171,661 (66% of over 12's) their second dose, and 122,504 (47% of over 12s) their booster. The rollout of the vaccination and booster programme has demonstrated the value of partnership working and how public services need to work in tandem to deliver such services efficiently and effectively. Harrow had one of the most successful vaccination rates across NW London.

### **Providing financial support**

The council maximised the additional funding from Government during the pandemic to develop a range of different schemes to support employed, as well as unemployed residents. These include the Covid winter grant, housing support, the Hardship Support Fund, and targeted Covid Local Support Grants.

Around **2,500 local businesses have been given grants during the pandemic**, totaling £67m from a variety of national and discretionary schemes. £39m was distributed in the first tranche (up to August 2020) to support all those who pay business rates. Since then, a further £28m has been awarded to the hospitality, leisure and accommodation type of businesses (including some non-ratepayers, micro businesses and market traders etc.) There is still £4.5m left to give from the latest tranche of financial relief for businesses.

**Self isolation payments to support those who have been notified by the Test and Trace system:** 971 grants in total have been awarded to the value of £485,500 from the national grant scheme, from which £197k were discretionary payments. In addition, the council made extra funds available to help those facing financial hardship and allocated 285 grants totaling over £142k to help individuals and young people, including students (16 have been helped and awarded a total of £4,800).

The Winter Covid fund was also used to expand the borough's commissioned **debt advice service** provided by Citizens Advice Harrow and was targeted at supporting small and micro businesses that have been impacted by the pandemic.

For Winter 2021/22, Harrow has been allocated a grant of £1.48m from the Department of Work and Pensions (DWP) to deliver a **Household Support Fund** to support the most vulnerable in our communities over the winter period. This funding will be administered to support vulnerable households most in need with food, energy fuel and water bills. It will also be used for other essential costs and in exceptional circumstances, it can be used to support housing costs or for financial advice. 50% of the funding must be allocated to households with children. The council has moved quickly to set up this scheme so the support reaches families when they most need it. Around £500k of this allocation has been used to continue with free school meals for nearly 6,000 pupils for each of the 2021 October half term and Christmas school holiday, and similar is planned for the February half term in 2022. Some families with children in Early Years settings have also been supported with meals during the holiday periods from this allocation. In addition, funds in the form of supermarket vouchers were distributed to around 9,000 vulnerable households to help pay towards food and general household items.

### **Addressing food poverty**

The pandemic has brought to the fore the disproportionate impact on young children and adults. The council has been working collaboratively with partners to further and maximise the impact of key programmes to tackle child poverty and deprivation. The Young Harrow Foundation (YHF) has run a very successful **Holiday and Food Activity Programme** in accordance with the Government's plan. This has been a very successful partnership model with YHF working with schools and the voluntary sector to provide food and activities for vulnerable children and families across the borough over the school holidays. Together, we

have arranged for over 3,000 school children to be provided with free hot meals and activities over the summer period. Free school meal vouchers for school age children have been provided throughout the pandemic - through the Covid Local Support Grant, the council has provided vouchers to children eligible for free school meals since the half term of 2020 and we will continue to do so into 2022. This supports around 9,000 children in Harrow. Families with children have been able to sign up for further support through the Healthy Start support, providing help to buy basic foods and milk and issuing payments to low-incomes families.

We have been supporting several youth and children programmes through the **London Community Kitchen**, such as:

- Plant To Plate - addressing issues of nutrition, healthy eating, and encouraging students to be more aware of the journey of their food.
- Food To Go - supporting children living in food insecurity and child poverty.
- Sharewear - collecting all unsold clothes from major supermarkets and supplying over 400 families with free school uniforms; distributing school shorts to over 700 children.
- Mini Food Hubs - supplying food parcels to over 20 schools across Harrow to support parents.

Children services continue to support a higher number of care leavers than in previous years. Children looked after and children protection numbers have reduced from the highest levels seen during 2020 and early 2021.

### **Tackling poor housing and homelessness**

The work by our licensing and enforcement teams around the enforcement of **unlicensed Houses in Multiple Occupation (HMOs) and selective licensing** ensures that residential accommodations are safe, well maintained and of a good quality for all Harrow residents. In 2021, we had 209 reports of unlicensed HMOs, up from 169 the year before. Our selective licensing scheme requires that all privately rented homes in parts of Harrow are licensed and means that landlords must make sure their properties meet certain standards. The initiative first came into effect in Wealdstone in 2016 and seeks to improve the quality of privately rented houses and address associated issues such as fly-tipping and anti-social behaviour. We renewed this scheme in September 2021 and worked with landlords to make sure they understood the rules and applied for licences. The scheme also operates in Edgware, Roxbourne and Roxeth wards and has made a significant difference in bringing down cases of overcrowding, anti-social behaviour, damp and abandoned vehicles. The number of selective licensing applications in the borough has risen from 366 in 2019 to 547 in 2021.

The **Harrow Homelessness Reduction Board** is responsible for working together to tackle and reduce homelessness and rough sleeping in the local area. Made up of council services, other statutory partners and voluntary and community sector partners, it met for the first time in December 2020, meeting bi-monthly since. The partnership delivers a joint focus on improving housing allocation, mental health and equality. It has been working on six defined goals to address the disproportionate impact of homelessness on some groups, to involve those with lived experiences, to offer practical support and to help residents in receipt of benefits, who have been discriminated against by landlords.

Through the Board, we have enabled more people to avoid homelessness by early intervention across the partners involved. The Board has developed a Duty to Refer protocol,

mapped services and gaps and improved communication and partnership working. A successful Call to Action event in July 2021 uncovered issues around Covid-19 challenges and successes, quality and cost of temporary accommodation, rogue landlords and agents, illegal evictions, obstacles (for example rent guarantors and welfare benefits regulations), addressing the needs of specific groups and a need for a 'whole system approach'.

The council successfully bid for funding to tackle **rough sleeping in Harrow**. We were awarded £1.6 million to provide a new "housing first" programme for rough sleepers with complex needs, who will be provided with a home and wraparound support package. We were also awarded Rough Sleeping Initiative funding to set up a new Somewhere Safe to Stay Hub and a new outreach team. At the end of October 2021, the estimated number of individuals sleeping rough in the borough was 9, compared with 13 at the end of September.

There is also work going on our estates for example, **Grange Farm estate regeneration programme** is delivering a range of activities to address poverty – including training, food poverty and community events.

The effect of the Covid-19 pandemic has highlighted the importance of good broadband connections as demand at home has increased due to a combination of increased working from home, home schooling and increased online shopping. Average data usage per household increased by more than a third from 315 Gb in 2019 (itself up from 241 Gb in 2018) to 429 Gb in 2020 and usage and the need for increased capacity is likely to increase over the coming years. The Council is partnering with broadband providers to **install superfast broadband** to all council estates/blocks with vulnerable residents eligible for free broadband deals.

### **Encouraging the development of employability skills**

**Learn Harrow** targets residents in the most deprived areas, who are least likely to engage with local services and who have multiple barriers to engagement and learning and progression. Targeting residents from Black, Asian and Minority Ethnic groups, older people (60+), residents in receipt of benefits and disabled people, its curriculum is based on:

- Developing employability skills and social mobility
- Widening access to English language skills
- Improving Health and Wellbeing needs
- Enhancing community cohesion and citizenship

### **Promoting mental health, wellbeing and resilience**

Mental health and wellbeing has been a key focus in the council's response to the pandemic. Mind in Harrow has been offering a Covid-19 befriending service called 'Side by Side', specifically adapted to vulnerable residents, whose mental health is being negatively impacted by prolonged isolation and who have no other support networks. Community Connex (formerly Harrow Mencap) has mobilised a team of 15 volunteers who distribute meals using their own vehicles. In addition to the hot meal, volunteers provide vital social contact to individuals, many who live on their own and are the only form of contact they have with another person. Staff at our Neighbourhood Resource Centres (NRC) were reassigned during the pandemic to liaise via phone calls with residents who are most vulnerable and who would become socially isolated as the NRCs were closed. These virtual calls and activities,

doorstep visits and community sessions helped address concerns of **social isolation in our most vulnerable residents**.

Ensuring **people are able to protect their mental health** has been a key area of work for Public Health as we come through the pandemic. We have created messages and resources for council staff and have been working with Thrive, and the Young Harrow Foundation to promote mental health and the Mental Health First Aid course. Work is now ongoing through the Integrated Care Partnership to develop a comprehensive prevention programme across Harrow.

The Public Health team has conducted several **needs assessments** including mental health, homelessness, children's emotional wellbeing, children's substance misuse and maternal outcomes. These are now being developed into a series of actions across a partnership to begin to address the inequalities within Harrow. Working with our **Health Visiting** colleagues the Maternal and Early Childhood Sustained Health Visiting programme has been developed and is scheduled to begin in the new year. This is an intensive support programme for vulnerable families during pregnancy and up to two years after birth. It will take two years to be fully implemented and will have the capacity for about 5% of the birth cohort each year (about 200 families).

The number of decayed missing and filled teeth in children is a priority area of work for Harrow. This year **the oral health promotion** programme has directly engaged with 1,300 children and 110 parents through schools and children's services. A total of 10 schools are running a supervised toothbrushing exercise and over 200 toothbrushing packs (Brush4life packs) have been distributed to children. The programme routinely trains staff with over 70 staff trained so far this year.

### **Looking ahead**

We will strive to level up the disproportionate impact (including health, economic and social) on communities of Covid-19 and the issues raised by the Black Lives Matters movement across all protected characteristics in supporting the levelling up of all communities, across for example race, ethnicity, gender and disability. Our Equalities, Diversity and Inclusion Strategy will develop the appropriate actions within the council and communities to deliver on this ambition.

By understanding health and wellbeing risks and ensuring children have the best start in life, we will reduce the gap in life expectancy and healthy life expectancy between people in the most affluent and the most deprived parts of the borough. We will continue our collaboration with key voluntary partners such as the Young Harrow Foundation to create and advance opportunities for young people and tackle child poverty – looking at key socio-economic disparities by tackling the root causes of inequality and poverty, and creating new opportunities for skill development and employability and investing in a range of grassroots activities of partner organisations, who will be at the centre of actions to secure better paid, sustainable employment and targeted skill creation. We will empower young people and use data to address specific needs and/or skills shortages in the community, and make sure we include the voice of young people in designing the most suitable programmes to progress. We will ensure every child has a safe, suitable home and child poverty is addressed via initiatives set out in the Health and Wellbeing Strategy.

Everyone should live in a home suitable for their needs and to enable this we will look to eradicate homelessness and overcrowding, improve the living standards of residents and tackle income inequality. We want all people wanting to work to have a job that pays above London Living Wage and be employed on a contract that meets their requirements, to live in households free of unsustainable debt. To do this this we will address high debt levels in the borough and the stress this causes, and seek to build a culture of responsibility and compliance with local taxes.

No-one in the borough should be left behind and excluded from the transition to digital ways of working, studying or engaging with the community. We will continue to enable digital inclusion and reduce digital exclusion across the borough by improving the digital infrastructure, broadband connectivity and access to equipment to provide businesses and residents with a more equitable access to digital technology. We will invest in digital skills creation through training programmes for the most vulnerable and disadvantaged residents and migrant communities and collaborate with partner organisations to ensure there is no increase in social exclusion or reduced access to employment opportunities. We will also increase levels of digital self-service to the council and make sure council resources are utilised to support those most in need.

## **PRIORITY: Building homes and infrastructure**

Harrow has one of the largest council-led regeneration programmes in London. This will be delivered with the council's development partner, Wates Residential, a hugely experienced national home builder, through the **Harrow Strategic Development Partnership (HSDP)**. This partnership was formally signed in August 2021 following an extensive procurement process. The HSDP will transform Wealdstone and the current Civic Centre site (Poets Corner), with three underused urban sites at the heart of the regeneration programme. More than 1,500 new homes (including affordable new council housing) will be developed, plus a range of new business opportunities and public and green spaces. Across the three sites - Byron Quarter, Poets Corner and Peel Road – there will be an average of 43% affordable housing, that is housing for sale or rent for those whose needs are not met by the market<sup>2</sup>.

**Byron Quarter** will be redeveloped as part of the first phase of the HSDP as a 100% residential scheme. This will see 337 new homes being built, of which 50% is affordable housing. The site will be designed to integrate seamlessly with the extensive leisure opportunities provided at the adjoining Harrow Leisure Centre and Byron Park. The design will create a defined park frontage of the highly desirable new residential neighbourhood. This route forms part of the strategic green link and cycle connection from Headstone Manor to the Belmont Trail which is a green link between Christchurch Avenue, running north to Vernon Drive in Stanmore.

**Poets Corner** is where the current Civic Centre is located. Building on this site will take place over three phases which will see 1,047 new homes, at least 39% of which will be affordable housing. The redevelopment will offer a mix of residential, workspace, retail and commercial spaces, as well as a primary school. There will be a local park for residents to enjoy. The vision for Poets Corner includes two large residential blocks along the High Street with a new town square fronting the High Street, creating space for local community events and supporting social value. Phase 1 of the Poets Corner redevelopment will deliver 414 new homes across two blocks, creating homes and jobs in the new look High Street.

**Peel Road** in Wealdstone will see the development of new buildings with active frontages to help repair the urban fabric of Wealdstone town centre. 191 new homes – at least 39% of which will be affordable housing – will be delivered through residential buildings. One will comprise of affordable homes and another Build to Rent. This is also where Harrow Council's new Civic Centre will be located and we have committed that the delivery of the new Civic Centre will be at no cost to the council through the overarching principle of 'cost neutrality'. We hope that by creating a landmark site we will create visual awareness of change in the area and in a flexible and technologically equipped Civic Centre for Harrow Council which will be the civic heart for the borough.

In a regeneration programme worth an estimated £600 million, the partnership is the largest investment and development opportunity Harrow has seen and will create an inviting, attractive and thriving Wealdstone high street that generates apprenticeships, training and wealth in the borough. Through the regeneration of the three core sites, the HSDP will

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<sup>2</sup> As defined by the National Planning Policy Framework: <https://www.gov.uk/guidance/apply-for-affordable-housing-funding>

promote large scale social value and targets to create a minimum of 129 apprenticeships, 120 work experience opportunities and 213 new jobs.

These are exciting times for the borough and designs and business plans are now progressing, with a view to the first planning application being presented in March 2022 for the Byron Quarter project.

The council's major development at **Forward Drive in Wealdstone** is nearing completion. Forward Drive is an office building designed to provide the council with a modern, collaborative and flexible workplace environment for staff and integrated service partners. The building forms part of the wider Central Depot development that provides accommodation and plant facilities for the council's front-line operations for Environmental Services. It will provide a base for all council teams working in an agile way, and is designed to support new ways of working, optimising digital integration and paperless processes, encouraging collaborative working and embedding a change of culture. The office will provide capacity for 650 people across four storeys - this is made up of individual work settings, with collaborative and touchdown settings, informal and formal meeting spaces, with additional space at ground floor for staff welfare and café seating. A multi-faith room with wudu washing facilities and a first aid room are provided on site along with showers, changing and drying facilities.

In addition to the homes delivered by the HSDP, as part of the **Building Council Homes for Londoners** programme for Harrow, we are delivering a considerable number of affordable homes. We have completed, acquired or are on site with nearly 250 council homes which are let at social or affordable rents. We have a further development pipeline of almost 1,100 new council homes, of which over half will be affordable homes.

The **regeneration of the Grange Farm estate** in South Harrow is underway. Phase 1 of the programme is on site, delivering 89 new affordable homes. Subsequent phases will deliver a further 485 new homes built around green space and community facilities. In principle approval was given by Cabinet in November 2021 to include this in our HSDP and the partnership is putting this into effect.

Harrow has agreed with Apex Airspace to build up to 48 **additional homes on top of one of the council's housing estates**, helping to make best use of existing housing and offering new homes for local residents. The development uses modular construction methods which will speed up build time and reduce carbon emissions.

The council is currently on-site nearing completion of 29 new mews homes across two sites in Stanmore and Pinner. **Leefe Robinson and Pinnora Mews** will be complete in January 2022 and March 2022 respectively. The two new developments have delivered on underutilised council sites to provide a number of new homes which include: for sale, affordable and homes under the Help to Buy scheme.

We have brought three redundant buildings back into use on the **Harrow Arts Centre** site creating nine additional spaces comprising of dance studio, multi-use rooms, office and artists' studios as creative workspaces through a programme jointly funded by the council and

the GLA. Sustainable Urban Drainage Systems (SUDs) have also been installed as part of these scheme in addition to a swale – the latter to meet the next phase’s requirements.

In January 2022, **Homes in Mind**, a partnership between local Voluntary and Community Sector (VCS) organisations working with Harrow council, secured £150k of funding from the GLA’s Community Led Housing project. This grant will fund the work on two local schemes to deliver much needed housing that supports people with mental health issues. The two schemes are now fully funded up to a full planning application. The project aims to be in a position to apply for planning permission in the summer/autumn of 2022.

The project’s core objective is to deliver social affordable housing to service users of Mind in Harrow as part of a community led housing project. The value of this housing cannot be underestimated. Over the lifetime of the units delivered, hundreds of service users will find a safe, supported and affordable place to live and thrive. Initially the two schemes will deliver nine units between them (subject to planning) and will act as a pathfinder for future sites that have been identified and are available for inclusion into the project. The project has ambitions to deliver a further 30 units across Harrow, creating a thriving, self-sustaining community. The partnership working between a number of VCS organisations and the council has been exceptional.

### **Looking ahead**

The Harrow Strategic Development Partnership will continue to deliver much of our regeneration programme and we anticipate a planning application for the Byron site in spring 2022 and submissions for the other sites in the HSDP in the summer. The council will be moving offices and work will begin at the Milton Road site in early spring 2022, with the council handing over the existing Civic Centre to the HSDP in October.

We will use our regeneration programme, like the development at Grange Farm, to improve the quality as well as number of homes available, striving for everyone to have quality, energy efficient and digitally-enabled homes in a thriving community. We also want neighbourhoods that are integrated and well connected to thriving district centres by strong transport links and connections that enable people to travel to their destination sustainably and safely.

We want everyone in Harrow to be able to live in the right size and tenure of home to meet their needs and expectations. To do this we must continue to address overcrowding, lack of social housing and affordability challenges, as well as ensure that there is sufficient genuinely affordable housing for key workers and other Harrow residents who cannot afford to buy/rent on the open market. Our work with private landlords will be critical to this ambition.

## **PRIORITY: Addressing health and social care inequality**

The relationship between the council and NHS partners is one of the best in London, with the coordinated response to the pandemic acting as a catalyst for this. Opportunities for integration have been explored and partners have all signed up to support. The **Harrow Conversation** was undertaken to engage stakeholders (including the council, GPs, NHS Trusts, voluntary and community sector and service user representatives) to shape the next stages of development for local health and social care integration in Harrow.

A governance structure for the **Harrow Integrated Care Partnership (ICP)** has been agreed and the ICP's **100 Day Plan** agreed in September 2021. Progress is monitored and reported to the Joint Management Board and Health and Wellbeing Board. ICP workstreams have been established and work programmes developed to support improved outcomes in a post covid environment. Additional capacity has been agreed for the ICP with a Programme Manager, business analyst and reablement programme manager coming into post and there is Integrated Care System additional winter pressures funding for adults' social care. The Harrow Health and Care Executive continues to meet weekly with broad representation from across agencies involved in planning and delivering health and social care. There has been a collaborative approach to delivering the testing and vaccination programmes across Harrow.

The 100 Day Plan lays the foundations for a strong ICP, builds momentum for change and delivers change for citizens. The core purpose of the ICP is to tackle health inequalities and improve outcomes and experience through truly integrated care. At the heart of this are citizens and staff delivering the care, and securing their voice is critical to success.

The pandemic has particularly shone a light on the **health inequalities** that exist in the borough. Working with our partners in the NHS, we have explored some of these in more depth to come up with solutions that reduce inequalities and improve outcomes for Harrow's communities. Sophisticated data analysis on long term conditions, such as diabetes, hypertension and obesity, in different cohorts of residents (for example based on ethnicity, gender, age) has revealed disproportionate health outcomes. These health conditions affect the lives of many on the borough and we have used this intelligence to inform our plans for engaging communities in health issues, designing suitable interventions and commissioning culturally appropriate services. For example, we have established a new 'Good Weight Pathway' for patients, allowing them to self-refer for the first time.

We have established a pilot in the Harrow East Primary Care Network and rolled out initiatives such as the 15-step NHS toolkit in accessing primary care, vaccine outreach in the Romanian community, focusing on childhood immunisations and antenatal care in predominantly the Romanian community as we know they currently access these services less than other communities in Harrow.

During the pandemic, Social Care and Public Health colleagues have supported domiciliary care providers and care homes with infection prevention and control advice. Seminars and advice have been made freely available across internal and external teams in Harrow. The **Care Providers Support Group** is a multi-disciplinary team that supports all of the adults' social care providers in Harrow and its partners and is made up from the council, Public Health, Clinical Commissioning Group, Central London Community Healthcare and where

appropriate care providers and GPs. Set up at the early stage of the pandemic, it will continue long term to respond to the needs of the care economy, support providers, facilitate continued collaboration and enable the delivery of pathway improvements. The group supports the Care Homes Response Team (CHRT) by helping to unblock operational issues. The CHRT is responsible for reducing unnecessary hospital admissions, being the first point of contact for any issues in care homes and delivering new interventions directly to the providers.

At the start of the pandemic, the pressing need to improve the coordination and effectiveness of the through-put of hospital discharges was identified. An important variable to this was the need to have more vacant hospital beds to be able to absorb the impact of Covid-19 on patients. As a result, all partners across the Acute, Health Community Services and Adult Social Care developed **Independent Discharge Hubs (IDH)** staffed by all partners. The shared aim was to work in an integrated style regardless of the type of partner agency and its funding source, with the sole ambition to transition the citizen back to the community in the most efficient pathway. This method drastically improved the discharged flow and partnership working. It also created an integrated and seamless approach to discharges for the citizen. Following its huge success, the IDH has now become business as usual and has been adopted across all boroughs.

We have continued to implement the **Three Conversations approach** to providing social care to adults and older people, which helped with the response and recovery stage of Covid-19, and the associated increase in requests for support. It enabled us to keep our attention on really listening to what is important to our citizens and finding different ways of working, and positive community solutions. It also opened up a dialogue with our health and voluntary sector colleagues which has helped strengthen the partnership.

From March 2020, the **Neighbourhood Resource Centres** were closed due the Covid-19 pandemic. As a result, we successfully redeployed staff to the integrated Learning Disabilities community services to support with the delivery of statutory work in the form of welfare checks and calls and undertaking low level reviews. The willingness, resilience, and flexibility of staff to take on new roles, new responsibilities and different duties helped in maintaining the delivery of safe services during the pandemic. Our teams, for example in **Learning Disabilities and Mental Health**, acclimatised very quickly and effectively to agile working from home and using technology rather than face to face meetings with clients when during lockdown. Systems were created and implement to ensure citizen and staff welfare remained high on the agenda, with regular check-ins and continuing to undertake reviews, albeit the majority were virtual. Effective liaison with other corporate and third sector partners ensured practical support such as with food parcels and PPE equipment was made available. Regular meetings and collaborative working with key stakeholders such as Community Connex ensured we remained aware of wider emerging community issues.

We have used a common sense approach to the use of Personal Budgets during the pandemic, to ensure **Care Act needs** were continuing to be met. An independent review of the Community Learning Disability Team service in Autumn 2020 confirmed the positive work achieved and the joint working, for example with health colleagues, undertaken. An integrated approach to referrals and allocations encouraged joint working and resulted in better outcomes. The Enablement Team pilot was another positive outcome delivered during the

pandemic. This is a service aimed at delivering early intervention and support for citizens with learning disability / autism issues who may not be known to services.

The council commissioned a **review of mental health services** with recommendations agreed by Cabinet in November 2020. During the pandemic we have continued to make progress implementing these recommendations. New contracts have been commissioned as part of the supported accommodation pathway to independent living, the Section 75 agreement with CNWL (mental health trust) has been reviewed, experts by experience have been appointed to begin developing co-production as a new way of working. Community services have continued to be offered virtually and the contract with Rethink has been extended. Dual use of The Bridge with the Community Hub was started in December 2021 so that mental health face to face services resumed, however this was impacted by the introduction of temporary restrictions due to the Omicron/Covid surge. We are keeping this under review and will look to resume face to face services when it is safe to do so. Furthermore, we are working with partners to develop and implement the ICP's mental health workstream.

Obesity can reduce people's life expectancy and enjoyment of life. It is also linked to other long term conditions like diabetes and hypertension and we know from looking at data on health inequalities, that long term conditions can disproportionately affect some communities more than others. Our Public Health team have developed an **obesity pathway** between primary care and lifestyle services. The programme provides an introduction to the Shape Up Harrow project run by Watford FC Sports Community and Education Trust. The service has launched a face to face service at three hubs across the borough with an additional digital/App based offer. Residents who have an increased BMI will be able to self-refer or be referred by their GP for the 12 weeks nutrition and exercise programme.

### **Looking ahead**

Working together with NHS colleagues, we will develop a population health management approach to identifying health and wellbeing needs and inequalities, making sure that data is shared appropriately to inform the development of plans across health and social care pathways and a collaborative approach. This will help us to develop a mutual understanding of the causes of ill health and coordinate care.

We need to address the large gap in health inequalities between our residents from the least to the most deprived wards and as highlighted by Covid, increase the healthy life expectancy for all, particularly those in disadvantage, improve physical activity and ensure children experience a healthy start to life with good diet and appropriate exercise, as well as supporting families to access early support where required, enabling them to be more self-sufficient and rely less on public services.

Following our engagement in 2021 with community leaders in Harrow's Black communities on initially Covid and then more broadly health inequalities, we have recently commissioned Voluntary Action Harrow to run an Engagement Commission as the next step to our conversations about wider health issues. This will follow up some of the concerns and insight shared by the community leaders and build on the what the data has shown us around health inequalities, for example on weight management, hypertension and diabetes.

We will progress to an integrated reablement service that builds on the independent discharge hubs and improve the reablement offer within the structures already in place. The integrated model transforms the way in which intermediate care and reablement are delivered by joining the offers, bringing together teams, introducing shared information and systems, and improving processes, to deliver a truly person-centered experience of support for the citizens of Harrow.

We will further integrate our strength-based approach with our health partners that enables citizens to achieve clear outcomes when using our in-house provider services, and reprofile provision to deliver a fit-for-purpose, integrated and holistic whole life strength-based service. We will ensure the whole life Learning Disability and Autism Strategy, which covers learning disability and autism separately but under one holistic strategy, promotes integration by placing key decision making within an integrated arena. This approach has been agreed across agencies and stakeholders and will ensure that there is an integrated health and social care response to managing the demand upon learning disability services and to the needs of its cohort of citizens. We will equip our workforce with the skills and awareness to deliver these great outcomes for our citizens.

## PRIORITY: Thriving economy

The impact of the pandemic in Harrow has been deep and wide ranging, and the immediate responses to mitigate the economic consequences of the pandemic now need to be built upon to deliver inclusive and sustainable economic growth. We have developed the **Harrow Economic Strategy 2021-2030** to support the economic recovery from Covid. Adopted by Cabinet in July 2021, the strategy states that “The pandemic has exacerbated unemployment and poverty among Black, Asian and multi-ethnic residents, young people, families, and disabled people, particularly in the most deprived areas.” It then sets out a range of objectives over the short, medium and long term to reverse this and grow a sustainable inclusive economy – these are broken down into key strands of skills and employment; business and job creation; connecting communities; and sustainable place making. The strategy makes explicit reference to addressing racial inequality and disproportionality across all four priorities.

In the short term we have focused on developing employability skills and social mobility, widening access to English Language skills, securing funds and implementing targeted provision for young people and commissioning provision to increase the diversity of participants. We used the £9m discretionary Additional Restrictions Grant to **develop business support programmes** to support our micro businesses and distribute cash grants to businesses most affected by the pandemic. Those programmes include supporting businesses to develop their online presence, support to help businesses secure contracts with the public sector, help to grow the circular economy, and a range of generic support from financial management to marketing.

We have **provided circa £70m in business grants** to support businesses that have suffered as a result of trading restrictions which were imposed to reduce the spread of Covid-19.

We have secured an additional £1.4m in funds to increase the number of residents we can support through **skills and employment programmes**:

|   |          |
|---|----------|
| ESOL (Integration Fund)                           | £100,000 |
| Covid-19 AEB Response Fund Strand 1               | £162,925 |
| Covid-19 AEB Response Fund Strand 2               | £20,000  |
| London Skills Recovery Adult Education Budget     | £100,000 |
| Emergency Recovery Relief Fund                    | £78,220  |
| Reopening High Streets Safely Fund                | £221,203 |
| DWP Kickstart                                     | £611,000 |
| DWP Flexible Support Fund                         | £98,048  |
| Social Care Workforce Capacity Fund Proud to Care | £15,000  |
| National Skills Fund L 3                          | £65,000  |
| Community Budget                                  | £98,000  |

We have secured an additional **£7.8m to support our District Centres and Metropolitan Town Centre**:

|                                    |          |
|------------------------------------|----------|
| Reopening High Streets Safely Fund | £221,203 |
|------------------------------------|----------|

|  |            |
|--|------------|
| Future High Streets Fund (business case) | £7,448,582 |
| High Streets for All Challenge Fund      | £170,000   |

In addition, we have transferred £143k from the council’s apprenticeship fund to small and medium businesses in Harrow to provide quality training for 27 **apprenticeships** and contribute to the Covid economic recovery programme. We provide employment brokerage placing Harrow people into work through both the Department of Work and Pensions (DWP) Community Budget programme and young people aged between 16 -24 have been found work through the DWP Kickstart scheme - this is within the council, SMEs and the voluntary sector.

### **Economic development and local investment**

The council has invested heavily in local businesses, the creation of jobs and new training opportunities to instigate growth of the local economy. We have:

- distributed £67m in Government grants to around 2,500 businesses with £4.5m left to give out from the latest business relief announcements.
- provided businesses with free 1:1 business advice, training and health checks through the business diagnostic programme.
- funded a free specialist debt advice, delivered by Citizen Advice Harrow, to individuals and businesses experiencing debt problems.
- invested in a Business Skills Accelerator programme, helping 250 local micro businesses.

The draft Digital Infrastructure Strategy that sets out a clear strategic direction to **increase digital connectivity** was agreed by Cabinet in December 2021. The Strategy provides clear objectives and guidelines for infrastructure providers to facilitate the deployment of digital infrastructure as well as to increase digital inclusion, maximise opportunities to secure social value benefits as a result of the investment and identify opportunities for funding. Our work to reduce digital exclusion within the borough has led to the agreement with Community Fibre Limited to provide full fibre broadband to all our council housing, linking in almost 5,000 properties. As well as connecting these homes, Community Fibre will initiate a programme to upskill our residents, create digital champions and increase connectivity across the borough, ensuring that many more people can access digital opportunities. Work starting in 2021/2022 includes the creation of 10 free Community Centre connections, three digital drop-in sessions per year and free online training sessions for Harrow residents. This will create employment opportunities to work for Community Fibre themselves as well as enabling more people in the borough to have a suitable connection to enable them to work from home or access digital services

Through the **High Street Fund**, we have invested in a range of business support programmes to help business growth in Harrow. The High Street Fund is a centrally funded programme which is intended to identify areas of improvements to support local district centres. It offers an opportunity to refresh the area, creating a vibrant, safer and more pleasant environment for all. Council officers alongside ward councillors and the local community drive forward this change. Wealdstone High Street and the new Wealdstone Square have welcomed bright murals using this fund, brightening up the area and stimulating footfall.

The pandemic has had a significant impact on small businesses, but with the business support programmes we have helped our local economy thrive again – not just through funding. The council has been working alongside **Harrow's Business Improvement District** to help local retailers become Covid secure - that means full compliance with Government safety guidelines. We have also been working with local businesses and residents to provide the latest jobs, training, and volunteering opportunities.

We have helped our **high streets bounce back from the pandemic** by investing in improvements that make them safer, more vibrant and more desirable places to visit, spend time and shop. To create vibrancy and thereby stimulate inward investment, festive lights have been installed in district centres with switch-on events held in support with local traders' groups. In addition, murals have also been applied to add cultural experience to our High Streets. Residents in Edgware, North Harrow, South Harrow and Rayners Lane have told the council what they would most like to see, and the festive lights were installed in time for Diwali, Hanukkah and Christmas.

### **Looking ahead**

Harrow's new Economic Strategy will help drive forward the economic recovery from Covid whilst the adult learning and further education services across the borough will support delivery of the need to raise the skill levels of many adults within the borough to enable them to meet their earnings and employment aspirations. We need employment opportunities to match skills available within the borough and encourage entrepreneurship so that micro, small and medium sized enterprises can grow sustainably in Harrow.

We are committed to investing in programmes that foster growth of the local economy and ensure long-term, sustainable economic advancement of individuals and businesses. We will build on the support and encouragement we have provided in distributing a number of grants as an emergency response to the pandemic. We will do this by nurturing the budding knowledge economy in the borough (predominantly made of micro businesses); invest in key sectors that generate growth in Harrow (information technology, professional, construction and creative industries) and secure inward and outward investment, supporting residents in finding a job and developing new skills, and building on links with education and training providers.

We will cultivate vibrant town centres and district centres as commercial hubs and connect communities by having borough wide Full Fibre availability (1GB) to match the London average over the 3-year period from September 2021 to September 2024.

We will continue to support local businesses to recruit young people into apprenticeships and employment, as well as create apprenticeship opportunities within our own workforce.

## **PRIORITY: Sustaining quality education and training**

There is a strong partnership between the council and our local schools in Harrow and we have always shared a strong commitment to work together for the best for Harrow's children and young people. Because of these strong relationships, we have been able to navigate the impact of the pandemic successfully.

Schools remained open in Harrow throughout Covid lockdown periods to support vulnerable children and key workers. We continued to work with the Harrow Education Partnership Board and the new Early Years Learning Partnership to support their activities in **sector led responses to the pandemic**. During the periods of lockdown we established an online process for key worker families to reach out for support in finding a setting for their children, especially those currently attending settings outside the borough.

The Educational Psychology Service provided advice during lockdown to schools and separately to families and young people to support mental health and well-being. Partner agencies worked together to signpost **mental-health and well-being services for children and young people**.

Holiday funding has supported all children on Free School Meals (FSM), and the equivalent groups in early years and emergency accommodation, receiving funding through each term since October 2020. The council has worked with schools to ensure the distribution of **funding for free-school meals over the school holidays** during the pandemic and FSM will continue to be funded in school holidays through to February half-term 2022.

The council facilitated the **12-15 vaccination programme** in all local secondary aged educational settings and for those electively home educated. The take up in Harrow has been one of the highest in the region at over 41% and second vaccinations are now taking place in schools.

A regular forum exists to directly talk to headteachers to support them on the response to Covid and impact on schools and education. This is in addition to a 24/7 offer to schools to contact our Public Health team to discuss **outbreak control**. A regular session is also offered to Trade Unions who have members who work in schools.

Supporting and meeting the needs of **children and young people with Special Educational Needs and Disability (SEND)** was identified as a key focus of recovery from the pandemic and additional investment agreed. A multi-agency working group was established over the period of lockdown and after; this group ensured that necessary support and interventions were put in place for children and their families and that support was effectively signposted by all agencies. Services were adapted to provide online support to children and young people with SEND or who are looked after and their families / carers. This group has now ended its work but individual cases are still addressed through inter-agency arrangements as needed.

During 2020, we secured funding to place six social workers in secondary schools in Harrow, as part of a **Social Workers in Schools programme**. There are major benefits from situational collaboration in responding to the needs of young people and there is an enhanced understanding of both professional roles and the creation of opportunities to intervene earlier

from a prevention perspective. Young people welcome the chance to pop in to see their social worker and parents are supported in understanding the challenges of adolescence and how to minimise conflict in the home. Social workers have introduced anxiety groups, particularly for Year 7 students who are finding the transition from primary school daunting. The co-location of social workers and Mental Health Schools Therapists in some schools is also proving beneficial in addressing mental health presentations of young people and working jointly in providing support at the point of need. This newly developed environment has enhanced relationship-based practice and removed some of the barriers and misconceptions of the role of social workers for children, young people and their parents. The project was the subject of a BBC London news article in the summer of 2021 which featured one of our social workers in a project school.

An independent evaluation of this programme is being conducted by the University of Cardiff and the project has been very well received by our education colleagues. The Department for Education has extended the funding of the project to the end of the summer term 2022 and options are being considered on how we can continue to have social workers embedded in schools, extending to primary settings, at the conclusion of the pilot.

We have continued to carry out an **annual analysis of a range of educational outcomes** by different groups, including gender and ethnicity and a specifically in-depth analysis of school exclusions by ethnicity. Importantly, despite some increased behaviour issues on the return to school, permanent exclusions have not risen in comparison to previous years. Indications suggest that standards of educational outcomes have been broadly maintained despite the impact of lockdowns.

**Learn Harrow** took part in an Ofsted pilot to set the standards for quality of online delivery during the pandemic. It doubled its funding, capacity to deliver and achieved all intended outcomes and objectives for funders and successfully delivered against the Harrow Adult Learning Strategy, Skills for Londoners and London Recovery Missions. It has designed and delivered new vocational courses for unemployed residents such as Care, Childcare and Business qualifications. The team also delivered the first level 3 qualifications in Business and Essential Digital Skills. These courses are intended for adults and has been funded for the first time (outside Further Education and sixth form colleges in Harrow). Furthermore, it supported 13 providers to continue to deliver adult learning through challenging periods to benefit Harrow's disabled residents, parents, people with ESOL needs and unemployed residents.

The quality of Learn Harrow's overall delivery (set against the Education Inspection Framework – Ofsted) has improved throughout the year with the best tutor observation grade profile achieved ever. Outcomes for our learners also improved with a 3.5% increase in achievement rates (up to 93.9% for 2020-2021 academic year). This was especially challenging as many of our learners attended online classes while having conflicting caring and childcare responsibilities.

As part of the **Healthy Schools London programme**, Public Health are providing support to enable schools achieve the Healthy Schools status. We are collating a series of case studies to share how individual schools are approaching the programme. Public Health have also launched the **Youth Health Champion** project to give young people the skills, knowledge and

confidence to promote healthy lifestyles as peer mentors and educators. Four schools and a college have been recruited to take part with up to eight students in each setting. The initiative is partnered with the Young Harrow Foundation, Compass, Brook and Harrow Horizons.

The **HAY (How Are You) Harrow survey** received over 6,000 responses from children and young people aged 9 to 18 years across the borough. The survey on their health and wellbeing was run through 25 schools and two colleges. We will use the results to further refine our support for schools alongside our existing commitment for the Healthy Schools London framework.

### **Looking ahead**

The pandemic has impacted hard on children and young people and put education behind nationally. We will, therefore, continue our close work with schools to support learning and to sustain Harrow's high quality education system so that it continues to work for children, young people and their families.

Our ambition is that no children and young people are 'left behind' in their aged-related learning. We will progress on this by carrying forward the relevant work of the last year and in particular, assist children and young people who on the statutory assessment pathway in SEND but who may have been delayed due to the pandemic. Further investment is supporting this. We will continue to work in partnership with schools to seek a reduction in the levels of any type of school exclusion by contributing research and analysis and an adjustment in services where needed. This includes the ongoing work with the school-led and school funded working party on exclusions to reduce the rate of permanent exclusions for all groups but especially for boys from black groups.

Using the additional investment we have received, we will deliver the 2019-2024 SEND Strategy, particularly in providing more local provision for children and young people with SEND and, working with experts in local schools, providing continuing professional development and integrating the work in Early Years SEND settings with that in statutory school age SEND settings to ensure that the child's educational journey is well supported and their parents understand and contribute to these important transitions. This work with schools, early years settings, colleges and with parents and carers that ensure that we are meeting needs and signposting support where needed will remain crucial to our services. We are updating the Local Offer for SEND in conjunction with partners in health and in the community.

All children should have a good start in life in Harrow and we will support schools and early years settings in providing healthy learning environments for children and support vulnerable residents into quality employment and occupations, as well as address disproportionate educational opportunities and attainment gaps in striving that all our schools, colleges and other educational settings are rated as good or outstanding.

Everyone should be able to benefit from lifelong learning, training and enrichment opportunities in Harrow so that all people have the level of qualifications required to meet their employment aspirations.

## **PRIORITY: Celebrating communities and cohesion**

Over the last couple of years, we have **proactively engaged with Harrow's diverse communities** especially around Covid-19, Test and Trace, and vaccination. We identified communities disproportionately affected by Covid and those at particular risk through frontline work e.g. Romanian, Tamil, Somali and other Black communities, and worked with them to co-produce accessible and linguistically appropriate resources. The community webinars were well attended across the pandemic period and the penetration into communities sustained through ongoing engagement. Use of the Harrow Covid Awareness Fund by local community and voluntary groups supported work and ensured there was regular dialogue with communities about needs and community solutions.

What started as conversations about Covid has grown into broader dialogue about health inequalities and work within the Harrow East Primary Care Network (PCN) and the Romanian and Eastern European Network has steadily built on this groundwork and is now being taken forward by the local NHS' engagement team. Recognising the shifting emphasis of health from vaccine related engagement to general awareness raising of health provisions, the outreach work looks to hear directly from the community on their priorities, how to make services more accessible and their suggestions for improvements. Work has included developing together a short survey on general health and distributing this through GP surgeries in the Harrow East PCN, with the opportunity for Romanian volunteers to join the outreach. The Romanian community is also being engaged on GP accessibility – an acknowledged health inequality within the Romanian community – to undertake a 15 Steps Audit which is a NHS toolkit where within 15 steps of entering a clinic or hospital, impressions of the place and the kind of support likely to be received are established. This toolkit will also be used by Romanian volunteers within Northwick Park Hospital's maternity services to improve experience of and attendance at antenatal and postnatal services.

Through the **Harrow Covid Awareness Fund (CAF)**, over 50 organisations have been funded to build understanding and support positive messaging on vaccinations to Harrow's diverse community. In total circa £240k of funds from the Ministry of Housing, Communities and Local Government (now the Department for Levelling Up, Housing and Communities) has been used to fund community organisations to allow the council to tap into existing community networks and to build advocacy using trusted local leaders in the community. It has also allowed us to develop a regular engagement exercise and share updated information to drive the efforts around Covid and vaccinations.

**Working closely with communities, community groups and partners** has been critical to addressing the challenges posed by the pandemic. A coordinated approach to engaging communities through joint working has enabled production of local resources, and greater impact and reach on the ground. The pandemic has shone a light on inequalities and highlighted that much work needs to be done with some communities that are experiencing disparity in social, economic and health outcomes, such as the Romanian population which lags behind in access to health services. Through the efforts during the pandemic, we have been able to map and identify communities that we need to reach better. The impetus given to tackling inequalities by the Black Lives Matter movement has also heightened our work with communities of Black heritage. Bringing groups together on a single platform, we held two

meetings with Black heritage community leaders in 2021, with the latter one giving a significant focus on improving health inequalities, linking in with the priority to address health and social care inequality. As a result of this dialogue the council and local NHS are spending around £150k to commission ongoing engagement with these communities to reduce health inequalities.

**Afghan resettlement efforts** – In response to the fall of Kabul to the Taliban in August 2021, the British Government evacuated thousands of locally employed staff, Afghan citizens who were at risk, and British nationals and their immediate families. The two main resettlement programmes announced by the government are the Afghan Relocations and Assistance Policy (ARAP) scheme and Afghan Citizens' Resettlement Scheme (ACRS), the latter of which is yet to open. We are working with the Home Office to match evacuated Afghan families with suitable properties, and welcome, integrate and resettle them on the ARAP and ACRS schemes (when it opens). At the same time, we are also working closely with voluntary sector partners to address social and advocacy needs among those who have left bridging hotels and arrived in Harrow, given the large pre-existing Afghan population in the borough. We have already invested £70k into the voluntary sector to support this effort. The council has pledged to resettle 10 Afghan families on the ARAP/ACRS schemes and as of December 2021 we had already received three families. International events affect our communities and government policy can be fast paced and evolving, so we continue to work closely with communities to respond effectively and sensitively.

Our **Library Service** stock reflects and celebrates the diverse communities and community languages spoken in Harrow. A range of books in community languages including Bengali, Chinese, Gujarati, Hindi, Marathi, Polish, Tamil and Urdu, and Black Interest Collections are available. There is a range of diversity and inclusion titles for children and Dyslexia support stock for children. The library service celebrates key dates throughout the year, including Holocaust Memorial Day, LGBTQ+ month, Chinese New Year, Dementia Action Week, Refugee Week, Windrush Day, Srebrenica Memorial Day, Black History Month and major festivals. Harrow Arts Centre and Headstone Manor and Museum's programme of events and exhibitions also reflect the borough's diversity.

The **Making Every Contact Count (MECC)** approach encourages people to have brief conversations about health issues as part of everyday contact and, if appropriate, show people where they can get further information or support. Public Health are piloting the approach with teams including social care and library staff.

**The Stop and Grow project** on the Ridgeway garden site has developed for volunteers and for people with mental health conditions as a safe environment to enjoy the rewards of gardening, and meeting other people (subject to appropriate Covid-19 restrictions).

Harrow **Music Service** has established "Represent Music Network Harrow" to focus on Equality and Diversity which celebrates our communities and community cohesion. The Black History Month Schools Event run by the headteacher of Weald Rise Primary School included a competition to write and perform a rap entitled 'Harrow is the Place for Me' (a reference to Lord Kitchener's seminal calypso song about London).

In March 2019 Harrow welcomed and participated in a cultural-musical exchange with Afghanistan's only all girls' orchestra, Zohra. Harrow Council hosted their first public concert

at the Harrow Arts Centre, where the Harrow Young Musicians and Harrow Community Gospel Choir played and sang alongside the Afghan girl musicians. The concert raised £5k from ticket sales, of which half was re-invested into the Arts Centre and half went towards music education to the National Institute of Music in Kabul.

Harrow participates in the **annual London Youth Games** which provides an opportunity for females and young people with a disability to participate in a number of sports including cricket, netball, and basketball. There is also engagement with relevant organisations to encourage participation from black, Asian, and multi-ethnic young people.

Harrow's **leisure centres** run activity programmes for particular community groups, including female only and 60+ swimming sessions, 'Active Community Mondays' for older people tackling physical activity as well as isolation and loneliness. Disability programmes are also delivered including Kingfisher Swim Club, disability trampoline sessions, and disabled school sessions – pool and sports based.

Bannister Sports Centre's new 3G Artificial Grass Pitch facility which opened in May 2021 is now a hub for the '**Harrow Flexileague**', which allows Harrow's residents to have a chance to play community football and gain physical and mental health benefits by participating in a 'come & play' set up. This provides the opportunity for individuals and groups to come together and play football with other members of the community.

Learn Harrow runs a range of **courses celebrating communities** such as those dovetailed with Black History Month. Crucially, all courses will contain elements of celebrating cultures and communities and tutors are trained to promote active citizenship. Operationally this means that embedded in English courses we delivered British Values, Black Lives Matter, keeping women and girls safe and we have embedded a climate change qualification in our maths courses.

The Wealdstone Traders were assisted by the Economic Development Team to secure stage 2 funds from the GLA under the High Streets for All Challenge. They oversaw delivery of an engagement exercise termed '**Wealdstone Conversations**' with new and existing community groups to gather commitments for the area. A cultural event was also held, and the traders have grown a new willing partnership that supported another funding bid to the GLA. The Wealdstone Action Group has continued to support local community and business for example by supporting the local engagement to make sure that the installation of lights, a mural, Transport for London infrastructure and footbridge were what the local community wanted.

In relation to **community cohesion**, Harrow is a hugely diverse borough, which benefits from positive levels of community cohesion. In partnership with Harrow police we have continued to monitor community tensions and where necessary, appropriate action is taken to ensure that tensions do not escalate. The escalation of conflicts in other parts of the world can see an increase in community tensions and it remains an important part of our work to continue monitoring reaction to these events within the borough. Following national and international events the council has brought leaders from different communities together to hear key messages from the police and council and to ensure that messages of unity, community cohesion and reassurance are provided and disseminated back into communities. This has

proven to be a very helpful approach which is also used to address the blame culture which some communities within the borough experienced at the beginning of the pandemic.

### **Looking ahead**

Harrow will continue to be a thriving, multicultural borough where we will grow community cohesion through celebrating heritage in the borough and visibly supporting our communities' continued integration and values. The relationships built through our conversations and engagement on responding to the pandemic will continue to be strengthened. We will build upon this successful model of engagement with our communities and broaden out to wider community conversations.

Hate crimes will continue to have no place in Harrow. We will make sure of this by working with Police colleagues to continue monitoring tensions and, where necessary, put in place interventions as required. We will continue to provide third party reporting arrangements for the reporting of hate crime through Stop Hate UK and promote the reporting arrangements, encouraging communities to report hate crime. We will continue our work with frontline staff, schools, colleges and other partner agencies to offer Prevent training and support individuals vulnerable to radicalisation.

Everyone should take individual and collective responsibility for building good relationships within their community and support cohesion. As a council, we will employ a diverse workforce at all levels in the organisation, to help us to understand and relate to the community we serve. We will build on our enhanced engagement and communication methods used during the pandemic to carry on the journey of developing 'trust' throughout communities.

## **PRIORITY: Maintaining low crime and improving community safety**

Harrow remains one of the safest boroughs in London but we recognise there is still much to do to bring down crime levels and improve community safety. There are **good local partnerships** with the Police Basic Command Unit sharing intelligence and working on joint solutions with the council – particularly effective at an operational level during lockdown – and a strong partnership between the council’s Community Safety team, local Youth Justice team and Youth services who work closely together to ensure early identification and support to young people. Strong local multi agency partnerships have also developed through our Violence, Vulnerability and Exploitation team including daily meetings and robust systems of information sharing and joint risk assessments and decision making.

A higher proportion of violence against women and girls is domestic abuse where the violence occurs within the context of an established relationship and the perpetrator is known. However, there has also been an increase in incidents where violence against women and girls is perpetrated by strangers where there is no history of a previous relationship. Any form of violence is a criminal offence and is a direct infringement on the right of women and girls to feel safe within their homes and wider community. The impact is profound both physically and psychologically and in the worst cases can result in the loss of life.

In direct response to this issue, the borough’s crime reduction and community safety partnership, Safer Harrow Partnership (SHP), has renewed its **commitment to tackling violence against women and girls (VAWG) and domestic abuse**. It has established a new sub-group to look at these issues specifically and also to improve commissioning arrangements. This group brings together multi-agency partners – the council, Probation Service, Metropolitan Police, British Transport Police and relevant health partners - to share information and take measures to make the borough’s streets and transport safer for women and girls. Their shared purpose is the identification and delivery of the sub-group’s aims and objectives; to identify themes and priorities; ensure the sharing of information and to take measures to make the borough’s streets and transport safer for women and girls. We want to create a borough where women and girls are and feel safe to live, work and spend time and a multi-agency approach increases connectivity on VAWG between agencies and develops common responses to incidents of VAWG in the borough. This approach will allow the sub-group to identify and utilise productive engagement and effective cross-partnership working.

The sub-group has already held its first meeting, looking at practical solutions for making the borough’s streets safer, and feel safer. For example, it has considered how we can continue to use the borough’s streetlighting to further increase safety and the feeling of safety for women and girls in the borough. Since the initial meeting additional partners from the health sector have been identified and will be joining the sub-group. This will create links to an initiative at Northwick Park Hospital which provides a safe space for victims of domestic abuse.

The **Autumn Nights policing plan** focuses on violence against women and girls (VAWG), safety in public spaces and street violence generally. This saw an increased presence in Harrow Town Centre on weekend nights over winter with high visibility patrols. During the winter months the council’s licensing team increased communications to continue promoting and raising awareness of initiatives like Ask for Angela and work around Safe Haven with the

Community Safety Unit. **'Ask for Angela'** is a safety initiative being rolled out to bars, clubs and other licensed businesses across London whereby people who feel unsafe, vulnerable or threatened can discreetly seek help by approaching venue staff and asking them for 'Angela'. This code-phrase indicates to staff that they need help with their situation and a trained member of staff will then look to support and assist them - this could be through reuniting them with a friend, seeing them to a taxi, or by calling venue security and/or the police.

**Safe Haven** was a joint operation which saw council volunteers and police on hand in Harrow Town Centre to provide a space where people could feel secure after dark, whether they needed safety advice or to keep trouble at bay. The Safe Haven nights ran over two successive weekends in late November and early December 2021. The events were well received with positive engagement with members of the community who were in Harrow Town Centre over those weekend evenings.

**Stopping domestic abuse** remains one of our key priorities and the council has invested further in its domestic abuse services to support victims of domestic abuse and children to access specialist support. Our Safeguarding Partnership promotes vigilance to the fact that age, gender, ethnicity and ability do not discriminate in terms of who can become a victim or perpetrator of domestic abuse. It ensures all relevant sectors have access to training and awareness training and ensures early intervention and appropriate support for victims.

The Partnership has promoted initiatives such as Operation Encompass – an early notification by the police to schools about incidents of domestic abuse affecting children; and Operation Dauntless which offers support to victims following the release of perpetrators from custody. It also promotes access to specialist intervention programmes for perpetrators and has supported Safer Harrow in future commissioning arrangements for such programmes.

The **Children and Young Peoples Substance Misuse** service has been respecified and is currently out for tender. The counselling service is the cornerstone of supporting the most vulnerable children, and ensuring advice and support is well understood amongst partners is a vital component of the service.

The Community Safety Partnership's **Local Violence and Vulnerability Reduction** Action Plan sets out the multi-agency response to those at risk of or involved in violence, as well as tracking and planning responses to locations of risk and harm. Profiles of individuals and locations are recorded on ECINS software which has the ability to map out the intelligence to formulate a response and cross reference with police intelligence for an accurate picture. Since September 2021 the group has agreed a joint programme of actions to remove weapons and provide reassurance including Trading Standards initiatives (e.g. knife or corrosive substance test purchases). There will be awareness raising with licensed premises and possible warnings or fines if knives are sold illegally.

Our **New Pathways Partnership** (NPP) is a borough wide network of voluntary and community organisations, schools and statutory partners working with the council to achieve positive change for children and young people for example through implementing contextual safeguarding and early intervention as a way to combat youth crime and to bring about cultural change in family homes, schools and within the wider community.

A NPP sub-group was set up in summer 2020 and champions the Black Lives Matter (BLM) movement by looking to help young people understand their rights and ensure the voice of the service users is heard when interventions to reduce the number of young people involved in crime is implemented. The BLM pilot project was developed as a direct response to the BLM movement and the growing number of young black boys entering the criminal justice system. The programme commissioned projects which provide diversionary pathways for children who are at risk of exclusion, child sexual exploitation (CSE) and to upskill and build capacity in parents within the Black African and Afro-Caribbean communities:

- **Reducing school exclusions in Black Caribbean boys:** The council commissioned the Josh Hanson Charitable Trust and Watford Football Club Trust to complement existing work in Harrow schools that provide activities in resilience building and diversionary activities specifically aimed at young Black Afro-Caribbean boys aged between 10-18. The programme is delivered through arts intervention and meaningful mentoring support.
- **Parenting programme:** Ignite Youth and the Harrow Association of Somali Voluntary Organisations have created a bespoke programme to develop parent/carer champions within the Black African and Afro-Caribbean communities. The role of the champions is to educate, support and signpost other parents and carers on a range of issues and systems such as child sexual and criminal exploitation, and school exclusions. As a result, parents are empowered and have opportunities to shape their own lives and communities. The Parent Champions will engage directly with 100 parents in the community, while also working with three secondary schools and two primary schools, reaching a further 120 parents across 20 bespoke engagement sessions. The programme focusses on three target areas - South Harrow, Wealdstone and Edgware – which are hotspots for gang activity/youth violence.
- **Child Sexual Exploitation:** The WISH Centre supports Black British and Mixed Heritage girls aged 10-18 who have been or are at high risk of ongoing CSE, through helping them overcome the impact of grooming, sexual exploitation and trauma as well as developing positive coping skills, to prevent and reduce their risk of exclusion and improve their choices. Young black girls are referred via various agencies to take part in weekly peer support groups and one to one therapy that will help young people cope.

As part of the council's **HomeSafe** programme, we have been installing improved security measures in council housing estates/blocks. These include secure doors with fob based entry systems, improved lighting, and lockable bin sheds.

**Safeguarding adults** remains a priority and duty. Last year was a very busy year with 2,621 referrals raising concerns about people with care/support needs who may be being abused. The data for 2020-2021 shows the same picture as it has in previous years i.e. the person most likely to be abused in Harrow (and nationally) is older, female and living in her own home. In contrast, the numbers of safeguarding concerns reported for care homes fell in the Covid period which is unsurprising as registered managers were primarily focused on dealing with Covid related issues and less visitors were accessing the residents. The full year data supports the anecdotal experience of the safeguarding teams that incidents of domestic abuse had increased (up by 284% from the previous year). Most referrals came from health and the police, while only 4% were self-referrals or from family members. The new strategic plan for the Harrow Safeguarding Adults Board (for 2021–2024) includes actions to look further into these issues and also the risks for older people living in their own home.

The **safeguarding conference** in 2020 focused on the theme of modern slavery (titled 'Invisible Chains') and follow up evaluation shows that over 70% of delegates provided evidence later in the year of how the learning had not only influenced their practice, but also raised their level of alertness to this crime in their personal activities too.

### **Looking ahead**

Our Community Safety and Violence, Vulnerability and Exploitation Strategy will be a key driver in maintaining low levels of crime in the borough and the delivery of community safety across the borough and align with the London Mayor's priorities. We have recently represented Harrow's views on the Mayor's new Police and Crime Plan and will make sure our priorities align together.

As a partnership, Safer Harrow will focus on high volume crimes such as burglary, non-domestic violence with injury, anti-social behaviour and motor vehicle crime. The pandemic has seen the nature of some crimes change and we will continue to tailor approaches to address these most effectively. Addressing fear of crime and supporting victims is also critical.

We will also focus on high harm crimes in youth violence, weapon-based crime, vulnerability and exploitation; modern slavery; domestic and sexual abuse; violence against women and girls; drug and alcohol misuse; and extremism and hate crime. Tackling these will need strong local partnerships between various agencies to ensure the early support and intervention services are in place, the appropriate education and prevention is available, policing and enforcement is robust and support and recovery helps victims of crime.

The new VAWG sub-group has developed an action plan which sets out a local response to violence against women and girls and also links to the Metropolitan Police's action plan. Going forward, the sub-group's focus will be the local delivery of the action plan, devising an internal VAWG strategy and considering ways to enable women and girls from all communities to share or report experiences in safe spaces.

To increase the understanding of what women and girls are thinking and feeling in terms of their safety, we are setting up a listening event. Insight on how this was done in Brent will shape the approach to this work and Harrow Council will work with the Young Harrow Foundation to identify participants who can provide the perspective of young women in the borough.

Everyone in the borough should feel safe within the borough and our town centres throughout the day and at night. Children and young people should be able to grow up safely and without fear of abuse or exploitation.

## **A modern and responsive council**

As an organisation, we are constantly challenging ourselves to find ways of working differently, to make sure in delivering our council services and supporting our communities, we are putting our residents and customers first. At the very core of our programme of **'Modernising How We Work'** are our people - our biggest and most valuable asset.

Our focus is therefore on supporting our people at every level, in every service and job role by providing the framework, opportunity and capability to be able to adopt modern ways of working. We are doing this by:

- Developing a modern service redesign built around the customer, co-created through staff collaboration and consultation and supported by the latest technology and processes to deliver exceptional services that will continuously improve and innovate.
- Creating an agile working model that allows staff to work more flexibly either from home or in modern working environments that foster collaboration and socialisation in new ways of working, supported by the latest IT equipment and tools. This includes a review of our council estate based on our service needs and collaboration space opportunities and the development of Forward Drive as the exemplar of an agile working destination.
- Introducing the latest technology and processes to enable the simplification of administration tasks, creation of better tools for improved decision making, improving our ability to manage performance and the creation of personal self-service.
- Creating a modern culture that not only encourages best practice and a 'one council' mentality that embraces change and innovation, while building an agile workforce by introducing policies and procedures that supports agile working. We want to build our managers' capabilities and capacity whilst engendering an appreciation of the openness, transparency and diversity of our cultural mix and cultivate an environment that values differences, fairness and inclusion - helping everyone to realise their worth in the organisation and the community they serve.

Our primary responsibility is therefore to make a difference to the working lives of our staff by creating and delivering the best conditions, opportunities, technology, valued culture and working environments. This will enable them to fulfil their own potential in delivering our services and support, by putting the people of Harrow first.

### **Equality, Diversity and Inclusion**

There has never been more urgency around addressing inequality. The council's ambition is to make sure that its workforce is representative of the community it serves at all levels of the organisation. The council's work around equality, diversity and inclusion is aimed at ensuring the needs of all staff are met, irrespective of their background. The strategic approach on equality, diversity and inclusion is rooted in the need to understand the issues of all staff in their own specific way, and in doing so, work on this agenda begins with the pressing issue of the day - addressing racial inequality in the workplace. While current work focuses primarily on race and ethnicity, the strategic approach that we have taken acts as a framework that will underpin the council's forthcoming Equality, Diversity and Inclusion Strategy, which will be produced in early 2022.

Since the summer of 2020, the council has been examining its role as an employer, actively engaging with staff to understand their experiences and the challenges they face and looked closely at workforce data to examine gaps, bottlenecks and glass ceilings in the organisation. This evidence has given us groundbreaking insight into our organisation, which for the first time, has helped us shape a strategy around race equality that is rooted in evidence and produced in collaboration with staff. The race action plan that was launched in November 2021 sets out the council's strategic vision around race equality, launching a series of new corporate objectives for the organisation, which will ensure policies and practices are fair and equitable for all staff in order to promote a workforce that is inclusive and accessible for everyone. The high-level approach centres around:

- Creating safe spaces
- Changing the organisation's culture and behaviour through leadership, training, and development
- Recruitment and Retention

In taking some of its work forward on race equality, the council has already made a number of key investments since last year, including:

- Establishing a Sponsor for work on Equality, Diversity and Inclusion (EDI) – this is the Chief Executive
- Establishing the council's first ever Equality, Diversity, and Inclusion team
- Signing the Race at Work Charter as a clear commitment towards race equality
- Launching a series of new Diversity Talent Programmes for staff across all grades
- A new renewed commitment towards Apprenticeships for staff seeking to access further skills and training
- Launching new mandatory EDI and anti-racism training for all staff
- Creating a new Dignity and Respect at Work Policy
- Publishing a new Zero Tolerance Statement aimed at staff and all stakeholders
- A review of recruitment practices, which builds equality and inclusion into the process from start to end
- Publishing a Managers' Guidance to help staff understand their role on this agenda

These achievements are only the start of the council's commitment towards building a culture of diversity and inclusivity, which not only reflects Harrow's local population, but ensures that all protected groups are taken along our ambitious journey to create an equal and equitable future for all our staff.

### **Customer services**

In response to the Covid pandemic, our Customer Services (Access Harrow) and Careline continued to provide access to key services alongside a seven-day Covid hotline and outbound telephone support to the 24,000 clinically extremely vulnerable residents. Web content and easy-to-use web forms were created by the Digital team to support this. The council's channel shift programme continues to excel with over 95% of transactions now carried out via self-service.

In improving our customer services and modernising how the council interacts with residents and service users, we have embarked on a series of Whole Service Reviews, to improve both internal and external facing services. As part of this, we are digging deep ('discovery

process') into a range of services, further streamlining and digitalising council processes, and increasing levels of self-service for both staff and residents.

## **Next steps**

We are committed to engaging with more people in informing the Borough Plan. This will allow us to hear feedback about the priorities, gather intelligence and support for developing the actions to deliver our priorities and engage others to take lead roles in delivering these changes within the borough. This engagement will be most insightful if it is ongoing rather than a one-off process and allows everyone who wants to be involved to have their say. As such, we are committed to planning what this could look like and having these conversations once we are on the other side of the pandemic. We will be developing a partner engagement plan and a resident engagement plan, providing opportunities for more people to contribute towards the focusing and delivery of our shared aspirations for Harrow.

As our review of achievements over the last couple of years has demonstrated, much of what we seek to achieve requires us to work in partnership – our local response to the pandemic has very much highlighted the value of collaboration and shared purpose.

To ensure that work continues throughout our engagement period, we are creating a short-term delivery plan for the council's contributions, focused on delivery of the priorities and objectives we are consulting on. This provides an opportunity to focus and deliver on some of the shorter-term challenges so that we are in a stronger position to deliver against the longer term ambitions.

## **Future Intentions - recap**

Below we recap our future intentions under each priority area of the Borough Plan.

### **Improving the environment and addressing climate change**

We will continue to make sure Harrow is an attractive and healthy environment with improved streets, enhanced parks and accessible open spaces, providing relaxing recreation, supporting sport and active travel opportunities for all. We will do this by encouraging active travel and creating a modal shift in favour of sustainable transport – walking and cycling – and address the over reliance on cars to reduce the carbon footprint, reduce pollution and improve health. We will continue to improve our access to clean air and water, and the other ecosystem services that are essential for us to all live healthy lives, reduce residual waste and increase recycling, and support equitable access to sport and physical activity across Harrow. Green spaces enable exercise and the reduction of carbon footprints.

We will play our part in implementing London Council's Retrofit London Action Plan by retrofitting all council housing. Our ambition for high quality and energy efficient housing will also address fuel poverty, carbon emissions and heat loss causing global warming.

Our commitment to be a carbon neutral borough by 2030 remains and we will make sure that the way we address climate change does not disproportionately impact on the poorest and most vulnerable in society and builds a more sustainable borough.

Deploying our Priority Enforcement Team to target priority environmental issues and delivering quick results to residents is a key area we will be improving in 2022. By targeting our enforcement and engagement efforts on an area-by-area basis, we can focus on the enforcement issues that matter most to specific areas and communities.

We will continue to target fly tipping - fly tipping needs to be made socially unacceptable across all parts of the borough. Publicity and communications will be used to educate the public to dispose of their waste correctly and also focus on the fact that the continual clearance of the fly tip is a cost borne by the public purse. We will continue to progress the strategy developed to address the fly tipping hot spot areas and we continue to adopt a zero tolerance approach with offenders.

We will also continue to promote the ways in which residents and councillors can report fly tipping to the council and how best to relay information to our Priority Enforcement Teams, so that we not only work with our communities to tackle the issue that blights our borough but also encourage information sharing so we can tackle the issue.

### **Tackling poverty and inequality**

We will strive to level up the disproportionate impact (including health, economic and social) on communities of Covid-19 and the issues raised by the Black Lives Matters movement across all protected characteristics in supporting the levelling up of all communities, across for example race, ethnicity, gender and disability. Our Equalities, Diversity and Inclusion

Strategy will develop the appropriate actions within the council and communities to deliver on this ambition.

By understanding health and wellbeing risks and ensuring children have the best start in life, we will reduce the gap in life expectancy and healthy life expectancy between people in the most affluent and the most deprived parts of the borough. We will continue our collaboration with key voluntary partners such as the Young Harrow Foundation to create and advance opportunities for young people and tackle child poverty – looking at key socio-economic disparities by tackling the root causes of inequality and poverty, and creating new opportunities for skill development and employability and investing in a range of grassroots activities of partner organisations, who will be at the centre of actions to secure better paid, sustainable employment and targeted skill creation. We will empower young people and use data to address specific needs and/or skills shortages in the community, and make sure we include the voice of young people in designing the most suitable programmes to progress. We will ensure every child has a safe, suitable home and child poverty is addressed via initiatives set out in the Health and Wellbeing Strategy.

Everyone should live in a home suitable for their needs and to enable this we will look to eradicate homelessness and overcrowding, improve the living standards of residents and tackle income inequality. We want all people wanting to work to have a job that pays above London Living Wage and be employed on a contract that meets their requirements, to live in households free of unsustainable debt. To do this this we will address high debt levels in the borough and the stress this causes, and seek to build a culture of responsibility and compliance with local taxes.

No-one in the borough should be left behind and excluded from the transition to digital ways of working, studying or engaging with the community. We will continue to enable digital inclusion and reduce digital exclusion across the borough by improving the digital infrastructure, broadband connectivity and access to equipment to provide businesses and residents with a more equitable access to digital technology. We will invest in digital skills creation through training programmes for the most vulnerable and disadvantaged residents and migrant communities and collaborate with partner organisations to ensure there is no increase in social exclusion or reduced access to employment opportunities. We will also increase levels of digital self-service to the council and make sure council resources are utilised to support those most in need.

### **Building homes and infrastructure**

The Harrow Strategic Development Partnership will continue to deliver much of our regeneration programme and we anticipate a planning application for the Byron site in spring 2022 and submissions for the other sites in the HSDP in the summer. The council will be moving offices and work will begin at the Milton Road site in early spring 2022, with the council handing over the existing Civic Centre to the HSDP in October.

We will use our regeneration programme, like the development at Grange Farm, to improve the quality as well as number of homes available, striving for everyone to have quality, energy efficient and digitally-enabled homes in a thriving community. We also want neighbourhoods

that are integrated and well connected to thriving district centres by strong transport links and connections that enable people to travel to their destination sustainably and safely.

We want everyone in Harrow to be able to live in the right size and tenure of home to meet their needs and expectations. To do this we must continue to address overcrowding, lack of social housing and affordability challenges, as well as ensure that there is sufficient genuinely affordable housing for key workers and other Harrow residents who cannot afford to buy/rent on the open market. Our work with private landlords will be critical to this ambition.

### **Addressing health and social care inequality**

Working together with NHS colleagues, we will develop a population health management approach to identifying health and wellbeing needs and inequalities, making sure that data is shared appropriately to inform the development of plans across health and social care pathways and a collaborative approach. This will help us to develop a mutual understanding of the causes of ill health and coordinate care.

We need to address the large gap in health inequalities between our residents from the least to the most deprived wards and as highlighted by Covid, increase the healthy life expectancy for all, particularly those in disadvantage, improve physical activity and ensure children experience a healthy start to life with good diet and appropriate exercise, as well as supporting families to access early support where required, enabling them to be more self-sufficient and rely less on public services.

Following our engagement in 2021 with community leaders in Harrow's Black communities on initially Covid and then more broadly health inequalities, we have recently commissioned Voluntary Action Harrow to run an Engagement Commission as the next step to our conversations about wider health issues. This will follow up some of the concerns and insight shared by the community leaders and build on the what the data has shown us around health inequalities, for example on weight management, hypertension and diabetes.

We will progress to an integrated reablement service that builds on the independent discharge hubs and improve the reablement offer within the structures already in place. The integrated model transforms the way in which intermediate care and reablement are delivered by joining the offers, bringing together teams, introducing shared information and systems, and improving processes, to deliver a truly person-centered experience of support for the citizens of Harrow.

We will further integrate our strength-based approach with our health partners that enables citizens to achieve clear outcomes when using our in-house provider services, and reprofile provision to deliver a fit-for-purpose, integrated and holistic whole life strength-based service. We will ensure the whole life Learning Disability and Autism Strategy, which covers learning disability and autism separately but under one holistic strategy, promotes integration by placing key decision making within an integrated arena. This approach has been agreed across agencies and stakeholders and will ensure that there is an integrated health and social care response to managing the demand upon learning disability services and to the needs of its cohort of citizens. We will equip our workforce with the skills and awareness to deliver these great outcomes for our citizens.

## **Thriving economy**

Harrow's new Economic Strategy will help drive forward the economic recovery from Covid whilst the adult learning and further education services across the borough will support delivery of the need to raise the skill levels of many adults within the borough to enable them to meet their earnings and employment aspirations. We need employment opportunities to match skills available within the borough and encourage entrepreneurship so that micro, small and medium sized enterprises can grow sustainably in Harrow.

We are committed to investing in programmes that foster growth of the local economy and ensure long-term, sustainable economic advancement of individuals and businesses. We will build on the support and encouragement we have provided in distributing a number of grants as an emergency response to the pandemic. We will do this by nurturing the budding knowledge economy in the borough (predominantly made of micro businesses); invest in key sectors that generate growth in Harrow (information technology, professional, construction and creative industries) and secure inward and outward investment, supporting residents in finding a job and developing new skills, and building on links with education and training providers.

We will cultivate vibrant town centres and district centres as commercial hubs and connect communities by having borough wide Full Fibre availability (1GB) to match the London average over the 3-year period from September 2021 to September 2024.

We will continue to support local businesses to recruit young people into apprenticeships and employment, as well as create apprenticeship opportunities within our own workforce.

## **Sustaining quality education and training**

The pandemic has impacted hard on children and young people and put education behind nationally. We will, therefore, continue our close work with schools to support learning and to sustain Harrow's high quality education system so that it continues to work for children, young people and their families.

Our ambition is that no children and young people are 'left behind' in their aged-related learning. We will progress on this by carrying forward the relevant work of the last year and in particular, assist children and young people who on the statutory assessment pathway in SEND (Special Educational Needs and Disability) but who may have been delayed due to the pandemic. Further investment is supporting this. We will continue to work in partnership with schools to seek a reduction in the levels of any type of school exclusion by contributing research and analysis and an adjustment in services where needed. This includes the ongoing work with the school-led and school funded working party on exclusions to reduce the rate of permanent exclusions for all groups but especially for boys from black groups.

Using the additional investment we have received, we will deliver the 2019-2024 SEND Strategy, particularly in providing more local provision for children and young people with SEND and, working with experts in local schools, providing continuing professional development and integrating the work in Early Years SEND settings with that in statutory

school age SEND settings to ensure that the child's educational journey is well supported and their parents understand and contribute to these important transitions. This work with schools, early years settings, colleges and with parents and carers that ensure that we are meeting needs and signposting support where needed will remain crucial to our services. We are updating the Local Offer for SEND in conjunction with partners in health and in the community.

All children should have a good start in life in Harrow and we will support schools and early years settings in providing healthy learning environments for children and support vulnerable residents into quality employment and occupations, as well as address disproportionate educational opportunities and attainment gaps in striving that all our schools, colleges and other educational settings are rated as good or outstanding.

Everyone should be able to benefit from lifelong learning, training and enrichment opportunities in Harrow so that all people have the level of qualifications required to meet their employment aspirations.

### **Celebrating communities and cohesion**

Harrow will continue to be a thriving, multicultural borough where we will grow community cohesion through celebrating heritage in the borough and visibly supporting our communities' continued integration and values. The relationships built through our conversations and engagement on responding to the pandemic will continue to be strengthened. We will build upon this successful model of engagement with our communities and broaden out to wider community conversations.

Hate crimes will continue to have no place in Harrow. We will make sure of this by working with Police colleagues to continue monitoring tensions and, where necessary, put in place interventions as required. We will continue to provide third party reporting arrangements for the reporting of hate crime through Stop Hate UK and promote the reporting arrangements, encouraging communities to report hate crime. We will continue our work with frontline staff, schools, colleges and other partner agencies to offer Prevent training and support individuals vulnerable to radicalisation.

Everyone should take individual and collective responsibility for building good relationships within their community and support cohesion. As a council, we will employ a diverse workforce at all levels in the organisation, to help us to understand and relate to the community we serve. We will build on our enhanced engagement and communication methods used during the pandemic to carry on the journey of developing 'trust' throughout communities.

### **Maintaining low crime and improving community safety**

Our Community Safety and Violence, Vulnerability and Exploitation Strategy will be a key driver in maintaining low levels of crime in the borough and the delivery of community safety across the borough and align with the London Mayor's priorities. We have recently represented Harrow's views on the Mayor's new Police and Crime Plan and will make sure our priorities align together.

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We will also focus on high harm crimes in youth violence, weapon-based crime, vulnerability and exploitation; modern slavery; domestic and sexual abuse; violence against women and girls; drug and alcohol misuse; and extremism and hate crime. Tackling these will need strong local partnerships between various agencies to ensure the early support and intervention services are in place, the appropriate education and prevention is available, policing and enforcement is robust and support and recovery helps victims of crime.

The new VAWG sub-group has developed an action plan which sets out a local response to violence against women and girls and also links to the Metropolitan Police's action plan. Going forward, the sub-group's focus will be the local delivery of the action plan, devising an internal VAWG strategy and considering ways to enable women and girls from all communities to share or report experiences in safe spaces.

To increase the understanding of what women and girls are thinking and feeling in terms of their safety, we are setting up a listening event. Insight on how this was done in Brent will shape the approach to this work and Harrow Council will work with the Young Harrow Foundation to identify participants who can provide the perspective of young women in the borough.

Everyone in the borough should feel safe within the borough and our town centres throughout the day and at night. Children and young people should be able to grow up safely and without fear of abuse or exploitation.

## **Cabinet – 10 February 2022**

### **Reference from the Overview and Scrutiny Committee – 8 February 2022**

#### **200. Borough Plan – Key Achievements and Future Intentions**

The Committee received the Borough Plan – Key Achievements and Future Intentions report, which set the council's progress to date against the Borough Plan 2020-2030.

In his opening statement, the Director of Strategy and Partnerships provided a brief update on the borough plan, outlining a number of key points:

- The Plan had been developed with partners, voluntary and community sector colleagues to set out aspirations for the borough for 2020-2030.
- It had been intended that a detailed delivery plan be provided, to support the Borough Plan. However, due to the Council's capacity and the upcoming Borough Elections in May 2022 it had been felt that the plan should set out the priorities of the Council and partnership, and that the more detailed delivery plan be developed with the incoming Administration in May.
- The plan covered a significant amount of achievement that the Council and Partnership had delivered over the previous years and set out intentions for the Council and Partnership against the eight priorities and the two cross cutting themes.

The Leader of the Council added that the past two years had been very challenging but was pleased with what had been achieved and this was reflected within the report. In addition, where there had been a lot of change in recent years, there was an opportunity for service delivery to be rebuilt. It was added that partnership working within Harrow and across west London had been enhanced because of the challenges. A number of key services had continued to be delivered during that time and though some services had to be paused they were to be resumed with new services being offered.

Members thanked the Director of Strategy and Partnerships and the Leader of the Council for their introductions. In the session which followed, questions around the borough plan were asked as set out below.

- The Chair asked if any of the priorities set out in the Borough Plan had changed since November 2020 and was advised that changes had not been made and that the set of priorities and cross cutting themes remained the same as those in the November 2020 version.

- A Member of the Committee stated that the report noted two risk implications that were graded as red in that the Borough Plan was not affordable and that there was a lack of strategic leadership capacity. The Member questioned how risks could be reduced.

The Director of Strategy and Partnerships explained that there was a need to be as transparent as possible in terms of the Council's own funding position. The long-term funding position of Local Government was still to be finalised by Government so the current planning horizon needed to assume savings being made, which in turn would mean that perhaps not all the ambitions may be realised with the Borough Plan. He added that it would not mean that the Borough Plan would be undeliverable but that choices would need to be made on what could be delivered.

The Director of Strategy and Partnerships noted that in terms of strategic leadership capacity a number of changes were planned across the senior leadership team in the Council; these positions would be filled following appropriate recruitment processes. However, this could present capacity challenges in the short term.

The Leader added that capacity continued to be an issue, but some things were above target.

- A Member indicated that whilst staff turnover could not be foreseen community safety remained a big issue and that a personal safety strategy should be a priority and built upon further. The Member sought clarification in terms of the timeframe for the Community Safety Strategy.

The Director of Strategy and Partnerships explained that the community safety strategy had been due to be presented to the February Full Council meeting. However, the pandemic and current capacity of the Council meant that the strategy would be delayed. This report would also set out the final Mayor's Police and Crime Plan and that the updated plan would set out a greater focus on public safety and would be developed with the next Administration.

The Member added that safety should be considered for everyone and that all protected characteristics should be encompassed within the safety strategy where the previous strategy could be surpassed. The Director of Strategy and Partnerships explained that these would be included in the aspirations of the strategy; however, funding would be a critical issue. The local engagement by the Police was a key part of this work as well. In addition, recent planned activity around women's safety included things like training for frontline staff across the different services.

The Leader of the Council noted that Harrow had been one of the safest boroughs and a lot of work had been done around Harrow's town centre, as highlighted in the Borough Plan. Main concerns raised from a recent consultation raised how a fear of crime was found within schools and positive work had been done to address this.

A Member of the Committee added that personal safety for everyone needed to be considered and that future policies that would be expanded upon and carried out would be welcomed.

- A Member of the Committee asked if the large number of priorities had been a help or hindrance to the borough plan, to which the Leader of the Council explained that with the high volume of services the Council provided it was felt that these eight priorities ensured that no one would be at risk of being left out and it would not be right to remove a priority, they also set an ambition and direction for the Council.

The Director of Strategy and Partnerships added that the priorities should not be considered individually as multiple priorities could be supported by major pieces of work, such as the Harrow Strategic Development Partnership.

- The Chair raised that the priorities within the report appeared broad and highlighted that there was a lack of depth as previous borough plans had included objectives. It was also noted that the current document did not address or measure progress against the objectives that had been set out in the November 2020 Borough Plan. The Director of Strategy and Partnerships recognised these limitations but noted that due to the capacity of the Council being stretched in order to keep core service delivery going and responding to the pandemic, as well as the Council approaching Borough Elections in May 2022, it was felt that the Borough Plan needed to set out the strategic direction of the Council and partnership.
- A Member of the Committee understood that many services were to be digitised but highlighted that not all residents had access to the internet or could use computers and relied on phones and letters. The Member sought clarification as to how these residents were being supported.

The Leader explained that a lot of work had been undertaken to move services online and how people could access services. For those who had found accessing services online difficult, alternative routes of support would be given and that this was working well. In addition, although staff had been working remotely, the ability to receive calls remained with the technology the Council had.

The Director of Strategy and Partnerships added that an approach should be digital by design as opposed to digital by default and that the design needed to recognise that some residents might either be unable or be in need of greater support to access digital service and that the Council would need to allow for this in its service design.

In addition, the Director of Strategy and Partnerships added that as two examples, the community hub, which was set up during the pandemic, made outbound calls to support those people Shielding within Harrow

during the pandemic; and the work at North Harrow Library which supported residents to improve their digital and IT skills.

- The Chair advised that some residents had reported difficulties reaching the Council via phone and that reporting via the website had not resulted in a response. The Chair questioned how these issues could be addressed. The Leader of the Council stated that the website had won national awards but acknowledged that issues might be found and could be reported, and that the website had been regularly improved.

The Director of Strategy and Partnerships recognised that there was always room for improvement for all Council services and with regards digital services, feedback was continually sought. It was recognised that to be fully digital would have its limitations and that there would always be a need to accommodate service accessibility in other ways.

- A Member of the Committee noted that only achievements were listed in the report and not challenges faced. The Director of Strategy and Partnerships explained that in the diagram where the eight priorities were depicted, the top five priorities were where improvements could be made and bottom three were areas where performance had been good and needed to be maintained.
- A Member stated that benchmarks had not been noted in the Borough Plan and it was difficult for progress to be tracked and that it would have been useful for results to be noted so that costs could be justified.

The Director of Strategy and Partnerships explained that if the delivery plan accompanied the borough plan, more metrics would have been included and this would be developed with the new Administration. Some benchmarking had been undertaken with regard to the climate emergency, looking at carbon footprint and external expertise was being commissioned to support how this benchmarking work could be used to develop options for the Council to consider.

The Leader of The Council added that metrics and measurements to see if a project had been effective were important and that these would be part of the business cases which would include the appropriate data.

- A Member raised that further access to the outcomes of strategies would be welcomed. The Member indicated that they would welcome information on how the carbon footprint would be impacted by the new civic centre. The Director of Strategy and Partnership mentioned that one option could be that the climate emergency strategy and associated work could be incorporated into the Overview and Scrutiny Committee's work plan. In addition, it was noted that strategies such as the Economic development strategy included key performance indicators (KPIs) and did not necessarily need to sit within the Borough Plan and could be found in the sub strategies.

- The Chair asked how the achievements within the report had been verified, as it appeared the council leadership was marking its own homework. The Chair also raised concerns that the quarterly strategic performance reviews had not been undertaken or published for two years, which would have provided a more robust assessment of performance, and were important to assess the services and value for money provided to residents. The Director of Strategy and Partnerships advised that achievements would not be published if they could not be verified by supporting evidence. In addition, through the annual audit, there was an assurance process including the Annual Governance Statement that had been signed off externally which provided a level assurance. Further, quarterly performance reports had not been produced due to pressures from the pandemic, although the data continued to be collected and an abridged data set was used for a monthly report that had been provided to all Members. It was planned to re-introduce the quarterly performance reports with the new Administration.
- The Chair asked if there were any areas where the Council had not performed as well as it could have and where improvements could be made. The Director of Strategy and Partnerships noted that lessons had been learnt through the pandemic.
- A Member, who was not a member of the Committee, welcomed the report but raised concern that the safety of every community within all wards should be treated equally and suggested that some wards had more CCTV cameras than others. In addition, it was important for the delivery of projects to be transparent.

The Director of Strategy and Partnerships explained that CCTV was one aspect of the council's response to community safety and that not all wards have the same level or same types of crime and the Council had engaged with the police to support community safety.

The Leader of the Council explained that CCTV had been a tool to solve crime, not the sole solution, and was there to support the police and community. Some wards had used funds on mobile cameras to support communities.

- The Chair asked if the short-term delivery plan had arisen from the 2020 Borough Plan and was advised that the first wave of pandemic had impacted on the initial plan to develop a delivery plan and by the time the first lockdown had ended the Borough Plan was being refreshed to take account of the racial disproportionality cross cutting theme. There were then two further lockdowns and the planning for this current refresh had only started in the summer of 2021 at which time, given the stage of the political cycle and organisational capacity, that it had been decided that a delivery plan would come after the election.
- A Member, who was not a member of the Committee, expressed the view that it would be a good opportunity to reflect on how the pandemic

had been handled and for what could have been done differently. In addition, the Member praised the booking system for the recycling centre but noted that some residents had experienced issues accessing online services and that this should be addressed, in particular access to the recycling centre's booking system.

The Leader of the Council explained that the recycling centre's booking system had been introduced to reduce traffic flow in and around the area and that it had been effective in doing so. However, he added that a review of the system had taken place to find areas of improvement.

A Member asked if more than one slot could be booked at the recycling centre, to which the Leader explained that this restriction had been put in place so that unlicensed waste carriers could be better managed but mentioned that a system review was planned.

- A Member stated that the Council had responded well to the pandemic but sought clarification if a resilience team would be put in place to continue strategy and performance at times of crisis as the lack of performance reports had made it difficult for progress to be monitored. The Leader advised that system would be reviewed.

The Director of Strategy and Partnerships explained that in terms of the strategic resilience of the Council during the pandemic, the additionality had been due to all staff working longer hours, and during the first wave capacity was re-allocated to meet different priorities. There was no reserve capacity, although this would be welcomed if the funding position allowed. However, this stretch on the Council was unsustainable in the medium term and across Local Government in general further challenges on strategic capacity would exist in the short term as a significant number of senior staff were choosing to step down from their roles.

- A Member of the Committee raised concern over tooth decay in children and welcomed that it was made a priority within 'Work for Harrow'.

**RESOLVED:** That

1. the report be noted;
2. the comments in terms of how the Committee would want to be involved in the further development of the Borough Plan and for inclusion in the scrutiny work programme be considered noting that the Committee expressed that they would want to future versions of the Borough Plan included in their work programme.
3. That the comments from the Committee on the Borough Plan be referred to Cabinet.

## **For Consideration**

### **Background Documents:**

- Agenda of Overview and Scrutiny Committee – 8 February 2022:
- Supplemental Agenda of Overview and Scrutiny Committee – 11 January 2022

### **Reports on:**

- Borough Plan – Key Achievements and Future Intentions
- Minutes of Overview & Scrutiny Committee – 8 February 2022

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**Report for: Cabinet**

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

**Appendix 9** – Reserves Forecast

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

**Appendix 11** – Model Council Tax Resolution

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

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

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

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

**Appendix 16** - Summary of Resident Consultation

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

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

### **Recommendations:**

Cabinet is requested to:

- 1) Recommend the 2022/23 budget to Council for approval, being mindful of the results of the various consultations and equality impact assessments, to enable the Council Tax for 2022/23 to be set (Appendix 15).
- 2) Recommend the Model Council Tax Resolution 2022/23 to Council for approval as set out in Appendix 11.
- 3) Recommend to Council that, in accordance with Section 38 (2) of the Local Government Finance Act 1992, the Chief Executive be instructed to place a notice in the local press of the amounts set under recommendation 2 above with a period of 21 days following the Council's decision.
- 4) Approve the Medium-Term Financial Strategy (MTFS) for referral to Council (Appendix 2).

- 5) Note the balanced budget position for 2022/23 and 2024/25 and the budget gap of £16.593m for 2023/24 (Table 2a).
- 6) Note the use of £14.7m Budget Planning Reserve MTFs to achieve the balanced budget position for 2022/23, which is reversed out in the following year (Table 2a, paragraph 1.49).
- 7) Note the intention to increase Council Tax by 1.99% in 2022/23 (Paragraph 1.13 and 1.21).
- 8) Note the intention to increase Council Tax by a further 1% in 2022/23 in respect of the Adult Social Care Precept (Paragraph 1.13 and 1.21).
- 9) Note the 2022/23 budgets for Schools and Public Health as set out in Appendices 6 & 7.
- 10) Note the assumed funding for the protection of social care 2022/23 through the BCF as set out in paragraphs 1.62 to 1.65.
- 11) Note the requirement to develop a robust finance strategy to address the predicted MTFs shortfall of £16.593m ready for presentation to the incoming administration in May 2022 (Paragraphs 1.69 to 1.73).
- 12) Recommend the 2022/23 Members Allowance Scheme to Council for approval (Appendix 12).
- 13) Recommend the 2022/23 Annual Pay Policy Statement to Council for approval (Appendix 13).
- 14) Recommend the Capital Receipts Flexibility Strategy to Council (Appendix 14).

**Reason: (For recommendations)**

To ensure that the Council sets a balanced budget for 2022/23.

## **Section 2 – Report**

### **BACKGROUND**

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

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

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

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

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

- Analysis indicated that local services face a funding gap of £7.8billion 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.

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

1.4 With the Local Government sector being at the forefront of the response to both the public health and economic crises caused by Covid 19, it is hardly surprising that the pandemic has had a significant impact on local government finances which were already in a difficult position. Throughout the pandemic London Councils have monitored the financial impact of Covid-19 on boroughs using the monthly returns submitted to the Department for Levelling Up, Housing and Communities (DLUHC). In autumn 2021, findings show that Boroughs are forecasting just over £1b of additional funding pressures in 2021/22 and funding announced is approximately one third short.

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

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

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

Over the 10-year period, the table shows:

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

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

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

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

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

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

## **SUMMARY**

- 1.10 The final budget set out in this report shows an updated MTFs with several changes which Cabinet are asked to note. The changes achieve a balanced budget position for 2022/23 (after the application of £14.7m from the Budget Planning MTFs Reserve), a budget gap of £16.593m for 2023/24 and a balanced budget position for 2024/25. It's important to note that for 2024/25, a number of the budget adjustments are estimated at a high level due to the challenges of forecasting complex issues such as demand and demographics so far in advance. As the budget is approved annually the latter two years of the MTFs will be subject to much review and adjustment before finally being approved.
- 1.11 The final MTFs is based on the Local Government Indicative Financial Settlement received 16 December. The final settlement is expected to be agreed in early February. Whilst it is intended that members will approve the MTFs in February 2022, it could still be subject to assumptions in relation to grant settlements, council tax income, legislation and demographics. The Council does hold a contingency for unforeseen items (£1.248m) which is intended to support uncertainties and the Council will still be required to review the Council's budget on a yearly basis

## **EXTERNAL FUNDING POSITION**

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

## **SPENDING REVIEW 2021**

- 1.13 On 27 October 2021, the Chancellor of the Exchequer delivered Spending Review 21 (SR21) and the Autumn Budget. The latter set out the Government's taxation and public expenditure plans for the year ahead and SR21 confirmed resources and capital budgets for the three years 2022/23 to 2024/25. The key areas of the review pertaining to Local Government are detailed below and included in the final MTFs:

- The main Council Tax referendum level is set at 2% and the Adults Social Care Precept at 1% per annum. The final MTFS assumes a Council Tax increase of 2.99% per annum.
- £3.6b over the three years for the Adult Social Care Funding Reform to cover preparation and implementation of the reforms, supporting those who reach the care cap and the fairer cost of care. Funding was confirmed for 2022/23 only and Harrow's share is £654k and is assumed to be recurrent for budgeting purposes.
- £1.5b per annum of new grant funding intended to cover inflationary pressures, the employer NI increase of 1.25%, announcements on public sector pay, Covid-19 impact on demand (Adult social care, mental health and Children's Services). This must also cover the inflationary pressures felt by those outside Local Government which will come back into the sector via increased costs. Harrow's share is £5.4m for 2022/23, of which £2.735m is non recurrent.
- There is no separate funding for the legacy impacts of Covid-19 and the Covid-19 Income Compensation Scheme for Sales, Fees and Charges will not be continued into 2022/23. The final MTFS assumes no specific Covid-19 financial support.
- The New Homes Bonus grant continued for a further year and Harrow's share is £3.022m and is assumed to be recurrent for budgeting purposes. Announcements on the reform of the scheme are expected later in the year.
- Grant funding for Public Health, the Troubled Families Programme and the Improved Better Care Fund will continue a cash flat basis and the final MTFS reflects this.
- Three announcements on pay covering increases to both the National Living Wage and National Minimum wage and references to public sector workers receiving pay rises over the next three years via the normal pay setting process. The final MTFS includes £7.5m of pay inflation over the three years.
- The Business Rates multiplier will be frozen in 2022/23 which will reduce business rate bills. The Multiplier Grant remained a separate funding stream and Harrow's grant for 2022/23 is £3.259m.
- The Local Tier Services Grant was continued in 2022/23. Harrow's grant was confirmed at £421k and is assumed as on going for budget purposes.
- There was no confirmation of either the scope or timetable for the planned Local Government Finance Reforms, including business rates reset and the review of Relative Needs and Resources. Following SR21, there have been references in various publications to the Fair Funding Review and assessment of need for 2023/24. However, at the time of writing this report, no details and time frames are known.

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

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

## **BUDGET PROCESS 2022/23**

- 1.17 The Council has a statutory obligation to agree and publish the budget for 2022/23, and approval for this is being sought in February 2022. In preparing the 2022/23 budget and rolling forward the MTFs to cover the three-year period 2022/23 to 2024/25, the current MTFs has been the starting point for the process.
- 1.18 The Council's financial position and its operational environment has always been dynamic affected by several financial uncertainties and adjustments that impact upon its financial position over the short and medium term. In preparing the final budget for 2022/23 the existing MTFs has been:
- Refreshed and rolled on a year
  - Updated to reflect the cessation of Covid -19 financial support
  - Updated to reflect the impact of SR 21 and the Indicative Financial Settlement
- 1.19 The draft budget was presented to Cabinet in December. For completeness, the adjustments required to set the draft budget are repeated in this report and summarised in Table 2 below followed by a narrative explanation. These adjustments are also set out in Appendix 2 along with adjustments included within the previous MTFs agreed as part of the 2021/22 Budget process:

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

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

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

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

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

### **Summary of Directorate Changes**

- 1.25 Spend on Special Educational Needs (SEN) Transport continues to grow and over the last four years spend has on average increased by £500k per year from £4.1m in 2017/18 to projected £5.9m in 2021/22. There are over 1,800 children and young people with Education Health & Care Plans (EHCPs) and approximately 40% of these are accessing SEN Transport. It is anticipated that the number of children and young people with EHCPs will increase to over 2,000 by 2023 which on the same ratio could mean a further 80 to 100 children requiring transport by 2023. The type of transport required is dependent upon the education setting the child attends as well as the child's special educational need and disability (SEND) /medical diagnosis and behaviour. The main focus of the Council's SEND strategy is to ensure that as many children are educated in local in-borough SEND provision to prevent high cost out of borough independent placements where the needs could be met in borough but for the fact that capacity is an issue. However, the SEND Strategy is a medium to long term strategy due to the lead-in time it takes to create additional provision. It is projected that £750k growth per annum will be required to meet the costs of SEN Transport over the period of the MTFS. This has been provided for, but SEN Transport is subject to a separate review with a view to, amongst other things, reduce this estimated pressure on the MTFS.
- 1.25a In Children & Young People Services, there has been an increase in the number of Children In Need and children subject to Child Protection Plans as more families' needs are managed within the community as well as increased Early Support engagement putting pressure on the workforce and social worker caseloads. In addition, there are more children requiring placements with more complex and challenging needs and an increase in the average weekly cost of placements putting significant pressure on placements and other client related budgets. In Education Services there has been a significant increase in referrals and assessments and the number of young people with an Education Health & Care Plan. This is putting significant pressure on the workforce and casework officer caseloads. In the current financial year, Children's Services are forecasting a net pressure, after draw down from reserve, of £1.564m. The current MTFS already assumes growth of £1.205m for 2022/23 and draft budget for 2022/23 proposes to re-profile an additional £565k growth from Adult Services. Also, there is expected to be a balance on the Children's Social Care Reserve (currently sitting in the Revenue Grants Reserve) of £1.117m at the end of this financial year which

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

- 1.26 At its meeting on 1 July 2021, Cabinet approved the setting up and commencement of the Harrow Strategic Development Partnership (HSDP) with Wates Construction Ltd. Funding has previously been set aside up to 2022/23 to fund a Regeneration Team to support the HSDP. From 2023/24 the required team budget of £1.25m has been built into the draft MTFS.
- 1.27 Elsewhere on this agenda, there is a separate report which recommends the Council's application to the Living Wage Foundation to become an accredited authority. To support this strategy, which has a seven-year implementation plan, investment of £1.9m is provided for in the draft MTFS. (Report: Application to the Living Wage Foundation to become an accredited authority).
- 1.28 In the 2020/21 budget setting process, a Council Wide transformation target of £1m in both 201/22 and 2022/23 was set. Due to the impact of Covid-19 on the organisation's capacity, this £2m target has had to be removed from the draft MTFS at this time.
- 1.29 In the current MTFS Adults Social care growth of £3.691m is already provided for to fund complexity and demand care growth and care provider inflation. This growth has been reviewed and it is estimated that it can be reduced by £565k and moved over to Children's Services to support their increasing pressures already covered in this report. The Adult Social Care Reserve is forecast to have no planned draw downs in the current financial year and will remain at £1.969m to support the service.
- 1.30 The current MTFS assumes an annual contribution from Concilium Assets LLP (which manages the private rented sector properties at Gayton Road) of £642k by 2022/23. This annual contribution has been reprofiled slightly to be re-profiled in full by 2025/26.
- 1.31 A significant impact of Covid-19 in the current financial year is the loss of income in the Community directorate. Growth of £5m had to be provided for in the current year's budget with 80% of this income loss estimated to be recovered over the next two years. Income budgets within the directorate have been robustly managed throughout the year and, whilst the quantum of income recovery remains at 80%, its recovery is estimated to be quicker than originally planned to the betterment of £300k in 2022/23.

#### **Technical Changes**

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

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

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

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

- 1.38 Again, as previously explained, SR21 announced £1.5b per annum of new core grant funding intended to cover inflationary pressures, the employer NI increase of 1.25%, announcements on public sector pay, Covid-19 impact on demand (Adult social care, mental health and Children's Services). This must also cover the inflationary pressures felt by those outside Local Government which will come back into the sector via increased costs. Again, the allocation of this funding will not be announced until the Indicative Financial Settlement in December and proportionality of 0.004 has been applied resulting in an estimated annual grant sum into the Council of £6m.
- 1.39 Prior to SR21, an increase in employer NI by 1.25% was announced and the estimated impact for the Council is £800k.

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

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

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

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

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

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

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

### **Core Spending Grant**

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

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

### **Lower Tier Grant**

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

### **Multiplier Cap Funding**

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

### **New Homes Bonus**

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

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

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

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

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

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

### **Council Tax Base**

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

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

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

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

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

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

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

## INVESTMENT

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

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

### **CAPITAL RECEIPTS FLEXIBILITY**

- 1.54 In 2016 the government announced the Capital Receipts Flexibility Scheme to support local authorities to deliver more efficient and sustainable services by allowing them to spend up to 100% of their fixed assets receipts on the revenue costs of reform projects. The current flexibility is in place until 2021/22. The Department for Levelling Up, Housing and Communities have been contacted and the scheme will continue with announcements in due course. Until such announcements are made, the principles of the existing flexibilities will be assumed.
- 1.55 The final MTFS does not assume any capital flexibilities being applied to core budget over the three years.

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

- 1.56 In 2018/19 the government introduced a new National Funding Formula (NFF) for Schools, High Needs and the Central Schools services Block. For the Schools Block this means LAs are funded based on the total of the NFF for all schools, academies and free schools in its area. However, the final formula for distribution is determined by each Council following consultation with schools and Schools Forums.
- 1.57.1 The LA carried out a consultation in Autumn 2017 which sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018/19. 76% of schools responded to the consultation and 89% voted in favour of introducing the NFF from 2018/19. This was approved by Cabinet in February 2018 and school budgets for the last three years have been set based on the NFF.
- 1.58 The NFF will therefore continue to be used to distributed school budgets for 2022/23 There are no proposed changes to the structure of the formula for 2022/23. The Schools Budget for 2022/23 is attached at Appendix 6 for approval.

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

- 1.59 In 2021/22 the total public health grant to local authorities totalled £3.324bn, with £11.310m being allocated to Harrow. The grant is ringfenced for use on public health functions exclusively for all ages of the population and must be spent in accordance with grant conditions on expenditure incurred by local authorities for the purposes of their public health functions, as specified in Section 73B(2) of the National Health Service Act 2006.
- 1.60 The Public Health commissioning intentions detailed in Appendix 7 are based on the current (2021/22) grant allocation as Public Health England have yet to announce national funding for 2022/23, however SR21 confirmed that the grant would be maintained in real terms. The draft expenditure assumes a

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

- 1.61 The Council consider that this level of funding enables the Council's overarching statutory duties (including equality duties) to be maintained, taking account of the joint strategic needs assessment, however in the event that additional duties are required by Councils, and if these were unfunded, the commissioning intentions would need to be reviewed in light of the allocated grant envelope.

### **BETTER CARE FUND (BCF) 2022/23**

- 1.62 The framework for the Better Care Fund (BCF) derives from the government's mandate to the NHS which sets an objective for NHS England to ring fence funding to form the NHS contribution to the BCF. The NHS Long Term Plan, published in January 2019 set out the priorities for transformation and integration, including plans for investment in integrated community services and next steps to develop Integrated Care Systems.
- 1.63 The BCF continues to provide a mechanism for personalised, integrated approaches to health and care that support people to remain independent at home or to return to independence after an episode in hospital. The continuation of the national conditions and requirements of the BCF provides opportunities for health and care partners to build on their plans to embed joint working and integrated care further, including how to work collaboratively to bring together funding streams to maximise the impact on outcomes for communities and sustaining vital community provision.
- 1.64 The 2022/23 Adults budget assumes that funding for the Protection of Social Care through the BCF will remain at the agreed 2021/22 level of £6.759m, although this should be expected to increase considering the NHS funding commitments made within the spending review. The Better Care Fund Policy statement and Policy Framework and Planning Requirements will provide the detailed guidance when published in early 2022 (usually March), however the requirements around integration and collaborative working are expected to continue.
- 1.65 The 2022/23 BCF plan will be signed off by the Health & Wellbeing Board ahead of submission to, and assurance by, NHS England.

### **RESERVES AND CONTINGENCIES**

- 1.66 Reserves and contingencies need to be considered in the context of their role to protect the Council's financial standing and in the context of the overall risks that the Council faces during a continuing period of economic and funding uncertainty. The MTFs reflects the Council's need to ensure an adequate level of reserves and contingencies which will enable it to manage the risks associated with delivery of the budget including equalities impacts any unforeseen events. The Councils overall reserves position is reported to Cabinet quarterly as part of the revenue monitoring update. At quarter 3 (end of December 2021), total reserves estimated for carry forward into 2022/23 are £59.055m. After accounting for earmarked reserves and the £14.711mm

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

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

1.67 The report of the Director of Finance and Assurance, which includes the adequacy of Council reserves and contingencies is detailed in Appendix 10.

### **LEVIES, CONTINGENCIES AND SUBSCRIPTIONS**

1.68 Appendix 4 sets out the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2022/23. These sums are set by other bodies and are outside the Council's control. Except for the subscriptions to London Councils and the Local Government Association, the payments are compulsory.

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

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

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

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

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

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

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

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

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

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

#### **MEMBER ALLOWANCES**

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

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

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

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

## **LONDON BOROUGH GRANTS SCHEME**

- 1.78 Harrow's contribution to the London Borough Grants Scheme was £187k in 2021/22 and will be £186,907 in 2022/23.

## **2.0 CONSULTATION**

- 2.1 As a matter of public law the duty to consult with regards to proposals to vary, reduce or withdraw services will arise in 4 circumstances:

- Where there is a statutory requirement in the relevant legislative framework;
- Where the practice has been to consult or where a policy document states the council will consult then the council must comply with its own practice or policy;
- Exceptionally, where the matter is so important that there is a legitimate expectation of consultation and;
- Where consultation is required to complete an equalities impact assessment.

- 2.2 Regardless of whether the council has a duty to consult, if it chooses to consult, such consultation must be carried out fairly. In general, a consultation can only be considered as proper consultation if:

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

- 2.3 The Council held a three-week consultation to provide residents with the opportunity to comment on the draft budget proposals. The draft budget reported was available to view on the Council's website and the consultation was also advertised via the MyHarrow weekly e newsletter which is sent to 70,000 MyHarrow email accounts. There were 59 respondents to the general survey. A summary of the response data is included in Appendix 16. Over the three main questions, responses disagreed with the draft budget and proposed increases in core Council Tax and the Adult Social Care Precept:

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

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

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

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

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

- Concerns around the cost of living and the impact of an increased Council Tax bill on household budgets
- Concerns around services and initiatives not being run as efficiently as possible
- Concerns re the level of management pay and the use of non-permanent staff

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

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

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

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

**Table 6: Key Stakeholder Consultation**

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

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

2.7 In terms of service specific consultations, the council has a duty to consult with residents and service users in a number of different situations including where proposals to significantly vary, reduce or withdraw services. Consultation is also needed in other circumstances, for example to identify

the impact of proposals or to assist with complying with the council's equality duties. Where appropriate, separate service specific consultations have already taken place or will be taking place for the 2022/23 savings and may be subject to a separate cabinet report.

### 3.0 PERFORMANCE ISSUES

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

### 4.0 RISK MANAGEMENT IMPLICATIONS

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

Separate risk register in place? No

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

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

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

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

## 5.0 LEGAL IMPLICATIONS

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

5.2 Local authorities owe a fiduciary duty to council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of council tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act

in good faith in relation to compliance with statutory duties and exercising statutory powers.

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

## **6.0 FINANCIAL IMPLICATIONS**

- 6.1 Financial Implications are integral to this report.

## **7.0 PROCUREMENT IMPLICATIONS**

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

## **8.0 EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY**

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

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

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

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

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

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

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

- (a) *Tackle prejudice, and*

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

*The relevant protected characteristics are:*

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

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

## **9.0 COUNCIL PRIORITIES**

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

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

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

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

Signed on behalf of the Chief Financial Officer

**Date: 2 February 2022**

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

Signed on behalf of the Monitoring Officer

**Date: 2 February 2022**

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

Signed on behalf of the Corporate Director

**Date: 2 February 2022**

**Head of Procurement: Nimesh Mehta**

Signed by the Head of Procurement

**Date: 2 February 2022**

**Head of Internal Audit: Susan Dixon**

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

**Date: 2 February 2022**

**Mandatory Checks**

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

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

*EqlA cleared by: Jessica Farmer*

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

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

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

**Background Papers:**

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

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

| Growth/Reversed savings and savings- 2021/22 and 2022/23 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   | 2022-23      | 2023-24      | 2024-25  | Total        | Risk | EQIA Required Y/N | Does this proposal impact on another directorate Y/N | Key Stakeholders to consult 'Yes/No Completed |
|   |                      |                       |   | £000                   | £000                           | £000                            | £000         | £000         | £000         | £000     | £000         |      |                   |  |   |
| <b>Reversal of prior year savings/ growth and new savings</b>           |                      |                       |   |                        |                                |                                 |              |              |              |          |              |      |                   |  |   |
| <b>Resources Directorate</b>  |                      |                       |   |                        |                                |                                 |              |              |              |          |              |      |                   |  |   |
|   |                      |                       |   |                        |                                |                                 |              |              |              |          | -            |      |                   |  |   |
| 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        | (177)        |              |          | (177)        |      | N                 | N  | N   |
|   |                      |                       | <b>Resources total</b>  | <b>7,550</b>           | <b>-</b>                       | <b>-</b>                        | <b>7,550</b> | <b>(177)</b> | <b>-</b>     | <b>-</b> | <b>(177)</b> |      |                   |  |   |
| <b>People Directorate</b>   |                      |                       |   |                        |                                |                                 |              |              |              |          |              |      |                   |  |   |
|   |                      |                       |   |                        |                                |                                 |              | -            |              |          |              |      |                   |  |   |
|   |                      |                       | <b>Total Adults</b>   |                        |                                |                                 |              | -            | -            | -        | -            |      |                   |  |   |
|   |                      |                       |   |                        |                                |                                 |              |              |              |          | -            |      |                   |  |   |
| <b>Community Directorate</b>  |                      |                       |   |                        |                                |                                 |              |              |              |          |              |      |                   |  |   |
| 2   |                      | 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. |                        |                                |                                 |              | (300)        | (600)        | -        | (900)        |      | N                 | N  | N   |
|   |                      |                       | <b>Community Total</b>  |                        |                                |                                 |              | <b>(300)</b> | <b>(600)</b> | <b>-</b> | <b>(900)</b> |      |                   |  |   |
| <b>Corporate</b>  |                      |                       |   |                        |                                |                                 |              |              |              |          |              |      |                   |  |   |
| 3   | 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.   |                        |                                |                                 |              | 300          | 600          | -        | 900          |      | N                 | N  | N   |
| 4   | Corporate            | Corporate             | Removal of Investment Property Capital Budget and savings associated.   |                        |                                | (7,050)                         | (7,050)      | 3,525        | -            | -        | 3,525        |      | N                 | Y  | N   |

| Growth/Reversed savings and savings- 2021/22 and 2022/23 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 | 2022-23      | 2023-24    | 2024-25  | Total        | Risk     | EQIA Required Y/N | Does this proposal impact on another directorate Y/N | Key Stakeholders to consult 'Yes/No Completed |
| 5   | Corporate            | Corporate             | Reversal of Transformation Savings - In the 2020/21 budget setting process, a Council Wide transformation target of £1m in both 201/22 and 2022/23 was set. Due to the impact of Covid-19 on the organisation's capacity, this £2m target has had to be removed from the draft MTFS at this time.   |                        | -                              | -                               |            | 2,000        | -          | -        | 2,000        |          | N                 | N  | N   |
| 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)      |          | N                 | Y  |   |
|   |                      |                       | <b>Corporate Total</b>  |                        |                                |                                 |            | <b>3,475</b> | <b>600</b> | <b>-</b> | <b>4,075</b> | <b>-</b> |                   |  |   |
|   |                      |                       |   |                        |                                |                                 |            |              |            |          |              |          |                   |  |   |
|   |                      |                       | <b>Total</b>  |                        |                                |                                 |            | <b>2,998</b> | <b>-</b>   | <b>-</b> | <b>2,998</b> |          |                   |  |   |
| <b>Growth and reversal of prior year savings</b>                        |                      |                       |   |                        |                                |                                 |            |              |            |          |              |          |                   |  |   |
|   |                      |                       |   |                        |                                |                                 |            |              |            |          |              |          |                   |  |   |
| <b>People Directorate</b>   |                      |                       |   |                        |                                |                                 |            |              |            |          |              |          |                   |  |   |
|   |                      |                       | <b>Adults</b>   |                        |                                |                                 |            |              |            |          |              |          |                   |  |   |
| 7   |                      | Placements            | Demand Pressures - additional pressures identified and reported to Cabinet in February 2020.  | 35,686                 | 7,317                          | 0                               | 43,003     | 3,691        | -          | -        | 3,691        |          | N                 | N  | N   |
| 8   |                      | Placements            | Reduction of growth - In the current MTFS Adults Social care growth of £3.691m is already provided for to fund complexity and demand care growth and care provider inflation. This growth has been reviewed and it is estimated that it can be reduced by £565k and moved over to Children's Services to support their increasing pressures. The Adult Social Care Reserve is forecast to have no planned draw downs in the current financial year and will remain at £1.969m to support the service. | 35,686                 | 7,317                          | 0                               | 43,003     | (565)        | -          | -        | (565)        |          | N                 | N  | N   |
|   |                      |                       | <b>Total Adults</b>   |                        |                                |                                 |            | <b>3,126</b> | <b>-</b>   | <b>-</b> | <b>3,126</b> |          |                   |  |   |
|   |                      |                       | <b>Children's Services</b>  |                        |                                |                                 |            |              |            |          |              |          |                   |  |   |
| 9   | PCS21.22_G01         | CYPS                  | Children's Placements & Accomodation  | 25,482                 |                                |                                 | 25,482     | 1,205        |            |          | 1,205        |          | N                 | N  | No  |

| Growth/Reversed savings and savings- 2021/22 and 2022/23 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 | 2022-23      | 2023-24      | 2024-25    | Total        | Risk | EQIA Required Y/N | Does this proposal impact on another directorate Y/N | Key Stakeholders to consult 'Yes/No Completed |
| 10  |                      | CYPS                  | Children's Placements - In Children & Young People Services, there has been an increase in the number of Children In Need and children subject to Child Protection Plans as more families' needs are managed within the community as well as increased Early Support engagement putting pressure on the workforce and social worker caseloads. In addition, there are more children requiring placements with more complex and challenging needs and an increase in the average weekly cost of placements putting significant pressure on placements and other client related budgets. The current MTFS already assumes growth of £1.205m for 2022/23 and draft budget for 2022/23 proposes to re-profile an additional £265k growth from Adult Services to cover the 2022/23 budget. A further £1.1m for 2023/24 is required to provide permanent funding which replaces the use of the reserve in 2022/23. | 25,482                 |                                |                                 | 25,482     | 265          | 1,100        |            | 1,365        |      | N                 | N  | N   |
| 11  |                      | Education             | In Education Services there has been a significant increase in referrals and assessments and the number of young people with an Education Health & Care Plan. This is putting significant pressure on the workforce and casework officer caseloads. This £300k growth has been funded from a reduction in adult services growth of £565k (The remaining £265k has been allocated to placement pressures).  | 2,523                  |                                |                                 | 2,523      | 300          |              |            | 300          |      | N                 | N  | N   |
| 12  |                      | Education             | Special Educational Needs Transport - . There are over 1,800 children and young people with Education Health & Care Plans (EHCPs) and approximately 40% of these are accessing SEN Transport. It is anticipated that the number of children and young people with EHCPs will increase to over 2,000 by 2023 which on the same ratio could mean a further 80 to 100 children requiring transport by 2023. It is estimated a further £750k pa will be required for each of the 3 years of the MTFS.  | 5,857                  |                                |                                 | 5,857      | 750          | 750          | 750        | 2,250        |      | N                 | N  | No  |
|   |                      |                       | <b>Total Children's Services</b>   |                        | -                              | -                               | -          | <b>2,520</b> | <b>1,850</b> | <b>750</b> | <b>5,120</b> |      |                   |  |   |
|   |                      |                       | <b>People Total</b>  |                        | -                              | -                               | -          | <b>5,646</b> | <b>1,850</b> | <b>750</b> | <b>8,246</b> |      |                   |  |   |
|   |                      |                       |  |                        |                                |                                 |            |              |              |            |              |      |                   |  |   |
| <b>Community</b>  |                      |                       |  |                        |                                |                                 |            |              |              |            |              |      |                   |  |   |
| 13  | COM21.22_G01         | Directorate wide      | Impact of Covid-19: Loss of income across Community directorate  | (46,399)               | -                              | -                               | (46,399)   | (2,218)      | (1,799)      | -          | (4,017)      |      | N                 | N  | No  |
| 14  |                      | Directorate wide      | Reprofiling of the 'Impact of Covid-19: Loss of income across Community directorate  | (46,399)               |                                |                                 | (46,399)   | (300)        | 300          | -          | -            |      | N                 | N  | No  |

| Growth/Reversed savings and savings- 2021/22 and 2022/23 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 | 2022-23        | 2023-24      | 2024-25    | Total          | Risk | EQIA Required Y/N | Does this proposal impact on another directorate Y/N | Key Stakeholders to consult 'Yes/No Completed |
| 15  |                      | Regeneration          | Regeneration Revenue Budget - At its meeting on 1 July 2021, Cabinet approved the setting up and commencement of the Harrow Strategic Development Partnership (HSDP) with Wates Construction Ltd. Funding has previously been set aside up to 2022/23 to fund a Regeneration Team to support the HSDP. From 2023/24 the required team budget of £1.25m has been built into the draft MTFs. | -                      |                                |                                 | -          |                | 1,250        |            | 1,250          |      | N                 | N  | N   |
| 16  | 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      | 300            | 300          | -          | 600            |      | N                 | N  | No  |
|   |                      |                       | <b>Community Total</b>   |                        | -                              | -                               | -          | <b>(2,218)</b> | <b>51</b>    | -          | <b>(2,167)</b> |      |                   |  |   |
|   |                      |                       | <b>Total</b>   |                        | -                              | -                               | -          | <b>3,428</b>   | <b>1,901</b> | <b>750</b> | <b>6,079</b>   |      |                   |  |   |
|   |                      |                       | <b>Net Impact of Reversals/Growth and Savings</b>  |                        |                                |                                 |            | <b>6,426</b>   | <b>1,901</b> | <b>750</b> | <b>9,077</b>   |      |                   |  |   |

| Total Savings and Growth 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 | 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           |               |     |  |   |
| <b>Savings</b>   |                      |   |                        |                                |                                |            |                |                |               |     |  |   |
| <b>Corporate</b>   |                      |   |                        |                                |                                |            |                |                |               |     |  |   |
| 27   | COR 02               | Gayton Road - income from 53 PRS units  |                        |                                |                                |            | (47)           | (47)           | N             |     | N  | N   |
| 29   | COR 04               | Income from £100m Investment Property Purchase  |                        |                                |                                |            | (3,525)        | (3,525)        | N             |     | N  | N   |
| 30   | COR 05               | Capital Financing Cost of the £100m Investment Property   |                        |                                |                                |            | 2,350          | 2,350          | 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)        | N             |     | N  | N   |
|  |                      | <b>Corporate Total</b>  |                        |                                |                                |            | <b>(2,222)</b> | <b>(2,222)</b> |               |     |  |   |
|  |                      | <b>Total Savings</b>  |                        |                                |                                |            | <b>(2,222)</b> | <b>(2,222)</b> |               |     |  |   |
| <b>Growth</b>  |                      |   |                        |                                |                                |            |                |                |               |     |  |   |
| <b>Resources</b>   |                      |   |                        |                                |                                |            |                |                |               |     |  |   |
| 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. |                        |                                |                                |            | 678            | 678            | N             |     | N  | N   |
|  | RES G2               | A proportion of this growth is being reversed out in Appendix 1A  |                        |                                |                                |            |                |                |               |     |  |   |
|  |                      | <b>Resources Total</b>  |                        | -                              | -                              | -          | -              | <b>678</b>     | <b>678</b>    |     |  |   |
|  |                      | <b>Total Growth</b>   |                        | <b>0</b>                       | <b>0</b>                       | <b>0</b>   | <b>0</b>       | <b>678</b>     | <b>678</b>    |     |  |   |
|  |                      | <b>Net Savings/Growth</b>   |                        |                                |                                |            | <b>(1,544)</b> | <b>(1,544)</b> |               |     |  |   |

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**MEDIUM TERM FINANCIAL  
STRATEGY 2022/23 to 2024/25**

Appendix 2

|   | <b>2022/23</b>   | <b>2023/24</b>   | <b>2024/25</b>   |
|---|------------------|------------------|------------------|
|   | <b>£000</b>      | <b>£000</b>      | <b>£000</b>      |
| <b>Budget Requirement Brought Forward</b>   | 179,440          | 183,285          | 189,967          |
| Corporate & Technical                       | -1,037           | 21,375           | 3,751            |
| People                                      | 5,646            | 1,850            | 750              |
| Community                                   | -2,518           | -549             | 0                |
| Resources                                   | 501              | 0                | 0                |
| Corporate                                   | 1,253            | 600              | 0                |
| <b>Total</b>                                | <b>3,845</b>     | <b>23,276</b>    | <b>4,501</b>     |
| <b>FUNDING GAP</b>                          | <b>0</b>         | <b>-16,593</b>   | <b>0</b>         |
| <b>Total Change in Budget Requirement</b>   | <b>3,845</b>     | <b>6,683</b>     | <b>4,501</b>     |
| <b>Revised Budget Requirement</b>           | <b>183,285</b>   | <b>189,967</b>   | <b>194,469</b>   |
| Collection Fund Deficit/-surplus            | 52               | 0                | 0                |
| Revenue Support Grant                       | -1648            | -1648            | -1648            |
| Top Up                                      | -22,623          | -22,623          | -22,623          |
| Retained Non Domestic Rates                 | -12,881          | -15,141          | -15,141          |
| <b>Amount to be raised from Council Tax</b> | <b>146,185</b>   | <b>150,555</b>   | <b>155,057</b>   |
| <b>Council Tax at Band D</b>                | <b>£1,646.50</b> | <b>£1,695.73</b> | <b>£1,746.43</b> |
| <b>Increase in Council Tax (%)</b>          | <b>2.99%</b>     | <b>2.99%</b>     | <b>2.99%</b>     |
| Tax Base                                    | 88,785           | 88,785           | 88,785           |
|   | 98.00%           | 98.00%           | 98.00%           |
| Gross Tax Base                              | 90,597           | 90,597           | 90,597           |

## MTFS 2022/23 to 2024/25 – Proposed investments / savings

Appendix 2

| <b>Technical Adjustments</b>  |                |               |               |
|---|----------------|---------------|---------------|
|   | 2022/23        | 2023/24       | 2024/25       |
|   | £000           | £000          | £000          |
| <b>Capital and Investment</b>   |                |               |               |
| Capital Financing costs from Additional Capital Programme   | 1250           |               |               |
| Implications of Capital Programme agreed for 2020/21 to 2023/24   | 2981           | 470           |               |
| Saving on Capital Financing costs - 2022/23 process   | -2000          |               |               |
| Implications of Capital Programme agreed for 2021/22 to 2023/24 budget process                          |                |               | 225           |
| <b>Total Capital and Investment Changes</b>   | <b>2,231</b>   | <b>470</b>    | <b>225</b>    |
| <b>Grant Changes</b>  |                |               |               |
| Additional NHB over estimated sum (£3.185m v £3.176m estimated)   | 9              |               |               |
| Additional Social Care grant announced in SR estimated figure   | -654           | 0             | 0             |
| Additional Cost of Adult Social Care Reform   | 654            | 0             | 0             |
| Increase - Core Spending Grant  | 0              | -6000         | -6000         |
| Multiplier Adjustment from core spending increase   | 1710           |               |               |
| £1.55b grant to meet additional COVID expenditure (one off) therefore reversed for 2022/23              | 6051           |               |               |
| Income compensation for sales, fees and charges - 3 mth extension -reversing one off benefit in 2021/22 | 500            |               |               |
| Council Tax Support Grant one off reversed in 2022/23   | 1780           |               |               |
| Extra Multiplier grant reversal in 2022/23 putting base back to £1.590m                                 | 477            |               |               |
| Retain Multiplier grant at 2021/22 level  | -1710          |               |               |
| Increased Multiplier grant at 2022/23 settlement (assumed £1.590m but £3.259m allocated)                | -1669          |               |               |
| 2022/23 service grant - indicated as one year only  | -2735          | 2735          |               |
| Lower Tier grant reversed as part of 2021/22 budget   | 399            |               |               |
| Lower Tier grant announced as part of 2022/23 settlement  | -421           |               |               |
| New Homes Bonus grant reduced from £3.176m to £3.022m   | 154            |               |               |
| Increase in Section 31 grant to offset reduction in Retained Business Rates income                      | -2260          | 2260          |               |
| Adult Social Care Grant increased from £5.465m to £7.720m   | -2255          |               |               |
| <b>Total Grant Changes</b>  | <b>30</b>      | <b>-1,005</b> | <b>-6,000</b> |
| <b>Other Technical Changes</b>  |                |               |               |
| Freedom Passes - estimated reduction in usage   | -1580          | 1377          |               |
| Freedom Passes - revision to usage figures from London Council update                                   | -1271          | 644           | 1000          |
| <b>Use of Reserves</b>  |                |               |               |
| Use of Business Risk Reserve for one off investment of £1m pa for 3 years                               | -1000          |               |               |
| One off Investment into front line priorities   | 1000           |               |               |
| Use of Business Risk Reserve smoothed over 2 years  | 3350           |               |               |
| Children's social care reserve - no applied in 20/21  | 852            |               |               |
| One of use of Reserves  | -15700         | 15700         |               |
| Reduction in Budget Planning reserve as a result of settlement changes                                  | 989            | -989          |               |
| £2m 20/21 target underspend - to be added to reserves in 2021/22  | 2000           |               |               |
| <b>Total Other Technical Changes</b>  | <b>-11,360</b> | <b>16,732</b> | <b>1,000</b>  |
| <b>Pay and Inflation</b>  |                |               |               |
| Pay Award @ 2% pa   | 2000           |               |               |
| Pay Award @ 2.75% pa  |                | 2750          | 2750          |
| Cost of National Insurance Increase   | 800            |               |               |
| Non Pay Inflation   | 2750           | 2000          | 1000          |
| <b>Total Pay and Price Inflation</b>  | <b>5,550</b>   | <b>4,750</b>  | <b>3,750</b>  |
| <b>OTHER</b>  |                |               |               |
| Gayton Road Income - Reprofiting of income  | 62             | -22           | -12           |
| Capital Receipts Flexibility - £2m applied in 2021/22   | 2000           |               |               |
| Growth London Living Wage   | 450            | 450           | 1000          |
| Directorate growth  |                |               | 3788          |
| <b>Total Corporate &amp; Technical</b>  | <b>-1,037</b>  | <b>21,375</b> | <b>3,751</b>  |

**MTFS 2022/23 to 2024/25 – Proposed investments / savings** Appendix 2

| <b>People</b>                            |                |                |                |
|--|----------------|----------------|----------------|
|  | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> |
|  | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
| <b>Children &amp; Families</b>           |                |                |                |
| Proposed Savings - Appendix 1B           | 0              | 0              | 0              |
| Proposed Growth - see appendix 1a        | 2,520          | 1,850          | 750            |
| <b>Sub total Children &amp; Families</b> | 2,520          | 0              | 0              |
|  |                |                |                |
| <b>Adults</b>                            |                |                |                |
| Proposed Growth - see appendix 1a        | 3126           | 0              | 0              |
| Proposed Growth - see appendix 1b        | 0              | 0              | 0              |
| <b>Sub total Adults</b>                  | 3,126          | 0              | 0              |
|  |                |                |                |
| <b>Total People Directorate</b>          | <b>5,646</b>   | <b>1,850</b>   | <b>750</b>     |

**MTFS 2022/23 to 2024/25 – Proposed investments / savings** Appendix 2

| <b>Community</b>                   |                |                |                |
|------------------------------------|----------------|----------------|----------------|
|                                    | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> |
|                                    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
| Proposed Savings - see appendix 1a | -300           | -600           | 0              |
| Proposed Growth - see appendix 1a  | -2,218         | 51             | 0              |
| Proposed Savings - see appendix 1b | 0              | 0              | 0              |
| Proposed Growth - see appendix 1b  | 0              | 0              |                |
|                                    |                |                |                |
| <b>Total Community</b>             | <b>-2,518</b>  | <b>-549</b>    | <b>0</b>       |

**MTFS 2022/23 to 2024/25 – Proposed investments / savings** Appendix 2

| <b>Resources</b>                   | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> |
|------------------------------------|----------------|----------------|----------------|
|                                    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
| Proposed Savings - see appendix 1b | 0              | 0              | 0              |
| Proposed Growth - see appendix 1b  | 678            | 0              | 0              |
| Proposed Savings - see appendix 1a | -177           | 0              | 0              |
| Proposed Growth - see appendix 1a  | 0              | 0              | 0              |
| <b>Total Resources</b>             | <b>501</b>     | <b>0</b>       | <b>0</b>       |

**MTFS 2022/23 to 2024/25 – Proposed investments / savings**

Appendix 2

|                                    | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> |
|------------------------------------|----------------|----------------|----------------|
|                                    | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
| <b>CORPORATE</b>                   |                |                |                |
| Proposed Savings - appendix 1a     | 3475           | 600            | 0              |
| Proposed Growth - appendix 1a      | 0              | 0              | 0              |
| Proposed Savings - see appendix 1b | -2,222         | 0              | 0              |
| Proposed Growth - see appendix 1b  | 0              | 0              | 0              |
| <b>Total Corporate</b>             | <b>1,253</b>   | <b>600</b>     | <b>0</b>       |

| REVENUE BUDGET SUMMARY 2022-23                                    |                          |                                      |                  |                                    |                                    | Appendix 3            |
|---|--------------------------|--------------------------------------|------------------|------------------------------------|------------------------------------|-----------------------|
|   | 2021/22<br>Net<br>Budget | Gross<br>Controllable<br>Expenditure | Gross Income     | Net<br>Controllable<br>Expenditure | Uncontrol -<br>able<br>Expenditure | 2022/23 Net<br>Budget |
|   | £'000                    | £'000                                | £'000            | £'000                              | £'000                              | £'000                 |
| <b>Local Demand - Borough Services</b>                            |                          |                                      |                  |                                    |                                    |                       |
| <b>Resources &amp; Commercial</b>                                 | 17,061                   | 215,344                              | - 181,632        | 33,712                             | - 19,555                           | 14,157                |
| Environment & Commissioning                                       | 46,823                   |                                      | - 35,633         | 23,791                             | 20,357                             | 44,148                |
| Housing General Fund  | 7,951                    | 11,424                               | - 7,379          | 4,045                              | 3,600                              | 7,645                 |
| Regeneration  | 2,210                    | 4,919                                | - 3,859          | 1,060                              | 1,172                              | 2,232                 |
| <b>Sub-total Community</b>  | <b>56,984</b>            | <b>75,767</b>                        | <b>- 46,871</b>  | <b>28,896</b>                      | <b>25,129</b>                      | <b>54,025</b>         |
| Adult Services  | 77,282                   | 106,605                              | - 37,991         | 68,614                             | 5,694                              | 74,308                |
| Public Health   | - 44                     | 9,336                                | - 11,150         | - 1,814                            | 1,770                              | - 44                  |
| Children & Families   | 44,408                   | 175,676                              | - 137,725        | 37,951                             | 8,991                              | 46,941                |
| <b>Sub-total People</b>   | <b>121,646</b>           | <b>291,617</b>                       | <b>- 186,866</b> | <b>104,751</b>                     | <b>16,455</b>                      | <b>121,205</b>        |
| <b>Total Directorate Budgets</b>                                  | <b>195,691</b>           | <b>582,728</b>                       | <b>-415,369</b>  | <b>167,359</b>                     | <b>22,029</b>                      | <b>189,387</b>        |
| <b>Corporate And Technical Budgets</b>                            |                          |                                      |                  |                                    |                                    |                       |
| Coroners Court  | 216                      |                                      |                  |                                    |                                    | 217                   |
| Freedom pass  | -1108                    |                                      |                  |                                    |                                    | -                     |
| 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                    |                                      |                  |                                    |                                    | 3,221                 |
| London Living Wage  | -                        |                                      |                  |                                    |                                    | 450                   |
| Employer's Pension Contribution                                   | 192                      |                                      |                  |                                    |                                    | 192                   |
| Other Corporate budget  | 245                      |                                      |                  |                                    |                                    | 245                   |
| Goods And Service Inflation                                       | 1,100                    |                                      |                  |                                    |                                    | 3,760                 |
| Treasury Management expenses                                      | 2,012                    |                                      |                  |                                    |                                    | 2,012                 |
| Capital Financing Cost  | 32,452                   |                                      |                  |                                    |                                    | 34,983                |
| Capital Financing adjustments                                     | - 27,082                 |                                      |                  |                                    |                                    | - 27,082              |
| <b>Grant</b>  |                          |                                      |                  |                                    |                                    |                       |
| Sec.31 Grant Business Rate Reliefs                                | - 2,500                  |                                      |                  |                                    |                                    | - 4,760               |
| Income compensation for sales, fees and charges - 3 mth extension | - 500                    |                                      |                  |                                    |                                    | -                     |
| National Insurance Increase                                       | -                        |                                      |                  |                                    |                                    | 800                   |
| Covid-19 pressures grant 2021/22                                  | - 6,051                  |                                      |                  |                                    |                                    | -                     |
| New Homes Bonus   | - 3,185                  |                                      |                  |                                    |                                    | - 3,022               |
| Lower Tier Grant 2021/22  | - 399                    |                                      |                  |                                    |                                    | - 421                 |
| Council Tax Support Grant   | - 1,780                  |                                      |                  |                                    |                                    | -                     |
| Multiplier Cap Funding - Continuation for                         | - 2,067                  |                                      |                  |                                    |                                    | - 3,259               |
| Additional Adult Social care grant                                | - 3,808                  |                                      |                  |                                    |                                    | -                     |
| <b>Other Budget Adjustments</b>                                   |                          |                                      |                  |                                    |                                    |                       |
| Budget Planning Contingency                                       | -                        |                                      |                  |                                    |                                    | - 14,711              |
| Business Risk Reserve   | - 3,350                  |                                      |                  |                                    |                                    | -                     |
| Other Reserves  | - 2,852                  |                                      |                  |                                    |                                    | -                     |
| Contingency - General   | 1,248                    |                                      |                  |                                    |                                    | 1,248                 |
| Litigation Budget   | 250                      |                                      |                  |                                    |                                    | 250                   |
| New Services Grant for 2022/23                                    | -                        |                                      |                  |                                    |                                    | - 2,735               |
| SEN transformation savings  | -                        |                                      |                  |                                    |                                    | -                     |
| Transformation savings  | - 1,000                  |                                      |                  |                                    |                                    | -                     |
| Use of Capital Receipt Flexibility                                | - 2,000                  |                                      |                  |                                    |                                    | -                     |
| Gayton Road Income  | - 594                    |                                      |                  |                                    |                                    | - 579                 |
| <b>Sub Total Corporate and Technical Adjustment</b>               | <b>-16,251</b>           |                                      |                  |                                    |                                    | <b>-6,102</b>         |
| <b>Funding Gap</b>  |                          |                                      |                  |                                    |                                    |                       |
| <b>TOTAL BUDGET REQUIREMENT</b>                                   | <b>179,440</b>           |                                      |                  |                                    |                                    | <b>183,285</b>        |
| <b>BUDGET REQUIREMENT FUNDED BY</b>                               |                          |                                      |                  |                                    |                                    |                       |
| Contribution re Collection Fund Deficit/Surplus(-) b/f            | - 180                    |                                      |                  |                                    |                                    | 52                    |
| Revenue Support Grant   | - 1,585                  |                                      |                  |                                    |                                    | - 1,648               |
| Business Rates Top-up Grant                                       | - 22,623                 |                                      |                  |                                    |                                    | - 22,623              |
| Retained Business Rates   | - 15,346                 |                                      |                  |                                    |                                    | - 12,881              |
| Council Tax Income  | - 139,706                |                                      |                  |                                    |                                    | - 146,185             |
| <b>Total Funding</b>  | <b>- 179,440</b>         |                                      |                  |                                    |                                    | <b>- 183,285</b>      |
| <b>Council Tax for Band D Equivalent</b>                          |                          |                                      |                  |                                    |                                    |                       |
| General (£)   | 1,425.94                 |                                      |                  |                                    |                                    | 1,457.76              |
| ACS(£)  | 172.76                   |                                      |                  |                                    |                                    | 188.74                |
| Harrow Increase (£)   | 1,598.70                 |                                      |                  |                                    |                                    | 1,646.50              |
| GLA (£)   | 363.66                   |                                      |                  |                                    |                                    | 395.59                |
| <b>Total after Increase (£)</b>                                   | <b>1,962.36</b>          |                                      |                  |                                    |                                    | <b>2,042.09</b>       |
| <b>Increase</b>   |                          |                                      |                  |                                    |                                    |                       |
| General (%)   | 1.99%                    |                                      |                  |                                    |                                    | 1.99%                 |
| ASC (%)   | 3.00%                    |                                      |                  |                                    |                                    | 1.00%                 |
| GLA (%)   | 9.51%                    |                                      |                  |                                    |                                    | 8.78%                 |
| <b>Total Increase (%)</b>   | <b>5.80%</b>             |                                      |                  |                                    |                                    | <b>4.06%</b>          |
| <b>Tax base</b>   | 87,667                   |                                      |                  |                                    |                                    | 88,785                |
| <b>Collection Rate</b>  | 98.00%                   |                                      |                  |                                    |                                    | 98.00%                |
| <b>Funds / Balances</b>   |                          |                                      |                  |                                    |                                    |                       |
| Balances Brought Forward  | 10,009                   |                                      |                  |                                    |                                    | 10,009                |
| <b>Balances Carried Forward</b>                                   | 10,009                   |                                      |                  |                                    |                                    | 10,009                |

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### Levies, Contribution and Subscriptions 2022/23

The table below shows the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2022/23. These sums are set by other bodies and are outside the Council's control.

|                                    | 2021/22 | 2022/23 | Changes | Changes | Comments  |
|------------------------------------|---------|---------|---------|---------|---|
|                                    | £'000   | £'000   | £'000   | %       |   |
| London Borough Grant               | 187     | 187     | -       | 0.00%   | Based on notification   |
| Freedom Pass Levy                  | 8,591   | 5,740   | - 2,851 | -33.19% | Based on notification   |
| Joint Committee Subscription       | 162     | 162     | -       | 0.00%   | Based on notification   |
| Environment Agency Levy            | 205     | 205     | -       | 0.00%   | Assume 2021/22 as precept due first week in Feb.                            |
| Coroners Court Levy                | 296     | 296     | -       | 0.00%   | Assume 2021/22 - final figure due in March.                                 |
| Traffic Control Levy               | 295     | 325     | 30      | 10.17%  | Notified Dec 2021 by London Councils  |
| London Pension Fund Authority Levy | 298     | 298     | -       | 0.00%   | Assume 2021/22 figure - figure due mid Feb.                                 |
| West London Waste Authority Levy   | 2,000   | 2,205   | 205     | 10.25%  | This budget is based on WLWA's budget report for 2022/23.                   |
| Lee Valley Levy                    | 210     | 210     | -       | 0.00%   | Due mid Feb - no increase in budget papers but it is allocated on tax base. |
| 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) 2022-23

## Introduction

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

## DSG Settlement 2022-23

2. The 2022-23 DSG settlement is based on the number of pupils on the October 2021 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 2021 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 2022-23 is £243.64m.

Table 1 – 2022-23 Dedicated Schools Grant allocation

| Blocks  | Unit of funding |           | Pupil numbers |           | Total           |
|---|-----------------|-----------|---------------|-----------|-----------------|
|   | Primary         | Secondary | Primary       | Secondary |                 |
| Schools Block – per pupil                                       | £4,656.89       | £6,402.96 | 21,222.50     | 13,029.00 | £182,255,013.87 |
| Schools Block – lump sum premises                               |                 |           |               |           | £2,734,950.00   |
| Schools Block – NNDR deduction                                  |                 |           |               |           | -£2,520,281.00  |
| Schools Block – growth fund formula                             |                 |           |               |           | £948,220.00     |
| <b>Total Schools Block</b>                                      |                 |           |               |           | £183,417,902.87 |
| Central Schools Block   |                 |           |               |           | £1,410,135.00   |
| High Needs Block (after import/export adjustments & recoupment) |                 |           |               |           | £40,199,734.00  |
| Early Years Block   |                 |           |               |           | £18,615,893.00  |
| <b>Total Dedicated Schools Grant Allocation 2022-23</b>         |                 |           |               |           | £243,643,664.87 |

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 3% and 4%.
4. In 2018-19 the Government introduced a new National Funding Formula (NFF) for Schools, High Needs and Central Services Blocks. For the Schools block this means that LAs are funded on the basis of the total of the NFF for all schools, academies and free schools in its areas but the final formula for distribution is determined by each LA, subject to prescribed limits, following consultation with schools and Schools Forum.

5. From 2020 the government had intended to implement the NFF in full which means that school allocations will be determined by the DfE rather than LAs. However, this has been delayed and there is currently no confirmed date for this.
6. In 2018-19 the LA implemented the NFF after consultation with schools and Schools Forum. Whilst there are no proposed changes to the structure of the formula for 2022-23, the factor values have increased. This is set out at Table 2.

**Table 2 – proposed funding formula and factor values 2022-23**

| Factors  | 2021-22    |             | 2022-23     |             | % Change |     |
|----------|------------|-------------|-------------|-------------|----------|-----|
|          | Pri        | Sec         | Pri         | Sec         | Pri      | Sec |
| Pri AWPU | £3,429.15  |             | £3,540.05   |             | 3%       |     |
| KS3 AWPU |            | £4,835.72   |             | £4,991.51   |          | 3%  |
| KS4 AWPU |            | £5,449.52   |             | £5,625.35   |          | 3%  |
| FSM      | £505.09    | £505.09     | £517.20     | £517.20     | 2%       | 2%  |
| Ever6    | £631.37    | £922.35     | £649.25     | £951.86     | 3%       | 3%  |
| IDACIF   | £236.08    | £340.39     | £242.09     | £352.13     | 3%       | 3%  |
| IDACIE   | £285.49    | £455.68     | £297.11     | £467.68     | 4%       | 3%  |
| IDACID   | £450.19    | £636.86     | £462.18     | £654.75     | 3%       | 3%  |
| IDACIC   | £488.62    | £691.76     | £506.19     | £715.27     | 4%       | 3%  |
| IDACIB   | £521.56    | £746.66     | £539.21     | £770.29     | 3%       | 3%  |
| IDACIA   | £680.78    | £949.80     | £704.27     | £979.37     | 3%       | 3%  |
| LPA      | £1,202.34  | £1,822.73   | £1,243.47   | £1,881.72   | 3%       | 3%  |
| EAL      | £603.92    | £1,630.57   | £621.74     | £1,683.64   | 3%       | 3%  |
| Mobility | £988.23    | £1,416.46   | £1,017.89   | £1,463.56   | 3%       | 3%  |
| Lump Sum | £129,347.9 | £129,347.93 | £133,480.95 | £133,480.95 | 3%       | 3%  |

### Minimum Funding Guarantee

7. In 2022-23 the Minimum Funding Guarantee (MFG) will continue to protect schools from *per pupil* losses between years. For the third 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%.
8. 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.
9. 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.

### Additional Funding

10. In 2022-23 School Forum voted to allocate £700k funding from its brought forward contingency to support school budgets in 2022-23. 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.

### **Supplementary Funding**

11. In December 2021 the Government announced the new Schools Supplementary Grant for 2022-23. This is additional funding to provide support for the costs associated with the Health & Social Care Levy and other wider costs. The grant is payable to all mainstream schools, academies & free schools for pupils in nursery through to sixth form.
12. School level allocations will be published in Spring 2022. The additional funding will be payable as a separate grant in 2022-23 but will then be rolled into the National Funding Formula (for Reception to Y11) from 2023-24.

### **High Needs Block**

13. 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
14. 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.
15. 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.
16. In addition, between 2013-21 there has been an increase in HNB funding of 54% compared with an increase in HNB spend of 56% and an increase in the number of EHCPs from 1,170 in January 2014 to 2,040 in January 2022 (75%).
17. The HNB budget allocation for 2022-23 is set out at Table 3

Table 3 – 2022-23 High Needs Block Funding

| Description   | Value              |
|---|--------------------|
| High Needs Block Allocation (excl basic entitlement factor) | £39,192,856        |
| Basic Entitlement Factor (excl TPG/TPECG)                   | £3,293,370         |
| Basic Entitlement related to TPG/TPECG Special Schools      | £436,202           |
| Import/Export Adjustments (2020-21 figure)                  | -£1,578,000        |
| Additional Funding for Special Free Schools                 | £12,000            |
| Hospital Education  | £212,859           |
| AP & INMSS TPG/TPECG allocation                             | £130,445           |
| <b>Total HNB before academy recoupment</b>                  | <b>£41,699,732</b> |
| Academy recoupment for SEN units, special schools and FE    | -£1,500,000        |
| <b>Net High Needs Block 2022-23</b>                         | <b>£40,199,732</b> |

18. It should be noted that the import/export adjustment figure will be updated in June 2022 to reflect the January census.
19. 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.
20. In 2022-23 there is an increase in funding of approx £3.176m.
21. It is anticipated that the High Needs Block will also receive Supplementary Funding as a top up to the calculated figures in the above table. This is expected to cover additional costs which have arisen since the original HNB funding formula was derived, including to support providers funded by the HNB in respect of the Health & Social Care Levy. More details regarding this funding will be published in Spring 2022.

### DSG Deficits

22. 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.
23. 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.
24. 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.

25. Harrow's projected cumulative deficit of £4.5m as a proportion of gross budget of £241m would equate to approx. 2% and will therefore require a deficit management plan.

26. The deficit has accumulated as follows

| Financial Year      | Deficit £'000 |
|---------------------|---------------|
| 2019-20             | £2,944        |
| 2020-21             | £786          |
| 2021-22 (projected) | £822          |
| Total (projected)   | £4,552        |

27. An initial Deficit Management Plan has been discussed with Schools Forum. This requires further work and needs to take into account delays due to Covid-19.

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

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

### Early Years Block

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

#### 3 & 4 year old funding

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

- Continue to set a single funding rate for both entitlements for three and four year olds (that is, both the universal 15 hours and the additional 15 hours for working parents).
- Must plan to spend at least 95% of the three and four year old funding on the delivery of the entitlements. We intend to continue to pass on 95% of the 3 & 4 year old funding to settings.
- Harrow provides a universal base rate for all types of provider in the formula.

- Must use a deprivation supplement in the funding formula
- Must not channel more than 10% of funding through funding supplements.
- Must provide a SEN Inclusion Fund (SENIF) for three and four year olds.
- Must pass on Early Years Pupil Premium (EYPP) and Disability Access Fund (DAF) in full to providers for eligible three and four year olds.

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

33. In 2022-23 the hourly rate per pupil that the LA receives will increase from £5.72 to £5.89 per hour.

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

**Table 4 – indicative 2022-23 EYSFF**

| Description   | 2022-23      |          |                    |
|---|--------------|----------|--------------------|
|   | Hourly       | Pupils   | Total              |
| Total Early Years Block                               | £5.89        | 5,017.79 | £16,846,226        |
| 5% LA Early Years Service Retention                   |              |          | £842,311           |
| Funding available to providers                        | £5.60        |          | £16,003,915        |
| Top-slice SEN inclusion fund 5%                       |              |          | £800,196           |
| <b>Funding available to providers through formula</b> | <b>£5.32</b> |          | <b>£15,203,719</b> |
|   |              |          |                    |
| Base rate 90%   | £4.81        |          | £13,745,048        |
| Supplements 10%                                       | £0.51        |          | £1,458,672         |
| <b>Funding available to providers through formula</b> | <b>£5.32</b> |          | <b>£15,203,719</b> |

### 2 year old funding

35. There is also a rate increase for the funding for 2 year olds. This will increase from £6.08 to £6.29 per hour from April 2022. The full increase will be passported to providers.

### SEND Inclusion

36. 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.

37. 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.

38. The SEND Inclusion Fund in 2022-23 will be £800k.

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**Draft Public Health Funding 2022-23****Appendix 7**

|                                      |              |                      |
|--------------------------------------|--------------|----------------------|
| <b>Mandatory Services</b>            | £000         |                      |
| Sexual Health (incl Family Planning) | 2,336        |                      |
| 0-19 Services                        | 3,695        |                      |
| Health Checks                        | <u>184</u>   | 6,215                |
| <b>Discretionary Services</b>        |              |                      |
| Tobacco Control                      | 73           |                      |
| Drug & Alcohol Misuse                | 1,934        |                      |
| Physical Activity                    | <u>30</u>    | 2,037                |
| <b>Staffing &amp; Support Costs</b>  |              |                      |
| Staffing                             | 1,000        |                      |
| Non-Staffing                         | 91           |                      |
| Overheads                            | <u>163</u>   | 1,254                |
| Health Improvement                   | 267          |                      |
| Wider Determinants of Health         | <u>1,652</u> | 1,918                |
| <b>Total Expenditure</b>             |              | <u><u>11,424</u></u> |
| <b>Funded by</b>                     |              |                      |
| Department of Health Grant           | -11,310      |                      |
| Contribution from Reserve            | -114         |                      |
| <b>Total Income</b>                  |              | <b>-11,424</b>       |

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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 2022/23 will continue to focus on accurate and robust management of its revenue budget, capital programme and trading activities. Considering the recommendation to use £14.7m from the Budget Planning Reserve MTFs to balance the 2022/23 budget, there will be an increased emphasis on delivering the 2022/23 budget, at a minimum, to a balanced position but ideally an underspend. And to developing a robust financial strategy to address the predicted MTFs shortfall of £16.593m ready for presentation to the incoming administration in May 2022.

The Council has built up more appropriate annual contributions to provisions including for debt, litigation, vehicles and investment properties in the last few years, and strengthened its balance sheet which does enable the use of one off reserves to balance the 2022/23 budget, but this does leave the Council with very limited earmarked reserves and general fund balances.

There is greater risk as the one off use of reserves in 2022/23 needs to be reversed out in the following year meaning the MTFs is predicting a budget shortfall of £16.593m which requires the development of a robust strategy to achieve financial

sustainability over a relatively short period of time supported by a minimal balance of reserves.

As at 31 March 2022 the level of General Fund Reserve will be £10m, which represents 5.6% of the Council's net revenue budget for 2021/22 (£180m), which is the recommended minimum level. In addition, the Authority holds a limited number of earmarked reserves as detailed in Appendix 9.

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

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.

## Reserves Forecast 2022-23

## Appendix 9

| Description                              | Brought Forward<br>01/04/21 | Addition to<br>Reserves 2021-<br>22 | Directorates<br>Draw Down<br>From Reserves | Corporate<br>Reserves<br>Movements | Other Reserves<br>Movement | Balance Carry<br>Forward<br>31/03/2022 | Committed to<br>future MTFS | Revised Carry<br>Forward<br>1/04/2022 |
|--|-----------------------------|-------------------------------------|--|------------------------------------|----------------------------|--|-----------------------------|---------------------------------------|
| CIL Harrow                               | -6,730,442                  |                                     |  |                                    | 1,980,000                  | -4,750,442                             |                             | -4,750,442                            |
| Revenue Grant Reserve                    | -8,823,265                  | -778,000                            | 2,246,720                                  |                                    |                            | -7,354,545                             |                             | -7,354,545                            |
| Compensatory Added Year Reserve          | -242,782                    |                                     |  |                                    |                            | -242,782                               |                             | -242,782                              |
| Business Pool Reserve                    | -767,170                    |                                     |  |                                    |                            | -767,170                               |                             | -767,170                              |
| PFI Schools Sinking Fund                 | -2,371,579                  |                                     | 314,697                                    |                                    |                            | -2,056,882                             |                             | -2,056,882                            |
| Public Health Reserve                    | -2,372,440                  |                                     | 0  |                                    |                            | -2,372,440                             |                             | -2,372,440                            |
| PFI NRC Sinking Fund                     | -1,751,952                  |                                     |  |                                    |                            | -1,751,952                             |                             | -1,751,952                            |
| Legal Services Contingency               | -949,339                    |                                     |  |                                    |                            | -949,339                               |                             | -949,339                              |
| Legal Expansion Reserve                  | -377,639                    |                                     |  |                                    |                            | -377,639                               |                             | -377,639                              |
| HRA Transformation Reserve               | -671,551                    |                                     |  |                                    |                            | -671,551                               |                             | -671,551                              |
| Carryforward Reserve                     | -2,041,393                  |                                     |  | 2,041,393                          |                            | 0                                      |                             | 0                                     |
| Collection Fund Reserve                  | -8,924,753                  |                                     |  |                                    | 8,082,591                  | -842,162                               |                             | -842,162                              |
| Equalities Diversity & Inclusion Reserve | -250,000                    |                                     | 125,000                                    |                                    |                            | -125,000                               |                             | -125,000                              |
| London Living Wage Reserve               | -250,000                    |                                     |  |                                    |                            | -250,000                               |                             | -250,000                              |
| Capital Feasibilities Reserve            | -500,000                    |                                     |  |                                    | 24,000                     | -476,000                               |                             | -476,000                              |
| Accommodation Strategy Reserve           | -725,000                    |                                     |  |                                    |                            | -725,000                               |                             | -725,000                              |
| Adults Social Care Reserve               | -1,969,475                  |                                     |  | 0                                  |                            | -1,969,475                             |                             | -1,969,475                            |
| IT Reserve                               | -134,000                    |                                     |  |                                    |                            | -134,000                               |                             | -134,000                              |
| Borough Election                         | -398,747                    |                                     |  |                                    |                            | -398,747                               |                             | -398,747                              |
| Harvist Reserve Harrow Share             | -15,889                     |                                     |  |                                    |                            | -15,889                                |                             | -15,889                               |
| 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                                | -152,902                    |                                     |  |                                    |                            | -152,902                               |                             | -152,902                              |
| Libraries Reserve                        | -150,000                    |                                     |  |                                    |                            | -150,000                               |                             | -150,000                              |
| Vehicle Fund                             | -920,478                    |                                     |  |                                    |                            | -920,478                               |                             | -920,478                              |
| Investment Property Reserve              | -841,875                    |                                     |  |                                    |                            | -841,875                               |                             | -841,875                              |
| DSG Overspend                            | 3,730,218                   |                                     |  |                                    | 822,000                    | 4,552,218                              |                             | 4,552,218                             |
| PAP Sinking Fund                         | -190,000                    |                                     |  |                                    |                            | -190,000                               |                             | -190,000                              |
| HRA Hardship Fund                        | -25,000                     |                                     |  |                                    |                            | -25,000                                |                             | -25,000                               |
| HRA Regeneration Reserve                 | -722,200                    |                                     |  |                                    |                            | -722,200                               |                             | -722,200                              |
| HRA Repair Reserve                       | -277,428                    |                                     |  |                                    |                            | -277,428                               |                             | -277,428                              |
| Business Risk Reserve                    | -5,350,000                  |                                     | 1,001,000                                  |                                    |                            | -4,349,000                             |                             | -4,349,000                            |
| Budget Planning Reserve MTFS gap         | -16,688,761                 | -1,300,000                          |  | 852,000                            |                            | -17,136,761                            | 14,711,000                  | -2,425,761                            |
| Capacity Build/ Transformation Reserve   | -2,000,000                  |                                     | 416,000                                    |                                    |                            | -1,584,000                             |                             | -1,584,000                            |
| MTFS Implementation Reserve              | -349,683                    |                                     |  |                                    |                            | -349,683                               |                             | -349,683                              |
| <b>Total non General Fund Reserves</b>   | <b>-64,882,826</b>          | <b>-2,078,000</b>                   | <b>4,103,417</b>                           | <b>2,893,393</b>                   | <b>10,908,591</b>          | <b>-49,055,425</b>                     | <b>14,711,000</b>           | <b>-34,344,425</b>                    |
|  | 0                           |                                     |  |                                    |                            |  |                             | 0                                     |
| <b>General Fund Reserves</b>             | <b>-10,000,000</b>          |                                     |  |                                    |                            | <b>-10,000,000</b>                     |                             | <b>-10,000,000</b>                    |

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## Report of the Chief Finance Officer – 2022/23 Budget

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

### Robustness of the Budget

The current budget climate and timeframe continues to be the most volatile in the Borough's history. Local Government was at the forefront of the response to both the public health and economic crises caused by Covid-19, it is hardly surprising that the pandemic has had a significant impact on Local Government finances which were already in a difficult position following a decade where resources have been reduced by over a quarter whilst experiencing significant increases in demand. Running alongside this, Harrow remains one of the lowest funded Councils both within London and nationally and has had to make significant savings for the last 9 years to achieve the legal requirement of a balanced budget.

SR21 and the Autumn Budget set out the Governments taxation and public expenditure plans for the year ahead and confirmed resources and capital budget for the three years 2022/23 to 2024/25. The Indicative Financial Settlement confirmed levels of funding for 2022/23 only and was not the three year settlement that SR21 and the Autumn Budget predicted but this is cannot be used as a deterrent from the Council addressing its financial challenges.

There does remain significant areas of uncertainty around the future of Local Government funding beyond 2022/23, which will directly impact on Harrow finances, with the outcome of major events unknown:

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

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

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

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

However, all these factors cannot be a deterrent from the Council addressing its significant financial challenges.

The Council has set a three-year Medium-Term Financial Strategy to 2024/25 based on the Local Government Indicative Financial Settlement and SR21 / Autumn Budget announcements. To achieve the legal requirement of a balanced budget for 2022/23, £14.7m of reserves have been applied. Reserves are temporary in nature and must be reversed out in the following year and this leaves the Council with a predicted £16.593m budget gap over its MTFS. The MTFS does assume a 2.99% increase in Council Tax per annum and estimated additional grant funding of £6m is built into years 2 and 3 of the plan therefore future funding announcements will not make a material difference to the predicted gap of £16.593m and should the estimated level of grants (£6m pa), not materialise it will increase the gap. The MTFS assumes a balanced budget for 2024/25 accepting that this is based on high level assumptions as forecasting so far in advance has its challenges, The budget gap of £16.593m cannot be ignored otherwise the Council is putting its financial sustainability and its legal requirement to set a balanced budget at risk.

In respect of the 2022/23 budget. the advice of the S151 Officer is that it is sufficiently robust. All income and grant adjustments are in line with the Indicative Settlement, known growth has been provided for within financial constraints and the budget includes a contingency for unforeseen items if the Final Settlement materially changes. Specifically, in relation to the 2022/23 budget, the robustness assessment is provided following the consideration of several factors:

- The 2022/23 budget includes minimal savings compared to previous years which will be easier to manage alongside developing the strategy to achieved financial stability over the MTFS.
- The agreed strategy for the delivery of the 2022/23 budget is no cost overruns and to look at safe options to deliver an underspend.
- 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 2021/22 to ensure that, as far as possible, the impact into 2022/23 is minimal as grant funded activities have been ceased or pressures have been built into growth assumptions.
- 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 2022/23 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 current £10m level. No allocations can be made from general fund balances unless already planned and signed off by the S151 Officer and the MTFs 2022/23 includes no plans for a call on general fund balances.

The Council is forecasting to hold balances / reserves of £59.055m to carry forward into 2022/23, which is reduced to £44.344m after accounting for the planned draw down of £14.7m from the Budget Planning MTFs Reserve to balance the 2022/23 budget:

**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 net revenue budget 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 built into the MTFs and draw downs can only be approved by the S151 Officer. The advice of the S151 Officer is that general fund balances of £10m must remain intact to provide an element of safety net for the Council and any opportunities to increase them must be considered to increase the Council's future financial resilience.

**Ear Marked Reserve £28.044mm**- ear marked to specific items.

**Non ear marked reserve of £6.3m** – four individual reserves make up this balance, and they are not ear marked to specific items, London Living Wage (£250k), Business Risk Reserve (£3.350m), MTFs Implementation (£349k) and Budget Planning MTFs (£2.425m). At year end these will be consolidated into the Budget Planning MTFs reserve.

The 2022/23 budget still includes the ongoing revenue contingency of £1.248m for unforeseen items.

In conclusion, the 2022/23 budget has been prepared as robustly as possible and it achieves its legally required balanced position. The Council must remain committed to its agreed strategy of maintaining its tight grip on the budget to ensure no cost overruns and looking at all safe options to deliver an in-year underspend. There is no capacity to overspend the 2022/23 budget. The Council has to address its predicted MTFs budget gap of £16.593m. The MTFs already assumes £12m of additional central government funding, which is an accepted risk, therefore relying on future funding announcements for 2023/24 and 2024/25 to reduce or eradicate the predicted gap is not feasible. The Council's remaining none ear marked reserves are low and whilst these do provide limited scope for smoothing the budget gap over the MTFs to ensure actions to reduce expenditure to within budget are done safely and well planned, the Council has no capacity to not address its funding challenges and move the funding gap into future

years. The Council must prepare a robust MTFS Funding Strategy to be completed by May 2022 to present to the incoming administration. This must be a hybrid strategy:

- Options to generate income to provide implementation funding and / conversion to permanent revenue budget savings
- Shorter term actions capable of being implemented by or before 01/04/23
- Medium term actions, including changes to service delivery, to sustainably reduce expenditure over the next 18 to 24 months.

If this strategy is not developed, agreed and delivered the financial stability of the Council and its ability to set a balanced budget will be severely compromised.

### 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 are forecast to deliver and underspend against the 2021/22. These robust arrangements will continue into 2022/23 and will remain under review to ensure they keep pace with the requirements of the organisation. The agreed strategy for 2022/23 is to continue to maintain a tight grip on the 2022/23 budget, to ensure no cost overruns and to identify all safe options to deliver an in-year underspend

## Model Council Tax Resolution

# Harrow Council

## Council Tax Resolution 2022/2023

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 2022/2023 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 9 December 2021 the Council calculated the amount of 88,785 as its Council Tax Base for the year 2022/2023 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2012 made under Section 31B(3) of the Local Government Finance Act 1992 (The Act).
- (2) That the following amounts be now calculated by the Council for the year 2022/2023, 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)** £628,757,502
  - (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)** £482,573,000
  - (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.** £146,184,502
  - (iv) Being the amount at (iii) divided by the Council Tax Base, calculated by the Council at its meeting on 9 December 2021 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 )** £1,646.50

(v) Valuation Bands

|   | A        | B        | C        | D               | E        | F        | G        | H        |
|---|----------|----------|----------|-----------------|----------|----------|----------|----------|
| £ | 1,097.67 | 1,280.61 | 1,463.56 | <b>1,646.50</b> | 2,012.39 | 2,378.28 | 2,744.17 | 3,293.00 |

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 2022/2023 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      |
|---|--------|--------|--------|---------------|--------|--------|--------|--------|
| £ | 263.73 | 307.68 | 351.64 | <b>395.59</b> | 483.50 | 571.41 | 659.32 | 791.18 |

- (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 2022/2023 for each of the categories of dwellings shown below

Valuation Bands

|   | A        | B        | C        | D               | E        | F        | G        | H        |
|---|----------|----------|----------|-----------------|----------|----------|----------|----------|
| £ | 1,361.40 | 1,588.29 | 1,815.20 | <b>2,042.09</b> | 2,495.89 | 2,949.69 | 3,403.49 | 4,084.18 |

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



## **Members' Allowances Scheme**

1. This scheme shall have effect until 31st March 2023. It replaces all former schemes.

### **Basic Allowance**

2. A basic allowance of £8,711 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 £10,872 per annum shall be paid to the Mayor and an allowance of £2,164 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 2023/24, 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 £3.00 per half hour for the duration of the meeting together with the Member's travel time between home and the place of the meeting and the carer's reasonable travelling time.
- (3) The allowance is claimable in respect of children aged 15 or under or where a professional carer is required to meet a specialist need (eg a nurse for an elderly person).
- (4) Actual costs will be paid on production of an invoice or receipt.
- (5) Where the length of the meeting cannot be predicted and payment to the carer is necessarily contractually committed then a payment of up to 4 hours will be made. (For day time quasi-judicial meetings, payment of up to 8 hours may be made if the estimated length of the meeting is for the whole day).
- (6) In addition, the reasonable travelling expenses of the person taking care of the dependent shall be reimbursed either at the appropriate public transport rate, or in cases of urgency or where no public transport is available, the amount of any taxi fare actually paid.
- (7) The allowance is not to be paid where the carer is a member of the Member's household.
- (8) Any dispute as to the entitlement and any allegation of abuse should be referred to the Governance, Audit, Risk Management and Standards Committee for adjudication.

## **Co-optees' Allowance**

7. A basic allowance of £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 1<sup>st</sup> April 2022 by resolution of the Council when approving the amendment.

## **Pensions**

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

## **Renunciation**

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

## Appendix A

### Approved duties for Carers' Allowance

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

# Schedule 1

## Special Responsibility Allowances (SRAs)

There are 6 bands of SRAs:

| <b>Band</b> | <b>Post</b>  | <b>SRA -<br/>£/annum</b> |
|-------------|--|--------------------------|
| <b>1</b>    | Chief Whips of the two largest Groups<br>Deputy Leader of the second largest Group<br>Lead Members for Scrutiny<br>Chair of Licensing and General Purposes Committee<br>Portfolio Holder Assistants  | <b>£2,179</b>            |
| <b>2</b>    | Nominated Member of the party not holding the Chair of the Planning Committee<br>Chair of the Traffic Advisory Panel<br>Chair of Governance, Audit, Risk Management and Standards Committee<br>Chair of the Pension Fund Committee<br>Chair of the Performance and Finance Scrutiny Sub<br>Chair of the Health and Social Care Scrutiny Sub<br>Nominated Member of the largest party not holding the Chair of the Performance and Finance Scrutiny Sub | <b>£4,878</b>            |
| <b>3</b>    | Nominated Member of the largest party not holding the Chair of the Overview and Scrutiny Committee<br>Non Executive Members of Cabinet   | <b>£7,037</b>            |
| <b>4</b>    | Chair of the Overview and Scrutiny Committee<br>Chair of the Planning Committee<br>Leader of the Second Largest Group  | <b>£9,195</b>            |
| <b>5</b>    | Cabinet Members  | <b>£20,861</b>           |
| <b>6</b>    | Leader of the Council  | <b>£32,588</b>           |

### 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 2022/2023**

Harrow Council supports openness and accountability and is pleased to publish its Pay Policy Statement for 2022/23. In compliance with the statutory provisions of the Localism Act 2011 this statement outlines the Council's policy on pay and benefits for Council employees (excluding Schools)<sup>1</sup> and specifically for its Chief Officers and senior management.

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

**Updates January 2022:****Annual Pay award**

There has been no settlement agreement of the JNC/NJC and GLPC national annual pay award for 2021 for Chief Officers and Officers. Currently Harrow employees continue to be paid in line with Harrow pay scales from 1 April 2020.

On 19<sup>th</sup> October 2021, National Employers declined the request by unions to reopen the pay negotiations ongoing since February 2021 and reaffirmed the pay offer originally made in July 2021 as follows:-

- With effect from 1 April 2021, an increase of 2.75 per cent on NJC pay point 1
- With effect from 1 April 2021, an increase of 1.75 per cent on all NJC pay points 2 and above
- Completion of the outstanding work of the joint Term-Time Only review group
- A national minimum agreement on homeworking policies for all councils

Pending agreement of the national annual pay award, the Harrow pay scales will be increased accordingly from 1 April 2021.

**London Living Wage update**

The London Living Wage has been increased from £10.85 in 2020 to £11.05 per hour from November 2021.

Harrow Council's lowest paid employees are currently paid the London Living Wage at £10.85 per hour from April 2020.

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

**The Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 (Exit Payment Cap Directions 2021)**

Legislation formerly introduced to cap exit payments of public sector workers at a maximum amount of £95,000 from 4 November 2020 under **The Restriction of Public Sector Exit Payments Regulations 2020** has been withdrawn.

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

From 12 February 2021, the government issued the Restriction of Public Sector Exit Payments (Revocation) Regulations 2021 (Exit Payment Cap Directions 2021) which disapply parts of the Restriction of Public Sector Exit Payments Regulations 2020 in England with immediate effect.

In light of the withdrawal of the 2020 Regulations legislation, employers are encouraged to pay to any former employees who had an exit date between 4th November 2020 and 12th February 2021 and to whom the cap was applied, the additional sums that would have been paid but for the cap. Given that the cap has now been disapplied, it is open to employers to do so and HM Treasury's expectation is that they will do so.

### **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.

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, a small number of transferred Public Health staff, Educational Psychologists<sup>2</sup> and some centrally employed teaching staff<sup>3</sup>

The pay scales are revised annually from April 1<sup>st</sup> of each year. The officers and managers scales are published online: [Officers Pay scale 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 managers pay 2020-21 \(harrow.gov.uk\)](#)

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.

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

<sup>3</sup> Teachers are paid according to the national Teachers Pay and Conditions pay scales – annually at 1 September

- [Senior managers pay 2020-21 \(harrow.gov.uk\)](http://harrow.gov.uk)

### **Remuneration of Lowest Paid Employees**

The Council defines its lowest paid employees as those paid at the lowest pay spine column point on the lowest Harrow pay grade.

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

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

Harrow is currently seeking accreditation from the Living Wage Foundation. The primary requirement for this accreditation is that we are a London Living Wage employer. Since 2015, Harrow resumed increasing the lowest points on its salary scales to meet the London Living Wage and has continued to pay the London Living Wage consistently to date.

### **Pay Multiple**

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

### **Pay Grading**

In 2004 the Council entered into a single status agreement with its recognised trade union, introducing common job evaluation schemes<sup>4</sup> 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 transferred from the NHS to the Council on NHS grades and pay scales. New public health posts are being recruited to on the local government grades and pay scales.

### **National / Regional Pay Agreements**

The Council supports the national (JNC/NJC<sup>5</sup> 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.

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

<sup>5</sup> Joint Negotiating Committee / National Joint Council

### **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 1<sup>st</sup> of April each year until they reach the top of their grade. During the first year of service, employees who start between 1<sup>st</sup> October and 31<sup>st</sup> 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. Details of Reward and Recognition payments to senior management are published online: [Senior managers pay 2020-21 \(harrow.gov.uk\)](https://www.harrow.gov.uk/2020-21/senior-managers-pay)

### **Other Payments**

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

Details of any other payments to senior management are published online: [Senior managers pay 2020-21 \(harrow.gov.uk\)](#)

### **Market Supplements**

The Council may apply market supplement payments to jobs with recruitment or retention difficulties. Market supplements are applied following a robust evidenced business case that meets criteria defined in the Market Supplement policy and agreed by the Corporate Director, Director of HR and the portfolio holder of the directorate. Details of market supplement payments to senior management are published online: [Senior managers pay 2020-21 \(harrow.gov.uk\)](#)

### **Fees for Election Duties**

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

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

Details of fees for election duties paid to senior management are published online: [Senior managers pay 2020-21 \(harrow.gov.uk\)](#)

### **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:

- [Harrow Pension Fund - Policy on Discretions](#)
- [Annual Report and Pension Fund Final Accounts 2019-20 \(harrowpensionfund.org\)](#)

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

### **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](#)
- [Harrow Pension Fund - Policy on Discretions](#)

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

The 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 managers pay 2020-21 \(harrow.gov.uk\)](#)

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

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

## Re-employment of Employees

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

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

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

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

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

## Further Information

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

## INTRODUCTION

In the Spending Review 2015, it was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects.

- The flexibility was initially offered to the sector for the three financial years 2016/17 to 2018/19.
- In December 2017, the Secretary of State announced, alongside the provisional local government finance settlement, the continuation of the capital receipts flexibility programme for a further three years, covering 2019/20 to 2021/22.
- As part of the Spending Review announced in October 2021, Government signalled that the scheme will continue beyond 2021/22 but have not yet announced if the scheme will remain the same and so the best advice provided by DLUHC is that we assume it continues in its present form.

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.

Saving on Appendix 1A

| Savings Reference    | Description of Proposal  | 2022/23 £ | 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 |
|----------------------|--|-----------|---------------------------|------------------------|-------------------------------|---------------------|--------------------------------|-------------------------|------|---------------------|-----|--------------------|--------------------------|-------------------------|
| 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. | -300      | N                         | N                      | N                             | N                   | N                              | N                       | N    | N                   | N   | N                  | N                        | N                       |

Note: This proposal is likely to have a beneficial equalities impact

Savings on Appendix 1B - no Savings

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## Summary of Resident Consultation

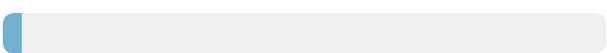
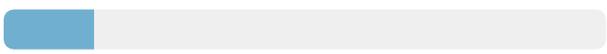
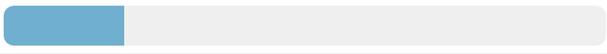
### Question 1

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

This question has been answered 59 times.

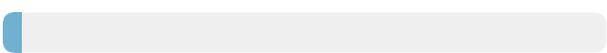
### Question 2

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

|                   |  |    |
|-------------------|--|----|
| Strongly Agree    |    | 2  |
| Agree             |  | 9  |
| Disagree          |  | 12 |
| Strongly Disagree |  | 36 |

### Question 3

Given the Council's funding situation, do you agree with the Council's proposal to increase core Council tax by 1.99%?

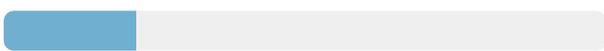
|                   |  |    |
|-------------------|--|----|
| Strongly Agree    |  | 2  |
| Agree             |  | 8  |
| Disagree          |  | 9  |
| Strongly Disagree |  | 40 |

### Question 4

Given the Council's funding situation, do you agree with the Council's proposal to

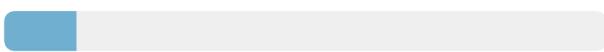
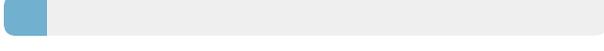
## Summary of Resident Consultation

further increase Council tax by the 1% adult social care precept?

|                   |  |    |
|-------------------|--|----|
| Strongly Agree    |  | 5  |
| Agree             |  | 6  |
| Disagree          |  | 13 |
| Strongly Disagree |  | 35 |

### Question 5

Are you, or are you the representative of:

|  |  |    |
|--|--|----|
| a Harrow Council Tax payer?  |    | 58 |
| a payer of other taxes, rates or levies to Harrow Council?   |   | 7  |
| someone who uses Harrow Council public realm and environmental services including roads, bin collection, schools or libraries? |  | 27 |
| someone who uses Harrow Council social care services including neighbourhood resource centres or social worker visits?         |  | 4  |
| someone who uses Harrow Council housing services including housing benefit or council-owned housing?                           |  | 1  |
| someone who uses other Harrow Council services (please specify)?   |  | 5  |
| someone who has a different interest in Harrow Council operations (please specify)?  |  | 0  |

## Summary of Resident Consultation

### Question 6

How does the budget, overall, affect you or your family?

This question has been answered 49 times.

### Question 7

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

This question has been answered 41 times.

### Question 8

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

This question has been answered 45 times.

## Equality Monitoring

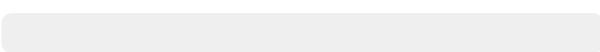
The following questions are anonymised. We ask them to find out if we are hearing from a full cross-section of Harrow's diverse population.

This question has been answered 6 times.

What is your age group?

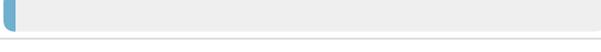
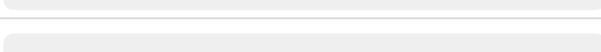
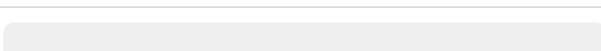
|          |                      |   |
|----------|----------------------|---|
| Under 16 | <input type="text"/> | 0 |
|----------|----------------------|---|

## Summary of Resident Consultation

|               |  |    |
|---------------|--|----|
| 16 – 24 years |  | 0  |
| 25 – 44 years |  | 16 |
| 45 – 64 years |  | 26 |
| 65 & over     |  | 10 |

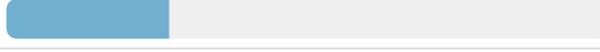
## Disability

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

|                                 |  |    |
|---------------------------------|--|----|
| No                              |    | 48 |
| Yes, affecting mobility         |   | 2  |
| Yes, affecting hearing          |  | 1  |
| Yes, affecting vision           |  | 0  |
| Yes, a learning disability      |  | 0  |
| Yes, mental ill-health          |  | 0  |
| Yes, another form of disability |  | 0  |

## Marriage or Civil Partnership

Are you married or in a civil partnership?

|     |   |    |
|-----|---|----|
| Yes |  | 35 |
| No  |  | 13 |

## Pregnancy or Maternity

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

## Summary of Resident Consultation

|     |  |    |
|-----|--|----|
| Yes |  | 0  |
| No  |  | 47 |

## Sex

What is your sex?

|        |  |    |
|--------|--|----|
| Male   |  | 28 |
| Female |  | 18 |

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

|     |  |    |
|-----|--|----|
| Yes |  | 48 |
| No  |  | 0  |

## Sexual Orientation

|                     |  |    |
|---------------------|--|----|
| Bisexual            |  | 0  |
| Gay Man             |  | 1  |
| Gay Woman / Lesbian |  | 1  |
| Hetrosexual         |  | 37 |
| Other               |  | 1  |

## Ethnic Origin

Asian or Asian British

## Summary of Resident Consultation

|                         |  |    |
|-------------------------|--|----|
| Afghan                  |  | 0  |
| Bangladeshi             |  | 0  |
| Chinese                 |  | 0  |
| Indian                  |  | 14 |
| Pakistani               |  | 0  |
| Sri Lankan              |  | 0  |
| Other Asian background: |  | 1  |

### Black or Black British

|                         |  |   |
|-------------------------|--|---|
| African                 |  | 0 |
| Caribbean               |  | 4 |
| Somali                  |  | 0 |
| Other Black background: |  | 2 |

### Mixed Background

|                           |  |   |
|---------------------------|--|---|
| White and Black African   |  | 0 |
| White and Black Caribbean |  | 0 |
| White and Asian           |  | 1 |
| Other mixed background:   |  | 3 |

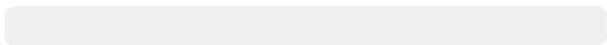
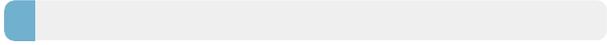
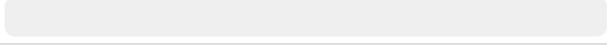
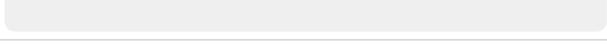
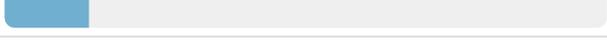
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|      |  |   |
|------|--|---|
| Arab |  | 0 |
|------|--|---|

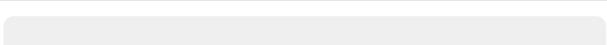
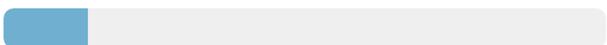
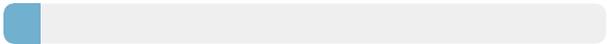
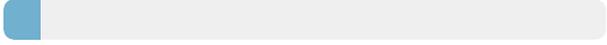
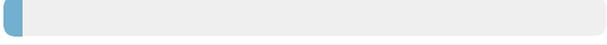
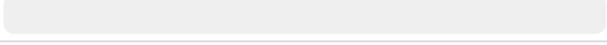
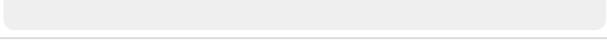
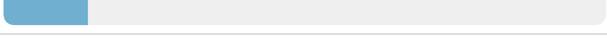
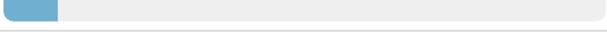
## Summary of Resident Consultation

|                           |  |   |
|---------------------------|--|---|
| Other ethnic backgrounds: |  | 1 |
|---------------------------|--|---|

### White or White British

|                         |  |    |
|-------------------------|--|----|
| English                 |    | 16 |
| Irish                   |    | 1  |
| Polish                  |    | 0  |
| Romanian                |    | 1  |
| Scottish                |    | 1  |
| Welsh                   |    | 0  |
| Irish Traveller/Gipsy   |   | 0  |
| Other white background: |  | 3  |

### Religion and belief

|                                  |  |    |
|----------------------------------|--|----|
| Buddhism                         |  | 0  |
| Christianity (all denominations) |  | 17 |
| Hindusim                         |  | 5  |
| Islam                            |  | 2  |
| Jainism                          |  | 2  |
| Judasim                          |  | 1  |
| Sikhism                          |  | 0  |
| Zoroastrianism                   |  | 0  |
| No religion/Atheist              |  | 5  |
| Other religion:                  |  | 3  |

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# Employees' Consultative Forum

## Minutes

### 12 January 2022

**Present:**

**Chair:** Councillor Natasha Proctor

**Councillors:** Camilla Bath Mina Parmar  
Philip Benjamin Varsha Parmar  
Angella Murphy-Strachan Sachin Shah

**Teacher** -

**Representatives:**  
**Unison** Ms S Haynes Mr J Royle  
**Representatives:** Mr D Searles

**GMB** Ms P Belgrave  
**Representative:** Ms A Jones

**Apologies** Louise Crimmins Anne Lyons  
**received:**

**Absent:**

### Resolved Items

**78. Draft Revenue Budget 2022/23 and draft Medium Term Financial Strategy 2022/23 to 2024/25**

The Forum received a report of the Director of Finance and Assurance, which set out the draft revenue budget for 2022/23 and the draft Medium Term Financial Strategy (MTFS) for 2022/23 to 2024/25 which had been considered

by Cabinet at its meeting in December 2021. The report also referenced that the budget and the MTFS would be brought back to Cabinet in February 2022 for final approval and with a recommendation to full Council.

The Director of Finance and Assurance introduced the report and informed the Forum that the approach taken by the Council to the budget setting process was different to that of previous years. There was a legal requirement for the Council to deliver a balanced budget and, in order to do this, the Council was proposing to manage the budget gap for 2022/23 by using its reserves of £15.7m as a one-off measure to 'plug' the budget gap. The Director added that it was not ideal to use reserves to manage budget gaps but the alternative was to make immediate substantial cuts which would not be sustainable. She added that the Council was working on a strategy for future years with a view to managing the gap over the MTFS.

The Director responded to a question from a Member on the interest rate income that would be lost if reserves were withdrawn and used to manage the funding gap for 2022/23. She explained that the loss of interest would be marginal compared to other measures. She reiterated that there was a legal requirement on the Council to set a balanced budget for 2022/23.

A Unison representative asked how the loss of reserves would be funded in future years. The Director referred to table 1 (summary of key financial changes 2013/14 to 2022/23) and table 2 (changes to MTFS – prior to indicated finance settlement) of her report and explained that a further saving of £14.8m would have to be found in future years. For example, this could be achieved by restructuring debt and/or reducing expenditure. She added that various assumptions had been built-in, such as additional grant settlements from the government, an increase in Council Tax of 2.99% per annum, demographic of Harrow and expected inflation levels.

The Unison representative urged caution in that whilst an increase or a change in demographic could result in an increase in Council Tax, it would also mean that more Council services would be required and provided for. The Director of Finance acknowledged this point and stated that contingencies/growth would always be put in place.

The Director responded to additional questions from Unison and GMB representatives as follows:

- How would the sale of the Civic Centre site impact on the budget? The Director informed the Forum that this question was related to the HSPB (Harrow Strategic Partnership Board) where the Council will be putting in the Civic Centre land and equity over the period of the HSPB. She added that the Council would receive capital receipts, interest and dividends in future years;
- What would be the Impact on the Council and its staff if budget gaps could not be met? The Director stated it was crucial that the Council reduced its expenditure to meet future funding gaps and lived within its budget envelope. The challenge was how this could be done in a safe manner so that staff and residents were not put at risk. It was

important that the Council had a strategy in place setting out its plan for the next two years. The Council's budget was also dependant on the grant it received from the government. The Council needed to learn to manage the various pressures within the budget envelope in order to deliver balanced budgets in future years.

**RESOLVED:** That the report be noted and the comments made by the Forum be referred to the February 2022 meeting of the Cabinet for consideration.

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# Harrow Business Consultative Panel

## Minutes

### 20 January 2022

**Present:**

**Chair:** Councillor Jeff Anderson

**Councillors:** Kiran Ramchandani Norman Stevenson

**Apologies received:** Councillor Bharat Thakker

#### Resolved Items

**21. Draft Revenue Budget 2022-23 and draft Medium-Term Financial Strategy 2022-23 to 2024-25**

Members received a report of the Director of Finance which set out the Council's proposed Draft Revenue Budget 2022/23 and the Medium Term Financial Strategy 2022/23 to 2024/25.

The Panel did not raise any comments or questions on the report. However, Members noted the absence of business representatives and, given that the meeting provided a valuable opportunity for input and consultation on the annual council budget, suggested that further endeavours be undertaken towards encouraging the business community to attend.

**RESOLVED:** That the report be noted.

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## **Cabinet – 10 February 2022**

### **Reference from the Overview and Scrutiny Committee – 11 January 2022**

#### **193. Question and Answer Session with the Leader of the Council and the Chief Executive**

The Chair opened the Question and Answer session. He outlined the order of the session, stating that that the Committee would first receive a presentation on the Council's strategic overview from the Chief Executive. The Committee would then move on to a question and answer session, focusing on the following priority areas:

In his opening statement, the Chief Executive provided a brief update on the Council's strategic overview, outlining a number of key points:

- The last 20 months had been dominated by the Covid-19 Pandemic, which had presented a substantial challenge for Harrow Council which had heavily impacted: Harrow Council's budget; the capacity of Harrow Council and finally the Government's spending review had been delayed and had not been released until October 2021.
- It was hoped that by May 2022 Harrow Council would be less dominated by the Covid-19 pandemic and due to the Government's spending review release and a settlement prior to Christmas there would be a greater degree of financial certainty.
- Ongoing response to Covid-19 had remained a priority for Harrow Council and how core services would be delivered as a result of the Covid-19 Pandemic.
- Key priorities would be continued to be worked on, these included the regeneration programme, the borough plan, modernisation plans and the medium-term financial strategy with planning for 2023/24.
- Medium term plans included: Covid-19 recovery plans, borough plan activities and for the regeneration plan to be delivered.

Members thanked the Chief for hi statement. In the session which followed, questions centred around several key areas as set out below.

**Q1. Since 2010 there had been a large cut to the money coming into the Council from the Government, what was the impact of these cuts?**

The Chief Executive explained that Harrow Council's core grant received from the Government in 2010 was circa £50m compared to today's core grant of £1 to £2m and that there had been a long period of austerity in the amount of resources councils had received from the Government, which had led to decisions to be made by Harrow Council in order for the budgets to be balanced, but that council funding had been more stable compared to the previous ten years.

The Leader of the Council added that since 2015 the overall revenue support grant had dropped from £52m to £1m and that small percentage annual increases of circa £50,000 limited the council on what could be done for pressures in their millions to be mitigated. In addition, over the past few years only 1-year settlements were received which had made long term planning difficult. Secondly, though core government funding had increased so had the need for council tax to be raised. It was noted that 80% of Harrow's expenditure is now funded by council tax compared to circa 50% in other London authorities'. He concluded that cuts had impacted Harrow Council.

**Q2. What were our guiding principles for formulating this budget?**

The Portfolio Holder for Finance and Resources explained that Harrow Council had been a low funded Council, that it was essential for the budget to be balanced and that services needed to be delivered. There remained a priority to protect vulnerable people within the community and for those on the lowest incomes to be supported had been a guiding principle. In addition, financial prudence in order for shortfalls to be met from funding no longer received and thanked the directorate at Harrow Council for their continued efforts in delivering services within budget.

The Leader of the Council added that where costs could be reduced they had been but also there had been investment into services in order for these services, albeit small, but these had been done well.

**Q3. The budget gap of £15.7m, it appears that that this had been met by the budget planning reserve and that by next year that would need to be reversed out, which would imply that there was going to have to be savings in the year in order to in order to enable that gap to be reversed out. What were the plans for addressing that and what do you have in mind achieve the savings necessary to be able to reverse out that call on the reserves?**

The Chief Executive clarified that due to a lack of clarity and a delay from government on their position regarding the medium-term financial settlement, it was a strategic decision to do everything the council could over recent years to grow the budget planning reserve in order to have the resources available in the absence of the medium-term financial settlement. The Chief Executive concluded to say that because of this decision, the budget for 2022/23 had been balanced and that there was no need to make any further savings to balance 2022/23. The substantial increase in the budget planning reserve

had allowed the Council time to understand what would be needed for the 2023/24 budget for the medium term to be balanced. This would also allow for a new administration's priorities to be applied to the future budget.

**Q4. Could the budget gap be dealt with by the increased Government funding that would come from the medium-term strategy?**

The Chief Executive explained that Harrow Council had no clarity on Government policy regarding updates on the spending review for local government. The announcement came during October 2021 which had allocated resources to the spending departments over the medium term. This had provided a greater degree of clarity. Prior to this it had been unknown how much of the projected budget gap could be filled by additional government funding and that the final budget report would reflect the new information. The additional budget resource had not closed the budget gap and that proposals by the Council would need to be developed by February 2023 for how the budget gap would be filled.

The Member went on to ask if it would be up to the next administration to find the necessary savings or extra income in order to fill the budget gap. The Chief Executive explained that there had not always been £15m in the budget planning reserve, it had been a deliberate strategy in order for the Council to be prepared in the face of uncertainty for 2022/23 and that it was not required for this reserve to be replenished. The Chief Executive agreed that the challenge would be for the budget to be balanced for 2023/24.,

**Q5. On the point of the spending review, what had been assumed as the government settlement for next year in the draft budget compared to where we think things have come out?**

The Director of Finance explained that the indicative financial settlement meant that Harrow Council would be better off by £1m compared to what had been estimated in the draft budget. This meant that the Council would reduce the level of reserves by £1m to balance the 2022/23 budget

**Q6. What are the biggest risks within the budget both in terms of 2022/23 and the medium-term?**

The Director of Finance explained that one of the biggest risks identified across local authorities had been meeting demand for social care, however Harrow Council had continued to develop their service and provide growth and along with a reserve in place, this had ultimately led to a lot of risks mitigated. In addition, due to Harrow Council's chosen strategy the budget could be managed within the budget envelope. In terms of the medium term the biggest challenge identified was for the ability to bring expenditure back in line with the budget. In addition, the impact of inflation, rise in national insurance and energy costs had been identified as a future challenge.

The Portfolio Holder for Finance and Resources added that the lack of clarity over what the financial settlement would be had been a challenge and for capacity to be identified in all departments and for our current position to be maintained.

The Leader of the Council added that the backlog within the hospital system had also been noted to be challenge presented to the Council, with additional demands and staff shortages put on social care were deemed as financial and social concerns.

**Q7. It was important to remember that when looking at the budget figures that every reduction of difficulty directly affects peoples lives. In 2010/11 48,000 people were homeless, by 2019/20 there were 92,000 homeless people. Do we know if that upward trend continued, both in terms of finance on council spending in terms of providing extra accommodation but also the social impact this had, could you make comments on these figures please?**

The Director of Finance explained that the number of homeless households in temporary accommodation had doubled of a ten-year period and that there were a number of families that remained on the list for temporary accommodation.

The Chief Executive added that one of the pressures within London, due to the housing market had been the cost of temporary accommodation and that there had not been enough social housing as well as a rising cost in social housing over this period time. The Council had done a number of things for this to be mitigated, such as input £30m into a scheme that allowed property to be bought by councils. While this had been a driver around the management of the revenue budget this had linked to the council regeneration plans in order for our supply of affordable housing to be increased.

**Q8. How had the £15m budget planning reserve been generated?**

The Director of Finance explained that it had been generated from previous years underspends including capital financing where the Council had not needed to borrow as per budgeted plans. . If directorate budgets had not been spent in year then this would also be transferred to the reserve and it was an accumulation of these over a 5 to 6 year period that had resulted in what could be seen in the budget planning reserve.

**Q9. Could the 1.9% rise in council tax be avoided if circa £6m could be found throughout the next financial year?**

The Chief Executive explained that there was a difference between the use of a one-off resource and a recurring resource and that a rise in council tax would act as a permanent resource within the budget. While it had been sensible to use a one off resource to gain time in order to not remove money from the budget a recurring resource would allow for long term stability.

The Leader of the Council added that one off grants had not helped the council in terms of budget planning for the future, there would be no guarantee of find that money each year through one off resources.

**Q10. What was the process to cope with the £15m cuts next year?**

The Director of Finance explained that an underspend would need to be achieved in the year so that drawdowns from reserves would be avoided and to allow for year end capacity to be realised. Therefore, planned borrowing would be avoided where possible and for the treasury to be robustly managed in order to be under budget. In addition, a strategy would need to be implemented in how Harrow Council would lower its expenditure. The Director of Finance acknowledged that this would be a challenge.

The Director of Finance added that there is an option for this to be undertaken over a two-year period with a priority set for immediate savings to be realised within 2022/23 budget but that bigger decision would be considered over a two-year period.

The Chair of the Committee noted that If this had been done, then dependant on the underspend there would be very little capacity left in the reserve budget, there would be around £5m and that the underspend would have to be quite large for this be met, notwithstanding anything that could happen next year.

**Q11. This year the Council took out £2m of savings because it didn't have capacity to make those savings because of the pandemic and wanted to understand the capacity if this year the council was unable to save £2m but to have capacity to save £14m for 2022/23?**

The Chief Executive explained that the Council were unable to identify savings throughout 2021/22 because of the pandemic, however there was confidence that the Council would be in a good position to smooth the budget gap over more than one year. The Chief Executive noted that that the medium-term financial strategy could identify how this budget gap could be bridged and that it meant that there was a need for it to be managed over a longer period of time.

**Q12. Regarding children services, was there a reserve budget for this service, also with regard to demand of children in care, mental health, backlogs for the educational health care plans and assessments. So as it was a demanding service there was concern that savings for this service had been exhausted. Therefore, what caveats had been put in place with reserves just in case to help this service?**

The Director of Finance explained that demand for children services had seen a rise which had been seen in the last few years prior. There was a children's social care reserve in place with circa £1m in place, it was planned to be used in 2022/23 because a forecast pressure had been identified. Permanent growth had been built into the budget for year two of medium-term strategy and that the growth requirement will be regularly reviewed

**Q13. The budget gap of £14.8m, there had not appeared to be a plan as it stood to close that gap in either 1 year or 2 years, was that not a black hole? Was this budget as it stands passing on a blackhole to the next administration to somehow deal with over the next 1 or 2 financial years?**

The Chief Executive clarified that there had been budget gaps over the medium-term financial strategy in past years and that it had not been unusual for there to not be a detailed plan at this point in time, where a three-year settlement had not been provided. The Chief Executive added that financial savings could have been implemented prior to knowledge of the settlement which had only been provided after the draft budget plan had been published.

The Member added that clarity within the budget as to how the budget gap could be met was desired and that it would be useful for these details to have been in place.

The Chair noted that on this occasion that for year one of the medium-term strategy to be balanced by reserves could be said to be unusual compared to previous years.

The Chief Executive understood the points made but reiterated that the delay of the settlement and the pandemic had resulted in an approach that differed to previous years, both of which had impacted the Council's certainty and capacity.

The Leader of the Council added that since budget cuts had taken place over the past ten years services had been redesigned to work in a completely different way. It had been known that Harrow Council was a low funded council and that services had been paused because of the pandemic, this was due to the lack of capacity of staff who had to work priorities that revolved around the pandemic. In addition, Harrow Council were not in a position to cut services further and that a decision may need to be taken whether certain services continued.

**Q14. Regarding education, schools were approached to not take on some of their delegated monies when they were supposed to because there was an issue around budgeting in education. Was that the case?**

The Director of Finance noted that they were not aware of this and for this to be checked.

**Q15. Are there any problems with the proposed final funding formula for school funding for 2022/23 as it was believed that the school payroll service would no longer pay, therefore were there implications on the revenue after April?**

The Director of Finance explained that it would not be because schools had opted out of the Council's payroll service therefore the schools had chosen not to pay for this service and would use a different provider. Their budgets should not be impacted and that the Council's provision for dealing with the service would be reduced due to the lowered income from this service.

**Q16. In terms of the capital budget, the impact on revenue on the capital budget was 18% and the following year went up to 20% and then 21%. This is servicing the debt, what had been done to address that to reduce**

**that impact? This was because that is quite a large proportion of the revenue budget going towards servicing the capital budget.**

The Director of Finance explained that the figures quoted were a mixture of the interest payments on the Council's borrowings and the minimum revenue provision, an amount which has to be set aside to repay debt. The Director of Finance agreed that it was a significant proportion but as a Council no borrowing had been done over a number of years for it to be ensured that the council had not added to the debt portfolio. Significant savings had been made over the pandemic as borrowing was avoided as much as possible and that debts were paid where possible.

**Q17. These are still capital financing costs, so this had this still been an impact on the revenue budget in order to finance that capital?**

The Director of Finance confirmed this but highlighted that they were made of interest paid on debt and that money had been set aside to go towards debt repayment, that money was used to fund the capital programme so that borrowing was avoided.

**Q18. Presumably the capital budget would be impacted by the business plans that were currently being drawn up for the HSDP and those business plans were due to come to Cabinet in February 2022 before the budget was passed and was due to be considered in March after the budget had been passed. What would the impact of that be on the assumptions within the capital budget?**

The Director of Finance explained that there had not been any impact on the capital budget because capital provision had been made for regeneration. It was added that that there was sufficient money within the capital programme for the business plans to be funded in 2022/23.

**Q19. It was referred to that there were £2m of savings no longer going ahead in this budget, was there a strategy for these savings to be achieved?**

The Director of Finance raised that the pandemic had negatively impacted on the councils ability to find these savings and struggled in terms of capacity for more robust plans to be made. Therefore, it was reversed out and had been planned to be put back into the budget when capacity allowed.

The Chief Executive added that these savings had first appeared in the 2020/21 budget and at the time it was reasonable to assume these savings were achievable and should be expected to be seen in the 2023/24 budget.

The Member added if it had been better for a plan to have been made prior to adding it to the budget. To which the Chief Executive noted that the Council had given 12 months for this savings to be planned but due to the Pandemic had not been possible.

**Q20. For the reserves to exist, would that mean that the council had £80m in the bank to be able to liquidate these reserves promptly or as required?**

The Director of Finance explained that the reserves were money that the Council had earmarked which totalled £64m at the end of Quarter 2 and that a substantial proportion were earmarked which could not be liquidated. For example, £8.9m within the collection fund reserve had to be paid back into the general fund. It was important to for it to be noted that some reserves (earmarked reserves) could not be spent due to their specific purposes. If a reserve was used for an unintended purpose, this would create pressure on services that had expected these funds. The Director of Finance concluded by confirming that Harrow Council had enough money in the bank at this time for reserves to be covered.

At the end of the question session the Chair thanked the Chief Executive, Director of Finance, the Leader of the Council and Portfolio Holder for Finance and Resources for their attendance and responses and for the work that they had done on the budget.

**RESOLVED:** That the reports and responses received on the Council budget during the Question-and-Answer session, be noted.

### **For Consideration**

#### **Background Documents:**

Agenda of Overview and Scrutiny Committee – 11 January 2022:

Reports on:

- Draft Revenue Budget 2022/23 and Medium Term Financial Strategy 2022/23 to 2024/25
- Draft Capital Programme 2022/23 to 2024/25
- Quarter 2 Revenue & Capital Budget Monitoring 2021/22

Supplemental Agenda of Overview and Scrutiny Committee – 11 January 2022

Presentation on: Council Strategic Overview January 2022

Minutes of Overview & Scrutiny Committee – 11 January 2022

#### **Contact Officer:**

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Tel: 01135 188523

[andrew.seaman@harrow.gov.uk](mailto:andrew.seaman@harrow.gov.uk)



**Report for: Cabinet**

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|                                     |  |
|-------------------------------------|--|
| <b>Date of Meeting:</b>             | 10 <sup>th</sup> February 2022   |
| <b>Subject:</b>                     | Housing Revenue Account Budget (HRA) 2022-23 & Medium-Term Financial Strategy (MTFS) 2023-24 to 2024-25.   |
| <b>Key Decision:</b>                | Yes  |
| <b>Responsible Officer:</b>         | Julian Higson- Divisional Director of Housing<br>Dawn Calvert- Director of Finance,<br>Dipti Patel- Corporate Director of Community  |
| <b>Portfolio Holder:</b>            | Councillor Phillip O'Dell- Portfolio Holder for Housing;<br>Councillor Natasha Proctor- Deputy Leader and Portfolio Holder for Finance and Resources   |
| <b>Exempt:</b>                      | No   |
| <b>Decision subject to Call-in:</b> | Yes  |
| <b>Wards affected:</b>              | All  |
| <b>Enclosures:</b>                  | Appendix 1 – HRA Budgets 2022-23, 2023-24 and 2024-25<br>Appendix 2 – Average Rents & Service Charges (Tenants)<br>Appendix 3 – Garage & Parking charges<br>Appendix 4 – Facility Charges<br>Appendix 5 – Water charges<br>Appendix 6 – Community Centre Charges<br>Appendix 7 – HRA Capital Programme |

## Section 1 – Summary and Recommendations

This report sets out the proposals on the Housing Revenue Account (HRA) budgets and rent setting for 2022-23, and the Medium-Term Financial Strategy (MTFS) for 2023-24 to 2024-25.

### Recommendations:

Cabinet is requested to:

- 1) Approve proposed average weekly rent for general needs non-sheltered and sheltered accommodation of £123.13 and £102.25 for 2022-23 respectively as set out in paragraph 28 and Appendix 2. These increases are 4.1% from 2021/22 in line with Government rent policy.
- 2) Approve proposed average weekly tenant service charge of £3.38 per week as set out in paragraph 28 and Appendix 2
- 3) Approve proposed average weekly rents for affordable rented of £201.65 and note the shared ownership accommodation weekly rents of £210.53 for 2022-23 as set out in paragraph 29 and 30. The increase for affordable rented properties are 4.1% from 2021/22 in line with Government rent policy.
- 4) Approve a 5 year HRA Capital programme of £225,904,648 made up of £49,544,120 planned investment, £144,185,151 Building Council Homes for Londoners (BCHfL), £23,648,727 Grange Farm phase 3 and £8,526,650 Grange Farm Infrastructure as set out in paragraphs 52 to 61 and Appendix 7. The figures include reprofiled carried forward expenditure of £51.98m for the BCHFL programme.
- 5) Note the following:
  - Charges for Facilities, Community Halls, Garages and Water to remain unchanged as set out in appendices 3 to 6.
  - That though there are in year losses forecast for the first two of the three years term of the MTFS reserves remain above the minimum level of 7% of income for all years.
  - New Budget for Planned Preventative Maintenance (PPM) programme of £400k pa
  - Transfers to the Regeneration Reserve of £1.5m over the three years of the MTFS
  - Increased in estimated borrowing to £124.3m (£95.8m in 2021)
  - Addition to the planned investment programme of £22m over five years.
  - Risk Management Implications which require prudent financial reserves and review of treasury management strategy.
- 6) Cabinet recommends that Council approve:
  - a. HRA Budgets for 2022-23; 2023-24 and 2024-25 (detailed in Appendix 1) and

b. HRA capital programme 2022-23 to 2024-25 (detailed in Appendix 7)

**Reason (for the recommendation)** To recommend the HRA budget and capital programme for 2022-23 and the MTFs for 2023 to 2024-25.

## Section 2 – Report

1. The Council is required by the Local Government and Housing Act 1989 (section 74) to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account. In addition, the Act ensures that the HRA does not fall into a deficit position i.e., does not have a debit balance on HRA including reserves.
2. The Council has a retained housing stock of c.4,800 homes currently available to let and manages an additional c1,200 leasehold properties with an annual rent roll of c.£29m.
3. The Council has a statutory obligation to agree and publish the HRA budget for 2022-23, and approval for this will be sought on the 24<sup>th</sup> of February 2022. The primary purpose of this report is to present a HRA revenue position (see Appendix 1) a capital position (see Appendix 7) for 2022-23 based on budget submissions plus a HRA Medium Term Financial Strategy (MTFS) 2023-24 to 2024-25 (see Appendix 1), ahead of the final budget presentation and rent setting at Full Council on 24th February 2022. As it stands the budget(s) for 2022-23 to 2024-25 show two in year deficits funded by reserves which are maintained at a level above the minimum required by the business plan (7% of income).
4. The budget and MTFs have been set within the business plan framework. This contains the impact of legislation contained in the Welfare Reform & Work Act 2016 and Housing & Planning Act 2016 including reversion to rent increases of up to CPI + 1% from April 2020. It also includes assumptions around inflation and interest rates as well as cost reductions in revenue expenditure required to produce a sustainable financial position for the Council's HRA.
5. Investment in HRA stock, detailed in Capital Investment section supported by appendix 7, is estimated at £10.273m for 2022-23 to £2024-2 per annum and then £9.273m per annum thereafter. This is an increase of £4.38m (74%) pa (£21.89 over five years). The budget is based on latest stock condition survey results and includes, for the first three years, £1.0m allocation for Retrofit for Energy. The survey focuses on essential health & safety, compliance, and statutory requirements. In addition, the budget now includes £400k pa over the 3 year term of the MTFs, for a Planned Preventative Maintenance programme (PPM).
6. Public Works Loan Board (PWLb) Borrowing rates have been assumed at 2% based on the long-term yields predictions. Interest rates are a risk to the New Build programme with an estimated £124.3m new borrowing required to fund the programme.

## Options considered

### Rent charges and Service Charges:

7. For the 2022/23 rent setting there has been no change to the government rent policy issued in 2020, that allows for social housing providers to increase rents by the previous September Consumer Prices Index (CPI) rate +1% for a five-year period. This proposed increase on rents equates to 4.1%. Service charges are proposed to increase by CPI only at 3.1% in 2022-23. Guidance released in November 2020 does allow local authorities to breach this cap in circumstances of exceptional financial hardship. However, this would not currently apply to Harrow. Other unregulated income streams can be adjusted to ensure full cost recovery.

### Alternative Option; Increase rents by less than CPI plus 1%

8. Rents can be increased by CPI plus up to 1% under current regulations. However not doing so would result in the revenue account generating further deficits across the term of the MTFs as well as reducing the capacity of the HRA to mitigate the impact of increases in costs and or interest rates associated with the BCHfL programme.

### Preferred Option:

9. Following Government guidance and by applying a rent increase of CPI plus 1% will ensure the HRA will have sufficient resources to provide the services and improvements to the residents. It should be noted that there would be an estimated loss of income of £12m over 30 years should we move away from the policy and increase rent by 3.1% (CPI) only.

### Council Capital Programme:

10. The Council proceeding with the programme of building 659 new units within the HRA originally approved by Council 27<sup>th</sup> February 2019.

### Option 1: Continue with new build programme within the HRA

11. This would provide up to 659 additional units across a mix of tenures including affordable rented and shared ownership as part of the BCHfL programme within the Council's HRA and partly in collaboration with the Harrow Strategic Development Partnership (HSDP).
12. Full utilisation of approved grant and borrowing, with sufficiently low interest rates, would be assumed and tested on an ongoing basis against a suite of assumptions using the HRA Business Plan.
13. Regular review and testing of assumptions would ensure continued viability given changing macro-economic and regulatory assumptions with appropriate mitigations against identified risks.

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

#### Option 2: Reduce the new build programme within the HRA

15. In the event risks around the HRA indicate the service would, on the balance of probabilities, become unviable, the new build programme would be scaled back. The council would rely on having nomination rights to the majority of the new affordable homes delivered by the HSDP and a small programme of new build homes held within the HRA.

#### Preferred Option

16. Option 1 is the preferred option as it is currently affordable to the HRA and will provide much needed housing supply for the local community as well as mitigating the costs of homelessness on the General Fund and securing the longer-term viability of the Council's HRA.

### **Background**

17. Statutory rent reductions spanning 2016-17 to 2019-20 imposed by Government impacted on the HRA by requiring service reviews across the HRA to reduce costs and maximise income.
18. As a result, savings totalling £1.9m were identified within the HRA to mitigate these rent reductions. Due to changes in operating circumstances because of Covid, £448k of the £1.9m savings remain to be achieved. Finance staff are working with the Divisional Director of Housing to review the savings items and identify substitutes to ensure the continued sustainability of the HRA.
19. Given the scale of the BCHfL programme and associated risks the cost base of the HRA must now be kept under constant review to ensure continued viability. In particular where resources are required to meet the initial requirement of the BCHFL programme.

### **Consultation**

20. Under s.105 of the Housing Act 1985, the Council is required to maintain such arrangements as it considers appropriate to enable secure tenants to be informed and consulted about housing management matters which substantially affect them. However, rent and other charges for facilities are specifically excluded from the definition of housing management; therefore, there is no statutory requirement to consult secure tenants on proposed rent changes. The Council has however, always consulted residents on proposed changes via representative groups.

21. The outcome of the review of tenanted service charges has not been finalised yet because of challenges with the baseline data which underpins the new service charges model. This will be reported to cabinet once available.

## COVID-19

22. The global pandemic continues to impact on the HRA. The budget being presented reflects an improved position with income and expenditure levels expected at pre-covid levels for budgets such as rents from commercial properties and increased cleaning on void properties now being managed within budgets. The impact of the pandemic was significant on the HRA planned investment programme with only £3.4m spent in 2020/21. The delivery of major works has improved in 2021/22, despite global economic constraints not restricted to the impact of Covid, with £8.5m forecast to be spent in to 2021/22. However there still exist a risk of further impact on services to residents from Covid which will be monitored closely to ensure that any financial impact can be managed within resources.

## Balances

23. HRA revenue balances were £7.969m as at 31 March 2021. These include general balances, required to mitigate against one off unforeseen event, are forecast to be £5.8m at March 2022 which are £3m above the minimum balances in the Business Plan based on 7% of income.

24. The budgets for the financial years 2022/23 to 2024/25 remain above the minimum required and the HRA 30 year Business Plan, show that balances over the 30 year plan are above minimum required of 7% of income. To mitigate against the financial risk associated with the new build programme it is prudent to have a reserve for unforeseen risks. Therefore, it is proposed to transfer £1.5m (£0.5m pa) to the Regeneration Reserve over the three years of the MTFs.

25. There are specific reserves to support IT investment & restructuring, repairs, tenants experiencing financial difficulties, and a reserve to support the Building Council Homes for Londoners programme (BCHFL). These reserves are all within the HRA and total £1,696k at the 31st of March 2021, as shown below: -

|                         |       |
|-------------------------|-------|
| Reserve                 | £'000 |
| Transformation          | 672   |
| Repairs and Maintenance | 277   |
| Hardship                | 25    |
| Regeneration            | 722   |
|                         | 1,696 |

## Income

*Assumptions supporting main HRA income streams set out below:*

## Dwelling rents

26. Rent policy set out by central government states that existing rents can be increased annually by the previous September's CPI rate, plus an additional 1%. This calculation has been applied, giving a rent increase of 4.1% in 2022-23. Although the Government has stated rents can be increased by CPI plus up to 1% for five years from April 2020, there is no confirmation these increases are to continue beyond March 2025. The Business Plan assumes increases for all subsequent years from April 2025 will be at CPI only as this is considered a more prudent assumption given developments in the macro-economic environment.
27. Rents for newly constructed homes are on Affordable rents or the lower London Affordable Rents where the scheme benefits from part of the £31.882m grant secured from the Greater London Authority.
28. The average rent & service charge for the Council's housing stock for 2022-23 will be £124.20 per week comprising rent £120.82 (£123.13 non sheltered, £102.25 sheltered) and tenant service charge £3.38 per week assuming an increase of CPI plus 1% for rents and CPI only for tenant service charges, as detailed in Appendix 2. CPI is required to be set at the September rate of 3.1%.
29. Rents for new build homes are set at affordable rent and are governed by different criteria depending on funding source. The overall average weekly charges (rent and service charges) are estimated to be £201.65 per week assuming a rent increase of CPI plus 1% for affordable rented units. See Appendix 2.
30. Rents for shared ownership units, assuming the Council retains 65%/75% equity share, are estimated at £210.53 per week on average. The increases are determined by the lease agreement with the resident and for 2022/23 are RPI plus 0.5 %.

## Right-to-Buy sales

31. There have been 14 sales under Right-to-Buy ("RTB") so far in 2021-22 and a further four are assumed by the end of the financial year totalling 18 estimated sales this year with 20 expected for 2022-23, then 20 per annum for remainder of the MTFS and the Business Plan.
32. The Council continues to retain the majority of the capital receipts arising from the sale of Right to Buy properties, in line with the updated retention agreement signed with the Government. Under the revised agreement the receipts must be used within five (three in 2020-21) years to fund a maximum of 40% (30% prior to April 2021) of spend on the supply of homes for: - social rent, shared ownership, and sale as First Homes. It is not possible to combine GLA grant and RTB receipts to fund new build projects. These favourable changes have given Local Authorities more time to plan how and when these receipts can be utilised to contribute to the new build programme without recourse to voluntary repayments to the MHCLG. Failure to utilise these receipts will mean they will be paid to the Government with a high interest penalty.

## Service charges: Tenants & Leaseholders

33. Tenants who benefit from specific estate-based services pay a charge to the Council on a weekly basis in addition to their weekly rent charge. Service charges are not subject to the rental increase of 4.1% but are based on cost recovery. This service charge is £3.28 in 2021-22 and it is proposed this will increase to an average of £3.38 in 2022-23 and throughout MTFs in line with CPI. When the review of tenanted service charges has been finalised the current assumptions on CPI increases will be revised for business plan and future HRA budgets.
34. Leaseholders are invoiced annually by the end of September for the previous financial year, based on actual costs. Income expected from leaseholders in 2022-23 (excluding s20 income for capital schemes) is £916k and reflects the recovery of costs from leaseholders of estate-based costs, communal lighting, repairs, ground maintenance, insurance premiums and administration charges.
35. Rents for garages, parking, facility charges and charges for community centres are set out in appendices 3 to 6 and due to continued economic uncertainty remain at 2021/22 levels.

## **Expenditure**

*Assumptions supporting main HRA expenditure items set out below:*

### Employee Costs

36. Employee costs have risen by £38k in 2022-23 for the increase in employer's national insurance of 1.25% (New Threshold 15.05% - 2021/22 threshold 13.8%). The pay award is still to be agreed and any increase will be funded from existing reserves. A one percent pay increase equates to c. £40k for the HRA.
37. There are currently no major organisational restructures planned for housing. Proposals for new positions will be incorporated when approved and funded to reflect changing service needs and legislation when required.
38. Several members of staff spend their time on both HRA and General Fund activities and as a result staff costs are split based on percentages of time relevant to services.

### Utility Costs

39. There is currently estimated to be sufficient provisions for utility costs within the HRA budget of £599k, in 2022/23, to contain any increases in prices as a result of the global wholesale energy crisis. However, a 5% increase has been included for the 2023/24 draft budget. Charges for water supplies and sewerage have traditionally been paid to the Council with the amounts collected then paid over to the water company. For most tenants this arrangement has now ceased with tenants paying the water company direct. This results in no additional costs for tenants or the Council.

## Central Recharges

40. Costs of support services, which are estimated to increase by 3% p.a. in line with Government's long- term inflation target, are allocated to services using suitable bases of apportionment (e.g. number of staff, estimated time allocation, gross budget). Recharges reflect the full cost of all support services and are designed to permit transparency and challenge to secure value for money.

## Repairs

41. The budget has been prepared to reflect the expected demand for repairs, changes in stock numbers –the reduction in HRA properties used as temporary accommodation due to the decanting of properties in Grange Farm, agreed price reductions with contractors, health and safety requirements, stock condition survey data, recommendations from the review of the Repairs Service in 2021 and revisions to cyclical maintenance contracts/requirements.
42. Two new gas contractors Liberty Group and Thermoserve started in February 2022 to provide the domestic gas and communal gas heating services respectively. The contract sums tendered exceeded the budget provision by £75k and this pressure will be mitigated by replacing existing boilers with heat pumps technology. These savings, which are expected to exceed £75k in future years will be monitored closely and factored into the HRA MTFS and 30-year Business Plan.
43. The budget now incorporates a Planned Preventative Maintenance programme (PPM). The PPM programme is estimated at £400k per annum across the first 3 years. The programme would be cyclical and incorporates a scope for revenue investment. The aim will be to reduce the level of responsive repairs & maintenance expenditure by tackling known areas of repair.

## Bad debt provision

44. Collection rates for current tenant arrears remain at close to 100% despite COVID, universal credit and the wider economic situation. This has been reflected in the provision for Rent arrears of £150k for former tenants being sufficient to cover any write off of bad debts. This represents circa 0.5% of the rent roll. Therefore, the budget presented proposes no change to this figure.

## General Contingency

45. In addition to HRA reserves, an annual amount of £230k is set aside to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock or in-service development initiatives.
46. Applications for support from this general contingency will be considered on a case by case basis with due regard to the position of the whole HRA.

## Charges for Capital

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

- Historic debt – includes debt that Councils were required to raise at the time of Self Financing in 2012 in order to leave the subsidy system and resulted in the Council reaching the Government imposed cap of £150.683m; this is now being progressively reduced in line with RTB disposals thereby reducing interest exposure and providing capacity for future investment. As at the 31<sup>st</sup> March 2021 the balance was £149.2272m. Interest on this historic debt, shared in a single loans pool with General Fund, averages at 4.05% and is assumed to continue at this level.
- New borrowing – BCHfL programme-this has been reprofiled to take account of delays and new target date agreed with the Greater London Authority (GLA) for start on sites of March 2023. Additional borrowing is estimated at £124.3m an increase of £28.5m from the £95.8m approved February 2021. This increase is due to additions to the Capital programme for Grange Farm Phases 2 and 3 (totalling £74.9m) and for Infrastructure related costs (totalling £15.9m) across the phases.

48. Interest is expected to be payable at the lower rate of 2% as a result of the HRA taking advantage of lower rates conferred in a dedicated second pool for new home building in the HRA.

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

## **Capital Investment**

### **Planned Investment Programme**

50. This is based on the latest stock condition survey, for the three years 2022-23 to 2024-25 is £10.273. Then £9.273m per annum thereafter. While of course investment in health and safety and compliance works are still prominent, the programme will also be focussing on estate improvements, decarbonisation and the current and any future Decent Homes Standard.

51. Retrofit for Energy expenditure is spread evenly over 2022/23 to 2024/25 to help meet Government carbon reduction targets by 2030.

### **Rough Sleepers**

52. The Council has been successful in a bid to the GLA for the 2021–2024 Mayor's Rough Sleeping Accommodation Programme (RSAP) and is on target to acquire 9 one-bedroom properties in 2021/22 to house rough sleepers.

53. This housing-led scheme has been delivered in line with Housing First England principles - the philosophy of Housing First is to provide a stable, independent home and intensive personalised support and case management to homeless people with multiple and complex needs with no conditions around 'readiness' before providing someone with a home.
54. The acquisition and associated costs of £2.881m have been funded by £1.431m of borrowing, £1.350m of external grant and £100k of section 106 monies.

#### Building Council Homes for Londoners

55. The Grange Farm Regeneration scheme will demolish obsolete Council homes and re-provide 274 new council homes within a mixed tenure estate totalling 574 homes. Cabinet approved budget allocations on 13th February 2020 for phases 1, which is now under construction and phase 2 of the scheme.
56. Grange Farm phase 1, which is supported by Housing Infrastructure Fund (HIF) as well as RTBRFO, will provide eighty-nine homes, sixty-eight at affordable rent and twenty-one shared ownership. The estimated remaining cost is £16.7m. Phase 1 is expected to complete in September /October 2022.
57. In November 2021, Cabinet gave in principle approval to commissioning the HSDP to take forward Phase 2 and 3 and this will be subject to a further report to Cabinet in March 2022. This development is affordable to the HRA subject to further detailed design work and an open book approach to the agreement of all costs. Based on the initial estimates provided by the HSDP and reported to Cabinet in November 2021, the cost of the social and shared ownership housing is broadly affordable within the HRA and this position will be reviewed once the HSDP have prepared the initial Business Plan. An indicative placeholder budget has been built into the 5 year HRA capital programme for Grange Farm phases 2 and 3 ( £33.340m and £23.649m respectively) as well as an infrastructure budget of £8.527m (to meet the Council costs associated with these phases , which will be confirmed as part of the phase 2 & 3 report to Cabinet in early 2022. The figures include reprofiled carried forward expenditure from 2021/22 of £51.98m for the BCHfL programme.
58. The BCHfL programme has been reprofiled to take account of delays and new target dates agreed with the GLA, for which the final date for start on sites is now 31 March 2023, resulting in an overall reduction of £4.0m in total estimated lifetime capital resources required, to £184.687m. Programme Schemes are at various stages of development and planning and are included in the capital programme at a total remaining estimated cost of £113.067m. Also included in this are additional costs estimated at £19.511m reflecting the anticipated revised increase in build costs resulting from changes in the macro-economic environment.
59. 124 new homes have now been completed under the BCHfL programme of a total of 659 additional homes, with a further 12 due to be completed by the end of March. General Fund sites have been identified for transfer to the HRA for development in line with the current regulations for appropriations. Milton Road is

currently being progressed with the HSDP and will be on site before the end of March 2022, subject to planning approval being granted in February 2022.

## **Consultation Papers, new developments, and challenges**

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

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

- Consultation in respect of electrical safety, installation of carbon monoxide monitors
- A review of the Decent Homes Standard to support the decarbonisation and energy efficiency of social homes and include standards for communal and green space outside the home.
- Proposed introduction of Tenant Satisfaction measures that will be formally monitored including the introduction of a regular inspection regime for social landlords
- Increased regulations to improve responses to complaints
- Requirements to improve tenant engagement and empowerment
- There are also linked commitments with the Building Safety Bill with regard to the management of tall buildings, for example the appointment of a Building Safety Manager
- Retrofitting of the existing social housing stock to meet the Councils Climate Change objectives as well as those set out by the Government

### **Variation to MTFS 2022-23**

62. The main changes in estimates approved by Cabinet on 11th February 2021 are:

- A transfer of £500k to the Regeneration Reserve for risk associated with the development programme.
- Loss in 2022/23 of 211 properties to be decanted for Grange Farm this equates to an estimated rental income loss of £674k in 2022/23. These properties are replaced in Phases 2 and 3 of Grange Farm development.
- Increase in Depreciation charge of £861k due to a rise in the House Price index for Harrow of 8%. This additional cost will be credited to the major repairs reserve to fund capital expenditure and repay debt.
- Repairs – Specific budget for planned preventative maintenance of £400k per year introduced to target requirements

## **Summary**

63. HRA Budget & MTFS detailed in Appendix 1 include rent increases at CPI plus 1% and sits within the framework set out in the HRA Business Plan update submitted to Cabinet 8th October 2020 and updated.
64. The budgets show in year losses for £241k and £498k for 2022/23 and 2024/25 respectively return to balanced position in 2024/25. Revenue reserves are maintained above the minimum level of 7% of income required over the life of the MTFS. See Appendix 1.
65. Longer term viability of the Council's HRA is dependent on successful completion of BCHfL programme therefore continuous review of the cost base of the HRA and underlying assumptions are essential through future revised HRA Business Plan.
66. Risks associated with BCHfL are significant and earmarked reserves to support this programme are modest therefore increased contributions are required which will be supported by a continuous review of the HRA cost base and underlying assumptions.
67. Consultation papers and emerging Government regulation will be reviewed to ensure maximum advantage is secured for the Council as a whole.

## **Performance Issues**

68. The BCHfL programme contributes to delivery targets agreed with the GLA. The potential for abortive costs is inherent in any development programme and costs incurred which do not result in a planning permission would need to be written off to revenue, which may compromise future viability.

## **Environmental Implications**

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

## **Data Protection Implications**

70. There are no GDPR implications.

## **Risk Management Implications**

71. Risks included on corporate or directorate risk register? **Yes**  
Separate risk register in place? **No**  
The relevant risks contained in the register are attached/refreshed and

summarised below. **Yes**

72.A number of risks have been identified, listed below which if they materialise individually or collectively, could impede delivery of core services, or raise questions about continued financial viability. The following key risks should be taken onto account when agreeing the recommendations in this report:

| Risk Description  | Mitigations   | RAG Status |
|---|---|------------|
| <ul style="list-style-type: none"> <li>• <b>Rents are set too high</b> breaching the government rent policy <b>or too low</b> causing the revenue account to generate further deficits</li> </ul>   | Rents set in accordance with government rent policy.  | Green      |
| <ul style="list-style-type: none"> <li>• <b>Interest rates</b> – an immediate and significant risk; these have been assumed at 2% for the 2022/23 budget and MTFs. Increases in excess of this over the life of the MTFs will put the BCHfL programme at risk as not all homes will be completed and generating sufficient rental streams to service the debt.</li> </ul>   | The Authority is reviewing its borrowing strategy and consideration given to securing fixed rate deals at prevailing low rates.   | Amber      |
| <ul style="list-style-type: none"> <li>• <b>General Inflation rates-</b> Inflation is currently high due to global pressures including Covid and Brexit. Sustained inflation would erode the resources available in the HRA.</li> </ul>   | <ul style="list-style-type: none"> <li>- regular planning, monitoring, and forecasting of the HRA position and resources will, if necessary, result in management action to address and eliminate pressures due to inflation.</li> <li>- Rent increases are linked to CPI therefore the impact to the HRA of price rises are to certain extent “neutral”.</li> </ul>        | Amber      |
| <ul style="list-style-type: none"> <li>• <b>Change in Government Rent Policy.</b> The business plan assumes that the rent will continue to increase in line with CPI +1% to 2024/25. The Government has previously reduced rents.</li> </ul>  | Further savings will need to be identified to address the shortfall of income which may impact on services to residents.  | Amber      |
| <ul style="list-style-type: none"> <li>• <b>Construction costs increases continue longer term preventing the delivery of the capital programme</b></li> </ul>   | To mitigate this position <ul style="list-style-type: none"> <li>- reprofiling and reprioritising of schemes to live within available resources.</li> <li>- secure materials and resources early in the contract</li> <li>- increase market testing</li> </ul>  | Amber      |
| <ul style="list-style-type: none"> <li>• <b>Delays to schemes</b> - GLA grant funding and additional borrowing will be linked to successful delivery of additional housing supply in line with agreed targets for start on sites and completions. Failure to deliver new supply in line with these targets could result in withdrawal of funding and/or borrowing which would result in lower or delayed rental income streams and potential write off costs to the revenue account.</li> </ul> | In mitigation regular monitoring of new build schemes and update of the overarching HRA Business Plan will identify potential delays and appropriate action taken to substitute and expedite schemes ensuring full grant utilisation and keeping rental income in line with expectations. The BCHfL reserve can be deployed to offset unforeseen revenue costs if required. | Amber      |

73. In the light of these risks, it is essential current targets for cost reductions are met and the cost base of the HRA kept under continuous review with the aim of strengthening reserves.

## **Procurement Implications**

74. Any procurement arising from this report will be advised on supported by the procurement team and will be conducted compliant with the Public Contract Regulations [as amended] and the Contract Procedure Rules.

## **Legal Implications**

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

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

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

78. Under section 74 of the Local Government & Housing Act 1989 the Council, as a Local Housing Authority, must maintain a Housing Revenue Account (HRA) which includes sums falling to be credited or debited in accordance with the category of properties listed within s74(1), which consists primarily of Council housing stock. HRA must include any capital expenditure on housing stock which a Local Authority has decided to

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

## **Financial Implications**

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

## **Equalities implications / Public Sector Equality Duty**

80. Pursuant to the Equality Act 2010 (“the Act”), the Council, in the exercise of its functions, has to have ‘due regard’ to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex, and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.
81. When making decisions, the Council must take account of the equality duty and any potential impact on protected groups.
82. A full equalities impact assessment has been carried out in relation to the proposed rents and other charges increases and capital build programme and no negative impacts on the protected groups are expected.
83. The recommendation to increase the capital programme will result in much need new genuinely affordable housing supply and will have a positive impact on the community and businesses alike.

## **Council Priorities**

### **1. Improving the environment and addressing climate change**

The Planned Investment programme is being designed to address key climate change issues with a focus on renewable energy and efficiency in existing and new homes.

### **2. Tackling poverty and inequality**

The additional housing will be genuinely affordable thereby providing accommodation to the most vulnerable in the Borough

### **3. Building homes and infrastructure**

Provision of additional housing will support the local community and economy thereby contributing to the wellbeing of residents and supporting community cohesion,

**4. Addressing health and social care inequality**

Provision of additional housing will support health and social care of residents through high quality accommodation at affordable rents.

**5. Thriving economy**

The Business Plan is designed to support the longer-term viability of the HRA which provides much needed housing and advice to residents and those at risk of becoming homeless

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

**Statutory Officer: Tasleem Kazmi**

Signed on behalf of Chief Financial Officer

**Date: 1<sup>st</sup> February 2022**

**Statutory Officer: Paresh Mehta**

Signed on behalf of the Monitoring Officer

**Date: 2<sup>nd</sup> February 2022**

**Statutory Officer: Nimesh Mehta**

Signed on by the Head of Procurement

**Date: 31<sup>st</sup> January 2022**

**Statutory Officer: Dipti Patel**

Signed by the Corporate Director

**Date: 2<sup>nd</sup> February 2022**

**Statutory Officer: Susan Dixon**

Signed by the Head of Internal Audit

**Date: 1<sup>st</sup> February 2022**

### **Mandatory Checks**

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

**EqIA carried out: YES**

**EqIA cleared by: Shumaila Dar**

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

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

**Background Papers: None**

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

## HRA Budget 2022-23 and MTFS 2023-24 to 2024-25 – Expenditure

|                                  | <b>Budget<br/>2022-23</b> | <b>Budget<br/>2023-24</b> | <b>Budget<br/>2024-25</b> |
|----------------------------------|---------------------------|---------------------------|---------------------------|
|                                  | £                         | £                         | £                         |
| Employee Costs                   | 2,509,610                 | 2,530,925                 | 2,563,886                 |
| Supplies & Services              | 861,060                   | 856,170                   | 873,293                   |
| Utility cost                     | 599,660                   | 629,643                   | 629,643                   |
| Estate & Sheltered Services      | 3,482,020                 | 3,510,960                 | 3,540,478                 |
| Central Recharges                | 3,608,340                 | 3,674,475                 | 3,766,337                 |
| <b>Operating Expenditure</b>     | <b>11,060,690</b>         | <b>11,202,172</b>         | <b>11,373,637</b>         |
| Repairs – Responsive             | 2,174,700                 | 2,174,700                 | 2,207,914                 |
| Repairs – Voids                  | 946,500                   | 946,500                   | 967,995                   |
| Repairs – Other                  | 3,542,060                 | 3,542,060                 | 3,612,736                 |
| Planned Preventative Maintenance | 400,000                   | 400,000                   | 400,000                   |
| <b>Repairs Expenditure</b>       | <b>7,063,260</b>          | <b>7,063,260</b>          | <b>7,188,645</b>          |
| Contingency                      | 230,000                   | 230,000                   | 230,000                   |
| Bad debt provision               | 150,000                   | 150,000                   | 150,000                   |
| Affordable Housing               | 488,450                   | 498,089                   | 507,922                   |
| Charges for Capital              | 6,593,470                 | 7,247,028                 | 7,928,225                 |
| Depreciation                     | 8,392,240                 | 8,424,852                 | 8,626,677                 |
| <b>Other Expenditure</b>         | <b>15,854,160</b>         | <b>16,549,969</b>         | <b>17,442,823</b>         |
|                                  |                           |                           |                           |
| <b>Total Expenditure</b>         | <b>33,978,110</b>         | <b>34,815,401</b>         | <b>36,005,105</b>         |

**Appendix 1 (continued)**

**HRA Budget 2022-23 and MTFS 2023-24 to 2024-25 – Income**

|   | Budget<br>2022-23   | Budget<br>2023-24   | Budget<br>2024-25   |
|---|---------------------|---------------------|---------------------|
|   | £                   | £                   | £                   |
| Rent Income – Dwellings                 | (29,872,716)        | (30,419,014)        | (32,057,482)        |
| Rent Income – Non Dwellings             | (516,670)           | (550,550)           | (550,550)           |
| Service Charges – Tenants               | (1,529,210)         | (1,511,666)         | (1,541,900)         |
| Service Charges – Leaseholders          | (916,420)           | (934,748)           | (953,443)           |
| Facility Charges                        | (577,180)           | (577,180)           | (577,180)           |
| Interest                                | (3,000)             | (3,000)             | (3,000)             |
| Other Income                            | (155,900)           | (155,900)           | (155,900)           |
| Recharge to General Fund                | (165,650)           | (165,650)           | (165,650)           |
| <b>Total Income</b>                     | <b>(33,736,746)</b> | <b>(34,317,708)</b> | <b>(36,005,105)</b> |
| <b>In Year Deficit / (Surplus)</b>      | <b>241,364</b>      | <b>497,693</b>      | <b>0</b>            |
| <b>Transfer to Regeneration Reserve</b> | <b>500,000</b>      | <b>500,000</b>      | <b>500,000</b>      |
| <b>BALANCE brought forward</b>          | (5,849,012)         | (5,107,648)         | (4,109,955)         |
| <b>BALANCE carried forward</b>          | <b>(5,107,648)</b>  | <b>(4,109,955)</b>  | <b>(3,609,955)</b>  |
| <b>Minimum Required Reserves</b>        | (2,362,206)         | (2,402,885)         | (2,521,019)         |

## Appendix 2 - Average Rent & Service Charges – Social Rented Units

| Description             | No. units    | 2021-22 weekly charge | 2022-23 rent  | 2022-23 service charge | 2022-23 total | Increase    |
|-------------------------|--------------|-----------------------|---------------|------------------------|---------------|-------------|
|                         |              | £                     | £             | £                      | £             | £           |
| Bedsit bungalow         | 18           | 107.17                | 108.41        | 3.14                   | 111.55        | 4.38        |
| 1 Bed bungalow          | 116          | 117.50                | 119.65        | 2.56                   | 122.21        | 4.71        |
| 2 Bed bungalow          | 29           | 133.84                | 135.15        | 4.13                   | 139.28        | 5.44        |
| Bedsit flat             | 82           | 91.13                 | 91.75         | 4.53                   | 96.28         | 5.15        |
| 1 bed flat              | 1151         | 102.72                | 102.95        | 3.99                   | 106.94        | 4.22        |
| 2 bed flat              | 739          | 116.95                | 117.32        | 4.61                   | 121.93        | 4.98        |
| 3 bed flat              | 42           | 129.70                | 128.97        | 5.44                   | 134.41        | 4.71        |
| 1 bed Maisonette        | 6            | 95.62                 | 98.91         | 0.46                   | 99.37         | 3.75        |
| 2 bed Maisonette        | 47           | 115.85                | 116.49        | 4.06                   | 120.55        | 4.70        |
| 3 bed Maisonette        | 43           | 129.26                | 130.03        | 4.86                   | 134.89        | 5.63        |
| 4 bed Maisonette        | 1            | 135.51                | 141.07        | 0.00                   | 141.07        | 5.56        |
| 2 bed Parlour House     | 31           | 128.92                | 132.92        | 1.36                   | 134.28        | 5.36        |
| 3 bed Parlour House     | 517          | 142.05                | 145.96        | 1.96                   | 147.92        | 5.87        |
| 4 bed Parlour House     | 57           | 155.15                | 158.49        | 2.72                   | 161.21        | 6.06        |
| 5 & 6 bed Parlour       | 10           | 166.36                | 163.74        | 9.35                   | 173.09        | 6.73        |
| 2 bed Non Parlour       | 493          | 125.01                | 127.83        | 2.28                   | 130.11        | 5.10        |
| 3 bed Non Parlour       | 704          | 137.09                | 140.36        | 2.43                   | 142.79        | 5.70        |
| 4 bed Non Parlour       | 33           | 151.40                | 154.07        | 3.40                   | 157.47        | 6.07        |
| 5,6 & 7 bed Non         | 6            | 163.55                | 168.91        | 1.32                   | 170.23        | 6.68        |
| Sheltered bedsit        | 12           | 102.40                | 93.78         | 12.69                  | 106.47        | 4.07        |
| Sheltered – other units | 500          | 101.90                | 102.45        | 3.64                   | 106.09        | 4.19        |
| <b>Non sheltered</b>    | <b>4,125</b> | <b>121.28</b>         | <b>123.13</b> | <b>3.33</b>            | <b>126.46</b> | <b>5.18</b> |
| <b>Sheltered</b>        | <b>512</b>   | <b>101.92</b>         | <b>102.25</b> | <b>3.85</b>            | <b>106.10</b> | <b>4.18</b> |
| <b>Total</b>            | <b>4,637</b> | <b>119.18</b>         | <b>120.82</b> | <b>3.38</b>            | <b>124.20</b> | <b>5.02</b> |

Average charge for social rented units 2021-22 was £119.18 per week comprising £115.86 rent, £3.32 service charge per week respectively.

Estimated average charge for 2022 -23 is £124.20 per week comprising £120.82 rent, £3.38 service charge, reflecting rent increase of CPI + 1% where September CPI is 3.1% and just CPI for tenant service charges.

Appendix 2 continued

Average Rent and Service Charges – Affordable Rented & Shared ownership Units

| Description                            | Current No. units 2021/22 | **2021-22 Charges | 2022-23 Rent  | 2022-23 Service Charge | 2022-23 Total charges | Increase    |
|--|---------------------------|-------------------|---------------|------------------------|-----------------------|-------------|
|  |                           | £                 | £             | £                      | £                     | £           |
| 1 bed flat                             | 19                        | 172.04            | 160.30        | 18.47                  | 178.77                | 6.73        |
| 2 bed flat                             | 55                        | 196.92            | 184.30        | 18.63                  | 202.93                | 6.01        |
| 3 bed flat                             | 10                        | 212.27            | 200.27        | 20.51                  | 220.78                | 8.51        |
| 3 bed Parlour House                    | 1                         | 211.58            | 220.25        | 0                      | 220.25                | 8.67        |
| 2 bed Non Parlour House                | 10                        | 0                 | 178.22        | 9.90                   | 188.12                | N/A         |
| 3 bed Non Parlour House                | 14                        | 211.34            | 208.62        | 3.31                   | 211.93                | 0.59        |
| 4 bed Non Parlour House                | 4                         | 228.77            | 238.15        | 0                      | 238.15                | 9.38        |
| 3 bed Parlour House (shared ownership) | 5                         | 199.82            | 210.53        | 0                      | 210.53                | 10.71       |
| <b>Total</b>                           | <b>118</b>                | <b>197.09</b>     | <b>187.40</b> | <b>14.63</b>           | <b>202.03</b>         | <b>4.94</b> |
| Affordable rented                      | 113                       | 196.95            | 186.37        | 15.28                  | 201.65                | 4.70        |
| Shared ownership                       | 5                         | 199.82            | 210.53        | 0                      | 210.53                | 10.71       |
| <b>Total</b>                           | <b>118</b>                | <b>197.09</b>     | <b>187.40</b> | <b>14.63</b>           | <b>202.03</b>         | <b>4.94</b> |

**\*\* 96 units**

One hundred and eighteen new homes have completed; table above shows average rents for 2022-23 of £187.40 reflecting average rent increase of CPI + 1% where September CPI is 3.1% and CPI only for service charges giving an average service charge of £14.63. The average rent and service charges will change as new properties are completed in 2022/23.

Council initially has equity of 65% to 75% in shared ownership units with option for the tenant to purchase additional equity in future.

### Appendix 3 - Garages & parking space charges

| <b>All in £s</b> | <b>Current Weekly Rental<br/>2021-22</b> | <b>Proposed Weekly Rental<br/>2022-23</b> |
|------------------|--|---|
| Garages          | 14.05                                    | 14.05                                     |
| Car Spaces       | 9.16                                     | 9.16                                      |

#### Appendix 4 - Facility Charges

| Sheltered Block               | No. of properties | Current average weekly facility charge (Heating) 2021/22 | Proposed average weekly facility charge (Heating) 2022/23<br>No increase |
|-------------------------------|-------------------|--|--|
| Alma Court                    | 30                | 17.02  | 17.02  |
| Belmont Lodge                 | 30                | 17.02  | 17.02  |
| Boothman House                | 30                | 17.02  | 17.02  |
| Cornell House                 | 30                | 17.02  | 17.02  |
| Durrant Court                 | 27                | 17.02  | 17.02  |
| Edwin Ware Court              | 30                | 13.24  | 13.24  |
| Goddard Court                 | 30                | 17.02  | 17.02  |
| Grahame White House           | 30                | 17.02  | 17.02  |
| Grange Court                  | 30                | 13.24  | 13.24  |
| Harkett Court                 | 30                | 17.02  | 17.02  |
| Harrow Weald Park 0 Bed       | 12                | 11.50  | 11.50  |
| Harrow Weald Park 1 Bed       | 19                | 15.54  | 15.54  |
| Harrow Weald Park 3 Bed       | 1                 | 23.10  | 23.10  |
| John Lamb Court               | 32                | 17.88  | 17.88  |
| Meadfield                     | 30                | 17.02  | 17.02  |
| Sinclair House                | 27                | 17.02  | 17.02  |
| Tapley Court                  | 26                | 17.02  | 17.02  |
| Thomas Hewlett House          | 30                | 17.02  | 17.02  |
| William Allen House           | 29                | 13.24  | 13.24  |
| Resident Warden Accommodation | 9                 | 24.83  | 24.83  |
| <b>Other Non-Sheltered</b>    | 101               | 14.67  | 14.67  |

## Appendix 5 - Water Charges

| Sheltered Block                              | No.of flats | Current Range Water Charge<br>2021-22 |        | Proposed Range Charge at 0%<br>increase for 2022-23 |        |
|--|-------------|---------------------------------------|--------|---|--------|
|  |             | Lower                                 | Higher | Lower   | Higher |
| Alma Court                                   | 30          | £5.87                                 | £5.87  | £5.87   | £5.87  |
| Edwin Ware Court                             | 30          | £4.99                                 | £6.49  | £4.99   | £6.49  |
| Grange Court                                 | 30          | £4.99                                 | £6.20  | £4.99   | £6.20  |
| John Lamb Court                              | 32          | £6.20                                 | £6.20  | £6.20   | £6.20  |
| William Allen House                          | 29          | £4.99                                 | £6.20  | £4.99   | £6.20  |
| <b>Total No of Sheltered<br/>Flats</b>       | <b>151</b>  |                                       |        |   |        |
| Resident Warden<br>Accommodation             | 3           | £7.89                                 | £8.73  | £7.89   | £8.73  |
| <b>Total Sheltered Flats<br/>incl Warden</b> | <b>154</b>  |                                       |        |   |        |

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

## Appendix 6 - Community Centres

| Community Hall and Capacity           | Current 2021-22   |              |              | Proposed 2022-23                              |              |              |
|---------------------------------------|---|--------------|--------------|---|--------------|--------------|
|                                       | Charges per first 3 hours block booking then subsequent hourly rate |              |              | Charges per hour letting<br>0% Price Increase |              |              |
|                                       | Evening Rate  | Daytime Rate | Weekend Rate | Evening Rate                                  | Daytime Rate | Weekend Rate |
|                                       | £   | £            | £            | £   | £            | £            |
| Augustine Road [max 30]               | 27.38   | 13.69        | 41.06        | 27.38   | 13.69        | 41.06        |
| Marsh Road Hall [max 30]              | 27.38   | 13.69        | 41.06        | 27.38   | 13.69        | 41.06        |
| Brookside Hall [max 30]               | 27.38   | 13.69        | 41.06        | 27.38   | 13.69        | 41.06        |
| Julie Cook Hall [max 30]              | 27.38   | 13.69        | 41.06        | 27.38   | 13.69        | 41.06        |
| Grange Farm Community Centre [max 30] | 27.38   | 13.69        | 41.06        | 27.38   | 13.69        | 41.06        |
| Woodlands Hall [max 60]               | 41.06   | 20.52        | 56.05        | 41.06   | 20.52        | 56.05        |
| Churchill Place [max 100]             | 54.74   | 24.62        | 68.43        | 54.74   | 24.62        | 68.43        |
| Kenmore Park [max 100]                | 54.74   | 24.62        | 68.43        | 54.74   | 24.62        | 68.43        |
| Pinner Hill Hall [max 100]            | 54.74   | 24.62        | 68.43        | 54.74   | 24.62        | 68.43        |
| Northolt Road Hall [max 100]          | 54.74   | 24.62        | 68.43        | 54.74   | 24.62        | 68.43        |

### Terms & Conditions associated with Hall lets:

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

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

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

## Appendix 7 - HRA Capital Programme

| Budget Description including additions / re-profiling (£) |                   |                   |                   | Additional        |                   | Total              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
|   | 2022-23           | 2023-24           | 2024-25           | 2025-26           | 2026-27           | Cumulative         |
| Main Programme  | 8,428,048         | 8,428,048         | 8,428,048         | 8,428,048         | 8,428,048         | 42,140,240         |
| Retrofit for energy efficiency                            | 1,000,000         | 1,000,000         | 1,000,000         | 0                 | 0                 | 3,000,000          |
| Housing IT system   | 178,880           | 0                 | 0                 | 0                 | 0                 | 178,880            |
| Aids & Adaptations  | 845,000           | 845,000           | 845,000           | 845,000           | 845,000           | 4,225,000          |
| <b>Planned investment</b>                                 | <b>10,451,928</b> | <b>10,273,048</b> | <b>10,273,048</b> | <b>9,273,048</b>  | <b>9,273,048</b>  | <b>49,544,120</b>  |
| Grange Farm phase 1                                       | 2,505,043         | 0                 | 0                 | 0                 | 0                 | 2,505,043          |
| Grange Farm phase 2                                       | 2,268,549         | 10,021,813        | 12,755,523        | 9,297,217         | 496,222           | 34,839,324         |
| Other schemes   | 13,709,726        | 47,846,648        | 20,168,410        | 12,558,000        | 12,558,000        | 106,840,784        |
| <b>Building Council Homes for Londoners (BCHfL)</b>       | <b>18,483,318</b> | <b>57,868,461</b> | <b>32,923,933</b> | <b>21,855,217</b> | <b>13,054,222</b> | <b>144,185,151</b> |
| Grange Farm phase 3                                       | 311,846           | 311,846           | 428,422           | 6,008,017         | 16,588,596        | 23,648,727         |
| Grange Farm Infrastructure                                | 4,877,710         | 1,464,610         | 690,610           | 803,110           | 690,610           | 8,526,650          |
| <b>Total HRA Capital Programme</b>                        | <b>34,124,802</b> | <b>69,917,965</b> | <b>44,316,013</b> | <b>37,939,392</b> | <b>39,606,476</b> | <b>225,904,648</b> |

\* £225,904,648-Includes estimated slippage c/fwd following reprofile of BCHFL programme of £26.864729m across 3yrs, and £51,979,729 across 5 years respectively.

### Additions Reductions

| Additions included programme above (£) |                   |                   |                   | Additional        |                   | Total              |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
|  | 2022-23           | 2023-24           | 2024-25           | 2025-26           | 2026-27           | Cumulative         |
| Main programme                         | 4,378,048         | 4,378,048         | 5,378,048         | 4,378,048         | 9,273,048         | 27,785,240         |
| Housing IT system                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                  |
| Grange Farm phase 1                    | -559,897          |                   |                   | 0                 |                   | -559,897           |
| Grange Farm phase 2                    | 1,499,531         | 2,953,331         | 10,218,023        | 6,244,277         | 496,222           | 21,411,384         |
| Grange Farm phase 3                    | 311,846           | 311,846           | 428,422           | 6,008,017         | 16,588,596        | 23,648,727         |
| Grange Farm Infrastructure             | 4,877,710         | 1,464,610         | 690,610           | 803,110           | 690,610           | 8,526,650          |
| Other schemes                          | 13,447,190        | 7,840,791         | 19,022,939        | 12,558,000        | 12,558,000        | 65,426,920         |
| <b>Total HRA Capital Programme</b>     | <b>23,954,428</b> | <b>16,948,626</b> | <b>35,738,042</b> | <b>29,991,452</b> | <b>39,606,476</b> | <b>146,239,024</b> |

## Appendix 7 (continued) - HRA Capital Programme

**Summary of re-profiling included in the capital programme summarised below:**

|                                    | Additional years   |                   |          |         |         | Total      |
|------------------------------------|--------------------|-------------------|----------|---------|---------|------------|
|                                    | 2022-23            | 2023-24           | 2024-25  | 2025-26 | 2026-27 | Cumulative |
| Grange Farm phase 3                | 423,490            | -423,490          | 0        |         |         | 0          |
| Grange Farm Infrastructure         | -1,030,982         | 1,030,982         | 0        |         |         | 0          |
| Other schemes                      | -29,332,870        | 29,332,870        | 0        |         |         | 0          |
| <b>Total HRA Capital Programme</b> | <b>-29,940,362</b> | <b>29,940,362</b> | <b>0</b> |         |         | <b>0</b>   |

## Report for: **Cabinet**

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|                                     |   |
|-------------------------------------|---|
| <b>Date of Meeting:</b>             | 10 February 2022  |
| <b>Subject:</b>                     | Annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement, Annual Investment Strategy and Annual Capital Strategy for 2022/23   |
| <b>Key Decision:</b>                | Yes   |
| <b>Responsible Officer:</b>         | Dawn Calvert, Director of Finance and Assurance   |
| <b>Portfolio Holder:</b>            | Councillor Natasha Proctor - Deputy Leader and Portfolio Holder for Finance and Resources   |
| <b>Exempt:</b>                      | No  |
| <b>Decision subject to Call-in:</b> | No  |
| <b>Wards affected:</b>              | All wards   |
| <b>Enclosures:</b>                  | <b>Appendix A</b> - Legislation and Regulations Impacting on Treasury Management<br><b>Appendix B</b> - Treasury Management Delegations and Responsibilities<br><b>Appendix C</b> - Minimum Revenue Provision (MRP) Policy Statement<br><b>Appendix D</b> - Interest Rate Forecasts 2021-25<br><b>Appendix E</b> - Economic Background<br><b>Appendix F</b> – Counterparties: Investment Criteria<br><b>Appendix G</b> - Capital Strategy 2022/23<br><b>Appendix H</b> - Glossary |

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

This report sets out the Council's Annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement the Annual Investment Strategy and the Annual Capital Strategy for 2022/23.

### **Recommendations:**

Cabinet is asked to recommend to Council that they approve the Treasury Management Strategy Statement for 2022/23 including:

1. Prudential Indicators for the period 2022/23 to 2024/25
2. Minimum Revenue Provision Policy Statement for 2022/23, (see para 2.8 and Appendix C)
3. Annual Investment Strategy for 2022/23
4. Annual Capital Strategy (Appendix G).

### **Reason: (for recommendations)**

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

- the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended),
- CIPFA Prudential Code and Treasury Management Code of Practice 2017
- DLUHC (Previously MHCLG) Investment and MRP Guidance 2018

On 20 December 2021, CIPFA published a revised Prudential Code and Treasury Management Code of Practice. CIPFA have stated that formal reporting with regards to the requirements of the revised Codes should be from 2023/24. The Authority will work to implement the requirements of the revised Prudential Code and Treasury Management Code of Practice and accompanying supplementary guidance notes throughout 2022/23 to be able to report formally from 2023/24.

## **Section 2 – Report**

### **1.0. Introduction**

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

- 1.2. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.4. CIPFA defines treasury management as:  
*"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 1.5. The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential Code (The Prudential Code for Capital Finance in Local Authorities) and Treasury Management Code (Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes), in setting Treasury and Prudential Indicators for the next three years and in ensuring that the Council's capital investment programme is affordable, prudent and sustainable. This report has been prepared in accordance with the CIPFA Prudential Code and Treasury Management Code of Practice 2017 publications. On the 20 December CIPFA published a revised Prudential Code and Treasury Management Code of Practice. The accompanying Guidance Notes were published in late January 2022. CIPFA have stated that local authorities are required to introduce the formal reporting requirements of the 2021 Prudential Code and Treasury Management Code of Practice for 2023/24. A summary of the changes required by the 2021 CIPFA Codes is included within Appendix A.
- 1.6. The Act, the CIPFA Codes and Department for Levelling Up Housing and Communities (DLUHC formally MHCLG) Investment Guidance (2018) require the Council to set out its Treasury Strategy for Borrowing and to prepare an Annual Investment Strategy that establishes the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. A summary of the relevant legislation, regulations and guidance is included as Appendix A.
- 1.7. The budget for each financial year includes the revenue costs that flow from capital financing decisions. Under the Treasury Management Code, increases in capital expenditure should be limited to levels whereby increases in interest

charges, running costs and provision debt repayment are affordable within the Council's budget.

- 1.8. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
- 1.9. The Council recognises that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

### **Reporting Requirements**

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

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

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

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

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

- 1.11. **Capital Strategy** – In addition to the three main treasury management reports, the CIPFA 2017 Prudential and Treasury Management Codes introduced a requirement for all local authorities to prepare a capital strategy report which provides the following:
  - a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
  - an overview of how the associated risk is managed
  - the implications for future financial sustainability
- 1.12. The aim of the Capital Strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting

capital strategy requirements, governance procedures and risk appetite. The Capital Strategy Report is set out in Appendix G.

- 1.13. **Scrutiny** – The above reports are required to be adequately scrutinised, normally before being recommended to Cabinet/Council, with the role being undertaken by the Governance, Audit, Risk Management and Standards Committee (GARMS). The Council has complied with the CIPFA Treasury Management Code of Practice to the extent that all Treasury Management reports have been scrutinised though the efficient conduct of the Council's business may require consideration by GARMS subsequent to consideration by Cabinet/Council.
- 1.14. The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Section 151 Officer. The Section 151 Officer chairs the Treasury Management Group (TMG), which monitors the treasury management activity and market conditions monthly. Further details of delegated responsibilities are given in Appendix B.

### **Options considered**

- 1.15. This report has been produced in accordance with the Local Government Act 2003 and the reporting requirements of:
- CIPFA Treasury Management Code of Practice 2017
  - CIPFA Prudential Code 2017
  - DLUHC Investment Guidance 2018
  - DLUHC MRP Guidance 2018

### **Treasury Management Strategy for 2022/23**

- 1.16. The strategy for 2022/23 covers the following areas:

#### **Capital Issues (Section 2)**

- Capital Financing Summary
- Capital Programme and Capital Prudential Indicators 2021/22 to 2024/25
- Council's Borrowing Need (Capital Financing Requirement)
- Capital Financing Requirement
- Minimum Revenue Provision (MRP) Policy Statement
- Core funds and expected investment balances

#### **Borrowing (Section 3)**

- Current and estimated portfolio position
- Treasury indicators: limits to borrowing activity
- Prospects for interest rates and economic commentary
- Borrowing strategy
- Treasury management limits on activity
- Policy on borrowing in advance of need
- Debt rescheduling
- New financial institutions as a source of borrowing and / or types of borrowing (if applicable)
- Approved sources of long- and short-term borrowing

#### **Annual Investment Strategy (Section 4)**

- Investment policy
- Creditworthiness policy
- Country limits
- Annual Investment Strategy
- Investment risk benchmarking
- End of year investment report

#### **Other Treasury Issues (Section 5)**

- Policy on the use of financial derivatives
- Brokers
- Member and Officer Training
- Policy on use of external service providers

- 1.17. These Treasury Management elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance. This Annual Treasury Management Strategy covers only those investments arising from the Council's cash flows and debt management activity. The power to invest is set out in Section 12 of the Local Government Act 2003. In accordance with the Treasury Management Code, Investment Guidance and recognised best practice guidelines, the security and liquidity of funds are placed ahead of investment return/yield.
- 1.18. It is not considered necessary to produce a separate treasury management strategy for the Housing Revenue Account (HRA) in light of the co-mingling of historic debt and investments between HRA and the General Fund. Where appropriate, details of allocations of balances and interest to HRA are contained in this report.

#### **Capital Issues**

- 2.0. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.
- 2.1. The figures and tables in this report are based on the final Capital Programme which is set out in a separate report to Cabinet.

#### **Capital Expenditure**

- 2.2. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.
- 2.3. Tables 1 and 2 below summarise the capital expenditure plans of the Authority including how this will be financed, which generates the net financing need for the year (borrowing):

Table 1: Capital Expenditure

| Capital expenditure<br>£'000 | 2020/21<br>Actual | 2021/22<br>Estimate | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate |
|------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| - Resources and Commercial   | 10,044            | 15,183              | 2,550               | 1,850               | 3,550               |
| - People's                   | 1,645             | 28,886              | 0                   | 9,071               | 0                   |
| - Community                  | 30,371            | 69,656              | 32,504              | 28,733              | 18,214              |
| <b>General Fund</b>          | <b>42,060</b>     | <b>113,725</b>      | <b>35,055</b>       | <b>39,654</b>       | <b>21,764</b>       |
| <b>HRA</b>                   | <b>12,537</b>     | <b>75,781</b>       | <b>34,124</b>       | <b>69,920</b>       | <b>44,317</b>       |
| <b>Total</b>                 | <b>54,597</b>     | <b>189,506</b>      | <b>69,179</b>       | <b>109,574</b>      | <b>66,081</b>       |

Table 2: Financing of Capital Expenditure

| Financing of capital expenditure<br>£'000 | 2020/21<br>Actual | 2021/22<br>Estimate | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate |
|---|-------------------|---------------------|---------------------|---------------------|---------------------|
| <b>General Fund</b>                       |                   |                     |                     |                     |                     |
| Capital Receipts                          | 1,602             |                     |                     |                     |                     |
| Capital Grants                            | 6,562             | 46,955              | 7,614               | 13,632              | 3,113               |
| BCiL                                      | 2,824             |                     | 1,750               | 3,410               | 1,650               |
| NCiL                                      | 272               |                     | 500                 | 500                 | 500                 |
| Section 106                               | 880               |                     | 250                 | 500                 | 500                 |
| Revenue                                   | 60                |                     |                     |                     |                     |
| <b>External Funding</b>                   | <b>12,200</b>     | <b>46,955</b>       | <b>10,114</b>       | <b>18,042</b>       | <b>5,763</b>        |
| <b>Net financing need for year (GF)</b>   | <b>29,860</b>     | <b>66,770</b>       | <b>24,941</b>       | <b>21,611</b>       | <b>16,001</b>       |

**HRA**

|  |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|
| Capital Receipts                         |               |               | 3,851         | 1,782         | 6,319         |
| Capital Grants                           | 3,695         | 46,094        | 14,535        | 6,142         | 8,140         |
| Section 106                              |               |               | 0             | 2,736         | 1,567         |
| Revenue                                  | 8,842         |               | 10,452        | 11,528        | 7,616         |
| <b>External Funding</b>                  | <b>12,537</b> | <b>46,094</b> | <b>28,838</b> | <b>22,188</b> | <b>23,642</b> |
| <b>Net financing need for year (HRA)</b> | <b>0</b>      | <b>29,687</b> | <b>5,286</b>  | <b>47,732</b> | <b>20,675</b> |
|  |               |               |               |               |               |
| <b>Total net financing need for year</b> | <b>29,860</b> | <b>96,457</b> | <b>30,227</b> | <b>69,343</b> | <b>36,676</b> |

**The Council's borrowing need (Capital Financing Requirement)**

- 2.4. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.
- 2.5. The CFR includes any other long-term liabilities (e.g. PFI or finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a funding facility and so the Council is not required to borrow separately for them. The Council currently has £17m of such schemes within the CFR.
- 2.6. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

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

Table 3: Capital Financing Requirement

| Capital Financing Requirement<br>£'000 | 2020/21<br>Actual | 2021/22<br>Estimate | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| CFR – General Fund                     | 422,193           | 467,830             | 469,513             | 467,160             | 459,075             |
| CFR – HRA                              | 150,674           | 180,361             | 185,647             | 233,379             | 254,054             |
| <b>Total CFR</b>                       | <b>572,867</b>    | <b>648,191</b>      | <b>655,160</b>      | <b>700,539</b>      | <b>713,129</b>      |
| <b>Movement in CFR</b>                 | <b>11,208</b>     | <b>75,324</b>       | <b>6,969</b>        | <b>45,379</b>       | <b>12,590</b>       |

| Movement in CFR represented by             |               |               |              |               |               |
|--|---------------|---------------|--------------|---------------|---------------|
| Net financing need for the year (table 2)  | 29,860        | 96,457        | 30,227       | 69,343        | 36,676        |
| Less MRP/VRP and other financing movements | -18,652       | -21,133       | -23,258      | -23,964       | -24,086       |
| <b>Movement in CFR</b>                     | <b>11,208</b> | <b>75,324</b> | <b>6,969</b> | <b>45,379</b> | <b>12,590</b> |

### Minimum revenue provision (MRP) policy statement

- 2.8. Capital expenditure is generally defined as expenditure on assets that have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. The accounting approach is to spread the cost over the estimated useful life of the asset. The mechanism for spreading these costs is through an annual MRP. The MRP is the means by which capital expenditure, which is financed by borrowing or credit arrangements, is funded by Council Tax.
- 2.9. Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) require the Council to approve an MRP Statement setting out what provision is to be made in the General Fund for the repayment of debt, and how the provision is to be calculated. The purpose of the Statement is to ensure the provision is prudent, allowing the debt to be repaid over a period reasonably commensurate with that over which the capital expenditure benefits. The Council is recommended to approve the statement as detailed in Appendix C.
- 2.10. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.
- 2.11. MRP Overpayments - A change introduced by the revised 2018 MHCLG (now DLUHC) MRP Guidance was the allowance that any charges made over the statutory MRP required, referred to as an overpayment and itemised as a voluntary revenue provision (VRP) can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, it is recommended to disclose the cumulative overpayment made each year in a disclosure statement to full Council. At 31 March 2021 the balance of VRP was £6.8m (£7.8m 31 March 2020).

### Core funds and expected investment balances

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

- 2.13. The cash investment balance will be kept at a minimum of £30m. The working capital and borrowing position will be managed to maintain this level of cash balances as a minimum position for the Authority.

## Borrowing

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

### Current portfolio position

- 3.1. The overall treasury management portfolio on 31 March 2021 and corresponding position at 31 December 2021 are shown below for both borrowing and investments.

Table 4: Borrowing Portfolio

| Borrowing Portfolio<br>£'000 | 31-Mar-21 |                  |                    | 31-Dec-21 |                  |                    |
|------------------------------|-----------|------------------|--------------------|-----------|------------------|--------------------|
|                              | Principal | Average Rate (%) | Average Life (yrs) | Principal | Average Rate (%) | Average Life (yrs) |
| - PWLB                       | 348,461   | 3.45%            | 36.04              | 348,461   | 3.45%            | 35.28              |
| - Market                     | 73,800    | 3.53%            | 41.69              | 73,800    | 3.53%            | 40.94              |
| Total borrowing              | 422,261   | 3.46%            | 37.02              | 422,261   | 3.46%            | 36.27              |

Table 5: Investment Portfolio

| Investment Portfolio<br>£'000 | 31-Mar-21 |                  |                     | 31-Dec-21 |                  |                     |
|-------------------------------|-----------|------------------|---------------------|-----------|------------------|---------------------|
|                               | Principal | Average Rate (%) | Average Life (days) | Principal | Average Rate (%) | Average Life (days) |
| - MMFs                        | 1,616     | 0.00%            | 1                   | 1,616     | 0.02%            | 1                   |
| - Banks                       | 80,838    | 0.01%            | 4                   | 116,543   | 0.01%            | 4                   |
| Total Investments             | 82,454    | 0.01%            | 4                   | 118,160   | 0.01%            | 4                   |

- 3.2. The Council maintains upper and lower limits with respect to the maturity structure of its borrowing. This Prudential Indicator, reflecting the earliest date at which a lender can require payment is set to ensure refinancing risk is managed regarding the concentration of loan maturities in any one period. Table 6 below illustrates the actual position on both 31 March 2021 and 31 December 2021, compared to the upper and lower limits in place.

Table 6: Maturity Structure of Borrowing

| Maturity structure of borrowing<br>2021/22 | Lower Limit | Upper Limit | Actual<br>31.03.21 | Actual<br>31.12.21 |
|--|-------------|-------------|--------------------|--------------------|
| Under 12 months                            | 0%          | 40%         | 5%                 | 6%                 |
| 12 months to 2 years                       | 0%          | 30%         | 1%                 | 0%                 |
| 2 years to 5 years                         | 0%          | 30%         | 0%                 | 0%                 |
| 5 years to 10 years                        | 0%          | 40%         | 5%                 | 5%                 |
| 10 years and above                         | 30%         | 100%        | 89%                | 89%                |

- 3.3. The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing

need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing. The expected change in borrowing has been calculated on the basis of maintaining an under borrowing position of £130m from 2022/23, replicating the actual position as 31 March 2021.

- 3.4. The underborrowing projection for 2021/22 within table 7 is high due to the CFR estimate of £648m which is based on the original capital programme. The Council's Q3 Monitoring Report identifies £108m of slippage in the 2021/22 Capital Programme. The final figure will be reflected in the actual CFR at 31 March 2022 but due to this slippage it is currently anticipated that no new borrowing will be undertaken over the remainder of 2021/22.

Table 7: Gross Debt v Capital Financing Requirement

| £'000                              | 2020/21<br>Actual | 2021/22<br>Estimate | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate |
|------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| <b>External Debt</b>               |                   |                     |                     |                     |                     |
| Borrowing at 1 April               | 422,261           | 422,261             | 422,261             | 510,080             | 556,558             |
| Expected change in borrowing       | 0                 |                     | 87,819              | 46,478              | 13,586              |
| Other long-term liabilities (OLTL) | 18,739            | 17,570              | 16,303              | 15,080              | 13,981              |
| Expected change in OLTL            | -1,169            | -1,267              | -1,223              | -1,099              | -996                |
| Actual gross debt at 31 March      | <b>439,831</b>    | <b>438,564</b>      | <b>525,160</b>      | <b>570,539</b>      | <b>583,129</b>      |
| CFR                                | <b>572,867</b>    | <b>648,191</b>      | <b>655,160</b>      | <b>700,539</b>      | <b>713,129</b>      |
| Under / (over) borrowing           | <b>133,036</b>    | <b>209,627</b>      | <b>130,000</b>      | <b>130,000</b>      | <b>130,000</b>      |

- 3.5. Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.
- 3.6. The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans, and the proposals in this budget report.
- 3.7. The Prudential Code framework is a principles-based system whereby the Council should demonstrate that its capital plans are prudent, affordable and sustainable. One of the Prudential Indicators of affordability is the ratio of financing costs to net revenue stream, assessing the actual and estimated cost of capital against the income of the Authority. Table 8 provides the expected trends based on the forthcoming capital programme, for both the General Fund and HRA.

Table 8: Ratio of Financing Costs to Net Revenue Stream

| Ratio of financing costs to net revenue stream % | 2020/21<br>Actual | 2021/22<br>Estimate | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate |
|--|-------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund                                     | 16%               | 18%                 | 19%                 | 20%                 | 20%                 |
| HRA  | 20%               | 19%                 | 20%                 | 21%                 | 22%                 |
| <b>Total</b>                                     | <b>16%</b>        | <b>18%</b>          | <b>19%</b>          | <b>20%</b>          | <b>20%</b>          |

## Treasury Indicators: limits to borrowing activity

### The operational boundary

- 3.8. This is the limit beyond which external debt is not normally expected to exceed. The boundary is based on the Council's programme for capital expenditure, capital financing requirement and cash flow requirements for the year.

Table 9: Operational Boundary

| Operational boundary<br>£'000 | 2020/21<br>Actual | 2021/22<br>Estimate | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate |
|-------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Borrowing                     | 594,393           | 630,621             | 638,857             | 685,459             | 699,148             |
| Other long term liabilities   | 18,520            | 17,570              | 16,303              | 15,080              | 13,981              |
| <b>Total</b>                  | <b>612,913</b>    | <b>648,191</b>      | <b>655,160</b>      | <b>700,539</b>      | <b>713,129</b>      |

### The authorised limit for external debt.

- 3.9. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council.
- 3.10. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
- 3.11. The Council is asked to approve the following authorised limit:

Table 10: Authorised Limit

| Authorised limit £'000      | 2020/21<br>Actual | 2021/22<br>Estimate | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate |
|-----------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| Borrowing                   | 624,393           | 660,621             | 668,857             | 715,459             | 729,148             |
| Other long term liabilities | 28,520            | 27,570              | 26,303              | 25,080              | 23,981              |
| <b>Total</b>                | <b>652,913</b>    | <b>688,191</b>      | <b>695,160</b>      | <b>740,539</b>      | <b>753,129</b>      |

## Prospects for Interest Rates

### PWLB Consultation

- 3.12. The Council's Treasury Management Adviser, Link Group, provided the following interest rate forecast on 20 December 2021. This includes forecasts for PWLB certainty rates, calculated as gilt yields plus 80 bps.
- 3.13. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

Link Group Interest Rate Forecast: 20<sup>th</sup> December 2021

| Link Group Interest Rate View 20.12.21 |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|  | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 |
| BANK RATE                              | 0.25   | 0.25   | 0.50   | 0.50   | 0.50   | 0.75   | 0.75   | 0.75   | 0.75   | 1.00   | 1.00   | 1.00   | 1.00   | 1.25   |
| 3 month ave earnings                   | 0.20   | 0.30   | 0.50   | 0.50   | 0.60   | 0.70   | 0.80   | 0.90   | 0.90   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| 6 month ave earnings                   | 0.40   | 0.50   | 0.60   | 0.60   | 0.70   | 0.80   | 0.90   | 1.00   | 1.00   | 1.10   | 1.10   | 1.10   | 1.10   | 1.10   |
| 12 month ave earnings                  | 0.70   | 0.70   | 0.70   | 0.70   | 0.80   | 0.90   | 1.00   | 1.10   | 1.10   | 1.20   | 1.20   | 1.20   | 1.20   | 1.20   |
| 5 yr PWLB                              | 1.40   | 1.50   | 1.50   | 1.60   | 1.60   | 1.70   | 1.80   | 1.80   | 1.80   | 1.90   | 1.90   | 1.90   | 2.00   | 2.00   |
| 10 yr PWLB                             | 1.60   | 1.70   | 1.80   | 1.80   | 1.90   | 1.90   | 2.00   | 2.00   | 2.00   | 2.10   | 2.10   | 2.10   | 2.20   | 2.30   |
| 25 yr PWLB                             | 1.80   | 1.90   | 2.00   | 2.10   | 2.10   | 2.20   | 2.20   | 2.20   | 2.30   | 2.30   | 2.40   | 2.40   | 2.50   | 2.50   |
| 50 yr PWLB                             | 1.50   | 1.70   | 1.80   | 1.90   | 1.90   | 2.00   | 2.00   | 2.00   | 2.10   | 2.10   | 2.20   | 2.20   | 2.30   | 2.30   |

- 3.14. Inflation concerns, particularly around energy prices is placing additional pressure on the Bank of England to raise Bank Rate faster than previously anticipated. On the 3 February 2022, the Bank of England raised Bank Rate a further 0.25% to 0.50% with CPI Inflation now expected to peak at 7.25% in April 2021 and remain above the 2% target for all of 2022 and 2023.
- 3.15. Investment returns are therefore expected to improve in 2022/23, with markets pricing in a further Bank Rate movements in 2022 and 2023.
- 3.16. Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England. In increasing Bank Rate to 0.5% the Bank of England have signalled the start of their approach to unwinding quantitative easing. Borrowing costs remain at low levels.
- 3.17. Additional commentary on the prospects for interest rates, (Appendix D) and economic background, (Appendix E) are contained within the appendices to this report. These commentaries predate the move by the Bank of England to raise Bank Rate on 3 February 2022.
- 3.18. Updates to Link Groups interest rate forecasts are received by officers throughout the year.

### **Borrowing strategy**

- 3.19. As shown in paragraph 3.1 on 31 December 2021 the Council had a debt portfolio of £422.261m, with an average rate of 3.46% and an average life of 36.3 years. Despite historical low borrowing costs there remains a short term cost of carrying excessive debt due to the differential between investment and borrowing costs.
- 3.20. The Council is currently maintaining an under-borrowed position, which was £133m at 31 March 2021. This means that the Capital Financing Requirement has not been fully funded with external loan debt as internal cash balances have been used temporarily to finance the capital programme. In foregoing lost investment income, the Council benefits from the differential between this and the external borrowing cost. This strategy is kept under review by the Director of Finance.
- 3.21. In terms of future borrowing, the Council has a range of funding sources available and will need to base its decisions on optimum borrowing times and periods taking into account current interest rates, forecast movements and the “cost of carry” (the difference between rates for borrowing and rates for investments).

3.22. It may be necessary to use temporary borrowing either from the money markets or from other local authorities to cover mismatches in the timing between capital grants and payments. However, with several Government grants now paid early in the financial year and robust daily monitoring of the cash flow position, the facility is unlikely.

3.23. Against this background and the risks within the economic forecast, caution will be adopted in the 2022/23 treasury management operations. The Treasury Management Group will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. This includes taking advice from Link Group, the Council's Treasury Management Advisers.

- *If it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*
- *If it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

3.24. The Council has previously adopted a single pooled approach for debt. Allocations to HRA are based on its CFR, with interest charged to HRA at the average rate on all external borrowing. Longer term, the HRA's ability to repay borrowing will depend on future revenues and the capital expenditure programme. New HRA debt taken is maintained in a separate pool.

#### **Policy on borrowing in advance of need**

3.25. The Council will not borrow more than or in advance of its needs purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

3.26. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

#### **Debt rescheduling**

3.27. Rescheduling of current borrowing in our debt portfolio is unlikely to occur due to the differential in PWLB new borrowing and premature redemption rates and the premiums quoted by market providers in respect of the Councils remaining LOBO loan.

3.28. Any debt rescheduling opportunities will be reviewed and assessed in respect of providing a benefit to the Authority over the remaining life of the loan(s).

3.29. All rescheduling will be reported to Cabinet at the earliest meeting following the exercise.

### Approved Sources of Long and Short term Borrowing

| On Balance Sheet                               | Fixed | Variable |
|--|-------|----------|
| PWLB   | ●     | ●        |
| Municipal bond agency                          | ●     | ●        |
| Local authorities                              | ●     | ●        |
| Banks  | ●     | ●        |
| Pension funds                                  | ●     | ●        |
| Insurance companies                            | ●     | ●        |
| UK Infrastructure Bank                         | ●     | ●        |
| Market (long-term)                             | ●     | ●        |
| Market (temporary)                             | ●     | ●        |
| Market (LOBOs)                                 | ●     | ●        |
| Stock issues                                   | ●     | ●        |
| Local temporary                                | ●     | ●        |
| Local Bonds                                    | ●     |          |
| Local authority bills                          | ●     | ●        |
| Overdraft                                      |       | ●        |
| Negotiable Bonds                               | ●     | ●        |
| Internal (capital receipts & revenue balances) | ●     | ●        |
| Commercial Paper                               | ●     |          |
| Medium Term Notes                              | ●     |          |
| Finance leases                                 | ●     | ●        |

### Annual Investment Strategy

#### Investment policy

- 4.0. The Council's investment policy has regard to the following: -
- *DLUHC's (formally MHCLG) Guidance on Local Government Investments 2018 ("the Guidance")*
  - *CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")*
  - *CIPFA Treasury Management Guidance Notes 2018*
- 4.1. The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.
- 4.2. The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -
- Minimum acceptable **credit criteria** are applied to generate a list of highly creditworthy counterparties. This also enables diversification and thus

avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

- **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
- **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix F under the categories of ‘specified’ and ‘non-specified’ investments.
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

4.3. The Council acknowledges that both specified and non-specified investments may be subject to valuation changes, both positive and negative, prior to maturing. The Director of Finance will take all reasonable steps to ensure that day to day liquidity does not rely on the sale of such investments prior to maturity, and therefore that the Council is not exposed to realising any losses. Moreover, the Director will take measures to ensure that any potential unrealised gains or losses are proportionate to revenue budgets and reserves

4.4. However, this Authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

### **Creditworthiness policy**

4.5. The primary principle governing the Council’s investment criteria is the security of its investments, although the return on the investment is also a key consideration. After this main principle, the Council will ensure that:

4.6. It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

- 4.7. It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested. The Director of Finance will maintain a counterparty list in compliance with the criteria detailed in Appendix F and will revise the criteria and submit any changes to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified as they provide an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.
- 4.8. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits, unless in the opinion of the Director of Finance, or a delegated manager authorised under the Financial Services and Markets Act 2000 (FSMA), there is an overriding reason to favour or disregard a particular agency's view. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, and the institution will fall outside the lending criteria.
- 4.9. Credit rating information is supplied by the Link Group on all active counterparties that comply with the prescribed criteria detailed in Appendix F. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.
- 4.10. The Council's criteria for an institution to become counterparty are detailed in Appendix F.

### **Country Limits**

- 4.11. The Council has determined that it will only use approved counterparties from the UK or from countries with a minimum sovereign credit rating of AA-. The current UK sovereign rating is AA- or equivalent. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

### **Investment Strategy**

#### **In-house Funds**

- 4.12. The Council's funds are mainly cash derived primarily from the General Fund and HRA. Balances are also held to support capital expenditure. Investments are made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

- 4.13. Since April 2011, pension fund cash balances have been held separately from those of the Council. However, a separate investment strategy has not been developed for the pension fund and all its cash is held on overnight call account with RBS and in separate money market funds.
- 4.14. As a result of the Council's strategy, cash balances available to invest and the interest rates available the only counterparties actively in use during 2020/21 have been Lloyds, Royal Bank of Scotland Group and Handelsbanken in addition to 2 MMFs Deutsche and Fidelity. When opportunities arise consistent with the Council's policies diversification will be sought.
- 4.15. As a route to diversification, along with additional improved service resilience, economies of scale and improved returns, the Council is considering joining a collective investment arrangement as part of a shared service with the GLA, managed by the GLA's investment subsidiary, London Treasury Limited, which is authorised and regulated by the Financial Conduct Authority.
- 4.16. The Cabinet report dated 15th July 2021, set out a recommendation that the Council becomes a participant in the shared service arrangement operated by the Greater London Authority (GLA) for the provision of treasury management services. This will include the Council transferring its investment balances into the GLA Group Investment Syndicate (GIS).
- 4.17. Work remains ongoing in respect of finalising the associated legal agreement to conclude negotiations to the satisfaction of the Director of Finance and Assurance in consultation with the Portfolio Holder for Finance and Resources together with the Director of Legal and Governance.
- 4.18. The draft pooled investment strategy for this arrangement is included within Appendix F but is subject to the agreement of all participating authorities; the Director of Finance is authorised, having taken proper advice from Link Group or other suitably qualified advisor, to agree amendments to this, provided that the underlying exposures of any amended strategy do not breach the limits set out in Appendix F.
- 4.19. The Authority has previously been given to place funds in 'non-standard investments' up to a value of £10m. This has been replaced by a 10% allocation to strategic investments.

#### **Investment returns expectations**

- 4.20. Link Group's Interest Rate Forecast from 20 December 2021 suggests that following the Bank Rate increase from 0.10% to 0.25% in December 2021, a further increase in Bank Rate to 0.5% would take place in 2022. On the 3 February 2022, the Bank of England raised Bank Rate a further 0.50% following inflation concerns which appear higher and more persistent than previously expected. CPI Inflation now expected to peak at 7.25% in April 2021 and remain above the 2% target for all of 2022 and 2023. Markets are currently pricing in an expectation for additional Bank Rate increases in 2022/23.
- 4.21. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

- 2022/23: 0.50%
- 2023/24: 0.75%
- 2024/25: 1.00%
- 2025/26: 1.25%

4.22. These investment return expectations may be revised based on updates to interest rate forecasts in light of the Bank of England's decision to increase Bank Rate to 0.5% on 3rd February 2022.

### **Investment treasury indicator and limit - total principal funds invested for greater than 365 days**

4.23. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

4.24. The Council is asked to approve the following treasury indicator and limit:

| <b>Upper limit for principal sums invested for longer than 365 days</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>£'000</b>  | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> |
| Principal sums invested for longer than 365 days                        | £60,000        | £60,000        | £60,000        |

### **Investment performance / risk benchmarking**

4.25. The Council previously used LIBOR rates for benchmarking purposes. The publication of LIBOR and associated LIBID rates ceased at the end of 2021, as part of a move within financial markets to move to risk free reference rates. For sterling markets LIBOR has been replaced with the Sterling Overnight Index Average (SONIA), published by the Bank of England, which is based on actual transactions between banks, financial institutions, and institutional investors.

4.26. Link Group will provide the Authority with compounded SONIA rates in the same way that they did with LIBOR / LIBID rates for investment benchmarking purposes.

4.27. The Council is a member of a Link Group's investment portfolio benchmarking group through which performance is measured against peer London authorities. The risk of default attached to the Council's portfolio is reported by Link Group on a monthly basis.

### **End of year investment report**

4.28. At the end of the financial year the Council will report on its investment activity as part of the Treasury Management Outturn Report.

## **Other Treasury Issues**

### **Derivatives**

5.0. A financial derivative is a contract, whose value is based on, or 'derived' from, an underlying financial instrument such as a loan. Local Authorities have

previously been able to make use of financial derivatives embedded into loans and investments, both to reduce interest rate risk (e.g. forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans).

- 5.1. The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires local authorities to clearly detail their policy in the use of derivatives in the annual strategy. The Council does not intend to use standalone financial derivatives (such as swaps, forwards, futures and options). No change in strategy will be made without Full Council approval.

### **Brokers**

- 5.2. The Council uses four brokers on a regular basis, as well as dealing directly with leading institutions. Wherever possible the Council will spread its business amongst them on a regular basis, though this may not always be possible. Brokers currently being used are:
  - RP Martins
  - Tradition
  - BGC Sterling
  - Imperial Treasury
- 5.3. The limited function performed by brokers is acknowledged; however, the Council would expect to be informed if a broker had any doubts about an organisation that we were dealing with.

### **Training**

- 5.4. The Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in this area. This especially applies to Members responsible for scrutiny.
- 5.5. The training needs of Treasury Management officers are periodically reviewed as part of the Learning and Development programme with appropriate training and support provided.

### **External Advisors**

- 5.6. The Council has engaged Link Group as its external Treasury Management Adviser.
- 5.7. It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council ensures that the terms of their appointment and the methods by which their value is assessed are properly agreed and documented and subjected to regular review.
- 5.8. However, the Council recognises that responsibility for treasury management decisions always remains with itself and will ensure that undue reliance is not placed upon external service providers.

## Implications of the Recommendation

6.0. The recommendations primarily relate to the requirements for the Council to comply with statutory duties. However, the content of the report, covering borrowing and investment strategies, has implications for the Council's ability to fund its capital projects and revenue activities.

### 7.0. Risk Management Implications

7.1. Risks included on corporate or directorate risk register? **Yes** - Contained on Resources Directorate risk register Risk 9: Loss of an investment/deposit

Separate risk register in place? **No**

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

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

| Risk Description   | Mitigations   | RAG Status |
|--|---|------------|
| Cash not available when needed   | <ul style="list-style-type: none"> <li>▪ Working capital and borrowing position designed to maintain the required level of cash balances</li> <li>▪ The balance of debt and investment operations ensure liquidity</li> <li>▪ The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy.</li> </ul> | Green      |
| Sums invested result in a loss   | The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.  | Amber      |
| Council's capital investment programme is not affordable, prudent or sustainable | <ul style="list-style-type: none"> <li>▪ One of the Prudential Indicators of affordability is the ratio of financing costs to net revenue stream, assessing the actual and estimated cost of capital against the income of the Authority. Table 8</li> <li>▪ Limits on borrowing activity</li> </ul>  | Green      |

| Risk Description   | Mitigations   | RAG Status |
|--|---|------------|
|  | <ul style="list-style-type: none"> <li>▪ The Council is currently maintaining an under-borrowed position. This is estimated to be £130m as at 31st March 2022.</li> </ul>   |            |
| VFM is not achieved  | <ul style="list-style-type: none"> <li>▪ The Council will monitor the yield from investment income against appropriate benchmarks for investment performance.</li> <li>▪ Regular monitoring of investment performance will be carried out during the year.</li> </ul>   | Green      |
| Provision made in the General Fund for debt is not prudent                 | <ul style="list-style-type: none"> <li>▪ MRP Statement setting out what provision is to be made in the General Fund for the repayment of debt, and how the provision is to be calculated. The purpose of the Statement is to ensure the provision is prudent, allowing the debt to be repaid over a period reasonably commensurate with that over which the capital expenditure benefits. Appendix C.</li> </ul>  | Green      |
| Too many loans mature in one period impacting on ability to refinance risk | <ul style="list-style-type: none"> <li>▪ The Council maintains upper and lower limits with respect to the maturity structure of its borrowing. This Prudential Indicator, reflecting the earliest date at which a lender can require payment is set to ensure refinancing risk is managed regarding the concentration of loan maturities in any one period.</li> </ul>  | Green      |
| Borrowing is undertaken for revenue or speculative purposes                | <ul style="list-style-type: none"> <li>▪ Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years</li> </ul> | Green      |
| Exceptional levels of volatility in PWLB rates                             | <ul style="list-style-type: none"> <li>▪ The Council's Treasury Management Adviser, Link Asset Services, has provided an interest rate forecast (Table 11).</li> <li>▪ There is expected to be little upward movement in PWLB rates over the next two years however from time to</li> </ul>   | Amber      |

| Risk Description         | Mitigations   | RAG Status |
|--------------------------|---|------------|
|                          | time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period. |            |
| Default on Council Loans | <ul style="list-style-type: none"> <li>▪ The risk of default attached to the Council's portfolio is reported by Link Asset Services on a monthly basis.</li> </ul>  | Green      |

7.2. The identification, monitoring and control of risk are central to the achievement of the treasury objectives. Potential risks are identified, mitigated and monitored in accordance with treasury practice notes approved by the Treasury Management Group.

## 8.0. Procurement Implications

There are no procurement implications arising from this report.

## 9.0. Legal Implications

The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report.

The Act, accompanying statutory guidance and Codes of Practice referred to through capital financing regulations requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This report assists the Council in fulfilling its statutory obligation under the Local Government Act 2003 to monitor its borrowing and investment activities.

## 10.0. Financial Implications

In addition to supporting the Council's revenue and capital programmes the Treasury Management interest budget is an important part of the revenue budget. Any savings achieved, or overspends incurred, have a direct impact on the financial performance of the budget.

There is no direct financial impact of paying the London living Wage (LLW) arising from treasury management activity.

## **11.0. Equalities implications / Public Sector Equality Duty**

There is no direct equalities impact.

## **12.0. Council Priorities**

This report deals with the Treasury Management Strategy which plays a significant part in supporting the delivery of all the Council's corporate priorities.

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

**Statutory Officer: Sharon Daniels**

Signed on behalf of the Chief Financial Officer

**Date: 7/02/2022**

**Statutory Officer: Jessica Farmer**

Signed on behalf of the Monitoring Officer

**Date: 7/02/2022**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Corporate Director

**Date: 7/02/2022**

**Head of Procurement: Nimesh Mehta**

Signed by the Head of Procurement

**Date: 7/02/2022**

**Head of Internal Audit: Susan Dixson**

Signed by the Head of Internal Audit

**Date: 7/02/2022**

### **Mandatory Checks**

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

**EqIA carried out: NO**

**EqIA cleared by: N/A**

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

**Contact:** Dawn Calvert, Director of Finance and Assurance  
[Dawn.Calvert@Harrow.gov.uk](mailto:Dawn.Calvert@Harrow.gov.uk)

**Background Papers:** None

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

## APPENDIX A

# LEGISLATION AND REGULATIONS IMPACTING ON TREASURY MANAGEMENT

The following items numbered 1 - 4 show the sequence of legislation and regulation impacting on the treasury management function. The sequence begins with primary legislation, moves through Government guidance and Chartered Institute of Public Finance and Accountancy (CIPFA) Codes of Practice and finishes with implementation through the Council's own Treasury Management Practices.

### 1. Local Government Act 2003

Link: [Local Government Act 2003](#)

Below is a summary of the provisions in the Act dealing with treasury management.

In addition the Secretary of State is empowered to define the provisions through further regulations and guidance which he has subsequently done through statutory instruments, Ministry of Housing, Communities and Local Government Guidance and CIPFA Codes of Practice.

#### **Power to borrow**

The Council has the power to borrow for purposes relevant to its functions and for normal treasury management purposes – for example, to refinance existing debt.

#### **Control of borrowing**

The main borrowing control is the duty not to breach the prudential and national limits as described below.

The Council is free to seek loans from any source but is prohibited from borrowing in foreign currencies without the consent of Treasury, since adverse exchange rate movements could leave it owing more than it had borrowed.

All of the Council's revenues serve as security for its borrowing. The mortgaging of property is prohibited.

It is unlawful for the Council to 'securitise', that is, to sell future revenue streams such as housing rents for immediate lump-sums.

#### **Affordable borrowing limit**

The legislation imposes a broad duty for the Council to determine and keep under review the amount it can afford to borrow. The Secretary of State has subsequently defined this duty in more detail through the Prudential Code produced by CIPFA, which lays down the practical rules for deciding whether borrowing is affordable.

It is for the Council (at a meeting of the full Council) to set its own 'prudential' authorised limit in accordance with these rules, subject only to the scrutiny of its external auditor. The Council is then free to borrow up to that limit without Government consent. The Council is free to vary the limit during the year, if there is good reason.

Requirements in other legislation for the Council to balance its revenue budget prevent the long-term financing of revenue expenditure by borrowing. However the legislation does confer limited capacity to borrow short-term for revenue needs in the interests of cash-flow management and foreseeable requirements for temporary revenue borrowing are allowed for when borrowing limits are set by the Council.

The Council is allowed extra flexibility in the event of unforeseen needs, by being allowed to increase borrowing limits by the amounts of any payments which are due in the year but have not yet been received.

### **Imposition of borrowing limits**

The Government has retained reserve power to impose 'longstop' limits for national economic reasons on all local authorities' borrowing and these would override authorities' self-determined prudential limits. Since this power has not yet been used the potential impact on the Council is not known.

### **Credit arrangements**

Credit arrangements (e.g. property leasing, PFI and hire purchase) are treated like borrowing and the affordability assessment must take account not only of borrowing but also of credit arrangements. In addition, any national limit imposed under the reserve powers would apply to both borrowing and credit.

### **Power to invest**

The Council has the power to invest, not only for any purpose relevant to its functions but also for the purpose of the prudential management of its financial affairs.

### **Guidance**

The Act contains a requirement for the Council to have regard to guidance:

- Issued directly by the Secretary of State
  - *DLUHC (formally MHCLG) Investment Guidance*
  - *DLUHC (formally MHCLG) MRP Guidance*
- Other guidance the Secretary of State may refer to through regulations
  - The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
    - *CIPFA Prudential Code*
    - *CIPFA Treasury Management Code of Practice*

## **2. Ministry of Housing, Communities and Local Government Investment Guidance (2018)**

The Guidance recommends that for each financial year the Council should prepare at least one Investment Strategy to be approved before the start of the year. The Strategy must cover:

- **Investment security**

Investments should be managed prudently with security and liquidity being considered ahead of yield

Potential counterparties should be recognised as "specified" and "non-specified" with investment limits being defined to reflect the status of each counterparty

- **Investment risk**  
Procedures should be established for monitoring, assessing and mitigating the risk of loss of invested sums and for ensuring that such sums are readily accessible for expenditure whenever needed.  
The use of credit ratings and other risk assessment processes should be explained  
The use of external advisers should be monitored. The training requirements for treasury management staff should be reviewed and addressed  
Specific policies should be stated as regards borrowing money in advance of need
- **Investment Liquidity**  
The Strategy should set out procedures for determining the maximum periods for which funds may prudently be committed

The Strategy should be approved by the full Council and made available to the public free of charge. Subject to full Council approval, or approved delegations, the Strategy can be revised during the year.

### **3. Ministry of Housing, Communities and Local Government Minimum Revenue Provision Guidance (2018)**

Minimum Revenue Provision (MRP) is the mechanism by which capital expenditure funded through prudential borrowing is charged to revenue over time. The aim of MRP is to align the charge to revenue over a period which the capital expenditure provides benefit.

Before the start of each financial year the Council is required to approve an MRP Policy Statement specifying how it will make prudent MRP during that year. Subject to full Council approval, the MRP Policy Statement can be revised during the year.

### **4. Treasury Management in the Public Services: CIPFA Code of Practice (2017) and Guidance Notes (2018)**

The primary requirements of the Code are:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices ("TMPs") that set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council or Cabinet of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy Statement - for the

year ahead, a Half-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body.

## **5. CIPFA Prudential Code (2017) and Guidance Notes (2018)**

The CIPFA Prudential Code is a framework developed to support local strategic planning, asset management and options appraisal. The objectives of the Prudential Code are to ensure that the Council's capital expenditure plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

The Prudential Code sets out a number of indicators which demonstrate the impact of the approved capital programme. The latest published version in 2017 introduced a new requirement for local authorities to produce an annual Capital Strategy, which sets out the long-term context in which capital expenditure and investment decisions are made.

## **6. CIPFA Treasury Management Code of Practice (2021) and Prudential Code (2021)**

**2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework**

CIPFA published the revised codes on 20 December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address ESG issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;

- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to TMP1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

In addition, all investments and investment income must be attributed to one of the following three purposes: -

### **Treasury management**

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

### **Service delivery**

Investments held primarily and directly for the delivery of public services including housing, regeneration, and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

### **Commercial return**

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

# TREASURY MANAGEMENT DELEGATIONS AND RESPONSIBILITIES

The respective roles of the Council, Cabinet, GARMSC, the Section 151 officer, the Treasury Management Group the Treasury and Pensions Manager and the Treasury Team are summarised below. Further details are set out in the Treasury Management Practices.

### **Council**

Under the Constitution, the Council is responsible for “decisions relating to the control of the Council’s borrowing requirement.”

It agrees the annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

### **Cabinet**

Under the Constitution, the Cabinet “will exercise all of the local authority functions which are not the responsibility of any other part of the local authority, whether by law or under this Constitution.”

It considers and recommends to Council the annual Treasury Management Strategy Statement and receives a mid-year report and annual outturn report on Treasury Management activities.

### **Governance, Audit, Risk Management and Standards Committee**

GARMSC reviews the Treasury Management Strategy and monitors progress on treasury management in accordance with CIPFA codes of practice.

### **Director of Finance (Section 151 Officer)**

Under S151 of the Local Government Act 1972 the Council “shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.” At Harrow, this responsibility is exercised by the Director of Finance.

The Director is responsibility for implementing the policies agreed by the Council and Cabinet.

Under the Local Government Finance Act 1988 and the Local Government Act 2003 the Director also has responsibilities in respect of budget arrangements and the adequacy of resources. In terms of Treasury Management this means that the financing costs of the Capital Programme are built into the Revenue Budget as are any assumptions on investment income.

The Director chairs the Treasury Management Group and agrees major treasury management decisions, specifically including any borrowing decisions, delegated to officers.

### **Treasury Management Group**

Comprises Director of Finance, Head of Strategic and Technical Finance (Deputy S151 Officer), Treasury and Pensions Manager, Senior Finance Officer and is responsible for:

- Monitoring treasury management activity against approved strategy, policy, practices and market conditions;
- Ensuring that capital expenditure plans are continually reviewed in line with budget assumptions throughout the year to forecast when borrowing will be required.
- Approving changes to treasury management practices and procedures;
- Reviewing the performance of the treasury management function using benchmarking data on borrowing and investment provided by the Treasury Management Adviser (Link Asset Services);
- Monitoring the performance of the appointed Treasury Management Adviser and recommending any necessary actions
- Ensuring the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;
- Monitoring the adequacy of internal audit reviews and the implementation of audit recommendations

### **Treasury and Pensions Manager**

Responsible for the execution and administration of treasury management decisions, acting in accordance with the Council's Treasury Management Strategy Statement and CIPFA's "Standard of Professional Practice on Treasury Management"

### **Treasury Team**

Headed by Senior Finance Officer with responsibility for day-to-day treasury and investment and borrowing activity in accordance with approved Strategy, policy, practices and procedures and for recommending changes to the Treasury Management Group

### Minimum Revenue Provision (MRP) Policy Statement

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be the equal annual reduction of 2% of the outstanding debt at 1 April 2015 for the subsequent 50 years.
- For all capital expenditure financed from unsupported (prudential) borrowing (including PFI and finance leases), MRP will be based upon an asset life method in accordance with Option 3 of the guidance.
- In some cases where a scheme is financed by prudential borrowing it may be appropriate to vary the profile of the MRP charge to reflect the future income streams associated with the asset, whilst retaining the principle that the full amount of borrowing will be charged as MRP over the asset's estimated useful life.
- The regulations allow the Council to charge VMRP, which can be used to reduce future MRP by the same amount. A change introduced by the revised MHCLG MRP Guidance is that the voluntary MRP must be disclosed in a statement to the full council in order to reclaim it in future years as deemed necessary and prudent. As at March 2020, the VRP is £6.8m.
- Estimated life periods and amortisation methodologies will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.
- Freehold land cannot properly have a life attributed to it, so for the purposes of Asset Life method it will be treated as equal to a maximum of 50 years. But if there is a structure on the land which the authority considers to have a life longer than 50 years, that same life estimate will be used for the land.
- As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
- Repayments included in annual PFI or finance leases are applied as MRP.

- Where borrowing is undertaken for the construction of new assets, MRP will only become chargeable once such assets are completed and operational.
- Under Treasury Management best practice the Council may decide to defer borrowing up to the capital financing requirement (CFR) and use internal resources instead. Where internal borrowing has been used, the amount chargeable as MRP may be adjusted to reflect the deferral of actual borrowing.

## APPENDIX D

### APPENDIX D: Link Group: Interest Rate Forecasts 2021 – 2025.

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

The Link Group forecasts are as at 20.12.21 and will be updated after the MPC meeting on 3.2.22. The Capital Economics forecasts are as at 12.1.22.

| Link Group Interest Rate View |  | 20.12.21 |        |        |        |        |        |        |        |        |        |        |        |        |
|-------------------------------|--|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                               |  | Mar-22   | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 |
| <b>BANK RATE</b>              |  | 0.25     | 0.50   | 0.50   | 0.50   | 0.75   | 0.75   | 0.75   | 0.75   | 1.00   | 1.00   | 1.00   | 1.00   | 1.25   |
| 3 month ave earnings          |  | 0.30     | 0.50   | 0.50   | 0.60   | 0.70   | 0.80   | 0.90   | 0.90   | 1.00   | 1.00   | 1.00   | 1.00   | 1.00   |
| 6 month ave earnings          |  | 0.50     | 0.60   | 0.60   | 0.70   | 0.80   | 0.90   | 1.00   | 1.00   | 1.10   | 1.10   | 1.10   | 1.10   | 1.10   |
| 12 month ave earnings         |  | 0.70     | 0.70   | 0.70   | 0.80   | 0.90   | 1.00   | 1.10   | 1.10   | 1.20   | 1.20   | 1.20   | 1.20   | 1.20   |
| 5 yr PWLB                     |  | 1.50     | 1.50   | 1.60   | 1.60   | 1.70   | 1.80   | 1.80   | 1.80   | 1.90   | 1.90   | 1.90   | 2.00   | 2.00   |
| 10 yr PWLB                    |  | 1.70     | 1.80   | 1.80   | 1.90   | 1.90   | 2.00   | 2.00   | 2.00   | 2.10   | 2.10   | 2.10   | 2.20   | 2.30   |
| 25 yr PWLB                    |  | 1.90     | 2.00   | 2.10   | 2.10   | 2.20   | 2.20   | 2.20   | 2.30   | 2.30   | 2.40   | 2.40   | 2.50   | 2.50   |
| 50 yr PWLB                    |  | 1.70     | 1.80   | 1.90   | 1.90   | 2.00   | 2.00   | 2.00   | 2.10   | 2.10   | 2.20   | 2.20   | 2.30   | 2.30   |
| <b>Bank Rate</b>              |  |          |        |        |        |        |        |        |        |        |        |        |        |        |
| Link                          |  | 0.25     | 0.50   | 0.50   | 0.50   | 0.75   | 0.75   | 0.75   | 0.75   | 1.00   | 1.00   | 1.00   | 1.00   | 1.25   |
| Capital Economics             |  | 0.50     | 0.75   | 1.00   | 1.25   | 1.25   | 1.25   | 1.25   | 1.25   | -      | -      | -      | -      | -      |
| <b>5yr PWLB Rate</b>          |  |          |        |        |        |        |        |        |        |        |        |        |        |        |
| Link                          |  | 1.50     | 1.50   | 1.60   | 1.60   | 1.70   | 1.80   | 1.80   | 1.80   | 1.90   | 1.90   | 1.90   | 2.00   | 2.00   |
| Capital Economics             |  | 1.80     | 1.90   | 2.10   | 2.20   | 2.20   | 2.30   | 2.40   | 2.40   | -      | -      | -      | -      | -      |
| <b>10yr PWLB Rate</b>         |  |          |        |        |        |        |        |        |        |        |        |        |        |        |
| Link                          |  | 1.70     | 1.80   | 1.80   | 1.90   | 1.90   | 2.00   | 2.00   | 2.00   | 2.10   | 2.10   | 2.10   | 2.20   | 2.30   |
| Capital Economics             |  | 2.00     | 2.10   | 2.20   | 2.30   | 2.30   | 2.40   | 2.50   | 2.50   | -      | -      | -      | -      | -      |
| <b>25yr PWLB Rate</b>         |  |          |        |        |        |        |        |        |        |        |        |        |        |        |
| Link                          |  | 1.90     | 2.00   | 2.10   | 2.10   | 2.20   | 2.20   | 2.20   | 2.30   | 2.30   | 2.40   | 2.40   | 2.50   | 2.50   |
| Capital Economics             |  | 2.20     | 2.30   | 2.50   | 2.70   | 2.70   | 2.70   | 2.80   | 2.90   | -      | -      | -      | -      | -      |
| <b>50yr PWLB Rate</b>         |  |          |        |        |        |        |        |        |        |        |        |        |        |        |
| Link                          |  | 1.70     | 1.80   | 1.90   | 1.90   | 2.00   | 2.00   | 2.00   | 2.10   | 2.10   | 2.20   | 2.20   | 2.30   | 2.30   |
| Capital Economics             |  | 1.90     | 2.00   | 2.20   | 2.40   | 2.50   | 2.60   | 2.70   | 2.90   | -      | -      | -      | -      | -      |

### Economic Background

#### COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

#### A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3<sup>rd</sup> February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5<sup>th</sup> May, the release date for its Quarterly Monetary Policy Report.

- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

#### **MPC MEETING 16<sup>H</sup> DECEMBER 2021**

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30<sup>th</sup> September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.
- **On 10<sup>th</sup> December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
- **On 14<sup>th</sup> December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to

4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.
- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!
- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%**. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented

that “there has been significant upside news” and that “there were some signs of greater persistence in domestic costs and price pressures”.

- On the other hand, it did also comment that “**the Omicron variant is likely to weigh on near-term activity**”. But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now “these conditions had been met”. It also appeared more worried about the possible boost to inflation from Omicron itself. It said that “the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation”. It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning “global price pressures might persist for longer”. (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)
- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years’ time**, which at November’s meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a “**modest tightening**” in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. “Modest” seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.
- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory**, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.
- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November’s statement that Bank Rate would be raised “in the coming months”. That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3<sup>rd</sup> February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
  - Raising Bank Rate as “the active instrument in most circumstances”.
  - Raising Bank Rate to 0.50% before starting on reducing its holdings.
  - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
  - Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15<sup>th</sup> December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly \$120bn QE purchases announced at its November 3<sup>rd</sup> meeting, was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – “maximum employment”. The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being “transitory” and instead referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”. It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

- **EU.** The slow roll out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That

could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.
- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.
- **SUPPLY SHORTAGES.** The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

## APPENDIX F

### Counterparties and approved investments

#### Specified Investments

These are sterling investments with high credit quality of a maturity period of not more than 365 days, or those which could be for a longer period but where the lender has the right to be repaid within 365 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. The instruments and credit criteria to be used are set out in the table below.

#### Non-Specified Investments

Non-specified investments are any other type of investment (i.e. not defined as Specified above). They normally offers the prospect of higher returns but carry a higher risk.

The Director of Finance will make best efforts to maintain at least 50% of all investments in the form of Specified Investments.

**Table 1** sets out the range of specified and non-specified investments permitted by the Council. This has been expanded from previous years to give the Council flexibility to join a collective investment arrangement with the GLA should this be agreed. The table uses the following key:

S = Specified

NS = Non Specified

NS\* = Non Specified, only used under delegation to a professional manager properly authorised under the Financial Services and Markets Act.

The draft GLA collective investment strategy is as follows:

|   |                             | Allocation | Expected Rate |
|---|-----------------------------|------------|---------------|
| Core Liquidity:<br>Managed with<br>a weighted<br>average life of<br>90 days | Overnight liquidity         | 10%        | 0.00%         |
|   | Local Authority <12mths     | 15%        | 0.10%         |
|   | Banks <12mths               | 30%        | 0.10%         |
| Medium term:<br>Weighted<br>average life <<br>3years                        | Senior RMBS                 | 35%        | 0.70%         |
| Long term core<br>balance   | Other Strategic Investments | 10%        | 4.00%         |
|   |                             | 100%       | 0.69%         |

This is subject to collective agreement by the participating authorities, currently the GLA, the London Fire Commissioner (LFC), the Mayor's Office for Policing and Crime (MOPAC), the London Legacy Development Corporation (LLDC) and the London Pensions Fund Authority (LPFA). Should the Council join,

agreeing the strategy with the other participants is delegated to the Director of Finance, provided the limits in Table 1 are not exceeded.

Subject to the above, this strategy authorises the Director of Finance to invest up to 100% of cash alongside the GLA and also delegates the legal form of such investment to the Director, provided the underlying risk and reward reflects approved instruments.

| Investment type   | Eligibility criteria   | ≤ 1 year to maturity at time of investment | > 1 year to maturity at time of investment | Maximum total exposure as a proportion of forecast daily balance |
|---|--|--|--|--|
| <b>Senior Unsecured Debt, e.g.</b> <ul style="list-style-type: none"> <li>• Deposits</li> <li>• Call Accounts</li> <li>• Notice Accounts</li> <li>• Certificates of Deposit</li> <li>• Loans</li> <li>• Commercial Paper</li> <li>• UK Gilts and T-Bills</li> <li>• All other senior unsecured bonds</li> </ul> | Issuer (and security where separately rated)<br>Investment Grade (IG) defined per <b>Table 3</b><br><br>OR<br><br>UK Government (including the Debt Management Account Deposit Facility, Local Authorities and bodies eligible for PWLB finance)<br><br>OR | S  | NS   | Aggregate 100%, individual limits determined by tables           |

| Investment type  | Eligibility criteria  | ≤ 1 year to maturity at time of investment | > 1 year to maturity at time of investment | Maximum total exposure as a proportion of forecast daily balance |
|--|---|--|--|--|
|  | Issuer not meeting general criteria but instruments explicitly guaranteed by IG entity or sovereign national government meeting acceptable sovereign ratings per <b>Table 2</b> . |  |  |  |
| <b>Money Market Funds</b>  | Fitch AAA <sub>mmf</sub> or above<br>See <b>Table 3</b> for equivalents from other agencies.<br><br>Daily liquidity   | S  | N/A  | 100%<br><br><i>Not more than 20% per fund</i>                    |
| <b>Other Collective Investment Schemes e.g. Enhanced Cash Funds</b>                | Fitch AAA <sub>r</sub> or equivalent from other agencies per <b>Table 3</b> .   | NS   | N/A  | 20%  |
| <b>Senior UK Prime or Buy to Let Residential Mortgage Backed Securities (RMBS)</b> | Bond rating Fitch AA <sub>+</sub> <sup>sf</sup> or above or equivalent from other agencies per <b>Table 3</b> .   | NS*  | NS*  | 35%  |
| <b>Covered bonds</b>   | Bond rating Fitch AA <sub>+</sub> <sup>sf</sup> or equivalent from other agencies per <b>Table 3</b>  | NS*  | NS*  | 20%  |

| Investment type  | Eligibility criteria   | ≤ 1 year to maturity at time of investment  | > 1 year to maturity at time of investment | Maximum total exposure as a proportion of forecast daily balance  |
|--|--|---|--|---|
|  | <p>AND</p> <p>Issuer rated Fitch A- or above or equivalent from other agencies per <b>Table 3</b></p>  |   |  |   |
| <b>Repurchase Agreements (Repo)</b>  | <p>Counterparty meets senior unsecured criteria AND proposed collateral (Min 100%) itself meets permitted investment criteria</p> <p>Or</p> <p>Collateralisation is &gt;102% with UK Gilts / T-Bills</p> | <p>S* – UK gilts or T-Bills AND Counterparty meets senior unsecured criteria</p> <p>NS* – other</p> | <i>Not permitted.</i>                      | <p>S – 100%</p> <p>NS – 20%, and not more than 10% with counterparties not meeting senior unsecured criteria.</p> |
| <b>Other strategic investments (only to be held within authorised and regulated funds)</b> | Any sterling-denominated investment with risk and return characteristics appropriate to the collective investment arrangement and mutually agreed by all participants.                                   | NS*   | NS*  | 10%   |

## **Credit Ratings and Country Limits**

Maximum exposures to non-UK financial institutions apply by country, based on the relevant sovereign ratings outlined in the table below:

**Table 2 – Country Limits**

| <b>Max. Aggregate Exposure (%)</b> | <b>Fitch Sovereign Rating</b> | <b>S&amp;P Sovereign Rating</b> | <b>Moody's Sovereign Rating</b> |
|------------------------------------|-------------------------------|---------------------------------|---------------------------------|
| 25                                 | AAA                           | AAA                             | Aaa                             |
| 15                                 | AA+                           | AA+                             | Aa1                             |
| 5                                  | A                             | A                               | A                               |

Note: for non-UK, non-financial institutions, or in circumstances such as an instrument being issued through a subsidiary domiciled in one country but guaranteed or otherwise secured by a parent in another, the risks and appropriate country limit (if any, in the case of multinational corporations) in which to aggregate the exposure will be considered on a case by case basis and determined by the Director of Finance or delegated manager.

Table 3 sets out the range of investment grade ratings used by the Council and its investment managers.

**Table 2 - Permitted credit ratings and equivalence mappings:**

| <b>Issuer and/or Senior Unsecured Bond Ratings</b> |                |                |                   |                |                |
|--|----------------|----------------|-------------------|----------------|----------------|
| <b>Long term</b>                                   |                |                | <b>Short term</b> |                |                |
| <b>Fitch</b>                                       | <b>Moody's</b> | <b>S&amp;P</b> | <b>Fitch</b>      | <b>Moody's</b> | <b>S&amp;P</b> |
| AAA  | Aaa            | AAA            |                   |                |                |
| AA+  | Aa1            | AA+            |                   |                |                |
| AA   | Aa2            | AA             | F1+               | P-1            | A-1+           |
| AA-  | Aa3            | AA-            |                   |                |                |
| A+   | A1             | A+             |                   |                |                |
| A  | A2             | A              | F1                | P-1            | A-1            |
| A-   | A3             | A-             |                   |                |                |
| BBB+   | Baa1           | BBB+           |                   |                |                |
| BBB  | Baa2           | BBB            | F2                | P-2            | A-2            |
| <b>Structured Finance Ratings</b>                  |                |                |                   |                |                |
| <b>Fitch</b>                                       |                | <b>Moody's</b> | <b>S&amp;P</b>    |                |                |
| AAA <sub>sf</sub>                                  |                | Aaa (sf)       | AAA (sf)          |                |                |
| AA+ <sub>sf</sub>                                  |                | Aa1 (sf)       | AA+ (sf)          |                |                |
| <b>Money Market Fund Ratings</b>                   |                |                |                   |                |                |
| <b>Fitch</b>                                       |                | <b>Moody's</b> | <b>S&amp;P</b>    |                |                |
| AAA <sub>mmf</sub>                                 |                | Aaa-mf         | AAAm              |                |                |
| <b>Other Permitted Fund Ratings</b>                |                |                |                   |                |                |
| <b>Fitch</b>                                       |                | <b>Moody's</b> | <b>S&amp;P</b>    |                |                |
| AAA <sub>r</sub>                                   |                | Aaa-bf         | AAAf              |                |                |

Lower ratings are balanced by higher ones in order to maintain credit risk on rated instruments that is no greater than a 12 month deposit with AA-institution. This is determined by assigning a credit factor to each rated investment, per **Table 4** and calculating a weighted average portfolio credit factor (PCF). This must remain below 5 and no single instrument may exceed 10.

**Table 4 – Credit Factors**

| Credit Factors based on Issuer Default Rating (Fitch and Fitch Equivalents) |      |      |      |       |       |       |       |       |        |
|---|------|------|------|-------|-------|-------|-------|-------|--------|
| Use instrument rating or if not rated, rating of Issuer.                    |      |      |      |       |       |       |       |       |        |
| Days  | AAA  | AA+  | AA   | AA-   | A+    | A     | A-    | BBB+  | BBB    |
| O/N   | 0.01 | 0.01 | 0.01 | 0.01  | 0.02  | 0.03  | 0.04  | 0.07  | 0.10   |
| 2-7   | 0.02 | 0.04 | 0.06 | 0.10  | 0.15  | 0.20  | 0.30  | 0.50  | 0.80   |
| 8-30  | 0.10 | 0.15 | 0.25 | 0.40  | 0.60  | 0.75  | 1.30  | 2.10  | 3.50   |
| 31-60   | 0.20 | 0.30 | 0.50 | 0.80  | 1.20  | 1.50  | 2.60  | 4.20  | 7.00   |
| 61-90   | 0.25 | 0.50 | 0.75 | 1.25  | 1.50  | 2.50  | 5.00  | 7.50  | 10.00  |
| 91-120  | 0.35 | 0.65 | 1.00 | 1.50  | 2.30  | 3.30  | 6.60  | 10.00 | 13.50  |
| 121-150   | 0.40 | 0.80 | 1.25 | 2.10  | 2.90  | 4.20  | 8.30  | 12.50 | 16.50  |
| 151-180   | 0.50 | 1.00 | 1.50 | 2.50  | 3.50  | 5.00  | 10.00 | 15.00 | 20.00  |
| 181-210   | 0.60 | 1.20 | 1.75 | 3.00  | 4.00  | 5.80  | 11.70 | 17.50 | 23.50  |
| 211-240   | 0.70 | 1.30 | 2.00 | 3.30  | 4.70  | 6.60  | 13.30 | 20.00 | 27.00  |
| 241-270   | 0.75 | 1.50 | 2.25 | 3.75  | 5.25  | 7.50  | 15.00 | 22.50 | 30.00  |
| 271-300   | 0.80 | 1.70 | 2.50 | 4.20  | 5.80  | 8.30  | 16.70 | 25.00 | 33.50  |
| 301-330   | 0.90 | 1.85 | 2.75 | 4.60  | 6.50  | 9.20  | 18.50 | 27.50 | 37.00  |
| 331-397   | 1.00 | 2.00 | 3.00 | 5.00  | 7.00  | 10.00 | 20.00 | 30.00 | 40.00  |
| 398-730   | 2.70 | 5.30 | 8.00 | 13.00 | 19.00 | 27.00 | 43.00 | 69.00 | 106.00 |

For the purposes of the above, UK Government (including the Debt Management Account Deposit Facility, Local Authorities and bodies eligible for PWLB finance) securities are treated as AAA, reflecting the UK's highly centralised and interdependent public finance regime.

Enhanced limits apply for these counterparties and institutions covered by Link Asset Services' Colour Banding Methodology:

**Table 5 – Concentration Limits**

| <b>Cash Exposure Limits – applied to individual counterparties</b> |                  |                   |
|--|------------------|-------------------|
| <b>Band</b>  | <b>Overnight</b> | <b>&gt; 1 day</b> |
| <b>UK Sovereign</b>  | 100%             | 100%              |
| <b>Yellow</b>  | 50%              | 25%               |
| <b>Purple</b>  | 50%              | 20%               |
| <b>Orange</b>  | 25%              | 15%               |
| <b>Red</b>   | 25%              | 10%               |
| <b>Green</b>   | 10%              | 5%                |
| <b>No Colour</b>   | 5%               | 5%                |

The Bands above are calculated based on a range of credit ratings data, including published rating Watches and Outlooks.  
The Council's own bank has an emergency overnight limit of 100%, to allow for unexpected payment events.

### Capital Strategy 2022-23

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## **Section 1 – Principles of the CAPITAL STRATEGY**

### **1. Introduction**

In December 2017, the Chartered Institute of Public Finance & Accountancy issued a revised Prudential and Treasury Management Code, requiring all local authorities to produce a Capital Strategy report from 2019/20 onwards to show:

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

This capital strategy meets the requirement by setting out the Council's capital investment programme and how it contributes to the achievement of strategic priorities being refreshed through the Borough Plan, while considering resource availability and the wider financial context. It is intended to be supportive of the Council's other strategy framework documents.

### **2. Objectives**

The strategy details show how the Council sets out its priorities for Capital investment including links to existing delivery plans and strategy documents. It also considers the ways in which capital expenditure may be financed, including the impact that the Strategy has on the budgets of both the General Fund and the Housing Revenue Account (HRA). The strategy will also set out the links with Treasury Management objectives and determine the authority's approach to risk in those objectives.

This document is part of the Council's business planning process from both a financial and service perspective. It sets out a framework whereby the authority's capital resources can be effectively allocated to those projects which may help the Council achieve wider corporate objectives, protect existing assets and support financial sustainability.

#### **Principles of the Capital Strategy**

1. Capital Investment is a vital tool in delivering strategic priorities.
2. The Capital Programme will include only those schemes in accordance with the agreed criteria.
3. The Council will consider schemes purely to generate a commercial return to support the budget.
4. The evaluation of capital schemes for inclusion on the programme will follow an agreed process which allows scrutiny whilst not limiting innovation and adaptability.

5. The funding of the Capital Programme must be considered alongside the revenue budget and balance sheet position as part of the Council's Medium Term Financial Strategy (MTFS).
6. Capital projects will be monitored and reported to Cabinet on a quarterly basis.

### **3. Background**

As part of its wider treasury management objectives the Council must have regard to the “Prudential Code for Capital Finance in Local Authorities” (henceforth to be referred to as the Prudential Code), as produced by the Chartered Institute of Public Finance & Accountancy (CIPFA). The 2017 revision of the Prudential Code introduces the requirement for authorities to produce a Capital Strategy from 2019/20. It is a live document underpinning the Council’s Capital Programme and therefore will be subject to amendment.

### **4. Capital Expenditure**

Capital Expenditure is that which is incurred on the acquisition, creation or enhancement of an asset. These assets can be tangible such as buildings or vehicles, as well as intangible such as software products.

### **5. The link between Revenue and Capital**

Capital and revenue expenditure are separate components of local authority budgets and funding for each is considered separately. However, a vital component of successful financial planning is that revenue and capital budgets are intrinsically linked as the impact of capital expenditure must be reflected in revenue budgets. Therefore this capital strategy should be deemed to form a key part of the authority’s medium term financial planning process.

The impact and affordability of capital expenditure must be considered in the assessment of capital projects at the business case stage. Effective financial planning must fully reflect the impact of capital plans in the revenue budget.

The following table sets out some of the key impacts of capital expenditure upon the revenue budget.

|  |
|--|
| <p><b>Revenue Savings</b></p> <ul style="list-style-type: none"> <li>•Direct Income from assets</li> <li>•Reduced maintenance costs of new or improved assets</li> <li>•Savings in labour costs</li> </ul> <p><b>Revenue Costs</b></p> <ul style="list-style-type: none"> <li>•Running costs of new assets</li> <li>•Minimum Revenue Provision (loan principal)</li> <li>•Interest costs from borrowing</li> </ul> |
|--|

As an indication of the current cost of the existing capital programme, the table below shows the capital financing costs that are already factored into the existing MTFS for 2022/23 to 2024/25 in relation to the existing and historic capital programmes:

**Capital Financing Costs as % of the Net Revenue Budget for 2022/23 of £183.3m**

|         | Capital Financing Costs | Capital financing costs as % of 2022/23 Net Budget |
|---------|-------------------------|--|
|         | £m                      | %  |
| 2022/23 | 35.0                    | 19.0%  |
| 2023/24 | 36.1                    | 19.7%  |
| 2024/25 | 36.3                    | 19.8%  |

## 6. The Purpose of Capital Investment

Investment through capital expenditure may serve a number of purposes; these can typically be classified as being related to service priorities and commercial investments.

Commercial investments are those which are entered into with the explicit objectives of returning a surplus for Council and therefore improving the financial sustainability of the Council. These may include:

- Acquisition of Property to deliver a commercial return, usually through rental
- Investments in outside organisations with the view to making a return
- Investments which neither deliver a financial return nor achieve a service objective for the Council should not be considered for inclusion on the Capital Programme.

## 7. Existing Capital Priorities

Service directorates were invited to bid for capital resources, as part of their service proposals for 2022/23 to 2024/25.

In view of the current financial climate and reduced external funding service directorates were asked to limit new capital proposals to the following categories:

- a. Life and Limb/Health and Safety.
- b. Statutory Requirement/legislation.
- c. Schemes fully funded by external sources.
- d. Invest to Save Schemes (the capital expenditure must generate a revenue stream to cover the capital financing costs and make a net contribution to the MTFS).

The updated Capital Programme 2022/23 to 2024/25 will be approved by Cabinet/Council in February 2022.

## **8. Use of Commercial Investment**

The Council took its Investment Property Strategy to Council in December 2015. Under this strategy the Council has incurred £47m to 31 March 2022 on commercial investments. In July 2019 the Council approved £100m Capital Programme borrowing to finance long term commercial investment as part of the 2 Year Budget Strategy 2021/22 to 2021/22. As at 31 March 2020 £6.4m of the £100m approval had been applied to the purchase of commercial property. The remaining £94m was removed from the Capital Programme as reported in the Final Capital Programme report and the Final Revenue Budget report 2021/22 which are both reported to cabinet in February 2021.

## **9. Asset Management**

Asset Management is the process by which the authority considers whether its assets are appropriate to deliver the high quality services demanded by residents. This process may identify a number of different outcomes for assets including:

- Change in use to meet the demands of a service
- Investment is required to improve the condition of an asset
- A new asset is required to better meet the Council priorities
- The need to dispose of the asset to realise its value in monetary terms

The Council will use active asset management to consider both its current asset base and its future asset base. The capital programme will be used to bridge the gap to ensure that the authority has sufficient assets in the long term.

## **10. Capital Disposals**

The asset management process may determine that the value of an asset is best realised through disposal. Sale of assets should be through an open market process to determine the best value.

Cash received from a sale of a property is a capital receipt. The use of these funds is restricted to purchasing new assets or repayment of existing debt. The Council will not make decisions about the ring-fencing of capital receipts before amounts are known and the use of such receipts has been considered in the light of the Council's overall financial position.

The existing General Fund capital programme includes a limited amount of capital receipts in relation to two regeneration schemes – Haslam House and Waxwell Lane. The HRA capital programme includes assumptions on levels of right to buy receipts as well as other capital receipts.

## **11. Multi-Year Capital Projects**

Capital projects deliver assets which will provide services and/or income to the Council for a number of years. As a result of the significance and complexity of a number of these projects they may take a number of years to plan and deliver.

When setting the Capital Programme Council will approve the schemes to be included, the budget for their delivery and the timescale in which they are to be achieved. Unless schemes have clearly defined development and delivery phases with separate objectives, budgets and timescales Council should be asked to approve a budget to cover the whole of the project being delivered. Approval of the entire budget at the point of inception gives certainty for the project and assists officers in ensuring delivery.

The budget for approval will include an expected cash flow projection showing how much of the anticipated project budget will be incurred in each year of the Capital Programme. Any variations in timing of cash flows between years will be reported as part of the budget monitoring process. This should be regarded as part of the normal development of a capital project.

## **12. Use of capital receipt flexibilities**

In the Spending Review 2015, it was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to send up to 100% of their fixed asset receipts on the revenue costs of reform projects. This flexibility was initially offered for the three years 2016/17 to 2018/19 but was extended as a part of the 2018/19 Finance settlement for a further 3 years from 2019/20 to 2021/22.

The Department for Levelling Up, Housing and Communities have been contacted and the scheme will continue beyond 2021/22 with announcements in due course. Until such announcements are made, the principles of the existing flexibilities will be assumed.

The Council signified its intent to make use of this flexibility in its final budget report to Cabinet and Council in February 2016. From November 2016, Cabinet approved a number of asset disposals and the capital receipts from these disposals are being applied within the new flexibilities. In 2019/20 £3.1m of capital flexibilities were applied in the budget. For 2020/21 there was no planned use of capital flexibilities set out in the budget. The 2021/22 Final budget report set out the use of £2m for the financial year 2021/22. The final MTFs 2022/23 to 2024/25 does not assume any capital flexibilities being applied to core budget over the three years.

## **Section 2 – SELECTING, APPROVING AND MONITORING CAPITAL SCHEMES**

### **13. The Importance of Capital Business Cases**

The processes described in the following section are to be regarded as the authority's formal procedures for setting and monitoring capital projects. This

process has been developed to ensure that the Council's Capital Programme contains schemes which are in line with objectives, meet its asset management requirements and are both affordable and deliverable. This process will give elected members confidence that decisions they are being asked to make regarding the capital programme have been based on a sound system of decision making.

All capital schemes included in the Capital Programme have been the subject of an evaluation process including a business case to ensure the Council can target its capital resources effectively.

#### **14. Information to be considered in Capital Decision Making**

When making decisions as to which schemes are included on the capital programme the presented business case must include information on these main factors.

- Financials – All anticipated costs and potential revenue streams must be set out. This should include risk analysis to show factors which may impact upon those numbers and where appropriate sensitivity analysis to show potential future scenarios.
- Strategic Objectives – As discussed capital schemes must meet Council priorities and the ability of a scheme to impact upon objectives must be clearly demonstrated. This should include the wider social and environmental impact of the capital project. This must be accompanied by evidence supporting the conclusions made.
- Capacity - All capital schemes, even those funded by external sources, require officers within the Council to implement them and this must be considered as part of the appraisal process. Where a project requires the procuring of additional resource to deliver the scheme this detail must be included in the financial analysis.
- Deliverability - The success of capital projects depends not just on the financial and non-financial resources of the Council. External factors which impact on the deliverability of the project should also be considered as part of the planning process.

#### **15. Governance of the Capital Programme**

This strategy sets out the governance relationship relating to the Capital Programme and the respective role of Members and Officers in relation to the decision making process. The roles of the various groups are as follows.

Decision making on the Capital Programme is likely to be an iterative and often circular process with information flowing both ways between these respective groups.

As an example the following timescale may be followed for producing the Capital Programme during the main budget setting process.

### **Council**

- Formally agrees the Capital Programme
- Receives budget monitoring reports covering financial and non-financial elements of capital schemes
- Approves commercial capital investments

### **Capital Forum**

- Allows panel a chance to comment on capital schemes before formal approval of releasing the funding approved as part of the Capital Programme

### **Corporate Team**

- Reviews Business Cases submitted
- Performs initial sift of viable schemes
- Approves proposed list of capital schemes

### **Service Managers / Heads of Service**

- Identify priorities and opportunities for capital investment
- Act as, or appoint, project managers to lead on schemes and complete outline business cases

## **16. In-Year Capital Decisions**

Selecting projects to go onto the Capital Programme must remain possible outside of the usual capital budget setting process. The authority needs the flexibility to take advantage of schemes which present themselves at any stage during the year.

## **17. Monitoring Capital Projects**

Effective monitoring of projects is a vital element of good capital governance.

Capital projects are often significant not only in terms of financial resources required but in terms of organisational capacity, impact upon Service delivery and reputational risk. It is therefore vital that there is sufficient monitoring carried out upon schemes to allow stakeholders to be informed of progress and for members and officers to make decisions as required.

In order to meet these requirements the Corporate Team prepare quarterly monitoring report showing the current spend against capital projects, the forecast for the end of the financial year include the underspend or slippage into the following year at the end of each financial quarter, with an outturn report at year-end.

Cabinet receive quarterly information on the progress of capital projects as part of the quarterly finance update.

## **Section 3 - FINANCING THE CAPITAL PROGRAMME**

### **18. Capital Funding**

There are a number of distinct sources of funding which can be utilised to finance capital expenditure. Some funding sources are ring fenced and can only be used for Housing Revenue Account capital expenditure, or a particular capital project. Consideration of funding must be made when projects are at the planning stage. No capital project will be put forward without funding having been identified to complete the project. Where capital schemes are in multiple phases, perhaps requiring an initial development phase to ensure funding for the final phases, this will be considered as part of the planning stage and clearly reported.

Capital funding cannot be used to fund revenue costs which may arise from a capital scheme such as consultant's costs on feasibility before a project is identified.

### **19. Capital Resources**

#### **Capital Receipts**

The sale of assets with a value of more than £10,000 generates income known as capital receipts. Legislation requires these to be spent on either new capital investment or the repayment of existing debt. The government is allowing some flexibility in the use of capital receipts up until 31 March 2022 to fund revenue costs of transformation projects where these are expected to generate revenue savings in future years.

HRA Right to Buy compulsory sale of council houses generate receipts that may be retained to cover the cost of transacting the sales and to cover outstanding debt on the property sold, but a proportion of the remainder must be surrendered to Central Government.

All other HRA capital receipts may be retained provided they are spent on affordable housing, regeneration or paying off housing debt.

General Fund capital receipts can be retained in full. These can arise from the sale of land and buildings, vehicles, plant and equipment, and also through the repayment of loans or grants.

An active asset management planning process is needed to review the asset requirements of the Council and therefore to identify surplus assets which may be sold to generate capital receipts.

#### **Prudential Borrowing**

The Council is able to borrow money on the money market or from the Public Works Loans Board (PWLB) to fund capital schemes. A preferential Certainty

Rate of interest is allocated to Councils who apply for it and it is the policy of this Council to take advantage of the certainty rate each year.

For all schemes initially funded from borrowing, the Council will have to fund the repayment and interest costs as there is no longer any central government “supported borrowing” allocations and related revenue support.

The Council is only able to borrow for Prudential Borrowing, under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Council is required to ensure that all borrowing is both prudent and affordable. All schemes funded from prudential borrowing are approved by full Council. As part of the Treasury Management Strategy each year full Council approves a limit for affordable borrowing and capital schemes will be considered in the light of that limit.

## **20. External Funding**

### **Capital Grant from Government or Government Agency**

Central government and government agencies provide capital grant funding that can be either ring fenced or non-ring fenced. Examples of ring fenced grants that the Council has received are disabled facilities grants (DFG’s) and Heritage Lottery Fund (HLF) funding.

### **Community Infrastructure Levy (CIL)**

Any monies received from developers for infrastructure from the Community Infrastructure Levy will not be allocated to a specific service but will be allocated under the CIL arrangements (“the Regulation 123 List”) in line with Council’s capital scheme priorities.

The process for allocating CIL funds will be in accordance with the process agreed by Cabinet

### **Community Infrastructure Levy (CIL) Funding**

The Community Infrastructure Levy (CIL) enables the council to raise funds for infrastructure from new development. It is levied on the net increase in floor space arising from new developments and is paid when that development starts. The Community Infrastructure Levy (CIL) is a tool for local authorities to support the development of their area by funding the provision, improvement, replacement, operation or maintenance of infrastructure. However the focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area.

CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities. Harrow’s list of strategic infrastructure requirements known as a Regulation 123 list is shown below:

### Regulation 123 List

The following table comprises Harrow Council's Regulation 123 List. It includes the strategic infrastructure that the Council currently considers it is likely to apply CIL revenues to. The Regulation 123 List will be kept under review and may change depending upon the following:

- Changes to local or national funding streams in respect of CIL eligible infrastructure; and
- The requirements of the regulations governing the level of the "meaningful proportion" of CIL that is to be passed to local communities.

| Infrastructure currently considered likely to benefit from the application of CIL funding |  |
|---|--|
| Education facilities  | Early years, primary and secondary schools   |
| Health services   | GPs, acute healthcare  |
| Social care   | Supported accommodation  |
| Emergency services  | Police, Ambulance and Fire Services  |
| Cultural and community facilities   | Libraries and community halls  |
| Improvements to public open space   | Parks, natural green space, civic space and green corridors and green grid                         |
| Improvements to biodiversity  |  |
| Public recreation and leisure facilities  | Neighbourhood and Youth Play space, sports and leisure centres, swimming pools and playing pitches |
| Cemeteries and burial space   |  |
| Strategic transport facilities  | Roads, buses, cycling, rail and underground  |
| Strategic flood mitigation  |  |

Of all CIL monies collected, 85% is used to fund strategic borough wide infrastructure projects, which includes a 5% allowance to cover the administrative costs of CIL. The decisions on where to spend CIL at a borough-wide level is determined by the Council. The remaining 15% is allocated to Neighbourhood CIL (NCIL) and must be spent on projects that have taken account of the views of the communities in which the income was generated and these projects should support the development of the area.

A report was presented to the Major Development Panel (MDP) on 14<sup>th</sup> November 2017, recommending that the allocation of Borough and Neighbourhood CIL is included as part of the Annual Budget Setting process and included in the Capital Programme report which goes to Cabinet in draft in December and in February in its final version. The recommendations from the Major Development Panel (MDP) report were agreed by Cabinet on 7<sup>th</sup> December 2017 which agreed:

- *the allocation of the Borough Community Infrastructure Levy (CIL) be included as part of the Annual Budget Setting process and included in the Capital Programme report which is presented to Cabinet every year in December (draft budget) and February (final budget);*
- Specific projects to be funded by Neighbourhood CIL can be put forward by the relevant Directorates / Ward members and assessed against the criteria outlined in the CIL Allocations report agreed by the Major Development Panel in November 2017. The final decision on what projects are funded from the agreed NCIL allocations will be delegated to the Divisional Director – Regeneration and Planning, in consultation

with the Portfolio Holders for Regeneration and Planning, and Finance and Commercialisation

. The recommendation for NCIL was as follows:

- (i) *the broad allocation of Neighbourhood CIL be agreed as part of the Capital Programme (based on available funds at the time and allocated as per 3(i) and 3(ii) above), and included in the Capital Programme report which is presented to Cabinet every year in December (draft budget) and February (final budget).*
- (ii) *Once the broad allocation of NCIL is agreed as part of the Capital Programme, individual projects put forward by the relevant Directorates / Ward Members be assessed against the criteria outlined in section 7 of the MDP report (including the extent of consultation and level of community support), with the final decision on what projects were funded from the agreed CIL allocations being delegated to the Divisional Director of Regeneration and Planning, following consultation with the Portfolio Holders for Regeneration and Planning, and Finance and Commercialisation.*

The Borough CIL element will be used to fund the core Capital programme and can be considered as a funding source for new capital bids as well as existing projects in the Capital programme.

In addition to the principles already reached on how CIL funding should be used to fund the capital programme, in light of the budget gaps in future years, it was recommended by Cabinet in December 2018, that CIL should be **first** be applied to any schemes in the existing capital programme rather than applying it to new schemes. The rationale for this is that if applied to schemes that are currently funded from borrowing, by funding from CIL instead, this will reduce the existing capital financing costs.

### **Section 106 Agreements**

Developer consents may attract Section 106 funding to spend on a particular asset or site as an alternative to CIL.

### **Capital contributions from partner organisation**

When capital projects are devised it is open for project managers to invite funding from a range of partner organisations.

**Revenue contributions** Services who are leading a capital project may make savings within their revenue budgets during a particular year and in some circumstances use that saving to part-fund a capital project.

## **21. Policy on use of Capital Funding**

The Council will look to use external funding sources where possible to meet the funding requirements of its capital programme.

Where the use of Council resources are required the authority will look to utilise reserves, revenue funding or capital receipts as these create no long term revenue cost implications on the Council.

Borrowing will be used as the last possible source of funding and should be restricted only to those schemes which generate sufficient savings or income to meet the costs of interest and the Minimum Revenue Provision.

Any borrowing incurred to support the provision of new build housing within the Housing Revenue Account must be demonstrated to be affordable over a period of 30 years.

## **22. Relationship between Capital Strategy and Treasury Management**

Treasury management refers to the processes of managing and reporting on the Council's performance in matters of investment and borrowing.

The Council's policy on Treasury Management has numerous links to the Capital Strategy. It is not intended that this Strategy replace the reporting requirements of the Treasury Management Strategy and includes a summary of the major points of that strategy and associated governance processes.

Key Treasury decisions are the responsibility of full Council and are contained within the Treasury Management Strategy.

These include:

- Approved limits on borrowing
- Limits for investment types and counterparty limits
- Planned capital expenditure
- Estimates for the future Capital Financing Requirement
- Policy on the Minimum Revenue Provision

Detailed discussion on these matters is delegated to the GARMS Committee who then makes recommendations to Cabinet. The key impact of a capital programme using borrowing is the creation of a "Capital Financing Requirement" (CFR). The CFR represents the need to borrow external funds as a result of expenditure funded through borrowing. Having a CFR creates the need for a Minimum Revenue Provision (MRP), a sum to be put to one side each year from the General Fund for repayment of debt.

The Council's MRP policy is to make provision for the repayment of debt equally over the life of the asset that the borrowing relates to. The Audit and Standards Committee receive at a minimum a mid-year monitoring report for Treasury management and an end of year outturn report. Where circumstances require,

such as a material fall in the value of investments, a report would be prepared and presented to the next meeting of the Committee by the S151 Officer.

## **Section 4- RISK MANAGEMENT**

### **23. Embedding Risk Management in the Capital Programme**

The Capital Strategy must be considered alongside the principles of risk management. Risks are inevitable within a capital programme, as with all aspects of Council operations, and effective management of risk is a vital part of the capital strategy.

The types of risk the authority is exposed to in the Capital Programme are summarised below:

- Financial Risk – The risk of significant cost overruns or commercial investments not performing as expected. The authority has a low appetite for this risk as it would impact upon available resources. Mitigation will be in the form of close scrutiny of capital spending through the budget monitoring process.
- Strategic Risk – The risk of not delivering key Council priorities or projects. Mitigation will be in the form of careful selection and planning of capital projects before commencement and project managers reviewing project progress and taking corrective action where necessary. Major changes in the outcomes of schemes will be reported to the appropriate Committee.
- Governance risk – The risk of capital spending decisions not being appropriately considered and decisions not being made at the correct level. Mitigation is the governance principles contained within the capital strategy.
- Resourcing risk – The risk that insufficient funds are available to fund the capital programme or that the incorrect type of funds is applied to capital projects. This is mitigated by the financing of capital projects being reviewed by the S151 Officer as part of the budget setting and the outturn.

### **24. Knowledge and Skills within the organisation**

The Property Services team has officers of multiple disciplines who are experienced at leading capital projects, managing the Council's property portfolio and working within the local property market. They have experience of dealing with acquisitions, disposals, new commercial and residential development and redevelopment of brownfield sites.

The Finance team are involved in the development and monitoring of the Capital Programme. They have many years of experience in managing local authority capital programmes.

Legal Services will be provided by the Council's in-house legal team who will form a key part of the decision making around Capital projects. All solicitors are required to complete an annual Statement of Competence to the regulatory body to ensure any professional training needs are identified and addressed.

Where necessary external advice may be sought for all types of financial, property and legal advice. These costs, or at least appropriate estimates, will be included in the business cases of capital schemes.

Officers will work with members to ensure that training needs for elected members are appropriately identified. As a minimum annual training will be provided around the Treasury Management Strategy.

### Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.
- **Bail-In** – previously, in response to the banking crisis, some governments used taxpayer funds to support banks in danger of failing. The European Union’s Banking Recovery and Resolution Directive (BRRD) requires that, in future, ‘bail in’ will be applied in such a scenario; this means that after shareholders’ equity, depositors’ funds comprising balances over c£85k will be used to support the bank at risk. The £85k threshold is not available to local authorities and therefore all unsecured deposits with banks and building societies will be at risk of ‘bail in’.
- **Base Rate** – minimum lending rate of a bank or financial institution in the UK
- **Bond** – a government or public company’s document undertaking to repay borrowed money usually with a fixed rate of interest.
- **Capital Expenditure** – spend on major items e.g. land and buildings, which adds to and not merely maintains the value of existing fixed assets.
- **Capital Grants** – specific targeted grants to cover capital spend
- **Capital Receipts** – the proceeds from the disposal of land or other assets. Capital receipts can be used to fund capital expenditure but cannot be used to finance revenue.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.
- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.
- **Credit Rating** – an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders’ reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor’s and Moody’s. They analyse credit worthiness under four headings:

- **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.
  - **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to ‘risky’ markets.
  - **Individual/Financial Strength Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank or national government.
  - **Legal Support Rating** - a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.
  - The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.
- **DMADF and the DMO** – The DMADF is the ‘Debt Management Account Deposit Facility’; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty’s Treasury.
  - **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal is eroded, and so the total amount reduces with each instalment.
  - **Gilts** – the name given to bonds issued by the UK Government (i.e. the loan instrument by which the Government borrows). Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt, e.g. a 30 year gilt is issued in 1994 at £1, bearing interest of 8%. In 1999 the market value of the gilt is £1.45. The yield on that gilt is calculated as  $8\%/1.45 = 5.5\%$ .
  - **Lender Option Borrower Option (LOBO)** - LOBOs are a long term borrowing instrument commonly used by banks. It is an alternative lender option to the Government’s Public Works Loan Board. In simple terms the instrument gets its name because the lender has an option to set revised interest rates at predetermined dates, and at which point the borrower has the option to accept the revised rates or pay the debt in full without penalty.
  - **LIBID** – The London Interbank Bid Rate, the rate which banks would have to bid to borrow funds from other banks for a given period. The official rate is published by the Bank of England at 11am each day based on trades up to that time. The average 7 day rate is the benchmark the Council uses for its own investment performance.
  - **Liquidity** – Relates to the amount of readily available, or short term, investment money which can be used for either day to day or unforeseen

expenses. For example Call Accounts allow instant daily access to invested funds.

- **Market** – The private sector institutions e.g. banks, building societies.
- **Maturity** - Type of loan where only payments of interest are made during the life of the loan, with the total amount of principal falling due at the end of the loan period.
- **Minimum Revenue Provision (MRP)** – A statutory amount charged to the Council's revenue account for the provision to repay the loan principal on debt undertaken to finance the Capital Programme. For the Council this is done on a straight line basis in-line with the asset life and commences the financial year after the asset is operational.
- **Monetary Policy Committee (MPC)** – group that sets the bank base rate for the Bank of England.
- **Money Market Fund (MMF)** – A highly diversified pooled investment vehicle whose assets mainly comprise of short term instruments.
- **Multilateral Development Banks (MDB)** – these are supranational institutions set up by sovereign states, which are their shareholders (e.g. European Investment Bank). Their remits reflect the development aid and cooperation policies established by these states.
- **Policy and Strategy Documents** – Documents required by the CIPFA Code of Practice on Treasury Management in Local Authorities. These set out the framework for treasury management operations during the year.
- **Public Works Loans Board (PWLB)** – a central government agency providing long and short term loans to Local Authorities. Rates are set daily at a margin over the Gilt yield (see Gilts above). Loans may be taken at fixed or variable rates and as an Annuity, Maturity, or EIP loans (see separate definitions) over periods of up to fifty years. Financing is also available from the money markets, however because of its nature the PWLB is generally able to offer better terms.
- **Yield** – The amount in cash (in percentage terms) that returns to the owners of an investment e.g. interest earned from a deposit.

**Report for: Cabinet**

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|                                     |   |
|-------------------------------------|---|
| <b>Date of Meeting:</b>             | 10 February 2022  |
| <b>Subject:</b>                     | Final Capital Programme 2022/23 to 2024/25  |
| <b>Key Decision:</b>                | Yes - involves expenditure in excess of £1m   |
| <b>Responsible Officer:</b>         | Dawn Calvert - Director of Finance and Assurance  |
| <b>Portfolio Holder:</b>            | Councillor Natasha Proctor - Deputy Leader and Portfolio Holder for Finance and Resources   |
| <b>Exempt:</b>                      | No  |
| <b>Decision subject to Call-in:</b> | Yes   |
| <b>Wards affected:</b>              | All   |
| <b>Enclosures:</b>                  | Appendix 1 – Proposed Capital Programme 2022/23 to 2024/25 (including new additions at Appendix 2)<br><br>Appendix 2 – Additions to the Capital Programme |

## Section 1 – Summary and Recommendations

This report sets out the proposed Capital proposals for the financial years 2022/23 to 2024/25

### Recommendations:

1. Cabinet is requested to recommend the capital programme, as detailed within Appendix 1, to Council for approval.

**Reason:** To enable the Council to have an approved Capital Programme for 2022/23 to 2034/25.

## Section 2 – Report

### Capital Programme 2022/23 to 2024/25

1. This report sets out the Council's proposals for Capital investment over the financial years 2022/23 to 2023/25, which provide for significant investment in the General Fund and Housing Revenue Account (HRA). The focus of this report and the implications relate to the General Fund as the HRA is covered in a separate report elsewhere on this agenda. The HRA Capital Budgets are included in Appendix 1 for completeness.

### 2. Development of the Capital Programme

Each year as part of the Annual Budget setting process services are requested to put forward proposals for new Capital required for the period of the Medium-Term Financial strategy. These "new proposals" therefore represent an addition to the existing Capital Programme agreed by cabinet and Council in the previous February Budget setting. Therefore, this report sets out (in Appendix 2), all new capital being added to the programme over and above that agreed by cabinet in February 2021.

3. The criteria used for the inclusion of new bid remains unchanged from previous years which is for capital to be contained within the following categories:
  - a. Life and Limb/Health and Safety.
  - b. Statutory Requirement/legislation.
  - c. Schemes fully funded by external sources.
  - d. Invest to Save Schemes (the capital expenditure must generate a revenue stream to cover the capital financing costs and make a savings contribution).

### Cost of the Capital Programme

4. The Capital Programme can be funded from a variety of funding sources. Where the Capital Programme is funded from capital grants, external partnership funding, Borough Community Infrastructure Levy (BCIL) and revenue funding such as reserves; this will not attract any form of capital financing cost and has no impact on the revenue budget. Schemes funded from borrowing, will attract a capital financing cost and therefore a direct impact on the revenue budget.

5. Although there are no specific limits to borrowing in order to fund capital expenditure, the Council must be prudent when considering the revenue implications in the context of the overall revenue budget commitments in the medium term and the Capital Programme must be affordable.
6. Table 1 shows the revised capital financing cost budgets that are factored into the MTFs from 2022/23 to 2024/25 in relation to the Capital Programme that is to be agreed in February 2022 and it shows what proportion of the 2022/23 net revenue budget of £183.3m is made up of Capital Financing costs.

**Table 1 - Capital Financing Costs as % of the Net Revenue Budget for 2022/23 of £183.3m**

|         | Capital Financing Costs | Capital financing costs as % of 2022/23 Net Budget |
|---------|-------------------------|--|
|         | £m                      | %  |
| 2022/23 | 35.0                    | 19.0%  |
| 2023/24 | 36.1                    | 19.7%  |
| 2024/25 | 36.3                    | 19.8%  |

7. The capital financing cost of the existing Capital programme 2022/23 to 2024/25 (**to be agreed at Council in February 2022**) is £35.0m in 2022/23 and then increases to £36.3m by 2024/25. These figures also relate to the cost of historic capital programmes.
8. The figures in Table 1, will also include capital financing costs which relate to projects put into the programme to generate enough revenue to cover their capital financing costs and therefore are cost neutral and do not impact on the revenue budget as a direct cost. If these costs were removed from the figures in Table 1, it would reduce the overall percentage figure. However, for prudence the figures are included on the basis that the requirement on borrowing is definite but the requirement to generate revenue is not guaranteed.

**Capital proposals put forward 2022/23 to 2024/25**

9. The total proposed Capital Programme for 2022/23 to 2024/25 is detailed in Appendix 1. The additions to the Programme, which are over and above what was in the existing Capital Programme (agreed February 2021) is detailed in appendix 2. Table 2 sets out the total proposed Capital Programme.

**Table 2 – Total Capital Programme 2022/23 to 2024/25**

| Project Title                               | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Total                   |                                  |   |
|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
|   | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
| Total Resources and Commercial Directorate  | 2,550                   | 0                                | 2,550                                       | 1,850                   | 0                                | 1,850                                       | 3,550                   | 0                                | 3,550                                       | 7,950                   | 0                                | 7,950                                       |
| Total Schools                               | 2,000                   | 2,000                            | 0   | 9,071                   | 9,071                            | 0   | 0                       | 0                                | 0   | 11,071                  | 11,071                           | 0   |
| Total People's Directorate                  | 2,000                   | 2,000                            | 0   | 9,071                   | 9,071                            | 0   | 0                       | 0                                | 0   | 11,071                  | 11,071                           | 0   |
| Community Directorate                       | 0                       | 0                                | 0   | 0                       | 0                                | 0   | 0                       | 0                                | 0   |                         |                                  |   |
| Total Environment                           | 15,802                  | 6,791                            | 9,011                                       | 16,856                  | 5,750                            | 11,106                                      | 14,702                  | 2,541                            | 12,161                                      | 47,360                  | 15,082                           | 32,278                                      |
| Total Cultural Services                     | 200                     | 0                                | 200   | 170                     | 0                                | 170   | 170                     | 0                                | 170   | 540                     | 0                                | 540   |
| Total Housing General Fund                  | 7,792                   | 1,722                            | 6,070                                       | 7,792                   | 1,722                            | 6,070                                       | 1,842                   | 1,722                            | 120   | 17,426                  | 5,166                            | 12,260                                      |
| Total Regeneration, Enterprise and Planning | 8,710                   | 1,600                            | 7,110                                       | 3,915                   | 1,500                            | 2,415                                       | 1,500                   | 1,500                            | 0   | 14,125                  | 4,600                            | 9,525                                       |
| Total Community Directorate                 | 32,504                  | 10,113                           | 22,391                                      | 28,733                  | 8,972                            | 19,761                                      | 18,214                  | 5,763                            | 12,451                                      | 79,451                  | 24,848                           | 54,603                                      |
| Total General Fund                          | 37,055                  | 12,114                           | 24,941                                      | 39,654                  | 18,043                           | 21,611                                      | 21,764                  | 5,763                            | 16,001                                      | 98,472                  | 35,919                           | 62,553                                      |
| Total HRA                                   | 34,124                  | 28,838                           | 5,286                                       | 69,920                  | 22,188                           | 47,732                                      | 44,317                  | 23,642                           | 20,675                                      | 148,361                 | 74,668                           | 73,693                                      |
| Total General Fund + HRA                    | 71,179                  | 40,952                           | 30,227                                      | 109,574                 | 40,231                           | 69,343                                      | 66,081                  | 29,405                           | 36,676                                      | 246,833                 | 110,587                          | 136,246                                     |

10. The gross value of the General Fund proposed capital programme for 2022/23 to 2024/25 as detailed in Appendix 1 and summarised in Table 2 is **£98.472m**. Of the total cost of £98.472m, **£35.919m** is funded by external sources such as grants as well as internal sources such as the Borough Community Infrastructure Levy (BCIL). This leaves a net cost of **£62.553m**. The net cost figure is the element of the Programme which requires financing from borrowing.

**Change to the original Capital Programme**

11. Overall, the net increase in the Programme in relation to new proposals is £16.071m as detailed in Appendix 2 and summarised in Table 3. The total of capital bids across the 3 year period amounts to £24.334m of which £8.263m can be funded from a combination of Borough CIL (BCIL), assumed external grants and reserves, which leaves a net figure £16.071m which would require funding from borrowing.

Table 3 – New Proposals for 2022/23 to 2024/25

| Project Title               | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Grand Total             |                                  |   |
|-----------------------------|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
|                             | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
| Total Resources             | -                       | -                                | -   | -                       | -                                | -   | 3,550                   | -                                | 3,550                                       | 3,550                   | -                                | 3,550                                       |
| Total People's Directorate  | 2,000                   | 2,000                            | -   | -                       | -                                | -   | -                       | -                                | -   | 2,000                   | 2,000                            | -   |
| Total Community Directorate | 50                      | -                                | 50  | 520                     | 500                              | 20  | 18,214                  | 5,763                            | 12,451                                      | 18,784                  | 6,263                            | 12,521                                      |
| Total General Fund          | 2,050                   | 2,000                            | 50  | 520                     | 500                              | 20  | 21,764                  | 5,763                            | 16,001                                      | 24,334                  | 8,263                            | 16,071                                      |

12. Whilst the request was for services to put forward bids for 2024/25 (on the basis that there is already an existing approved Capital Programme to 2023/24), out of the net £16.071m total for all bids, there are 2 bids across 2022/23 and 2023/24 which total £70k (£50k 2022/23 and £20k 2023/24) , with the remaining £16.001m all relating to 2024/25.

13. Table 4 sets out the changes between the existing Capital Programme (which covers the period 2022/23 to 2023/24) and the proposed programme which extends a further year to 2024/25. The reconciliation below shows that there is a net increase of £14.8m between the 2 Programmes.

14. The reconciliation in Table 4 shows that as well as the net increase in proposals in Table 3 of £16.071m, there has also been a net reduction of £1.238m, which brings the overall increase in the programme down to £14.8m. This reduction of £1.238m will be used to contribute to the £2m saving in the budget on Capital Financing costs included in the Budget report elsewhere on this agenda.

**Table 4 - Changes to the Capital Programme between February 2021 and February 2022**

|   | Gross Budget  | External Funding | Net Budget  | Gross Budget | External Funding | Net Budget  | Gross Budget | External Funding | Net Budget   | Total Gross Budget | Total External Funding | Total Net Budget   |
|---|---------------|------------------|-------------|--------------|------------------|-------------|--------------|------------------|--------------|--------------------|------------------------|--------------------|
|   | 2022/23       | 2022/23          | 2022/23     | 2023/24      | 2023/24          | 2023/24     | 2024/25      | 2024/25          | 2024/25      | 2022/23 to 2024/25 | 2022/23 to 2024/25     | 2022/23 to 2024/25 |
|   | £000          | £000             | £000        | £000         | £000             | £000        | £000         | £000             | £000         | £000               | £000                   | £000               |
| Original General Fund Capital Programme agreed by Cabinet in February 2021  | 49285         | 23671            | 25614       | 34315        | 12208            | 22107       | 0            | 0                | 0            | 83600              | 35879                  | 47721              |
| Total General Fund Capital Programme to agreed by Cabinet in February 2022  | 37055         | 12114            | 24941       | 39654        | 18043            | 21611       | 21764        | 5763             | 16001        | 98473              | 35920                  | 62553              |
| <b>Movement between 2021 and 2022 agreed Programmes</b>   | <b>-12230</b> | <b>-11557</b>    | <b>-673</b> | <b>5339</b>  | <b>5835</b>      | <b>-496</b> | <b>21764</b> | <b>5763</b>      | <b>16001</b> | <b>14873</b>       | <b>41</b>              | <b>14832</b>       |
| <u>Analysis of the Movement</u>   |               |                  |             |              |                  |             |              |                  |              |                    |                        |                    |
| Addition of New bids from Appendix 2  | 2050          | 2000             | 50          | 520          | 500              | 20          | 21764        | 5763             | 16001        | 24,334             | 8,263                  | 16,071             |
| Realignment of Schools Capital Programme between years (grant funded)   | -9071         | -9071            | 0           | 9071         | 9071             | 0           | 0            | 0                | 0            | 0                  | 0                      | 0                  |
| Climate Emergency - Energy emissions reduction measures - substitute borrowing with available Carbon offset fund  |               | 250              | -250        | 0            | 0                | 0           | 0            | 0                | 0            | 0                  | 250                    | -250               |
| Disabled Facility Grant - Reduction of planned spend to be capped at grant  | -389          | 84               | -473        | -432         | 83               | -515        | 0            | 0                | 0            | -821               | 167                    | -988               |
| Property Acquisition Programme - 2021/22 onwards , there is no availability to use RTB 1-4-1 receipts due to changes in legislation.  | -2,550        | -2,550           | 0           | -2,550       | -2,550           | 0           | 0            | 0                | 0            | -5,100             | -5,100                 | 0                  |
| Wealdstone Major Transport Infrastructure project: Liveable Neighbourhood. This multiple-year project was originally included in 2021/22 Capital Programme with total anticipated external funding from TfL of £3.84m in total. TfL funding has been adversely affected by the COVID-19 pandemic. Following its funding review, no funding is allocated for this Liveable Neighbourhood project. Therefore the budget originally profiled in 2022/23 (£2.27m) and 2023/24 (£1.27m) is removed from the capital programme. | -2270         | -2270            | 0           | -1270        | -1270            | 0           | 0            | 0                | 0            | -3,540             | -3,540                 | 0                  |
| <b>Total Movement</b>   | <b>-12230</b> | <b>-11557</b>    | <b>-673</b> | <b>5339</b>  | <b>5834</b>      | <b>-495</b> | <b>21764</b> | <b>5763</b>      | <b>16001</b> | <b>14873</b>       | <b>40</b>              | <b>14833</b>       |

### New Capital proposals and the impact on the Revenue Budget

15. The new Capital proposals at Appendix 2 of £24.334m are funded by borrowing as well as other funding sources such as grants, revenue funding and the Borough Community Infrastructure Levy (BCIL). The projects funded by other sources (excluding borrowing) amount to £8.263m as follows:

|                              | £000           |                    |
|------------------------------|----------------|--------------------|
| • Schools Maintenance Grant  | 2,000          | *Govt grant        |
| • High streets Fund          | 1,000          | BCIL               |
| • Flood defence and drainage | 500            | BCIL               |
| • Green Grid Programme       | 150            | BCIL               |
| • Neighbourhood CIL schemes  | 500            | NCIL               |
| • Disabled Facilities grants | 1,722          | *Govt grant        |
| • Transport projects         | 1,391          | *TFL grant         |
| • Climate Control Measures   | 1,000          | Carbon offset Fund |
| <b>Total</b>                 | <b>£8,263m</b> |                    |

\*The grant is based on 2021/22 levels and subject to confirmation. Figures will need to be reduced or increased accordingly if the grant differs from the estimate.

16. The remaining new Capital proposals bids to be funded from borrowing total a net figure of £16.071m as set out in the attached appendix 1 but summarised at high level below:

|                                       | £000  | £000          |
|---------------------------------------|-------|---------------|
| Resources IT projects                 |       | 3,550         |
| <b>Community</b>                      |       |               |
| High Priority works - Corporate sites | 650   |               |
| Parks Infrastructure                  | 350   |               |
| Civic Amenity site Infrastructure     | 75    |               |
| Highways Programme                    | 6,000 |               |
| Street Lighting                       | 2,000 |               |
| CPZ Parking schemes                   | 300   |               |
| Breakspear Crematorium                | 700   |               |
| Leisure and Libraries Infrastructure  | 150   |               |
| Harrow Arts Centre & Headstone Manor  | 90    |               |
| Empty Properties Programme            | 120   |               |
| Vehicle Replacement *                 | 2,086 |               |
| <b>Community Total</b>                |       | <b>12,521</b> |
| <b>Total bids requiring borrowing</b> |       | <b>16,071</b> |

\*Although this requires borrowing it is financed by a contribution from the Community revenue budget and therefore does not lead to an increase in Capital Financing costs.

**Total Bids impacting the Capital Financing Cost 13,985**

17. The additional capital financing cost associated with the proposed Capital Programme is £1.747m in total. In effect this is the cost of the net increase of £13.985m (£16.071m less £2.086m). As this cost is primarily in relation to 2024/25, the capital financing costs will fall due in 2025/26 which is outside

the existing MTF period. Therefore, £1.747m needs to be factored into the budget for 2025/26 as part of next year's 2023/24 budget process.

**Table 5 – Additional Capital Financing Implications Proposed Capital Programme**

| <b>Capital Financing Costs</b>       | <b>Annual costs</b> |
|--------------------------------------|---------------------|
|                                      | <b>£000</b>         |
| MRP                                  | 1,345               |
| Interest                             | 402                 |
| <b>Total Capital Financing Costs</b> | <b>1,747</b>        |

**Community Infrastructure Levy (CIL) Funding**

18. The Community Infrastructure Levy (CIL) enables the council to raise funds for infrastructure from new development. It is levied on the net increase in floor space arising from new developments and is paid when that development starts. The Community Infrastructure Levy (CIL) is a tool for local authorities to support the development of their area by funding the provision, improvement, replacement, operation or maintenance of infrastructure. However, the focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area.
19. CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities. Harrow's list of strategic infrastructure requirements known as a Regulation 123.
20. Of all CIL monies collected, 85% is used to fund strategic borough wide infrastructure projects, which includes a 5% allowance to cover the administrative costs of CIL. The decisions on where to spend CIL at a borough-wide level is determined by the Council. The remaining 15% is allocated to Neighbourhood CIL (NCIL) and must be spent on projects that have taken account of the views of the communities in which the income was generated, and these projects should support the development of the area.
21. In 2017, the principle was adopted by the Major Development Panel (14<sup>th</sup> November 2017) and recommended to Cabinet that the allocation of Borough and Neighbourhood CIL is included as part of the Annual Budget Setting process and included in the Capital Programme report which goes to Cabinet in draft (in December each year) and in February in its final version.
22. In terms of the Neighbourhood element of CIL specific projects to be funded by Neighbourhood CIL can be put forward by the relevant Directorates / Ward members and assessed against the criteria outlined in the CIL Allocations report agreed by the Major Development Panel in November 2017. The final decision on what projects are funded from the agreed NCIL allocations was delegated to the Divisional Director – Regeneration and Planning\*, in consultation with the Portfolio Holders for Regeneration and

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

23. The Borough CIL element is used to fund the core Capital programme. Schemes in the Capital Programme that have been funded by BCIL between 2017/18 to 2020/21 are set out in Table 6 and total £12.449m. Of this total, £1.582m of schemes remain outstanding as at 31.3.2021 and this has been carried forward as a commitment for 2021/22 and included in Table 8.

**Table 6 – Schemes funded from BCIL up to 2020/21**

| Financial year | Description                                    | BCIL              | 17/18<br>Actual Exp | 18/19<br>Actual Exp | 19/20<br>Actual Exp | 20/21<br>Actual Exp | Outstanding<br>commitment |
|----------------|--|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------------|
| 2017/18        | Highway projects                               | 4,800,000         | 4,800,000           |                     |                     |                     | 0                         |
| 2018/19        | Headstone Manor (Parks for People)             | 300,000           |                     | 51,293              | 233,081             | 15,626              | 0                         |
| 2018/19        | Rayners Lane Triangle project                  | 40,000            |                     | 40,000              |                     |                     | 0                         |
| 2018/19        | Parks Infrastructure (Playground replacement)  | 545,000           |                     | 219,138             | 325,862             |                     | 0                         |
| 2019/20        | Parks Infrastructure (Playground replacement)  | 350,000           |                     |                     | 227,458             | 122,542             | 0                         |
| 2019/20        | Harrow Arts Centre - refurbishment & new build | 1,150,000         |                     |                     | 71,737              | 841,490             | 236,773                   |
| 2019/20        | Sudbury Hill step-free access                  | 50,000            |                     |                     |                     |                     | 50,000                    |
| 2019/20        | Flood Defence                                  | 300,000           |                     |                     | 300,000             |                     | 0                         |
| 2019/20        | Highway Drainage                               | 200,000           |                     |                     | 199,999             |                     | 1                         |
| 2019/20        | Green Grid                                     | 75,000            |                     |                     | 39,761              | 35,239              | 0                         |
| 2019/20        | New Town Centre Library                        | 2,090,000         |                     |                     | 1,569,662           | 520,338             | 0                         |
| 2020/21        | Headstone Manor (Flood alleviation scheme)     | 500,000           |                     |                     |                     | 30,574              | 469,426                   |
| 2020/21        | Parks Infrastructure (Playground replacement)  | 250,000           |                     |                     |                     | 204,329             | 45,671                    |
| 2020/21        | Harrow Arts Centre - refurbishment & new build | 599,000           |                     |                     |                     |                     | 599,000                   |
| 2020/21        | Harrow Arts Centre Capital Infrastructure      | 300,000           |                     |                     |                     | 266,212             | 33,788                    |
| 2020/21        | Flood Defence                                  | 300,000           |                     |                     |                     | 300,000             | 0                         |
| 2020/21        | Highway Drainage                               | 200,000           |                     |                     |                     | 149,607             | 50,393                    |
| 2020/21        | Green Grid                                     | 150,000           |                     |                     |                     | 150,000             | 0                         |
| 2020/21        | High Street Fund                               | 250,000           |                     |                     |                     | 152,733             | 97,267                    |
| <b>Total</b>   |  | <b>12,449,000</b> | <b>4,800,000</b>    | <b>310,431</b>      | <b>2,967,560</b>    | <b>2,788,690</b>    | <b>1,582,319</b>          |

24. Table 7 sets out the CIL funding received to 22<sup>nd</sup> January 2022 showing that £6.440m of BCIL and £1.969m of NCIL is available to date to fund projects from 2021/22 onwards:

**Table 7 – CIL Funding available as at 20 January 2022**

|   | BCIL<br>£'000 | NCIL<br>£'000 | Total<br>£'000 |
|---|---------------|---------------|----------------|
| Balance as at 31.3.2021                 | 4,579         | 1,655         | 6,234          |
| 2021/22 Receipts (up to 20/01/2022)     | 1,861         | 314           | 2,175          |
| <b>Total Balance (up to 20/01/2022)</b> | <b>6,440</b>  | <b>1,969</b>  | <b>8,409</b>   |

25. The projects in the new Capital Programme for 2021/22 to 2024/25, to be funded from BCIL is £12.419m as set out in Table 8 which shows the spend over financial years.

| <b>Capital programme commitments</b>                                | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> | <b>Total</b>  |
|---|----------------|----------------|----------------|----------------|---------------|
|   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>  |
| Harrow Arts Centre - refurbishment & new build                      | 2,013          |                |                |                | 2,013         |
| Sudbury Hill step-free access                                       | 50             |                |                |                | 50            |
| Headstone Manor (Flood alleviation scheme)                          | 469            |                |                |                | 469           |
| Parks Playground replacement  | 46             |                |                |                | 46            |
| HAC Capital Infrastructure  | 34             |                |                |                | 34            |
| Flood Defence and Highway Drainage                                  | 550            | 500            | 500            | 500            | 2,050         |
| High Street Fund  | 1,397          | 1,100          | 1,000          |                | 3,497         |
| High Street Fund Phase 2  |                |                |                | 1,000          | 1,000         |
| Green Grid  | 150            | 150            | 150            | 150            | 600           |
| Wealdstone Major Transport Infrastructure project - Bus improvement | 900            |                |                |                | 900           |
| Wealdstone Future High Street Fund                                  |                |                | 1,760          |                | 1,760         |
| <b>Total</b>  | <b>5,609</b>   | <b>1,750</b>   | <b>3,410</b>   | <b>1,650</b>   | <b>12,419</b> |

26. The total funding currently available of BCIL amounts to £6.440m as set out in Table 7. The total requirement for BCIL funding for the Capital Programme is £12.419m. This means a further £5.979m of BCIL is needed between the remainder of this current financial year of 2021/22 and the 3 years 2022/23, 2023/24 and 2024/25.

27. In order to fund the commitments in the Capital Programme an average of just under £2m is required pa for the next 3 years 2022/23 to 2024/24. Based on years prior to 2020/21 which was impacted by COVID-19, this has been considered a reasonable assumption

28. If this estimated level of BCIL is not received, then it would be necessary to fund the schemes from other sources or remove them from the Capital Programme. If the alternative source is borrowing, then this will impact upon future year's budgets as it will increase the cost of borrowing and impact the revenue budget.

### **29. Housing Revenue Account (HRA)**

The proposed HRA Capital Programme is set out elsewhere on the agenda in more detail but also included in Appendix 1. Any implications from the HRA Capital Programme are funded from the Housing Revenue Account and do not impact upon the General Fund Budget.

### **Options considered**

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

### **Legal Implications**

31. Under the Financial Regulations paragraph B2 full council is responsible for agreeing the authority's policy framework which are proposed by the cabinet and this includes the capital programme. Under B41 the Director of Finance is responsible for producing an annual capital strategy for Cabinet to recommend to Council.

### Financial Implications

32. Financial matters are integral to the report. The capital financing costs of all capital investment must be provided for within the revenue budget.

### Procurement Implications

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

### Performance Issues

34. The capital programme proposed represents a significant investment by the Council in infrastructure. This will have an impact on a range of performance indicators across the Council's services.
35. Monitoring of the approved programme is ongoing and is essential for good financial management.

### Risk Management Implications

36. Risks included on corporate or directorate risk register? **Yes/No**

37. Separate risk register in place? **Yes/No**

38. The relevant risks contained in the register are attached/summarised below. **Yes/No/n/a**

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

| Risk Description   | Mitigations  | RAG Status |
|--|--|------------|
| A significant consideration in developing the programme has been the risks arising from not keeping our infrastructure in good order. Not doing so would lead to an increase in health and safety risks and additional costs in replacing assets when they deteriorate too much to repair. | Two of the key criteria for including projects in the capital Programme are those projects that are needed to ensure that we continue to invest in our capital assets to cover to ensure the Council meets it's requirements for both Life and Limb/Health and Safety requirements and to fulfil the Council's Statutory and legislative duties. | Green      |
| The cost of the Capital programme is not affordable.   | The additional capital financing costs (borrowing) of these Capital proposals impacts the Revenue Budget in 2025/26 and will be included in Revenue Budget for 2025/26 as part of next year's budget process when the year of 2025/26 will be included in the MTFs. The balancing of the 2025/26 budget will ensure affordability.               | Green      |
| The risk that the required level of BCIL does not materialise.   | As the Capital programme is an annual process and the BCIL funding is now included in the report each year, the availability of BCIL to fund the Capital Programme will be kept under review.  | Amber      |

|   |   |       |
|---|---|-------|
|   | Should the level of BCIL not be sufficient then either the schemes can be removed from the programme or funded from an alternative source. If that source is borrowing then the revenue cost of borrowing will need to be included in the revenue budget.   |       |
| Capital projects being included in the Capital programme where they are funded from additional income to be generated from the project. | A number of projects that were reliant of income generation to fund the capital financing costs were removed from the Capital Programme as part of last year's budget process which has reduced the risk associated with income generation. For those projects which have remained in the Programme, where income generation is necessary to fund the borrowing costs, this income is monitored as part of the monthly budget monitoring process. | Green |

### **Equalities implications / Public Sector Equality Duty**

40. One of the aims of the Capital Strategy is to ensure the responsible allocation of funding in line with the Council's priorities and legislative requirements such as equalities legislation. Equalities implications form part of the way that the projects are prioritised. The officer's initial views are that no protected group is adversely affected by the proposals. The projects proposed in the programme may require full Equality Impact Assessments before they commence.
41. Decision makers should have due regard to the public sector equality duty in making their decisions. Consideration of the duties should precede the decision. It is important that Cabinet has regard to the statutory grounds in the light of all available material such as material in the press and letters from residents. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

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

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

*The relevant protected characteristics are:*

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

- *Marriage and Civil partnership*

#### 42. **Council Priorities**

The Council's Final Capital Programme for 2022/23 to 2024/25 has been prepared in line with the Council's priorities:

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

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

#### **Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 2/2/2022**

#### **Statutory Officer: Caroline Eccles**

Signed on behalf of the Monitoring Officer

**Date: 2/2/2022**

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

Signed on behalf of the Corporate Director

**Date: 2/2/2022**

#### **Head of Procurement: Nimesh Mehta**

Signed by the Head of Procurement

**Date: 31/01/2022**

#### **Head of Internal Audit: Susan Dixon**

Signed by the Head of Internal Audit

**Date: 1/2/2022**

### **Mandatory Checks**

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

EqIA carried out: NO as these capital proposals are in the main rolling programme items which will improve the Council's infrastructure and assets.

EqIA cleared by: N/A

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

**Contact:** Sharon Daniels, Head of Strategic and Technical Finance (Deputy S151) Email: [sharon.daniels@harrow.gov.uk](mailto:sharon.daniels@harrow.gov.uk)

**Background Papers:** None

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

Appendix 1  
Capital Programme 2022/23 to 2024/25

| Project Title   | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Total                   |                                  |   | Governance Board                   |
|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|------------------------------------|
|   | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |                                    |
| <b>Resources and Commercial Directorate</b>   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                                    |
| Digital Improvements Programme  | 400                     | 0                                | 400   | 600                     | 0                                | 600   | 0                       | 0                                | 0   | 1,000                   | 0                                | 1,000                                       | IT Capital Board                   |
| Enterprise Resources Planning TT  | 650                     | 0                                | 650   | 0                       | 0                                | 0   | 0                       | 0                                | 0   | 650                     | 0                                | 650   | IT Capital Board                   |
| Ongoing ICT Refresh and Enhancements  | 1,000                   | 0                                | 1,000                                       | 1,000                   | 0                                | 1,000                                       | 0                       | 0                                | 0   | 2,000                   | 0                                | 2,000                                       | IT Capital Board                   |
| Devolved IT Applications  | 500                     | 0                                | 500   | 250                     | 0                                | 250   | 0                       | 0                                | 0   | 750                     | 0                                | 750   | IT Capital Board                   |
| <b>New Council Head Office refit – Flexible Futures</b>   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                                    |
|   |                         |                                  |   |                         |                                  |   | 750                     | 0                                | 750   | 750                     | 0                                | 750   | IT Capital Board                   |
| <b>My Harrow Account upgrade</b>  |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                                    |
|   |                         |                                  |   |                         |                                  |   | 150                     |                                  | 150   | 150                     | 0                                | 150   | IT Capital Board                   |
| <b>Ongoing ICT Refresh - to include core Network upgrade and Migration of remaining azure applications into SaaS.</b>   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                                    |
|   |                         |                                  |   |                         |                                  |   | 1,500                   | 0                                | 1,500                                       | 1,500                   | 0                                | 1,500                                       | IT Capital Board                   |
| <b>Ongoing ICT refresh - to cover improvements and refresh of cyber security, rolling device and peripheral refresh of IT equipment (W10/O365 &amp; Sharepoint)</b> |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                                    |
|   |                         |                                  |   |                         |                                  |   | 1,150                   | 0                                | 1,150                                       | 1,150                   | 0                                | 1,150                                       | IT Capital Board                   |
| <b>Total Resources and Commercial Directorate</b>   | <b>2,550</b>            | <b>0</b>                         | <b>2,550</b>                                | <b>1,850</b>            | <b>0</b>                         | <b>1,850</b>                                | <b>3,550</b>            | <b>0</b>                         | <b>3,550</b>                                | <b>7,950</b>            | <b>0</b>                         | <b>7,950</b>                                |                                    |
| <b>Public Health:</b>   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                                    |
| Public Health - HPCF  | 0                       | 0                                | 0   | 0                       | 0                                | 0   | 0                       | 0                                | 0   | 0                       | 0                                | 0   |                                    |
| <b>Total Public Health</b>  | <b>0</b>                | <b>0</b>                         | <b>0</b>                                    |                                    |
| <b>Schools:</b>   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                                    |
| Secondary Expansion   | 0                       | 0                                | 0   | 9,071                   | 9,071                            | 0   | 0                       | 0                                | 0   | 9,071                   | 9,071                            | 0   | Education Services Management Team |
| Schools Capital Maintenance   | 2,000                   | 2,000                            | 0   | 0                       | 0                                | 0   | 0                       | 0                                | 0   | 2,000                   | 2,000                            | 0   | Education Services Management Team |
| <b>Total Schools</b>  | <b>2,000</b>            | <b>2,000</b>                     | <b>0</b>                                    | <b>9,071</b>            | <b>9,071</b>                     | <b>0</b>                                    | <b>0</b>                | <b>0</b>                         | <b>0</b>                                    | <b>11,071</b>           | <b>11,071</b>                    | <b>0</b>                                    |                                    |
| <b>Total People's Directorate</b>   | <b>2,000</b>            | <b>2,000</b>                     | <b>0</b>                                    | <b>9,071</b>            | <b>9,071</b>                     | <b>0</b>                                    | <b>0</b>                | <b>0</b>                         | <b>0</b>                                    | <b>11,071</b>           | <b>11,071</b>                    | <b>0</b>                                    |                                    |
| <b>Community Directorate</b>  |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                                    |
|   | 0                       | 0                                |   | 0                       | 0                                |   | 0                       | 0                                | 0   |                         |                                  |   |                                    |
| <b>Commissioning and Environment:</b>   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                                    |

**Appendix 1**  
**Capital Programme 2022/23 to 2024/25**

| Project Title  | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Total                   |                                  |   | Governance Board |
|--|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|------------------|
|  | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |                  |
| High Priority Planned Works - Corporate Sites<br>To continue the programme of investment to undertake essential improvements across the Corporate Estate to ensure that properties in a safe and appropriate condition and comply with appropriate statutory, regulatory and corporate standards.  | 650                     | 0                                | 650   | 650                     | 0                                | 650   | 650                     | 0                                | 650   | 1,950                   | 0                                | 1,950                                       | Contracts Board  |
| Parks Infrastructure<br>On-going programme to address areas of deterioration and improve existing facilities and provide safe access for users.  | 350                     | 0                                | 350   | 350                     | 0                                | 350   | 350                     | 0                                | 350   | 1,050                   | 0                                | 1,050                                       | Contracts Board  |
| CA Site Infrastructure<br>On-going maintenance programme to the Civic Amenity site to ensure it provides a safe and secure environment in which to operate its business and continue to meet the needs of staff and users.   | 75                      | 0                                | 75  | 75                      | 0                                | 75  | 75                      | 0                                | 75  | 225                     | 0                                | 225   | Contracts Board  |
| Green Grid Programme - BCIL funded<br>Improvements to Harrow's green infrastructure to provide a network of interlinked and multifunctional open spaces.   | 150                     | 150                              | 0   | 150                     | 150                              | 0   | 150                     | 150                              | 0   | 450                     | 450                              | 0   | Contracts Board  |
| Highways Programme<br>To deliver the highways programme of investment and undertake essential structural maintenance to the highway asset.   | 6,000                   | 0                                | 6,000                                       | 5,500                   | 0                                | 5,500                                       | 6,000                   | 0                                | 6,000                                       | 17,500                  | 0                                | 17,500                                      | Contracts Board  |
| Flood Defence & Highways Drainage -BCIL funded<br>To deliver the flood defence and alleviation programme of investment and implement schemes that minimise the risk of flooding from approximately 80kms of rivers and watercourses in the borough, and the highways drainage programme of investment and implement schemes in 15 critical drainage areas identified in the Council's Surface Water Management Plan. | 500                     | 500                              | 0   | 500                     | 500                              | 0   | 500                     | 500                              | 0   | 1,500                   | 1,500                            | 0   | Contracts Board  |
| Street Lighting Programme<br>To continue the street lighting programme of investment, which includes upgrading life expired street lighting columns and replacing conventional lanterns for more energy efficient LED lanterns   | 1,500                   | 0                                | 1,500                                       | 1,500                   | 0                                | 1,500                                       | 2,000                   | 0                                | 2,000                                       | 5,000                   | 0                                | 5,000                                       | Contracts Board  |

Appendix 1  
Capital Programme 2022/23 to 2024/25

| Project Title  | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Total                   |                                  |   | Governance Board |
|--|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|------------------|
|  | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |                  |
| Local Implementation Plan (LIP) including Parking Management Programme<br>To deliver the transport projects and initiatives set out in the third Transport Local Implementation Plan (LIP) programme of investment for 2020/21 - 2022/23. A Parking Management Programme to implement controlled parking schemes and restrictions is funded by Harrow Capital and supports the delivery of the LIP.  | 1,691                   | 1,391                            | 300   | 1,691                   | 1,391                            | 300   | 1,691                   | 1,391                            | 300   | 5,073                   | 4,173                            | 900   | Contracts Board  |
| Wealdstone Future High Street Fund (FHSF):<br>An in principle offer of £7.449m has been secured from the MHCLG for a number of capital projects in the town centre. Confirmation of funding will be received by the council in March 2021. The funding will be used to deliver various infrastructure investments. BCIL match funding of £1.76m.   | 4,500                   | 4,500                            | 0   | 3,209                   | 3,209                            | 0   | 0                       | 0                                | 0   | 7,709                   | 7,709                            | 0   | Contracts Board  |
| <b>Vehicle Procurement</b><br>Vehicles replacement programme<br><br>The proposed capital investment assumes vehicles are replaced on a like for like basis (i.e. primarily diesel fuel). Should a decision on alternative fuel vehicles be made, the cost would be considerably more. A wider discussion is required to develop a Fleet Strategy to contribute towards carbon neutrality targets and how the costs of decarbonising the fleet can be funded. | 136                     | 0                                | 136   | 2,731                   | 0                                | 2,731                                       | 2,086                   | 0                                | 2,086                                       | 4,953                   | 0                                | 4,953                                       | Contracts Board  |
| Climate Emergency - Energy emissions reduction measures  | 250                     | 250                              | 0   | 500                     | 500                              | 0   | 500                     | 500                              | 0   | 1,250                   | 1,250                            | 0   | Contracts Board  |
| <b>Breakspear Crematorium - Replacement of 3 cremators</b><br>The facility is shared between Harrow and Hillington, with Harrow owning 1/3rd of the share. The existing cremators are reaching the end of useful life and will require replacement. Harrow will be responsible for 1/3rd of the investment cost.   | 0                       | 0                                | 0   | 0                       | 0                                | 0   | 700                     | 0                                | 700   | 700                     | 0                                | 700   | Contracts Board  |
| <b>Total Environment</b>   | <b>15,802</b>           | <b>6,791</b>                     | <b>9,011</b>                                | <b>16,856</b>           | <b>5,750</b>                     | <b>11,106</b>                               | <b>14,702</b>           | <b>2,541</b>                     | <b>12,161</b>                               | <b>47,360</b>           | <b>15,082</b>                    | <b>32,278</b>                               |                  |
| <b>Total Cultural Services</b>   | <b>200</b>              | <b>0</b>                         | <b>200</b>                                  | <b>170</b>              | <b>0</b>                         | <b>170</b>                                  | <b>170</b>              | <b>0</b>                         | <b>170</b>                                  | <b>540</b>              | <b>0</b>                         | <b>540</b>                                  |                  |
| <b>Housing General Fund:</b>   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                  |

Appendix 1  
Capital Programme 2022/23 to 2024/25

| Project Title   | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Total                   |                                  |   | Governance Board        |
|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|
|   | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |                         |
| Disabled Facilities Grants  | 1,722                   | 1,722                            | 0   | 1,722                   | 1,722                            | 0   | 1,722                   | 1,722                            | 0   | 5,166                   | 5,166                            | 0   | Housing Contracts Board |
| Empty Property Grants   | 120                     | 0                                | 120   | 120                     | 0                                | 120   | 120                     | 0                                | 120   | 360                     | 0                                | 360   | Housing Contracts Board |
| Property Acquisition Programme - 2021/22 onwards assume 15 x £396k ea, round up to £5.950k p.a based on empirical purchase profile Financing : Can no longer use RTB 1-4-1 receipts due to changes in legislation.  | 5,950                   | 0                                | 5,950                                       | 5,950                   | 0                                | 5,950                                       | 0                       | 0                                | 0   | 11,900                  | 0                                | 11,900                                      | Housing Contracts Board |
| <b>Total Housing General Fund</b>   | <b>7,792</b>            | <b>1,722</b>                     | <b>6,070</b>                                | <b>7,792</b>            | <b>1,722</b>                     | <b>6,070</b>                                | <b>1,842</b>            | <b>1,722</b>                     | <b>120</b>                                  | <b>17,426</b>           | <b>5,166</b>                     | <b>12,260</b>                               |                         |
| <b>Regeneration, Enterprise and Planning:</b>   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |
| Harrow High Street Fund<br>To improve cycling and walking infrastructure and high street improvement works. £3.65m to be funded from BCIL.  | 1,600                   | 1,100                            | 500   | 1,500                   | 1,000                            | 500   | 0                       | 0                                | 0   | 3,100                   | 2,100                            | 1,000                                       | Contracts Board         |
| <b>Harrow High Street Fund - Phase 2 (2024/25 to 2026/27)</b><br>To deliver public realm and creative placemaking improvements to the following district centres: Harrow Weald, Kenton, Pinner and Stanmore.<br>The programme aims to improve the public realm and use a series of measures to help strengthen a sense of place in those centres. This includes: Festive Lights, Feature Lights, Greening (including trees and sustainable urban drainage systems), Copenhagen Crossings, Gateway Features (Wayfinding), Street Furniture such as benches and bins. | 0                       | 0                                | 0   | 0                       | 0                                | 0   | 1,000                   | 1,000                            | 0   | 1,000                   | 1,000                            | 0   | Contracts Board         |
| Neighbourhood CIL funded projects   | 500                     | 500                              | 0   | 500                     | 500                              | 0   | 500                     | 500                              | 0   | 1,500                   | 1,500                            | 0   | Contracts Board         |
| Regeneration - 'Investment in 3 core sites  | 6,610                   | 0                                | 6,610                                       | 1,915                   | 0                                | 1,915                                       | 0                       | 0                                | 0   | 8,525                   | 0                                | 8,525                                       |                         |
|   |                         |                                  |   | 0                       | 0                                | 0   | 0                       | 0                                | 0   |                         |                                  |   |                         |
| <b>Total Regeneration, Enterprise and Planning</b>  | <b>8,710</b>            | <b>1,600</b>                     | <b>7,110</b>                                | <b>3,915</b>            | <b>1,500</b>                     | <b>2,415</b>                                | <b>1,500</b>            | <b>1,500</b>                     | <b>0</b>                                    | <b>14,125</b>           | <b>4,600</b>                     | <b>9,525</b>                                |                         |
| <b>Total Community Directorate</b>  | <b>32,504</b>           | <b>10,113</b>                    | <b>22,391</b>                               | <b>28,733</b>           | <b>8,972</b>                     | <b>19,761</b>                               | <b>18,214</b>           | <b>5,763</b>                     | <b>12,451</b>                               | <b>79,451</b>           | <b>24,848</b>                    | <b>54,603</b>                               |                         |
| <b>Total General Fund</b>   | <b>37,055</b>           | <b>12,114</b>                    | <b>24,941</b>                               | <b>39,654</b>           | <b>18,043</b>                    | <b>21,611</b>                               | <b>21,764</b>           | <b>5,763</b>                     | <b>16,001</b>                               | <b>98,472</b>           | <b>35,919</b>                    | <b>62,553</b>                               |                         |
| <b>Housing Revenue Account</b>  |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |

Appendix 1  
Capital Programme 2022/23 to 2024/25

| Project Title                         | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Total                   |                                  |   | Governance Board           |
|---------------------------------------|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|----------------------------|
|                                       | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |                            |
| Planned Investment Programme          | 10,273                  | 10,273                           | 0   | 10,273                  | 10,273                           | 0   | 10,273                  | 10,273                           | 0   | 30,819                  | 30,819                           | 0   | Housing Contracts Board    |
| Housing IT Scheme                     | 179                     | 179                              | 0   | 0                       | 0                                | 0   | 0                       | 0                                | 0   | 179                     | 179                              | 0   | Housing Contracts Board    |
| Grange Farm phase 1                   | 2,505                   | 2,505                            | 0   | 0                       | 0                                | 0   | 0                       | 0                                | 0   | 2,505                   | 2,505                            | 0   | Housing Regeneration Board |
| Grange Farm phase 2                   | 2,268                   | 1,860                            | 408   | 10,022                  | 583                              | 9,439                                       | 12,756                  | 4,800                            | 7,956                                       | 25,046                  | 7,243                            | 17,803                                      | Housing Regeneration Board |
| Grange Farm phase 3                   | 312                     | 312                              | 0   | 312                     | 312                              | 0   | 429                     | 429                              | 0   | 1,053                   | 1,053                            | 0   | Housing Regeneration Board |
| Grange Farm Infrastructure and Costs  | 4,878                   | 0                                | 4,878                                       | 1,465                   | 0                                | 1,465                                       | 691                     | 0                                | 691   | 7,034                   | 0                                | 7,034                                       |                            |
| Building Council Homes For Londoners' | 13,709                  | 13,709                           | 0   | 47,848                  | 11,020                           | 36,828                                      | 20,168                  | 8,140                            | 12,028                                      | 81,725                  | 32,869                           | 48,856                                      | Housing Regeneration Board |
| <b>Total HRA</b>                      | <b>34,124</b>           | <b>28,838</b>                    | <b>5,286</b>                                | <b>69,920</b>           | <b>22,188</b>                    | <b>47,732</b>                               | <b>44,317</b>           | <b>23,642</b>                    | <b>20,675</b>                               | <b>148,361</b>          | <b>74,668</b>                    | <b>73,693</b>                               |                            |
| <b>Total General Fund + HRA</b>       | <b>71,179</b>           | <b>40,952</b>                    | <b>30,227</b>                               | <b>109,574</b>          | <b>40,231</b>                    | <b>69,343</b>                               | <b>66,081</b>           | <b>29,405</b>                    | <b>36,676</b>                               | <b>246,833</b>          | <b>110,587</b>                   | <b>136,246</b>                              |                            |

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Appendix 2 - New Capital Bids 2022/23 to 2024/25

|  | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Grand Total             |                                  |   |
|--|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
| Project Title  | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
| <b>Resources and Commercial Directorate</b>  |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |
| New Council Head Office refit  |                         |                                  | 0   |                         |                                  | 0   | 750                     | 0                                | 750   | 750                     | 0                                | 750   |
| My Harrow Account upgrade  |                         |                                  |   |                         |                                  |   | 150                     |                                  | 150   | 150                     | 0                                | 150   |
| Ongoing ICT Refresh - to include core Network upgrade and Migration of remaining azure applications into SaaS.         |                         |                                  | 0   |                         |                                  | 0   | 1,500                   | 0                                | 1,500                                       | 1500                    | 0                                | 1500  |
| Ongoing ICT refresh - to cover improvements and refresh of cyber security, rolling device and peripheral refresh of IT |                         |                                  |   |                         |                                  |   | 1,150                   | 0                                | 1,150                                       | 1150                    | 0                                | 1150  |
| <b>Total Resources</b>   | -                       | -                                | -   | -                       | -                                | -   | <b>3,550</b>            | -                                | <b>3,550</b>                                | <b>3,550</b>            | -                                | <b>3,550</b>                                |
| <b>People's Directorate</b>  |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |
| <b>Adults:</b>   |                         |                                  |   |                         |                                  |   |                         |                                  |   | -                       | -                                | -   |
| <b>Total Adults</b>  | -                       | -                                | -   | -                       | -                                | -   | -                       | -                                | -   | -                       | -                                | -   |
| <b>Public Health:</b>  |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |
| <b>Total Public Health</b>   | -                       | -                                | -   | -                       | -                                | -   | -                       | -                                | -   | -                       | -                                | -   |

Appendix 2 - New Capital Bids 2022/23 to 2024/25

|   | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Grand Total             |                                  |   |
|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
| Project Title   | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
| <b>Schools:</b>   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |
| Schools Capital Maintenance   | 2,000                   | 2,000                            | -   |                         |                                  | -   |                         |                                  | -   | 2,000                   | 2,000                            | -   |
| Total Schools   | 2,000                   | 2,000                            | -   | -                       | -                                | -   | -                       | -                                | -   | 2,000                   | 2,000                            | -   |
| Total People's Directorate  | 2,000                   | 2,000                            | -   | -                       | -                                | -   | -                       | -                                | -   | 2,000                   | 2,000                            | -   |
| <b>Community Directorate</b>  |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |
| <b>Environmental Services:</b>  |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |
| High Priority Planned Works - Corporate Sites<br>To continue the programme of investment to undertake essential improvements across the Corporate Estate to ensure that properties in a safe and appropriate condition and comply with appropriate statutory, regulatory and corporate standards. This budget does not cover Schools which are funded separately from the schools capital maintenance grant and included in the existing Schools Capital Programme. |                         |                                  | -   |                         |                                  | -   | 650                     | -                                | 650   | 650                     | -                                | 650   |

## Appendix 2 - New Capital Bids 2022/23 to 2024/25

|   | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Grand Total             |                                  |   |
|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
| Project Title   | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
| <b>Parks Infrastructure</b><br>On-going programme to address areas of deterioration and improve existing facilities and provide safe access for users.  |                         |                                  |   |                         |                                  | -   | 350                     | -                                | 350   | 350                     | -                                | 350   |
| <b>CA Site Infrastructure</b><br>On-going maintenance programme to the Civic Amenity site to ensure it provides a safe and secure environment in which to operate its business and continue to meet the needs of staff and users. |                         |                                  |   |                         |                                  |   | 75                      |                                  | 75  | 75                      | -                                | 75  |
| <b>Green Grid Programme - BCIL funded</b><br>Improvements to Harrow's green infrastructure to provide a network of interlinked and multifunctional open spaces.   |                         |                                  |   |                         |                                  | -   | 150                     | 150                              | -   | 150                     | 150                              | -   |

Appendix 2 - New Capital Bids 2022/23 to 2024/25

|  | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Grand Total             |                                  |   |
|--|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
| Project Title  | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
| Highways Programme<br>To deliver the highways programme of investment and undertake essential structural maintenance to the highway asset.   |                         |                                  |   |                         |                                  | -   | 6,000                   | -                                | 6,000                                       | 6,000                   | -                                | 6,000                                       |
| Flood Defence & Highways Drainage -BCIL funded<br>To deliver the flood defence and alleviation programme of investment and implement schemes that minimise the risk of flooding from approximately 80kms of rivers and watercourses in the borough, and the highways drainage programme of investment and implement schemes in 15 critical drainage areas identified in the Council's Surface Water Management Plan. |                         |                                  |   |                         |                                  | -   | 500                     | 500                              | -   | 500                     | 500                              | -   |

Appendix 2 - New Capital Bids 2022/23 to 2024/25

|   | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Grand Total             |                                  |   |
|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
| Project Title   | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
| Street Lighting Programme<br>To continue the street lighting refurbishment programme of investment, which includes upgrading life expired street lighting columns and replacing conventional lanterns for more energy efficient LED lanterns and CMS rollout  |                         |                                  |   |                         |                                  | -   | 2,000                   | -                                | 2,000                                       | 2,000                   | -                                | 2,000                                       |
| Local Implementation Plan (LIP) including Parking Management Programme<br>To deliver the transport projects and initiatives set out in the third Transport Local Implementation Plan (LIP) programme of investment. A Parking Management Programme to implement controlled parking schemes and restrictions is funded by Harrow Capital and supports the delivery of the LIP. |                         |                                  |   |                         |                                  | -   | 1,691                   | 1,391                            | 300   | 1,691                   | 1,391                            | 300   |

Appendix 2 - New Capital Bids 2022/23 to 2024/25

|   | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Grand Total             |                                  |   |
|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
| Project Title   | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
| <b>Vehicles replacement programme</b><br><br>The proposed capital investment assumes vehicles are replaced on a like for like basis (i.e. primarily diesel fuel). Should a decision on alternative fuel vehicles be made, the cost would be considerably more. A wider discussion is required to develop a Fleet Strategy to contribute towards carbon neutrality targets and how the costs of decarbonising the fleet can be funded. |                         |                                  |   |                         |                                  | -   | 2,086                   | -                                | 2,086                                       | 2,086                   | -                                | 2,086                                       |

000

Appendix 2 - New Capital Bids 2022/23 to 2024/25

|  | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Grand Total             |                                  |   |
|--|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
| Project Title  | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
| Climate Emergency - Energy emissions reduction measures<br>Continuation of the programme of energy related works to contribute to decarbonisation of the Council's (non-residential) built estate, in order to continue to address the Climate Emergency declared by the Council and support the Council's aim to work towards carbon neutrality as an organisation by 2030. Investing in energy saving measures and local renewable power generation will also increase the organisation's energy security over the medium term, protecting the public finances from volatility in national and international energy markets. |                         |                                  |   | 500                     | 500                              | -   | 500                     | 500                              | -   | 1,000                   | 1,000                            | -   |

Appendix 2 - New Capital Bids 2022/23 to 2024/25

|  | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Grand Total             |                                  |   |
|--|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
| Project Title  | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
| <b>Breakspear Crematorium - Replacement of 3 cremators</b><br>The facility is shared between Harrow and Hillington, with Harrow owning 1/3rd of the share. The existing cremators are reaching the end of useful life and will require replacement. Harrow will be responsible for 1/3rd of the investment cost. |                         |                                  |   |                         |                                  | -   | 700                     | -                                | 700   | 700                     | -                                | 700   |
| <b>Total Environmental Services</b>  | -                       | -                                | -   | 500                     | 500                              | -   | 14,702                  | 2,541                            | 12,161                                      | 15,202                  | 3,041                            | 12,161                                      |
| <b>Cultural Services:</b>  |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |
| <b>Leisure and Libraries Capital Infrastructure</b><br>Targeted investment to improve the infrastructure of the Council's leisure and library facilities.  |                         |                                  | -   |                         |                                  | -   | 150                     | -                                | 150   | 150                     | -                                | 150   |

Appendix 2 - New Capital Bids 2022/23 to 2024/25

|   | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Grand Total             |                                  |   |
|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
| Project Title   | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
| Harrow Arts Centre & Headstone Manor Capital Infrastructure<br>Replacement of roof tiles at Rayners Building to meet H&S issues; replacement of cast iron guttering for some parts of the existing buildings to ensure that buildings remains water-tight; and repairs/replacement of external railings, fencing etc. | 50                      | -                                | 50  | 20                      | -                                | 20  | 20                      | -                                | 20  | 90                      | -                                | 90  |
| <b>Total Cultural Services</b>  | <b>50</b>               | <b>-</b>                         | <b>50</b>                                   | <b>20</b>               | <b>-</b>                         | <b>20</b>                                   | <b>170</b>              | <b>-</b>                         | <b>170</b>                                  | <b>240</b>              | <b>-</b>                         | <b>240</b>                                  |
| <b>Housing General Fund:</b>  |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |
| <b>Empty Properties Programme</b>   |                         |                                  | -   |                         | -                                | -   | 120                     |                                  | 120   | 120                     | -                                | 120   |
| <b>Disabled Facilities Grants - fully funded by Government Grants.</b>  |                         |                                  |   |                         |                                  |   | 1,722                   | 1,722                            | -   | 1,722                   | 1,722                            | -   |
| <b>Total Housing General Fund</b>   | <b>-</b>                | <b>-</b>                         | <b>-</b>                                    | <b>-</b>                | <b>-</b>                         | <b>-</b>                                    | <b>1,842</b>            | <b>1,722</b>                     | <b>120</b>                                  | <b>1,842</b>            | <b>1,722</b>                     | <b>120</b>                                  |
| <b>Regeneration, Enterprise and Planning:</b>   |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |

Appendix 2 - New Capital Bids 2022/23 to 2024/25

|   | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Grand Total             |                                  |   |
|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
| Project Title   | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
| <p><b>Harrow High Street Fund - Phase 2 (2024/25 to 2026/27)</b><br/>                     To deliver public realm and creative placemaking improvements to the following district centres: Harrow Weald, Kenton, Pinner and Stanmore. The programme aims to improve the public realm and use a series of measures to help strengthen a sense of place in those centres. This includes: Festive Lights, Feature Lights, Greening (including trees and sustainable urban drainage systems), Copenhagen Crossings, Gateway Features (Wayfinding), Street Furniture such as benches and bins.</p> |                         |                                  | -   |                         |                                  | -   | 1,000                   | 1,000                            | -   | 1,000                   | 1,000                            | -   |
| Neighbourhood CIL funded projects   |                         |                                  | -   |                         |                                  | -   | 500                     | 500                              | -   | 500                     | 500                              | -   |
| <b>Total Regeneration, Enterprise and Planning</b>  | -                       | -                                | -   | -                       | -                                | -   | 1,500                   | 1,500                            | -   | 1,500                   | 1,500                            | -   |

Appendix 2 - New Capital Bids 2022/23 to 2024/25

|                                    | 2022/23                 |                                  |   | 2023/24                 |                                  |   | 2024/25                 |                                  |   | Grand Total             |                                  |   |
|------------------------------------|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|-------------------------|----------------------------------|---|
| Project Title                      | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 | Total Project cost £000 | Funding excluding Borrowing £000 | Net project cost funded from borrowing £000 |
|                                    |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |
| <b>Total Community Directorate</b> | <b>50</b>               | <b>-</b>                         | <b>50</b>                                   | <b>520</b>              | <b>500</b>                       | <b>20</b>                                   | <b>18,214</b>           | <b>5,763</b>                     | <b>12,451</b>                               | <b>18,784</b>           | <b>6,263</b>                     | <b>12,521</b>                               |
|                                    |                         |                                  |   |                         |                                  |   |                         |                                  |   |                         |                                  |   |
| <b>Total General Fund</b>          | <b>2,050</b>            | <b>2,000</b>                     | <b>50</b>                                   | <b>520</b>              | <b>500</b>                       | <b>20</b>                                   | <b>21,764</b>           | <b>5,763</b>                     | <b>16,001</b>                               | <b>24,334</b>           | <b>8,263</b>                     | <b>16,071</b>                               |

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