LONDON BOROUGH OF
HARROW

Appendix

Council (Council Tax)

Thursday 22 February 2024

Confirmation of Cabinet and Committee Recommendations and relevant Originating Background Papers

Item on Summons	Cabinet / Committee Recommendation		Originating Report
	Recommendation I:	Cabinet (15 February 2024)	
8.	Corporate Plan 2023-26: Review of first year and Flagship Actions 2024/25		Report of the Managing Director (Pages 3 - 30)
	Recommendation I:	Cabinet (15 February 2024)	
9.	Final Revenue Budget 2024/25 and Medium Term Financial Strategy to 2026/27		Report of the Interim Director of Finance and Assurance (Pages 31 - 144)

	Recommendation I: Cabinet (24 January 2024)	
10.	Housing Revenue Account Budget 2024-25 & Medium-Term Financial Strategy 2025-26 to 2026-27, HRA Capital Programme 2024-25 to 2028-29 and 30 year HRA Business Plan	Report of the Corporate Director of Place, Interim Director of Finance and Assurance and Director of Housing (Pages 145 - 178)
	Recommendation I: Cabinet (15 February 2024)	
11.	Treasury Management Strategy Statement including Annual Investment Strategy for 2024/25 and Capital Strategy for 2024/25	Report of the Interim Director of Finance and Assurance (Pages 179 - 240)
	Recommendation I: Cabinet (15 February 2024)	
12.	Final Capital Programme 2024/25 to 2026/27	Report of the Interim Director of Finance and Assurance (Pages 241 - 262)
	Recommendation I: Cabinet (19 December 2023)	
13.	Calculation of Council Tax Base for 2024-2025	Report of the Interim Director of Finance and Assurance (Pages 263 - 272)

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Report for:	**Cabinet**
Date of Meeting:	15 February 2024
Subject:	Corporate Plan 2023-26: Review of first year and Flagship Actions 2024/25
Key Decision:	Yes
Responsible Officer:	Alex Dewsnap, Managing Director
Portfolio Holder:	Councillor Paul Osborn, Leader of the Council and Portfolio Holder for Strategy
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 - Corporate Plan

Section 1 – Summary and Recommendations

This report reviews progress on the first year of the Corporate Plan 2023-26 and introduces the Flagship Actions for 2024/25.

Recommendations:

Cabinet is requested to:

1. Consider the progress made in the first year of the Corporate Plan 2023-26;

2. Recommend the Corporate Plan and new Flagship Actions for 2024/25 to Council;

3. Authorise the Managing Director, in consultation with the Leader of the Council, to make any minor amendments to the plan as necessary prior to the matter going to Council;

4. Agree to receive a report in the first quarter of 2024/25 outlining the key performance indicators for each of the priorities with their targets for the 2024/25 year; and

5. Agree to continue receiving a quarterly performance report which will track the delivery against the three Corporate Priorities, based on the key performance indicators (see recommendation 4 above), and progress against the Flagship Actions.

Reason: (for recommendations)

To set part of the policy framework for the council.

Section 2 – Report

Introductory paragraph

Harrow Council launched its corporate plan and strategy in February 2023. This three-year strategy set out how the council would restore pride in Harrow by prioritising putting residents first, working to create a clean and safe borough and supporting those in need. These priorities are being used to make decisions at the council and to drive the services we deliver.

Our strategy identified how we planned to deliver these priorities and the action we would take during 2023/24 through a series of Flagship Actions. These Flagship Actions – a set of specific measurable priority actions which will be refreshed each year - bring the commitments that we have pledged to life and serve to respond to the things that matter most to residents.

We committed to publishing additional actions each year of our three-year strategy, reflecting the council's direction of travel and ambitions. These

Flagship Actions will be real-life benefits that can be felt across the borough and restore pride in Harrow.

As we come to the end of the first year of our strategy, this report reviews the progress made on the Corporate Plan through both the delivery of the first year of the Flagship Actions and the other key areas of delivery. It then outlines the key deliverables and Flagship Actions for the forthcoming year, 2024/25. By priority area, these are:

A council that puts residents first

1. Improve our website to make it easier for you to access information and council services, using mobile technology to deliver a more personal service.

2. Bring services to our communities by launching a new pilot Customer Services access kiosk at one of our libraries.

3. Move forward with our regeneration plans for well-designed family sized homes by submitting the planning application for Byron Quarter phase one.

4. Make housing more affordable in Harrow by delivering more than 50 affordable homes built on council sites.

5. Complete over 200 new kitchens and bathrooms to council owned homes.

6. Consult on our Draft Local Plan which sets out our long-term vision for Harrow. Take residents' views and outcomes from the consultation to produce an updated Local Plan within 2024/25. This will include housing, economic growth, community facilities, infrastructure, the environment, climate change adaptation, and good design.

7. Protect the heritage of Harrow further by formally designating at least two Local Areas of Special Character.

8. For the first time, we will recruit 2 graduates as part of the National Graduate Scheme.

9. Offer a variety of new work experience placements within the council including to 3 Harrow students in higher education.

10. Start the work to enhance Harrow Town Centre, making it a better-connected, more accessible, and sustainable space with new workspaces by March 2025.

A borough that is clean and safe

1. Establish flood alleviation measures in Chandos Recreation Ground to reduce the risk of flooding in the local community and bring it up to the standard required for Green Flag status. In addition, we will prepare another 2 parks or open spaces for Green Flag accreditation by 2026.

2. Create a culture of recycling in the borough. Delivering at least 7 recycling events in our schools and with community partners to support residents, and delivering at least 3 TRAID events in the borough to reduce waste by recycling and reusing more.

3. Begin to install the Harrow to Pinner cycleway. We will engage with our residents and businesses to create a well-used scheme that works for the local community.

4. Identify 3 locations for new habitat banks and enhance biodiversity in Harrow's parks and open spaces.

5. Deliver year two of the council's electrical testing and safety programme and achieve (100%) compliance on council housing.

6. Make our council homes and public buildings more sustainable and cheaper to run. We will do this by retrofitting 80 council homes to bring them up to an EPC C rating; installing solar panels at 5 schools and council buildings; and installing ground source heat pumps at 2 sheltered housing schemes.

7. For the second year running, install a further 200 EV residential charging points in the borough, with at least 5 of these being ultra-rapid charging points (subject to installation requirements).

8. Reduce anti-social behaviour in 4 hotspot areas by working with the police and other partners at a series of Days and Nights of Action.

9. Launch a new Pothole Squad using new technology to detect and fix more potholes quickly and at a lower cost.

10. Create a task force to take action against people who make our borough dirty and unsafe and implement neighbourhood street-cleaning crews who know their local area and the community.

A place where those in need are supported

1. Implement the skills and employment offer from the council for our most vulnerable young people to young people with SEN and care leavers, offering a minimum of 5 apprenticeships or work placements within council services in 2024/25.

2. Expand the scope of the Conversation Café to enable residents' easier access to council information and advice on services within the borough.

3. Pilot an offer around digital inclusion for residents which helps them access a range of council services.

4. As we roll out our new model of Family Hubs, further integrate housing and other vital services for families.

5. Launch a health and wellbeing charter for schools and families to take action together against the negative impacts of childhood obesity – 75% of all primary schools to have signed up within the year.

6. Get Harrow Moving through a series of themed walking trails in our parks, with 500 new walkers signed up for the walks in 2024, of which at least 400 take part in more than one walk.

7. Purchase up to 25 further homes to provide temporary accommodation to homeless families in Harrow.

8. Enable greater digital inclusion by supporting 100 learners to gain digital skills (Beginners to Level 3).

9. Deliver 60 extra care units for older people at the former Kodak site.

10. Consolidate and launch the new models and criteria for our Neighbourhood Resource Centres, with Kenmore and Vaughan NRCs going live in April 2024 and the New Bentley Health and Well Being Centre going live late Autumn with an official launch in January 2025.

Options considered

1. Do not continue with Corporate Plan 2023-26
   This option is rejected as it does not support the need for strategic planning that will ensure that the Council's resources are aligned to support the delivery of the agreed vision and priorities.

2. Continue with Corporate Plan 2023-26 with adoption of new Flagship Actions for 2024/25
   This option is recommended.

Ward Councillors' comments

Not applicable.

Performance Issues
Performance is tracked via the Strategic Performance Report which Cabinet receives every quarter. This report reflects progress against the key performance indicators and Flagship Actions under the three corporate priorities set out in the Corporate Plan. Quarterly Performance Boards involving Cabinet members and senior officers consider latest performance indicators and progress against Flagship Actions and the Corporate Improvement Programme (which is the programme of internal Council improvements) every quarter as well.

Work with Scrutiny Lead Members is underway to develop an independent overview of performance and this will be in place from early 2024.

There is a golden thread through the corporate plan to the setting of objectives for council staff and annual appraisals. Staff's work objectives link to the council priorities and, where appropriate, the Flagship Actions for the current year.

Environmental Implications
The Corporate Plan, and the Flagship Actions detailed within it, are important in raising the profile of the council's environmental considerations as one of priorities for the borough. One of the priorities is for a borough that is clean and safe.

Data Protection Implications
None.

Risk Management Implications

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

Separate risk register in place? **No**

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

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

Risk Description	Mitigations	RAG Status
The Corporate Plan fails to deliver the Council's agreed vision and priorities.	▪ The actions in the Plan were identified and formulated through consultation with the appropriate Portfolio Holder and relevant council officers. This included an assessment of financial viability and timescales for deliverability. ▪ Consultation undertaken took place via a number of Directorate Management Team meetings, Cabinet/CLT discussions, individual briefings with Portfolio Holders and also 1:1 discussions with officers	**GREEN**
The Corporate Plan is unachievable.	▪ Delivery against the Corporate Plan is routinely reviewed by Cabinet members and the Corporate Leadership Team (CLT). ▪ The monthly monitoring of progress against the corporate priorities and the Flagship Actions enables adjustments or remedial action to be taken. ▪ The Corporate Plan and the Flagship Actions are aligned to the MTFS and will be delivered within the council's available resources.	**GREEN**

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

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

Financial Implications
The majority of flagship actions in the Corporate Plan are aligned to the MTFS and some are dependent on other funding streams, either within the Council or external. A number of the Flagship Actions will be delivered through the projects included in the Final Capital Programme 2024/25 to 2026/27.

Equalities Implications / Public Sector Equality Duty

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

A public authority must, in the exercise of its functions, have due regard to the need to:
(a) Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
(b) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
(c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
(a) Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
(b) Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
(c) Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
(a) Tackle prejudice, and
(b)Promote understanding.

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

The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race

- Religion or belief
- Sex
- Sexual orientation
- Marriage and Civil partnership

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

Council Priorities

The Corporate Plan, by its very nature, details how the council intends to deliver on each of its priorities:

1. **A council that puts residents first**

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

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

The Flagship Actions are positioned within the council priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed by the Chief Financial Officer
Date: 26 January 2024

Statutory Officer: Caroline Eccles
Signed on behalf of the Monitoring Officer
Date: 25 January 2024

Chief Officer: Alex Dewsnap
Signed off by the Managing Director
Date: 24 January 2024

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 24 January 2024

Head of Internal Audit: Neale Burns
Signed on behalf of the Head of Internal Audit
Date: 25 January 2025

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

Mandatory Checks

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

EqIA carried out: NO

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

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Nahreen Matlib, Senior Policy Officer, nahreen.matlib@harrow.gov.uk

Background Papers: None.

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

Our strategy for Restoring Pride in Harrow 2023-26

One year review

Leader’s foreword

[to be inserted]

Cllr Paul Osborn
Leader, Harrow Council

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

- Harrow has 261,300 residents
- 51% of our population are female, compared to 49% who are men
- 64% of Harrow's population come from a Black, Asian, and Multi-ethnic background
- Average age of Harrow residents: 38 years
- Half of the council's workforce live and work in Harrow
- 169 languages spoken in Harrow schools
- 93% of schools are rated good or outstanding by Ofsted
- Third lowest unemployment level in West London
- 94% of companies in Harrow are micro-businesses employing less than 10 people
- 15 minutes to central London by train
- 6 Green Flag parks
- One of the safest London Boroughs (along with Richmond and Wandsworth)
- Average house price of £581,321
- Life expectancy of 82.1 years for men and 85.7 years for women
- 10% of Harrow's population have diabetes
- More than 2 and a half million (2,781,213) free hours of parking used by residents in 2023
- Number of visits to the recycling centre throughout 2023 was 175,181

Vision and priorities

Restoring Pride in Harrow

In February 2023 we launched our corporate plan outlining how the council would restore pride in Harrow. We identified three priorities, to set out how we would restore pride in Harrow, to make decisions and to drive the services we deliver. These priorities are:

The corporate plan set out the actions we would take during 2023/24 through a series of Flagship Actions to deliver these three priorities and restore pride in Harrow. These Flagship Actions bring the commitments that we have pledged to life and serve to respond to the things that matter to you, our residents, the most.

We committed to publishing additional actions each year of our three-year strategy, reflecting this administration’s direction of travel and ambitions. These Flagship Actions are real-life benefits that can be felt across the borough and restore pride in Harrow.

As we are coming to the end of the first year of our strategy, we use this opportunity to reflect on progress made through our initial Flagship Actions (2023/24) and introduce those for the forthcoming year (2024/25).

Our customer ethos

In July 2022 we approved at Cabinet a new Customer Experience Strategy and Action Plan and through this we established a new Customer Ethos for the Council, setting out how we will proactively respond to residents, strive to act as a single organisation and deliver quality services to our residents.

We want Harrow to be a great place to live, work and visit, a place where people are proud to call home, feel safe and supported and where communities flourish.

Putting residents first is at the heart of everything we do. Within this lies a commitment to deliver services and experiences where the wellbeing and needs of our residents are met and are of a high standard.

Building on trust and communications will form even stronger relationships within the community. This will allow us to take great strides in our vision to restore pride, keep our borough clean and safe and support our most vulnerable residents.

By working together with our partners and community groups we can enrich the lives of residents and visitors.

Looking back at the last year

We have made great strides since the launch of our corporate plan last year. We committed to improving our organisation and the way we deliver services to our communities and residents. We also invited a Peer Review Challenge from the Local Government Association in February 2023. Their reflections on how the council is progressing and how it can transform further reinforced our direction of travel and have been aligned into our overall improvement journey. This enables the organisation to be more productive and continue to deliver against the backdrop of financial and resource challenges.

For a borough that puts resident first we are responding to 90% of complaints in 15 working days. Our new consultation platform, MyHarrow Talk, is now much easier for residents to have their say on key decisions in Harrow. Since its launch, more than 24,000 people have visited the site and almost 3,000 people have responded to our consultations (15 held since we launched). Critical to meeting local needs is engaging and working together with local groups, and external stakeholders, including our Voluntary and Community Sector and faith organisations.

To protect our suburbs from tall buildings, we adopted the Supplementary Planning Documents and a new planning portal now gives residents better access to information on proposed developments and more opportunities to have their say. To further demonstrate our commitment to regeneration across the borough, in January we agreed business cases to develop key council sites through the Harrow Strategic Development Partnership.

In making Harrow a place that is clean and safe, over the last year we have developed strategies to address our climate and sustainability commitments, and some of this is evidenced in our new Flagship Actions.

Over the last twelve months, lots of work has taken place to deliver our key priorities. We have retained our 6 Green Flag Parks and Headstone Manor has separately won an award at the 2023 British Association of Landscape Industries (BALI) National Landscape Awards for nature conservation and biodiversity enhancement.

We launched a new witness appeal campaign for fly-tipping using the newly installed mobile CCTV cameras and our brand new CCTV room. Our new recycling team started in October making a significant impact on educating and reducing contamination in our dry recycling. Two planning Days of Action took place to demolish structures and illegal extension with no planning permission. A 3-year partnership community safety strategy was approved to tackle crime in the borough. This includes a series of Weeks of Action for which we have successfully delivered 3 across our hotspot areas. Our joint partnership work with the police has also seen a sharp decline in catalytic converter offences in the last 18 months. 2023 saw a massive drop in these offences, from 407 (December 2022) to 49 (December 2023).

For a borough that supports those in need, we are transforming our offer for children's and adults' services in collaboration with statutory and key partners to make things more joined up for our residents. We have built this into our wider improvement plans to ensure a consistent approach across all sectors that deliver key services.

Last year we launched our carers' strategy which sets out how we support carers. Through this, we have successfully piloted the Conversation Café which helps unpaid carers but is also used as a tool where officers across the council go directly to the very people who need support, and in doing so, resolving their issues in a way we have never done before. We are also supporting local businesses in need of support through employment schemes, networking opportunities and our Harrow Means Business event. We have delivered Make Every Contact Count training to our frontline officers and councillors, which allows us to work in a more joined up way to use opportunities during every day interactions with residents, thinking about how we can make positive improvements to their health and wellbeing. We have also helped 6 apprentices successfully move into permanent roles as social workers, a further boost to help our residents most in need of support.

Without a talented workforce, we would not be able to deliver the hundreds of services we offer residents. Our recent staff awards recognised the great passion, dedication and achievements of staff in areas such as those involved in securing Green Flag parks, creating the Conversation Café, delivering customer excellence through resolving resident enquiries efficiently and also our commitment to apprenticeship opportunities.

Looking ahead to 2024/25

While this one-year review of the corporate plan looks back at some of our achievements over the past year, we will continue to drive forward our longer-term ambitions through a range of issues that matter to residents.

As a council that puts residents first, we have bold ideas for regeneration in the borough, including redeveloping well-known council-owned plots of land in the heart of Harrow, contributing to the sustainable development of Harrow, fostering a vibrant and inclusive community within the heart of Harrow. We will also be developing a Local Plan for Harrow which will work in partnership to set the context and vision for the borough's infrastructure and wider regeneration.

Our work to transform our children's and adult's services will continue over the next year. We will build on our strong local partnerships and working in a streamlined way with providers to ensure an integrated approach to deliver better outcomes for all those who live in Harrow.

Next year will see exciting plans for our leisure offer across the borough. We will ensure that residents receive the best possible sport and leisure provision through our re-tendering of services at our three leisure sites at Harrow Leisure Centre, Hatch End Swimming Pool, and Bannister Sports Centre and looking at future investment in leisure facilities. This year, we have refurbished 36 tennis courts - next year we will work with the Council's tennis operator to increase participation at these courts in our parks. We are also planning to develop community outreach with our leisure operator, Everyone Active, to better reach people who are currently inactive and not able to access the council's leisure centres.

In fulfilling the ambitions of this corporate plan, there are a number of internal drivers that will enable the council as an organisation to deliver better outcomes for residents. We have developed a workforce development strategy which seeks to ensure all staff have the skills and competencies needed to deliver high quality services for residents. This is supported by better technology and systems, as we embrace new innovative ways of working.

We are preparing a new Customer Experience strategy for 2024-26 which will build on our successful work over the last couple of years in this area and launch in Summer. This will include further work on the website to improve personalisation and optimise mobile phone functionality; improve access through traditional channels such as face-to-face and telephony; make the most of new IT system replacements and further reduce the need to make contact with the council unnecessarily. There is a golden thread through the council's priorities and the staff objectives that staff look to achieve every year. Over the past year we have embedded performance systems to capture and track our progress on the corporate priorities to ensure we improve services for our residents. This includes performance indicators relating to the Flagship Actions and our Corporate Improvement Programme. The council summarises progress against its plans through our quarterly Strategic Performance Report which is our public report on performance. We will continue to monitor the delivery of our corporate priorities as part of our corporate performance monitoring system.

Our Priorities for Residents – review and forward look

1. A council that puts residents first

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

Our 2023/24 Flagship Actions were to:

1. ***Install full fibre internet to all council homes and include Grange Farm Community Hall and Northolt Road Community Hall by the end of March 2024, helping our council tenants be more connected.***

   1,496 out of 6,658 council premises have been connected. Due to external factors beyond the council's control the programme was halted. However, we now anticipate that full fibre to premises across the borough will be complete in 2026.

2. ***Launch a new consultation platform called 'My Harrow Talk', keeping the views of residents at the heart of decision making***

   MyHarrow Talk, our new consultation platform, launched in Spring 2023 making it easier for residents to have their say on how we make decisions in Harrow. Since its launch, we have had more than 24,000 visitors to the site. 15 consultations have been run on this platform with 10,200 visitors looking at information provided and some 2,873 have contributed responses to the consultations.

3. ***Deliver a new planning website by the end of the summer, making it easier for our residents to apply or look up and comment on planning applications.***

   Launched in September, a new planning portal is now available, giving residents better access to information on proposed developments and more opportunities to have their say.

4. ***Adopt new planning protections to restrict tall buildings in our suburbs and better control conversions from houses into flats to preserve the character of Harrow.***

   In July 2023 following a public consultation we adopted Supplementary Planning Documents setting out that Harrow wants to keep its predominantly low-rise suburban character, with more height permitted in the town centre and Wealdstone.

5. ***Create safe and secure cycle parking at Harrow on the Hill station by May 2024, encouraging more active travel and healthier lifestyles.***

6. ***Rollout the first car parking spaces for car clubs in our car parks by May 2024, helping reduce the number of cars and emissions on our roads by giving residents easier access to cars when they need it, at a reasonable rate.***

   We are working hard to create safe and secure cycle parking at Harrow on the Hill station and rollout the first car club parking spaces in our car parks. We are making good progress to achieve this and there will be further reporting on this in due course.

7. ***Respond to 90% of complaints in 15 working days, improving our responsiveness and customer experience.***

   We have made great strides to achieve our target of responding to 90% of complaints in 15 working days. Within the first 6 months 93% of stage one complaints were handled in 15 working days.

8. ***Improve our website to create a more personalised service through the MyHarrow Account, the ability to track progress of reported items online and enhance the customer experience.***

   We have improved our website to enhance the customer experience. Residents now have access to up-to-date information across various services including waste, planning and parking.

2. A borough that is clean and safe

We committed to improving the quality of our public spaces by taking action against those who make Harrow feel unsafe and dirty. To improve our public spaces, we also pledge to invest in our parks and open spaces, and encourage active and sustainable travel. By supporting local businesses and high streets through challenging times we pledge to make Harrow a destination for shopping and socialising.

Our Flagship Actions for 2023/24 were to:

1. ***Deliver Phase One of the Grange Farm estate regeneration – Harrow's largest estate regeneration – by the end of 2023, delivering 89 quality affordable homes. By April 2024 we will determine the planning application for Phase Two.***

   Late in the summer of 2023, the first tenants moved into their new homes, a mix of town houses and apartments on Grange Farm estate in South Harrow.

   There are new timelines for Phase 2 of the Grange Farm regeneration and we have approved business plans for the Grange Farm estate. We aim to submit the planning application in the Autumn.

2. ***Install at least 15 mobile CCTV cameras in the areas of Harrow most targeted by fly-tippers to reduce the levels of dumping and to make the people who do this pay.***

   We have installed 10 CCTV cameras in hotspot areas to act against those caught illegally dumping waste, with another 5 CCTV cameras awaiting installation. More than 1,500 fines for fly-tipping were issued between January and October 2023.

3. ***Ensure good quality open spaces for our residents, through the reaccreditation of our 6 Green Flag parks and identify 3 more parks to become accredited to Green Flag status by 2024/2025.***

   Last summer 6 of our parks retained their Green Flag status, meaning that our communities continue to have access to quality green and other open spaces. These spaces are well-managed and meet the needs of the communities that they serve.

4. ***Refurbish 36 tennis courts in Harrow parks and open spaces by 2025, delivering good quality courts and a new booking system.***

During the Summer of 2023 we upgraded 36 of our most neglected tennis courts across Harrow. We secured a grant of £445k from the Lawn Tennis Association to bring these courts to a good playing standard and these are now enjoyed by the community.

5. ***Resurface over 60 carriageways and footways over the next 12 months through our improved highway maintenance programme.***

   Our £10m resurfacing programme commenced in the summer – first focusing on temporary repairs followed by a programme to resurface 60 roads and footways across the borough.

6. ***Double the number of council provided electric charging points for the public in the next 12 months, helping residents who have or will choose hybrid or electric vehicles in the future, reducing greenhouse gas emissions and improving air quality.***

   We are working hard to double the number of electric charging points across Harrow. We have secured funding for this and are on track to install 225 electric charging points by Spring 2024.

7. ***Identify unauthorised beds in sheds and other environmental issues through a new approach which includes heat maps****.*

   Our new Enforcement Panel has set out clear plans on how we will tackle rogue landlords, and those building or operating without planning permission. We continue to work with landlords to deliver good quality homes for their tenants.

8. ***Hold at least four Weeks of Action, bringing together council and partners to deal with particular areas of anti-social behaviour and fly-tipping.***

   This year we have held 3 Weeks of Action in June, October and January in Edgware, Rayners Lane and Wealdstone.

   Working with the police and community partners, our enforcement, community safety and street cleansing teams tackled local issues such as anti-social behaviour, fly-tipping, trading offences, and Houses of Multiple Occupations (HMOs). The remaining Week of Action will take place in March this year.

3. A place where those in need are supported

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

Our Flagship Actions for 2023/24 were to:

1. ***Help with the cost-of-living crisis, we will deliver another year of free school meals during school holidays.***

   Between April and December, more than 6,500 families have received help with free-school meals during the school holidays thanks to the Government's Household Support Fund. We also used this funding to support those most in need with energy bills and cost of living payments, as well as basic food provisions.

2. ***At least doubling the number of Harrow Council Apprenticeships in the borough by the end of the year.***

   We have doubled the number of apprenticeships in the council and in the borough by March 2024. We will use National Apprenticeship Week in February 2024 to create more opportunities in the community.

3. ***Launch a skills and employment programme for our most vulnerable young people before the summer of 2024, including our care leavers, with applications launching by March 2024.***

   This year, we launched a new skills and employment programme to match vulnerable young people and care leavers to apprenticeship opportunities in the council. Applications will launch in Spring this year as one of our new Flagship Actions.

4. ***Upgrade the Council's 10 Children Centres into Family Centres, which will deliver more integrated services for residents which includes early years and health.***

   Our first new Family Centre known as the 'Family Hub' opened in January 2024 and we are on track to roll out all Family Hubs by September 2024, which will see the council, health and voluntary sector partners working together to deliver more integrated services to families.

5. ***Work with residents, community groups and the voluntary sector to create a new adult social care and mental health service by July.***

   A new service was launched in July 2023, with the council now managing both mental health and adult social care services. This allows us to focus on person-centred care pathways so that services are delivered holistically and better link to the community network of services in Harrow.

6. ***Improve our neighbourhood resource centres into true adult social care and well-being hubs.***

   Lots of work is taking place to create a stronger offer for our residents through our Neighbourhood Resource Centres (NRCs). This is a two-year programme and is due to complete in 2025/26.

7. ***Development of our new customer centre at Gayton Road for people at risk of homelessness or concerns about vulnerable residents.***

   We launched our new Customer Centre at Gayton Road bringing together services to support to our residents with the most urgent housing and social care enquiries.

8. ***Start construction on Milton Road, resulting in 100% high quality, affordable housing, which includes family-sized homes.***

   Construction is well-underway on Milton Road. In February the concrete frame for the apartment block was completed and brickwork for the townhouses has now started. We are on track to deliver the 36 high quality, affordable homes in December 2024.

Our Flagship Actions for 2024/25: A Council that puts residents first

Last year we pledged to make council services more easily accessible in the community and make sure the voice of residents is at the heart of everything we do. We will build on this work this year, expanding our work to make Harrow a place that is welcoming and retains its special character. We want to lead by example as an inclusive employer, investing in local talent and developing future leaders. The new Flagship Actions for this year are to:

1. Improve our website to make it easier for you to access information and council services, using mobile technology to deliver a more personal service.

2. Bring services to our communities by launching a new pilot Customer Services access kiosk at one of our libraries.

3. Move forward with our regeneration plans for well-designed family sized homes by submitting the planning application for Byron Quarter phase one.

4. Make housing more affordable in Harrow by delivering more than 50 affordable homes built on council sites.

5. Complete over 200 new kitchens and bathrooms to council owned homes.

6. Consult on our Draft Local Plan which sets out our long-term vision for Harrow. Take residents' views and outcomes from the consultation to produce an updated Local Plan within 2024/25. This will include housing, economic growth, community facilities, infrastructure, the environment, climate change adaptation, and good design.

7. Protect the heritage of Harrow further by formally designating at least two Local Areas of Special Character.

8. For the first time, we will recruit 2 graduates as part of the National Graduate Scheme.

9. Offer a variety of new work experience placements within the council including to 3 Harrow students in higher education.

10. Start the work to enhance Harrow Town Centre, making it a better-connected, more accessible, and sustainable space with new workspaces by March 2025.

Our Flagship Actions for 2024/25: A borough that is clean and safe

In 2023/24 we took action to tackle cleanliness and crime in the borough and make Harrow a destination for shopping and socialising. This year, we are expanding our work on safety and will deliver on key priorities to address the climate emergency, which support our ambitions to make Harrow a healthy and attractive place to live and work. The new Flagship Actions for this year are to:

1. Establish flood alleviation measures in Chandos Recreation Ground to reduce the risk of flooding in the local community and bring it up to the standard required for Green Flag status. In addition, we will prepare another 2 parks or open spaces for Green Flag accreditation by 2026.

2. Create a culture of recycling in the borough. Delivering at least 7 recycling events in our schools and with community partners to support residents, and delivering at least 3 TRAID events in the borough to reduce waste by recycling and reusing more.

3. Begin to install the Harrow to Pinner cycleway. We will engage with our residents and businesses to create a well-used scheme that works for the local community.

4. Identify 3 locations for new habitat banks and enhance biodiversity in Harrow's parks and open spaces.

5. Deliver year two of the council's electrical testing and safety programme and achieve (100%) compliance on council housing.

6. Make our council homes and public buildings more sustainable and cheaper to run. We will do this by retrofitting 80 council homes to bring them up to an EPC C rating; installing solar panels at 5 schools and council buildings; and installing ground source heat pumps at 2 sheltered housing schemes.

7. For the second year running, install a further 200 EV residential charging points in the borough, with at least 5 of these being ultra-rapid charging points (subject to installation requirements).

8. Reduce anti-social behaviour in 4 hotspot areas by working with the police and other partners at a series of Days and Nights of Action.

9. Launch a new Pothole Squad using new technology to detect and fix more potholes quickly and at a lower cost.

10. Create a task force to take action against people who make our borough dirty and unsafe and implement neighbourhood street-cleaning crews who know their local area and the community.

Our Flagship Actions for 2024/25: A place where those in need are supported

Last year, our priorities centred around supporting those most in need by working in collaboration with our community partners. We will continue this through our strong partnerships; we will help residents with their care needs, ensure greater confidence in using our digital platforms, and create employment opportunities for our most vulnerable young people. The new Flagship Actions for this year are to:

1. Implement the skills and employment offer from the council for our most vulnerable young people to young people with SEN and care leavers, offering a minimum of 5 apprenticeships or work placements within council services in 2024/25.

2. Expand the scope of the Conversation Café to enable residents' easier access to council information and advice on services within the borough.

3. Pilot an offer around digital inclusion for residents which helps them access a range of council services.

4. As we roll out our new model of Family Hubs, further integrate housing and other vital services for families.

5. Launch a health and wellbeing charter for schools and families to take action together against the negative impacts of childhood obesity – 75% of all primary schools to have signed up within the year.

6. Get Harrow Moving through a series of themed walking trails in our parks, with 500 new walkers signed up for the walks in 2024, of which at least 400 take part in more than one walk.

7. Purchase up to 25 further homes to provide temporary accommodation to homeless families in Harrow.

8. Enable greater digital inclusion by supporting 100 learners to gain digital skills (Beginners to Level 3).

9. Deliver 60 extra care units for older people at the former Kodak site.

10. Consolidate and launch the new models and criteria for our Neighbourhood Resource Centres, with Kenmore and Vaughan NRCs going live in April 2024 and the New Bentley Health and Well Being Centre going live late Autumn with an official launch in January 2025.

LONDON BOROUGH OF
HARROW

Report for:	**Cabinet**
Date of Meeting:	15 February 2024
Subject:	Final Revenue Budget 2024/25 and final Medium Term Financial Strategy to 2026/27
Key Decision:	Yes
Responsible Officer:	Sharon Daniels– Interim Director of Finance (S151 Officer)
Portfolio Holder:	Councillor David Ashton – Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	No - decisions reserved to Council
Wards affected:	All
Enclosures:	**Appendix 1A** – Savings and Growth 2024/25 to 2026/27 **Appendix 1B** – Savings and Growth from the 2023/24 Budget Process **Appendix 2** - Medium Term Financial Strategy 2024/25 to 2026/27 **Appendix 3** – Revenue Budget Summary 2024/25 **Appendix 4** – Levies, contributions, and subscriptions **Appendix 5** – Policy on use of contingency **Appendix 6** - Schools Budget 2024/25 **Appendix 7** - Public Health Budget 2024/25 **Appendix 8** – Reserves Policy **Appendix 9** – Reserves Forecast **Appendix 10** – Report of the Chief Finance Officer **Appendix 11** – Model Council Tax Resolution **Appendix 12** – Annual Pay Policy Statement for 2024/25 **Appendix 13** – Flexible Use of Capital Receipts **Appendix 14** - Summary of Resident Consultation **Appendix 15** – Employees' Consultative Forum Recommendation **Appendix 16** – Harrow Business Consultative Panel Recommendation **Appendix 17** – Overview and Scrutiny Committee Reference **Appendix 18 –** Performance & Finance Scrutiny Sub-Committee reference

Section 1 – Summary and Recommendations

This report sets out the final revenue budget for 2024/25 and Medium Term Financial Strategy (MTFS) to 2026/27. In December 2023, Cabinet approved the draft version of the revenue budget and MTFS for general consultation.

Recommendations:

Cabinet is requested to:

1) Recommend the 2024/25 budget to Council for approval, to enable the Council Tax for 2024/25 to be set.

2) Recommend the Model Council Tax Resolution 2024/25 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 Managing Director be instructed to place a notice in the local press of the amounts set under recommendation 2 above within a period of 21 days following the Council's decision.

4) Cabinet refer to Council to make a determination to apply the new council tax premium for empty furnished properties (under section 11C of the Local Government Finance Act 1992) at a premium of 100% from 1st April 2025 (Paragraphs 1.21-1.24).

5) Note additional funding, namely Social Care Grant and Funding Guarantee, announced by Government on 24th January 2024 for Local Government at the Final Settlement, which was published on 5th February 2024 (Paragraph 1.05).

6) Approve the Medium-Term Financial Strategy for referral to Council (Appendix 2).

7) Note the balanced budget position for 2024/25 and the estimated budget gap of £10.880m and £6.732m for 2025/26 and 2026/27 respectively (Table 2).

8) Note the intention to increase core Council Tax by 2.99% in 2024/25 (Paragraph 1.17).

9) Note the intention to increase Council Tax by a further 2% in 2024/25 in respect of the Adult Social Care Precept (Paragraph 1.19).

10) Note the 2024/25 budgets for Schools and Public Health as set out in Appendices 6 & 7.

11) Note the proposal to increase funding to Additionally Resourced Mainstream Units by 3.4% (within the High Needs Block) (Paragraph 1.43).

12) Note the proposal to provide additional funding for pupils with Education, Health and Care Plan (EHCP) in mainstream schools of 7% (Paragraph 1.46).

13) Note the assumed funding for the protection of social care 2024/25 through the Better Care Fund (Paragraphs 1.58 to 1.61).

14) Recommend the 2024/25 Annual Pay Policy Statement to Council for approval (Appendix 12).

15) Recommend the Capital Receipts Flexibility Strategy to Council (Appendix 13).

Reason: (For recommendations)
To ensure that the Council sets a balanced budget for 2024/25.

Section 2 – Report

BACKGROUND

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

1.02 Over the last 10 years, up to 2024/25:

- The Council's revenue support grant has reduced from £50.5m to £2.2m
- The Council does receive other grant funding to support services, in 2023/24 this totalled £375m. However, these grants are all ring fenced to areas of activity and cannot be used to support the core budget, for example the Dedicated Schools Grant of £152m.
- The Council does not receive specific funding to meet demographic growth and demand led pressures. In addition, inflation has increased significantly creating unfunded budget pressures.
- For many years Council Tax has been increased to just below the referendum limits and full use has been made of the Adults Social Care Precept, both of which were in line with central government expectations. The impact of this is that the Council is heavily reliant on Council Tax to fund its core services. In 2023/24 78% of the Council's net revenue budget of £196.4m is funded from Council Tax.

SUMMARY

1.03 This report sets out the final budget and MTFS, which have been adjusted since draft documents were presented to Cabinet in December 2023. Cabinet are asked to note the adjustments. After all adjustments, the MTFS shows a balanced budget position for 2024/25 and an estimated budget gap of £10.880m for 2025/26 and £6.732m for 2026/27. It is important to note that for both 2025/26 and 2026/27 several of the budget adjustments are estimated at a high level due to the challenges of forecasting complex issues such as inflation, demand, and demographic changes so far in advance. For example, the pay award has only been agreed in October 2023 for the 2023/24 pay award so for all 3 years 2024/25 to 2026/27 the pay award assumptions are estimated. As the budget is approved annually, the latter two years of the MTFS, will be subject to review and adjustment before being finally approved.

1.04 The final MTFS and budget gaps of £10.880m in 2025/26 and £6.732m in 2026/27 are based on the Local Government Indicative Financial Settlement received 18 December 2023.

1.05 On 24th January 2024, Government announced additional funding for councils with responsibility for adults and children's social care (Social Care Grant) and the increase in minimum Funding Guarantee from 3% to 4%. The new funding is part of the Final Local Government Finance Settlement. The Final Settlement was published on 5th February 2024. The additional funding totals £2.308m and is summarised below. This will be included in the corporate budgets in 2024/25.

- Social Care Grant £2.020m
- Funding Guarantee £0.263m
- There is also a revision to the Services Grant from £0.252m to £0.277m, an increase of £25k

In addition, there is also a one-off business rates surplus arising from the 2023/24 business rates levy account and will be distributed in 2024/25. Harrow's share of this is estimated at £0.332m.

AUTUMN STATEMENT 2023

1.06 The Chancellor of the Exchequer, Jeremy Hunt, delivered the 2023 Autumn Statement on 22nd November 2023. As well as the usual updates on the state of public finances and the performance of the economy, the Chancellor organised his policies into five key areas: reducing debt; cutting tax and rewarding hard work; backing British business; building domestic and sustainable energy; and delivering world-class education.

1.07 The key policy announcements relating to public spending and local government are summarised below:

Local Government Funding

- There was no new funding for 2024-25 for adult or children's social care or any general local government funding beyond what was announced in the Autumn Statement 2022.

Housing and Homelessness

- Local Housing Allowance rates will be raised to a level covering 30% of local market rents.
- Additional funding of £120m for homelessness prevention (UK-wide) in 2024-25. The details of the allocations are not yet known and therefore the Harrow allocation is still to be confirmed.

- Local Authority Housing Fund to be extended with a third round worth £450m to deliver new housing units and temporary accommodation for Afghan refugees.
- For the Housing Revenue Account, there is a rate extension of £5m to June 2025 of the Public Works Loan Board policy margin announced in Spring 2023.
- There are plans to allow local authorities to be able to fully recover the cost of planning fees for major planning applications if decisions are made within certain timelines.
- Local Planning Authorities to receive £32m to tackle planning backlogs.

Business Rates

- The standard business rate multiplier will be increased by September CPI (6.7%) and the small business rate multiplier will be frozen for a fourth consecutive year.
- The 75% Retail, Hospitality and Leisure relief will be extended for 2024-25.
- Local authorities will be fully compensated for the loss of income because of these two measures and will receive new burdens funding for administrative and IT costs.

Local Government Pension Schemes

- Reforms are anticipated to the Local Government Pension Scheme, including confirmation of guidance that will implement a 10% allocation ambition for investments in private equity, and establishing a March 2025 deadline for the accelerated consolidation of LGPS assets into pools.

National Living Wage and Benefits

- From April 2024, the National Living Wage will increase by 9.8% to £11.44 an hour and the age threshold lowered from 23 to 21 years old.
- The triple-lock for pensions will be continued (an increase of 8.5%) and benefits will increase in line with the September CPI (6.7%).

DELIVERY OF THE 2023/24 BUDGET

1.08 The budget for 2022/23 was originally based on drawing down £14.7m of reserves to bring in a balanced position. The final position for 2022/23 improved significantly as a result of careful control and oversight of budgets, which meant that only £5.8m of reserves were needed (as opposed to £14.7m) to bring the budget into a balanced position.

1.09 The position against the current 2023/24 revenue budget is detailed in a separate report on this agenda, ‘Revenue and Capital Budget Monitoring Report 2023-24 Q3’. This report forecasts a net overspend of £0.581m as at 31st December 2023. If the position does not improve before year end, it would be necessary to draw down this amount from the MTFS Budget Planning Reserve to bring in a balanced position, but it is anticipated that 2023/24 can be balanced with no draw down from reserves other than those already built into the budget.

1.10 In line with the national picture, the Council is being heavily impacted by inflation. Budget provision for pay inflation was £4m (4%). The 2023/24 pay award equated to an increase of 7% against the pay bill and has created a budget pressure of £3.2m. The bulk of this pressure has been funded from the general corporate budget and the non-pay inflation provision, but still leaves an £800k shortfall to be carried forward into 2024/25.

1.11 In addition, there are very substantial pressures on demand in adult services. Such is the scale of the demand, that across the 3 years of the MTFS from 2024/25 to 2026/27, a further £9.7m has been added in as a budget growth, as set out in Table 1.

BUDGET PROCESS 2024/25

1.12 In preparing the 2024/25 budget and rolling forward the MTFS to cover the three-year period to 2026/27, the current MTFS has been the starting point for the process. Council has a statutory obligation to agree and publish a balanced budget for 2024/25, and approval for this is being sought from Council in February 2024.

1.13 The Council's financial position and its operational environment has always been affected by several financial uncertainties and adjustments that impact upon its financial position over the short and medium term. In preparing the final budget for 2024/25 the existing MTFS has been:

- Refreshed and rolled on a year
- Updated to reflect the estimated impact of the Provisional Financial Settlement

1.14 The draft budget was presented to Cabinet in December 2023. For completeness, the adjustments required to set the draft budget, are repeated in this report and summarised in Table 1 below followed by a narrative explanation. These adjustments are also set out in Appendix 2 along with adjustments included within the previous MTFS agreed as part of the 2023/24 Budget process:

Table 1: Changes to the MTFS (Prior to Indicative Settlement)				
		2024/25	2025/26	2026/27
		£'000	£'000	£'000
Budget Gap (February 2023)		**0**	**6,321**	**0**
Reversal out of Social Care Grant			6,822	
Budget Gap (February 2023)		**0**	**13,143**	**0**
Council Tax Changes				
Core CT @2.99%				-4,995
Increase 2024/25 by 1 % to 4.99%		-1,545		
Residual Tax Base Increase for 2024/25		-21		
Increase in CT base - 150 band D equivalents			-312	-250
Council Tax Collection Fund Surplus (one off)		-790	790	
Grants and Technical Adjustments				
Council Wide Growth				1,000
One off reduction of contingency		-175	175	
Assume Social Care Grant will remain with LA			-6822	
Assume that Capital Flexibilites will be extended on one off basis			-1250	1,250
Assume temporary savings on capital financing cost from slippage (one off)		-3000	3,000	
Reverse Council wide Mgt saving		650		
Increase TM savings to offset Mgt saving - additional investment income being achieved through improved investment returns		-650		
West London Waste Authority energy income (electricity)		-1000		1000
Capital Programme Review				
Resources - reduction of £600k in the Capital Programme. Therefore reducing capital financing cost in the revenue budget.		-34	92	-196
Place - reduction of £1.964m in the Capital Programme. Therefore reducing capital financing costs in the revenue budget.		-148		
2026/27 Capital Programme Cost				1,500
-				
Pay award 2023/24				
£6.4m budget available. pay award £7.2.m. Gap for 2023/24 pay award of £800k.		800		
Reduction of council wide growth 2024/25 to fund pay award		-755		
Pay award 2024/25				
£5.5m provision for pay and £1.0m for non pay - already assumed in the previous 2023/24 budget setting.				
Pay award 2025/26				
£5m provision for pay and £1m for non pay - already assumed in the previous 2023/24 budget setting.				
Pay award 2026/27				
Pay award @ 3%				3000
Provision for Non Pay Inflation				
Non Pay inflation provided for £1m in line with previous provisions.				1000
Directorate Pressures plus Mitigations				
Resources and Managing Director				
Resources - Access Harrow saving was not progressed as a result of a decision to keep the phone lines open for residents accessing the Revenues and Benefits service		180		
Managing Director (Finance and Assurance) - increase in external audit fees		250		
Managing Director (Finance and Assurance) - internal audit & CAFT		260		
Resources - one off budget for payroll staff (staff previously working on schools payroll retained to work on general payroll)		230	-230	
Discretionary Freedom Pass - reversal of saving		12	6	
People's Directorate				
Adults				
Adults demand pressures (£9.787m over 3 years)		5440	2347	2000
Additional award of Market Sustainibility and Improvement Fund (MSIF) grant for adults.		-828		
MSIF grant assumed as permanent grant but add to adults base for 2025/26			828	
Care Provider Inflation for Social care - in line with prior year allocations				1800
Children's				
Children's Placements & Accommodation budget - reduction of growth provided for placements in previous years - in 2023/24 £4.35m was provided and £1m of this is now being reversed.		-1000		
Growth in Education for staffing re: statutory duties		100		
Place				
Parking PCN 23/24 income shortfall - rephase £1m saving into 2025/26		1,000	-1000	
Parking P&D income shortfall		360		
Planning & Building Control income (£116k attributable to MTFS savings)		341		
Potential Homelessness demand pressure			2,325	
Housing staffing resource - one off requirement		180	-180	
Local Plan review		91	80	-171
Saving to reduce waste disposal costs through behavioural change (residents) Rephasing of £0.5m saving over 2 years		250	-250	
Additional Street Cleaning funding		250		
Local Plan Review -reversal of growth provided in 2024/25 and 2025/26				-206
Savings put forward in Appendix 1A		-448	-276	
Revised Budget Gap after Risks and Opportunities		**0**	**12,466**	**6,732**

Published Budget Gap as at February 2023

1.15 The 2023/24 Final Budget and MTFS, which was approved by Council in February 2023, estimated there to be budget gaps of zero for 2024/25 and £13.143m for 2025/26. This therefore forms the starting point for the update of the MTFS.

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

1.16 For 2023/24, despite an increase in Council tax of 4.99% which raised additional revenue of £7.8m (Council tax income increased from £146.2m to £154.0m), the cost of the 2023/24 pay award (only agreed in October 2023) is £7.2m and therefore, this left very little funding available for other demand pressures that have emerged in adult services, and other inflationary pressures.

1.17 The assumed Council tax levels built into the MTFS agreed in February 2023 were based on 3.99% for 2024/25 and 2.99% for 2025/26. The changes made in Table 1 reflect an assumed Council tax of 2.99% in 2026/27 and an additional 1% assumed for 2024/25 which would take the increase from 3.99% to 4.99% for 2024/25. There is no change to the assumed 2.99% for 2025/26. This therefore provides for Council tax increases of 4.99%, 2.99% and 2.99% for the 3-year period 2024/25 to 2026/27.

1.18 In Table 1, the additional 1% in 2024/25 achieves additional income of £1.545m, whilst the original 3.99% achieves income of £6.144m. Therefore, the total council tax to be achieved from the 4.99% increase is £7.689m. The addition of 2.99% in 2026/27 provides £4.995m of council tax income in 2026/27.

- In addition, the Council's tax base has been calculated, (according to the relevant procedures and guidance) at 89,375 band D equivalent properties, which is an increase of 290 Band D equivalents on the 2023/24 Band D of 89,085. This will generate additional income of £0.521m in 2024/25. Because £0.5m had already been included in the 2024/25 assumptions when the MTFS was set last year in Feb 2023, Table 1 only includes a further £21k. There are further tax base increases assumed for 2025/26 and 2026/27 of £312k and £250k included in Table 1, which will be revisited as part of the 2025/26 budget process.

1.19 A maximum Council Tax increase of 4.99% is budgeted for 2024/25 in line with announcements made as part of the 2024/25 Finance settlement in December 2023. This covers 2.99% for core Council Tax and a 2% for the Adult Social Care Precept. There was no guidance as to the maximum level of Council Tax increase for 2025/26 and 2026/27 and for this reason, the working assumption has been left at 2.99% for both of these years.

1.20 The Collection Fund and its impact on the 2024/25 budget was subject to a separate report in December 2023 (Report: Estimated Surplus / (Deficit) on the Collection Fund 2023/24). The estimated impact on the 2023/24 Collection Fund is a surplus of £0.790m which must be accounted for as a one-off income against the 2024/25 budget.

Council Tax Premium

1.21 The Levelling-up and Regeneration Act 2023 has amended the Local Government Finance Act 1992 by amending section 11B and introducing section 11C.

1.22 Section 11B has been amended by reducing the period a council tax dwelling has to be unoccupied and substantially unfurnished from 2 years to 1 for a 100% premium to be charged. This means that from 1st April 2024 the 100% premium on these unoccupied dwellings will commence 1 year after they first became unoccupied and substantially unfurnished. It does not matter whether the unoccupied period starts prior to the 1st of April 2024, the 1 year clock will commence from the date it was unoccupied and substantially unfurnished. Harrow already apply this premium from the 2 year period so the change to 1 year requires no formal decision from Cabinet or Council.

1.23 Section 11C has been introduced for dwellings where there is no resident, and the dwelling is substantially furnished (periodically occupied). This addition to the 1992 Act requires billing authorities to have decided to apply this premium of up to 100%, at least one year before the beginning of the financial year to which it relates. Cabinet is therefore asked to note that a recommendation will go to Full Council for a determination be made to apply this premium with effect 1st of April 2025. The charging of a premium will be in line with any regulations made by the Secretary of State relating to classes of dwelling where the premium may not apply. A further Cabinet report may be required upon the finalisation of the regulations.

1.24 The changes above are estimated to generate an additional income of approximately £0.750m, although this will be reviewed and included in the 2025/26 MTFS process.

Technical Changes

1.25 A number of other adjustments have been included in Table 1 which are explained as follows:

- £1m of council wide growth in 2026/27 – this is a general allowance for growth as, other than for adults, there is no other departmental growth included.

- £175k one off reduction of the contingency budget to balance the 2024/25 budget whilst awaiting the outcome of 2024/25 Finance settlement.

- In 2023/24, £6.822m of social care funding was awarded for 2 years and initially it was felt that it was possible that the grant might have to be repurposed in 2025/26 for Social Care reform. Therefore, in arriving at the original budget gap of £13.143m in 2025/26, it had been assumed that the grant would be removed, resulting in an increase of the gap from £6.321m to £13.143m. It is now widely assumed that this grant will not be removed and therefore Table 1 reverses that assumption which improves the 2024/25 position by £6.822m.

- Capital Flexibilities are assumed for a further year in 2025/26, which enables the Council to charge transformation costs to capital and thereby reduce the cost to the revenue budget. £1.25m is assumed for 2025/26 on a one-off basis.

- Capital financing savings of £3m are assumed on a one-off basis as a result of slippage expected in the capital programme based on past experience.

- The Investment income budget that sits within treasury management has been overachieving on income as a result of the higher interest rates being achieved (the Bank of England base rate is currently 5.25%). As a result of this, a previously identified management saving of £650k which has not been achieved, will be managed as part of the treasury management budget and the investment income budget will be increased by £650k to offset this unachieved management saving. The Investment income budget will be reviewed as part of the 2025/26 budget setting process to ensure the £650k income can still be achieved as the expectation is that the Bank of England base rate will start to fall and therefore this will reduce investment income.

- The Council has received some cash rebates from West London Waste Authority of £1.6m and £1.9m respectively in 2022/23 and 2023/24 as a result of energy income. The energy from waste facility generates electricity which then generates an income for the WLWA. A decision was made to reimburse a proportion of the energy income to the six constituent boroughs. Therefore, the budget assumes £1m for a further 2 years but then this is reversed out in 2026/27, since it cannot be assumed to continue indefinitely.

- As a result of a review of the existing Capital Programme, it has been possible to remove some surplus capital budgets and therefore reduces capital financing costs by a net £286k across the MTFS period (-£182k 2024/25, £92k 2025/26 and -£196k 2026/27).

- The cost of the 2023/24 Capital Programme was approved as part of the 2023/24 budget setting process, but as the cost of £1.5m fell into 2026/27 which was last year outside of the MTFS period, the cost of £1.5m is now included.

- The pay award for 2023/24 has recently been agreed and cost £7.2m, an approximate 7% uplift against the pay bill. The 2023/24 budget included a provision of £4m and there were other budgets (non-pay inflation and corporate budgets) of £2.4m available to fund the pay award, which leaves an £800k shortfall that needs to be built into the 2024/25 budget. To offset the pressure, a corporate growth budget of £755k is being reduced to fund it.

- In terms of 2024/25,2025/26 and 2026/27, pay award budgets have been assumed of £5.5m, £5m and £3m respectively. Over the past few years, the pay awards have been agreed very late in the financial year and for both 2022/23 and 2023/24, the pay agreements have been reached around October time which makes it very difficult for budgeting purposes.

- Non pay inflation, which covers areas such as energy costs and contractual up lifts, is set at £1m pa in 2024/25 and 2025/26 and is increased by a further £1m for 2026/27.

- Cabinet in June 2023 agreed a three-year strategy for the inflationary uplift approach covering the period 2023-24 to 2025-26, together with increased funding for social care providers for 2023-24 as a one-off additional payment. This report detailed the Council's commitment to working with providers and set out the guiding principles in this respect. Members agreed the approach which committed to a 7% increase over the three-year period providing uplifts of 2.7% in 2023-24, 2.35% in 2024-25 and 2% for 2025-26. In addition, there was a one off additional payment of 2.3% for 2023-24.

- The uplift in 2024-25 will be based on the ongoing uplifted rates of 2.7% and will exclude the one-off uplift (of 2.3%). In practice this will mean that in cash terms, providers will not see an increase in rates in 2024-25 as the 2.35% uplift will be largely equivalent to the one-off increase of 2.3% from 2023-24. The MTFS includes annual provision for care provider inflation in this respect with £2.086m for 2024-25 and £1.8m for each of 2025-26 and 2026-27 in this respect.

Directorate Pressures/Savings

1.26 The rest of the figures in Table 1 relate to Directorate pressures in the main, with a small number of savings which are detailed in Appendix 1A. As can be seen from Table 3, there is growth of £7.1m, £3.9m and £1.6m built into the MTFS across the 3 years 2024/25 to 2026/27, which total £12.7m. Growth in the Adult social care budget accounts for £9.8m of the net growth.

1.27 After all the adjustments, the result is an estimated gap across the MTFS of £19.198m (prior to the Indicative Finance Settlement) as follows:

2024/25 £0m
2025/26 £12.466m
2026/27 £6.732m

Adjustments to the Budget following the Indicative Local Government Settlement announcement.

1.28 The Indicative settlement was announced on 18 December 2023 and provided funding allocations for local authorities for 2024/25 but with no indications of the level of funding for 2025/26 and 2026/27. This is the sixth year in a row of single year settlements, which does not help with financial planning. The adjustments to the draft MTFS are summarised in table 2 below and supported by explanatory text which follows the table:

Table 2: Changes to the MTFS (Post Indicative Finance Settlement on 18 December 2023)

	2024/25	2025/26	2026/27
	£'000	£'000	£'000
Published Budget Gap - December 2023	**0**	**12,466**	**6,732**
Adjustments:			
Changes as a result of the December Finance Settlement			
Increase in NNDR Multiplier - compensation for under-indexing (increased from £7.011m to £8.647m)	-1,636		
Social Care Grant			
£14.962m 2024/25 allocation. Previous budget assumed £14.843m, therefore an increase of £119k.	-119		
Additional Social Care Grant (announced by Government on 24/01/2024). Final Settlement is £16.982m, an increase of £2.020m	-2,020		
Additional RSG (increased from £2.081m to £2.219m)	-138		
Additional NDR Top up grant (increased from £23.195m to £24.120m)	-925		
Increase in Retained NNDR and S31 grant	-800		
Reduction in New Homes Bonus (from £2.245m to £82k)	2,163		
Reduction in Services Grant. £252k 24/25 allocation, a reduction of £1.353m. Previous budget assumed a reduction of £770k, therfore a movement of £583k	583	-583	
Services Grant - Difference between Indicative Settlement allocation and Final Settlement allocation, an increase of £25k	-25	25	
Funding Guarantee (to provide a minimum 3% increase in core spending power, before council tax level decisions and changes to funding from rolled in grants)	-2,011		
Funding Guarantee (increased from 3% to 4%, announced by Government on 24/01/2024). Final Settlement allocation is £2.274m	-263		
Other Changes:			
Freedom Passes	37		
Reverse the one-off use of contingency budget in 24/25	175	-175	
Provision for increases in various levies in 24/25	200		
Increase in Contingency (from £1.248m to £2.461m)	1,213		
Increase in Corporate Budgets	2,308	-25	
Directorate savings/growth:			
Adults growth relating to Market Sustainability & Improvement Fund (MSIF) grant re-profiled from 25/26 to 24/25. Net nil impact overall in the MTFS.	828	-828	
Place - Increase in WLWA levy	610		
Place - Savings from temporary accommodation budget arising from Property Acquisition Programme (additional 50 homes)		-543	-591
Corporate - Additional capital financing costs arising from Property Acquisition Programme (additional 50 homes)		543	591
Place - Investment in enforcement activities	200		
Place - Increase in Garden Waste income	-100		
Place - Additional income arising from 24/25 Fees & Charges proposals	-300		
Place - Investment in Street Cleaning (increased from £250k already included in Draft Budget to £270k in Final Budget)	20		
Revised Budget Gap (February 2024)	**0**	**10,880**	**6,732**

Changes as a result of the December 2023 Finance Settlement

1.29 There were the following changes:

- An increase in the NNDR Multiplier Grant of £1.636m which is a grant to compensate authorities for the fact that the indexation of NNDR has been kept low to assist businesses, but reduced the level of business rates that would be collected. The grant has increased from £7.011m to £8.647m.

- An increase in the social care grant of £119k. The main increase in the grant was assumed when the 2023/24 budget was set back in February 2023, as the adult social care grant allocations were provided for 2 years. The increase was from £12.808m to £14.843m between 2023/24 and 2024/25. Therefore, with a revised allocation of £14.962m, this provides for a further £119k (£14.843m to £14.962m). As noted in paragraph 1.05, additional social care grant was announced in January 2024. The allocation of £14.962m represents the grant before this announcement. On 5th February 2024, the Final Finance Settlement confirms the additional social care grant of £2.020m. Therefore total social care grant allocation is now £16.982m.

- An increase in Revenue Support Grant (RSG) of £138k with an increase from £2.081m to £2.219m.

- An increase in the Top up grant of £925k with an increase from £23.195m to £24.120m.

- An increase in the Council's Retained Business Rates which is the 30% of NDR which the Council is allowed to retain. The increase is £800k with the NDR increasing from £17.641m to £18.441m.

- A reduction in the New Homes Bonus grant of £2.163m with the grant reducing from £2.245m in 2023/24 to £82k in 2024/25.

- There has been a reduction in the Services Grant, of £1.353m, with the grant reducing from £1.604m to £252k. However, when the budget for 2023/24 was set, there was already an assumption that the grant would be phased out over 2 years with a reduction of £770k in 2024/25. As the actual reduction is £1.353m there is a requirement for an increase of £583k, which is a one-off impact, as the MTFS previously assumed growth to remove the grant fully over a 2 year period. The Services Grant in the Final Finance Settlement is slightly higher at £277k, an increase of £25k.

- In 2023/24, a grant was introduced called the Core Spending Power guarantee. The purpose of the grant is to ensure authorities receive a minimum funding increase of 3% (before local council tax decisions). Harrow did not receive this grant in 2023/24, but is one of 7 London Boroughs to receive the grant in 2024/25. This grant is £2.011m for 2024/25. As noted in paragraph 1.05, the additional funding announced by Government in January 2024 also confirms that the minimum threshold is increased from 3% to 4%. On 5th February 2024, the Final Finance Settlement confirms the additional Funding Guarantee of £0.263m. Therefore total Funding Guarantee allocation is now £2.274m.

Other Budget Changes – not connected to the Indicative Settlement

- Since the draft budget an updated estimate for the Concessionary Fares / Freedom Pass Schemes has been received from London Councils and the MTFS has been updated in line with the revised information. In the 2023/24 budget setting process, a growth of £2.59m was added to 2024/25 in the MTFS to reflect the anticipated increase in costs. The actual increase from the latest information is £2.627m for 2024/25, therefore an increase in growth of £37k is required.

- The draft budget assumed the need to use £175k of Contingency budget on a one-off basis in 2024/25. The funding assumptions in the MTFS have since been updated following the December 2023 Indicative Finance Settlement. The result of these is that the one-off use of Contingency is no longer needed and therefore reversed in the 2024/25 budget. The one-off nature of this also means that there is a corresponding adjustment in the 2025/26 budget.

- A budget provision of £200k is made for the increase in various 2024/25 levies that have not yet been notified to Harrow. More details of the levies are shown in Appendix 4. Where the 2024/25 levies have not been notified, an increase in line with September 23 CPI% is assumed for budgeting purposes.

- The Central Contingency has been increased by £1.213m, from £1.248m in 2023/24 to £2.461m in 2024/25. This is a result of updating funding assumptions and directorate adjustments in the MTFS following the December 2023 Indicative Finance Settlement.

- Adults budget is increased by £828k in 2024/25 to reflect the reprofiling of the Market Sustainability & Improvement Fund (MSIF) from 2025/26 to 2024/25. This is offset by a reduction of the same amount in 2025/26, resulting in a net nil impact in the MTFS.

- The 2024/25 budget report from West London Waste Authority confirms an increase in waste disposal levy and an additional budget of £610k is provided to fund this.

- As a result of a new capital proposal on Property Acquisition Programme (additional 50 homes) included in the Final Capital Programme 2024/25 to 2026/27, the revenue impact associated with this is reflected in the MTFS but on a cost neutral basis. The capital financing costs are assumed to be funded from revenue savings on temporary accommodation budget.

- Following the success of the priority enforcement team, the funding for this is to be made permanent in 2024/25 and therefore a growth of £200k is included for investment in enforcement activities.

- 2024/25 Fees & Charges proposals were approved by Cabinet in January 2024. The increases in Fees & Charges are expected to generate additional income of £100k from garden waste subscriptions and £300k from other chargeable activities. These income targets are added to the 2024/25 budget.

- In the Draft Budget report, a growth of £250k was included for the investment in street cleaning. The business case confirms that the total funding required is £270k, therefore an additional budget of £20k is allocated the Final Budget report.

Budget Refresh, Growth & Savings

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

The current MTFS is made up of:

- Savings / Growth that have been identified as part of the 2024/25 budget setting process, some of which were approved as part of the Draft Budget / MTFS (December Cabinet 2023) and the remainder as part of this report. These are summarised in tables 3 to 5 below and detailed in Appendix 1A.

- Savings /Growth that were approved as part of the 2023/24 budget setting process. These are summarised in table 6 below and detailed in Appendix 1B:

Table 3: Savings/Growth - agreed at December 2023 Cabinet				**Appendix 1A**
	2024-25	**2025-26**	**2026-27**	**Total**
	£000	**£000**	**£000**	**£000**
Savings				
People - Children	-	-	-	**-**
People - Adults	-	-	-	**-**
Place	(448)	(276)	-	**(724)**
Resources	-	-	-	**-**
Managing Director	-	-	-	**-**
Corporate	-	-	-	**-**
Total Savings	**(448)**	**(276)**	**-**	**(724)**
Growth				
People - Children	(900)	-	-	**(900)**
People - Adults	4,612	3,175	2,000	**9,787**
Place	2,472	975	(377)	**3,070**
Resources	410	(230)	-	**180**
Managing Director	522	6	-	**528**
Corporate	-	-	-	**-**
Total Growth	**7,116**	**3,926**	**1,623**	**12,665**
Net Total Savings and Growth	**6,668**	**3,650**	**1,623**	**11,941**

Table 4: Savings/Growth for approval February 2024 Cabinet				Appendix 1A
	2024-25	2025-26	2026-27	Total
	£000	£000	£000	£000
Savings				
People - Children	-	-	-	**-**
People - Adults	-	-	-	**-**
Place	(400)	(543)	(591)	**(1,534)**
Resources	-	-	-	**-**
Managing Director	-	-	-	**-**
Corporate	-	-	-	**-**
Total Savings	**(400)**	**(543)**	**(591)**	**(1,534)**
Growth				
People - Children	-	-	-	**-**
People - Adults	828	(828)	-	**-**
Place	830	-	-	**830**
Resources	-	-	-	**-**
Managing Director	-	-	-	**-**
Corporate	-	-	-	**-**
Total Growth	**1,658**	**(828)**	**-**	**830**
Net Total Savings and Growth	**1,258**	**(1,371)**	**(591)**	**(704)**

Table 5: Total Savings/Growth from the 2024/25 Budget process				Appendix 1A
	2024-25	2025-26	2026-27	Total
	£000	£000	£000	£000
Savings				
People - Children	-	-	-	**-**
People - Adults	-	-	-	**-**
Place	(848)	(819)	(591)	**(2,258)**
Resources	-	-	-	**-**
Managing Director	-	-	-	**-**
Corporate	-	-	-	**-**
Total Savings	**(848)**	**(819)**	**(591)**	**(2,258)**
Growth				
People - Children	(900)	-	-	**(900)**
People - Adults	5,440	2,347	2,000	**9,787**
Place	3,302	975	(377)	**3,900**
Resources	410	(230)	-	**180**
Managing Director	272	6	-	**278**
Corporate	250	-	-	**250**
Total Growth	**8,774**	**3,098**	**1,623**	**13,495**
Net Total Savings and Growth	**7,926**	**2,279**	**1,032**	**11,237**

Table 6: Savings/Growth from the 2022/23 and 2023/24 Budget			Appendix 1B
	2024-25	2025-26	Total
	£000	£000	£000
Savings			
People - Children	-1,570	-500	**-2,070**
People - Adults	-1,989	-295	**-2,284**
Place	-3,775	-300	**-4,075**
Resources	-708	-108	**-816**
Managing Director	-499	-6	**-505**
Corporate	0	0	**0**
Total Savings	**(8,541)**	**(1,209)**	**(9,750)**
Growth			
People - Children	500	-	**500**
People - Adults	-	-	**-**
Place	-	-	**-**
Resources	-	-	**-**
Managing Director	-	-	**-**
Corporate	250	-	**250**
Total Growth	**750**	**-**	**750**
Net Total Savings and Growth	**(7,791)**	**(1,209)**	**(9,000)**

CAPITAL RECEIPTS FLEXIBILITY

1.31 In 2016 the government announced the Capital Receipts Flexibility Scheme to support local authorities to deliver more efficient and sustainable services by allowing them to spend up to 100% of their fixed assets receipts on the revenue costs of reform projects. The flexibility has been extended on numerous occasions. In December 2023, the government announced the extension of this scheme to March 2030 and would also explore additional capital flexibility options to enable invest-to-save and transformation initiatives. There is currently a consultation on these options which will close on 31 January 2024.

1.32 The Corporate Property Strategy was approved by Cabinet in July 2023. One of the workstreams is to undertake a review of the Council's property assets, and part of this review aims to release buildings through a targeted disposal programme if they are no longer economically viable. The Council is also progressing on its Regeneration projects through the Harrow Strategic Development Partnership (HSDP). The 2024/25 MTFS includes a budget of £1.250m to fund the Regeneration Team. The nature of this spend meets the capital flexibility criteria and the team will be funded under the capital flexibilities scheme and the £1.250m provision has been removed from the budget. The sum is re-instated in 2026/27 but will be reviewed as part of the 2025/26 budget process.

1.33 The Council may seek to use further capital flexibilities to support its MTFS, in line with Appendix 13 – Flexible Use of Capital Receipts.

1.34 The Department for Levelling Up, Housing and Communities (DLUHC) has recently published a call for views on new local authority capital flexibilities, which include a set of options with respect to capital flexibilities and borrowing, to be managed locally, that could be used to encourage and enable local authorities to invest in ways that reduce the cost of service delivery and provide more local levers to manage financial resources. At the time of writing this report, the outcome of this is not yet known.

SCHOOLS FUNDING FOR 2024/25

1.35 In 2018/19 the government introduced a new National Funding Formula (NFF) for Schools, High Needs and the Central Schools services Block. For the Schools Block this means Councils are funded based on the total of the NFF for all schools, academies, and free schools in its area. However, the final formula for distribution is determined by each Council following consultation with schools and Schools Forums.

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

1.37 The NFF will therefore continue to be used to distributed school budgets for 2024/25. There are no proposed changes to the structure of the formula for 2024/25 with the exception of the mandatory introduction of the Split Sites Factor for which additional funding is provided to schools which operate over more than one school site. The Schools Budget for 2024/25 is attached in Appendix 6 for approval.

DEDICATED SCHOOLS GRANT AND HIGH NEEDS BLOCK FUNDING AND DEFICIT

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

1.39 In Q3 there is a projected in year overspend of £2.773m. This means that the cumulative deficit is expected to be £5.396m by the end of 2023-24.

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

1.41 The DfE requires local authorities to explain their plans for bringing the DSG account back into balance. The updated DSG projections which align with the updated SEND Strategy will be presented to Cabinet later this year. Despite the significant proposals and measures planned over the next ten years, it is unlikely that the plan will fully mitigate the deficit. This is due to the following contributory factors:

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

SEND Funding Proposals 2024/25

1.42 During 2023 the Council commissioned an independent review of SEND funding for in-borough provision as funding had not been reviewed for many years (partially delayed due to Covid) and schools were of the view that funding had not kept pace with increasing costs, particularly in relation to pay inflation for teaching and non-teaching staff. As an interim proposal for 2023/24 funding increases of 10% were applied to the place/top up funding for ARMs resources (which had not been reviewed for 10 years) and 10% on the banding/hourly rate for EHCPs in mainstream schools.

1.43 In 2024/25 Special School and Pupil Referral Unit (PRU) budgets will be increased by 3.4%. This is a mandatory requirement within the High Needs Operational Guidance and will be an additional cost to the High Needs Block (HNB) of £528k. There are approximately 591 places in Harrow special schools and the PRU.

1.44 The funding review provided benchmarking data that identified that, despite the previous years' increases, Harrow funding was below the average of its statistical neighbours for Additionally Resourced Mainstream (ARMs) provision and EHCPs in mainstream schools.

1.45 For ARMs provision it is proposed to increase ARMs provision place/top up funding by a further 3.4% in 2024/25 in line with mandated funding increases for special and alternative provision which would be at an additional cost to the HNB of £128k. There are approximately 150 children in ARMs resources in Harrow schools.

1.46 It is also proposed to provide additional funding for pupils with EHCPs in mainstream schools of 7% at an additional cost to the HNB of £1m. The funding review benchmarking data suggests that this increase would place Harrow somewhere in the average of the statistical neighbour comparator group. This would mean there has been a 17% increase in funding provided to mainstream schools since 2022/23. In addition, during this period schools have faced inflationary increases for non-teaching staff of over 20% in the last two years, many of whom are directly employed to support pupils with SEND. There are approximately 850 children with EHCPs in mainstream schools in Harrow.

1.47 Consultation was carried out with schools in the Autumn Term in respect of these proposals. It should be noted that that whilst the majority of schools supported proposals to increase funding to schools, they felt that the % increases fell below the increase in costs schools are facing, in particular in relation to non-teaching pay awards. The main theme of responses stated that the increases represent a below inflation rise in costs and that Harrow should have a higher aspiration than the ambition of bringing funding up to the average of the comparator groups in the benchmarking data.

1.48 The LA's response to the consultation concluded that:

- It is not the responsibility of the High Needs Block to meet the cost of inflation. The growth in the HNB for 2024-25 is below 3% and this not only needs to support inflationary pressures but also growth in demand/complexity of need.
- High Needs funding is part of a larger system of funding in schools.
- The 7% rise (which effectively equates to 10%-13% top up increase) is in addition to a 10% rise in the previous financial year
- The intention of the two years' of % rises was to bring Harrow in line with other boroughs.

1.49 Despite this, the Schools Forum expressed disappointment with the % increases in the funding proposals. However, the LA has to also consider the financial implications of the funding proposals and the impact on the HNB deficit. The independent review also emphasised the importance of strategic planning with all providers on SEND provision to manage the HNB in a sustainable way moving forward.

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

High Needs Block Funding & Deficit

1.51 In Q3 there is a projected in year overspend of £2.773m. This means that the cumulative deficit is expected to be £5.396m by the end of 2023-24 The projected position on the HNB is as follows:

Projections	Spend
Deficit brought forward 1 April 2023	£2,622,763
2023/24 in year deficit	£2,773,064
Deficit carried forward 31 March 2023	**£5,395,826**
2024/25 in year deficit projection	£9,191,911
2025/26 in year deficit projection	£12,504,901
Cumulative deficit 31 March 2026	**£27,092,639**

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

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

1.54 An updated SEND Strategy will be presented to Cabinet in 2024 and will refresh the actions being taken to mitigate the deficit which includes:

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

PUBLIC HEALTH FUNDING 2024/25

1.55 In 2023/24 the total public health grant to local authorities totalled £3.529bn, with £12.007m 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.

1.56 The Public Health commissioning intentions detailed in Appendix 7 are based on the grant allocation for 2024-25 of £12.288m as advised by DHSC in February 2024. These commissioning intentions reflect alignment with the Health & Wellbeing Strategy, Borough Plan, and evidence of population priorities.

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

BETTER CARE FUND (BCF) 2024/25

1.58 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.

1.59 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 a period 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.

1.60 Following submission of the planning template covering the period 2023-2025 in August 2023, and assurance by NHS England, the 2024/25 Adults budget assumes that funding for the Protection of Social Care through the BCF will be £7.954m – an increase of 5.66% on the funding for 2023-24, reflecting the NHS funding commitments made within the spending review.

1.61 The total value of the Better Care Fund in Harrow for 2024-25 is £31.406m and includes a range of grants (including the Disabled Facilities and Adults Discharge Grants) and schemes across both Health and Social Care. The Better Care Fund Policy statement and Policy Framework and Planning Requirements will provide the detailed guidance when published in early 2024 (usually March). The requirements around integration and collaborative working are expected to continue.

RESERVES AND CONTINGENCIES

1.62 Reserves and contingencies need to be considered in the context of their role to protect the Council's financial standing and in the context of the overall risks that the Council faces during a continuing period of economic uncertainty. The MTFS reflects the Council's need to ensure an adequate level of reserves and contingencies which will enable it to manage the risks associated with delivery of the budget including equalities impacts and unforeseen events.

1.63 The Council's overall reserves position is reported to Cabinet quarterly as part of the revenue monitoring update. At Q3 (end of December 2023), total reserves forecast for carry forward into 2024/25 are £58.6m after accounting for draw downs in 2023/24. A number of the earmarked reserves are planned to be used across the period of the MTFS and therefore the revised figure is estimated to be £43.0m following the estimated draw downs.

1.64 The non-specific earmarked reserves have been reviewed and as a result a number of reserves are no longer needed for the original intention which means it has been possible to boost the Budget Planning Reserve by £2.9m. Appendix 9 sets out the details of the reserves. After accounting for earmarked reserves, this leaves the Councils remaining non earmarked reserves at the following level:

- Budget Planning Reserve - £19.599m
- General Fund – £10.008m

1.65 There are savings required to deliver the budgets 2024/25 and 2025/26 and these will require the use of earmarked reserves to support capacity, implementation, and redundancy costs, which have been factored in the figures in Appendix 9.

1.66 There is also an ongoing revenue budget for Contingency for Unforeseen items, which is increased from £1.248m in 2023/24 to £2.461m in 2024/25.

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

LEVIES, CONTINGENCIES AND SUBSCRIPTIONS

1.68 Appendix 4 sets out the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2024/25. These sums are set by other bodies and are outside the Council's control. Except for the subscriptions to London Councils and the Local Government Association, the payments are compulsory.

COUNCIL TAX MODEL RESOLUTION

1.69 The Council Tax Model Resolution is attached at Appendix 11 which proposes the Band D council tax of £1,814.92 for Harrow Council. The proposed GLA precept of £471.40 takes the overall proposed Band D council tax to £2,286.32. The GLA precept is still subject to confirmation and is expected to be confirmed on 22 February 2024. The relevant basic amount of council tax is under the threshold in the Referendum relating to Council Tax Increases (Principle) (England) Report 2024/25.

1.70 The proposed GLA precept is an increase of 8.6% taking the aggregate Council Tax increase to 5.71% for 2024/25.

MEMBER ALLOWANCES

1.71 The proposal for the basic allowance and the different bands of the Special Responsibility Allowance and Mayoral Allowances for 2024/25 is to be considered in a separate report to Council in February 2024. Any additional cost implications will be met from the Contingency.

ANNUAL PAY POLICY STATEMENT

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

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

The proposed statement is attached at Appendix 12 and Cabinet is requested to recommend it to Council for agreement.

LONDON BOROUGHS GRANTS COMMITTEE

1.73 London Councils require formal notification of the Council's agreement to their contribution for 2024/25. Harrow's contribution to the London Borough Grants Scheme is £196,434 for 2024/25 which has increased by £9,527 from the 2023/24 level of £186,907. This is included within the levies at Appendix 4.

2.0 CONSULTATION

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

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

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

- Comments are genuinely invited at the formative stage;
- The consultation documents include sufficient reasons for the proposal to allow those being consulted to be properly informed and to give an informed response;

- There is adequate time given to the consultees to consider the proposals;
- There is a mechanism for feeding back the comments and those comments are conscientiously taken into account by the decision maker / decision making body when making a final decision;
- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting and;
- The consultation is clear on the reasons and extent to which alternatives and discarded options have been discarded.

2.3 The Council held a five-week consultation to provide residents with the opportunity to comment on the draft budget proposals. The consultation ended on 24 January 2024.

2.4 The Draft Budget Report was available to view on the Council's consultation portal MyHarrow Talk, and the consultation was advertised by social media, a news release and via the MyHarrow weekly e newsletter which is sent to c.130,000 MyHarrow email accounts and other subscribers and Harrow Online. There were 63 respondents (2023/24: 230 respondents) to the budget consultation survey so the results below should be taken in this context.

2.5 A summary of the response data is included in Appendix 14.

2.6 Over the two main questions respondents were slightly more in agreement with how the council plans to spend the budget in 2024/25. While more disagreed about raising Council Tax, respondents appreciated the need to spend more on adult social care and core council services due to demand, as well as the need to set a balanced budget for the next financial year.

2.7 Question 1 - The London Borough of Harrow has a Corporate Plan for Restoring Pride in Harrow. And it has three priorities – to be:

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

2.8 The 2024/25 budget has been put together to ensure funds are available and resources are committed to deliver these priorities.

Do you agree with how the council plans to spend the budget in 2024/25? 26 agree (41%), 20 disagree (32%), 12 (19%) neither agree nor disagree, 2 (3%) not sure, 3 (5%) did not answer the question.

2.9 Question 2 – Having read the draft budget proposals and the information about the council's financial position, please answer the following statements:

2.10 I understand the need to increase council tax in 2024/25 by 2.99% for council services plus the 2% adult social care levy – a total increase of 4.99%. 16 agree (25%), 38 disagree (60%), 7 (11%) neither agree nor disagree, 1 (2%) not sure, 1 (2%) did not answer the question.

2.11 I understand the need to spend more on adult social care. 30 agree (48%), 21 disagree (33%), 11 (17%) neither agree nor disagree, 0 (0%) not sure, 1 (2%) did not answer the question.

2.12 I understand the need to spend more on core council services because of growing demand. 26 agree (41%), 22 disagree (35%), 11 (17%) neither agree nor disagree, 3 (5%) not sure, 1 (2%) did not answer the question.

2.13 I understand the need to deliver a balanced budget. 45 agree (71%), 8 disagree (13%), 8 (13%) neither agree nor disagree, 1 (1.5%) not sure, 1 (1.5%) did not answer the question.

2.14 The comments received from those who responded were around these key themes:

- Concerns around services and initiatives not being run as efficiently as possible
- Concerns about the visibility / quality of services received in return for Council Tax paid
- Calls for the Council to approach central government for more funding.
- Concerns about the impact on households of an increased Council Tax bill, in light of pressures on finances. Question about what support there is for those struggling.

2.15 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 which 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.

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

Table 7: Key Stakeholder Consultation

Stakeholder	Meeting	Date
Local Businesses	Harrow Business Consultative Panel	23/01/24
Unions / Employees	Employees Consultative Forum	10/01/24

2.17 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. There may be in year projects that will be subject to a separate cabinet report and separate consultation and quality impact assessment.

3.0 PERFORMANCE ISSUES

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

4.0 RISK MANAGEMENT IMPLICATIONS

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

Separate risk register in place? No

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

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

Risk Description	Mitigations	RAG Status
Inability to deliver the Council's approved MTFS - over the next 3 years leading to an inability to set a balanced budget and provide core services	• In-year Revenue & Capital monitoring reported to CLT monthly, as well as the Portfolio Holder for Finance and HR, and Cabinet on a quarterly basis. • Budget challenge sessions were held to tackle in year pressures in August and Sept 2023. • Savings are tracked on a monthly basis via the MTFS savings tracker • Budget for 2024/25 is balanced so the focus is on the 2025/26 and 2026/27 budget gaps.	Amber
The final budget and MTFS is based on the Indicative Finance Settlement to be followed by the Final Settlement in early February which may require change.	• The Final Settlement was received on 5th February 2024. Additional funding of £2.308m was allocated.	Green
Balanced budget for 2023/24 not achieved adversely impacting on the 2024/25 budget	• The 'Q3 Revenue and Capital Report' forecasts a net overspend of £0.581m. It is anticipated that this should reduce by year end as	Green

	forecasts build in anticipated spend which may not happen. • The estimated impact of 2023/24 pressures into 2024/25 are accounted for in the draft budget and MTFS • There is a contingency for unforeseen items in 2023/24 (£1.248m) which has not been called upon.	
The saving proposals within the MTFS that are still subject to consultation, EQIA and potentially a further Cabinet Report may not be able to proceed and / or deliver their full estimated value	• There are a number of saving proposals that can immediately implemented to ensure full delivery of their value in the MTFS. • Budget provision for capacity, implementation costs etc is provided to support those savings requiring further consultation etc can be seen through to delivery. • There is a contingency for unforeseen items in 2024/25 (£2.461m) which can be used in the interim if proposals cannot proceed as planned. • Monthly tracking and reporting of saving proposals will identify if proposals are on track allowing alternative solutions to be found.	Amber

5.0 LEGAL IMPLICATIONS

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

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

5.3 Cabinet is approving these proposals having considered the consultation responses. These proposals will be referred to Council so that Council can approve the budget envelope and set the Council Tax. Individual proposals within the budget will be subject to their own decision-making paths such as cabinet, committees or officer delegated decisions as appropriate with consultation and equality impact assessments as required. There will be contingencies within the budget envelope so that decision makers have some flexibility should any decisions have detrimental equalities impacts that cannot be mitigated.

5.4 Section 151 of the Local Government Act 1972 states that: "without prejudice to section 111, every local authority 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". Section 111 of the Local Government Act 1972 relates to the subsidiary powers of local authorities.

5.5 Under Section 114 of the Local Government Finance Act 1988, the chief finance officer (S151 Officer) of a relevant authority shall make a report under this section if it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

6.0 FINANCIAL IMPLICATIONS

6.1 Financial Implications are integral to this report.

7.0 PROCUREMENT IMPLICATIONS

7.1 There are no procurement implications arising from this report.

8.0 EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY

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

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

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

(a) *remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;*

(b) *take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;*

(c) *Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.*

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

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

(a) *Tackle prejudice, and*

(b) *Promote understanding.*

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

The relevant protected characteristics are:

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

8.2 There are a number of directorate proposals which may require separate consultation and will be subject to a full equalities impact assessment and further report to Cabinet, committee or subject to officer delegated power decisions where appropriate. These are detailed in Appendix 1A and 1B. Council will be setting the budget envelope that cabinet will work within. Should any of the proposals that the decision makers do not proceed with due to equality impacts then alternative proposals or taking money from reserves will be considered.

9.0 COUNCIL PRIORITIES

9.1 **Council Priorities:**

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed by the Chief Financial Officer
Date: 26/01/2024

Statutory Officer: Jessica Farmer
Signed by the Monitoring Officer
Date: 01/02/2024

Managing Director: Alex Dewsnap
Signed by the Managing Director
Date: 25/01/2024

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 25/01/2024

Head of Internal Audit: Neale Burns
Signed on behalf of the Head of Internal Audit
Date: 25/01/2024

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

Mandatory Checks

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

EqIA carried out: N/A

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Interim Director of Finance,
Sharon.Daniels@harrow.gov.uk

Background Papers: None

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

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Summary Proposed savings/growth proposals **APPENDIX 1A**

	2024-25	2025-26	2026-27	Total
	£000	£000	£000	£000
Savings				-
Resources				**-**
Managing Director				**-**
Place	(848)	(819)	(591)	**(2,258)**
Adults				**-**
Childrens				**-**
Corporate/Council Wide				**-**
Total Savings	**(848)**	**(819)**	**(591)**	**(2,258)**
Growth				
Resources	410	(230)	-	**180**
Managing Director	272	6	-	**278**
Place	3,302	975	(377)	**3,900**
Adults	5,440	2,347	2,000	**9,787**
Childrens	(900)	-	-	**(900)**
Corporate	250	-	-	**250**
Total Growth	**8,774**	**3,098**	**1,623**	**13,495**
Net Total Savings and Growth	**7,926**	**2,279**	**1,032**	**11,237**

B1 Proposed savings/growth proposals - budget process 2024-25 **APPENDIX 1A**

ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	Proposals 2024-25	2025-26	2026-27	Total	EIA required Y/N?	Does this proposal impact on another directorate? Y/N	Further consultation with Key Stakeholders Yes/No/N/A
			£000	£000	£000	£000			
		Savings Proposals							
		PLACE							
PLACE 2024-25_S01	Community Engagement	**Removal of Ward Priority Fund budget** Ward Priority Fund (WPF) is an annual fund, allocated across the borough, available to support small-scale ward-level projects or initiatives that have community and councillor support. The fund is apportioned equally between Wards, with each Ward receiving £4,545, for Ward Members to apply. With the removal of WPF, ward members can still deliver projects using other funding such as Neighbourhood Community Infrastructure Levy (NCIL)	(100)			**(100)**	N	N	No
PLACE 2024-25_S02	Corporate Estates	**Review of leases and rent for corporate property portfolio**	(50)			**(50)**	N	N	No
PLACE 2024-25_S03	Planning Service	**Introduction of new Fees and Charges for tree documents.** To supply and charge for environmental information relating to Tree Preservation Orders (TPOs).	(10)			**(10)**	N	N	No
PLACE 2024-25_S04	Planning Service	**Review of Technical Support resources and future requirements** following the full implementation of the new planning software system	(38)	(76)		**(114)**	Y	N	Yes, staff consultation
PLACE 2024-25_S05	Directorate wide	**Place Directorate Restructure 2023** Following the approval of the restructuring proposal, total saving is estimated to be in the region of £500k. £250k has already been included in 23/24 MTFS, therefore an additional saving of £250k can be generated.		(200)		**(200)**	Y	N	Yes, staff consultation
PLACE 2024-25_S06	Corporate Estates	**Net reduction in Business Rates** following the closure of Civic Centre and the opening of the Harrow Council Hub	(250)			**(250)**	N	N	No
PLACE 2024-25_S07	Housing General Fund	**Property Acquisition Programme (PAP) -** Saving on temporary accomodation budget arising from PAP (additional 50 homes).		(543)	(591)	**(1,134)**	N	N	No
PLACE 2024-25_S08	Waste Services	**Garden Waste subscription –** Increase in income following the implementation of 2024/25 Fees & Charges	(100)			**(100)**	N	N	No
PLACE 2024-25_S09	Directorate wide	**Additional income arising from 2024/25 Fees & Charges proposals**	(300)			**(300)**	N	N	No
		PLACE SAVINGS PROPOSALS	**(848)**	**(819)**	**(591)**	**(2,258)**			
		TOTAL SAVINGS PROPOSALS	**(848)**	**(819)**	**(591)**	**(2,258)**			

B1 Proposed savings/growth proposals - budget process 2024-25

APPENDIX 1A

ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	Proposals 2024-25	2025-26	2026-27	Total	EIA required Y/N?	Does this proposal impact on another directorate? Y/N	Further consultation with Key Stakeholders Yes/No/N/A
			£000	£000	£000	£000			
		Growths Proposals							
		RESOURCES							
RES1	Access Harrow	**Access Harrow** - Reversal of a previous saving relating to the closure of phone lines as the second part of the programme to reduce capacity within Revenues & Benefits was not progressed.	180			**180**			
RES2	Payroll Services	**Loss of income due to the cessation of schools payroll service.** Staff previously working on schools payroll service are retained to support the wider service. A one-off growth for 24/25 whilst efficiencies are being identified through the procurement of the Payroll system.	230	(230)		-			
		RESOURCES GROWTH PROPOSALS	**410**	**(230)**	**-**	**180**			
		MANAGING DIRECTOR'S				-			
MD2	Finance & Assurance	**Rationalise the Discretionary Freedom Pass provision** - reversal of savings included in 23/24 MTFS. Following public consultation of the proposal, it was decided not to go ahead with this.	12	6		**18**			
MD3	Finance & Assurance	**Internal Audit & Corporate Anit Audit Fraud Team** - Restructure to create sufficient capacity to delivery the service, following a review of current structure benchmarking exercise	260			**260**			
		MANAGING DIRECTOR'S GROWTH PROPOSALS	**272**	**6**	**-**	**278**			
		PLACE							
PLACE_2024-25_G01	Parking Services	**Parking Review -** Rephasing of the saving target in the MTFS (£1m) from 2024/25 to 2025/26	1,000	(1,000)		-			
PLACE_2024-25_G02	Parking Services	**Paid for Parking Income -** Income pressure for On Street and Car Park facilities across the borough	360			**360**			
PLACE_2024-25_G03	Planning Services	**Planning and Building Control application fees** Income pressures due to a reduction in application numbers	341			**341**			
PLACE_2024-25_G04	Clean & Green	**Street Cleaning** Additional investment to provide a more streamlined service and better ownership & accountability by the team.	270			**270**			

B1 Proposed savings/growth proposals - budget process 2024-25 **APPENDIX 1A**

			Proposals						
ref	**Specific Service Area**	**Headline Description re: saving / reduction INTERNAL**	**2024-25**	**2025-26**	**2026-27**	**Total**	**EIA required Y/N?**	**Does this proposal impact on another directorate? Y/N**	**Further consultation with Key Stakeholders Yes/No/N/A**
			£000	**£000**	**£000**	**£000**			
PLACE_2024-25_G05	Planning Services	**Local Plan Review** Additional support to the new Harrow Local Plan on Tall Buildings assessment, Views assessment, External Communications support an Kings Counsel representation at examination.	91	80	(171)	**-**			
PLACE_2024-25_G06	Planning Services	**Local Plan Review** Reversal of growth in 26/27 - budget provided in 2023/24 MTFS for 3 years only for additional staff resources required to complete Local Plan Review			(206)	**(206)**			
PLACE_2024-25_G07	Housing	**Homelessness demand pressures -** baseline pressure (assuming at current homelessness level) once the one-off grant reserve has been exhausted.		2,325		**2,325**			
PLACE_2024-25_G08	Housing	**Housing - Additional staff resource** to support additional work due to a considerable increase in the approaches and formal applications to the Housing Needs Services.	180	(180)		**-**			
PLACE_2024-25_G09	Waste Services	**Behavioural change (residents) for reducing waste disposal cost -** Original saving of £0.5m in 24/25. Rephasing of this over 2 years due to the delay in the recruitment of the recycling team. Communications plan and resident engagement to reduce waste and divert to recycling.	250	(250)		**-**			
PLACE_2024-25_G10	Waste Services	**West London Waste Authority (WLWA) -** Increase in waste disposal costs	610			**610**			
PLACE_2024-25_G11	Licensing & Enforcement	**Investment in enforcement activities**	200			**200**			
		PLACE GROWTH TOTAL	**3,302**	**975**	**(377)**	**3,900**			
		PEOPLE - ADULTS							
ASC01	Placements	**Older Adults** - Increased budget for social care costs	1,955	2,000	2,000	**5,955**			
ASC02	Placements	**All Age Disabilities** - Increased budget for social care costs	2,920	-	-	**2,920**			
ASC03	Workforce	**All Age Disabilities** - Additional staffing requirements	77	-	-	**77**			
ASC04	Placements	**Community Equipment** - increased cost / volume for issues	115	-	-	**115**			
ASC05	Workforce	**Social Work Realignment** - to ensure consistency across Peoples in the grade costs for social work staff to support recruitment & retention	223	347	-	**570**			
ASC06	Workforce	**DoLS & Safeguarding**	150	-	-	**150**			
		ADULTS GROWTH PROPOSALS	**5,440**	**2,347**	**2,000**	**9,787**			

B1 Proposed savings/growth proposals - budget process 2024-25 **APPENDIX 1A**

			Proposals						
ref	**Specific Service Area**	**Headline Description re: saving / reduction INTERNAL**	**2024-25**	**2025-26**	**2026-27**	**Total**	**EIA required Y/N?**	**Does this proposal impact on another directorate? Y/N**	**Further consultation with Key Stakeholders Yes/No/N/A**
			£000	**£000**	**£000**	**£000**			
		PEOPLE - CHILDREN SERVICES							
PCG01	Education Services	**Education Services Staffing Propoosals**	100			**100**			
PCG02	CYPS	**Reduction of PC01 2023-24 Growth for Children's Placements & Accommodation**	(1,000)			**(1,000)**			
		CHILDREN SERVICES GROWTH PROPOSALS	**(900)**	**-**	**-**	**(900)**			
		PEOPLE GROWTH TOTAL	**4,540**	**2,347**	**2,000**	**8,887**			
		CORPORATE							
MD1	Finance & Assurance	**Increase in External audit fees** as a result of procurement exercise by Public Sector Audit Appointments	250			**250**			
		CORPORATE GROWTH PROPOSALS	**250**	**-**	**-**	**250**			
		TOTAL GROWTH	**8,774**	**3,098**	**1,623**	**13,495**			
		NET SAVINGS/GROWTH PROPOSALS	**7,926**	**2,279**	**1,032**	**11,237**			

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Summary Savings and Growth from the 2022-23 & 2023-24 Budget Process **APPENDIX 1B**

	2024-25	2025-26	Total
	£000	£000	£000
Savings			
People - Children	(1,570)	(500)	**(2,070)**
People - Adults	(1,989)	(295)	**(2,284)**
Place	(3,775)	(300)	**(4,075)**
Resources	(708)	(108)	**(816)**
Managing Director	(499)	(6)	**(505)**
Corporate			**-**
Total Savings	**(8,541)**	**(1,209)**	**(9,750)**
Growth			
People - Children	500	-	**500**
Corporate	250	-	**250**
Total Growth	**750**	**-**	**750**
Net Total Savings and Growth	**(7,791)**	**(1,209)**	**(9,000)**

Savings and Growth from the 2022-23 & 2023-24 Budget Process APPENDIX 1B

				Proposals					
Item No	ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	2024-25	2025-26	Total	EIA required Y/N	Does this proposal impact on another directorate? Y/N	Further Consultation with Key Stakeholders Yes/No/N/A
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				£000	£000	£000			
			Savings Proposals						
			Resources						
1	RES L1	BSS	**Reduction of the cost of post** through digitalisation	-	-	-	N	Y	No
2	RES L2	IT	**Integrated Apps -** IT is in the process of agreeing a new corporate approach to management of business systems which are currently managed within departments. This new approach is expected to result in rationalisation and centralisation of budgets and deliver savings through reduction in contract spend.	(200)	-	**(200)**	N	N	No
3	RES 9	IT	**IT Expenditure review and consolidation this is a back office saving which is not expected to have an impact on residents.**	(100)	-	**(100)**	N	N	No
4	RES 12	Resources	**Redesign of Resources Directorate -** An exercise to redesign the Resources Directorate is currently underway. Although this is being driven to make sure that the Directorate is fit for purpose for the ongoing needs of the Council, it is also important to consider that one of these needs is to address affordability. This will be subject to HR procedures and consultaion and an Equailty Impact Assesment.	(408)	(108)	**(516)**	Y	Y	Yes
			RESOURCES SAVINGS PROPOSALS	**(708)**	**(108)**	**(816)**			
			Managing Director's			-			
5	CEO 10	Registration Services	**Land Charges -** this savings relates to transfer to Land Registry of local land charges register that records obligations affecting properties within their administrative area	(100)		**(100)**	N	N	No
6	CEO 4	Revs & Benefits	**The Inflation Negating Scheme** for Working Age Households in receipt of Council Tax Support at the end of 2022/23 will be replaced with a one off cost of living grant for 2023/24. Harrow has previously used its discretionary powers to administer a local inflation negating scheme to ensure that working age recipients of council tax support were awarded additional relief to cover the Harrow council tax inflationary increases.	(310)	-	**(310)**	Y	N	No
7	CEO 2	Revs & Bens	**Rationalise the Discretionary Freedom Pass provision -** Currently Discretionary Freedom passes are issued to approximately 200 residents. The scheme will continue for existing users but will not be offered to new applicants from 1.04.2023. Subject to cabinet report, consultation and Equality Impact Assesment.(EQIA) *Note: Following public consultation in 2023, the proposal is not to go ahead. These savings are reversed by growth included in Appendix 1a of the budget report.*	(6)	(6)	**(12)**	Y	N	Yes
8	CEO 8	Governance	**Efficiencies in legal and Governance**	(20)		**(20)**	N	N	Yes
9	CEO 9	Registration Services	**Registry Office -** saving relates to review of service operating model and staffing levels. Subject to EQIA and consultaion with staff and residents if required.	(63)		**(63)**	Y	N	Yes
			MANAGING DIRECTOR'S SAVINGS PROPOSALS	**(499)**	**(6)**	**(505)**			

Savings and Growth from the 2022-23 & 2023-24 Budget Process

APPENDIX 1B

				Proposals					
Item No	**ref**	**Specific Service Area**	**Headline Description re: saving / reduction INTERNAL**	**2024-25**	**2025-26**	**Total**	**EIA required Y/N**	**Does this proposal impact on another directorate? Y/N**	**Further Consultation with Key Stakeholders Yes/No/N/A**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				£000	£000	£000			
			People						
			Adults						
10	**ASC02**	ASC	Freezing senior post in Adult social care. Statutory Director of Adults Social Care (DASS) role to be held by Corporate Director Peoples for six months	88	-	**88**	N	N	No
11	**ASC03**	ASC	Management Review during 2023/24 (all M grades & above) . HR procedures will be followed with consultaion and eqia	(60)	-	**(60)**	Y	N	Yes
12	**ASC04**	ASC	Review Adult Social Care pathway during 2023/24 (all G grades) HR procedures will be followed with consultaion and eqia. Will be subject to a separate cabinet decision.	(302)	-	**(302)**	Y	N	Yes
13	**ASC06**	NRC's	Neighbourhood Resource Centre (NRC) reprofiling (Kenmore & Vaughan) to provide the most complex support	(800)	-	**(800)**	Y	N	Yes
14	**ASC07**	NRC's	Public Health wellbeing support model - short term funding (2 years) to support the changes to the new NRC operating model	-	100	**100**	Y	N	No
15	**ASC08**	NRC's	Harrow Alliance Community Model (New Bentley). External utilisation and management of New Bentley by the third sector following appropriate procurement exercise	(220)	-	**(220)**	Y	N	Yes
16	**ASC10**	Health Funding	Use of Better Care Fund to protect of Social Care Services (via Better Care Fund) - uncommitted resources and 2% annual uplift allocated against existing social care expenditure	(145)	(145)	**(290)**	N	N	Yes
17	**ASC11**	CYAD	Review out of borough post 18 residential placements and provide alternative accommodation within Harrow to enable relocation back in borough. Placements equality impacts will be considered on an individual basis.	(250)	(250)	**(500)**	Y	Y	Yes
18	**ASC12**	Inhouse Residential	De-register Bedford House (20 bedded CQC registered residential unit) to provide supported living accommodation for the most complex & challenging. Subject to a separate cabinet report and EQIA.	(300)	-	**(300)**	Y	N	Yes
			ADULTS TOTAL	**(1,989)**	**(295)**	**(2,284)**			
			Childrens			**-**			
19	**PC01**	CYPS	**Placements & Accommodation** Increased demand management - reduction in the cost of placements through reducing demand and stepping down young people into more cost effective provision where it is safe to do so	(500)	(500)	**(1,000)**	Y	Y	No
20	**PC02**	CYPS	**Social Care Staffing** HR policies will be followed. Service redesign delivering increased preventative models of care to reduce demand on formal care services resulting in reduction of management posts. Suhect to separate cabinet report and EQIA. HR policies will be followed.	(1,070)		**(1,070)**	Y	N	Yes
			CHILDRENS SERVICES TOTAL	**(1,570)**	**(500)**	**(2,070)**			
			PEOPLE SAVINGS PROPOSALS	**(3,559)**	**(795)**	**(4,354)**			

Item No	ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	Proposals 2024-25	2025-26	Total	EIA required Y/N	Does this proposal impact on another directorate? Y/N	Further Consultation with Key Stakeholders Yes/No/N/A
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				£000	£000	£000			
			PLACE						
21	**PLACE_S01**	THAM & Parking	**Transport Strategy:** **Parking Charge Notices - Proposed move from Band B to Band A,** subject to endorsement by London Councils, the Mayor of London, and the Secretary of State for Transport. Subject to a separate decision. There are currently Band A and Band B charges for PCNs. Some London boroughs have moved to Band A while some are still in Band B (Harrow being one of them). The proposal is to move to Band A in order to support better compliance of traffic management.	(1,500)		**(1,500)**	Y	N	Yes
22	**PLACE_S02**	THAM & Parking	**Transport Strategy:** **Moving Traffic Contraventions (MTC) Review -** review of all MTCs in the borough and evaluate if they meet transport needs**. T**he introduction of schemes including school streets and other measures following consultation from early 2023 including increasing ANPR / CCTV cameras. Schemes will be subject to s separate decison making process and consulation and EQIA as required.	(500)		**(500)**	Y	N	Yes
23	**PLACE_S03**	Waste Services	**Behavioural change (residents) for reducing waste disposal cost.** - Increase recycling / food waste to flats - Waste minimisation To invest in a recycling team to engage with and support residents on waste reduction and increased recycling through behavioural change on how to deal with waste.	(500)		**(500)**	N	N	No
24	**PLACE_S06**	THAM & Parking	**Transport Strategy:** Electric vehicle charging points - Increase installation using government funding (DfT) and supplier's match fund; and charge for the spaces**.** Concession contract. subject to a separate decison making process. Savings assume £3k per annum per bay, and a total of 100 bays following full roll out	(150)	(150)	**(300)**	Y	N	Yes

Savings and Growth from the 2022-23 & 2023-24 Budget Process

APPENDIX 1B

				Proposals					
Item No	**ref**	**Specific Service Area**	**Headline Description re: saving / reduction INTERNAL**	**2024-25**	**2025-26**	**Total**	**EIA required Y/N**	**Does this proposal impact on another directorate? Y/N**	**Further Consultation with Key Stakeholders Yes/No/N/A**
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				£000	**£000**	**£000**			
25	**PLACE_S08**	Parking	**Parking Review -** Improvement on current parking enforcement activity and performance. **Immediate actions to review current enforcement:** 1. Review the effectiveness of deployment plan of civil enforcement officers 2. Identify areas of low compliance and formulate enforcement plan 3. Review and amend current PCN cancellation procedure 5. Review and improve debt recovery rate **Deep dive:** 1. Review structure to create a streamlined team 2. Develop Parking Services Strategy and CCTV Strategy 3. HGV Enforcement and Littering from Vehicles (via CCTV). Subject to a separate deciosn making process EQIA and consulation as required. **Subject to a detailed business case.**	(1,000)		**(1,000)**	Y	Y	Yes
26	**PLACE_S11**	Trading Standards	**Review of the current shared Trading Standards service** Trading standards is currently provided as a joint service between Brent and Harrow, with an annual payment of £300k to Brent under the SLA. It would be prudent to review the costs of this service and whether there could be savings and service improvement bringing back in house. Under the SLA, a 2 year notice period is required if Harrow wishes to terminate the contract. The Service will continue to explore the in-house option including the costs of staff, IT and other running costs. TUPE implications, cost of adding Trading Standard module to Public Protection & Licensing IT system etc. Subject to a separate Cabinet report and HR policies.		(150)	**(150)**	Y	N	Yes
27	**PLACE_S20**	Place Review	**Overarching review of the management tiers below Directors across the entire Place Directorate.** High level estimate only at this stage, to be worked through to confirm final savings and one-off redundancy costs. HR procedures will be followed EQIA and consulation.	(125)		**(125)**	Y	N	Yes
			PLACE SAVINGS PROPOSALS	**(3,775)**	**(300)**	**(4,075)**			
			TOTAL SAVINGS PROPOSALS	**(8,541)**	**(1,209)**	**(9,750)**			

Savings and Growth from the 2022-23 & 2023-24 Budget Process APPENDIX 1B

Item No	ref	Specific Service Area	Headline Description re: saving / reduction INTERNAL	Proposals 2024-25	2025-26	Total	EIA required Y/N	Does this proposal impact on another directorate? Y/N	Further Consultation with Key Stakeholders Yes/No/N/A
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
				£000	£000	£000			
			Growths Proposals						
			People-Childrens						
28		Education	**Reduction in Special Needs Transport growth** Growth was previously provided at £750k for 23/24 and £750k for 24/25 Appendix 1B.However following a review the full growth is not required. After these reductions of £550k and £250k this leaves £200k in 23/24 and £500k in 24/25 of the original growth.	(250)		**(250)**			
						-			
			PEOPLE GROWTH TOTAL	**(250)**	**-**	**(250)**			
			CORPORATE						
29	**Corporate**	Corporate	Inflationary Growth in relation to care provider inflation	250		**250**			
						-			
			TOTAL CORPORATE GROWTH PROPOSALS	**250**	**-**	**250**			
			TOTAL GROWTH	**-**	**-**	**-**			
			NET SAVINGS/GROWTH PROPOSALS	**(8,541)**	**(1,209)**	**(9,750)**			
Savings and growth proposals from the 2022-23 Budget Process									
			Growths Proposals						
			People-Childrens						
30		Education	Special Educational Needs Transport - . There are over 1,800 children and young people with Education Health & Care Plans (EHCPs) and approximately 40% of these are accessing SEN Transport. It is anticipated that the number of children and young people with EHCPs will increase to over 2,000 by 2023 which on the same ratio could mean a further 80 to 100 children requiring transport by 2023. It is estimated a further £750k pa will be required for each of the 3 years of the MTFS.	750		750			
			PEOPLE GROWTH TOTAL	**750**	**-**	**750**			
			TOTAL SAVINGS PROPOSALS	**(8,541)**	**(1,209)**	**(9,750)**			
			TOTAL GROWTH	**750**	**-**	**750**			
			NET SAVINGS/GROWTH PROPOSALS	**(7,791)**	**(1,209)**	**(9,000)**			

MEDIUM TERM FINANCIAL STRATEGY
2024/25 to 2026/27

Appendix 2

	2024/25	2025/26	2026/27
	£000	**£000**	**£000**
Budget Requirement Brought Forward	196,354	202,558	206,619
Corporate & Technical	6,069	13,870	10,695
People	1,481	1,552	2,000
Place	-1,321	-144	-968
Resources	-298	-338	0
Managing Director	-227	0	0
Corporate	500	0	0
Total	**6,204**	**14,940**	**11,727**
FUNDING GAP	**0**	**-10,880**	**-6,732**
Total Change in Budget Requirement	**6,204**	**4,060**	**4,995**
Revised Budget Requirement	**202,558**	**206,619**	**211,614**
Collection Fund Deficit/-surplus	-790	0	0
Revenue Support Grant	-2,219	-2,219	-2,219
Top Up	-24,120	-24,120	-24,120
Retained Non Domestic Rates	-13,221	-13,221	-13,221
Amount to be raised from Council Tax	**162,208**	**167,059**	**172,054**
Council Tax at Band D	**£1,814.92**	**£1,869.19**	**£1,925.08**
Increase in Council Tax (%)	**4.99%**	**2.99%**	**2.99%**
Tax Base	89,375	89,375	89,375
	98.00%	98.00%	98.00%
Gross Tax Base	91,199	91,199	91,199

MTFS 2024/25 to 2026/27 – Proposed investments / savings **Appendix 2**

Technical Adjustments			
	2024/25	**2025/26**	**2026/27**
	£000	**£000**	**£000**
Capital and Investment			
Implications of Capital Programme agreed for 2021/22 to 2023/24 budget process	225		
25/26 Capital Programme costs from 22/23 refresh		1,747	
26/27 Capital Programme costs from 23/24 refresh			1,500
Capital Programme saving from 23/24 Review (£2.1m capital saving)	-182	92	-196
24/25 Capital Programme - Inclusion of PAP (50 additional homes)		543	591
One off saving on Capital Financing costs due to underspends on Capital Programme	3,000		
Applying capital receipts to fund the Capital Programme	-1,300	-1,300	
Assume temporary savings on capital financing cost from slippage (one off)	-3,000	3,000	
Capital Receipts Flexibilities		1,250	
Assume Capital Receipts Flexibilities extended but on one-off basis		-1,250	1,250
Total Capital and Investment Changes	**-1,257**	**4,082**	**3,145**
Grant Changes			
Increase - Core Spending Grant	-6,000		
Reverse out £6m core grant	6,000		
Increase in NNDR Multiplier - compensation for under-indexing (increased from £7.011m to £8.647m)	-1,636		
Reduction in Services Grant. £252k 24/25 allocation, a reduction of £1.353m. Previous budget assumed a reduction of £770k in 24/25 and £771k in 25/26, therfore a movement of £583k	1,353	188	
Services Grant - Difference between Indicative Settlement allocation and Final Settlement allocation, an increase of £25k	-25	25	
Additional S31 grant	-2,720		
Reduction in New Homes Bonus (from £2.245m to £82k)	2,163		
Funding Guarantee	-2,011		
Funding Guarantee (increased from 3% to 4%, announced by Government on 24/01/2024). Final Settlement allocation is £2.274m	-263		
Social Care Grant - £14.962m allocation for 24/25; an increase of £2.154m	-2,154		
Additional Social Care Grant (announced by Government on 24/01/2024). Final Settlement is £16.982m, an increase of £2.020m	-2,020		
Adult Social Care Market Sustainability Improvement Fund	-1,144		
Adult Social Care Market Sustainability Improvement Fund (spend of 25%)	286		
IBCF (50% of the national allocation of £600m in 2023/24, increasing to £1bn by 2024/25)	-616		
IBCF contribution to pool	616		
Cost of Living Grant funded by Council Tax Support Fund (external grant)	310		
Total Grant Changes	**-7,861**	**213**	**0**
Other Technical Changes			
Freedom Passes - estimated reduction in usage (2022/23 process)			
Freedom Passes - revision to usage figures from London Council update (2022/23 process)	1,000		
Growth 24/25	2,322		
Growth 25/26		1,000	
November 22 update on Freedom passes - improvement for 2023/24 and 2024/25 but worse in 2025/26.	-732	1,050	
November 23 update on Freedom passes - increase of £37k in 2024/25. 2024/25 is still to be finalised.	37		
Use of Reserves			
West London Waste Authority income from electricty - assume one-off income in 23/24	1,000		
West London Waste Authority income from electricty - assume income to continue for 2 more years	-1,000		1,000
Total Other Technical Changes	**2,627**	**2,050**	**1,000**
Pay and Inflation			
Pay Award @ 2.75% pa for 2023/24 and 2024/25	2,750		
Non Pay Inflation	1,000		
Pay award 2023/24 & 2024/25 - 4% / 2025/26 - 3%	1,250	3,000	
Pay award - Budget gap for 23/24 pay award	800		
Reduction of council wide growth 2024/25 to fund pay award	-755		
Pay award 2026/27 @ 3%			3,000

MTFS 2024/25 to 2026/27 – Proposed investments / savings **Appendix 2**

Technical Adjustments			
	2024/25	**2025/26**	**2026/27**
	£000	**£000**	**£000**
Non Pay Inflation - Additional £1m 2024/25, 2025/26 and 2026/27	1,000	1,000	1,000
Total Pay and Price Inflation	**6,045**	**4,000**	**4,000**
OTHER			
Gayton Road Income - Reprofiling of income	-11		
Growth London Living Wage	1,000		
- No LLW provision in 23/24 and reduced by 50% for 2024/25	-500	1,000	
Directorate growth	3,788		
Reverse out Directorate growth	-3,788		
Reverse Council wide Mgt saving	650		
Increase TM savings to offset Mgt saving - additional investment income being achieved	-650		
Council Tax Base increase	-500		
Council Tax Base increase	500	-250	-250
One off reduction of contingency budget	-175	175	
Reverse the one off reduction of contingency budget	175	-175	
Provision for increases in various levies in 24/25	200		
Increase in Contingency budget (from £1.248m to £2.461m)	1,213		
Increase in Corporate Budgets	2,308	-25	
Directorate Adjustments:			
Adults care provider	1,550	1,800	1,800
General growth provision	1,000	1,000	1,000
Reduction in Council wide growth provision	-245		
Total Corporate & Technical	**6,069**	**13,870**	**10,695**

MTFS 2024/25 to 2026/27 – Proposed investments / savings **Appendix 2**

People			
	2024/25	**2025/26**	**2026/27**
	£000	**£000**	**£000**
Children & Families			
Proposed Savings - see appendix 1a	0	0	0
Proposed Growth - see appendix 1a	-900	0	0
Proposed Savings - see appendix 1b	-1,570	-500	
Proposed Growth - see appendix 1b	500	0	
Sub total Children & Families	**-1,970**	**-500**	**0**
Adults			
Proposed Savings - see appendix 1a	0	0	0
Proposed Growth - see appendix 1a	5,440	2,347	2,000
Proposed Savings - see appendix 1b	-1,989	-295	
Sub total Adults	**3,451**	**2,052**	**2,000**
Total People Directorate	**1,481**	**1,552**	**2,000**

MTFS 2024/25 to 2026/27 – Proposed investments / savings

Appendix 2

Place			
	2024/25	**2025/26**	**2026/27**
	£000	**£000**	**£000**
Proposed Savings - see appendix 1a	-848	-819	-591
Proposed Growth - see appendix 1a	3,302	975	-377
Proposed Savings - see appendix 1b	-3,775	-300	
Proposed Growth - see appendix 1b	0	0	
Total Place	**-1,321**	**-144**	**-968**

MTFS 2024/25 to 2026/27 – Proposed investments / savings **Appendix 2**

Resources			
	2024/25	2025/26	2026/27
	£000	£000	£000
Proposed Savings - see appendix 1a	0	0	0
Proposed Growth - see appendix 1a	410	-230	0
Proposed Savings - see appendix 1b	-708	-108	
Proposed Growth - see appendix 1b	0	0	
Total Resources	**-298**	**-338**	**0**

MTFS 2024/25 to 2026/27 – Proposed investments / savings **Appendix 2**

Managing Director			
	2024/25	**2025/26**	**2026/27**
	£000	**£000**	**£000**
Proposed Savings - appendix 1a	0	0	0
Proposed Growth - appendix 1a	272	6	0
Proposed Savings - see appendix 1b	-499	-6	
Proposed Growth - see appendix 1b	0	0	
Total Chief Executives	**-227**	**0**	**0**

MTFS 2024/25 to 2026/27 – Proposed investments / savings **Appendix 2**

Corporate			
	2024/25	**2025/26**	**2026/27**
	£000	**£000**	**£000**
Proposed Savings - appendix 1a	0	0	0
Proposed Growth - appendix 1a	250	0	0
Proposed Savings - see appendix 1b	0	0	
Proposed Growth - see appendix 1b	250	0	
Total Corporate	**500**	**0**	**0**

REVENUE BUDGET SUMMARY 2024-25						Appendix 3
	2023/24 Net Budget	Gross Controllable Expenditure	Gross Income	Net Controllable Expenditure	Uncontroll - able Expenditure	2024/25 Net Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Local Demand - Borough Services						
Managing Director	11,866	194,397	-178,381	16,016	-3,771	12,245
Resources	8,952	24,423	-3,959	20,464	-15,275	5,189
Place	61,639	101,422	-66,685	34,737	23,835	58,572
People	126,349	334,421	-226,094	108,327	16,388	124,715
Total Service Budget	**208,806**	**654,664**	**-475,119**	**179,544**	**21,177**	**200,721**
Corporate And Technical Adjustment						
Council Wide Staff efficiencies	-650					0
Corporate Budgets (Levies & Subscriptions inc. Audit fees)						
Coroners Court	227					419
Freedom pass	-129					2,627
LPFA levy	298					298
Corporate Democratic Core	1,735					1,735
Levies,grants, subscriptions	269					469
External Audit Fees	191					441
London Borough Grant Committee	187					187
Apprenticship Levy	400					400
Pay Inflation	2,200					5,500
Employer's Pension Contribution	-1,118					0
Other Corporate budget	245					0
Goods And Service Inflation	5,850					1,000
Treasury Management expenses	2,012					2,135
Treasury Management Income						-650
Capital Financing Cost	31,298					30,041
Capital Financing adjustments	-36,385					-26,037
Grants						
Sec.31 Grant Business Rate Reliefs	-2,500					-5,220
New Homes Bonus	-2,245					-82
Reduction in grant for council tax subsidy admin	256					0
Multiplier Cap Funding - Compensation for underindexing the business rates multiplier	-7,011					-8,647
Cost of Living Grant	-310					310
Social Care Grant	-4,787					-4,174
Adult Social care market sustainibility grant and Improvements	-2,271					-1,144
Adults Social Care Market sustainablity grant & improvements (spend of 25%)	560					286
IBCF (50% of National allocation)	-934					-616
IBCF contribution to pool	934					616
New Service Grant	-1,541					-277
Funding Guarantee Grant						-2,274
Other Budget Adjustments						
Other Reserves	-1,000					-1,000
Contingency - General	1,248					2,461
Other Corporate Budgets	0					2,308
Litigation Budget	250					250
Adult social care growth - Care Provider Inflation	1,750					1,800
General Growth	371					538
Use of Capital Receipt Flexibility	-1,250					-1,250
Gayton Road Income	-602					-613
Sub Total Corporate and Technical Adjustment	**-12,452**					**1,837**
Funding Gap						
TOTAL BUDGET REQUIREMENT	**196,354**					**202,558**
BUDGET REQUIREMENT FUNDED BY						
Contribution re Collection Fund Deficit/Surplus(-) b/f	-1,939					-790
Revenue Support Grant	-2,081					-2,219
Business Rates Top-up Grant	-23,195					-24,120
Retained Business Rates	-15,141					-13,221
Council Tax Income	-153,998					-162,208
Total Funding	**-196,354**					**-202,558**
Council Tax for Band D Equivalent						
General (£)	1,507.00					1,558.69
ACS(£)	221.66					256.23
Harrow Increase (£)	1,728.66					1,814.92
GLA (£)	434.14					471.40
Total after Increase (£)	**2,162.80**					**2,286.32**
Increase						
General (%)	2.99%					2.99%
ASC (%)	2.00%					2.00%
GLA (%)	9.70%					8.58%
Total Increase (%)	**5.91%**					**5.71%**
Tax base	89,085					89,375
Collection Rate	98.00%					98.00%
Funds / Balances						
Balances Brought Forward	10,009					10,009
Balances Carried Forward	10,009					10,009

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Levies,Contribution and Subscription **Appendix 4**

	2023/24	2024/25	Changes	Changes	Comments
	£'000	£'000	£'000	%	
Freedom Pass Levy	5,418	8,044	2,626	48.48%	London Councils Circular dated 14th December 23
West London Waste Authority Levy	2,104	2,275	171	8.13%	WLWA budget report 2024/25
Apprentice Levy	400	427	27	6.70%	Levy calculated based on 0.5% of Salaries. Estimated levy in 2024/25 calculated based on the average pay award increase in 2023/24.
Lee Valley Levy	226	233	7	3.00%	Lee Valley Regional Park Authority 2024/25 revenue budget and levy report
London Boroughs Grant Scheme	187	196	10	5.10%	London Councils Circular dated 14th December 23
London Pension Fund Authority Levy	298	318	20	6.70%	Figures due February 2024. Assume increase at 6.7% (CPI September 2023)
London Council Borough Subscription	47	47	-	0.00%	London Councils Circular dated 14th December 23
Joint Committee Subscription	115	115	-	0.00%	London Councils Circular dated 14th December 23
Environment Agency Levy	211	213	2	1.02%	Environment Agency circular dated 2nd February 2024
Coroners Court Levy	373	398	25	6.70%	Figures due February/March 2024. Assume increase at 6.7% (CPI September 2023)
Traffic Control Levy	333	304	- 29	-8.76%	London Councils’ TEC (18/10/23) -Traffic Signals Maintenance Budget 2024/25

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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 London Waste Authority varies from the estimate in the Place 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 underspend at the end of the year a contribution to general balances will be considered with regard to the size of the underspend, the underlying strength of the balance sheet and the need to support other priorities.

School Budgets – Dedicated Schools Grant (DSG) 2024-25

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 2024-25

2. The 2024-25 DSG settlement is based on the number of pupils on the October 2023 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 2023 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 2024-25 is £285.148m.

Table 1 – 2024-25 Dedicated Schools Grant allocation

Blocks	**Unit of funding**		**Pupil numbers**		**Total**
	Primary	**Secondary**	**Primary**	**Secondary**	
Schools Block – per pupil	£5,118.25	£7,079.49	21,490.00	13,397.00	£204,835,120
Schools Block – lump sum premises					£3,136,355
Schools Block – NNDR deduction					-£475,941
Schools Block – growth fund formula					£618,107
Total Schools Block					**£208,113,642**
Central Schools Block					£1,510,259
High Needs Block (after import/export adjustments & recoupment)					£47,390,899
Early Years Block					£28,133,187
Total Dedicated Schools Grant Allocation 2024-25					**£285,147,987**

3. In 2024-25 the National Funding Formula factor values have increased by 1.4% with the exception of Free School Meals which has increased by 1.6%. In addition, the Mainstream Schools Additional Grant (MSAG) has been rolled into the NFF in 2024-25.

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. There is one mandatory change to the structure of the formula which is the introduction of the Split Site Factor which provides funding to eligible schools who operate over two sites. The factors and values are set out at Table 2.

Table 2 – proposed funding formula and factor values 2024-25

Factors	2023-24		2024-25		% Change	
	Pri	Sec	Pri	Sec	Pri	Sec
Primary	£3,739.75		£3,919.84		5%	
KS3 AWPU		£5,272.45		£5,526.51		5%
KS4 AWPU		£5,942.38		£6,229.70		5%
FSM	£528.90	£528.90	£539.23	£539.23	2%	2%
Ever6	£776.82	£1,134.93	£902.38	£1,320.55	16%	16%
IDACIF	£253.43	£369.13	£258.61	£374.16	2%	1%
IDACIE	£308.52	£490.33	£313.63	£495.21	2%	1%
IDACID	£484.82	£683.16	£489.70	£693.29	1%	1%
IDACIC	£528.90	£749.27	£533.72	£759.32	1%	1%
IDACIB	£561.95	£804.37	£566.74	£814.34	1%	1%
IDACIA	£738.25	£1,024.74	£748.31	£1,039.93	1%	1%
LPA	£1,272.66	£1,928.27	£1,287.54	£1,953.32	1%	1%
EAL	£639.08	£1,724.43	£649.27	£1,744.23	2%	1%
Mobility	£1,041.27	£1,498.54	£1,056.44	£1,518.63	1%	1%
Lump Sum	£141,039.36	£141,039.36	£147,901.82	£147,901.82	5%	5%
Split Site	Basic		£59,094.70	£59,094.70		
Split Site	Distance		up to £29,602	up to £29,602		

7. In 2024-25 mainstream schools and academies can expect to receive an additional £10.406m through the National Funding Formula however £6.6m of this represents the MSAG being rolled into the formula.

Minimum Funding Guarantee

8. In 2024-25 the Minimum Funding Guarantee (MFG) will continue to protect schools from *per pupil* losses between years. The MFG must be between 0% and +0.5%.

9. In the overall formula it is only affordable to set the MFG at the minimum 0% and therefore 2024-25 school budgets have been prepared on this basis. This means that all schools be protected from *per pupil* losses compared with the 2023-24 budget. Gains in excess of 0% have not been capped, which is consistent with the approach in previous years.

Central Schools Block

10. The CSSB totals £1.510m and is used to support the LA with general duties in respect of all schools, the admissions service, centrally provided funding for schools including licences and funding to support LAs with teachers' pay and pension grant increases for teaching staff employed within the council.

High Needs Block

11. 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

12. 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.

13. The HNB budget allocation for 2024-25 is set out at Table 3

Table 3 – 2024-25 High Needs Block Funding

Description	Value
High Needs Block Allocation (excl basic entitlement factor)	£46,143,781
Basic Entitlement Factor (excl TPG/TPECG)	£3,324,262
Basic Entitlement related to TPG/TPECG Special Schools	£436,202
Import/Export Adjustments	-£1,200,000
Additional Funding for Special Free Schools	£6,000
Hospital Education	£230,208
AP & INMSS TPG/TPECG allocation	£130,445
Total HNB before academy recoupment	**£49,070,899**
Academy recoupment for SEN units, special schools and FE	-£1,680,000
Net High Needs Block 2024-25	**£47,390,899**

14. It should be noted that the import/export adjustment figure will be updated in June 2024 to reflect the January census.

15. In 2024-25 there is an increase in funding of approx £3.312m however this includes £1.987m of High Needs Block Additional Grant received in 2022-23 which is now rolled into the formula.

DSG Deficits

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

17. Harrow's projected cumulative deficit at the end of 2023-24 is £5.396m.

18. An updated management plan is being drafted with the latest projections and will align with the updated SEND Strategy being presented to Cabinet later this year.

19. Despite the significant proposals and measures planned over the next ten years, it is unlikely that the plan will fully mitigate the deficit. This is due to the following contributory factors:

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

Early Years Block

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

21. In 2024-25 two new Early Years entitlements will be introduced. The full list of entitlements is shown below:

    - the 15 hours entitlement for eligible working parents of children from 9 months to 2 years old (new entitlement from 1 September 2024)
    - the 15 hours entitlement for eligible working parents of 2-year-old children (new entitlement from 1 April 2024)
    - the 15 hours entitlement for disadvantaged 2-year-olds
    - the universal 15 hours entitlement for all 3 and 4-year-olds
    - the additional 15 hours entitlement for eligible working parents of 3 and 4-year-olds

22. The entitlement hours are up to 15 hours of childcare a week over 38 weeks of the year (equivalent to a maximum 570 hours a year) or, for 3 and 4-year-olds, up to 30 hours of childcare a week over 38 weeks of the year for qualifying children of working parents (equivalent to a maximum 1,140 hours a year).

23. From September 2025, eligible working parents of children aged 9 months and above will be able to access 30 hours (over 38 weeks a year) form the term following their child turning 9 months to when they start school).

24. The provisional Early Years Block in 2024-25 is shown at Table 4 below

Table 4 – provisional Early Years Block 2024-25

Entitlement	**Hourly Rate to LA**	**Pupil PTE Estimate**	**Funding**
3- & 4-year-old entitlement - universal 15 hours	£6.60	3,872.86	£14,569,700
3- & 4-year-old entitlement - additional 15 hours	£6.60	1,184.95	£4,457,782
2-year-old entitlement - disadvantaged	£9.38	400.17	£2,139,549
2-year-old entitlement - working parents	£9.38	723.66	£3,869,121
Under 2s entitlement - working parents	£12.77	366.65	£2,668,809
EY Pupil Premium - 3- & 4-year-olds			£84,121
EY Pupil Premium - 2-year-olds			£51,733
EY Pupil Premium - under 2s			£2,586
Disability Access Fund - 3- & 4-year-olds			£70,980
Disability Access Fund - 2-year-olds			£29,120
Disability Access Fund - under 2s			£4,550
Maintained Nursery Schools Supplementary Grant			£185,136
Provisional Early Years Block 2024-25			**£28,133,187**

25. There are no proposed changes to the funding mechanism or Early Years Single Funding Formula for 3- and 4-year-olds. However, there are changes to the current distribution of funding for disadvantaged 2-year-olds which requires a funding formula as well as the introduction of the two new entitlements which also require funding formulae.

26. Local authorities must determine their funding formulae before the beginning of the financial year and it must first consult with its schools' forum, maintained schools and early years providers. This consultation is currently underway. The final decision on the funding formulae, following any consultation, rests with the local authority

27. All funding changes as a result of the consultation will be implement from 1 April 2024.

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Public Health Funding 2024-25		**Appendix 7**
Mandatory Services		
Sexual Health (incl Family Planning)	2,000	
0-19 Services	3,996	
Health Checks	184	
		6,180
Discretionary Services		
Tobacco Control	103	
Drug & Alcohol Misuse	1,903	
Physical Activity	30	
		2,037
Staffing & Support Costs		
Staffing	1,375	
Non-Staffing	28	
Overheads	163	
		1,566
Health Improvement	854	
Wider Determinants of Health	1,651	
		2,505
Total Expenditure		**12,288**
Funded by		
Department of Health Grant	-12,288	
Contribution from Reserve		
Total Income		**-12,288**
		0

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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 2024/25 will continue to focus on accurate, timely and robust management of its revenue budget, capital programme, savings tracker and trading activities.

As at 31 March 2024 the forecast level of General Fund Balances will be £10.008m, which represents 4.9% of the Council's net revenue budget for 2024/25 (£203m), which is the recommended minimum level. In addition, the Authority holds a limited number of earmarked reserves as detailed in Appendix 9.

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

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

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

Description	Balance Carry Forward 31/03/2023	Directorate Reserve Movements	Corporate Reserves Movements	Other Reserves movement	Balance Carry Forward 31/03/2024	Realign-ment	Committed to 3 year MTFS 2024/25 to 2026/27	Revised Balances
	£	£	£	£	£	£	£	£
CIL Harrow	-11,053,401			1,000,000	-10,053,401		7,044,000	-3,009,401
CIL Mayor	-192,259				-192,259			-192,259
Total Earmarked Reserve for CIL	**-11,245,660**	**0**	**0**	**1,000,000**	**-10,245,660**	**0**	**7,044,000**	**-3,201,660**
HRA Hardship Fund	-2,330				-2,330			-2,330
HRA Regeneration Reserve	-199,531				-199,531			-199,531
HRA Repair Reserve	-277,428				-277,428			-277,428
Total Earmarked Reserve for HRA	**-479,289**	**0**	**0**	**0**	**-479,289**	**0**	**0**	**-479,289**
Revenue Grant Reserve	-5,161,951	2,402,000			-2,759,951		2,226,536	-533,415
PFI Schools Sinking Fund	-2,071,676	655,000			-1,416,676		1,416,676	0
Public Health Reserve	-2,848,296	371,000	400,000		-2,077,296			-2,077,296
PFI NRC Sinking Fund	-1,823,836				-1,823,836		250,000	-1,573,836
Legal Services Contingency	-500,000				-500,000			-500,000
Borough Election	-159,847				-159,847			-159,847
Harvist Reserve Harrow Share	-88,613				-88,613			-88,613
Proceeds Of Crime Reserve	-63,000				-63,000			-63,000
Proceeds Of Crime Reserve Planning	-430,172	95,000			-335,172		285,000	-50,172
3G Pitch	-50,000	-25,000			-75,000		-75,000	-150,000
Total Earmarked Reserves (Specific)	**-13,197,390**	**3,498,000**	**400,000**	**0**	**-9,299,390**	**0**	**4,103,212**	**-5,196,178**
Collection Fund Reserve	-2,246,846				-2,246,846	2,246,846		0
Compensatory Added Year Reserve	-162,782				-162,782	162,782		0
Carryforward Reserve	-1,396,857	73,000	999,793	324,064	0			0
Public Mortuary Expansion Reserve	-500,000				-500,000	500,000		0
Vehicle Fund	-1,250,478				-1,250,478			-1,250,478
PAP Sinking Fund	-712,500				-712,500		-1,029,600	-1,742,100
Business Risk Reserve	-155,000	68,000			-87,000		87,000	0
Capacity Build/ Transformation Reserve	-527,927	51,000		300,000	-176,927		176,927	0
Equalities Diversity & Inclusion Reserve	-26,000	26,000			0			0
Decommissioning Accommodation	-561,000	539,000			-22,000		22,000	0
Adults Social Care Reserve	-1,800,475				-1,800,475			-1,800,475
People Services MTFS Implementation	-2,099,000	1,513,000			-586,000		586,000	0
Children's Social Care Reserve	-2,620,771	103,000	1,000,000		-1,517,771			-1,517,771
Insurance Reserve	-1,304,124	250,000			-1,054,124		1,025,000	-29,124
Place MTFS Implementation Reserve	-1,595,000	445,000	1,000,000	-1,000,000	-1,150,000		1,150,000	0
Investment Property Reserve	-1,122,960		75,000		-1,047,960		225,000	-822,960
Corporate MTFS Implementation Reserve	-3,000,000	797,000			-2,203,000		2,203,000	0
Total Earmarked Reserves (Non Specific)	**-21,081,720**	**3,865,000**	**3,074,793**	**-375,936**	**-14,517,863**	**2,909,629**	**4,445,327**	**-7,162,907**
Budget Planning Reserve MTFS gap	-18,342,606	1,653,000			-16,689,606	-2,909,629		-19,599,235
Total Non Earmarked Reserves	**-18,342,606**	**1,653,000**	**0**	**0**	**-16,689,606**	**-2,909,629**	**0**	**-19,599,235**
General Fund Reserves	-10,008,000				-10,008,000			-10,008,000
Total General Fund Reserves	**-10,008,000**	**0**	**0**	**0**	**-10,008,000**	**0**	**0**	**-10,008,000**
DSG Deficit Recovery	-1,384,105				-1,384,105			-1,384,105
DSG Overspend	4,006,867				4,006,867			4,006,867
Total Net DSG Deficit Reserve	**2,622,762**	**0**	**0**	**0**	**2,622,762**		**0**	**2,622,762**
Grand Total All Reserves	**-71,731,904**	**9,016,000**	**3,474,793**	**624,064**	**-58,617,047**	**0**	**15,592,539**	**-43,024,508**

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Report of the Chief Finance Officer – 2024/25 Budget

Section 25 of the Local Government Act 2003 requires that the Chief Financial Officer (in their capacity as the Chief Finance Officer under S151 of the Local Government Act 1972) reports the following matters to members when agreeing its annual budget:

- The robustness of estimates made for the purposes of the budget calculation, and
- The adequacy of the proposed financial reserves.

Robustness of estimates made for the purposes of the Budget Calculation

The 2024/25 budget and MTFS has been compiled against a backdrop of continued and significant economic uncertainty with the national cost-of-living crisis continuing to severely impact residents and the council. High inflation has remained for a period beyond initial government forecasts. This has impacted council pay settlements, major contract inflation costs and other costs of service provision.

Alongside this has been an unprecedented level of service demand in key services such as Adult Social Care and there have been significant challenges in income budgets with parking income particularly badly impacted in the 2023/24 in-year financial position.

Developing the budget estimates for a given financial year is an ongoing, iterative process within the medium-term financial planning cycle. It considers the most recently available budget monitoring information and the latest assumptions for the forthcoming financial year.

The latest 2023/24 forecast at Q3 is a £0.581m net overspend. The Directorate overspend is £5.7m which is made up of overspends in adult services and parking services in Place Directorate and underspends in Childrens services and legal and governance.

The cost of the pay award has been another big factor in setting the budget in recent years with the last 2 years pay awards being higher than the budgeted 2%. The latest pay award agreed for 2023/24 (which was only settled in October 2023), cost £7.2m based on a flat cash increase of £2,226 for staff paid up to £49k and 3.88% for staff earning in excess of £49k. The cost of £7.2m averages out at an overall cost of 7%. For 2024/25, £5.5m has been budgeted for the pay award. This estimate is reasonable given the Bank of England view that inflation is expected to slow and be back to normal by the end of 2025. Normal means that average prices will rise by 2% per annum. CPI has dropped between December 2022 when it was 10.5% to the current level at December 2023 of 4% (Office for National Statistics data released 17/01/2024.)

Budget challenge sessions were held in August/September 2023. These sessions reviewed the current 2023/24 financial position and all savings put into the MTFS as part of the 2023/24 budget process. Further budget challenge sessions were held in October 2023 where growth was put forward where required for demand pressures in adult services and growth was also put forward to reverse and reprofile income savings where required. The overspend in adult services and parking income have both been factored into the 2024/25 budget with growth being added to the budget and MTFS savings in parking having been rephased across 2 years

The medium-term local government funding outlook is negative following the Autumn statement and no further funding has been announced beyond 2024/25. The Council's MTFS therefore assumes no increase in Government funding for 2025/26 and 2026/27 which is a prudent estimate and Council tax is estimated at 2.99% across the 2 years until confirmation is provided as to the maximum level that Council tax can be increased by.

A balanced budget position has been achieved for 2024/25 but there remains a budget gap for 2025/26 and 2026/27 of £10.880m and £6.732m respectively.

In respect of the 2024/25 budget. the advice of the S151 Officer is that it is sufficiently robust. All income and grant adjustments are in line with the Indicative Settlement, known growth and inflationary pressures have been provided for within financial constraints and the budget includes a contingency for unforeseen items of £2.461m which has been increased by £1.213m from the 2023/24 level.

Directorate budget proposals have been through robust challenge sessions with Members and Officers. Specifically, in relation to the 2024/25 budget, the robustness assessment is provided following the consideration of several factors:

- The 2024/25 budget includes a mix of corporate and technical savings alongside proposals from the directorates balancing the risk over the MTFS.
- Growth requirements have been scrutinised in detail to ensure growth is enough to ensure the safe delivery of services.
- However, growth requirements will be monitored closely to ensure the provisions are enough and any over provision will be held corporately to support the MTFS.
- Every effort has been made to ensure that the technical assumptions underpinning the budget are robust.
- Prudent assumptions have been made about capital financing costs and investment income.
- Key financial risks are managed and reported as part of the Corporate Risk Register.
- The recommended increases in fees and charges are in line with the assumptions in the budget.
- The budget for 2024/25 includes a general contingency of £2.461m which has increase by £1.213m from the 2023/24 level of £1.248m.
- There is a commitment within the organisation to robust financial management with any potential adverse budget variations been reported, tightly controlled and contained within service budgets unless there is an agreement the variation is managed pan organisation.
- There is a commitment within the organisation to ensure all new budget proposals are supported by a robust business case that has been scrutinised pan organisation and, unless specifically stated, makes a clear net financial contribution to the MTFS after considering all costs.
- The commitment of maintaining expenditure within budget is shared by both officers and Members.

Adequacy of Reserves

There is no statutory definition of a minimum level of reserves and it is for this reason that the matter falls to the judgement of the S151 Officer. The level of reserves is a balance between the risk facing the Authority and the opportunity costs of holding those balances. Reserves can only be spent once and are therefore only available to support one off expenditure or to allow time for management actions to be implemented.

The General Fund balances are adequate however the balances should not drop below the current £10.0m level. This reserve represents the balance of last resort in the event of any major and unforeseen event that compromises the delivery of the council's budget. At current levels, this balance represents 5.1% of the council's budget net revenue budget for 2023/24 (£196m). This balance of £10.0m does place Harrow Council in the lower quartile of general fund balances when benchmarked with other authorities. The advice of the S151 Officer is that General Fund balance of £10.0m must remain intact to provide an element of safety net for the Council and any opportunities to increase it must be considered to increase the Council's future financial resilience.

The Council is forecasting to hold balances / reserves of £58.6m to carry forward into 2024/25. The gross level of reserves is £61.2m but is reduced to £58.6m after allowing for the £2.6m DSG deficit.

The reserves have been reviewed as part of the 2024/25 budget process and £2.9m of reserves are no longer required for the original purpose they were set aside for which has meant that the Budget planning reserve has been increased by £2.9m to almost £20m (£19.599m).

In conclusion, the 2024/25 budget has been prepared as robustly as possible and it achieves its legally required balanced position. The Council must remain committed to its agreed strategy of maintaining its tight grip on the budget to ensure saving proposals are delivered, expenditure remains within the budget envelope and the Council provides safe services.

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 monthly to the Corporate Leadership team as well as the Portfolio holder for Human Resources and Finance. These robust arrangements will continue into 2024/25 and will remain under review to ensure they keep pace with the requirements of the organisation.

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Model Council Tax Resolution

London Borough of Harrow

Council Tax Resolution 2024/2025

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 2024/2025 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 19 December 2023 the Council calculated the amount of **89,375** as its Council Tax Base for the year 2024/2025 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 2024/2025, 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)***	£698,454,000
(ii)	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3)(a) to (d) of the Act. ***(Gross income including use of reserves****)*	£536,245,525
(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.**	£162,208,475
(iv)	Being the amount at (iii) divided by the Council Tax Base, calculated by the Council at its meeting on 19 December 2023 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)***	£1,814.92

(v) Valuation Bands

	A	B	C	D	E	F	G	H
£	1,209.95	1,411.60	1,613.26	**1,814.92**	2,218.24	2,621.55	3,024.87	3,629.84

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 2024/2025 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

<u>Valuation Bands</u>

	A	B	C	D	E	F	G	H
£	314.27	366.64	419.02	**471.40**	576.16	680.91	785.67	942.80

(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 2024/2025 for each of the categories of dwellings shown below

<u>Valuation Bands</u>

	A	B	C	D	E	F	G	H
£	1524.22	1778.24	2032.28	**2286.32**	2794.40	3302.46	3810.54	4572.64

(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 2024/25 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 2024/2025.

APPENDIX 12

LONDON BOROUGH OF HARROW
PAY POLICY STATEMENT 2024/253/2024

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

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

Annual Pay Award 2023
The 2023-24 national pay award negotiations for Local Government Services ('Green Book') employees, Officers and Chief Officers have concluded and the following details of the pay award were agreed with effect from 1 April 2023:

- Local Government Services ('Green Book') employees on salaries up to £49,999 received an Outer London flat rate pay increase of £2,226. For employees on above £49,999 received a pay increase of 3.88%.
- Chief Officers received a pay increase of £3.5%.
- Increase in allowances by 3.88%.

Harrow pay scales have been increased accordingly backdated from 1 April 2023.

- Agency Staff pay uplift is subject to the worker:
    - is engaged under PAYE employment type.
    - have reached parity pay (engaged by Harrow for more than12 weeks)
    - have an hourly rate of pay that is based on the Harrow PayScale.

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

London Living Wage update 2023-2024
From October 2022, the London Living Wage foundation increased the London Living Wage from £11.95 per hour to £13.15 to be implemented as soon as possible or at the latest from 1st of May 2024.

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

Harrow Council's lowest paid employees are currently paid on the first point of Harrow pay scales at £13.46 per hour, higher than the London Living Wage of £13.15 per hour, backdated from April 2023.

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

Following agreement of the National Joint Council's annual pay award, Harrow's lowest spinal points are no less than the current London Living Wage from 1 April 2023.

Context

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

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

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

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

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

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

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

Background

Modernising Terms & Conditions Review 2011/12

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

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

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

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

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

Council Pay Rates / Scales

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

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

The pay scales are revised annually from April 1st of each year. The officers and managers scales are published online: Officer's Pay Scales 2023

Remuneration of Senior Management (Chief Officers)

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

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

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

Senior management pay is published online: Senior Manager's Pay March 2022-23

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

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

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

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

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

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

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

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

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

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

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

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

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

[5] The Greater London Provincial Council (GLPC) Scheme is used for all Harrow graded jobs and the Hay Scheme for senior professional and managerial jobs.
[6] Joint Negotiating Committee / National Joint Council

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

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

Pay Progression

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

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

.

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

Progression for Chief Officers is subject to the following qualifications:

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

Performance Related Pay

Council employees including the Managing Director 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 £300 or £600. Details of Reward and Recognition payments to senior management are published online: Senior Managers Pay 2022-23 (harrow.gov.uk)

Other Payments

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

Details of any other payments to senior management are published online: Senior Managers Pay 2022-23 (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.

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.

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

- Harrow Pension Fund - Policy on Discretions
- Microsoft Word - Annual Report and Pension Fund Final Accounts 2022-23 (harrowpensionfund.org)

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

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

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

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

- Harrow Pension Fund - Policy on Discretions

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

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

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

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

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

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

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

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

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

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

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

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

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INTRODUCTION

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

The flexibility was initially offered to the sector for the three financial years 2016/17 to 2018/19. In December 2017, the Secretary of State announced, alongside the provisional local government finance settlement, the continuation of the capital receipts flexibility programme for a further three years, covering 2019/20 to 2021/22. The flexibility has been extended on numerous occasions. In December 2023, the government announced the extension of this scheme to March 2030 and would also explore additional capital flexibility options to enable invest-to-save and transformation initiatives. There is currently a consultation on these options which will close on 31 January 2024.

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 built into the Council's current capital programme and so the utilisation of receipts for capital receipts flexibility will need to be considered alongside the use of receipts already built into the Capital Programme.

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

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

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

The 2024/25 MTFS includes a budget of £1.250m to fund the Regeneration Team. The nature of this spend meets the capital flexibility criteria and the team will be funded under the capital flexibilities scheme. The £1.250m provision/cost has been offset by a corresponding credit which will result in the cost being removed from the budget and funded by capital receipts. The sum is re-instated in 2026/27 but will be reviewed as part of the 2025/26 budget process as there will be more information on additional capital flexibility options following the consultation on these proposals (see section below).

In addition, there are also a number of revenue costs in 2024/25 associated with the implementation of revenue budget savings and therefore, where a revenue cost arises which meets the rules of qualification set out in the strategy, these costs might also be funded from capital receipts. The costs will be associated with the savings set out in Appendix 1A.

PROPOSALS ON NEW LOCAL AUTHORITY CAPITAL FLEXIBILITIES

On 19 December 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published a call for views on new local authority capital flexibilities. The call for views invites local authorities, sector representatives and other stakeholders to provide views on a set of options with respect to capital flexibilities and borrowing, to be managed locally, that could be used to encourage and enable local authorities to invest in ways that reduce the cost of service delivery and provide more local levers to manage financial resources. The proposals are summarised below, and the calls for view close on 31 January 2024.

- **Extending capitalisation flexibilities to include a wider set of eligible costs, in particular general revenue costs**, in exchange for the authority putting in place and committing to delivering an efficiency plan to reduce costs, with a defined payback period on any capitalised spend within the Medium Term Financial Plan. This would provide local authorities with a route to capitalise such costs without resorting to exceptional financial support discussions with DLUHC.

- **Extending the flexible use of capital receipts to allow authorities to borrow for the revenue costs of invest-to-save projects**, as an extension of the current framework which allows councils to borrow for such costs.

- **Allowing additional flexibilities for the use of the proceeds of selling investment assets**, treating them in a similar way to capital receipts, where investment property refers to property held under accounting standard IAS 40.

- **Introducing a reduced interest rate for borrowing from the Public Works Loans Board for invest-to-save projects.** This would be limited only to the capital costs of expenditure on projects. It is likely that local authorities would not have to apply to Government to use the rate, but should reflect this in their capital plans provided to DLUHC, but they would not be able to borrow in advance of need. The discount would not be worth more than 40 basis points (the discount currently applied to HRA borrowing).

The Government is also considering the following controls against unintended consequences of further flexibility:

- Full transparency, including submission of plans to use flexibilities to Government (but not for approval), regular updates on progress against the efficiency plan and other transparency measures.

- Mandation of a payback period for efficiency and invest-to-save plans.
- A requirement of a self-commissioned independent review of efficiency plans, with mandatory publication of findings.
- Limiting flexibilities to certain types of expenditure
- Government-commissioned independent reviews.

London Borough of Harrow Draft Budget 2024/25 - Public Consultation Results

What was the consultation about?
The consultation presented London Borough of Harrow's draft budget for 2024/25. The consultation ran for five weeks from 20 December 2023 to 24 January 2024.

We legally must share with Harrow residents our plans and ask what residents think of them to set a balanced budget in February.

Every year, we deliver services to more than 261,000 people.

Some are statutory that we must deliver by law, others essential and some are what we consider important - they all help us restore pride in Harrow and deliver our key priorities:

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

In planning our spending for the year ahead, and future years, we asked residents some questions on budgets. We provided information that explains where our money comes from, and more importantly where it goes.

How was the consultation advertised?
The consultation was available on the council's consultation platform MyHarrow Talk. The project page hosted the consultation documents, including, the December 2023 Cabinet Report and Appendices, background information, videos and an online survey.

The consultation was promoted via the council's weekly enewsletter MyHarrowNews to c.130,000 MyHarrow account holders and subscribers, the council's social media channels, news on the council's website and by Harrow Online.

Some 1,000 individuals visited the consultation pages on MyHarrowTalk, nearly half of them looked at the information contained on the pages. Some 63 responses were received from the online survey.

What feedback was received?
Six questions were presented to respondents. The graphs below summarise the results received.

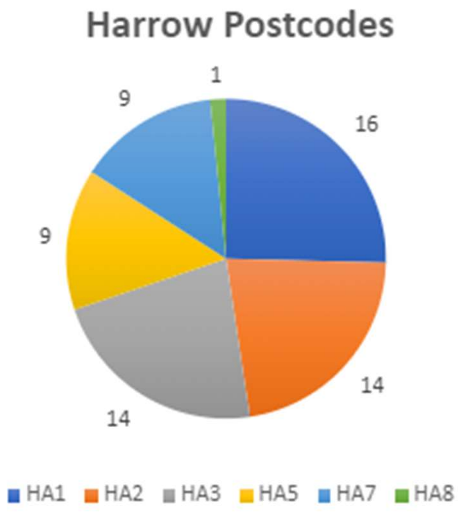
In summary, the majority of respondents said they understood the budget pressures the council was facing, and the council's plans to spend the budget were supported. But there was not majority support that council tax should rise by 4.99% (2.99% for Council services and the 2% social care levy) to fund it. More respondents (41%) agreed with how the council planned to spend the budget in 2024/25, compared to those who disagreed (32%).

Almost half (48%) said they understood the need to increase council tax to spend more on adult social care. But only one-quarter (26%) agreed that a growing demand on services meant more needed to be spent on core council services.

Only one-quarter (25%) of respondents agreed that a rise in council tax should pay for the budget increases, with six out of 10 respondents disagreeing.

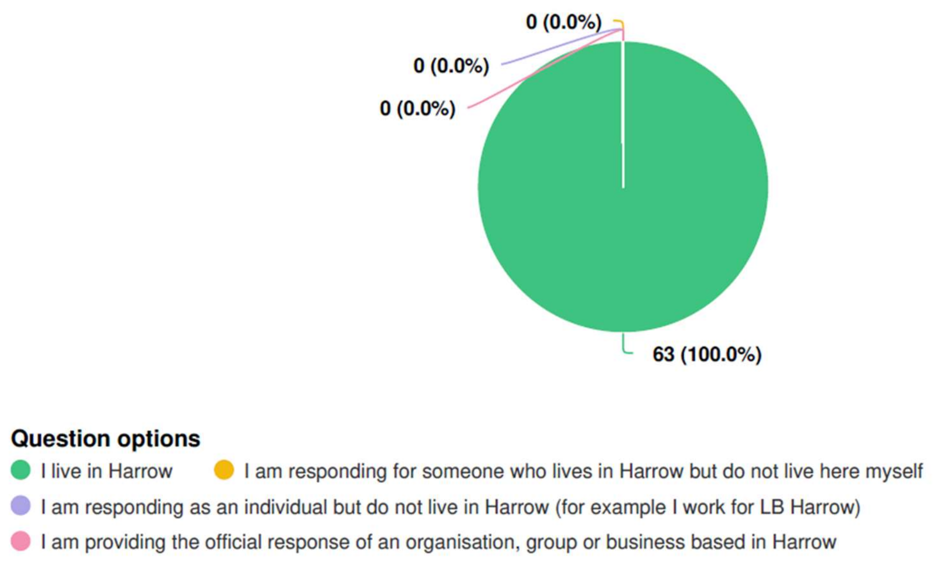
Q1. Please provide your postcode, or if you prefer, the first four characters from your postcode

There were 63 responses to this question. Most respondents live in the HA1 postcode area of Harrow.



Q2. In what capacity are you taking part in this consultation?

All 63 respondents to this question identified themselves as a Harrow resident.

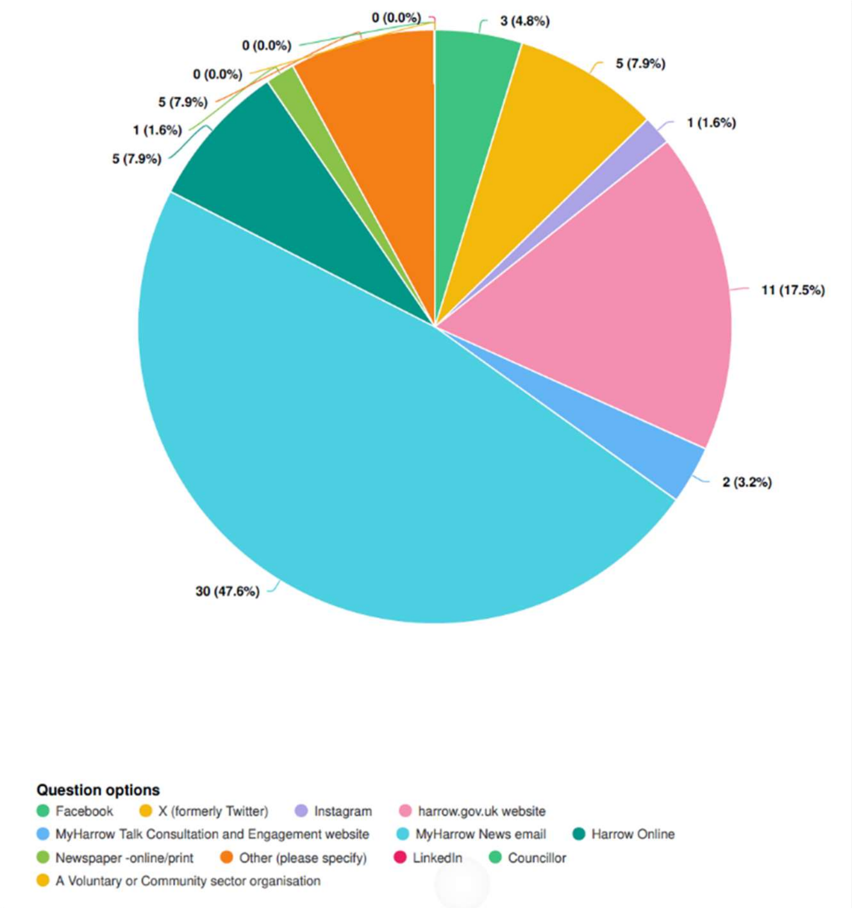


Q3. How did you find out about this consultation?

There were 63 responses to this question.

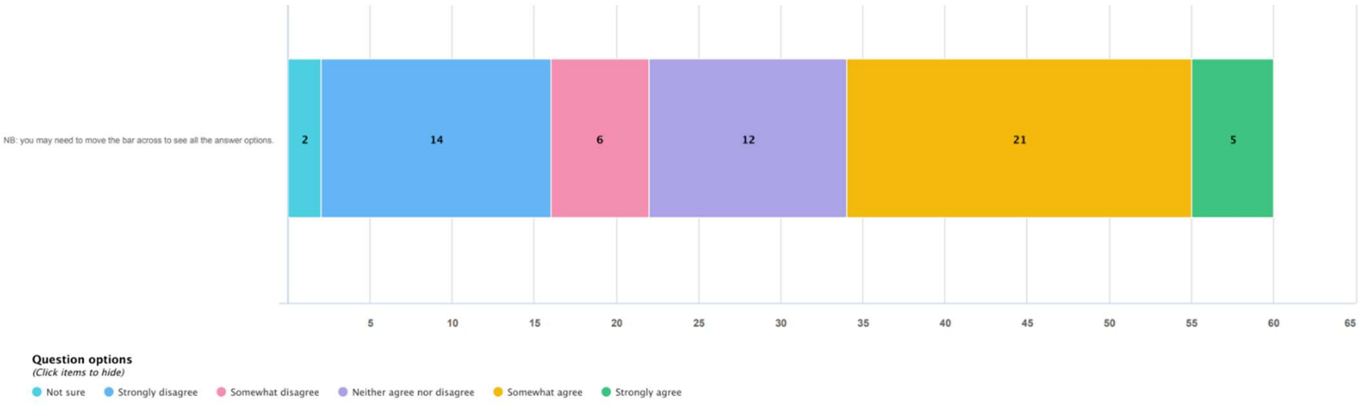
Nearly half of the respondents (47.6%) found out about the consultation via MyHarrow News, with the council website (17.5%) the next highest response.

People also found out about the consultation through social media (X (formerly Twitter) 7.9%, Facebook 4.8%, and Instagram 1.6%) and Harrow Online (7.9%).



Q4. The London Borough of Harrow has a Corporate Plan for Restoring Pride in Harrow. And it has three priorities – to be:✓ a council that puts residents first, ✓ a borough that is clean and safe, and ✓ a place where those in need are supported. The 2024/25 budget has been put together to ensure funds are available and resources are committed to deliver these priorities. Do you agree with how the council plans to spend the budget in 2024/25?

There were 63 responses to this question. 26 (41%) agree with how the council plans to spend the budget next year, 20 (32%) disagree, 12 (19%) neither agree nor disagree, 2 (3%) not sure, 3 (5%) did not answer the question.



Q5. Please share any comments you have on the budget proposals for 2024/25. For example, do you have ideas on where or how we can save money, or generate more income? Is there anything in our plans that might adversely or unfairly impact you or your family? Please don't give us any personal details that may identify you.

There were 49 responses to this question – the themes in the responses were:

- Concerns around services and initiatives not being run as efficiently as possible.
- Concerns about the visibility / quality of services received in return for Council Tax paid.
- Calls for the Council to approach central government for more funding.
- Concerns about the impact on households of an increased Council Tax bill, considering pressures on finances. Question about what support there is for those struggling.

Q6. Having read the draft budget proposals and the information about the council's financial position, please answer the following statements:

There were 63 responses to this question. Here are the responses to the statements:

I understand the need to increase council tax in 2024/25 by 2.99% for council services plus the 2% adult social care levy – a total increase of 4.99%.

16 (25%) agree, 38 (60%) disagree, 7 (11%) neither agree nor disagree, 1 (2%) not sure, 1 (2%) did not answer the question.

I understand the need to spend more on adult social care.

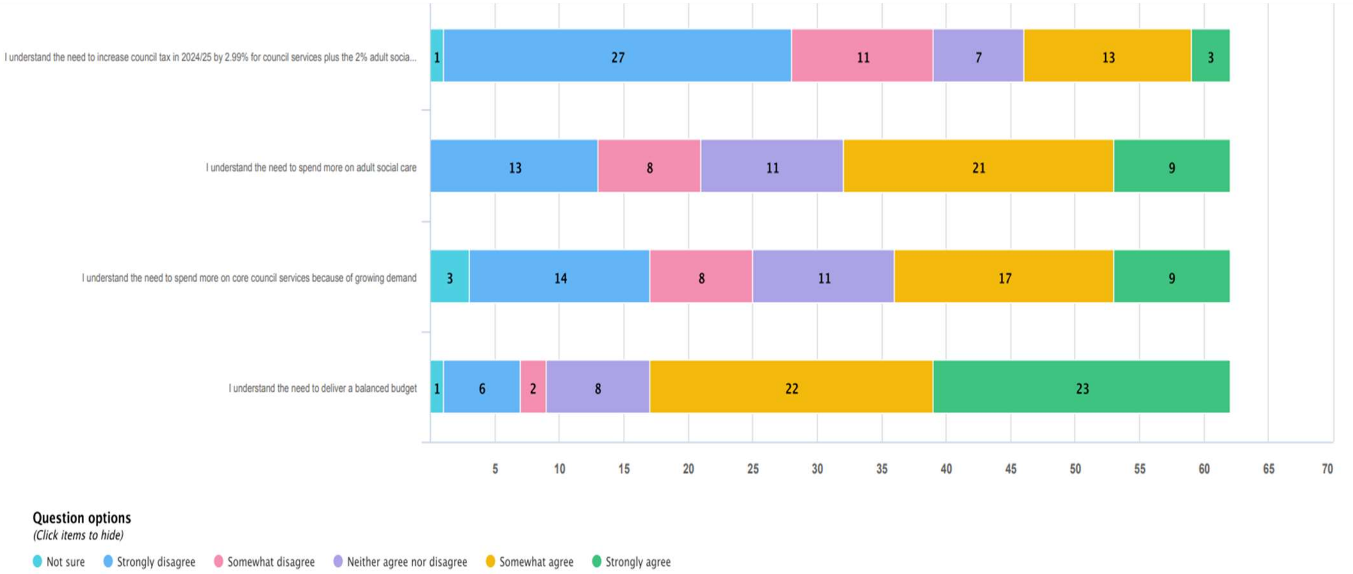
30 (48%) agree, 21 (33%) disagree, 11 (17%) neither agree nor disagree, 0 (0%) not sure, 1 (2%) did not answer the question.

I understand the need to spend more on core council services because of growing demand.

26 (41%) agree, 22 (35%) disagree, 11 (17%) neither agree nor disagree, 3 (5%) not sure, 1 (2%) did not answer the question.

I understand the need to deliver a balanced budget.

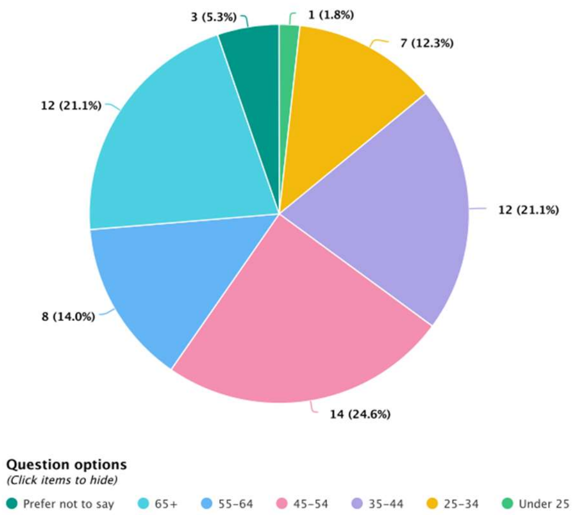
45 (71%) agree, 8 (13%) disagree, 8 (13%) neither agree nor disagree, 1 (1.5%) not sure, 1 (1.5%) did not answer the question.



Equalities Monitoring questions:

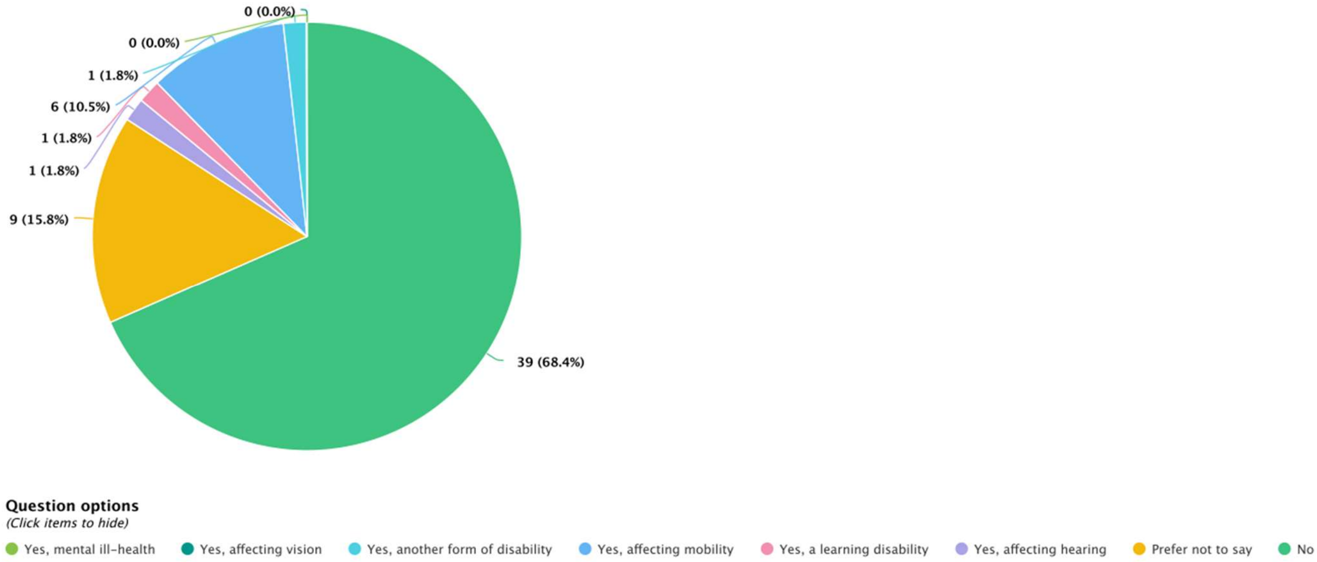
Age – Please indicate your age group.

There were 57 responses to this question. Nearly a quarter of respondents (24.6%) were in the 45-54 age group, one in five 65+ and just over a third of the respondents (33%) who answered this question are below 45.



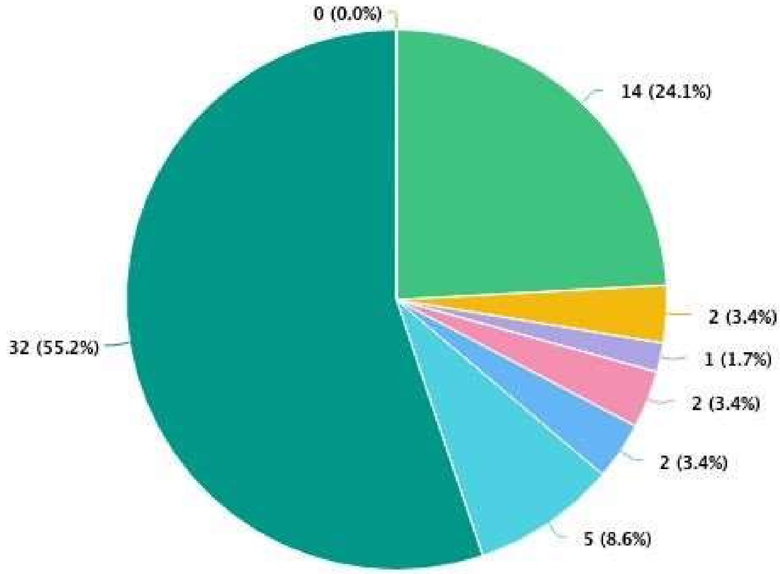
Disability - Are your day-to-day activities limited because of a health problem or disability which has lasted or is expected to last at least 12 months?

There were 57 responses to this question. Most respondents (68.4%) indicated they have no disability which limits their activities day-to-day, with nine respondents (15.8%) preferring not to say and six respondents (10.5%) indicating they have another form of disability.



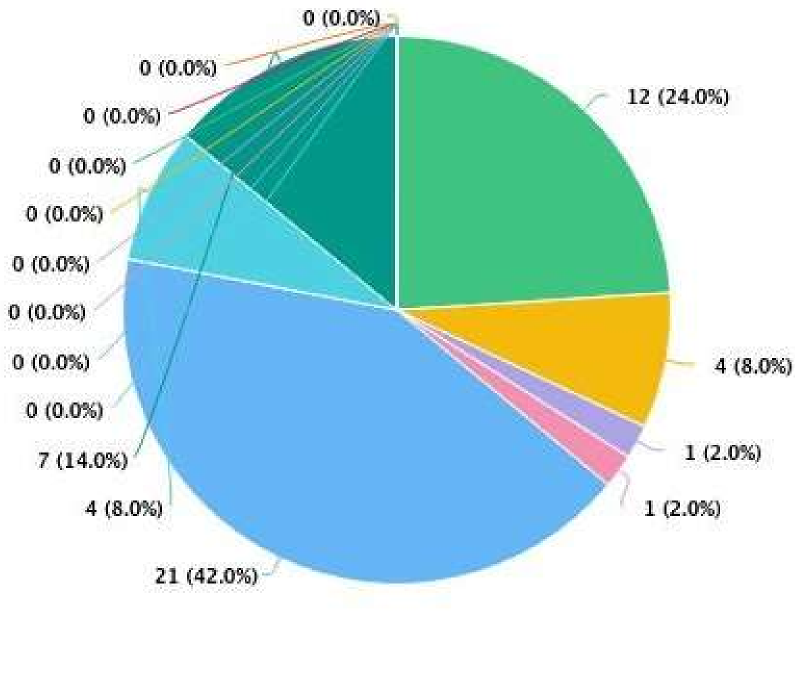
Do you have caring responsibilities?

There were 58 responses to this question. Over half (55.2%) said they have no caring responsibilities, nearly a quarter (24.1%) are the primary carer for an older person.



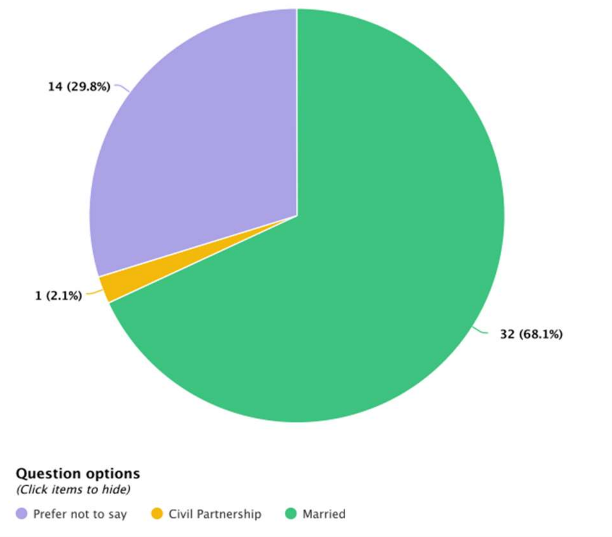
Ethnic origin - What is your ethnic origin?

There were 50 responses to this question. From the respondents (42.6%) identified themselves as White British, with nearly a quarter (24%) as Asian or Asian British Indian and (14%) preferred not to say.



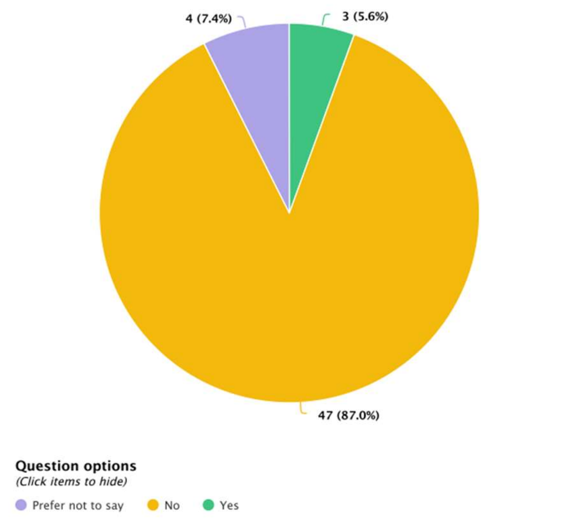
Marriage and Civil Partnership - What is your marital status?

There were 47 responses to this question. Most respondents (68.1%) indicated they are married, with just under a third (29.8%) preferring not to say and one respondent (2.1%) indicating they are in a civil partnership.



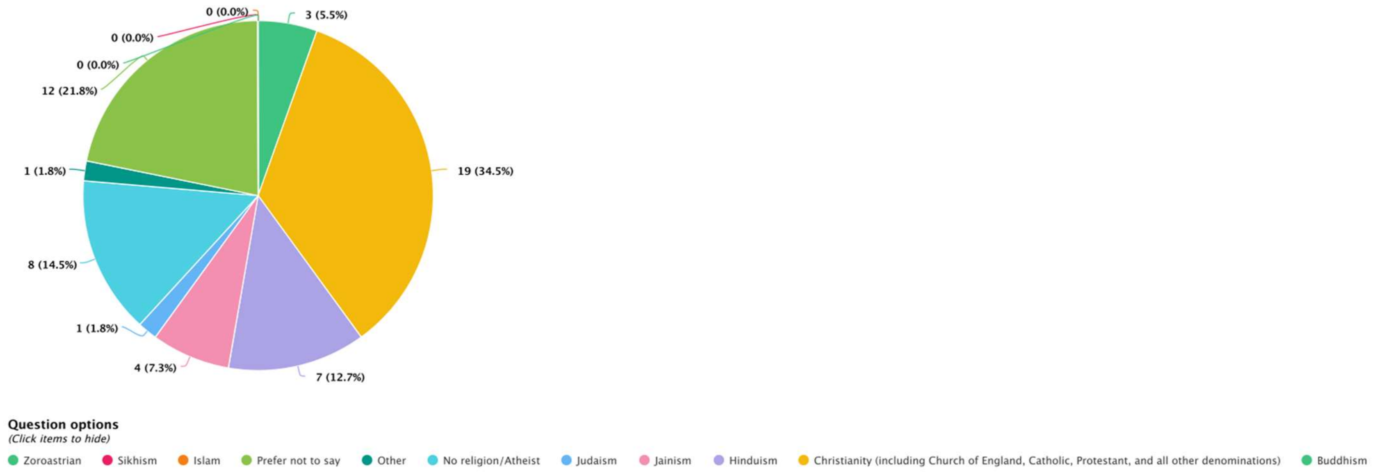
Pregnancy or Maternity - Have you been pregnant and / or on maternity leave during the past 2 years?

There were 54 responses to this question with most respondents (87%) replying no to the question. Three respondents (5.6%) responded ‘yes’ to the question, with four respondents (7.4%) preferring not to say.



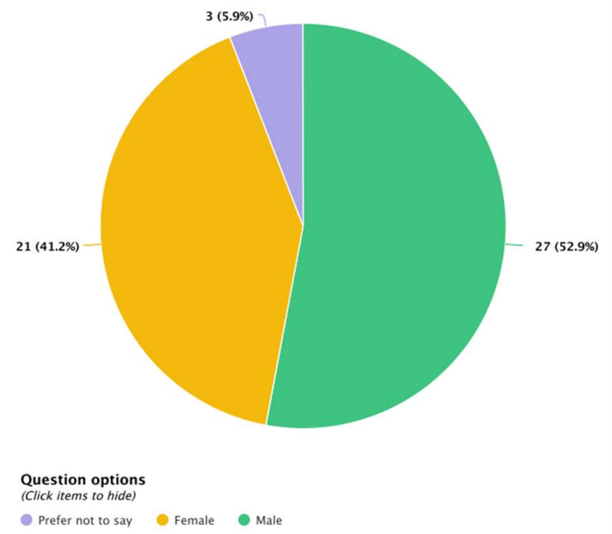
Religion and belief - What best describes your religion/belief?

There were 55 responses to this question with just over a third (34.5%) describing their belief as Christianity. Nearly a quarter (21.8%) preferred not to say, with 14.5% answering as No religion/Atheist and seven as Hinduism (12.7%). Four respondents (7.3%) described their belief as Jainism, with three respondents (5.5%) as Buddhism and one respondent (1.8%) as Judaism.



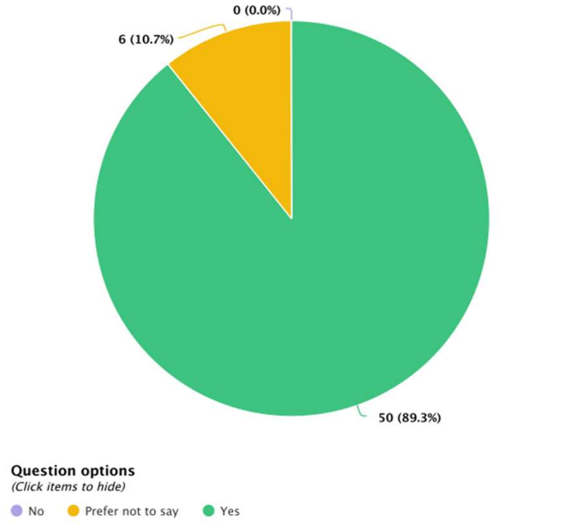
Sex - Are you?

There were 51 responses to this question with just over half (52.9%) responding as Male with 41.2% responding as Female. A small number (5.9%) preferred not to say.



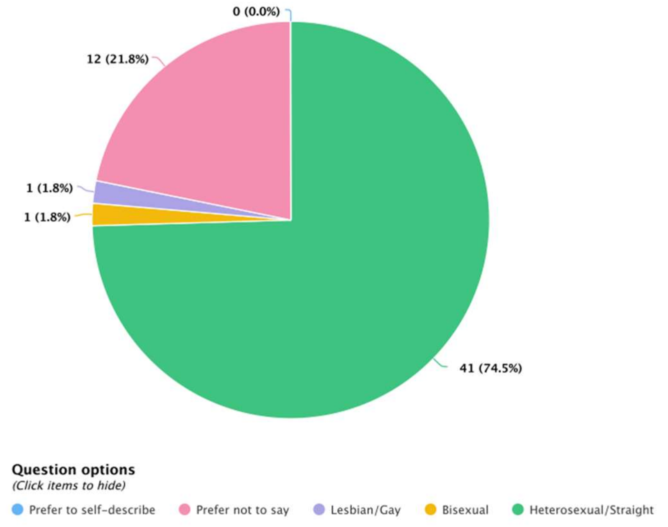
Is your gender identity the same as the gender you were assigned at birth?

There were 56 responses to this question with most respondents (89.3%) answering Yes and 10.7% preferring not to say.



Sexual orientation - What is your sexual orientation?

There were 55 responses to this question with nearly two-thirds of responses (74.5%) answering Heterosexual/Straight and nearly a quarter (21.8%) preferring not to say.



Conclusions

Through our consultation we are satisfied that we have explained the budget pressures facing the council in the next financial year and beyond and, while we hear people's concerns, we propose to raise Council Tax for 2024/25 to ensure the budget we put together is balanced. We are taking onboard feedback about how we can look at further efficiencies and growth opportunities. We will continue to work in partnership with local partners and liaise with central government about funding for Harrow.

Assessment of Equality Impacts

Responses to the main questions by Sex

Of the 63 total respondents of the survey, 51 answered the question about Sex, with 12 people skipping it. Of those who responded, 21 people responded as female, with 27 as male and 3 preferred not to say.

The main questions have been filtered by Female and Male and the responses are set out below:

Main questions	Female responses	Male responses
The London Borough of Harrow has a Corporate Plan for Restoring Pride in Harrow. And it has three priorities – to be:✓ a council that puts residents first, ✓ a borough that is clean and safe, and ✓ a place where those in need are supported. The 2024/25 budget has been put together to ensure funds are available and resources are committed to deliver these priorities. Do you agree with how the council plans to spend the budget in 2024/25?	20 responses, 1 skipped Agree: 11 Disagree: Neither agree nor disagree: 6 Not Sure: 3	26 responses, 1 skipped Agree: 9 Disagree: 10 Neither agree nor disagree: 5 Not Sure: 2
Having read the draft budget proposals and the information about the council's financial position, please answer the following statements…	21 responses	27 responses
I understand the need to increase council tax in 2024/25 by 2.99% for council services plus the 2% adult social care	Agree: 12 Disagree: 7 Neither agree nor disagree: 2 Not Sure:	Agree 7 Disagree: 16 Neither agree nor disagree: 3 Not Sure: 1
I understand the need to spend more on adult social care	Agree: 11 Disagree: 6 Neither agree nor disagree: 4 Not Sure -	Agree: 15 Disagree: 7 Neither agree nor disagree: 5 Not Sure -

I understand the need to spend more on core council services because of growing demand	Agree 10 Disagree: 6 Neither agree nor disagree: 4 Not Sure: 1	Agree 11 Disagree: 8 Neither agree nor disagree: 6 Not Sure: 2
I understand the need to deliver a balanced budget	Agree 16 Disagree: 2 Neither agree nor disagree: 3 Not Sure	Agree 20 Disagree: 3 Neither agree nor disagree: 3 Not Sure: 1

Responses to the main questions by Disability

Of the 63 total respondents of the survey, 57 answered the question about whether day-to-day activities are limited because of a health problem or disability which has lasted or is expected to last at least 12 months, with 6 people skipping it.

Of those who responded, 39 people responded with a no to the question, while 9 indicated they do have a health problem or disability, and 9 preferred not to say.

The main questions have been filtered by those who indicated either Yes or No to whether their day-to-day activities are limited because of a health problem or disability which has lasted or is expected to last at least 12 months. The responses are set out below:

	Responses indicating No to “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?”	Responses indicating Yes to “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?”
Q5. The London Borough of Harrow has a Corporate Plan for Restoring Pride in Harrow. And it has three priorities – to be:✓ a council that puts residents first, ✓ a borough that is clean and safe, and ✓ a place where those in need are supported. The 2024/25 budget has been put together to ensure funds are available and resources are committed	6 responses Agree: 3 Disagree: 2 Neither agree nor disagree: 1 Not Sure	22 responses, 2 skipped Agree: 10 Disagree: 7 Neither agree nor disagree: 4 Not Sure: 1

to deliver these priorities. Do you agree with how the council plans to spend the budget in 2024/25?		
Having read the draft budget proposals and the information about the council's financial position, please answer the following statements…	6 responses	24 responses
I understand the need to increase council tax in 2024/25 by 2.99% for council services plus the 2% adult social care	Agree: Disagree: 5 Neither agree nor disagree: 1 Not Sure:	Agree: 8 Disagree: 14 Neither agree nor disagree: 1 Not Sure: 1
I understand the need to spend more on adult social care	Agree: 5 Disagree: 1 Neither agree nor disagree: Not Sure:	Agree: 12 Disagree: 6 Neither agree nor disagree: 6 Not Sure:
I understand the need to spend more on core council services because of growing demand	Agree: Disagree: 2 Neither agree nor disagree: 4 Not Sure:	Agree: 12 Disagree: 8 Neither agree nor disagree: 2 Not Sure: 2
I understand the need to deliver a balanced budget	Agree: 4 Disagree: Neither agree nor disagree: 2 Not Sure:	Agree: 17 Disagree: 3 Neither agree nor disagree: 3 Not Sure: 1

What happens next?

The information gathered through the consultation will be used to inform our final budget which will be reported to Council on 22 February 2024.

We will publish the outcome of the consultation and the final Budget Report on MyHarrow Talk in February 2024.

Regular financial updates on the council's budget position are provided at Cabinet meetings throughout the year. These agendas and reports can be found via harrow.gov.uk

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LONDON BOROUGH OF HARROW

Cabinet – 15 February 2024

Minute Extract from Employees' Consultative Forum – 10 January 2024

17. Draft Revenue Budget 2024/25 and Draft Medium Term Financial Strategy to 2026/27

The Forum received a report of the Interim Director of Finance and Assurance which set out the draft revenue budget for 2024/25 and draft Medium Term Financial Strategy (MTFS) to 2026/27 that had been considered by Cabinet on 18 December 2023. The budget and MTFS would be submitted to Cabinet in February 2024 for approval along with a recommendation to Council.

The report was introduced by the Chair who highlighted that the Council continued to face financial challenges, however, compared to the 2022/23 financial year the Council had a more complete budget to present the Forum. It was maintained that challenges for future years remained for years 2 and 3 within the current budget.

The Portfolio Holder for Finance and Human Resources added that the budget for 2024/25 was balanced with a council tax increase of 4.99% proposed. Figures for years 2026 and 2027 were mostly assumptions due to a lack of direction from Government. The Council's biggest challenges was the provision of Adults and Children Services – a national challenge also – the Council had planned to increase the budgets for these services by circa £5.5m for 2024/25 and an extra £4m over the following 2 years. There was confidence that this funding would support these services.

The Portfolio Holder for Finance and Human Resource continued by raising that fees and charges had increased by an average of 7% which was based on inflation. In addition, the final settlement received was better than expected and had been put aside as a contingency to support the balancing of future budgets. The Chair explained that the current financial year had a knock on effect for future years. Th average overspend for a London Council was £10m but the London Borough of Harrow had an overspend of £1.3m as at the last period. There was confidence that financial pressures for the Council would be reduced for future financial years. Furthermore, it was explained that unlike other council's, this council did not have the reserves to support the budget and therefore emphasised the need for the budget to be balanced and to not overspend.

It was noted that the Council's reserves stood at roughly £16m and that 80% of it's income came from council tax. The Interim Director of Finance and Assurance added that the financial year for 2024/25 was balanced but there was a budget gap for years 2025/26 and 2026/27 which totalled to £19m.

The Chair invited members of the Forum to ask question, with the following raised:

It was asked if there was confidence that council tax would not rise again. The Leader explained that inflation had an impact because it was estimated last year that inflation would be lower and to date this had not happened. The Portfolio Holder for Finance and Human Resources added that inflation had impacted the Council and noted that in future years there might be a possibly that increases could go back to a 2.99% increase as there was a preference for smaller increases on council tax to either match or be below the rate of inflation.
Looking at the minutes of the previous meeting, it was asked why the budget gap had increased. It was explained that the figures mentioned were from last year's proposed budget and that since then this gap had been filled and resulted in a balanced budget for years 2023/24 and 2024/25.

An update was sought on the Council's restructure and aim for a 10% reduction in senior management. The Interim Director of Finance and Assurance explained that a lot of the restructures were implemented in February 2023 and were due to be presented in the quarter 3 budget monitoring report. In addition it was confirmed that all restructures had been implemented or were due to be implemented.

That there was an aim for the number of agency staff used within the Council to be reduced as they were more expensive compared to permanent staff.
That interim positions would be replaced with permanent positions and that there was an aim to use as fewer agency staff as possible. It was added that there was a commitment to protect front line services.

It was reiterated that this time last year the Council was in a position where it needed to fill a £10m gap. However, now there is time for years 2 and 3 to be looked into. For example, buying assets rather than spending money on temporary accommodation such as B&Bs relieves financial pressures on homelessness for the Council and retained a capital asset.

The Council's recruitment freeze was raised and it was asked if business cases still occurred. The Chair explained that there was not a recruitment freeze but every new position had to be signed off and that recruitment freezes created pressures within a service and could actually result in savings not being made.

Resolved to RECOMMEND: (to Cabinet)

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

For Consideration

Background Documents:
Minutes of Employees' Consultative Forum – 10 January 2024

Contact Officer:
Andrew Seaman, Senior Democratic Services Officer
Tel: 07928512790
Email: Andrew.seaman5@harrow.gov.uk

Cabinet – 15 February 2024

Minute Extract from Harrow Business Consultative Panel – 23 January 2024

17. Draft Revenue Budget 2024/25 and Draft Medium Term Financial Strategy to 2026/27

Members received a report of the Director of Finance which set out the Council's proposed Draft Revenue Budget 2024/25 and the Medium-Term Financial Strategy 2026/27.

Harrow remained one of the lowest funded Councils both within London and nationally. The Council does not benefit from large reserves compared with the rest of London and was in the lower end of the lower quartile for reserve balances held.

Over the past 10 years, the Council's revenue support grant had reduced from £50.5m to £2m in 2023/24 and whilst the Council does receive other grant funding to support services, these grants are all ring fenced to areas of activity and could not be used to support the core budget, for example the Dedicated Schools Grant of £143m. In 2023/24 these grants total £366m.

The Council does not receive specific funding to meet demographic growth and demand led pressures. In addition, inflation had increased substantially and creating unfunded budget pressures.

In previous years, Council Tax had been increased to just below referendum limits and full use has been made of the Adults Social Care Precept, both of which were in line with central government expectations. The impact of was that the Council was heavily reliant on Council Tax to fund its core budget. In 2023/24 approximately 78% of the Council's net revenue budget of £196.3m was funded from Council Tax.

Members asked what information was provided in the business rates newsletter and to whom it was sent. The business rates newsletter provided information on relief measures, rate multipliers and other details relevant to businesses. It was sent to the largest 200 business traders and was part of the communication strategy for business rate payers.

Members also wanted to know if there was any relief for new tech startups in Harrow, and what were the factors affecting this. Officers advised that there was no specific relief for new tech startups in Harrow unless there was a designated special zone. Business rates were determined by central Government and current trends in Harrow involve smaller tech businesses run from home rather than offices.

Members also asked if there would be more focus on attracting tech entrepreneurs and startups to Harrow in the future. Officers advised that attracting tech entrepreneurs and startups to Harrow were not within the local authority's remit regarding business rates. While the desire may exist, it was not an area where the local authority had direct control or influence.

Members thanked Officers for all their hard work in getting the report ready.

RESOLVED: That the report be noted.

For Consideration

Background Documents:

Minutes of Harrow Business Consultative Panel – 23 January 2024

Contact Officer:

Rita Magdani, Senior Democratic Services Officer
Tel: 07928 512790
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Cabinet – 15 February 2024

Minute Extract from the Overview and Scrutiny Committee – 9 January 2024

69. Question and Answer Session with the Leader of the Council and the Managing Director of the Council

The Chair welcomed the Leader of the Council, the Portfolio Holder for Finance and Human Resources, as well as the Managing Director to the meeting. This would be a Question and Answer session in accordance with Committee Procedure Rules 43 and 44.

Questions on the Draft Revenue Budget 2024/25 and draft Medium Term Financial Strategy (MTFS) to 2026/27 could be asked as well as on other issues.

The Leader explained that the draft revenue budget for 2024/25 and draft Medium Term Financial Strategy (MTFS) to 2026/27 would be submitted to Cabinet again in February 2024 for final approval and recommendation to Council.

Members asked if the uncertainty of not having a multi-year financial funding commitment for adult social care from central Government made planning challenging, and whether longer term funding from Government had been requested.

The Committee were advised that it would be preferable to have a 3-4 year commitment for adult social care to be certain that it would continue to receive funding for that time-frame. Other Councils in London were equally concerned. Furthermore, there was a need to balance funding for inner-London and outer-London boroughs.

Members inquired about the funding formula, whether Harrow was getting an appropriate amount to match its needs and what discussions were being held with central Government on revising the funding formula.

The Committee were advised that there was need to revise the funding formula to consider actual needs in Harrow, as the current model was outdated and did not reflect the needs in the borough. Furthermore, as far back as 15 years ago, discussions had been held with central Government but nothing much had changed. Harrow remained one of the lowest funded Councils both within London and nationally. The Council did not benefit from large reserves compared with the rest of London and was in the lower end of the lower quartile for reserve balances held. The Leader and senior Council officers continued to hold discussions with ministers and civil servants on revising the funding formula.

Members wanted to know what the biggest risks were to the Draft Revenue Budget 2024/25 and draft Medium Term Financial Strategy (MTFS) to 2026/27, and how any unexpected expenditure would affect the budget.

The Committee were advised that the three biggest risks were: adult social care; children's care; and homelessness. All were demand-led and therefore it was difficult to predict what changes would occur in the future. Moreover, the borough was likely to have an Office for Standards in Education, Children's Services and Skills (Ofsted) inspection during the year, which could have a further impact on the Council if there was an adverse change in the Council's judgement. Furthermore, the Council did not receive specific funding to meet demographic growth and demand-led pressures. In addition, inflation had increased substantially and this created unfunded budget pressures.

Members wanted to know what discussions had been held with central Government to protect statutory services if there were more demands on finances and some services were to be cut.

The Committee were advised that the Leader and senior management team continued to hold discussions with ministers and senior civil servants on the need to protect statutory services with increased funding. Furthermore, Members of Parliament representing Harrow constituencies were lobbied to present the borough's issues to ministers.

Members asked about installing more electric charging points and pothole mending.

The Committee were advised that 200 extra on-street charging points would be installed, including 10 ultra charging ones. Resources had been allocated for pothole mending in the borough.

Members requested an update on the active transport strategy.

The Committee were advised that the strategy was out for consultation. It was envisaged that more cycle lanes and routes would be opened. However, it was important to consult residents as such measures would impact on traffic flow in Harrow.

Members wanted to know how fly-tipping in Harrow, particularly in South Harrow, was being addressed and whether better enforcement could stop the problem.

The Committee were advised that a new borough-wide enforcement Public Spaces Protection Order (PSPO) was due to take effect to deal with persistent anti-social behaviour, which was detrimental to the community's quality of life. Furthermore, it had been established that the waste being dumped was mostly house-hold, implying it most likely came from unlicensed Houses of Multiple Occupation (HMOs), without sufficient bin capacity. Enforcement of HMOs would therefore be enhanced to clamp down on illegal ones.

Members were concerned about the effect of homelessness on children and questioned whether the Council had houses where homeless families could go when declared homeless.

The Committee were advised that there were houses that homeless families could utilise. There was a lack of adequate supply but increased demand, which meant that some families were housed in temporary accommodation and hotels.

Members asked about the “Right To Buy Back” (RTBB) scheme from the Mayor.

The Committee were advised that “Right To Buy Back” scheme was a historic fund through the Greater London Authority. This was to buy back ex-council properties sold under RTBB. Properties had to completed by March 2023.

It was further advised that an update would be provided after the meeting.

Members wanted to know if the Special Educational Needs (SEN) transport review had been completed, and whether a SEN school would be established in Harrow to reduce the cost of transporting students to facilities outside the borough. The use of taxis in transporting SEN students was increasing, and this could be reduced by having a local SEN school.

The Committee were advised that SEN transport was still being reviewed, and proposals had been submitted for a SEN facility in Harrow to the Department for Education.

Members queried the household support fund which would end in March 2024, and whether this would be extended.

The Committee were advised that the Council was lobbying for the fund to continue beyond March 2024 – preferably for another year. However, it was important to recognise that the scheme would end at some point.

The Chair thanked the Leader of the Council, the Portfolio Holder for Finance and Human Resources, as well as the Managing Director, for their attendance and responses.

RESOLVED: That the Committee’s comments be forwarded to Cabinet for consideration.

For Consideration

Background Documents:

Minutes of Overview and Scrutiny Committee – 9 January 2024

Contact Officer:

Mwim Chellah, Senior Democratic Services Officer
Tel: 07761 405966 Email: Mwimanji.Chellah@harrow.gov.uk

Cabinet – 24 January 2024

Extract from Performance & Finance Scrutiny Sub-Committee – 14 December 2024

Minute Item 38 - Draft Revenue Budget 2024/25 & Draft Medium Term Financial Strategy to 2026/27

Members received the Draft Revenue Budget 2024/25 and draft Medium Term Financial Strategy (MTFS) to 2026/27, which would be presented to Cabinet on 19 December 2023. The budget and MTFS would be submitted to Cabinet in February 2024 for final approval and recommendation to Council.

The Interim Director of Finance and Assurance (S151 Officer), and Councillor David Ashton, the Portfolio Holder for Finance and Human Resources, presented the report to the Sub-Committee and responded to questions and comments made by Members.

Members were concerned that some residents would struggle to meet their Council Tax obligations given the current cost of living crisis, and queried what measures were in place to assist such residents. On another note, clarification was sought on the impact of the pay award for staff in 2023/24 have on the Council's budget.

It was advised that in previous years, Council Tax had been increased to just below referendum limits. Full use had been made of the Adults Social Care Precept, both of which were in line with central Government expectations. The impact of this was that the Council was heavily reliant on Council Tax to fund its core budget. In 2023/24 approximately 78% of the Council's net revenue budget of £196.3m was funded from Council Tax. Residents having problems paying Council Tax could approach the Council and receive assistance through the Council Tax Support scheme if they were eligible. In 2023/24, the increase in Council Tax of 4.99% raised additional revenue of £7.8m, Council Tax income increased from £146.2m to £154.0m.

The Sub-Committee were advised that the cost of the 2023/24 pay award (which was only agreed in October 2023) was £7.2m, which, therefore, left little funding available for other demand pressures that had emerged in adult services and other inflationary pressures.

Members queried what impact inflation would have on Council finances, and whether demographic changes, particularly an ageing population, would affect Council budgets in future.

It was advised that the Council did not receive specific funding to meet demographic growth and demand led pressures. In addition, inflation had increased substantially, creating unfunded budget pressures. Moreover, in line with the national picture, the Council was heavily impacted by inflation.

The budget provision for pay inflation was £4m (4%). The 2023/24 pay award which had recently been announced equated to an increase of 7% (£7.2m) against the pay bill. The bulk of this pressure of £3.2m had been funded from the general corporate budget and the non-pay inflation provision. However, this still left an £800,000 shortfall to be carried forward into 2024/25.

Members asked if the Council's reserves would be drawn upon to meet budget gaps, with specific reference to the budget gap of £12.446 million for 2025/26 and £6.732 million for 2026/27.

The Sub-Committee was advised that Harrow had had a good track record of robust financial management and had not reported a revenue budget overspend for many years. The budget for 2022/23 was originally based on drawing down £14.7m of reserves to bring in a balanced position. The final position for 2022/23 improved significantly as a result of careful control and oversight of budgets, which meant that only £5.8m of reserves were needed, as opposed to £14.7m, to bring the budget into a balanced position. Harrow did not benefit from large reserves compared with some London boroughs, and was in the lower end of the lower quartile for reserve balances held.

As the budget would be approved annually, the latter two years of the Medium Term Financial Strategy (MTFS) would be subject to substantive review and adjustment before finally being approved.

Members inquired about grant funding, and whether this had increased over the years. The Sub-Committee was advised that over the past 10 years, the Council's revenue support grant had reduced from £50.5m to £2m in 2023/24. Where the Council received other grant funding to support services, these were all ring fenced to areas of activity and could not be used to support the core budget, for example, the Dedicated Schools Grant of £143m.

Members asked if the Council had a "Plan B" in meeting some budgetary estimates if the original plan would not be achieved. It was advised that for 2025/26 and 2026/27, many of the budget adjustments were estimated at a high level due to the challenges of forecasting complex issues such as inflation, demand, and demographics so far in advance.

Members asked if any homeless persons were housed in hotels, and how much Harrow would receive from central Government towards addressing the issue. It was advised that homelessness was less of a problem in Harrow compared to other London boroughs. There was additional funding of £120m for homelessness prevention nationally in 2024-2025. The details of the allocations were not yet known, and the Harrow allocation would be confirmed in due course.

Members sought clarity on the budget saving put forward to remove the Ward Priority Fund, which would be replaced by bidding for the Neighbourhood Community Infrastructure Levy (NCIL) fund. This was centrally based, and bids were subject to approval by the Leader of the Council. It was advised that the Leader would be munificent regarding applications, and that Wards could submit bids for consideration for schemes requiring funding.

Members thanked the Interim Director of Finance and Assurance (S151 Officer), and the Portfolio Holder for Finance and Human Resources, for their attendance and responses to their questions.

RESOLVED: That the report be noted.

Background Papers: Minutes of the meeting of the Performance & Finance Scrutiny Sub-Committee – 14 December 2024

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LONDON BOROUGH OF
HARROW

Report for:	**Cabinet**
Date of Meeting:	24 January 2024
Subject:	Housing Revenue Account Budget (HRA) 2024-25 and Medium-Term Financial Strategy (MTFS) 2025-26 to 2026-27 and HRA 30- year Business Plan
Key Decision:	Yes
Responsible Officer:	Dipti Patel - Corporate Director of Place Sharon Daniels– Interim Director of Finance David McNulty - Director of Housing
Portfolio Holder:	Councillor Mina Parmar, Portfolio Holder for Housing. Councillor David Ashton, Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – HRA Budgets 2024-25, 2025-26 and 2026-27 Appendix 2 – Average Rents and Service Charges Appendix 3 – Garage, Parking charges and Facility Charges Appendix 4 – Water charges Appendix 5 – Community Halls Charges Appendix 6(a)-6(b) – HRA Capital Programme – 2024/25 to 2028/29 Appendix 7(a)-7(b) HRA Business Plan Assumptions and Summaries

Section 1 – Summary and Recommendations

This report sets out the proposals on the Housing Revenue Account (HRA) budgets and rent setting for 2024-25, the Medium-Term Financial Strategy (MTFS) for 2025-26 to 2026-27 and the update on HRA 30-year Business Plan.

Recommendations: That

1) the proposed average weekly rent for general needs and sheltered accommodation of £142.62 and £122.42 for 2024-25, respectively, which reflect increases of 7.7% in line with the national rent policy for social housing as set out in paragraph 20 & Appendix 2 be approved.

2) the proposed average weekly rents for affordable properties of £212.69, which reflect increases of 7.7% in line with the national rent policy for social housing -paragraph 20 & Appendix 2 be approved.

3) the proposed average weekly rents for shared ownership properties of £226.70, by 7.7%, in line with the national rent policy for social housing. See paragraph 21 & Appendix 2 be approved.

4) the five-year HRA Capital programme of £186,243,545 made up of £77,715,124 planned investment, £38,714,883 Building Council Homes for Londoners (**BCHfL**), £75,000 Grange Farm Infrastructure, £69,738,538 Homes for Harrow Phase 2 as set out in paragraphs 48 to 56 & Appendix 6(a) & 6(b) be approved.

5) the HRA 30-year Business plan and assumptions (paragraphs 57 to 63) Appendix 7(a) and 7(b)) be approved.

6) the proposed average weekly general need service charge of £8.38 and sheltered services charges of £17.46 per week. The charges proposed reflect inflation and new level of cleaning service as set out in paragraph 24 to 27 and Appendix 2 be approved.

7) the proposed average weekly services charges for affordable and shared ownership properties of £4.86 and £14.72 respectively as set out in Appendix 2 be approved.

8) an average weekly facility charge of £33.00 for sheltered properties (paragraph 27) be approved.

9) an enhanced weekly management charge for sheltered properties of £22.00 (as per paragraph 28) be approved. This charge reflects services provided to our sheltered tenants that is over and above to that provided to general needs tenants.

10) an average weekly heating charge for general needs tenanted properties of £20.10 (as per paragraph 27) be approved.

11) an increase of 7% to water charges as set out in paragraph 30 and Appendix 4 be approved.

12) the weekly parking spaces and garage charges of £10.90 and £16.60 respectively as set out in paragraph 29 and Appendix 3 be approved.

13) a 7% increase to the 2023/24 hourly hire charges applied to Community Halls as set out in paragraph 31 and Appendix 5 be approved.

14) Should the Homes for Harrow Phase 2 be delayed and subject to resources being available, allow the HRA to enter into an acquisition programme to maximise the use of 1-4-1 capital receipts. See paragraph 53

15) Cabinet recommends Council approve:
   a. HRA Budgets for 2024-25 (Appendix 1)
   b. HRA capital programme (Appendix 6(a))

Reason (for the recommendation) To approve the recommendations herein to ensure the viability of the HRA and the proposed HRA capital programme for 2024-25 and the MTFS for 2025-26 to 2026-27. The 30-year HRA business plan has been refreshed and updated to reflect the new budget and MTFS requirements.

Section 2 – Report

1. The Council has a statutory obligation to agree and publish the HRA budget for 2024-25, and approval for this will be sought by Council on 24 January 2024.This report sets out the budget proposals for 2024-25 along with the MTFS to 2026-27, and indicative income and expenditure for the HRA for this period. It sets out how the income collected will be invested in the priority areas identified for housing by the administration. It provides an update to the refreshed HRA Business Plan, along with highlighting the key assumptions required to reflect national policies and financial impacts to the HRA. It sets the rate for rent and service charges for the retained housing stock of around 4,800 homes currently available to let and 1,200 leasehold properties with approximately £35m in rent generated annually.

2. The HRA reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, which records all revenue expenditure and income relating to the provision of council dwellings and related expenditure. The Council has a statutory responsibility to set a balanced HRA budget. The budgets for 2024-25 to 2026/27 show minimum reserves are maintained.
3. The HRA budget is set each year in the context of the 30-year business plan. The Business Plan is a statutory requirement used to assess the ongoing financial viability of the HRA and its ability to deliver the Council's housing priorities.

4. The business plan assumptions are reviewed annually to determine whether any aspects of the strategy need to be revised, allowing for horizon scanning and the identification and mitigation of business risks in the short, medium, and long term. Sensitivity analysis is undertaken to ensure effective contingency plans are considered and that appropriate reserves are maintained regards any change in the business plan assumptions.

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

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

7. The HRA budget in 2024/25 establishes a strategic framework to invest in:

   - **Homes which are safe and secure for all residents:** It provides for investment in the properties so that the Council meets its statutory duties in relation to health and safety compliance and improves homes with over £11million per year provided for planned capital investment. The Council has made significant investment to date in its fire safety programme and this budget provides for this to continue and for investing in strengthening its approach regarding the issue of damp and mould.

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

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

Options Considered:

Rent Increases:

8. Social rents are Regulated by the Regulator of Social Housing and the Rent Standard provides guidance on how to adjust the rent formula to the new consumer price index (CPI) and to calculate the rent increase using the correct annual percentage to inflate rent. The options considered are:

    1. Apply rent standard and set rents at maximum level of CPI +1% (with CPI being at the September 2023 level of 6.7%)
    2. Increase rents at an amount lower than the Rent Standard.

Preferred Option:

9. Rents: Option 1. Following Government guidance, preferred option is to apply rent increases of 7.7% for non- sheltered tenants, sheltered and affordable tenants. This will enable the council to continue to meet its long-term capital investment objectives. A reduction of 1 %, to the allowed increase in 2024/25 of 7.7% would result in a loss of £13.2m of resources over the 30 year-life of the HRA business plan.

Council House Building Programme:

10. Options to be Considered:

    1. The Council continuing with a council house building programme within the HRA
    2. Reduce the new build programme within the HRA

11. **Option 1**: This provides up to 519 much needed new homes across a mix of tenures including affordable rented and shared ownership accommodation as part of the BCHfL programme and Homes for Harrow-Phase 2 within the Council's HRA and partly in collaboration with the Harrow Strategic Development Partnership (**HSDP**). Of the 519 homes, 217 have been completed and 54 are on site. Through this option the Homes will be owned and managed via the HRA itself.

12. **Option 2**:In the event risks around the HRA place core services and investment at risk the new build programme would be scaled back, reducing the number of homes to be built and the costs to be incurred or deferring them until such time as they are affordable to the HRA In this option another Registered Provider would acquire the affordable homes being delivered by the HSDP and the council would rely on having nomination rights to these homes rather than owning and managing them itself. The council would deliver the already approved regeneration of Grange Farm and the small programme of new build homes within the HRA.

Preferred Option

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

Background

14. The housing, construction sector and energy markets continue to see high levels of inflation in the current climate. This is reflected in the figures within the MTFS and HRA Business Plan presented in Appendix 7b.

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

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

Consultation

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

Balances

18. HRA revenue balances were £5.429m at the 31 March 2023. These include general balances of £4.429m required to mitigate against one off unforeseen events and are forecast to be £4.136 at the 31 March 2024 above the minimum balances of 7% of Rental Income circa £2.4m as required by the Business Plan.

- There are specific reserves to support repairs (inclusive of litigation claims for disrepair & mould) and regeneration support unexpected client-side costs and risks arising from new build developments. These specific reserves are all within the HRA and are estimated to total £2.833m as the 31 of March 2024, as shown below:

	31/03/2023	2023/24 Movements	31/03/2024
	£'000	£'000	£'000

General Reserve	**4,429**	**-293**	**4,136**
Repairs and Maintenance	278	633	911
Regeneration	722	1,200	1,922
Specific Reserves	**1,000**	**1,833**	**2,833**
Total Reserves	**5,429**	**1,540**	**6,969**

19. The budgets for the financial years 2024-25 to 2026-27 remain above the minimum requirement of 7% of rental income for each year. See Appendix 1.

Income

Assumptions supporting main HRA income streams set out below:

Dwelling rents

20. Each year the Government and the Regulator of Social Housing set a Rent Standard to which Councils must adhere to when setting the annual rents. The Chancellor in his latest release of Autumn Statement, November 2023, confirms the Rent Standard assumes that rents to existing tenants can increase by a maximum of 7.7% (no divergence from policy) and hence the proposal is to increase rents for 2024/25 by September 2023 CPI – 6.7% + 1%. This would result in an increase in rents for social, affordable, and sheltered rents by 7.7%

21. Rent increases for shared ownership properties are set out in the lease. The leases for the existing 5 shared ownership (SO) properties built before October 2023, allow for a September RPI + ½ %. Following guidance updates from the GLA, rent increases for GLA named shared ownership projects, on or after the 12 October 2023, allow increases by CPI+1 % to be in line with affordable and social rent increases. It is proposed, the existing pre-October 2023 SO rent increases are reviewed annually, and for 2024/25, these are also to increase by 7.7%

Right-to-Buy Sales.

22. There have been 8 sales under Right-to-Buy ("RTB") so far in 2023-24 and a further 8 are assumed this year with 14 expected in 2024/25 reducing each year to 6 per annum from 2031-32 and the remainder of the Business Plan.

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

Government with a high interest penalty. The Business Plan assumes the receipts are fully applied in the next ten years, to eligible projects, and repaid in the latter years.

Service charges: Tenants and Leaseholders

24. Tenants who benefit from specific services pay a charge to the Council on a weekly basis in addition to their weekly rent charge. In view of this, we have reflected the charge levied to those who live on the street properties and on the estate Service charges are not subject to the rental increase of 7.7% but are based on full cost recovery. Leaseholders are invoiced annually by the end of September for the previous financial year, based on actual costs.

25. In 2023/24, Tenant Service charges, across all tenures were reviewed to reflect level of services provided to each block and estate and based on the cost of the services. The review resulted in greater transparency for service charges so that tenants who receive the service will pay the same weekly charge. Following feedback from tenants in 2023/24 further refinements to tenant charges have been made and the charges adjusted accordingly. This has resulted in an average weekly charge, across all tenures, of 12%, of these tenants 70 % are in receipt of housing benefit. The increase in service charges is mainly in respect of cleaning and caretaking following customer feedback. Tenants' charges will therefore vary according to the new level of cleaning service being provided.

26. Services charges to Sheltered residents include the cost of communal heating provided within their blocks and 88% of these residents are in receipt of housing benefit.

27. Facility charges to sheltered properties and heating charges to tenanted properties are proposed to increase to an average of £30.80 per week which is a 7% increase. The new charge includes 7% increase on 2023-24 charges to reflect forecast energy rises. Failure to implement these charges would mean full cost recovery would not be achieved. When a full year's actual costs are reviewed, any adjustment between actuals costs incurred and charges levied will be adjusted in future years charges.

28. **Enhanced Management fee**: This is a charge for the services provided to sheltered residence that is over and above to that what is provided to tenants.

Other Income

29. It is proposed to increase all garages and parking spaces and all other income by 7% in line with corporate guidance. Though CPI has reduced to 4.8% in October 2024 there remains uncertainty in the economic situation going forward. In particular energy costs, that form a large part of the facility charges to residents, which although relatively stable in 2023/24 remain a risk going forward.

30. We collect water rates on behalf of Affinity Water and Castle Water. This charge is added to some properties in sheltered scheme, in addition to their rent and other charges. The increases of up to 7% will be applied to their water charge as per

Appendix 4 and is based on an anticipated increase. If the actual increase, when known in April 2024, is lower than the anticipated increase of 7%, then the lower rate will be charged.

31. Charges for community halls hire are set out in Appendix 5 and due to Increase by 7%

Expenditure

Assumptions supporting main HRA expenditure items set out below:

Employee Costs

32. The budget figures include an estimate of the pay award of 5.5% for 2024-25 after taking into account 2023-24 pressures.

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

34. 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.

35. As part of the budget setting process, bids for additional resources were reviewed and approved and have been incorporated within the future budgets.

Utility Costs

36. These are increased by 7%, in line with corporate assumptions.

Central Recharges

37. Costs of support services, which are estimated to increase by 5.5%. in 2024-25 to £3.8m.

Repairs

38. The current repairs service contract expires in June 2024 and a procurement exercise is underway to renew the repairs contract. The re-procurement of the Repairs and Voids Contract including Property Acquisition properties (PAP) will commence on the 1July 2024 and expire on the 30 June 2028 with the option to extend for a further 4 years in periods of 2 years. As such we have undertaken a comprehensive review of our repairs, voids, maintenance and compliance budgets to ensure they adequately reflect current and future needs. This shows an increase in budget requirement from previous years of £970k, the growth reflecting changing requirements, under budgeting in previous years, programmes moving from capital to revenue and preparation for the new contract. This growth of £970k is offset by reductions in budgets of £470k following a review of actual and anticipated levels

of demand. Contractual inflation applied varies from 5% to 9% in accordance with the contract terms.

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

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

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

42. The addition of pro-active cyclical programmes will also ensure we minimise legal disrepair claims, reduce the cost of both managing the claims and any compensation and helping to reduce some of the inherent issues which arise when these programmes are stopped, such as leaks from guttering and damp issue. This in turn will help to reduce complaints from our customers.

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

<u>Bad debt provision</u>

44. Collection rates for current tenant arrears remain at close to 100%. This is reflected in the provision for rent arrears of £158k for former tenants being sufficient to cover any write off related to bad debts. Future years budgets have factored in future assumptions with rent changes.

<u>General Contingency</u>

45. In addition to HRA reserves, there is a contingency of £558k that is set aside to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock or in-service development initiatives. This will also be used to meet the pay award for 2024-25.

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.

<u>Charges for Capital</u>

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 to leave the subsidy system and resulted in the Council reaching the Government imposed cap of £150.683m; this is now being progressively reduced in line with RTB disposals thereby reducing interest exposure and providing capacity for future investment. As at the 31 March 2023 the balance was £148.127m. Interest on this historic debt, shared in a single loans pool with General Fund, averages at 4.05% and is assumed to continue at this level.

- **New borrowing**: Used to fund new development and planned investment programmes (£96.773) a slight increase of £0.733m from the total borrowing originally approved in February 2023.

  BCHfL Programme (GLA AHP 2016-23)- the schemes within this programme are now being developed out and due to complete within 2024/25. The revised borrowing requirement now stands at £27.70m. S106 contributions, GLA grants and internals resources will also be applied against this programme.

  Homes for Harrow-Phase 2(GLA AHP 2021-26)- the next phase of proposed new council housing development, enabling an additional 175 units to be developed at a total development cost of £69,739m of which new borrowing is £37.5m. (See funding table below for full total resources being applied-appendix 6(b)). This is planned to be delivered in collaboration with the Harrow Strategic Development Partnership (HSDP) and hence a placeholder budget has been incorporated within the capital programme to this effect. Should the schemes not be delivered through the HSDP, then approval is sort to substitute a HRA acquisition programme or other such schemes which allow the funding sources to be fully utilised to ensure the target 175 homes are delivered and funded sources maximised.

  Planned investment-Main programme and Decarbonisation - borrowing of £22.0m and £9.538m is used to fund the planned investment and decarbonisation programmes following the reduction in the Major Repair Reserve used to fund capital expenditure due to a change in methodology applied to the calculation of depreciation.

  There will be no impact on General Fund due to this borrowing, with the HRA meeting the financing costs associated with the debt. The interest rate to be applied on the new borrowing requirement from 2024-25 is assumed to be payable at a rate of 4.7%, then 3,9% in 2025/26, and 3.6% across the remaining 5- year borrowing period, with 2024-25 being year 1.

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

Capital Investment

Planned Investment Programme

48. The Planned Investment 3–5-year programme commencing in 2024-25 is targeting annual capital spend of £11.421m. In 2024-25 £8.428m was already approved leaving growth of £2.993m. A similar position is represented in 2025-26 with £8.428 approved and proposed growth of £3.602m. The next 3 years 2026-27 to 2028-29 will have an annual of programme of £11.9m. Additional growth is required to deliver an HRA capital programme that meets the Good Quality Homes outputs and this is informed from the most up to date asset appraisal information.

Following completion of multiple compliance work streams in the past 5 years, the Business plan indicates a growth requirement to help tackle a backlog of Decent Homes priorities together with a plan of action that accounts for the shift in market conditions impacting a new Schedule of Rates and indices showing an increase in material and supply chain costs impacting all projects.

Investment in health and safety and compliance works is the main priority along with wider improvements including kitchens and bathroom, estate improvements, decarbonisation and the current and any future Decent Homes Standard. Following on from the Asset Management strategy agreed at Cabinet January 2023, the service is aiming for a 'golden ratio' of service spend of at least 60% planned and preventative activities and 40% responsive activities. A key innovation in delivering this will be through incorporating up to £1m per annum of Capital planned works. The successful provider of the responsive repairs contract will from year two of the contract be required to submit an 'Annual Investment Plan' which based on intelligence from repairs volumes of the preceding year demonstrates how through planned investment can reduce day to day repairs volumes and provide value for money to the Council.

Decarbonisation and Retrofit

49. Since commencing the housing retrofit programme in 2022 the Council has received commendation with seven national awards including prestigious category wins across innovation, programme implementation and landlord of the year categories at Europe's biggest housing event. This is testament to Harrow's innovative approach to scale-up retrofit, spearheading progress on the roadmap to net zero.

The Council is looking to continue these successes with the implementation of major retrofit projects to deliver the much-needed investment required across housing decarbonisation. Retrofit investment is prioritised by key Central Government, London Councils Mayor of London, and Borough climate emergency targets. The Decarbonisation | Retrofit growth bid proposes a 3-year programme from 2024/25 to 2026/27, making headway on the Council's strategic plan to reach a mean average EPC C rating by 2030. Other key deliverables include tackling fuel poverty, reducing carbon emissions and improving heat retention across homes.

Home Energy Transition (HET) Programme to be 100% funded by the GLA Green Finance Fund at up to 40 base points below the Public Works Loan Board Rate. The growth bid is being submitted in parallel with a Green Finance application. The Council has completed phase 2 of the application following a successful committee meeting interview process. The Council is scheduled to complete the full application for submission between December 2023 to January 2024.The capital programme assumes a 25-year loan will be taken out and full repayment of this loan has been built into the business plan.

The programme will consist of five major projects to be delivered under the HET umbrella programme. Delivery is planned across three financial years from 2024/25 to 2026/27 in a systematic and phased approach with external audit. The outcomes will deliver significant carbon tonne savings and renewable energy (KW) power production. The programme will address fuel poverty with tangible bill (£) reductions per home.

Building Council Homes for Londoners (BCHfL)

50. The Grange Farm Regeneration scheme will demolish homes and re-provide around 269 new council homes within a mixed tenure estate. Cabinet approved budget allocations on 13 February 2020 for Phase 1, which is now completed and Phase 2 of the scheme which is currently being designed.

51. In November 2021, Cabinet gave in principle approval to commissioning the HSDP to work up a Business Plan and deliver Grange Farm Close and in November 2022 approved the initial business plan for Phase 2. Phase 2 is part of the BCHfL programme, Phase 3 sits outside this programme. The 5-year HRA capital programme includes the budget for Phase 2 based on an initial business plan. Budget for Phase 3 has been built into take a scheme to planning. Both these phases have slipped into 2024/25. An indicative placeholder budget is included into the HRA business plan for Grange Farm Phase 3. The initial Business Plan for this scheme will be developed once Phase 2 is on site when a more accurate estimate of build costs is available.

52. The current BCHfL programme is coming to an end with possible start on sites by end of March 2023 in place. Of the 344 BCHfL homes, 207 have been completed, 54 are on site and 83 (Grange Farm Phase 2) are in feasibility.

53. A new council house building programme is proposed, Homes for Harrow Phase 2, which will enable the delivery of a further 175, giving a total of 519 new homes. Should the Homes for Harrow Phase 2 not go ahead as planned approval is being sort to allow a substitution in the form of an acquisition programme to ensure maximum utilisation of HRA 1-4-1 receipts which otherwise would have to be return to the Government

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

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

56. 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.

HRA 30 Year Business Plan

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

58. The plan has been refreshed to reflect the 2024/25 budget, reflecting the delivery of the new build programme; current policy and finances increased borrowing and borrowing costs & inflation. It also outlines the Council's continued ambitions to build more council homes, invest in improving the quality of current stock and improve energy efficiency.

59. The objectives of the refreshed HRA business plan are to show sustainability of the Council's existing homes, demonstrate the viability of the Authority's plans into the longer term and identify & source funding for investment in new developments. In 2024/25, a review will be undertaken to develop an investment strategy to review and refresh current assumptions and maximise the number of new homes available across the 30-year business plan.

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

61. There is insufficient funding available for the proposed programmes without taking on additional debt. The refreshed 30-year business plan is projecting new borrowing totalling £96.773 million over years 2024-25 to 2027/28 to deliver the new developments and additional investment in the existing stock. The existing debt (CFR) is £181,224m (1 April 2024/25).

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

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

HRA Business Plan Model – Key Assumptions

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

2. Attached at Appendix 7(b) are extracts from the HRA 30-year Business Plan financial model. Year 1 of the business plan is based on the 2024-25 budget. The capital expenditure for 2024/25 of £32.319m includes the MTFS additional capital for 2024/25 expenditure of £20.523m (Appendix 6(a)) and estimated slippage of £11.796m from 2023/24.

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

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

Consultation Papers, new developments, and challenges

64. The Governments Decarbonisation agenda, to achieve net zero by 2050 is the most significant challenge and costs have been estimated at £17k per unit across the country, in LBH case this equates to circa minimum £81m for the Housing Revenue Account. The Capital Budget, Appendix 6(a) includes £15.339m for the first three years of the MTFS for decarbonisation expenditure and the Council is working with the GLA and Central Government agencies to secure additional funding to work towards achieving the Governments net zero target.

65. The Government, following consultation and the White Paper in 2020, will be introducing a new Decent Homes Standard. When the time lines and more details are known future Business Plans and the HRA MTFS will be updated to reflect the changes.

66. The Councils response to the changes to regulation due to the Social Housing (Regulation) Act 2023 are:

- A Housing Improvement Programme is in place to prepare for the implementation of the Social Housing (Regulation) Act 2023, including a board, 6 themed working groups, and an action plan.
- The Housing Improvement Board is responding to government consultation relating to the changes to the regulation of social housing.
- It is expected that the new Consumer Standards and the new Code of Guidance will be published in early 2024.

- The Regulator of Social Housing has confirmed that landlords which own more than 1,000 homes must submit their first Tenant Satisfaction Measures (TSMs) data return by 30 June 2024.
- The Housing Service is implementing the requirements of the Building Safety Act 2022.
- Further details are expected in early 2024 regarding new set timescales for responding to damp and mould and other health hazards and a new requirement for social landlords to carry out fire safety checks.
- A consultation on amendments to the Decent Homes Standard is expected in 2024.

Variation to Approved budgets 2022-24

67. The changes in the budget approved by Cabinet on 16 February 2023 are detailed in the table below:

	£ '000	Comment
Budget 2023/24(surplus)	**423**	
Savings 2024/25	740	Repairs budgets reviewed and additional income for Leasehold s
Growth 2024/25	-1,500	Additional R&M & Estate staff and increases in operational budgets following review as part of budget setting process
Price increases 2024/25	-1,115	Pay award £408k, R&M contractual inflation £661k other inflation £46k
Depreciation Reduction	948	This reduction follows a review of component lives that are the basis for this charge
Capital charges	198	Capitalisation of new post for Planned Investment and programme
Interest charges	-516	Increase in borrowing requirement in the budget
Income changes	2,659	Increase in rental income 7.7% & F&C 7%
Budget 2024/25(surplus)	**1,837**	

Summary

68. HRA Budget and MTFS detailed in Appendix 1 include rent increases at 7.7% and in line with Government guidance.

69. Figures presented reflect price pressures and growth in the HRA to ensure compliance with legislation. Fees and charges to tenants have been increased to ensure full cost recovery and the HRA remains financially sustainable.

70. The budgets show in year surpluses all three years of the MTFS of £1,837k for 2024-25, £1,267k for 2025-26 and £126k for 2026-27. Revenue reserves are maintained above the minimum level of 7% of income required over the life of the MTFS.

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

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

Environmental Implications

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

Data Protection Implications

74. There are no GDPR implications.

Risk Management Implications

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

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

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

Risk Description	Mitigations	RAG Status
• **Rents are set too high** breaching the government rent policy **or too low** causing the revenue account to generate further deficits	Rents set in accordance with government rent policy. Most tenants are in receipt of either Housing Benefit or Universal Credit which cover the proposed increase.	Green
• Service Charges – failure to set charges to residents at a level that reflect full cost recovery	Service Charge based calculated on full cost recovery. Most residents (some 90%) are on benefits and won't directly feel any increases. .	Green
• **Interest rates** –These have been assumed for new borrowing at 4.7% for 2024/25, 3.9% for 2025/26 and 3.6% for 2026/27 budgets. Increases in excess of this will put the BCHfL	The Council is reviewing its borrowing strategy and consideration given to securing fixed rate deals at prevailing low rates.	Amber

programme at risk as not all homes will be completed and generating sufficient rental streams to service the debt.		
• **General Inflation rates**- Inflation rates currently being experienced are relatively high which adversely impacts the HRA. Rental increases are based on September CPI plus 1% (6.7%).	The policy on full cost recovery for services provided is being enforced. If inflation rises above that assumed in the budget generally or spikes as a result of macro-economic climate, reductions in spend made need to be made or growth recommended in the MTFS update removed	Amber
• **Increases in Rents and Charges** The increase in rents, service, heating and community charges does not cover the Council's costs	-Management plan in place to reduce energy consumption and linked costs -Awareness training was provided in 2023/24 to residents on all sites in efficiency to influence consumption and reduce costs	Amber
Rising Energy Costs • Rises in energy costs create significant cost over-runs and are unaffordable for the HRA and capital programme	-See measures above - Focusing is on sheltered housing as a key consumption location	Amber
• **Change in Government Rent Policy.** The business plan assumes that the rent from 2025/26 will continue to increase in line with CPI	-Should increase be below CPI Efficiency savings will need to be identified to address the shortfall of income, to maintain HRA reserves, which may impact the viability of the HRA.	Amber
• **Construction costs increases continue longer term.** Which are also not covered by reserves preventing the delivery of the new build programme and wider capital programme within the designated budget envelop	To mitigate this position ▪ reprofiling and reprioritising of schemes to live within available resources. ▪ secure materials and resources early in the contract ▪ increase market testing ▪ Contingencies in place on each individual capital scheme ▪ Increase in the client-side ear-marked Regeneration Reserve (£2.1M by the end of next year) in place to address unforeseen costs.	Amber
• **Delays to schemes -** GLA grant funding and additional borrowing will be linked to successful delivery of additional housing supply in line with agreed targets for start on sites and completions. Failure to deliver new supply in line with these targets could result in withdrawal of funding and/or borrowing which would result in lower or delayed rental income streams and potential write off costs to the revenue account.	In mitigation regular monitoring of new build schemes and update of the overarching HRA Business Plan will identify potential delays and appropriate action taken to substitute and expedite schemes ensuring full grant utilisation and keeping rental income in line with expectations. The Regeneration reserve can be deployed to offset unforeseen revenue costs if required.	Amber
• Regular review and testing of assumptions underlying the HRA and Council house building programme and its wider cost base, are not undertaken leading to the programme becoming unviable and resources over extended	▪ Every scheme has to be Net Present Value (NPV) positive before proceeding. ▪ At any stage of the process a scheme can be aborted if rising costs are unacceptable ▪ Numbers of units can be scaled back to meet the funding envelop. ▪ Each scheme must be viable under the 30-year HRA business plan which is scenario-tested on assumptions.	Green

	▪ There is regular challenge of the model by our external advisors and consultants. ▪ Challenge is also affected internally by regular management meetings at the Council	
• Tenants cannot afford to pay the increases in rent, service and heating charges leading to complaints and opposition to the increases and an increase in tenants' arrears and debt	▪ Most residents (some 90%) are on benefits and don't directly pay their rent (this deducted automatically) ▪ Government help is available for those on Universal Credit ▪ Advice and support given directly to tenants ▪ There will be consultation with tenants on the proposed increases	Amber
• The Council does not adequately engage with tenants on increases in rent and other charges leading to tenant opposition to the increases and reputational damage/challenges for the Council	▪ There has been consultation in best practice terms with tenants on the increases in fees and charges during 2023/24 and a realisation some increases were overdue.	Green
• The higher costs of sheltered housing are not fully recovered leading to increased pressures on the HRA budget	▪ Awareness training and inspections are in place to sheltered residents energy consumption in efficiency terms and this is in progress to influence consumption and so to reduce costs	Amber
• S106 contributions are not used appropriately	▪ We have a list from planning of Sect 106 relating to affordable housing which we use as a base for funding. ▪ Cabinet approval required to use this resource. ▪ Regular focus from external and internal audit in this area	Green
• RTB receipts are not fully applied to eligible projects over the next 10 years leading to these receipts being paid back to the government plus a penalty	▪ RTB receipts are based on the HRA plan which is subject to regular review ▪ We have stand-by schemes to spend RTB receipts should other schemes not progress. ▪ Regular review of capital schemes by Regeneration Board and also finance to make sure RTB funded schemes are on track	Green
• The introduction of a new repairs contract is not successful leading to increased costs on the HRA and to an increase the level of tenants' complaints and dissatisfaction	▪ External consultant support recruited to drive competitive procurement of the contractor. ▪ Quantity surveyor in place to scrutinise contractor bills on an expert basis	Green
• The introduction of new arrangements for IT systems investment and transformation are not successful leading to increased costs on the HRA and capital programme and to an increase the level of tenants complaints and dissatisfaction	▪ We require a sound business case before any IT is commissioned. ▪ Weaknesses of current system identified and a focus for revision ▪ All stakeholders have been mapped and their requirements carefully identified. ▪ Extensive user involvement and consultation undertaken. ▪ Package will be a standard package less prone to errors/malfunction. ▪ Detailed user specifications being created	Amber

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

Procurement Implications

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

Legal Implications

77. 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.

78. 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.

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

80. Under section 74 of the Local Government & Housing Act 1989 the Council, as a Local Housing Authority, must maintain a Housing Revenue Account (HRA) which includes sums falling to be credited or debited in accordance with the category of properties listed within s74(1) of the said Act, which consists primarily of Council housing stock. HRA must include any capital expenditure on housing stock which a Local Authority has decided to charge to revenue. Save in accordance with a direction of the Secretary of State, sums may not be transferred between HRA or General Fund, therefore, HRA is ring-fenced and cannot be used to subsidise a

budget deficit within General Fund, neither can General Fund be used to subsidise a budget deficit in HRA. Section 76 of 1989 Act requires Local Authorities to formulate and implement proposals to secure HRA for each financial year does not show a debit balance. If a debit occurs, this must be carried forward to next financial year.

81. Part 3A of the Council's Constitution gives the Cabinet responsibility for the financial strategy for the Council and management of the Council's Capital Programme and Strategy. Part 3A also gives the Cabinet responsibility for all key decisions, with a key decision including the approval of HRA rents and a decision which is likely to be significant in terms of its effects on communities living or working in an area of two or more wards of the Borough.

Financial Implications

82. Contained within the body of the report.

Equalities implications / Public Sector Equality Duty

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

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

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

Council Priorities

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

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

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed by the Chief Financial Officer
Date: 24 November 2023

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

Statutory Officer: Nimesh Mehta
Signed by the Head of Procurement
Date: 6 December 2023

Statutory Officer: Dipti Patel
Signed by the Corporate Director
Date: 6 December 2023

Statutory Officer: Neale Burns
Signed on behalf of the Head of Internal Audit
Date: 6 December 2023

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

Mandatory Checks

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

EqIA carried out: YES

EqIA cleared by: Jennifer Rock

Section 4 - Contact Details and Background Papers

Contact: Comie Campbell, comie.campbell@harrow.gov.uk

Adrian.Gilham, adrian.gilham@harrow.gov.uk

Background Papers: None

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

Appendix 1

HRA Budget 2024-25 and MTFS 2025-26 to 2026-27 –

	2024.25	2025.26	2026.27
	£000	£000	£000
INCOME AND EXPENDITURE ACCOUNT			
Income			
Dwelling Rents	(35,628)	(36,616)	(37,654)
Voids	572	585	600
Net Rents	(35,056)	(36,031)	(37,054)
Non-Dwelling Rents	(513)	(528)	(544)
Charges for services and facilities	(4,097)	(4,215)	(4,336)
Contribution towards expenditure	(1,501)	(1,546)	(1,592)
Other Income	(269)	(269)	(8)
Income Total	**(41,436)**	**(42,589)**	**(43,534)**
Expenditure			
Repairs and maintenance	10,552	10,869	11,195
Supervision and management	13,435	13,704	13,978
Rents, rates, taxes and other charges	141	145	149
(Increase)/decrease in provision for bad debts	158	162	167
Depreciation and impairment of fixed assets	7,788	8,031	8,262
Debt management costs	36	36	36
Expenditure Total	**32,110**	**32,947**	**33,787**
Net cost of services	(9,326)	(9,642)	(9,747)
Interest payable including amortisation	7,580	8,422	9,651
HRA Investment income	(91)	(47)	(30)
(Surplus) / deficit for the year	**(1,837)**	**(1,267)**	**(126)**
STATEMENT OF MOVEMENT ON THE HRA BALANCE			
HRA Balance Brought Forward	(4,136)	(5,973)	(7,240)
HRA Balance Carried Forward	**(5,973)**	**(7,240)**	**(7,366)**
Minimum Reserve Required	(2,616)	(2,689)	(2,765)

Appendix 2

Average Rent & Service Charges – All properties

Description	**No. units**	**2023-24 Total weekly Charge**	**2024-25 Rent**	**2024-25 Service Charge**	**2024-25 Total**	**Total Increase**
		£	**£**	**£**	**£**	**£**
Social General Needs						
Bedsit	100	110.44	109.35	11.10	120.46	10.02
1 bed	1,243	120.82	120.81	10.66	131.47	10.65
2 beds	1,308	138.82	141.23	8.70	149.92	11.11
3 beds	1,315	158.38	163.93	5.93	169.86	11.48
4 beds	91	173.23	180.61	5.49	186.10	12.87
5 beds	12	182.23	190.09	6.36	196.45	14.22
6 beds	2	195.28	206.29	3.47	209.76	14.48
7 beds	1	204.13	219.85	-	219.85	15.72
Total	4,072	139.89	142.62	8.38	151.00	11.11
Sheltered						
Total	504	130.51	122.42	17.46	139.89	9.38
Affordable						
1 bed	30	190.86	188.12	5.24	193.36	2.51
2 beds	75	212.75	210.52	4.10	214.62	1.88
3 beds	28	229.68	234.92	5.50	240.42	10.74
4 beds	6	243.48	259.03	9.37	268.40	24.92
Total	139	212.76	212.69	4.86	217.55	4.79
Shared Ownership						
3	5	223.78	226.86	14.72	241.58	17.80
Total	5	223.78	226.86	14.72	241.58	17.80
Total Units	4,720	141.12	142.61	9.25	151.87	10.75

Appendix 3

Garages/ parking space, Facility Charges & Enhanced Management Service Charge

Garages

All in £s	Current Weekly Rental 2023-24	Proposed Weekly Rental 2024-24
Garages	15.60	16.60
Car Spaces	10.20	10.90

Facility Charges and Enhanced Management Service Charge

	No. of properties	Facility charge 2023/24	Proposed Facility Charges 2024/25	Increase
Facility Charges		£	£	£
Sheltered				
Bed Sit	12	21.30	22.80	**1.50**
1 bed	490	30.70	32.80	**2.10**
2 bed	4	45.70	48.90	**3.20**
3 bed	6	45.20	48.40	**3.20**
Total Sheltered	**512**	**30.80**	33.00	**2.20**
General Needs				
1 bed	97	17.90	19.20	**1.30**
2 bed	1	45.70	48.90	**3.20**
3 bed	2	45.70	48.90	**3.20**
Total General Needs	**100**	**18.80**	**20.10**	**1.30**
Total Facility Charges	**612**	**28.80**	**30.80**	**2.00**
Sheltered – only				
Enhanced Management Service Charge	**504**	**20.60**	**22.00**	**1.40**

Appendix 4

Water Charges

Sheltered Block	No.of flats	Current Range Water Charge 2023-24		Proposed Range Charge at 7.0% increase for 2024-25	
		Lower	Higher	Lower	Higher
Alma Court	30	£6.30	£6.30	£6.70	£6.70
Edwin Ware Court	30	£5.40	£7.00	£5.80	£7.50
Grange Court	30	£5.40	£6.70	£5.80	£7.20
John Lamb Court	32	£6.70	£6.70	£7.20	£7.20
William Allen House	29	£5.40	£6.70	£5.80	£7.20
Total No of Sheltered Flats	151				
Resident Warden Accommodation	3	£8.50	£9.40	£9.10	£10.10
Total Sheltered Flats incl Warden	**154**				

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

Appendix 5

Community Halls

Community Hall and Capacity	**Current 2023-24** **Charges per first 3 hours block booking then subsequent hourly rate**			**Proposed 2024-25** **Charges per hour letting 7% Price Increase**		
	Evening Rate	Daytime Rate	Weekend Rate	Evening Rate	Daytime Rate	Weekend Rate
	£	£	£	£	£	£
Augustine Road [max 30]	£30.00	£15.00	£45.00	£32.10	£16.10	£48.20
Marsh Road Hall [max 30]	£30.00	£15.00	£45.00	£32.10	£16.10	£48.20
Brookside Hall [max 30]	£30.00	£15.00	£45.00	£32.10	£16.10	£48.20
Julie Cook Hall [max 30]	£30.00	£15.00	£45.00	£32.10	£16.10	£48.20
Grange Farm Community Centre [max 30]	£30.00	£15.00	£45.00	£32.10	£16.10	£48.20
Woodlands Hall [max 60]	£45.00	£23.00	£62.00	£48.20	£24.60	£66.30
Churchill Place [max 100]	£60.00	£27.00	£75.00	£64.20	£28.90	£80.30
Kenmore Park [max 100]	£60.00	£27.00	£75.00	£64.20	£28.90	£80.30
Pinner Hill Hall [max 100]	£60.00	£27.00	£75.00	£64.20	£28.90	£80.30
Northolt Road Hall [max 100]	£60.00	£27.00	£75.00	£64.20	£28.90	£80.30

Terms & Conditions associated with Hall lets:

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

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

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

HRA Five Year Capital Programme   Appendix 6 (a)

Budget including additions / re-profiling (£)	MTFS			Additional		Total
	2024-25	2025-26	2026-27	2027-28	2028-29	Cumulative
Main Programme	11,421,340	12,030,000	11,900,000	11,900,000	11,900,000	**59,151,340**
Decarbonisation-Retrofit	4,738,784	5,050,000	5,550,000	0	0	**15,338,784**
Aids & Adaptations	645,000	645,000	645,000	645,000	645,000	**3,225,000**
Planned investment	**16,805,124**	**17,725,000**	**18,295,000**	**12,545,000**	**12,545,000**	**77,715,124**
Grange Farm phase 2	0	13,495,480	18,348,405	3,227,528	0	**35,071,413**
Other schemes	3,643,470	0	0	0	0	**3,643,470**
Building Council Homes for Londoners (BCHfL)	**3,643,470**	**13,495,480**	**18,348,405**	**3,227,528**	**0**	**38,714,883**
Homes for Harrow Phase 2	0	15,985,680	25,738,088	24,728,242	3,286,527	**69,738,538**
Grange Farm Infrastructure	75,000	0	0	0	0	**75,000**
Total HRA Capital Programme	**20,523,594**	**47,206,160**	**62,181,493**	**40,500,770**	**15,831,527**	**186,243,545**

Additions / Reductions

Additions included in programme above (£)	MTFS			Additional		Total
	2024-25	2025-26	2026-27	2027-28	2028-29	Cumulative
Planned Investment	3,601,952	3,601,952	3,471,952	3,471,952	11,900,000	**26,047,808**
Decarbonisation-Retrofit SHDF grant	1,230,124	0	0	0	0	**1,230,124**
Decarbonisation -Retrofit Harrow contribution	900,000	800,000	800,000	0	0	**2,500,000**
Decarbonisation -Retrofit - Other grant	500,000	2,250,000	2,250,000	0	0	**5,000,000**
Aids & Adaptations	0	0	0	0	645,000	**645,000**
Grange Farm Infrastructure	75,000	0	0	0	0	**75,000**
Total HRA Capital Programme	**6,307,076**	**6,651,952**	**6,521,952**	**3,471,952**	**12,545,000**	**35,497,932**

Reprofiling

Additions included in programme above (£)	MTFS			Additional		Total
	2024-25	2025-26	2026-27	2027-28	2028-29	Cumulative
Grange Farm Ph 2	-13,495,480	-4,852,925	15,120,877	3,227,528	0	**0**
Retrofit for Energy Efficient	1,108,660	1,000,000	1,500,000	-3,000,000	0	**608,660**
Main Programme	-608,660	0	0	0	0	**-608,660**
Homes for Harrow Phase 2	-15,985,680	-9,752,408	1,009,846	21,441,715	3,286,527	**0**
Total HRA Capital Programme	**-28,981,160**	**-13,605,333**	**17,630,723**	**21,669,243**	**3,286,527**	**0**

Appendix 6(b)

Funding Five Year Capital Programme

	2024.25	2025.26	2026.27	2027.28	2028.29	Total
	£000	£000	£000	£000	£000	£000
CAPITAL EXPENDITURE						
Major Works & Improvements	12,067	12,675	12,545	12,545	12,545	62,377
Works to promote decarbonisation	4,738	5,250	5,750	0	0	15,738
Development Schemes	3,718	29,281	43,886	27,956	3,287	108,128
Total Expenditure	**20,523**	**47,206**	**62,181**	**40,501**	**15,832**	**186,243**
FINANCING						0
External Borrowing	4,433	21,813	43,769	26,757	0	96,773
RTB Receipts	765	690	611	626	641	3,333
RTB – Retained Receipts 1-4-1	4	4,323	6,708	3,624	1,876	16,535
GLA Grant	2,387	6,750	2,250	0	4,500	15,887
Other Capital Receipts	180	0	0	0	0	180
Section 106	620	0	0	0	0	620
RTB Ring Fenced Offer	707	4,247	0	0	0	4,954
Shared Ownership Receipts	1,088	1,088	0	0	5,422	7,597
Major Works - Leasehold contributions	296	623	957	1,182	1,111	4,169
Major Repairs Reserve	10,043	7,672	7,887	8,312	2,281	36,194
Total Financing	**20,523**	**47,206**	**62,181**	**40,501**	**15,832**	**186,243**

Appendix 7(a)

HRA Business plan key assumptions

Item	Assumption
Rents	Rents per Appendix 2 plus i.,e. CPI + 1% 2024/25 then CPI only at 2% from 2025/26
Borrowing and interest	Rates based on latest Treasury advice - 4.7% - 2024/25, 3.9% - 2025/26, 3.6% - 2026/27
	New Borrowing only from 2024-2025 - £97.773m (over 30 years)
	1% on HRA balances in 2024/25 reducing to 0.1% in 2029/30
Debt Repayment	Policy of RTB sales to reduce CFR (Capital Financing Requirement) by provision each year.
CFR	Opening balance 2024/25 £181m Closing at 2027/28 £284m (after completion of new build programme)
Inflation	RPI 3%, 2024/25 then from 3% 2025/26 onwards CPI 2%, 2024/25 then 2% from 2025/26 onwards
Bad Debt Provision	£158k per annum increasing each year for rent increases
RTB sales	14 disposals per annum 2024/25 reducing to 6 from 2031/32 Average valuation £410k, average discount £118k
HRA Central Support Chargers	2024/25 £3.814m (5.5% increase) then increasing by RPI
Depreciation	Dwellings £7.412m based on 2022/23 outturn adjusted for revision to component life following review Non dwellings £375k
Capital investment expenditure - existing stock	2024/25 £12.066, 2025/26- £12.675, then 12.545m for 2026/27 to 2028/29, and decarbonisation - £4.73, 2025/26 £5.0m, 2026/27 £5.5m
Repairs -	Total repairs budget £10.71m at 2024/25 then inflated by RPI
Pay award	5.5% 2024/25, Then RPI - 3% 2025/26
Voids	1.6% average across all tenure types (Zero% for Shared Ownership)
HRA working balance	Set at 7% x Rental income
	Revenue account minimum balances not breached.

HRA 10 Year Operating Account												Appendix 7(b)
	Income			**Operating Expenditure**								
	Net rent Income	Other income	Total Income	Management	Depreciation	Responsive & Cyclical +PPM	Total Operating expenses	Capital Charges	Surplus (Deficit) for the Year	Surplus (Deficit) b/fwd	RCCO	**Surplus (Deficit) c/fwd**
Year	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**	**£,000**
2024.25	(37,374)	(4,061)	(41,435)	13,735	7,787	10,552	32,074	7,524	(1,837)	(4,136)	-	(5,973)
2025.26	(38,413)	(4,175)	(42,588)	14,011	8,031	10,868	32,910	8,411	(1,267)	(5,973)	-	(7,240)
2026.27	(39,502)	(4,032)	(43,534)	14,295	8,262	11,194	33,751	9,657	(126)	(7,240)	-	(7,366)
2027.28	(40,685)	(4,144)	(44,829)	14,583	8,578	11,530	34,691	10,948	810	(7,366)	-	(6,556)
2028.29	(42,515)	(4,269)	(46,784)	14,932	8,876	11,876	35,684	11,433	333	(6,556)	-	(6,223)
2029.30	(44,281)	(4,397)	(48,678)	15,235	9,233	12,232	36,700	11,424	(554)	(6,223)	-	(6,777)
2030.31	(45,254)	(4,529)	(49,783)	15,544	9,495	12,599	37,638	11,416	(729)	(6,777)	-	(7,506)
2031.32	(46,252)	(4,665)	(50,917)	15,859	9,765	12,977	38,601	11,412	(904)	(7,506)	-	(8,410)
2032.33	(47,277)	(4,805)	(52,082)	16,180	10,046	13,367	39,593	11,408	(1,081)	(8,410)	-	(9,491)
2033.34	(48,297)	(4,949)	(53,246)	16,508	10,335	13,768	40,611	11,413	(1,222)	(9,491)	2,077	(8,636)

HRA Business Plan Base 2024-25 to 2033-34 (2024.25 assumes £11.796m slippage from 2024-25)											
	Capital Expenditure				**Financing**						
Year	Major Works & Imps	Works to promote Decarbonisation	New Build Development Costs	Total Expenditure	Borrowing	RTB 141 Receipts	Other RTB Receipts	Other	MRR	RCCO	Total Financing
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
2023.24 Slippage	4,400	-	7,396	11,796	11,796	-	-	-	-	-	11,796
2024.25	11,936	4,339	4,247	20,523	4,433	-	765	5,281	10,043	-	20,523
2025.26	12,675	5,250	29,281	47,206	21,813	4,323	690	12,707	7,672	-	47,206
2026.27	12,545	5,750	43,886	62,181	43,769	6,708	611	3,207	7,887	-	62,181
2027.28	12,545	-	27,956	40,501	26,757	3,624	626	1,182	8,312	-	40,501
2028.29	12,545	-	3,287	15,832	-	-	641	12,910	2,281	-	15,832
2029.30	9,022	-	312	9,334	-	125	552	5,469	3,189	-	9,334
2030.31	9,293	-	312	9,605	-	125	565	1,253	7,662	-	9,605
2031.32	9,572	-	428	10,000	-	171	467	686	8,676	-	10,000
2032.33	9,859	-	6,008	15,867	-	2,403	478	614	12,372	-	15,867
2033.34	10,155	-	16,589	26,743	-	1,173	489	614	22,389	2,078	26,743
Year 10 Total	**114,547**	**15,339**	**140,102**	**269,988**	**108,969**	**18,652**	**5,883**	**43,924**	**90,482**	**2,078**	**269,988**

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LONDON BOROUGH OF HARROW

Report for:	**Cabinet**
Date of Meeting:	15 February 2024
Subject:	Annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement, Annual Investment Strategy and Annual Capital Strategy for 2024/25
Key Decision:	Yes
Responsible Officer:	Sharon Daniels, Interim Director of Finance and Assurance
Portfolio Holder:	Councillor David Ashton Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	No
Wards affected:	All wards
Enclosures:	**Appendix A** - Legislation and Regulations Impacting on Treasury Management **Appendix B** - Treasury Management Delegations and Responsibilities **Appendix C** - Minimum Revenue Provision (MRP) Policy Statement **Appendix D** - Interest Rate Forecasts 2024-26 **Appendix E** - Economic Background **Appendix F** – Counterparties: Investment Criteria **Appendix G** - Capital Strategy 2024/25 **Appendix H** - Glossary

Section 1 – Summary and Recommendations

This report sets out the Council's Annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement the Annual Investment Strategy, and the Annual Capital Strategy for 2024/25.

Recommendations:

Cabinet is asked to recommend to Council that they approve the Treasury Management Strategy Statement for 2024/25 including:

1. Prudential Indicators for the period 2024/25 to 2026/27
2. Minimum Revenue Provision Policy Statement for 2024/25, (see para 2.20 and Appendix C)
3. Annual Investment Strategy for 2024/25 (Appendix F)
4. Annual Capital Strategy (Appendix G)

Reason: (for recommendations)

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

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

Section 2 – Report

Introduction

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

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

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

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

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

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

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

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

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

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

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 – (TMSS, 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 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which provides the following:
- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

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

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

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

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

Options considered

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

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

Treasury Management Strategy for 2024/25

1.17. The strategy for 2024/25 covers the following areas:

Capital Issues (Section 2)

- Capital Financing Summary
- Capital Programme and Capital Prudential Indicators 2024/25 to 2026/27
- Council's Borrowing Need (Capital Financing Requirement)
- Minimum Revenue Provision (MRP) Policy Statement
- Core funds and expected investment balances

Borrowing (Section 3)

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

Annual Investment Strategy (Section 4)

- Investment policy
- Creditworthiness policy

- Country limits
- Annual Investment Strategy
- Investment risk benchmarking
- End of year investment report

Other Treasury Issues (Section 5)

- Policy on the use of financial derivatives
- The use of Brokers
- Member and Officer Training
- Policy on use of external service providers

Capital Issues

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

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

2.2. Cabinet has received a report on the Harrow Strategic Development Partnership on 24th January 2024 which included the business plans in respect of the Byron Quarter and Poets Corner developments. The report requests approval to spend up to £1.54m (Byron Quarter) and up to £2.24m (Poets Corner) on Phase 1 of each of the schemes over the next 12 months. Due to the current financing arrangements with Wates Residential, while the Council as joint partner underwrites 50% of the expenditure incurred there is no immediate cashflow implications for the Council anticipated in 2024/25. The Council is expected to advance funds for Byron Quarter in 2025/26 and 2026/27. The prudential indicators within the treasury strategy will be updated once greater certainty over the expenditure and investment profiles becomes known.

2.3. The CIPFA Prudential Code and Treasury Management Code of Practice, differentiate service and commercial investment from treasury investments. In doing so, the Codes recognise that these types of investment will have different objectives and risk profiles to the security and liquidity before yield principals that are applied to treasury investments within this strategy.

Capital Expenditure

2.4. 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.

2.5. 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 £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
- Resources Directorate	3,641	11,026	2,300	2,300	0
- People's Directorate	3,265	19,330	2,700	9,071	0
- Place Directorate	18,842	75,728	23,753	29,595	894
General Fund	**25,748**	**106,084**	**28,753**	**40,966**	**894**
HRA	**14,988**	**57,505**	**20,524**	**47,206**	**62,181**
Total	**40,736**	**163,589**	**49,277**	**88,172**	**63,075**

Table 2: Financing of Capital Expenditure

Financing of capital expenditure £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund					
Capital Receipts	3,541	0	0	0	0
Capital Grants	6,593	34,681	5,957	12,183	0
BCiL	3,477	5,408	1,925	1,900	0
NCiL	209	966	500	500	0
Section 106	613	1,091	250	750	0
Revenue	0	0	0	0	0
External Funding	**14,433**	**42,146**	**8,632**	**15,333**	**0**
Borrowing Requirement (GF)	**11,315**	**63,938**	**20,121**	**25,633**	**894**
Total General Fund Funding	**25,748**	**106,084**	**28,753**	**40,966**	**894**
HRA					
Capital Receipts	1,761	4,933	2,037	6,101	7,318
Capital Grants	1,400	4,511	3,094	10,997	2,250
Section 106	419	1,638	620	0	-
Revenue	7,621	17,726	10,340	8,295	8,844
External Funding	**11,201**	**28,808**	**16,091**	**25,393**	**18,412**
Borrowing Requirement (HRA)	**3,787**	**28,697**	**4,433**	**21,813**	**43,769**
Total HRA Funding	**14,988**	**57,505**	**20,524**	**47,206**	**62,181**
Total					
GF & HRA Capital Expenditure	**40,736**	**163,589**	**49,277**	**88,172**	**63,075**
External Funding	**25,634**	**70,954**	**24,723**	**40,726**	**18,412**
Borrowing Requirement (Council)	**15,102**	**92,635**	**24,554**	**47,446**	**44,663**

The Council’s borrowing need (Capital Financing Requirement)

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

2.7. The CFR includes any other long term liabilities (e.g. PFI or finance leases). Whilst these increase the CFR, and therefore the Council’s borrowing requirement, these types of schemes include a funding facility and so the Council is not required to borrow separately for them. As at 31st March 2024 the Council is forecast to have £14m of such schemes within the CFR.

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

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

Table 3: Capital Financing Requirement

Capital Financing Requirement £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
CFR – General Fund	418,002	457,236	451,712	451,439	427,292
CFR – HRA	161,226	189,923	194,356	216,169	259,939
Total CFR	**579,228**	**647,159**	**646,068**	**667,608**	**687,231**
Movement in CFR	**-8,872**	**67,931**	**-1,091**	**21,540**	**19,623**

Movement in CFR represented by					
Net financing need for the year (table 2)	15,102	92,635	24,554	47,446	44,663
Less MRP/VRP and other financing movements	-23,974	-24,704	-25,645	-25,906	-25,040
Movement in CFR	**-8,872**	**67,931**	**-1,091**	**21,540**	**19,623**

Liability Benchmark

2.10. The Liability Benchmark was introduced as a new Prudential Indicator in 2023/24 following the revisions to the CIPFA Prudential Code and Treasury Management Code of Practice in 2021.

2.11. The Liability Benchmark provides a forecast of the external borrowing required to meet approved prudential borrowing. It compares the approved capital expenditure commitments of the Authority to the current external borrowing portfolio over the long term to identify the borrowing required when taking a net book approach to treasury management. The Liability Benchmark is therefore used to inform future borrowing decisions based on an integrated borrowing and investment strategy.

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

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

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

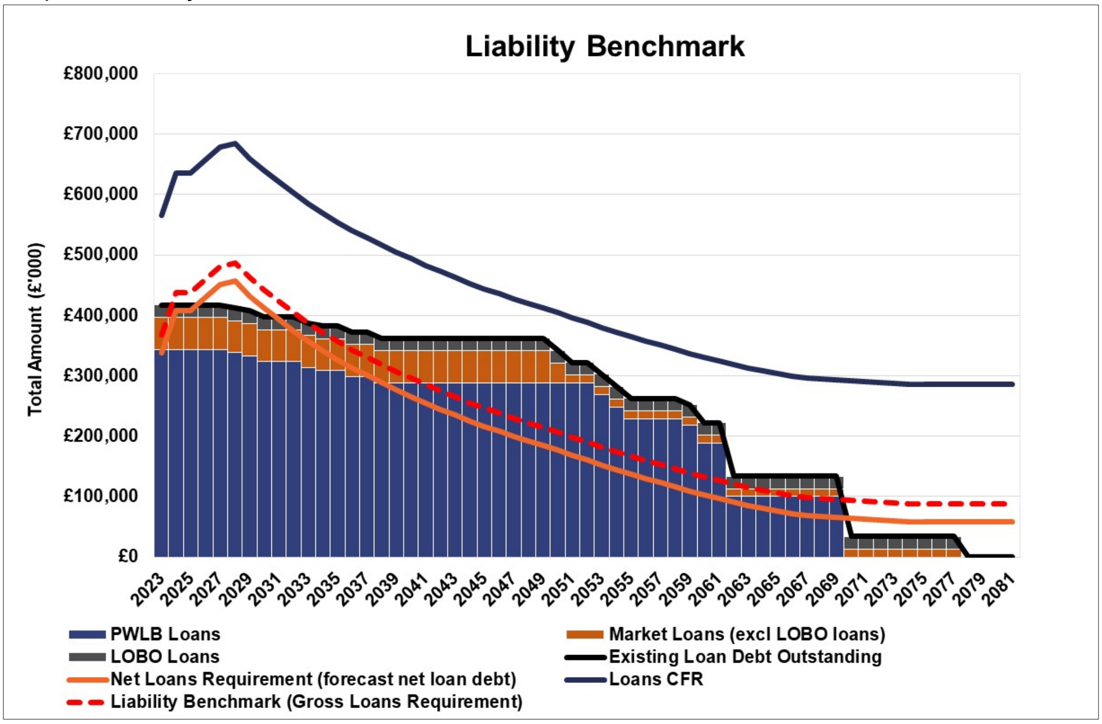
- borrowing and investments are netted down (while maintaining appropriate investments for liquidity purposes) in order to reduce the treasury risks resulting from running debt and investment portfolios at the same time.

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

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

2.15. CIPFA view the Liability Benchmark as a live tool to inform borrowing decisions in respect of identifying the quantum and the duration of new borrowing to match the Authority's future borrowing requirement and to minimise treasury risks, based on known and approved prudential borrowing. There are no future assumptions built into the Liability Benchmark, outside of the current capital programme.

Graph 1: Liability Benchmark



2.16. The Liability Benchmark suggests that based on the current capital expenditure commitments within the General Fund capital programme and the HRA Business Plan the Authority has a small future borrowing requirement between 2023/24 and 2032/33, where the current borrowing portfolio is forecast to be below the Liability Benchmark. The figures for 2023/24 are based on revised budget figures and therefore may not reflect the latest position in respect of slippage within the capital programme.

2.17. The Authority's Liability Benchmark incorporates a liquidity allowance of £30m. Using this to determine the borrowing metric therefore means that the

Authority would use internal borrowing to support its capital expenditure plans up to a point at which it would maintain £30m of short term treasury investments.

2.18. Following 2032/33, MRP applied to the General Fund CFR and provisions within the HRA Business Plan to repay principal means that the Loans CFR and the Liability Benchmark trend down, remaining below the long-term borrowing portfolio over the long term until the final decade of the current maturity profile. This indicates that relative to the Liability Benchmark no additional external borrowing would be required to meet current approved capital expenditure, and that treasury investments would be forecast remain above the £30m liquidity allowance factored into the benchmark.

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

Minimum revenue provision (MRP) policy statement

2.20. 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 charged to the General Fund and therefore funded by Council Tax.

2.21. Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) requires 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 policy Statement is to ensure the provision is prudent meeting the requirement of the Regulations. This is to ensure the debt liability will 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.

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

2.23. MRP Overpayments - A change introduced by the revised 2018 DLUHC (previously MHCLG) MRP Guidance was an 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 2023 the balance of VRP was £6.8m (£6.8m 31 March 2022).

2.24. DLUHC is currently consulting on revisions to the Statutory MRP Guidance with the expectation that new Guidance will be published for application from the 1 April 2024. Should the final outcome of the consultation require amendments to the Council's current MRP Policy contained in Appendix C, a revised MRP Policy will be presented to Full Council for approval as part of either the Mid-Year Treasury Report or at an earlier date.

Core funds and expected investment balances

2.25. 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.).

2.26. The cash investment balance will be kept at a minimum of £30m. The working capital and borrowing position will be managed to maintain this level of cash balances as a minimum position for the Authority. This has been incorporated as the liquidity allowance within the Liability Benchmark in paragraphs 2.10 – 2.19.

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 2023 and corresponding position at 31 December 2023 are shown below for both borrowing and investments.

Table 4: Borrowing Portfolio

Borrowing Portfolio £'000	31-Mar-23			31-Dec-23		
	Principal	Average Rate (%)	Average Life (yrs)	Principal	Average Rate (%)	Average Life (yrs)
- PWLB	343,461	3.43%	34.54	343,461	3.43%	33.79
- Market	73,800	3.53%	39.69	73,800	3.53%	38.94
Total borrowing	417,261	3.45%	35.45	417,261	3.45%	34.70

Table 5: Investment Portfolio

Investment Portfolio £'000	31-Mar-23			31-Dec-23		
	Principal	Average Rate (%)	Average Life (days)	Principal	Average Rate (%)	Average Life (days)
MMFs	1,651	3.95%	1	40,008	5.29%	1
Government	29,000	3.99%	7	29,550	5.19%	7
Banks	48,743	2.01%	1	32,677	4.39%	1
Total Investments	79,394	2.77%	3	102,235	4.97%	3

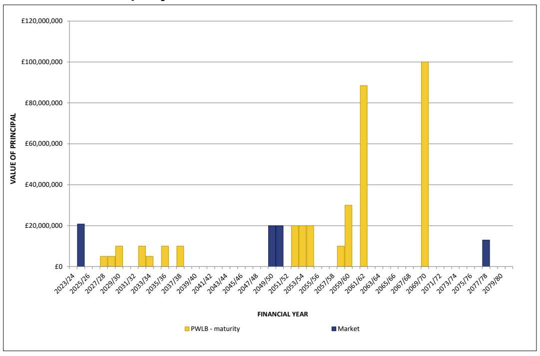
3.2. The Council maintains upper and lower limits with respect to the maturity structure of its borrowing. This Prudential Indicator, reflecting the earliest date at which a lender can require payment is set to ensure refinancing risk is managed regarding the concentration of loan maturities in any one period. Table 6 below illustrates the actual position on both 31 March 2023 and 31 December 2023, compared to the upper and lower limits in place. The accompanying graphs illustrate the maturity profile, based on the earliest and final maturity dates. The difference is one market LOBO (Lenders Option Borrowers Option) loan, which has a final maturity date of 06/12/2077 but has call dates every 6 months. This means that under the structure of the loan, the Lender has the option to seek to revise the interest rate on the loan at specific call dates through the loan term. If that were to happen, the Council as the Borrower would then have the option to either accept the revised interest rate or elect to repay the loan at par without penalty.

Table 6: Maturity Structure of Borrowing

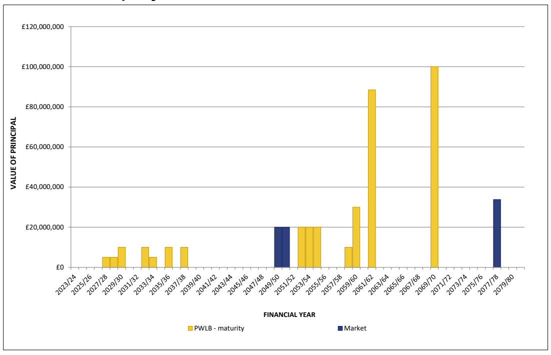
Maturity structure of borrowing	Lower Limit	Upper Limit	Actual 31.03.23	Actual 31.12.23
Under 12 months	0%	30%	5%	5%
12 months to 2 years	0%	40%	0%	0%
2 years to 5 years	0%	50%	1%	2%
5 years to 10 years	0%	60%	6%	6%
10 years and above	0%	100%	88%	87%

Graph 2: Maturity Profile of Borrowing Portfolio

Earliest Repayment Date



Latest Repayment Date



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 or CFR), highlighting any over or under borrowing. The expected change in borrowing has been calculated with reference to the Liability Benchmark in paragraphs 2.10-2.19. This assumes internal borrowing is utilised to a point at which the Authority maintains £30m of treasury investments. The figures for 2023/24 are based on revised budget figures and therefore may not reflect the latest position in respect of slippage within the capital programme.

Table 7: Gross Debt v Capital Financing Requirement

£'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
External Debt					
Borrowing at 1 April	422,261	417,261	437,443	457,758	500,951
Expected change in borrowing	-5,000	20,182	20,315	43,193	64,275
Other long-term liabilities (OLTL)	16,258	14,875	13,539	12,314	10,976
Expected change in OLTL	-1,383	-1,336	-1,224	-1,338	-1,458
Actual gross debt at 31 March	**432,136**	**450,981**	**470,072**	**511,927**	**574,743**
CFR	**579,228**	**647,159**	**646,068**	**667,608**	**687,231**
Under / (over) borrowing	**147,092**	**196,178**	**175,996**	**155,681**	**112,488**

3.4. Within the range of Prudential Indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus future estimates of the CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing in advance of need for approved expenditure but ensures that borrowing is not undertaken for revenue or speculative purposes.

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

3.6. The Prudential Code framework is a principles based system whereby the Council should demonstrate through a series of Prudential Indicators 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 %	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
General Fund	17%	16%	16%	16%	16%
HRA	19%	19%	18%	20%	22%
Total	18%	17%	17%	17%	17%

3.7. The revised CIPFA Prudential Code and Treasury Management Code of Practice defined an Authority's investments as either treasury or non-treasury, with the non-treasury investments further categorised between service and commercial investment. A new Prudential Indicator was also introduced intending to demonstrate that the risks associated with investments for service and commercial purposes are proportionate to the financial capacity of the Authority. The ratio of net income from commercial and service investments to net revenue stream illustrates the reliance of the Authority on income derived from such investments.

Table 9: Net income from Service and Commercial investments to Net Revenue Stream

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Net income from service and commercial Investments to net revenue stream %	2%	1%	1%	1%

3.8. The returns expected from the Harrow Strategic Development Partnership investments in the Byron Quarter and Poets Corner will not impact on this indicator going forward as the financial return is one-off. Any loans advanced to the Partnership will be classed as service investments, recognising the investment objectives and risk profiles will be different from treasury investments which are invested through applying security and liquidity before yield principals.

Treasury Indicators: limits to borrowing activity.

The operational boundary

3.9. This is the limit beyond which external debt is not normally expected to exceed. The boundary is based on the Council's programme for capital expenditure, capital financing requirement and cash flow requirements for the year.

Table 10: Operational Boundary

Operational boundary £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Borrowing	579,228	647,159	646,068	667,608	687,231
Other long term liabilities	16,258	14,875	13,539	12,314	10,976
Total	**595,486**	**662,034**	**659,607**	**679,922**	**698,207**

The authorised limit for external debt.

3.10. 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.

3.11. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Table 11: Authorised Limit

Authorised limit £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2025/26 Estimate
Borrowing	609,228	677,159	676,068	697,608	717,231
Other long term liabilities	26,258	24,875	23,539	22,314	20,976
Total	**635,486**	**702,034**	**699,607**	**719,922**	**738,207**

Prospects for Interest Rates

3.12. The Council's Treasury Management Adviser, Link Group, provided the following interest rate forecast on 8 January 2024. This includes forecasts for PWLB certainty rates, calculated as gilt yields plus 80 bps.

Table 12: Link Group Interest Rate Forecast: 8 January 2024

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

3.13. Link Groups central forecast for interest rates in their 8 January 2024 update reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by maintaining Bank Rate at 5.25% until at least the second half of 2024. Link Group expect rate cuts to commence when both CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).

3.14. Link Group believe that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

3.15. In the upcoming months, Link Groups interest rate forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

3.16. Risks identified by Link Group to current forecasts for UK Gilt yields and PWLB Rates include:

Downside Risks:

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- The Bank of England has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- Geopolitical risks, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upside risks

- Despite the tightening in Bank Rate to 5.25%, the Bank of England allows inflationary pressures to remain elevated for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- The pound weakens because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields compensating.

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.

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 2023 the Council had a debt portfolio of £417.261m, with an average rate of 3.45% and an average life of 34.7 years.

3.20. The Council is currently maintaining an under-borrowed position, which was £147m at 31 March 2023. 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). With the introduction of the Liability Benchmark as a Prudential Indicator, the Council will also have regard to this when taking future borrowing decisions.

3.22. Against this background and the risks within the economic forecast, caution will be adopted in the 2024/25 treasury management operations. The Treasury Management Group will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. This includes taking advice from Link Group, the Council's Treasury Management Advisers.

- *If it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

3.23. The Council has previously adopted a single pooled approach for debt. Allocations to HRA are based on its CFR, with interest charged to HRA at the average rate on all external borrowing. Longer term, the HRA's ability to repay borrowing will depend on future revenues and the capital expenditure programme.

Policy on borrowing in advance of need

3.24. 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 CFR 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.

3.25. 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

3.26. Rescheduling of current borrowing in the Council's debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

3.27. 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) and in the context of the Authority's forecast future borrowing requirement defined by its CFR. All rescheduling will be reported to Cabinet at the earliest meeting following the exercise.

Approved Sources of Long and Short term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	

Medium Term Notes	●	
Finance leases	●	●

Annual Investment Strategy

Investment policy

4.0. The Council’s investment policy has regard to the following: -

- DLUHC’s (formally MHCLG) Guidance on Local Government Investments 2018 (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2021

4.1. The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and within 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 short term and long-term ratings.

- **Other information**: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **“credit default swaps”** and overlay that information on top of the credit ratings.

- **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

- This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use, which are classified as either specified investments or non-specified investments in accordance with the DLUHC (previously MHCLG) Investment Guidance, last updated in 2018.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    - **Non-specified investments** are long term investments with high credit quality, investments of any duration with counterparties recognised as less high credit quality, and/or more complex instruments which require greater consideration by members and officers before being authorised for use.

4.3. The Council acknowledges that both specified and non-specified investments may be subject to valuation changes, both positive and negative, prior to maturing. The Director of Finance will take all reasonable steps to ensure that day to day liquidity does not rely on the sale of such investments prior to maturity, and therefore that the Council is not exposed to realising any losses. Moreover, the Director will take measures to ensure that any potential unrealised gains or losses are proportionate to revenue budgets and reserves.

4.4. However, this Authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

Creditworthiness policy

4.5. The primary principle governing the Council's investment criteria is the security of its investments, followed by ensuring sufficient liquidity although the return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

4.6. The Director of Finance will maintain a counterparty list in compliance with the criteria detailed in Appendix F and will revise the criteria and submit any changes to Council for approval as necessary. These criteria are separate to those which determine which types of investment instrument are either specified or non-specified as they provide an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

4.7. The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits, unless in the opinion of the Director of Finance, or a delegated manager authorised under the Financial Services and Markets Act 2000 (FSMA), there is an overriding reason to favour or disregard a particular agency's view. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, and the institution will fall outside the lending criteria.

4.8. Credit rating information is supplied by the Link Group on all active counterparties that comply with the prescribed criteria detailed in Appendix F. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

4.9. The Council's criteria for an institution to become a counterparty are detailed in Appendix F. The Council will apply the creditworthiness service provided by Link Group, which employs a sophisticated modelling approach combining credit ratings and market metrics in a weighted scoring system which results in a suggested duration indicating the relative creditworthiness of counterparties.

Country Limits

4.10. The Council has determined that it will only use approved counterparties from the UK or from countries with a minimum sovereign credit rating of AA-. The current UK sovereign rating is AA- or equivalent. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Investment Strategy

In-house Funds

4.11. The Council's funds are mainly cash derived primarily from the General Fund and HRA. Balances are also held to support capital expenditure. Investments are made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

4.12. Since April 2011, pension fund cash balances have been held separately from those of the Council. The Pension Fund currently holds cash with RBS, JP Morgan (The funds custodian) and in Money market funds.

4.13. The Council has decided against 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. A Cabinet report dated 15 July 2021, set out an initial recommendation for the Council to participate in the shared service arrangement but officers have determined that the Authority will not join the service at this time.

Investment returns expectations

4.14. Link Group's Interest Rate Forecast from 8 January 2024 suggests that Bank Rate, currently 5.25% following the last of a series of increases commencing in December 2021 and ending in August 2023, will reduce from mid 2024 and reach a neutral long term rate of 3%.

4.15. 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:

- 2023/24 (remainder): 5.3%
- 2024/25: 4.55%
- 2025/26: 3.10%
- 2026/27: 3.00%

Investment treasury indicator and limit - total principal funds invested for greater than 365 days

4.16. 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.

4.17. With the Liability Benchmark, advocating a net book approach to treasury management, the Authority is expected to hold the majority of its investments short term and liquid.

4.18. The Council is asked to approve the following treasury indicator and limit:

Table 13: Upper limit for investments over 365 days

Upper limit for principal sums invested for longer	2023/24	2024/25	2025/26	2026/27
Principal sums invested for longer than 365 days	£30,000	£30,000	£30,000	£30,000

Investment performance / risk benchmarking

4.19. 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.

4.20. 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.

4.21. 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 monthly.

End of year investment report

4.22. 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 CIPFA Treasury Management Code of Practice 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. Member training on treasury management took place on 23 May 2023, provided by Link Group.

5.5. The training needs of Treasury Management officers are periodically reviewed as part of the Learning and Development programme with appropriate training and support provided.

External Advisors

5.6. The Council has engaged Link Group as its external Treasury Management Adviser.

5.7. It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council ensures that the terms of their appointment and the methods by which their value is assessed are properly agreed and documented and subjected to regular review.

5.8. However, the Council recognises that responsibility for treasury management decisions always remains with itself and will ensure that undue reliance is not placed upon external service providers.

Implications of the Recommendation

6.0. The recommendations primarily relate to the requirements for the Council to comply with statutory duties. However, the content of the report, covering borrowing and investment strategies, has implications for the Council's ability to fund its capital projects and revenue activities.

Risk Management Implications

7.0. Risks included on corporate or directorate risk register? No - the identification, monitoring and control of risk are central to the achievement of treasury objectives. Potential risks are identified, mitigated and monitored in accordance with treasury practice notes approved by the Treasury Management Group.

7.1. Separate risk register in place? **No**

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

The risks of treasury management activity are clearly acknowledged in the main body of the report along with appropriate mitigations however the following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	**Mitigations**	**RAG Status**
Cash not available when needed	• Working capital and borrowing position designed to maintain the required level of cash balances • The balance of debt and investment operations ensure liquidity • The treasury management function ensures that the Council's cash is	**GREEN**

Risk Description	Mitigations	RAG Status
	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.	
Sums invested result in a loss	• The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's low risk appetite.	**GREEN**
Council's capital investment programme is not affordable, prudent or sustainable	• One of the Prudential Indicators of affordability is the ratio of financing costs to net revenue stream, assessing the actual and estimated cost of capital against the income of the Authority. Table 8 • Limits on borrowing activity • The Council is currently maintaining an under-borrowed position. This is estimated to be £196m as at 31st March 2024.	**GREEN**
VFM is not achieved	• The Council will monitor the yield from investment income against appropriate benchmarks for investment performance. • Regular monitoring of investment performance will be carried out during the year.	**GREEN**
Provision made in the General Fund for debt is not prudent	• MRP Statement setting out what provision is to be made in the General Fund for the repayment of debt, and how the provision is to be calculated. The purpose of the Statement is to ensure the provision is prudent, allowing the debt to be repaid over a period reasonably commensurate with that over which the capital expenditure benefits. Appendix C.	**GREEN**
Too many loans mature in one period impacting on ability to refinance risk	• The Council maintains upper and lower limits with respect to the maturity structure of its borrowing. This Prudential Indicator, reflecting the earliest date at which a lender can require payment is set to ensure refinancing risk is managed	**GREEN**

Risk Description	Mitigations	RAG Status
	regarding the concentration of loan maturities in any one period. • The introduction of the Liability Benchmark is intended to inform future borrowing decisions in respect of the quantum and duration required to meet known long term liabilities based on the approved capital programme and a net book approach to treasury management	
Borrowing is undertaken for revenue or speculative purposes	• Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years	**GREEN**
Exceptional levels of volatility in PWLB rates	• The Council's Treasury Management Adviser, Link Group, has provided an interest rate forecast (Table 12). • The current expectation is for Bank Rate to have peaked at 5.25% and for this to fall in the second half of 2024 as inflation comes back to the 2% target. PWLB rates are also expected to have peaked and be on a gradual downward trajectory.	**AMBER**
Default on Council Loans	• The risk of default attached to the Council's portfolio is reported by Link Group on a monthly basis and this is currently very low, which is reflective of the low risk investment strategy, and the high credit quality of the investment counterparties used by the Authority, which includes the UK Government.	**GREEN**

Procurement Implications

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

Legal Implications

9.0. The Local Government Act 2003 requires the Council to ‘have regard to’ the Prudential Code and Treasury Management Code of Practice and to set Prudential and Treasury Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable. These are contained within this report.

9.1. The Act, accompanying statutory guidance and Codes of Practice referred to through capital financing regulations requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments ahead of yield considerations. This report assists the Council in fulfilling its statutory obligation under the Local Government Act 2003 to monitor its borrowing and investment activities.

Financial Implications

10.0. In addition to supporting the Council’s revenue and capital programmes the Treasury Management interest budget is an important part of the revenue budget. Any additional income obtained, savings achieved, or overspends incurred, has a direct impact on the financial performance of the budget.

Equalities implications / Public Sector Equality Duty

11.0. There is no direct equalities impact.

Council Priorities

12.0. This report deals with the Treasury Management Strategy which plays a significant part in supporting the delivery of all the Council’s corporate priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed on behalf of the Chief Financial Officer
Date: 29/01/2024

Statutory Officer: Sharon Clarke
Signed on behalf of the Monitoring Officer
Date: 31/01/2024

Chief Officer: Sharon Daniels
Signed on behalf of the Corporate Director
Date: 29/10/2024

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement

Date: 29/01/2024

Head of Internal Audit: Neale Burns
Signed on behalf of the Head of Internal Audit
Date: 29/01/**20**24

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

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

EqIA carried out: NO, an EqIA is not required for Cabinet to take a decision

EqIA cleared by: NA

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Director of Finance and Assurance
Sharon.Daniels@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 (now Department of Levelling Up Housing and Communities) 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 arrangements .

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

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.

Ministry of Housing, Communities and Local Government Minimum Revenue Provision Guidance (2018)

Minimum Revenue Provision (MRP) is the mechanism by which capital expenditure funded though prudential borrowing is charged to revenue over time. The aim of MRP is to align the charge to revenue over a period which the capital expenditure provides benefit.

Before the start of each financial year the Council is required to approve an MRP Policy Statement specifying how it will make prudent MRP during that year. Subject to full Council approval, the MRP Policy Statement can be revised during the year.

Treasury Management in the Public Services: CIPFA Code of Practice (2021) and Guidance Notes (2021)

The primary requirements of the Code are:
- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities.
- Creation and maintenance of Treasury Management Practices (“TMPs”) that set out the manner in which the Council will seek to achieve those policies and objectives.
- Receipt by the full Council or Cabinet of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and

Minimum Revenue Provision Policy Statement - for the year ahead, a Half-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body.

The 2021 CIPFA Treasury Management Code of Practice introduced the requirement from 2023/24:
- to present the Liability Benchmark as a new Treasury Indicator, to support the financing risk management of the capital financing requirement.
- Updates to Treasury Management Practices (TMPs) in respect of incorporating Environment, Social and Governance (ESG) policies and the development of a knowledge and skills framework proportionate to the size and complexity of the treasury management operations
- The creation of Investment Management Practices (IMPs) to manage risks associated with non-treasury investments (similar to TMPs)

CIPFA Prudential Code (2021) and Guidance Notes (2021)

The CIPFA Prudential Code is a framework developed to support local strategic planning, asset management and options appraisal. The objectives of the Prudential Code are to ensure that the Council's capital expenditure plans are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

The Prudential Code sets out a number of indicators which demonstrate the impact of the approved capital programme. Since 2017 local authorities have been required to produce an annual Capital Strategy, which sets out the long-term context in which capital expenditure and investment decisions are made.

The 2021 CIPFA Prudential Code introduced the requirement from 2023/24 to:
- Present a Prudential Indicator in looking at income from non treasury investments as a proportion of net revenue stream to ensure a proportionate approach to service and commercial investment
- address ESG policies within the Capital Strategy.

2. CIPFA Treasury Management Code of Practice (2021) and Prudential Code (2021) definition of investment

All investments and investment income must be attributed to one of the following three purposes: -

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury

risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery
Investments held primarily and directly for the delivery of public services including housing, regeneration, and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is “either related to the financial viability of the project in question or otherwise incidental to the primary purpose”.

Commercial return
Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council’s financial capacity – i.e., that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

APPENDIX B

TREASURY MANAGEMENT DELEGATIONS AND RESPONSIBILITIES

The respective roles of the Council, Cabinet, GARMSC, the Section 151 officer, the Treasury Management Group the Treasury and Pensions Manager and the Treasury Team are summarised below. Further details are set out in the Treasury Management Practices.

Council

Under the Constitution, the Council is responsible for “decisions relating to the control of the Council’s borrowing requirement.”

It agrees the annual Treasury Management Strategy Statement including Prudential Indicators, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.

Cabinet

Under the Constitution, the Cabinet “will exercise all of the local authority functions which are not the responsibility of any other part of the local authority, whether by law or under this Constitution.”

It considers and recommends to Council the annual Treasury Management Strategy Statement and receives a mid-year report and annual outturn report on Treasury Management activities.

Governance, Audit, Risk Management and Standards Committee

GARMSC reviews the Treasury Management Strategy and monitors progress on treasury management in accordance with CIPFA codes of practice.

Director of Finance (Section 151 Officer)

Under S151 of the Local Government Act 1972 the Council “shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.” At Harrow, this responsibility is exercised by the Director of Finance.

The Director is responsibility for implementing the policies agreed by the Council and Cabinet.

Under the Local Government Finance Act 1988 and the Local Government Act 2003 the Director also has responsibilities in respect of budget arrangements and the adequacy of resources. In terms of Treasury Management this means that the financing costs of the Capital Programme are built into the Revenue Budget as are any assumptions on investment income.

The Director chairs the Treasury Management Group and agrees major treasury management decisions, specifically including any borrowing decisions, delegated to officers.

Treasury Management Group

Comprises Director of Finance, Head of Strategic and Technical Finance (Deputy S151 Officer), Treasury and Pensions Manager, Senior Finance Officer and is responsible for:

1. Monitoring treasury management activity against approved strategy, policy, practices and market conditions;
2. Ensuring that capital expenditure plans are continually reviewed in line with budget assumptions throughout the year to forecast when borrowing will be required.
3. Approving changes to treasury management practices and procedures;
4. Reviewing the performance of the treasury management function using benchmarking data on borrowing and investment provided by the Treasury Management Adviser (Link Asset Services);
5. Monitoring the performance of the appointed Treasury Management Adviser and recommending any necessary actions
6. Ensuring the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function;
7. Monitoring the adequacy of internal audit reviews and the implementation of audit recommendations

Treasury and Pensions Manager

Responsible for the execution and administration of treasury management decisions, acting in accordance with the Council’s Treasury Management Strategy Statement and CIPFA’s “Standard of Professional Practice on Treasury Management”

Treasury Team

Headed by Senior Finance Officer with responsibility for day-to-day treasury and investment and borrowing activity in accordance with approved Strategy, policy, practices and procedures and for recommending changes to the Treasury Management Group

APPENDIX C

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 2023, the VRP was £6.8 (31^{st} March 2022 £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, in line with the maximum asset life permitted by statutory guidance.

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.

APPENDIX D: Link Group: Interest Rate Forecasts 2024 – 2027.

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 08.01.24.

Link Group Interest Rate View 08.01.24	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

APPENDIX E

Economic Background

- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding Bank Rate at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease. However,

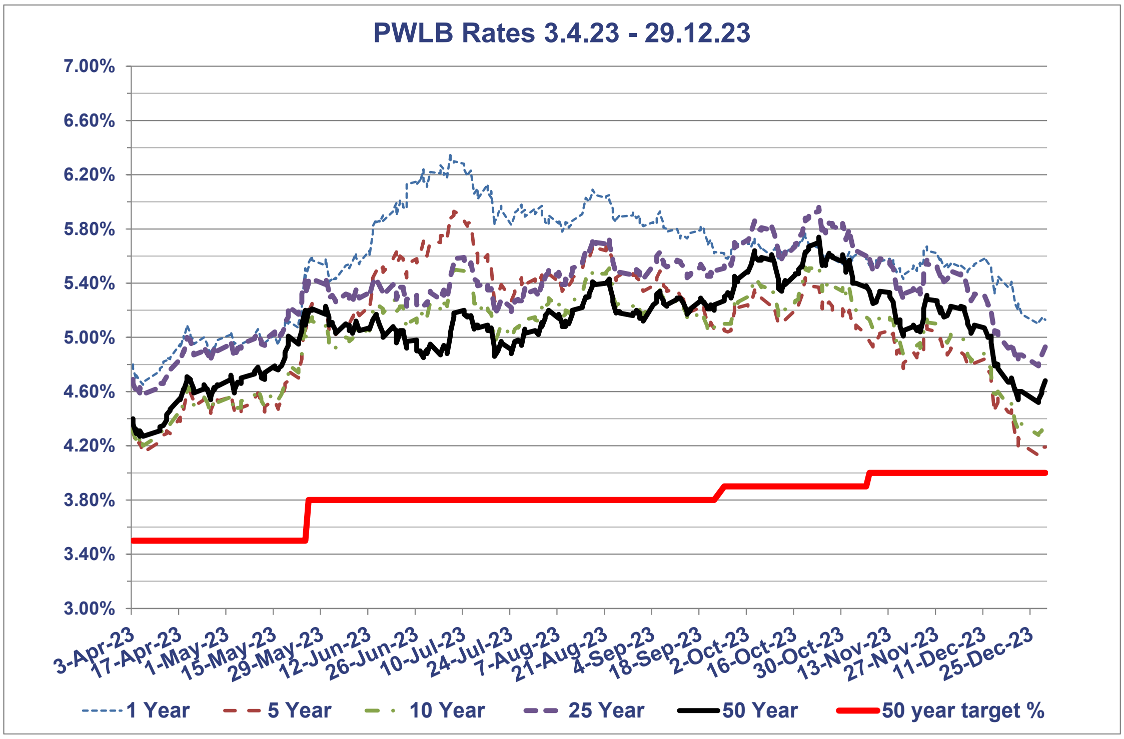
the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

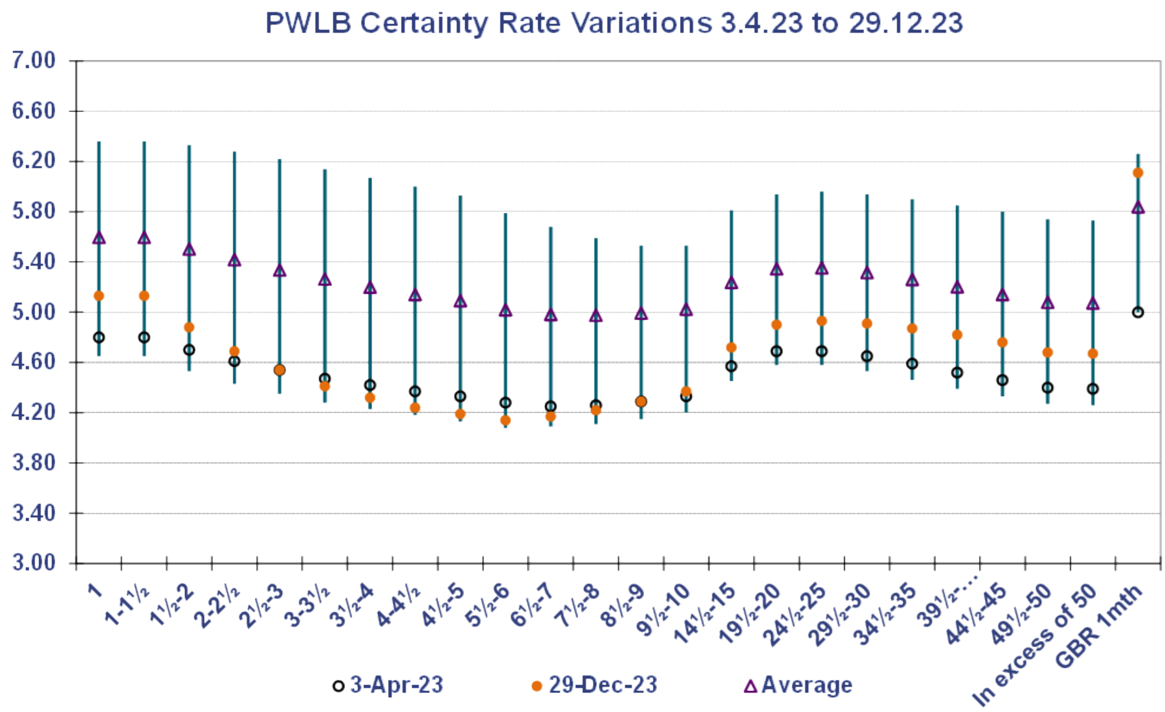
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.

- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23





HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both increases reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

APPENDIX F

Counterparties and approved investments

This Authority applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

1. "watches" and "outlooks" from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration for investments. The Authority will, therefore, use counterparties within the following durational bands

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Authority uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

The Authority is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Authority will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a

daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Authority will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long-term rating where applicable)	Monetary limit per Counterparty	Duration limit
Banks & UK Government	**Yellow**	**£20m**	**5yrs**
Banks	**Purple**	**£20m**	**2 yrs**
Banks & Building Societies	**Orange**	**£20m**	**1 yr**
Banks – part nationalised	**Blue**	**£20m**	**1 yr**
Banks & Building Societies	**Red**	**£20m**	**6 mths**
Banks & Building Societies	**Green**	**£20m**	**100 days**
Banks & Building Societies	**No Colour**	**Not to be used**	**Not to be used**
Authority's Banker (RBS)		**£50m**	**Instant Access**
DMADF	**UK sovereign rating**	**unlimited**	**6 months**
Local authorities	**Yellow**	**£20m**	**5yrs**
	Fund rating		**Time Limit**
Money Market Funds CNAV	**AAA**	**£20m**	**liquid**
Money Market Funds LVNAV	**AAA**	**£20m**	**liquid**
Money Market Funds VNAV	**AAA**	**£10m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.25	**Dark Pink / AAA**	**£5m**	**liquid**
Ultra-Short Dated Bond Funds with a credit score of 1.50	**Light Pink / AAA**	**£5m**	**liquid**

Councils own Bank – RBS

The Council will have an overriding limit of £50m with RBS to be held on instant access. If the Council makes an investment with RBS in accordance with the Banks suggested duration according to the Link Credit Methodology (as per the colour bandings/limits in the table above above) the £50m limit for RBS in respect of funds that could be held on instant access will be reduced accordingly.

Sovereign
The Authority will invest in counterparties based in the UK plus those domiciled in countries with a minimum sovereign rating of AA-.

Groups of Companies
The Authority will treat groups of companies as one counterparty and therefore one limit will apply across all entities within that group.

Specified Investments

The MHCLG Investment Guidance defines a specified investment if all the following apply:

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is not a long term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non conditional option.
- The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended].
- The investment is made with a body or in an investment scheme described as high quality (see paragraph 33 or with one of the following bodies:
  - The United Kingdom Government;
  - A local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland;
  - A parish council or community council.

The Authority as part of its treasury strategy defines what it believes constitutes high credit quality.

For the purposes of this strategy the Authority determines high credit quality to be any investment up to 365 days meeting the requirements of the table above in accordance with the Link Group Creditworthiness Methodology.

Non Specified Investments
The MHCLG Investment Guidance defines a non specified investment as any financial investment that is not classified as a loan or a specified investment.

The Authority does not intent to make investments outside of the counterparty criteria contained in the table above. Therefore, it will only undertake non specified investments if it makes long term investments over 365 days within the above parameters with regards counterparty limits and investment duration. This would be subject to cashflow forecast illustrating the Authority had sufficient funds available to enter into long term investments.

Loan
The MHCLG Investment Guidance defines this as a loan that an Authority has elected to make to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

The Authority will undertake specific due diligence in respect of any loans to third parties in support of Council objectives prior to any decision on a loan being made.

Contents

Section 1 – PRINCIPLES OF THE CAPITAL STRATEGY

1. Introduction

In December 2017, the Chartered Institute of Public Finance & Accountancy issued a revised Prudential and Treasury Management Code, requiring all local authorities to produce a Capital Strategy report from 2019/20 onwards to show:

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

This capital strategy meets the requirement by setting out the Council's capital investment programme and how it contributes to the achievement of strategic priorities being refreshed through the Borough Plan, while considering resource availability and the wider financial context. It is intended to be supportive of the Council's other strategy framework documents.

2. Objectives and Principles

The strategy details show how the Council sets out its priorities for Capital investment including links to existing delivery plans and strategy documents. It also considers the ways in which capital expenditure may be financed, including the impact that the Strategy has on the budgets of both the General Fund and the Housing Revenue Account (HRA). The strategy will also set out the links with Treasury Management objectives and determine the authority's approach to risk in those objectives.

This document is part of the Council's business planning process from both a financial and service perspective. It sets out a framework whereby the authority's capital resources can be effectively allocated to those projects which may help the Council achieve wider corporate objectives, protect existing assets and support financial sustainability.

Principles of the Capital Strategy

1. Capital Investment is a vital tool in delivering strategic priorities.

2. The Capital Programme will include only these schemes in accordance with the agreed criteria.

3. The evaluation of capital schemes for inclusion on the programme will follow an agreed process which allows scrutiny whilst not limiting innovation and adaptability.

4. The funding of the Capital Programme must be considered alongside the revenue budget and balance sheet position as part of the Council's Medium Term Financial Strategy (MTFS).

6. Capital projects will be monitored and reported to Cabinet on a quarterly basis.

3. Background

As part of its wider treasury management objectives the Council must have regard to the "Prudential Code for Capital Finance in Local Authorities" (henceforth to be referred to as the Prudential Code), as produced by the Chartered Institute of Public Finance & Accountancy (CIPFA). The 2017 revision of the Prudential Code introduces the requirement for authorities to produce a Capital Strategy from 2019/20. It is a live document underpinning the Council's Capital Programme and therefore will be subject to amendment.

4. Capital Expenditure

Capital Expenditure is that which is incurred on the acquisition, creation or enhancement of an asset. These assets can be tangible such as buildings or vehicles, as well as intangible such as software products.

5. The link between Revenue and Capital

Capital and revenue expenditure are separate components of local authority budgets and funding for each is considered separately. However, a vital component of successful financial planning is that revenue and capital budgets are intrinsically linked as the impact of capital expenditure must be reflected in revenue budgets. Therefore, this capital strategy should be deemed to form a key part of the authority's medium term financial planning process.

The impact and affordability of capital expenditure must be considered in the assessment of capital projects at the business case stage. Effective financial planning must fully reflect the impact of capital plans in the revenue budget.

The following table sets out some of the key impacts of capital expenditure upon the revenue budget.

Revenue Savings
•Direct Income from assets
•Reduced maintenance costs of new or improved assets
•Savings in labour costs
Revenue Costs
•Running costs of new assets
•Minimum Revenue Provision (loan principal)
•Interest costs from borrowing

As an indication of the current cost of the existing capital programme, the table below shows the capital financing costs that are already factored into the existing MTFS for 2024/25 to 2026/27 in relation to the existing and historic capital programmes:

Capital Financing Costs as % of the Net Revenue Budget for 2024/25 of £202.6m

	Capital Financing Costs	Capital financing costs as % of 2024/25 Net Budget
	£m	%
2024/25	33.1	16.3%
2025/26	34.1	16.8%
2026/27	36.0	17.8%

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, invest-to-save projects, regeneration programme, and the planned improvement of the current investment property portfolio.

7. Existing Capital Priorities

Instead of inviting service directorates to bid for capital resources, a review was undertaken on the existing Capital Programme and the outcome of which was used to refresh the programme by re-profiling existing budgets where applicable into 2026/27 to form a 3-year Capital Programme in the MTFS. Any new capital allocation for 2026/27 will form part of the 2025/26 budget and MTFS process.

The criteria used for the inclusion of any new capital bids remain unchanged from previous years which is for capital to be contained within the following categories:

1. Life and Limb/Health and Safety.
2. Statutory Requirement/legislation.
3. Schemes fully funded by external sources.
4. Invest to Save Schemes (the capital expenditure must generate a revenue stream to cover the capital financing costs and make a net contribution to the MTFS).

In addition, with the approval of the Council's Corporate Plan, capital investment in the borough aims to support the delivery of our priorities to residents and businesses. The Corporate Plan includes a number of flagship actions, many of which will be supported by the investment in the Capital Programme.

The updated Capital Programme 2024/25 to 2026/27 will be approved by Cabinet and Council in February 2024.

8. Use of Commercial Investment

The Council took its Investment Property Strategy to Council in December 2015. Under this strategy the Council has incurred £51.1m of capital expenditure to 31 March 2023 on commercial investments. The Council acquired 7 Commercial properties, 6 of them are located outside of Harrow Borough and one in Harrow Town Centre. There is no further Capital for

Commercial Investments in the Capital Programme to be approved by Council in February 2024.

9. Asset Management

Asset Management is the process by which the authority considers whether its assets are appropriate to deliver the high-quality services demanded by residents. This process may identify a number of different outcomes for assets including:

1. Change in use to meet the demands of a service

2. Investment is required to improve the condition of an asset

2. A new asset is required to better meet the Council priorities

3. The need to dispose of the asset to realise its value in monetary terms

The Council will use active asset management to consider both its current asset base and its future asset base. The capital programme will be used to bridge the gap to ensure that the authority has sufficient assets in the long term.

10. Capital Disposals

The asset management process may determine that the value of an asset is best realised through disposal. Sale of assets should be through an open market process to determine the best value.

Cash received from a sale of a property is a capital receipt. The use of these funds is restricted to purchasing new assets or repayment of existing debt. The Council will not make decisions about the ring-fencing of capital receipts before amounts are known and the use of such receipts has been considered in the light of the Council's overall financial position.

The existing General Fund capital programme includes a limited amount of capital receipts in relation to two regeneration schemes – Haslam House and Waxwell Lane. The HRA capital programme includes assumptions on levels of right to buy receipts as well as other capital receipts.

11.Multi-Year Capital Projects

Capital projects deliver assets which will provide services and/or income to the Council for a number of years. As a result of the significance and complexity of a number of these projects they may take a number of years to plan and deliver.

When setting the Capital Programme Council will approve the schemes to be included, the budget for their delivery and the timescale in which they are to be achieved. Unless schemes have clearly defined development and delivery phases with separate objectives, budgets and timescales Council should be asked to approve a budget to cover the whole of the project being delivered. Approval of the entire budget at the point of inception gives certainty for the project and assists officers in ensuring delivery.

The budget for approval will include an expected cash flow projection showing how much of the anticipated project budget will be incurred in each year of the Capital Programme. Any variations in timing of cash flows between years will be reported as part of the budget monitoring process. This should be regarded as part of the normal development of a capital project.

12.Use of capital receipt flexibilities

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

The flexibility was initially offered to the sector for the three financial years 2016/17 to 2018/19. In December 2017, the Secretary of State announced, alongside the provisional local government finance settlement, the continuation of the capital receipts flexibility programme for a further three years, covering 2019/20 to 2021/22. The flexibility has been extended on numerous occasions. In December 2023, the government announced the extension of this scheme to March 2030 and would also explore additional capital flexibility options to enable invest-to-save and transformation initiatives. There is currently a consultation on these options which will close on 31 January 2024.

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

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

The Council signified its intent to make use of this flexibility in its final budget report to Cabinet and Council in February 2016 and has continued to do so as part of the Annual Budget Setting process in order to provide the Council with the flexibility should it be needed. To date, the following use has been made of capital flexibilities:

2016/17	£2,377,000
2017/18	£1,738,000
2018/19	£1,200,000
2019/20	£3,100,000
	£8,415,000

The MTFS 2024/25 to 2026/27 includes a budget of £1.250m to fund the Regeneration Team. The nature of this spend meets the capital flexibility criteria and the team will be funded under the capital flexibilities scheme in 2024/25 and 2025/26. This will be reviewed as part of the 2025/26 budget process as there will be more information on additional capital flexibility options following the consultation as detailed below.

The Department for Levelling Up, Housing and Communities (DLUHC) has recently published a call for views on new local authority capital flexibilities, which include a set of options with respect to capital flexibilities and borrowing, to be managed locally, that could be used to encourage and enable local authorities to invest in ways that reduce the cost of service delivery and provide more local levers to manage financial resources. The calls for view close on 31 January 2024. At the time of writing this report, the outcome of this is not yet known.

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.

(i) Financials – All anticipated costs (both capital and ongoing revenue), along with any potential revenue streams must be set out. This should include risk analysis to show factors which may impact upon those numbers and where appropriate sensitivity analysis to show potential future scenarios.

(ii) Strategic Objectives – 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.

(iii) 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.

(iv) Deliverability - The success of capital projects depends not just on the financial and non-financial resources of the Council. External factors which impact on the deliverability of the project should also be considered as part of the planning process.

15.Governance of the Capital Programme

This strategy sets out the governance relationship relating to the Capital Programme and the respective role of Members and Officers in relation to the decision making process. The roles of the various groups are as follows.

Decision making on the Capital Programme is likely to be an iterative and often circular process with information flowing both ways between these respective groups.

As an example the following timescale may be followed for producing the Capital Programme during the main budget setting process.

Council

•Formally agrees the Capital Programme

•Receives budget monitoring reports covering financial and non-financial elements of capital schemes

•Approves commercial capital investments

Capital Forum

•Allows panel a chance to comment on capital schemes before formal approval of releasing the funding approved as part of the Capital Programme

Corporate Team

•Reviews Business Cases submitted

•Performs initial sift of viable schemes

•Approves proposed list of capital schemes

Service Managers / Heads of Service

•Identify priorities and opportunities for capital investment

•Act as, or appoint, project managers to lead on schemes and complete outline business cases

16. In-Year Capital Decisions

The inclusion of projects in the Capital Programme must remain possible outside of the usual capital budget setting process where a project is being resourced by external funding, e.g. Government grant or other external funding. In order to facilitate this, the Financial Regulations allow for capital projects to be added to the capital programme where they are funded from external sources.

17.Monitoring Capital Projects

Effective monitoring of projects is a vital element of good capital governance.

Capital projects are often significant not only in terms of financial resources required but in terms of organisational capacity, impact upon Service delivery and reputational risk. It is therefore vital that there is sufficient monitoring carried out upon schemes to allow stakeholders to be informed of progress and for members and officers to make decisions as required.

In order to meet these requirements the Corporate Team prepare quarterly monitoring reports showing the current spend against capital projects, the forecast for the end of the financial year include the underspend or slippage into the following year at the end of each financial quarter, with an outturn report at year-end.

Cabinet receives quarterly information on the progress of capital projects as part of the quarterly finance update on revenue and capital budget monitoring

Section 3 - FINANCING THE CAPITAL PROGRAMME

18. Capital Funding

There are a number of distinct sources of funding which can be utilised to finance capital expenditure. Some funding sources are ring fenced and can only be used for Housing Revenue Account capital expenditure, or a particular capital project. Consideration of funding must be made when projects are at the planning stage. No capital project will be put forward without funding having been identified to complete the project. Where capital schemes are in multiple phases, perhaps requiring an initial development phase to ensure funding for the final phases, this will be considered as part of the planning stage and clearly reported.

Capital funding cannot be used to fund revenue costs which may arise from a capital scheme such as consultant's costs on feasibility before a project is identified.

19.Capital Resources

Capital Receipts

The sale of assets with a value of more than £10,000 generates income known as capital receipts. Legislation requires these to be spent on either new capital investment or the repayment of existing debt. The government allows some flexibility in the use of capital receipts in the form of capital flexibilities as set out in paragraph 12.

HRA Right to Buy compulsory sale of council houses generate receipts that may be retained to cover the cost of transacting the sales and to cover outstanding debt on the property sold, but a proportion of the remainder must be surrendered to Central Government. Though for 2022/23 and 2023/24 the Government has allowed LA to all receipts subject to restrictions.

All other HRA capital receipts may be retained provided they are spent on affordable housing, regeneration or paying off housing debt.

General Fund capital receipts can be retained in full. These can arise from the sale of land and buildings, vehicles, plant and equipment, and also through the repayment of loans or grants.

An active asset management planning process is needed to review the asset requirements of the Council and therefore to identify surplus assets which may be sold to generate capital receipts.

Prudential Borrowing

The Council is able to borrow money on the money market or from the Public Works Loans Board (PWLB) to fund capital schemes. A preferential Certainty Rate of interest is allocated to Councils who apply for it and it is the policy of this Council to take advantage of the certainty rate each year.

For all schemes initially funded from borrowing, the Council will have to fund the repayment and interest costs as there is no longer any central government "supported borrowing" allocations and related revenue support.

The Council is only able to borrow for Prudential Borrowing, under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Council is required to ensure that all borrowing is both prudent and affordable. All schemes funded from prudential borrowing are approved by full Council. As part of the Treasury Management Strategy each year full Council approves a limit for affordable borrowing and capital schemes will be considered in the light of that limit.

20.External Funding Sources

Capital Grant from Government or Government Agency

Central government and government agencies provide capital grant funding that can be either ring fenced, or non-ring fenced. Examples of ring-fenced grants that the Council has received are disabled facilities grants (DFG's) and Transport for London (TfL) funding.

Community Infrastructure Levy (CIL)

Any monies received from developers for infrastructure from the Community Infrastructure Levy will not be allocated to a specific service but will be allocated under the CIL arrangements ("the Regulation 123 List") in line with Council's capital scheme priorities.

The process for allocating CIL funds will be in accordance with the process agreed by Cabinet.

The Community Infrastructure Levy (CIL) enables the council to raise funds for infrastructure from new development. It is levied on the net increase in floor space arising from new developments and is paid when that development starts. The Community Infrastructure Levy (CIL) is a tool for local authorities to support the development of their area by funding the provision, improvement, replacement, operation or maintenance of infrastructure. However the focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area.

CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities. Harrow's list of strategic infrastructure requirements known as a Regulation 123 list is shown below:

Regulation 123 List

The following table comprises Harrow Council's Regulation 123 List. It includes the strategic infrastructure that the Council currently considers it is likely to apply CIL revenues to. The Regulation 123 List will be kept under review and may change depending upon the following:

- Changes to local or national funding streams in respect of CIL eligible infrastructure; and
- The requirements of the regulations governing the level of the "meaningful proportion" of CIL that is to be passed to local communities.

Infrastructure currently considered likely to benefit from the application of CIL funding	
Education facilities	Early years, primary and secondary schools
Health services	GPs, acute healthcare
Social care	Supported accommodation
Emergency services	Police, Ambulance and Fire Services
Cultural and community facilities	Libraries and community halls
Improvements to public open space	Parks, natural green space, civic space and green corridors and green grid
Improvements to biodiversity	
Public recreation and leisure facilities	Neighbourhood and Youth Play space, sports and leisure centres, swimming pools and playing pitches
Cemeteries and burial space	
Strategic transport facilities	Roads, buses, cycling, rail and underground
Strategic flood mitigation	

Of all CIL monies collected, 85% is used to fund strategic borough wide infrastructure projects, which includes a 5% allowance to cover the administrative costs of CIL. The decisions on where to spend CIL at a borough-wide level is determined by the Council. The remaining 15% is allocated to Neighbourhood CIL (NCIL) and must be spent on projects that have taken account of the views of the communities in which the income was generated and these projects should support the development of the area.

In 2017, the principle was adopted by the Major Development Panel (14th November 2017) and Cabinet (7th December 2017) 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 its final version in February (this report). In agreeing the Borough CIL allocations process, Cabinet also indicated that this should be informed by the Harrow Local Plan, Infrastructure Delivery Plan (IDP), corporate priorities and external funding opportunities.

In this regard, a new Local Plan is currently being prepared and this will be informed by an updated IDP (due mid-2024). The IDP will provide an up to date assessment of infrastructure required to support the development envisaged in the new Local Plan, including the increased housing targets set by the London Plan. In this context, it is considered prudent not to fully allocate current BCIL balances / anticipated receipts as the forthcoming IDP may identify infrastructure needs that would benefit from BCIL to ensure timely provision.

In terms of the Neighbourhood element of CIL (NCIL) a review of the process was undertaken during 2022/23, and the outcomes and recommendations were presented to Cabinet in February 2023. A new process of NCIL allocation and project delivery is now in place.

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. Considerations should also be given on the allocation of BCIL funding while the updated IDP and Harrow Local Plan are being prepared.

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 is required the authority will look to utilise reserves, revenue funding or capital receipts as these create no long term revenue cost implications on the Council.

Borrowing will be used as the last possible source of funding and should be restricted only to those schemes which generate sufficient savings or income to meet the costs of interest and the Minimum Revenue Provision.

Any borrowing incurred to support the provision of new build housing within the Housing Revenue Account must be demonstrated to be affordable over a period of 30 years.

22.Relationship between Capital Strategy and Treasury Management

Treasury management refers to the processes of managing and reporting on the Council's performance in matters of investment and borrowing.

The Council's policy on Treasury Management has numerous links to the Capital Strategy. It is not intended that this Strategy replace the reporting requirements of the Treasury Management Strategy and includes a summary of the major points of that strategy and associated governance processes.

Key Treasury decisions are the responsibility of full Council and are contained within the Treasury Management Strategy.

These include:

1. Approved limits on borrowing
2. Limits for investment types and counterparty limits
3. Planned capital expenditure
4. Estimates for the future Capital Financing Requirement
5. Policy on the Minimum Revenue Provision

Detailed discussion on these matters is delegated to the GARMS Committee who then makes recommendations to Cabinet. The key impact of a capital programme using borrowing is the creation of a "Capital Financing Requirement" (CFR). The CFR represents the need to borrow external funds as a result of expenditure funded through borrowing. Having a CFR creates the need for a Minimum Revenue Provision (MRP), a sum to be put to one side each year from the General Fund for repayment of debt.

The Council's MRP policy is to make provision for the repayment of debt equally over the life of the asset that the borrowing relates to. The GARMS Committee receive at a minimum a mid-year monitoring report for Treasury management and an end of year outturn report. Where circumstances require, such as a material fall in the value of investments, a report would be prepared and presented to the next meeting of the Committee by the S151 Officer.

Section 4 - RISK MANAGEMENT

23. Embedding Risk Management in the Capital Programme

The Capital Strategy must be considered alongside the principles of risk management. Risks are inevitable within a capital programme, as with all aspects of Council operations, and effective management of risk is a vital part of the capital strategy.

The types of risk the authority is exposed to in the Capital Programme are summarised below:

- Financial Risk – The risk of significant cost overruns or commercial investments not performing as expected. The authority has a low appetite for this risk as it would impact upon available resources. Mitigation will be in the form of close scrutiny of capital spending through the budget monitoring process.

- Strategic Risk – The risk of not delivering key Council priorities or projects. Mitigation will be in the form of careful selection and planning of capital projects before commencement and project managers reviewing project progress and taking corrective action where necessary. Major changes in the outcomes of schemes will be reported to the appropriate Committee.

- Governance risk – The risk of capital spending decisions not being appropriately considered and decisions not being made at the correct level. Mitigation is the governance principles contained within the capital strategy.

- Resourcing risk – The risk that insufficient funds are available to fund the capital programme or that the incorrect type of funds is applied to capital projects. This is mitigated by the financing of capital projects being reviewed by the S151 Officer as part of the budget setting and the outturn.

24. Knowledge and Skills within the organisation

The Property Services team has officers of multiple disciplines who are experienced at leading capital projects, managing the Council's property portfolio and working within the local property market. They have experience of dealing with acquisitions, disposals, new commercial and residential development and redevelopment of brownfield sites.

The Finance team are involved in the development and monitoring of the Capital Programme. They have many years of experience in managing local authority capital programmes.

Legal Services will be provided by the Council's in-house legal team who will form a key part of the decision making around Capital projects. All solicitors are required to complete an annual Statement of Competence to the regulatory body to ensure any professional training needs are identified and addressed.

Where necessary external advice may be sought for all types of financial, property and legal advice. These costs, or at least appropriate estimates, will be included in the business cases of capital schemes.

Officers will work with members to ensure that training needs for elected members are appropriately identified. As a minimum annual training will be provided around the Treasury Management Strategy.

APPENDIX H

Glossary of Terms

1. **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.

2. **Bail-In** – previously, in response to the banking crisis, some governments used taxpayer funds to support banks in danger of failing. The European Union's Banking Recovery and Resolution Directive (BRRD) requires that, in future, 'bail in' will be applied in such a scenario; this means that after shareholders' equity, depositors' funds comprising balances over c£85k will be used to support the bank at risk. The £85k threshold is not available to local authorities and therefore all unsecured deposits with banks and building societies will be at risk of 'bail in'.

3. **Base Rate** – minimum lending rate of a bank or financial institution in the UK

4. **Bond** – a government or public company's document undertaking to repay borrowed money usually with a fixed rate of interest.

5. **Capital Expenditure** – spend on major items e.g. land and buildings, which adds to and not merely maintains the value of existing fixed assets.

6. **Capital Grants** – specific targeted grants to cover capital spend

7. **Capital Receipts** – the proceeds from the disposal of land or other assets. Capital receipts can be used to fund capital expenditure but cannot be used to finance revenue.

8. **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.

9. **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.

10. **Credit Rating** – an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's and Moody's. They analyse credit worthiness under four headings:

11. **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.

12. **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.

13. **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.

14. **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.

15. **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.

16. **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.

17. **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%.

18. **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.

19. **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.

20. **Market –** The private sector institutions e.g. banks, building societies.

21. **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.

22. **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.

23. **Monetary Policy Committee (MPC)** – group that sets the bank base rate for the Bank of England.

24. **Money Market Fund (MMF)** – A highly diversified pooled investment vehicle whose assets mainly comprise of short term instruments.

25. **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.

26. **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.

27. **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.

28. **Sterling Overnight Index Average (SONIA)** – Replacement for LIBOR (London Interbank Offered Rate) which was calculated based on estimates of interest rates at which banks would lend to one another. SONIA is a risk free overnight interest rate based on actual transactions and reflects the interest rate that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.

29. **Yield** – The amount in cash (in percentage terms) that returns to the owners of an investment e.g. interest earned from a deposit.

LONDON BOROUGH OF
HARROW

REPORT FOR:	**CABINET**
Date of Meeting:	15 February 2024
Subject:	Final Capital Programme 2024/25 to 2026/27
Key Decision:	Yes
Responsible Officer:	Sharon Daniels, Interim Director of Finance and Assurance
Portfolio Holder:	Councillor David Ashton - Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Proposed Capital Programme 2024/25 to 2026/27 (including new additions in Appendix 2) Appendix 2 – Additions to the Capital Programme

Section 1 – Summary and Recommendations

This report sets out proposals for the capital programme for the financial years 2024/25 to 2026/27.

Recommendations:
Cabinet is requested to:
1. Note the Capital Programme, as detailed within Appendix 1, and recommend it to Council for approval.

Reason (for recommendations): To enable the Council to have an approved Capital Programme for 2024/25 to 2026/27.

Section 2 – Report

Capital Programme 2024/25 to 2026/27

1. This report sets out the Council's proposals for capital investment over the financial years 2024/25 to 2026/27, which provide 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 has already been covered in a separate report at the Cabinet meeting in January 2024. The HRA Capital Budgets are included in Appendix 1 for completeness.

Development of the Capital Programme

2. The Capital Programme agreed at Cabinet and Council in February 2023 included provision for capital proposals for 2023/24 to 2025/26. Although it is the intention to maintain a 3-year Capital Programme, it is considered that the 3rd year of the Programme, in this case 2026/27, is too far ahead for any detailed investment proposals to be developed in order to provide accurate capital budget estimates. In addition, the capital financing costs arising from 2026/27 capital proposals will not be incurred until 2027/28 which falls outside the period of the 2024/25 Medium Term Financial Strategy (MTFS).

3. As detailed in the Draft Capital Programme 2024/25 to 2026/27 report (December 2023 Cabinet), a review was undertaken on the existing Capital Programme and the outcome of which was used to refresh the programme by re-profiling existing budgets where applicable into 2026/27 to form a 3-year Capital Programme in the MTFS. Any new capital allocation for 2026/27 will form part of the 2025/26 budget and MTFS process. The review has also identified a reduction of £2.1m in the existing Capital Programme (£1.65m in 2023/24 and £450k in 2024/25 to 2025/26).

4. Since the preparation of the Draft Capital Programme 2024/25 to 2026/27 report, new capital proposals have been developed and therefore will be included in the Final Capital Programme. These are detailed in a separate section in this report. Appendix 2 sets out all new capital proposals being added to the programme over and above that agreed by Cabinet in February 2023.

5. The criteria used for the inclusion of new capital bids remain 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)

6. In addition, with the approval of the Council's Corporate Plan, capital investment in the borough aims to support the delivery of our priorities to residents and businesses. The Corporate Plan includes a number of flagship actions, many of which will be supported by the investment in the Final Capital Programme.

    a. A council that puts residents first
        - Investment in IT to deliver organisational efficiencies and improvements in residents experience on IT channels.
        - Investment in Regeneration Programme to deliver new homes including affordable ones as part of the Harrow Strategic Development Partnership.
    b. A borough that is clean and safe
        - Investment in parks infrastructure to achieve Green Flag status on further parks and open spaces, to enhance biodiversity and to deliver flood defence and water quality schemes.
        - Investment in highways, street lighting and transport to improve our road and cycling network.
        - Investment in Housing retrofit decarbonisation programme to improve energy efficiencies of our council homes.
    c. A place where those in need are supported
        - Investment in Property Acquisition Programme to provide better housing for homelessness.

Cost of the Capital Programme

7. 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), S106 funding (developer contributions) 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.

8. 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.

9. Table 1 shows the revised capital financing cost budgets that are factored into the MTFS from 2024/25 to 2026/27 in relation to the Capital Programme that is to be agreed in February 2024 and it shows what proportion of the 2024/25 net revenue budget of £202.6m is made up of Capital Financing costs.

Table 1 - Capital Financing Costs as % of the Net Revenue Budget for 2024/25 of £202.6m

	Capital Financing Costs	Capital financing costs as % of 2024/25 Net Budget
	£m	%
2024/25	33.1	16.3%
2025/26	34.1	16.8%
2026/27	36.0	17.8%

10. The capital financing cost of the Capital Programme 2024/25 to 2026/27 (**to be agreed at Council in February 2024**) is £33.1m in 2024/25 and then increases to £36.0m by 2026/27. These figures include the cost of historic capital programmes.

11. 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 2024/25 to 2026/27

12. The total proposed Capital Programme for 2024/25 to 2026/27 is detailed in Appendix 1 and summarised in Table 2. The additions to the Programme, which are over and above what was in the existing Capital Programme (agreed February 2023) are detailed in Appendix 2.

Table 2 – Total Capital Programme 2024/25 to 2026/27

	2024/25			2025/26			2026/27			Total		
Project Title	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000
Total Resources Directorate	2,300	0	2,300	2,300	0	2,300	0	0	0	4,600	0	4,600
Total Schools	2,700	2,700	0	9,071	9,071	0	0	0	0	11,771	11,771	0
Total People's Directorate	2,700	2,700	0	9,071	9,071	0	0	0	0	11,771	11,771	0
Total Environment	9,866	2,141	7,725	14,152	2,641	11,511	214	0	214	24,232	4,782	19,450
Total Inclusive Economy, Leisure & Culture	307	144	163	366	0	366	30	0	30	703	144	559
Total Regeneration & Development	1,925	1,925	0	2,550	1,900	650	650	0	650	5,125	3,825	1,300
Total Housing General Fund	11,655	1,722	9,933	12,528	1,722	10,806	0	0	0	24,182	3,443	20,739
Total Place Directorate	23,753	5,932	17,821	29,596	6,263	23,333	894	0	894	54,242	12,194	42,048
Total General Fund	28,753	8,632	20,121	40,967	15,334	25,633	894	0	894	70,613	23,965	46,648
Total Housing Revenue Account	20,524	16,091	4,433	47,206	25,393	21,813	62,181	18,412	43,769	129,911	59,896	70,015
Total General Fund & HRA	49,277	24,723	24,554	88,173	40,727	47,447	63,075	18,412	44,663	200,524	83,861	116,663

13. The gross value of the General Fund proposed Capital Programme for 2024/25 to 2026/27 as detailed in Appendix 1 and summarised in Table 2 is **£70.613m.** Of the total cost, **£23.965m** 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 **£46.648m.** The net cost figure is the element of the Programme which requires financing from borrowing.

Change to the original Capital Programme agreed in February 2023

14. Overall, the net increase in the Programme in relation to new proposals is £20.619m as detailed in Appendix 2 and summarised in Table 3. The total of capital proposals across the 3-year period amounts to £23.319m, of which £2.700m can be funded from external grants, which leaves a net figure £20.619m which would require funding from borrowing.

Table 3 – New Capital Proposals for 2024/25 to 2026/27

Project Title	2024/25 Total Project cost £000	2024/25 Funding excluding Borrowing £000	2024/25 Net project cost funded from borrowing £000	2025/26 Total Project cost £000	2025/26 Funding excluding Borrowing £000	2025/26 Net project cost funded from borrowing £000	2026/27 Total Project cost £000	2026/27 Funding excluding Borrowing £000	2026/27 Net project cost funded from borrowing £000	Total Total Project cost £000	Total Funding excluding Borrowing £000	Total Net project cost funded from borrowing £000
People's Directorate:												
Total Schools	**2,700**	**2,700**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,700**	**2,700**	**0**
Total People's Directorate	**2,700**	**2,700**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,700**	**2,700**	**0**
Total Housing General Fund	**9,873**	**0**	**9,873**	**10,746**	**0**	**10,746**	**0**	**0**	**0**	**20,619**	**0**	**20,619**
Total Place Directorate	**9,873**	**0**	**9,873**	**10,746**	**0**	**10,746**	**0**	**0**	**0**	**20,619**	**0**	**20,619**
Total General Fund	**12,573**	**2,700**	**9,873**	**10,746**	**0**	**10,746**	**0**	**0**	**0**	**23,319**	**2,700**	**20,619**
Housing Revenue Account :												
Planned investment												
Main Programme	3,602		3,602	3,602		3,602	3,472		3,472	10,676	0	10,676
Decarbonisation-Retrofit	2,630	2,630	0	3,050	3,050	0	3,050	3,050	0	8,730	8,730	0
Aids & Adaptations												
Total Planned Investment	**6,232**	**2,630**	**3,602**	**6,652**	**3,050**	**3,602**	**6,522**	**3,050**	**3,472**	**19,406**	**8,730**	**10,676**
Grange Farm Infrastructure and Costs	75		75	0		0	0		0	75	0	75
Total Housing Revenue Account	**6,307**	**2,630**	**3,677**	**6,652**	**3,050**	**3,602**	**6,522**	**3,050**	**3,472**	**19,481**	**8,730**	**10,751**
Total General Fund & HRA	**18,880**	**5,330**	**13,550**	**17,398**	**3,050**	**14,348**	**6,522**	**3,050**	**3,472**	**42,800**	**11,430**	**31,370**

15. The new proposals are profiled across 2024/25 and 2025/26, as £12.573m and £10.746m respectively.

16. The new capital proposals are summarised below.

Property Acquisition Programme PAP (Housing General Fund) £20.619m

The Council has previously delivered the PAP to help alleviate the budget pressure on temporary accommodation. Since 2015, around 170 properties have been bought within and near Harrow to house homeless families.

It is proposed to extend the PAP to purchase further 50 properties. Total capital costs are estimated at £20.619m (£9.873m in 2024/25 and £10.746m in 2025/26). The capital financing costs of this investment are assumed to be met from savings in the temporary accommodation budget, resulting in a cost neutral position.

At the time of this report, external grants are being explored to part fund this project. The outcome of funding applications is not yet known. The authority to commence this project will be subject to a further cabinet report confirming any grant funding towards the project costs and an updated financial model to reflect that.

Schools Condition Allocation (SCA) £2.700m

The SCA capital grant is provided by the Department for Education to help local authorities maintain and improve the condition of maintained school buildings and grounds. Funding is announced annually, and is usually notified in late February or early March prior to the start of the new financial year. In 2023-24 the grant is £2.700m, therefore it is proposed to add an additional £2.700m to the 2024-25 Capital Programme in order that maintenance to buildings is not impacted. The final grant allocation will be reported to Cabinet in the new financial year and the Capital Programme will be updated.

As the capital cost is fully funded from external grant, the project will not increase capital financing costs.

17. Table 4 sets out the changes between the existing Capital Programme (which covers the period 2024/25 to 2025/26) and the proposed programme which extends a further year to 2026/27. The reconciliation below shows that there is a net increase of £20.169m between the 2 Programmes which is the total of the additions in Appendix 2 (£20.619m) minus the capital saving (£450k) arising from the review of the existing Capital Programme undertaken during the financial year. There has also been some movement between years where some existing capital projects have been realigned between financial years to better reflect when the spend will take place.

Table 4 - Changes to the Capital Programme between February 2023 and February 2024

	2024/25			20225/26			2026/27			2024/25 to 2026/27		
	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
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Original General Fund Capital Programme agreed by Cabinet in February 2023	28,767	15,253	**13,514**	18,978	6,013	**12,965**				47,744	21,265	**26,479**
Total General Fund Capital Programme to be agreed by Cabinet in February 2024	28,753	8,632	**20,121**	40,967	15,334	**25,633**	894	0	**894**	70,613	23,965	**46,648**
Movement between 2023 and 2024 Programmes	**-14**	**-6,621**	**6,607**	**21,989**	**9,321**	**12,668**	**894**	**0**	**894**	**22,869**	**2,700**	**20,169**
Analysis of the Movement												
New Capital Proposals from Appendix 2	12,573	2,700	**9,873**	10,746	0	**10,746**	0	0	**0**	23,319	2,700	**20,619**
Capital Programme Review:												
Realignment of IT projects	250		**250**	-700		**-700**			**0**	-450	0	**-450**
Realignment of Schools Expansion Programme	-9,071	-9,071	**0**	9,071	9,071	**0**			**0**	0	0	**0**
Realignment of cremators at Breakspear Crematorium	-700		**-700**	700		**700**			**0**	0	0	**0**
Realignment of Climate Emergency energy emissions schemes	-250	-250	**0**	250	250	**0**			**0**	0	0	**0**
Realignment of Vehicle Procurement	-2,086		**-2,086**	1,872		**1,872**	214		**214**	0	0	**0**
Realignment of Libraries & Leisure capital	-20		**-20**	-10		**-10**	30		**30**	0	0	**0**
Realignment of High Priority Plan Maintenance	-650		**-650**	0		**0**	650		**650**	0	0	**0**
Realignment of Empty Property Grant	-60		**-60**	60		**60**			**0**	0	0	**0**
Total Movement	**-14**	**-6,621**	**6,607**	**21,989**	**9,321**	**12,668**	**894**	**0**	**894**	**22,869**	**2,700**	**20,169**

New Capital proposals and the impact on the Revenue Budget

18. The new capital proposals in Appendix 2 of £23.619m are funded by borrowing as well as other sources (government grants).

19. The projects funded by other sources (excluding borrowing) amount to £2.700m as follows:

- Schools Condition Allocation £2.700m Govt grant

20. The remaining new project to be funded from borrowing totals £20.619m.

- Property Acquisition Programme (PAP) £20.619m

21. The additional capital financing cost associated with the proposed Capital Programme is £543k in 2025/26, increasing to £1.134m in 2026/27. As the PAP is an invest to save initiative, the capital financing cost is assumed to be funded from revenue savings on the temporary accommodation budget. Therefore this will not increase the net revenue budget requirement. A saving target of the equivalent amount has been included in the MTFS to reflect cost neutrality.

Table 5 – Additional Capital Financing Costs of the Proposed Capital Programme and funding source

	202/26	**2026/27**	**Total**
	£'000	£'000	£'000
MRP	197	215	412
Interest	346	376	722
Total Capital Financing Costs	**543**	**591**	**1,134**
Funded from:			
Temporary accommodation budget saving in the MTFS	**-543**	**-591**	**-1,134**

Community Infrastructure Levy (CIL) Funding

22. 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. The focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area.

23. 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.

24. 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 (capital and revenue) should support the development of the area.

25. In 2017, the principle was adopted by the Major Development Panel (14th November 2017) and Cabinet (7th December 2017) 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 its final version in February (this report). In agreeing the Borough CIL allocations process, Cabinet also indicated that this should be informed by the Harrow Local Plan, Infrastructure Delivery Plan (IDP), corporate priorities and external funding opportunities.

26. In this regard, a new Local Plan is currently being prepared and this will be informed by an updated IDP (due mid-2024). The IDP will provide an up to date assessment of infrastructure required to support the development envisaged in the new Local Plan, including the increased housing targets set by the London Plan. In this context, it is considered prudent not to fully allocate current BCIL balances / anticipated receipts as the forthcoming IDP may identify infrastructure needs that would benefit from BCIL to ensure timely provision.

27. In terms of the Neighbourhood element of CIL (NCIL) a review of the process was undertaken during 2022/23, and the outcomes and recommendations were presented to Cabinet in February 2023. A new process of NCIL allocation and project delivery is now in place.

28. The Borough CIL element is used to fund the core Capital Programme where projects relate to infrastructure to support development in accordance with CIL Regulations. Schemes in the Capital Programme that have been funded by BCIL between 2017/18 to 2022/23 are set out in Table 6 and total £18.176m. Of this total, £2.076m of schemes remain outstanding as at 31st March 2023 and this sum has been carried forward as a commitment for 2023/24 and included in Table 8. Therefore, for the period covering 2017/18 to 2022/23, BCIL of £16.100m has been used to fund the Capital Programme.

Table 6 – Schemes funded from BCIL up to 2022/23

Financial year	Description	BCIL	17/18 Actual Exp	18/19 Actual Exp	19/20 Actual Exp	20/21 Actual Exp	21/22 Actual Exp	22/23 Actual Exp	Outstanding commitment
2017/18	Highway projects	4,800,000	4,800,000						0
2018/19	Headstone Manor (Parks for People)	300,000		51,293	233,081	15,626			0
2018/19	Rayners Lane Triangle project	40,000		40,000					0
2018/19	Parks Infrastructure (Playground replacement)	545,000		219,138	325,862				0
2019/20	Parks Infrastructure (Playground replacement)	350,000			227,458	122,542			0
2019/20	Harrow Arts Centre - refurbishment & new build	1,150,000			71,737	841,490	26,978		209,795
2019/20	Flood Defence	300,000			300,000				0
2019/20	Highway Drainage	200,000			199,999				1
2019/20	Green Grid	75,000			39,761	35,239			0
2019/20	New Town Centre Library	2,090,000			1,569,662	520,338			0
2020/21	Headstone Manor (Flood alleviation scheme)	500,000				30,574	469,426		0
2020/21	Parks Infrastructure (Playground replacement)	250,000				204,329			45,671
2020/21	Harrow Arts Centre - refurbishment & new build	599,000						599,000	0
2020/21	Harrow Arts Centre Capital Infrastructure	300,000				266,212	11,201	22,587	0
2020/21	Flood Defence	300,000				300,000			0
2020/21	Highway Drainage	200,000				149,607	38,067	12,326	0
2020/21	Green Grid	150,000				150,000			0
2020/21	High Street Fund	250,000				152,733	97,267		0
2021/22	Green Grid	150,000					130,270	19,697	33
2021/22	Flood Defence and Highway Drainage	500,000					414,953	12,410	72,637
2021/22	High Street Fund	1,300,000					568,199	731,801	0
2021/22	Wealdstone Major Transport Infrastructure projects - Bus Improvement	900,000						666,039	233,961
2021/22	Harrow Arts Centre - refurbishment & new build	1,177,000						749,885	427,115
2022/23	Green Grid	150,000						149,999	1
2022/23	Flood Defence & Highway Drainage	500,000						428,584	71,416
2022/23	High Street Fund	1,100,000						84,546	1,015,454
Total		**18,176,000**	**4,800,000**	**310,431**	**2,967,560**	**2,788,690**	**1,756,361**	**3,476,874**	**2,076,084**

29. Table 7 sets out the balance of CIL funding remaining as at 31st March 2023, plus CIL received in 2023/24 to 10th January 2024, which shows that £9.967m of BCIL and £3.063m of NCIL is available to fund projects in Table 8, from 2023/24 onwards.

Table 7 - CIL Funding available as at 10 January 2024

	BCIL	NCIL	Total
	£'000	£'000	£'000
Balance as at 31.3.2023	7,650	2,672	10,322
2023/24 Receipts (up to 10.01.2024)	2,317	391	2,708
Total Balance (up to 10.01.2024)	**9,967**	**3,063**	**13,030**

30. The projects in the Capital Programme covering the period 20223/24 to 2026/27, to be funded from BCIL totals £6.471m. In addition, there are revenue projects of £627k being funded from BCIL, resulting in total BCIL funding commitments of £7.044m. These are set out in Table 8 below.

Table 8 - Schemes funded from BCIL from 2023/24 to 2026/27

	2023/24	2024/25	2025/26	2026/27	Total
(N.B. Amount shown in the BCIL element only)	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Flood Defence and Highway Drainage	644	500	500		**1,644**
Green Grid	150	150	150		**450**
Harrow Arts Centre - refurbishment & new build	637				**637**
Parks Playground replacement	46				**46**
Harrow High Street Fund (capital £638k; revenue £377k)	1,015				**1,015**
Wealdstone Future High Street Fund	1,135				**1,135**
Wealdstone Major Transport Infrastructure projects - Bus Improvement	234				**234**
Biodiversity Net Gains in Harrow	300	275	250		**825**
Chandos Recreation Ground Infrastructure	200				**200**
Additional Carriageway Surfacing Programme	608				**608**
Leisure Investment Strategy (revenue spend)	250				**250**
Total BCIL funding requirements	**5,219**	**925**	**900**	**0**	**7,044**
Split into:					
Projects in Capital Programme	***4,592***	***925***	***900***	***0***	***6,417***
Projects of revenue nature	***627***	***0***	***0***	***0***	***627***

31. The total BCIL available as at 10th January 2024 amounts to £9.967m as set out in Table 7. The total requirement for BCIL funding to cover the total commitments of the Capital Programme and other revenue projects is £7.044m. This means that there is uncommitted BCIL funding of £2.923m available for further eligible projects at the time of writing this report.

32. Given that BCIL averages £2m per annum, a further estimated £6m could be received in the 3 years from 2024/25 to 2026/27 which would be available to either fund existing projects in the Capital Programme or could be used for future Capital Programme additions. In the case, where schemes currently funded from borrowing could be substituted for BCIL funding instead, this would then lead to a reduction in borrowing costs. As detailed in paragraph 25, considerations should also be given on the allocation of BCIL funding while the updated IDP and Harrow Local Plan are being prepared.

33. With any source of capital funding, if the estimated level is not received, then it would be necessary to fund the schemes from other sources or remove them from the Capital Programme. If the alternative source is borrowing, then this will impact upon future year's budgets as it will increase the cost of borrowing and impact the revenue budget.

Housing Revenue Account (HRA)

34. The proposed HRA Capital Programme was approved by Cabinet in January 2024 and is included in Appendix 1 for completeness. 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

35. A review of the current Capital Programme was undertaken during the budget settling process. The outcomes form the basis for preparing the Final

Capital Programme 2024/25 to 2026/27. A number of capital proposals were considered during the budget setting process before finalisation on which would be taken forward. As detailed in paragraph 5, capital proposals were assessed to determine if they met the criteria to be included in the Capital Programme. This assessment results in the proposed Capital Programme that addresses these criteria. The capital proposals also support the delivery of flagship actions included in the Corporate Plan. The proposals in this report are to enable the Council to have an approved Capital Programme for 2024/25 to 2026/27.

Legal Implications

36. Under the Council's Constitution, Part 4K - Financial Regulations, paragraph B2 states that Full Council is responsible for agreeing the authority's policy framework which is proposed by the Cabinet and this includes the Capital Programme. Under paragraph B41 in the Financial Regulations, the Chief Finance Officer (Director of Finance) is responsible for producing an annual capital strategy for Cabinet to recommend to Council.

Financial Implications

37. 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

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

Performance Issues

39. 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.

40. Monitoring of the approved programme is ongoing and is essential for good financial management.

Risk Management Implications

41. Risks included on corporate or directorate risk register? **~~Yes~~/No**

42. Separate risk register in place? **~~Yes~~/No**

43. The relevant risks contained in the register are attached/summarised below. **~~Yes/No~~/n/a**

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

Risk Description	**Mitigations**	**RAG Status**
Proposals put forward by Directorates are not part of an	• Two of the key criteria for including projects in the capital Programme are	**AMBER**

agreed Corporate Asset Management Plan(s) and therefore it is not possible to confirm that the proposals put forward cover the full estate which could lead to an increase in health and safety risks and additional costs in replacing assets if they deteriorate too much to repair.	those projects that are needed to ensure that we continue to invest in our capital assets to ensure the Council meets its requirements for both Life and Limb/Health and Safety requirements and to fulfil the Council's Statutory and legislative duties.	
The cost of the Capital Programme is not affordable.	• The additional capital financing costs (borrowing) of the Capital proposals are included in the 3 year MTFS up to 2026/27. There is no new capital proposal for 2026/27 that impacts the Revenue Budget in 2027/28.	**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 to Cabinet, the availability of BCIL to fund the Capital Programme is kept under review. In normal circumstances, should the level of BCIL not be sufficient then either the schemes can be removed from the programme or funded from an alternative source. If that source is borrowing, then the revenue cost of borrowing will need to be included in the revenue budget. However, as set out in paragraph 30, the BCIL already received is more than sufficient to fund the commitments in the Final Capital Programme 2024/25 to 2026/27.	**GREEN**

Equalities implications / Public Sector Equality Duty

45. 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. Initial views are that no protected group is adversely affected by the proposals in this report. The projects proposed in the programme may require full Equality Impact Assessments before they commence.

46. Decision makers should have due regard to the public sector equality duty in making their decisions. Consideration of the duties should precede the decision. 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 (to a limited extent)*

Council Priorities

47. The Council's Final Capital Programme for 2024/25 to 2026/27 has been prepared in line with the Council's priorities:

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed by the Chief Financial Officer
Date: 18/01/2024

Statutory Officer: Paresh Mehta
Signed on behalf of the Monitoring Officer
Date: 23/01/2024

Chief Officer: Alex Dewsnap
Signed by the Managing Director
Date: 22/01/2024

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 19/01/2024

Head of Internal Audit: Neale Burns
Signed on behalf of the Head of Internal Audit
Date: 22/01/2024

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

Mandatory Checks

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

EqIA carried out: *NO as these capital proposals are in the main rolling programme items which will improve the Council's infrastructure and assets*

EqIA cleared by: *N/A*

Section 4 - Contact Details and Background Papers

Contact: Jessie Man, Interim Head of Strategic and Technical Finance (Deputy S151), jessie,man@harrow.gov.uk

Background Papers: None

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

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Final Capital Programme 2024-25 - 2026-27 **Appendix 1**

	2024/25			2025/26			2026/27			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**
New Council Head Office refit – Flexible Futures	100		100	100		100	0		0	200	0	200
My Harrow Account upgrade	0		0	150		150	0		0	150	0	150
Ongoing ICT Refresh - to include core Network upgrade and Migration of remaining azure applications into SaaS.	500		500	600		600	0		0	1,100	0	1,100
Ongoing ICT refresh - to cover improvements and refresh of cyber security, rolling device and peripheral refresh of IT equipment (W10/O365 & Sharepoint)	1,500		1,500	500		500	0		0	2,000	0	2,000
Dynamics F&D Improvement projects	0		0	750		750	0		0	750	0	750
Ongoing ICT Refresh	200		200	200		200	0		0	400	0	400
Total Resources Directorate	**2,300**	**0**	**2,300**	**2,300**	**0**	**2,300**	**0**	**0**	**0**	**4,600**	**0**	**4,600**
People's Directorate:												
Schools:												
Schools Capital Maintenance	2,700	2,700	0	0	0	0	0	0	0	2,700	2,700	0
Schools Expansion Programme - Phase 2	0		0	9,071	9071	0	0		0	9,071	9,071	0
Total Schools	**2,700**	**2,700**	**0**	**9,071**	**9,071**	**0**	**0**	**0**	**0**	**11,771**	**11,771**	**0**
Total People's Directorate	**2,700**	**2,700**	**0**	**9,071**	**9,071**	**0**	**0**	**0**	**0**	**11,771**	**11,771**	**0**
Place Directorate:												
Environment:												
Breakspear Crematorium - Replacement of 3 cremators	0		0	700		700	0		0	700	0	700
CA Site Infrastructure	75		75	75		75	0		0	150	0	150
Climate Emergency - Energy emissions reduction measures	250	250	0	750	750	0	0		0	1,000	1,000	0
Flood Defence & Highways Drainage	500	500	0	500	500	0	0		0	1,000	1,000	0
Highway Improvement Programme	6,000		6,000	6,000		6,000	0		0	12,000	0	12,000
Parking Management Programme	300		300	300		300	0		0	600	0	600
Parks Infrastructure	350		350	350		350	0		0	700	0	700
Street Lighting Improvement Programme	1,000		1,000	2,000		2,000	0		0	3,000	0	3,000
TfL Transport Capital (LIP)	1,391	1,391	0	1,391	1,391	0	0		0	2,782	2,782	0
Vehicle Procurement	0		0	2,086		2,086	214		214	2,300	0	2,300
Total Environment	**9,866**	**2,141**	**7,725**	**14,152**	**2,641**	**11,511**	**214**	**0**	**214**	**24,232**	**4,782**	**19,450**

Final Capital Programme 2024-25 - 2026-27 **Appendix 1**

	2024/25			2025/26			2026/27			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
Inclusive Economy, Leisure & Culture:												
Harrow Arts Centre Capital Infrastructure	20		20	60		60	0		0	80	0	80
Libraries and Leisure Capital Infrastructure	130		130	140		140	30		30	300	0	300
Leisure Centre Infrastructure - Harrow Leisure Centre/Hatch End Swimming Pool/ Banister	13		13	166		166	0		0	179	0	179
UK Shared Prosperity Fund	144	144	0	0		0	0		0	144	144	0
Total Inclusive Economy, Leisure & Culture	**307**	**144**	**163**	**366**	**0**	**366**	**30**	**0**	**30**	**703**	**144**	**559**
Regeneration & Development:												
Biodiversity Net Gains in Harrow	275	275	0	250	250	0	0		0	525	525	0
Harrow Green Grid	150	150	0	150	150	0	0		0	300	300	0
High Priority Plan Maintenance Corporate Property	0		0	650		650	650		650	1,300	0	1,300
Investment in HNC	0		0	0		0	0		0	0	0	0
Borough CIL Schemes	1,000	1,000	0	1,000	1,000	0	0		0	2,000	2,000	0
Neighbourhood CIL Schemes	500	500	0	500	500	0	0		0	1,000	1,000	0
Total Regeneration & Development	**1,925**	**1,925**	**0**	**2,550**	**1,900**	**650**	**650**	**0**	**650**	**5,125**	**3,825**	**1,300**
Housing General Fund:												
Disabled Facilities Grants	1,722	1,722	0	1,722	1,722	0	0		0	3,443	3,443	0
Empty Property Grant	60		60	60		60	0		0	120	0	120
Property Acquisition Programme	9,873		9,873	10,746		10,746	0		0	20,619	0	20,619
Total Housing General Fund	**11,655**	**1,722**	**9,933**	**12,528**	**1,722**	**10,806**	**0**	**0**	**0**	**24,182**	**3,443**	**20,739**
Total Place Directorate	**23,753**	**5,932**	**17,821**	**29,596**	**6,263**	**23,333**	**894**	**0**	**894**	**54,242**	**12,194**	**42,048**
Total General Fund	**28,753**	**8,632**	**20,121**	**40,967**	**15,334**	**25,633**	**894**	**0**	**894**	**70,613**	**23,965**	**46,648**
Housing Revenue Account :												
Planned investment												
Main Programme	11,422	10,151	1,271	12,030	7,495	4,535	11,900	8,044	3,856	35,352	25,690	9,662
Decarbonisation-Retrofit	4,739	2,630	2,109	5,050	3,050	2,000	5,550	3,050	2,500	15,339	8,730	6,609
Aids & Adaptations	645		645	645		645	645		645	1,935	0	1,935
Total Planned Investment	**16,806**	**12,781**	**4,025**	**17,725**	**10,545**	**7,180**	**18,095**	**11,094**	**7,001**	**52,626**	**34,420**	**18,206**

Final Capital Programme 2024-25 - 2026-27 **Appendix 1**

	2024/25			2025/26			2026/27			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**
Building Council Homes for Londoners (BCHfL)												
Grange Farm phase 2	0		0	13,495	7,113	6,382	18,348	610	17,738	31,843	7,723	24,120
Other schemes	3,643	3,310	333	0		0	0		0	3,643	3,310	333
Total BCHfL	**3,643**	**3,310**	**333**	**13,495**	**7,113**	**6,382**	**18,348**	**610**	**17,738**	**35,486**	**11,033**	**24,453**
Grange Farm Infrastructure and Costs	75		75	0		0	0		0	75	0	75
Homes for Harrow - Phase 2	0		0	15,986	7,735	8,251	25,738	6,708	19,030	41,724	14,443	27,281
Total Housing Revenue Account	**20,524**	**16,091**	**4,433**	**47,206**	**25,393**	**21,813**	**62,181**	**18,412**	**43,769**	**129,911**	**59,896**	**70,015**
Total General Fund & HRA	**49,277**	**24,723**	**24,554**	**88,173**	**40,727**	**47,447**	**63,075**	**18,412**	**44,663**	**200,524**	**83,861**	**116,663**

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Final Capital Programme 2024-25 - 2026-27 **Appendix 2**

	2024/25			2025/26			2026/27			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
People's Directorate:												
Schools:												
Schools Capital Maintenance	2,700	2,700	0	0		0	0		0	2,700	2,700	0
Total Schools	**2,700**	**2,700**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,700**	**2,700**	**0**
Total People's Directorate	**2,700**	**2,700**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,700**	**2,700**	**0**
Place Directorate:												
Regeneration & Development:												
Total Regeneration & Development	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Housing General Fund:												
Property Acquisition Programme	9,873		9,873	10,746		10,746	0		0	20,619	0	20,619
Total Housing General Fund	**9,873**	**0**	**9,873**	**10,746**	**0**	**10,746**	**0**	**0**	**0**	**20,619**	**0**	**20,619**
Total Place Directorate	**9,873**	**0**	**9,873**	**10,746**	**0**	**10,746**	**0**	**0**	**0**	**20,619**	**0**	**20,619**
Total General Fund	**12,573**	**2,700**	**9,873**	**10,746**	**0**	**10,746**	**0**	**0**	**0**	**23,319**	**2,700**	**20,619**
Housing Revenue Account :												
Planned investment												
Main Programme	3,602		3,602	3,602		3,602	3,472		3,472	10,676	0	10,676
Decarbonisation-Retrofit	2,630	2,630	0	3,050	3,050	0	3,050	3,050	0	8,730	8,730	0
Aids & Adaptations												
Total Planned Investment	**6,232**	**2,630**	**3,602**	**6,652**	**3,050**	**3,602**	**6,522**	**3,050**	**3,472**	**19,406**	**8,730**	**10,676**
Grange Farm Infrastructure and Costs	75		75	0		0	0		0	75	0	75
Total Housing Revenue Account	**6,307**	**2,630**	**3,677**	**6,652**	**3,050**	**3,602**	**6,522**	**3,050**	**3,472**	**19,481**	**8,730**	**10,751**
Total General Fund & HRA	**18,880**	**5,330**	**13,550**	**17,398**	**3,050**	**14,348**	**6,522**	**3,050**	**3,472**	**42,800**	**11,430**	**31,370**

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LONDON BOROUGH OF
HARROW

REPORT FOR:	**CABINET**
Date of Meeting:	19 December 2023
Subject:	Calculation of Council Tax Base for 2024 – 2025
Key Decision:	Yes
Responsible Officer:	Sharon Daniels, Interim Director of Finance & Assurance
Portfolio Holder:	Councillor David Ashton – Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1- Taxbase Calculation

Section 1 – Summary and Recommendations

The Local Government Finance Act (LGFA) 1992, as amended by the LGA 2003 & LGFA 2012, requires the Authority to formally calculate the Council Tax Base for 2024-2025 and pass this information to precepting authorities by 31 January 2024. The tax base must be set between 1 December 2023 and 31 January 2024.

Statutory provisions also require Harrow to consider annually whether it should change the Council Tax Support (CTS) scheme, and if so, in what way. Having approved the scheme already in place, Cabinet is now also being requested to consider reviewing its scheme.

Recommendations:

That Cabinet considers the information given in this report and agrees that :

(a) The band D equivalent number of taxable properties is calculated as shown in this report and in accordance with the Government regulations;

(b) The provision for uncollectable amounts of Council Tax for 2024-2025 be agreed at 2% producing an expected collection rate of 98%.

(c) Subject to (a) & (b) above, a Council Tax Base for 2024-2025 of **89,375** Band D equivalent properties (being 91,199 x 98%) be approved, allowing for payment in lieu of Ministry of Defence properties.

(d) Having considered whether to review the local CTS scheme, suggest changes or conclude that there is no change required and approve and recommend to Full Council the continuation of the existing Council Tax Support Scheme, as previously adopted by Full Council, for the 2024/25 financial year.

Reason: (For recommendations)
To fulfil the Council’s statutory obligation to set the Council Tax Base for 2024-2025.

Section 2 – Report

Tax Base

2.1 The Local Government Finance Act 1992, as amended by the LGA 2003 & LGFA 2012, requires the Authority to calculate the Council Tax Base for 2024-2025 and pass this information by 31 January 2024 to precepting authorities. The Tax Base must be set between the 1 December and 31 January.

2.2 The Council has to work out how much next year's band D council tax should be so that the total tax that will be collected equals the budget required to pay for its services. Band D is also the reference from which all other council tax band valuations are calculated. To work out the band D tax, the budget requirement is divided by a figure called the Council Tax base, which is calculated in this report. In effect, the tax base represents the total taxable value of every property in Harrow. As well as Harrow, the Greater London Authority also needs the tax base figure to work out how much they need to add on to pay for their services.

2.3 The Council's Tax Base has been calculated, according to the relevant procedures and guidance for 2024-2025, at 89,375 net properties. The Tax Base has two parts:

(a) The number of taxable properties shown as 'band D equivalents' and

(b) The expected collection rate for the year.

2.4 The calculation method is set out in the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended. The regulations require that calculations must be shown for each tax band as well as a total for all bands. The detailed calculation of the band D equivalent properties is shown at Appendix 1. For calculating the Tax Base, (and setting the Council Tax) properties in each of the eight valuation bands are given different weightings. These weightings are shown as a proportion of the band D value. These are shown below:

Band	A	B	C	**D**	E	F	G	H
Weighting	6/9	7/9	8/9	1	11/9	13/9	15/9	2

2.5. <u>Background</u>

2.6 The Regulations state that the calculation of the Tax Base must be based on the Valuation list produced by the Listing Officer of HM Revenue & Customs as it stands on 30 November in the year preceding that for which the relevant amount is calculated (i.e. at 30 November 2023 for the financial year 2024-2025). It must show actual numbers of properties at that date and allow for the effects of council tax discounts and exemptions including the council tax support scheme discount (CTS). It must also show likely changes to bands, new properties, properties taken off the valuation list and likely changes to discounts, empty properties and exemptions for 2024-2025.

2.7 For 2023-2024 the percentage collection rate used was 98%. For 2024-2025 a budgeted collection rate of 98% is again being recommended. The budgeted or expected collection rate is the percentage of Council Tax to be collected after estimating uncollectable amounts.

Note - *The "budgeted" collection rate differs from the "in year" collection rate. The budgeted collection rate is based on all payments received over 3 years (in year and 24 months after the relevant year closes). The in year collection reflects payments actually received between 1st of April and 31st March of the year for which the council tax relates.*

2.8 Collection efforts will also not stop once the budgeted collection levels have been reached, nor does it mean that eventual losses will necessarily be 2.0%. It is, however, essential that an adequate provision for non-collection is made each year. The Government recognises that no billing authority can collect every pound of Council Tax payable and that an element of collection will continue after the relevant year. The legislation provides for non-collection to be compensated for by an element within the Council Tax Base itself.

2.9 Collection rate overall has been maintained as per previous years and takes into account the fact that collection rates have performed better than expected post pandemic and in the face of the current cost of living crisis. Harrow also has provisions for outstanding arrears to the 31/3/2023 of almost 70%. This does not mean that in the future, the high collection expectation will not bring challenges, but it is expected to be achievable.

Council Tax Support Scheme Review

2.10 The Council must consider whether to revise or replace its Council Tax Support scheme (CTS) each financial year. Changes to the scheme also impact on the Tax base and must therefore be considered. As such it is necessary for Cabinet to consider whether the scheme requires reviewing for the 2024/25 financial year and this report therefore also requests that Members consider reviewing the scheme and recommending the outcome to Full Council for consideration alongside the decision to set the 2024/25 budget.

2.11 Having reviewed the operation of the scheme, it is considered that the existing scheme, agreed by Full Council on 21st January 2013, 22nd January 2015 and again on 9th January 2019, meets the Council's statutory requirements. It is therefore recommended that the scheme is not revised or replaced. However, this is the recommendation for the next financial year only. The authority's budget position can fluctuate yearly, and should it come under pressure in future, then it is possible that the current scheme may no longer be fit for purpose that it may need revising or replacing for future years.

2.12 Modelling the current CTS caseload commitments and estimating 2024/25 expenditure, based upon the current economic climate, would suggest future expenditure for the current scheme to be in the region of £19m to £19.2m in the next financial year (dependant on any council tax inflation). This is in line with the tax base calculation as set out within this report and expected expenditure.

2.13 The expenditure estimate assumes some increases in caseload and assumes no disproportionate increase in persons of pension credit age that would be protected from the effects of the scheme. In conclusion, there are currently no fundamental reasons to change the existing scheme. Case load is currently static or slightly decreasing after increasing due to the effects of the pandemic, and no real increase has materialised due to the current “cost of living crisis”, but the expected potential reduction or additional expenditure has been budgeted for and the risk of caseload numbers increasing beyond that provided for is felt to be low. As financial forecasts are similar to target expenditure, this report recommends that the CTS scheme continues in its current format and is recommended for adoption by full Council.

Legal Implications

The Council is legally obliged to calculate the Council Tax Base for 2024-2025 by 31 January 2024.

Section 31B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011, imposes a duty on Harrow Council, as a billing authority, to calculate its Council Tax by applying a formula laid down in that Section. The formula involves a figure for the Council Tax Base for the year, which must itself be calculated.

The Local Authority (Calculation of Council Tax Base) (England) Regulations 2012 SI.2914, require a billing authority to use a given formula to calculate the Council Tax Base. This is the formula set out and followed in the appendix to this report.

In respect of item Z, which relates to the authority’s council tax reduction scheme, the regulations allow for the provision of an estimate, rather than applying a defined formula. To arrive at the total value number of dwellings to be removed from the council tax base as a result of Harrows’ local council tax reduction scheme, an estimate has been based upon the total amount of CTS reductions given for each valuation band and divided by the estimated council tax payable for the valuation band concerned.

Legislation also imposes a duty on the Council to calculate the Council Tax Base within a prescribed period which is laid down in the Regulations as between 1 December and 31 January in the financial year preceding that for which the calculation of the council tax base is made.

Section 67 Local Government Finance Act 1992 was amended by section 84 of the Local Government Act 2003, (and the Localism Act 2011), to enable Full Council to delegate the power to set the tax base to the Executive. The constitution was duly amended at full Council on 20 October 2005.

Regarding the CTS scheme, Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992, as inserted by Schedule 4 to the Local Government Finance Act 2012, requires the authority to consider whether, for each financial year, the CTS scheme is to be revised or replaced. Where the scheme is to be revised or replaced, the procedural requirements in paragraph 3 of that Schedule apply. Any revision/replacement must be determined by 11th of March in the preceding year to the year which the changes are to apply. The council must therefore consider whether the scheme requires revision or replacement and if so, consult with the GLA, publish a draft scheme and then consult with such persons as may be affected by the operation of that scheme prior to determining the scheme before 31 January.

Article 6 of the Council's Constitution states a key decision is an executive decision which:
(i) is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or
(ii) is likely to be significant in terms of its effects on communities living or working in an area of two or more wards of the Borough.

A decision is significant for the purposes of (i) above if it involves expenditure or the making of savings of an amount in excess of £1m for capital expenditure or £500,000 for revenue expenditure or, where expenditure or savings are less than the amounts specified above, they constitute more than 50% of the budget attributable to the service in question.

Financial Implications

This report deals with financial matters throughout. The tax base of 89,375 is reflected in the Council's Revenue Budget for 2024-25. This compares with a tax base of 89,085 for the financial year 2023/24.This is an increase of 290 band D equivalents which represents £521k more in actual council tax income.

The Council Tax base is now the largest single income stream for the Council. As such it is important that the Council both grow the taxbase and maximise the income from it to support current and future financial pressures. Over the last few years, Harrow has grown the taxbase above expectations. Unfortunately, due to the increase in Council Tax Support caseload as a direct result of the pandemic, the last few years have seen little net growth as most of the actual growth that materialised offset higher CTS expenditure. This year, 2023/24, also resulted in the number of domestic properties coming on stream being lower than expected, partly due to the cost of living crisis and developers reducing new completions or slowing down building works due to affordability issues and lack of buyers.

Regarding the CTS scheme, it should be noted that provision for its cost is included within the Local Government Finance Settlement. It is not ring fenced, it is entirely for Harrow, as a Local Authority, to determine how much it is prepared to spend in light of the Council's overall financial position.

If the CTS scheme was to award higher and more generous support amounts to claimants, this would increase expenditure further and would not be sustainable as well as having a further detrimental impact on the Collection

Fund, that would be unaffordable to Harrow. On the other hand, if the scheme was to be revised such that a lower award was to be available to eligible claimants, a positive financial impact would be achieved that could feed into the following year's budget setting process.

Performance Issues

The Council Tax collection rate is no longer a national indicator but is monitored locally. The completion of the Council's statutory obligation to set a Council Tax Base as described previously, contributes to a favourable audit opinion.

In year collection over the last four financial years has been as below;

	2019/20	2020/21	2021/22	2022/23
Council Tax collected %	97.57%	95.35%	96.72%	96.63%

Due to the introduction of localised council tax support from 1/4/2013, the overall in year collection rate, whilst fluctuating slightly in the earlier years, has largely settled and performs in the upper quartile for both London and England. Collections' from this taxpayer category have therefore been higher than anticipated historically and should pose little risk to overall performance.

However, this needs to be caveated with the fact that uncertainty exists with regards to the impact of the "cost of living crisis" on collection performance and the fact that higher arrears exist as a result of the pandemic and the current economic crisis which will still need to be collected.

This will pose challenges to increasing collection performance as will the higher numbers of CTS claimants that could still materialise should unemployment rise disproportionately.

Environmental Implications

There are no direct environmental impacts anticipated from the recommendations contained within this report.

Data Protection Implications

There are no direct data protection impacts anticipated from the recommendations contained within this report.

Procurement Implications

There are no procurement impacts anticipated from the recommendations contained within this report.

Risk Management Implications

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

Separate risk register in place? **No** but part of overall budget risks

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

Whilst Officers have estimated the tax base as accurately as possible within the data available, the following key risks should be taken into account when agreeing the recommendations in this report:

Risk Identified	**Mitigations**	**Rag Status**
Statutory requirements not met within required deadline (31/01/24)	Council Tax Base for 2024/25 calculated using the required formula as detailed in the body of the report.	**Green**
Calculation is inaccurate	Processes are in place to validate tax base calculations including a working model which follows and aligns the formulas to the statutory parameters required under the legislation.	**Green**
Expected Collection rate not achievable	A strict recovery program is in place and bad debt provisions (BDP) for arrears are high which would mitigate lower collection rates by up to 1% - 2% in the short term.	**Green**
Potential unexpected increases in CTS caseload, both pensioner and working age, which may mean an overspend on council tax support beyond that budgeted for because of 1. Cost of living crisis 2. Economy deteriorating	Facts as we know them have been taken into account and best estimates based on historical and current knowledge used, but the risk is largely unmitigated as factors, such as the economy over which we have no control, influence risk. Being too prudent and assuming a much higher CTS caseload than at this point in time would also remove monies from the taxbase which are needed to support the budget. A balanced and considered view using Officers best estimate has therefore been used. This could mean that the collection fund would be adversely affected in the first instance, not the revenue budget, and there would be no immediate risk to the budget. This would allow the local authority time to clear the collection fund deficit therefore giving Harrow time to plan to clear any shortfall without endangering the 2024/25 budget.	**Amber**
Council Tax Support Scheme does not meet Statutory requirements	Operation of scheme has been reviewed to confirm that it meets statutory requirements	**Green**

Equalities implications

There are no Equalities implications from this report.

Council Priorities

Agreeing the tax base allows the Council to set council tax levels which is a fundamental part of the Council's budget process. Council Tax revenue is an essential part of the Council's overall budget and helps to support corporate priorities. As such it supports;

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed off by the Chief Financial Officer
Date: 07 December 2023

Statutory Officer: Paresh Mehta
Signed on behalf of the Monitoring Officer
Date: 01 November 2023

Chief Officer: Sharon Daniels
Signed off by Director
Date: 07 December 2023

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 25 October 2023

Head of Internal Audit: Tracy Barnett
Signed off by the Interim Head of Internal Audit
Date: 27 October 2023

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

Mandatory Checks

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

EqIA carried out: NO
This is a technical financial report which does not require an EqIA.

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact:

Fern Silverio (Head of Service – Collections & Housing Benefits),
Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk

Background Papers:

- The Local Authorities (Funds) (England) Regulations 1992
  http://www.legislation.gov.uk/ukpga/1992/14/contents
- The Non-Domestic Rating (Rates Retention) Regulations 2013
  http://www.legislation.gov.uk/ukdsi/2013/9780111532959/contents

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

Appendix 1: Calculation of the Council Taxbase for 2024-2025

SI No. 2914 The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012

((H - Q + E + J) - Z) x (F divided by G)

Line	Band	@	A	B	C	D	E	F	G	H	Total
	Actual current properties										
1	Dwellings on database 30/11/23	0	1,027	4,445	22,521	29,976	22,570	8,638	6,302	1,306	96,785
2	Exemptions (minus)	0	31	148	532	428	285	135	126	17	1,702
	Disabled Reductions of Band:										
3	Add to Lower Bands	0	3	36	129	183	76	58	11	0	496
4	Take from Higher Bands (minus)	0	0	3	36	129	183	76	58	11	496
5	Line 1-2+3-4 = *H*	0	999	4,330	22,082	29,602	22,178	8,485	6,129	1,278	95,083
6	Number in *H* above Entitled to										
	One 25% Discount		-530	-2,383	-8,136	-6,279	-4,215	-1,504	-928	-131	-24,106
7	Line 6 x 25%		-132.50	-595.75	-2034.00	-1569.75	-1053.75	-376.00	-232.00	-32.75	-6026.50
8	Number in *H* above Entitled to										
	Two 25% (50%) Discount		0	-1	-8	-13	-11	-9	-17	-12	-71
9	Line 8 X 50%		0.00	-0.50	-4.00	-6.50	-5.50	-4.50	-8.50	-6.00	-35.50
10	No in *H* above entitled to		-12	-28	-111	-113	-112	-31	-24	-5	-436
	50% discount										
	50% of above		-1.20	-2.80	-11.10	-11.30	-11.20	-3.10	-2.40	-0.50	-43.60
11	No in *H* above entitled to		0	0	0	0	0	0	0	0	0
	0% discount										
	0% of above		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12	*Total Discounts = Q*		-133.70	-599.05	-2049.10	-1587.55	-1070.45	-383.60	-242.90	-39.25	-6105.60
13	Line 5+ Line 12	0	865.30	3,730.95	20,032.90	28,014.45	21,107.55	8,101.40	5,886.10	1,238.75	88,977.40
	No entitled to be charged 100% premium		15	10	86	68	49	29	10	14	281
	Total Premiums = E		30.00	20.00	172.00	136.00	98.00	58.00	20.00	28.00	421.50
	Estimated changes likely										
14	* Properties Awaiting Banding	0	88	22	37	28	12	3	2	1	193
15	**New Properties		0	0	0	0	0	0	0	0	0
16	Line 14 + Line 15	0	88	22	37	28	12	3	2	1	193
17	Properties to be Deleted		0	0	-1	-1	-1	-1	-1	0	-5
18	Known Errors in Valuation List		0	0	0	0	0	0	0	0	0
19	Line 17 + Line 18	0	0	0	-1	-1	-1	-1	-1	0	-5
20	Line 16 + Line 19	0	88	22	36	27	11	2	1	1	188
21	Assumed Exemptions on										
	Ratio of Line 2 to 1		0	0	0	0	0	0	0	0	0
22	Assumed Discounts on										
	Ratio of Line 12 to 5		0	0	0	0	0	0	0	0	0
	Changes to Status of Existing Properties:										
23	Change in Discounts		0	0	0	0	0	0	0	0	0
24	Change in Exemptions		0	0	0	0	0	0	0	0	0
	Expected appeals against bands:										
25	Add to Lower Bands		5	15	21	32	11	9	7	0	100
26	Take from Higher Bands		0	-5	-15	-21	-32	-11	-9	-7	-100
27	Line 20+21+22+23+24+25+26 = *J*	0	93	32	42	38	-10	0	-1	-6	188
	CTR Discount										
	Ttl Band reduction based on total monetary	0	-204	-981	-3180	-2898	-1293	-299	-74	-5	-8934
	Expected in year changes		0	0	0	0	0	0	0	0	0
28	Total CTS Band Equivalent	0	-204	-981	-3180	-2898	-1293	-299	-74	-5	-8934
	Total CTR Discount = Z		-204.00	-981.00	-3180.00	-2898.00	-1293.00	-299.00	-74.00	-5.00	-8934.00
29	*H - Q + E + J - Z*	0.00	784.30	2801.95	17066.90	25290.45	19902.55	7860.40	5831.10	1255.75	80652.90
30	*To calculate band equivalents*		0.67	0.78	0.89	1.00	1.22	1.44	1.67	2.00	
31	Band D Equivalent:Lines 29x30	0	522.87	2179.29	15170.58	25290.45	24325.34	11353.91	9718.50	2511.50	91072.44
32	Contributions in lieu of Class O	0.0	0.0	0.0	42.0	60.0	0.0	12.0	14.0	2.0	126.16
33	Band D equivalent for Taxbase calculation										**91,199**
34	**Band D Equivalent for Taxbase Calculation**									*Before allowance for collection rate*	**91,199**
35	Band D equivalent for Taxbase calculation after non-collection allowance **(2.00%)** applied										**89,375**