

Performance and Finance Scrutiny Sub-Committee Agenda

Date: Monday 22 March 2021

Time: 6.30 pm

Venue: Virtual Meeting - Online

Membership (Quorum 3)

Chair: Councillor Kiran Ramchandani

Labour Councillors: Ghazanfar Ali
Honey Jamie

Conservative Councillors: Nitesh Hirani
Pritesh Patel (VC)

Labour Reserve Members:

1. Dean Gilligan
2. Ajay Maru
3. David Perry

Conservative Reserve Members:

1. Ameet Jogia
2. Amir Moshenson

Contact: Mwim Chellah, Senior Democratic and Electoral Services Officer
Tel: 07761 405966 E-mail: mwimanji.chellah@harrow.gov.uk

Scan this code for the electronic agenda:



Useful Information

Meeting details

This meeting is open to the press and public and can be viewed on www.harrow.gov.uk/virtualmeeting

Filming / recording of meetings

Please note that proceedings at this meeting may be recorded or filmed. If you choose to attend, you will be deemed to have consented to being recorded and/or filmed.

The recording will be made available on the Council website following the meeting.

Agenda publication date: Friday, 12 March 2021

Agenda - Part I

1. Attendance by Reserve Members

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

- (i) to take the place of an ordinary Member for whom they are a reserve;
- (ii) where the ordinary Member will be absent for the whole of the meeting; and
- (iii) the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;
- (iv) if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

2. Declarations of Interest

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

- (a) all Members of the Sub-Committee;
- (b) all other Members present.

3. Minutes (Pages 5 - 12)

That the minutes of the meeting held on 14 December 2020 be taken as read and signed as a correct record.

4. Public Questions *

To receive any public questions received in accordance with Committee Procedure Rule 17 (Part 4B of the Constitution).

Questions will be asked in the order in which they were received. There will be a time limit of 15 minutes for the asking and answering of public questions.

[The deadline for receipt of public questions is 3.00 pm, 17 March 2021. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

5. Petitions

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

6. References from Council and Other Committees/Panels

To receive any references from Council and/or other Committees or Panels.

7. Responding to the Recommendations from the Universal Credit Commission (Pages 13 - 38)

8. Channel Migration Presentation (Pages 39 - 56)

9. Revenue and Capital Monitoring 2020/21 - As At Quarter 3 (31 December 2020) (Pages 57 - 144)

10. **Final Revenue Budget 2021/22 and final Medium-Term Financial Strategy 2021/22 to 2023/24** (Pages 145 - 240)
11. **Any Other Business**
Which cannot otherwise be dealt with.

Agenda - Part II - NIL

*** Data Protection Act Notice**

The Council will video/audio record item 4 (Public Questions) and will place the audio recording on the Council's website, which will be accessible to all.

[**Note:** The questions and answers will not be reproduced in the minutes.]



Performance and Finance Scrutiny Sub-Committee

Minutes

14 December 2020

Present:

Chair: Councillor Kiran
Ramchandani

Councillors: Ghazanfar Ali
Dean Gilligan
Nitesh Hirani
Pritesh Patel

**In attendance
(Councillors):** Simon Brown
Christine Robson
Adam Swersky
For Minute 60
For Minute 60
For Minute 61

**Apologies
received:** Honey Jamie

54. Attendance by Reserve Members

RESOLVED: To note the attendance at this meeting of the following duly appointed Reserve Member:

Ordinary Member

Reserve Member

Councillor Honey Jamie

Councillor Dean Gilligan

55. Minutes

RESOLVED: That the minutes of the meeting held on 27 July 2020, be taken as read and signed as a correct record.

56. Declarations of Interest

RESOLVED: To note that the Declarations of Interests published in advance of the meeting on the Council's website were taken as read.

57. Public Questions

RESOLVED: To note that no public questions were received at this meeting.

58. Petitions

RESOLVED: To note that no petitions had been received at this meeting.

59. References from Council and Other Committees/Panels

RESOLVED: To note that there were none.

Resolved Items

60. Children and Adult Social Care Complaints Annual Reports 2019/2020

Members received the Children and Families Services Complaints Annual Report 2019/20, and the Adults Services Complaints Annual Report 2019/20.

The Children and Families Services Complaints Annual Report 2019/20 outlined that there were some 156 "transactions" within the complaints process during the year. These were representations, formal complaints, members' enquiries and referrals to the Local Government Ombudsman. Given the nature of some of the work undertaken, such as, child protection and looked after children, it was positive that numbers of complaints were minimal.

The Chair invited questions from Members of the Sub-Committee on the report.

The following points were raised and discussed:

- a) the overall number of complaints was small, and not representative of any particular community;
- b) the Council had a responsibility towards Children Looked After (CLA) as their corporate parent, and CLA brought up practical issues towards their care; and
- c) the majority of cases were based on perception, where some families found particular questions invasive, and the role that Social Workers played was vital to clear up any misconceptions.

The Adults Services Complaints Annual Report 2019/20 outlined the overall picture that remained positive and reflected real commitment from managers and staff to resolve complaints as effectively, and as promptly, as possible. Low levels of escalation to secondary stages or the Local Government Ombudsman (LGO) further reinforced that complainants were satisfied that their concerns were heard and dealt with appropriately.

There were some 200 “transactions” within the complaints process during the year. These were representations, formal complaints, members’ enquiries and referrals from the LGO. Given the nature of some of the work undertaken in ensuring care for very vulnerable individuals, it was positive that the numbers of complaints were minimal.

The Chair invited questions from Members of the Sub-Committee on the report.

The following points were raised and discussed:

- a) the current health pandemic in the country, as a result of Covid-19 restrictions, had an impact on interaction with clients. However, the use of modern technology facilitated communication, such as telephone calls, and Microsoft Teams meetings or via Zoom;
- b) some complaints occurred when there were domestic issues, particularly around couple’s divorce. One party would feel aggrieved that Social Workers were siding with the other party, which was not the case; and
- c) it was not the role of Social Services to try and “reconcile” divorcing parties, but would provide support if required.

RESOLVED: That the reports be noted.

61. Reports from the Director of Finance

Members received three reports from the Director of Finance. These were:

- 1) Revenue and Capital Monitoring 2020/21 - as at Quarter 2 (30 September 2020);
- 2) Draft Revenue Budget 2021/2022 and Draft Medium Term Financial Strategy 2021/2022 to 2023/2024; and
- 3) Draft Capital Programme 2020/2021 to 2023/2024.

The Revenue and Capital Monitoring 2020/21 - as at Quarter 2 (30 September 2020) informed Members on the 2020/21 forecast financial position as at Quarter 2 (30 September 2020), and would update Cabinet on 17 December 2020. It would seek approval for Capital Programme adjustments which required Cabinet approval in accordance with Financial Regulations.

The Chair invited questions from Members of the Sub-Committee on the report.

The following points were raised and discussed:

- a) *Why was Everyone Active being funded by the Council when it was a private organisation?*

The Director of Finance advised that Everyone Active was a charity, and support was being provided in view of Government guidelines in the current Covid-19 environment. There was the provision of support to Everyone Active by way of granting a management fee holiday, and help to underwrite losses. This would also include assistance with maintenance and management costs.

The Portfolio Holder for Finance and Resources added that the circumstances caused by the Covid-19 pandemic had necessitated support to leisure centres.

- b) *Quoting paragraph 2.23 of the report, where the Under 18s “Home to School Transport” arrangement, with £500 000 being part of the deal between Transport for London (TfL) and Government, would this be suspended by TfL, thereby affecting free travel for under 18s, had this been confirmed, and if so, what alternative arrangements would be in place?*

The Director of Finance advised that the concession had been in place since 2006, and its withdrawal would mean that the statutory financial support for school travel for some age groups would fall to local authorities, as it did in the rest of the country. Whilst the duty had also been with local authorities in London, the financial cost had been met by TfL. The proposal was that any changes would come into effect in January 2021. The Council would be informed about the final outcome in the course of the week.

- c) *Quoting paragraph 2.29 of the report on the central contingency of £1.248m being forecast as being spent at this point in the year and so there being no variance, would this be earmarked for particular spending?*

The Director of Finance advised that it was an ongoing reserve figure, going to the third quarter (Q3), with the aim of keeping a grip on the budget. It was envisaged that the contingency would be applied generally, and not on a specific item.

- d) *What lessons had been learned on the slippage on page 21 of the report, from the underspend of £1.39m?*

The Director of Finance advised that the significant part of the £149m was the £94m ear marked for commercial property investment, which was paused. This would be removed from the Capital Programme. This underspend on the Capital Programme was generating a £4.9m underspend against capital financing costs in the revenue account. The forecast spend on the Housing Revenue Account budget was £29.701m (58% of budget) with the remainder of the budget of £21.355m being forecast as slippage.

The Portfolio Holder for Finance and Resources added that £100m had been put in capital projects, which had a two-year budget strategy. In

the current Covid-19 pandemic, it was found prudent to pause the projects. Therefore, no public monies had been lost.

- e) *On the redevelopment of Vernon Lodge and Probation Centre, where the originally planned scheme was no longer being progressed, would this be revived in future?*

The Portfolio Holder for Finance and Resources advised that a revised business case for the project is currently being reviewed, along with the inclusion of the Probation Centre. As part of a wider proposal to provide homeless accommodation, it was necessary to assess the financial viability of the scheme.

The Draft Revenue Budget 2021/22 and Draft Medium Term Financial Strategy 2021/22 to 2023/24 informed Members on the the draft revenue budget for 2021/22 and draft Medium Term Financial Strategy (MTFS) for 2021/22 to 2023/24. These would considered by Cabinet on 17 December 2020, and brought back to Cabinet in February 2021 for final approval and recommendation to Council.

The Chair invited questions from Members of the Sub-Committee on the report.

The following points were raised and discussed:

- a) *Would Council staff and contractors be paid the London Living Wage?*

The Portfolio Holder for Finance and Resources advised that steps were being taken to ensure that all staff and contractors were paid the London Living Wage. This had been prioritised by the Council, and all firms providing services to the Council would have to abide by this before taking up contracts.

- b) *Would some current contracts with variant clauses be required to pay the London Living Wage?*

The Portfolio Holder for Finance and Resources advised that even those contracts with variant clauses would be required to pay the London Living Wage.

- c) *Why did Harrow have one of the lowest external funding sources from the Government, and where did the figures come from to justify the situation?*

The Director of Finance advised that the figures were compiled by an external organisation that used formulae to fund councils in the country. The formulae used had not been adjusted over the years. Harrow was ranked low in the perking order, hence the low funding. The external funding did not reflect the costs of running the borough. For instance, the formulae did not consider the “low pay” peculiarities of residents, as most were “not on benefits” compared with other

boroughs. Furthermore, there had been changes in the borough's demographics, which was not reflected in the funding formulae.

The Draft Capital Programme 2020/21 to 2023/24 informed Members on the draft General Fund capital programme which had been proposed as part of the 2021/22 budget process. Cabinet would consider the draft programme on 17 December 2020, and it would be brought back to Cabinet in February 2021 for approval in February 2021.

The Chair invited questions from Members of the Sub-Committee on the report.

The following points were raised and discussed:

- a) *What was the Council's position on borrowing, and was this for particular programmes?*

The Director of Finance advised that the current borrowing figure was £410m. It was not envisaged that there would be more borrowing in the current financial year. The "trigger point" to consider more borrowing was £30m. Furthermore, borrowing was not for specific programmes, but was meant to be applied generally across costs in the Council if required.

RESOLVED: That the reports be noted.

The video recording of this meeting can be found at the following link:

<https://www.harrow.gov.uk/virtualmeeting>.

(Note: The meeting, having commenced at 6.30 pm, closed at 8.10 pm).

(Signed) Councillor Kiran Ramchandani
Chair

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REPORT FOR: CABINET

Date of Meeting:	14 th November 2019
Subject:	Responding to the Recommendations from the Universal Credit Commission
Key Decision:	Yes
Responsible Officer:	Alex Dewsnap, Director of Strategy
Portfolio Holder:	Adam Swersky, Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Annex 1: Universal Credit Commission Final Report Annex 2: Draft Universal Credit Commission Action Plan

Section 1 – Summary and Recommendations

This report sets out the Council’s response to the Member led Commission on Universal Credit in Harrow. As this was a Member led commission, there is a need for an Officer report to Cabinet to endorse the recommendations and the resulting action plan.

Recommendations:

Cabinet is requested to:

1. Note the Universal Credit Commission Final Report (Annex 1);

2. Endorse the draft action plan which has been developed across the Council and wider partnership (Annex 2); and

Reason:

The Member led commission was set up outside of the current Non-Executive arrangements of the Council so has no constitutional basis. Therefore this report allows a reporting route through to Cabinet in order to endorse the recommendations from the review and to sign up to the draft action plan.

Section 2 – Report

Introductory paragraph

The national roll-out of Universal Credit commenced in Harrow in 2017, so on this basis, the Commission was set up as a mechanism for driving practical and coordinated action for the benefit of Harrow residents. The Commission included the following Councillors from both Political Groups in the Council:

- Councillor Richard Almond
- Councillor Dan Anderson
- Councillor Phillip O'Dell
- Councillor Pritesh Patel
- Councillor Kiran Ramchandani
- Councillor Norman Stevenson
- Councillor Adam Swersky (Chair)

The Commission has been supported from the Labour Group Office in terms of the notes of meetings and the production of the final report. The final report attached at Annex 1 was signed off by the Members of the Commission (which are set out at Appendix 3 of the Final Report).

This report is principally set out to enable Cabinet to endorse the findings and recommendations of the Commission, and to give a vehicle to approve the draft action plan which follows the recommendations (attached as Annex 2).

Options considered

One option would be not to bring the final report from the Commission to Cabinet, but as doing so offers the opportunity to bring to light the Council's Cross-Party work on this important topic, it has been decided that there is much greater value in Cabinet endorsement of the recommendations from the Commission and its oversight more generally in the implementation of the recommendations.

Risk Management Implications

The risk related to Universal Credit implementation in Harrow is not currently on either the overall Council Risk Register or the Resources Directorate Risk Register. Obviously, any adverse impacts on the transition to the Universal Credit for residents and families is a risk to their welfare and could have impacts on other aspects of their life through creating greater hardship. The Citizens Advice Bureau (CAB) through the General Information and Advice Service is commissioned to support general enquiries of this nature, but nationally the CAB have also been awarded monies from the Department for Work and Pensions for specific advice around Universal Credit (which is being delivered through each local CAB). Therefore this is a key mitigation to support local residents who are facing challenges around the transition to Universal Credit.

Universal Credit remains of great concern to Housing. As of October 2019 63% of our general needs council tenants who claim UC are in rent arrears with an average debt of £562. For comparison 24% of our general needs council tenants on Housing Benefit are in arrears with an average debt of £257. Housing staff continue to spend a lot of time responding to the Department of Work and Pensions and also helping tenants, without any additional funding.

Rent arrears have a negative impact on the revenue generated for the Housing Revenue Account and therefore the budget that the Council has to spend on related services to the tenants and leaseholders across all Council housing.

The fourth annual Welfare Reform survey from ARCH (Association of Retained Council Housing) and the National Federation of ALMOs (NFA) shows that:

- households on UC are still significantly more likely to have housing debt than those on HB;
- UC is draining cash and resources from already hard-pressed councils and their ALMOs;
- households on UC are still significantly more likely to have housing debt and they also owe more; and
- the figures would be even worse if the 39 English councils and ALMOs who responded weren't plugging the gaps with their own staff, training, IT investment and cash.

The full report "Patching the net: Measuring the impact of Universal Credit on tenants and landlords" is available online.

Procurement Implications

At this stage there are no Procurement implications to the recommendations, but as the Action Plan develops this may change. However, if this is the case, Procurement will be engaged early so that any decisions sit within the Council's Standing Orders.

Legal Implications

There are no specific Legal implications as a result of the recommendations in this report. However, if this changes through the development of the action plan Legal will be engaged, and if this requires a further report coming back to Cabinet (as there are no delegations in the recommendations) then this will be brought back to Cabinet.

Financial Implications

At this stage there are no specific financial implications, but if any arise from the development of the actions in the action plan Finance will be fully engaged, so that no actions are taken forward before an appropriate business case has been developed and the Council's formal processes to sign off any additional spend have been followed.

Equalities implications / Public Sector Equality Duty

Although an EQIA has not been produced to accompany this report, as the recommendations from the Commission are clearly about improving outcomes for residents any impact is likely to be positive rather than adverse.

Council Priorities

The recommendations from the Commission and the resulting action plan clearly support the priority **Supporting Those Most in Need**, through aiming to:

- Reduce levels of homelessness in the borough;
- Empower residents to maintain their well-being and independence; and
- Children and young people are given the opportunities to have the best start in life and families can thrive.

The recommendations also support the priority of **Modernising Harrow Council** through aiming to:

- Improving access to digital services

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 4 th November 2019		
Name: Sharon Clarke	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer

Date: 5th November 2019

Name: Nimesh Mehta

Head of Procurement

Date: 4th November 2019

Name: Charlie Stewart

Corporate Director

Date: 5th November 2019

MANDATORY

Ward Councillors notified:

NO, as it impacts on all Wards

EqIA carried out:

NO

EqIA cleared by:

If '**NO**' state why an EqIA is not required for Cabinet to take a decision

An EQIA is not required at this stage as the decision to endorse the recommendations of the Commission is supportive to residents. As the Action Plan is further developed an EQIA can be undertaken where necessary to support targeted action where it is clear that considering the Protected Characteristics of those residents and families on Universal Credit will lead to a greater improvement in their outcomes.

Section 4 - Contact Details and Background Papers

Contact: Alex Dewsnap, Director of Strategy,
alex.dewsnap@harrow.gov.uk, 020 8416 8250

Background Papers: None

**Call-In Waived by the
Chair of Overview and
Scrutiny Committee**

*(for completion by Democratic
Services staff only)*

YES/ NO / NOT APPLICABLE*

** Delete as appropriate
If Yes, set out why the decision is
urgent with reference to 4b - Rule
47 of the Constitution.*

Harrow's Plan

**to tackle the impact
of Universal Credit
on our residents**

**The Final Report of the Commission on
the Implementation of Universal Credit in Harrow.**

September 2019

Introduction and context for the Commission

The roll-out of Universal Credit (UC) represents the largest overhaul of the welfare system for working age people in a generation. Once fully implemented, it will affect around seven million people in the UK. In Harrow alone, there will be in the region of 15,000 families claiming the benefit, including nearly 28,000 children.

While the aims of UC are laudable - consolidating six complex benefits claims into one and ensuring that everyone is better off in work - its implementation has been deeply flawed. Subject to years of delay, the recent roll-out has exposed critical errors in some of the key assumptions of the programme, for example that all claimants could manage their benefit claim online and that claimants could manage the cash flow challenge of being paid monthly in arrears. While the National Audit Office describes the project as “not value for money now and... it’s future value for money unproven”¹, Child Poverty Action Group believes it simply “isn’t working for working people”².

While other Councils, such as Liverpool³ and Southwark⁴, have provided valuable research on the impact of UC on claimants in their areas, Harrow Council chose to launch a cross-Party Commission to explore what we as a Local Authority could practically do to support our residents at a time of great uncertainty and transition. The aim of our work was to:

- Better understand the timeline for the planned roll-out, and the number and type of people affected over time in Harrow;
- Provide a forum for statutory and voluntary sector partners to share what they are seeing on the ground and what opportunities they see for better partnership working;
- Assess the likely impact on the demand for Council services, including housing, benefits, and social care;
- Explore opportunities for the Council to:
 - Use our data corporately to identify those most at risk, taking into account privacy and regulatory considerations;
 - Put in place corporate or service-level strategies to mitigate any downsides for both the Council and residents and to intervene early where issues arise;
 - Redirect resources to target specific need.
- Agree an engagement strategy with central government and others.

Over a series of three hearings, we took evidence from a wide range of people, including Council officers from our housing, revenue and benefits, and policy teams; voluntary sector representatives from Harrow Mind, Harrow Association for the Disabled, Harrow Citizens Advice Bureau, and the national Child Poverty Action Group; and representatives from the West London Jobcentre Plus district.

This report is divided into three sections:

¹ <https://www.nao.org.uk/report/rolling-out-universal-credit/>

² <http://www.cpag.org.uk/content/universal-credit-assessment-system-leaving-claimants-out-pocket>

³ <https://liverpoolexpress.co.uk/liverpool-says-rethink-universal-credit/>

⁴ Safe as Houses, Nov 2018 (Southwark Council)

- A. The challenges faced by Harrow residents claiming UC.
- B. The opportunities for Council action identified by the Commission.
- C. An action plan for the Council.

The Commission was set up as a mechanism for driving practical, coordinated action for the benefit of Harrow residents. Its findings are endorsed by councillors from across the political spectrum. Its work will be judged by the impact it has on people's lives. They are people who, some through no fault of their own, are caught in trap of transition to Universal Credit and find themselves in hardship and debt.

Part A. The challenges faced by Harrow residents claiming UC

The Commission found four key areas of concern:

- Rent arrears & Harrow HRA
- Application and calculation problems
- Digital inclusion / access
- Mental Health / disability

Rent arrears / impact on HRA

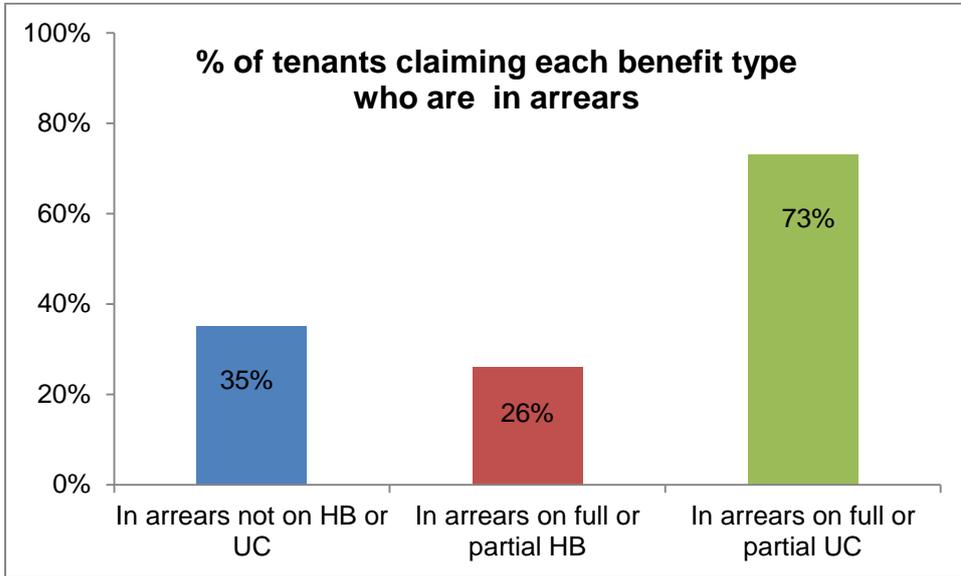
The most high-profile problem associated with the implementation of UC is rent arrears. There are two main causes of this. First, when full rollout of UC began, HB for existing claimants would cease immediately while their UC claim was processed. This can take up to six weeks meaning claimants could potentially wait up to ten weeks without receiving a housing payment (UC is paid one month in arrears). The DWP has sought to alleviate this issue by allowing HB to continue for two weeks after a UC claim is made but even with this change, claimants may still face a lengthy gap between housing payments.

The second problem element of UC from an arrears perspective is that claimants now receive a single monthly payment covering all benefit entitlements, including the housing element. Under the legacy system, housing benefit was often paid directly to landlords.

Both in Harrow and across the country, there is strong evidence that UC is significantly increasing rent arrears. Southwark Council has conducted two studies looking at this issue. These studies find that rent arrears initially occur during the transition to UC which is the trend described above. However, Southwark's study also identified a trend that after approximately one year, rent arrears began to reappear. This suggests that the rent arrears issue goes beyond teething problems during the transition to UC.

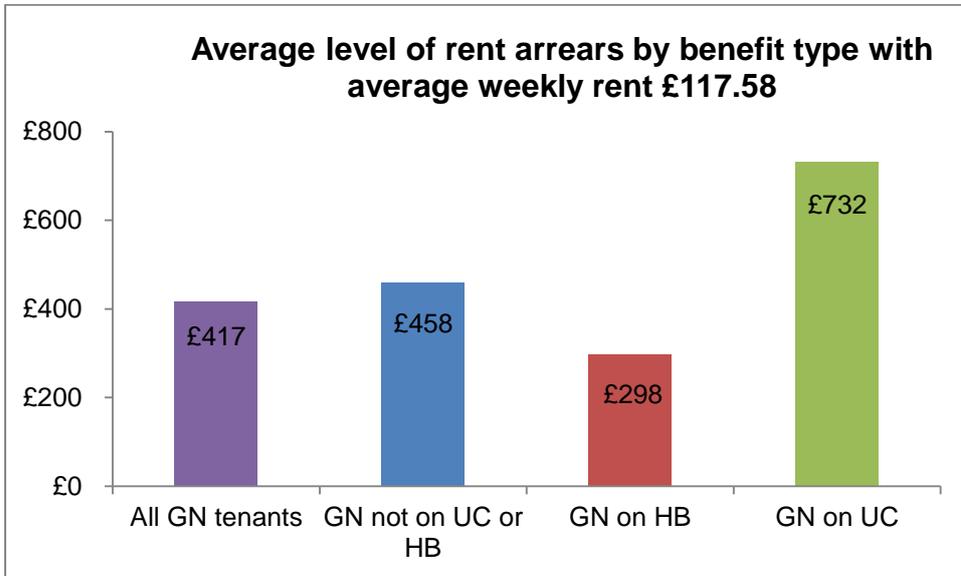
We have found similar trends in rent arrears in Harrow. Tenants in receipt of UC are both more likely to be in arrears and have arrears of a higher level. This effect can be seen in figures 1 and 2.

Figure 1:



Currently 5% of our secure tenants in general needs properties claim Universal Credit. Of these, 73% are in arrears with an average level of arrears of £732.

Figure 2:



By comparison, currently 58% of our secure tenants in general needs properties claim Housing Benefit. Of these, 26% are in arrears with an average level of arrears of £298.

The build-up of rent arrears as a result of UC is likely to have a significant impact on both social landlords (in our case, the Harrow Housing Revenue Account) and on the tenants themselves.

Application and calculations

The commission found that a significant number of problems associated with UC originate from the application and benefit calculation part of the process. One key factor is that under UC, the DWP now calculates housing payments, whereas under the legacy benefit systems, housing benefit has been under local authority control since the 1980s. Consequently, there is a lack of knowledge and experience in this area among DWP staff.

This problem is compounded locally as Harrow is a top 20 local authority for housing complexity – for example people have multiple jobs (leading to fluctuating monthly

incomes), short-term tenancies and are from overseas. This results in a significant number of UC calculation errors.

In addition, the commission heard of cases of the DWP not following its own guidelines. This includes claims being closed within one week if the claimant fails to attend or book an interview (guidelines allows for one month); and the DWP not applying the non-dependent exemptions properly meaning that these must be re-applied for and often cannot be back-dated, resulting in a loss of funds for claimants.

Similarly, the Child Poverty Action Group (CPAG) reported that DWP admin errors and poor advice result in a large number of claimants receiving less money than they're entitled to – 40% of UC cases referred to the CPAG early warning system fall into this⁵.

Additionally, once mistakes are made, it is difficult to challenge the DWP decision making – waiting times for tribunals average six months and even up to sixty weeks when a medical expert is needed.

Harrow Council's UC working group also found that it is the payment and calculation side of the UC application process that mainly causes problems, particularly because DWP does not give sufficient information on how payment amounts have been calculated.

While claimants do receive regular meetings with a DWP Work Coach, the role of the Work Coach is to ensure that a claimant's worksheet commitment is being fulfilled (i.e. that claimants are spending the agreed amount of time looking for work). Work Coaches do not calculate benefits or explain calculations to claimants, consequently, claimants cannot resolve the issues highlighted above at these regular meetings.

UC and Mental Health / Disabilities

The Harrow Association of Disabled People (HAD) reported that the claimants suffered from a mental health condition in the majority of cases referred to them. Overall, 43% of Harrow JCP users have a mental health condition⁶. HAD identified various additional barriers faced by UC claimants that have either mental health conditions or disabilities.

Again, these difficulties are often the result of DWP staff either lacking knowledge of mental health conditions and disabilities, or the DWP not following its own procedure correctly. HAD found that work coaches often fail to understand the significance of people's health conditions and do not make the appropriate allowances or correctly applying 'extra protections'.

In particular, those with complex needs are not always given the additional support to which they are entitled. In order to receive any benefits, claimants can be forced to sign up to work commitments that they cannot fulfil because of health condition or disability.

Other issues that were raised at the commission include the three month wait for 'limited capability for work' payments which are not always backdated; that the DWP does not always 'carry over' a claimant's status from legacy benefits as it should (e.g. if they were in receipt of ESA), meaning that claimants are incorrectly required to re-apply; work capability assessments narrowly focus on mobility and do not pick up the full impact that mental health can have on someone's capability for work.

Digital Inclusion / Access

⁵ Reported to the Commission by CPAG

⁶ Reported to the commission by HAD

The UC application process is digital-only and claimants must have an email address and bank account in order to complete an application. There are currently 1.5 million unbanked adults in the UK⁷. Digital inclusion is also an issue - while 89% of the UK population has regular access to the internet, access correlates to income / social class and the figure falls to just 62% for those on low incomes⁸. Therefore, digital exclusion will disproportionately affect UC claimants versus the UK population as a whole (as claimants typically have lower incomes than the national average). A lack of digital access restricts people's ability to apply for UC and monitor claims once they have applied.

Moreover, Harrow Mind reported that digital exclusion is a particular problem for those with a mental health condition as there has been no meaningful increase to digital access in the last five years for this group⁹.

Travel (to assessments, interviews and technology) is another barrier faced by UC claimants. Harrow Mind and HAD reported that travel requirements posed additional barriers for the disabled and those with a mental health need. These additional difficulties are often not taken into account by DWP staff.

Part B. The opportunities for Council action

Although the means of tackling the most significant issues around Universal Credit lie in the hands of central government, the purpose of the Commission was to identify areas where Harrow Council could act to mitigate its most egregious local impacts.

We identified four areas of action:

1. Digital inclusion
2. Working with partners
3. Reviewing Council Tax Support
4. Relationship with Jobcentre Plus (JCP)

This section of the report provides further detail in each area.

1. Support claimants to access UC online

One of the key challenges identified with UC is the requirement in the vast majority of cases for claimants to apply for, and manage, their benefit online. This is clearly problematic for a portion of the population, estimated at around 11%¹⁰, who do not have direct access to the internet. In addition, we identified a much larger group who may have access to digital services but who either lack the digital skills needed to complete a complex online application form or who struggle with the demands placed on them by the UC application and ongoing management process.

For example, we heard of individuals who were required to continually check their emails for updates or requests from their DWP caseworker. Failure to respond to these could lead to an application being rejected or payments being delayed or miscalculated.

The Commission recognised that digital skills are not only critical for claimants to get the correct amount of UC payments on time. They are also vital to access a whole range of other services, such as online banking, social networks, e-learning, and Harrow Council services.

⁷ <http://www.financialinclusioncommission.org.uk/facts>

⁸ https://www.ofcom.org.uk/__data/assets/pdf_file/0018/105507/internet-use-attitudes-bulletin-2017.pdf

⁹ Reported to the commission by Mind in Harrow

¹⁰ https://www.ofcom.org.uk/__data/assets/pdf_file/0018/105507/internet-use-attitudes-bulletin-2017.pdf

We, therefore, recommend that:

1. **The Council implements a broad-based digital inclusion programme (“No One Left Offline”)**. This should start with a more complete analysis of the barriers to accessing digital services. It should then implement a programme that will provide digital skills training to residents, making use of free resources such as Google’s Digital Garage. This should build on best practices identified elsewhere. For example, other programmes have found that marketing digital skills training as a way of engaging with hobbies online is more effective than marketing it directly as a route to accessing government benefits or other services. The programme should also ensure that all Harrow residents have access to internet-enabled devices, taking into account mobility issues and the need for some people to have access to hands-on support.
2. **Work with others to provide targeted support to people struggling with the online UC application form.** The Council should promote the work of local organisations, such as Harrow CAB, Harrow Association of Disabled people and Jobcentre Plus, that already provide some targeted support. It should also explore how it can support these organisations to improve their reach and effectiveness.

2. Work with partners to better support UC claimants

Harrow Council's partners in the voluntary and community sector (VCS) have extraordinary reach into communities that are in greatest need of support to access Universal Credit. Many of these partners gave evidence to the Commission and demonstrated their deep knowledge around the often complex and specific issues that claimants face when accessing the new benefit.

However, not all VCS organisations have the resources to fully train their staff on UC or to provide the kinds of support needed to their clients. A key part of the Council's plan to better support UC claimants in the borough must, therefore, involve supporting the VCS sector locally so they are better able to support claimants.

We, therefore, recommend that:

3. **The Council implements a training and support programme for VCS organisations in Harrow** to provide up-to-date information and guidance around UC. This should include sign-posting to further resources from DWP and/or other organisations.
4. **The Council builds operational communication links between Council staff and VCS organisations around UC support.** This would enable VCS staff to get rapid access to specific advice around individual cases and to leverage the Council's relationship with Jobcentre Plus to escalate issues.

3. Review Council Tax Support

The Council currently has a single a service that supports residents to access both Housing Benefit and Council Tax Support. In the future, residents will need to apply directly to DWP for access to Universal Credit and separately to the Council to access Council Tax Support. This creates a number of challenges, as identified in Part A of this report.

The Council is planning to consult residents on changes to Council Tax Support (CTS) to address some of these issues. In particular, under UC, the Council is informed each month if there are any changes to an individual's income. This information is provided through a link between DWP and HMRC that provides Real Time Information to DWP on personal income. If a resident's income changes, the Council needs to re-assess entitlement to CTS. This is likely to be incredibly cumbersome for the Council and residents, as it could mean monthly re-assessments for every claimant.

The Council's consultation on changes to CTS is, however, an opportunity to explore how changes to CTS might support those worst affected by the transition to Universal Credit.

We recommend that:

5. **The Council's forthcoming consultation on CTS explores opportunities to reduce the impact of UC on the worst-affected claimants.** For example, this could include a one-off reduction in Council Tax for residents accessing Universal Credit for the first time. This could help mitigate the long delays that some claimants have faced in receiving their benefit.

4. Strengthen the operational and strategic relationship with Jobcentre Plus (JCP)

Under Universal Credit, nearly all claims must be made online and are then processed centrally by a national DWP team. This means that local Jobcentre Plus (JCP) staff have a much more limited role in processing and supporting claimants with access to this benefit.

Despite this, a close working relationship with the local JCP is critical for the Council to be able to effectively support affected residents. There are a number of ways in which this relationship can be effective:

- It enables Council staff in contact with UC claimants to escalate issues to DWP via the local JCP;
- It enables Council staff, in partnership with VCS organisations, to share wider concerns with DWP through the JCP partnership team;
- It supports better two-way communication between the Council and JCP around changes to UC, whether on loan advances to claimants, payment delays, opportunities to claim by phone or in person, or other aspects of the benefit.

Given the complexity of UC and the challenges for individuals in working out their entitlement, the ability for Council staff to have a quick and easy way to share issues and escalate cases is vital.

We recommend that:

- 6. The Council's establishes a set of regular communications channels with JCP,** for example a weekly conference call for operational staff and a quarterly partnership meeting for senior managers. As part of this regular communication, the Council and JCP should look for further opportunities to create operational links that make it quicker and easier to deal with individual or wider system issues.

C. Action Plan

Overall accountability for this action plan will rest with Adam Swersky, Cabinet member for Finance and Resources, and Alex Dewsnap, Divisional Director for Strategic Commissioning.

<u>Recommendation</u>	<u>Actions</u>	<u>Lead(s)</u>
1. A broad-based digital inclusion programme (“No One Left Offline”)	<p>Conduct a more detailed analysis of the barriers to accessing digital services, including confidence, knowledge, access to advice, and access to internet-enabled devices.</p> <p>Develop a digital inclusion programme, in partnership with statutory partners and the voluntary sector, to ensure that there’s “No One Left Offline”. This should include:</p> <ul style="list-style-type: none"> • Digital skills workshops which engage residents on non-UC topics (e.g. hobbies). This should leverage free resources from organisations such as Harrow’s IT partners and Google; • A programme to ensure all Harrow residents have access to internet-enabled devices, taking into account mobility issues and the needs of some people for advice and support alongside access. 	<p>Officer Lead: Alex Dewsnap</p> <p>PH Lead: Sue Anderson</p>
2. Work with others to provide targeted support to people struggling with the online UC application form	<p>Work with statutory partners and the voluntary sector to promote the provision of targeted support to people struggling to complete online UC applications and to communicate with their case officers through the online portal. Explore how we can support organisations providing support to increase their reach.</p>	<p>Officer Lead: Alex Dewsnap</p> <p>PH Lead: Sue Anderson</p>
3. Implement a training and support programme for VCS organisations in Harrow	<p>Facilitate additional training at all levels of the UC network (JCP, Harrow Council, VCS, CAB)</p> <p>Circulate / publicise existing informational literature on UC – e.g. CAB’s ‘Jargon cheat sheet’ and document checklist; Mind’s factsheet for those with mental health need.</p>	<p>Officer Lead: Alex Dewsnap</p> <p>PH Lead: Sue Anderson</p>
4. Build operational	<p>Ensure that VCS organisations</p>	<p>Officer Lead: Alex</p>

<u>Recommendation</u>	<u>Actions</u>	<u>Lead(s)</u>
communication links between Council staff and VCS organisations around UC support	<p>providing targeted support on UC claims have direct access to the Council's Revenues & Benefits and Housing teams to accelerate resolution of any issues.</p> <p>Ensure issues around UC are regularly reviewed in formal and informal discussions between senior Council and VCS staff.</p>	<p>Dewsnap</p> <p>PH Lead: Sue Anderson</p>
5. As part of forthcoming consultation on CTS, explore opportunities to reduce the impact of UC on the worst-affected claimants	<p>All options to be considered – e.g. CT 'holiday' when residents transfer to UC</p>	<p>Officer lead: Fern Silverio PH Lead: Adam Swersky</p>
6. Establish a set of regular communications channels with JCP	<p>Arrange for JCP to share escalation routes with Harrow housing officers.</p> <p>Arrange weekly 'keep in touch' sessions in order to raise issues.</p> <p>Arrange knowledge-sharing sessions so JCP staff can learn from Harrow's housing staff's expertise.</p>	<p>Alex Dewsnap with Nick Powell</p>

Conclusion

During the Commission's meetings, we heard many important and serious challenges around Universal Credit. The migration of people and families in extreme difficulties to a new benefit with serious, unaddressed issues is making hard lives much, much harder.

This report is intended to spur direct action by Harrow Council, working in partnership with others, to do whatever we can locally to make a difference for our affected residents.

We also hope it will provide some insight and inspiration to other Local Authorities around the UK so that, collectively, we do what local government is best at: taking practical action that make local people's lives better.

Appendix 1. About Universal Credit

What is Universal Credit?

Universal Credit is the government's flagship welfare reform programme which merges six separate benefits into a single payment. The six legacy benefits are:

- Child Tax Credit
- Housing Benefit
- Income Support
- Income-based Jobseeker's Allowance (JSA)
- Income-related Employment and Support Allowance (ESA)
- Working Tax Credit

UC seeks to avoid the "benefits trap" whereby employment is dis-incentivised as claimants can earn more on benefits by tapering payments of UC as claimants' earnings exceed the work allowance. This works by UC payments being reduced by 63p for every £1 earned above the work allowance threshold.

- **Who claims it?** – Working-age people making a new claim for one of these 6 benefits or those with an existing claim who have a change in their circumstances. The claim is completed and administered online.
- **How is it paid?** – It is paid monthly in arrears in one lump sum for both living and housing costs. It is usually paid directly to one member of the household.
- **How is the rent paid if the claimant is a tenant?** – Claimants must pay the full rent to the landlord regardless of the amount of UC they are awarded. There are circumstances where a landlord can request that the housing element be paid directly to them from the Department of Work and Pensions.
- **National Rollout** – Initially intended to be fully operational by 2017, the rollout of UC is now due for completion by 2022-23 when it will ultimately be paid to approximately 7 million people nationally and will be responsible for £63 billion of spending.

UC in Harrow

As of October 2018, there are approximately 2,000 people claiming UC through the Kings House Job Centre in Harrow (Oct 2018). There are 14,600 Harrow families claiming tax credits (including 27,700 children), so a similar number of families are likely to be claiming UC once full rollout is achieved.

Appendix 2. List of organisations interviewed

Child Poverty Action Group

Department for Work and Pensions – Jobcentre Plus

Harrow Citizens Advice Bureau

Harrow Council – Policy

Harrow Council – Strategy Commissioning

Harrow Council – Collections and Benefits

Harrow Council – Universal Credit Working Group

Harrow Association of Disabled People

Mind in Harrow

Appendix 3. Members of the Commission

Councillor Richard Almond

Councillor Dan Anderson

Councillor Phillip O'Dell

Councillor Pritesh Patel

Councillor Kiran Ramchandani

Councillor Norman Stevenson

Councillor Adam Swersky (Chair)

Annex 2

<u>Recommendation</u>	<u>Actions</u>	<u>Timescale</u>	<u>Lead(s)</u>	<u>Action Taken to Progress</u>
<p>1. A broad-based digital inclusion programme (“No One Left Offline”)</p>	<p>Conduct a more detailed analysis of the barriers to accessing digital services, including confidence, knowledge, access to advice, and access to internet-enabled devices.</p> <p>Develop a digital inclusion programme, in partnership with statutory partners and the voluntary sector, to ensure that there’s “No One Left Offline”. This should include:</p> <ul style="list-style-type: none"> • Digital skills workshops which engage residents on non-UC topics (e.g. hobbies). This should leverage free resources from organisations such as Harrow’s IT partners and Google; • A programme to ensure all Harrow 	Mar 2020	<p>Officer Lead: Alex Dewsnap</p> <p>PH Lead: Sue Anderson</p>	<p>The critical aspect to respond to here is to understand how services can be digital by design and therefore fully accessible, rather than digital by default.</p> <p>A cross Council working group has been set up to take this forward which initially has agreed to outline all of the Council touchpoints for residents, for example through Libraries, Community Centres and Childrens Centres, and to map these against 1) potential resident need for accessing services digitally, and 2) where confidence and skills in such access are low. Once this mapping has taken place there will then be an audit of the IT environment to understand whether these places support the ability to provide digital access to broader government services, e.g. quality and access to Wi-Fi and possible additional technology. When this work is completed, a view will be taken on costs and whether these can be supported via sponsorship from other organisations rather than being a direct cost to the Council, and also whether such an approach should be piloted in the borough before any full roll out.</p>

<u>Recommendation</u>	<u>Actions</u>	<u>Timescale</u>	<u>Lead(s)</u>	<u>Action Taken to Progress</u>
	residents have access to internet-enabled devices, taking into account mobility issues and the needs of some people for advice and support alongside access.			<p>Following this stage, further work will then be planned on how residents who have a low propensity to use digital services more broadly can be targeted and attracted to come to these places to support skills.</p> <p>Digital skills building is also being supported through other programmes such as Learn Harrow and Xcite so these can be joined up with any other offer to support and enhancement in skills.</p>
2. Work with others to provide targeted support to people struggling with the online UC application form	Work with statutory partners and the voluntary sector to promote the provision of targeted support to people struggling to complete online UC applications and to communicate with their case officers through the online portal. Explore how we can support organisations providing support to increase their reach.	Mar 2020	<p>Officer Lead: Alex Dewsnap</p> <p>PH Lead: Sue Anderson</p>	The Council has a contract with Citizens Advice (CA) to support generalist information and advice to residents. CA have also won the national work to give support directly to residents on the transition to Universal Credit and therefore this is explicitly being supported locally.
3. Implement a training and support	Facilitate additional training at all levels of the UC network (JCP, Harrow Council, VCS, CAB)	Mar 2020	Officer Lead: Alex Dewsnap	Partners are providing information to residents. However, as part of eth ongoing work we will assess how this can be improved in order to

<u>Recommendation</u>	<u>Actions</u>	<u>Timescale</u>	<u>Lead(s)</u>	<u>Action Taken to Progress</u>
programme for VCS organisations in Harrow	Circulate / publicise existing informational literature on UC – e.g. CAB's 'Jargon cheat sheet' and document checklist; Mind's factsheet for those with mental health need.		PH Lead: Sue Anderson	support residents getting the right advice and information in as timely a way as possible.
4. Build operational communication links between Council staff and VCS organisations around UC support	<p>Ensure that VCS organisations providing targeted support on UC claims have direct access to the Council's Revenues & Benefits and Housing teams to accelerate resolution of any issues.</p> <p>Ensure issues around UC are regularly reviewed in formal and informal discussions between senior Council and VCS staff.</p>	Mar 2020	<p>Officer Lead: Alex Dewsnap</p> <p>PH Lead: Sue Anderson</p>	<p>This is being support through the Advice Network, which brings all advice services together on a bi-monthly basis.</p> <p>We will also ensure referral arrangements are made between VCS organisations supporting residents claiming Income Based JSA and Harrow Council's skills and employment initiatives, whilst also ensuring that the council's initiatives provide data to the VCS on the progress of referrals.</p>
5. As part of forthcoming consultation on CTS, explore opportunities to reduce the impact of UC on the worst-	All options to be considered – e.g. CT 'holiday' when residents transfer to UC	Feb 2020 – <i>linked to CTS consultation timeline</i>	<p>Officer lead: Fern Silverio</p> <p>PH Lead: Adam Swersky</p>	This is being taken forward through the conclusion of the consultation on CTS.

<u>Recommendation</u>	<u>Actions</u>	<u>Timescale</u>	<u>Lead(s)</u>	<u>Action Taken to Progress</u>
affected claimants				
6. Establish a set of regular communications channels with JCP	<p>Arrange for JCP to share escalation routes with Harrow housing officers.</p> <p>Arrange weekly 'keep in touch' sessions in order to raise issues.</p> <p>Arrange knowledge-sharing sessions so JCP staff can learn from Harrow's housing staff's expertise.</p>	Sep 2019	Alex Dewsnap with Nick Powell	<p>Communication has improved with JCP, so from this perspective the Council is happy that this recommendation has been broadly implemented. However, as indicated in the risk section of the report there are specific concerns for Housing tenants on the transition to Universal Credit which are having impacts on residents and families.</p> <p>There are also fortnightly "keep-in-touch" sessions, usually including staff from Harrow JCP, DWP Service Centre, Harrow housing benefit and Housing staff.</p> <p>We will also ensure JCP staff referring residents who are claiming Income Support to Harrow Council's job brokers that have sourced jobs with local employers, contractors in the council's supply chain and on key developments.</p>

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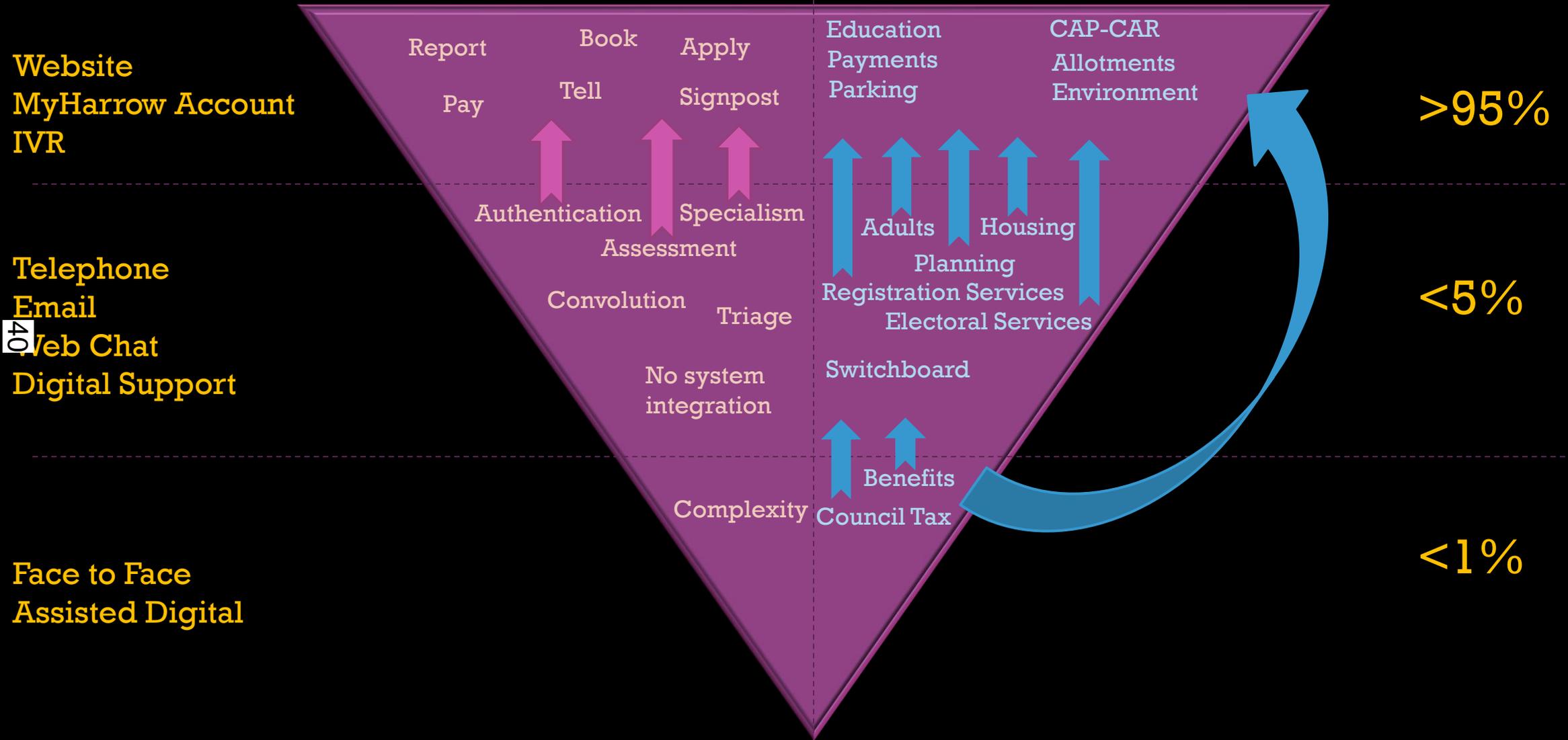
CHANNEL MIGRATION

Performance & Scrutiny

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Agenda Item 8
Pages 39 to 56

THE MODEL



Website
MyHarrow Account
IVR

Telephone
Email
Web Chat
Digital Support

Face to Face
Assisted Digital

>95%

<5%

<1%

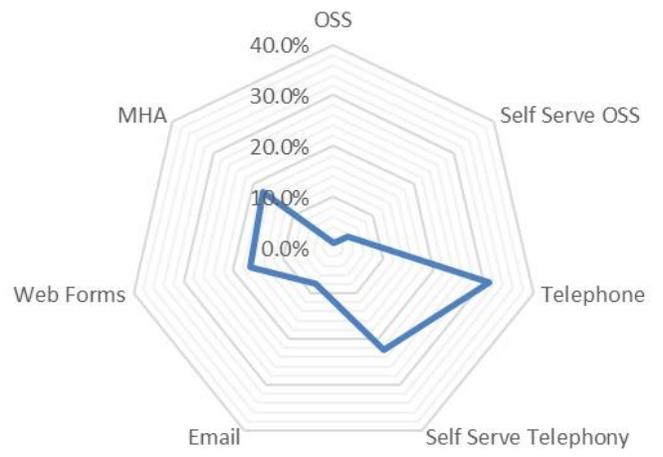
be courageous – do it together – make it happen

Harrow Council

THE DATA

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Contact by Channel (excluding web visits) 2015/16

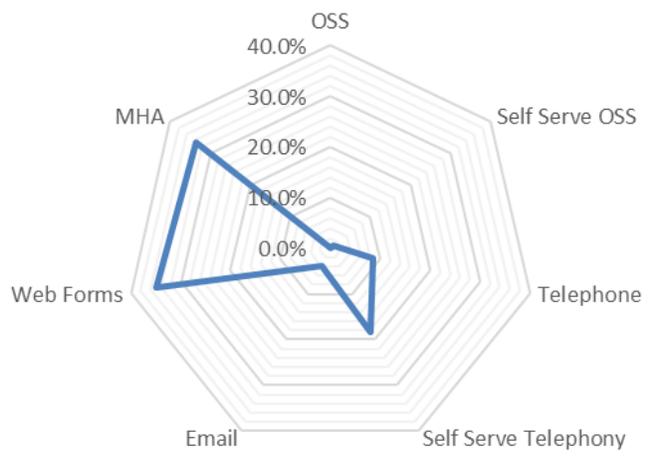


Extra 255,000 web forms per annum
 Extra 315,000 MHA log-ins per annum



Fewer 280,000 calls per annum
 Fewer 85,000 emails per annum

Contact by Channel (excluding web visits) 2020/21



60.2% transactions via self service (excluding web visits)

85.6% transactions via self service (including web visits)

87.6% transactions via self service (excluding web visits)

95.7% transactions via self service (including web visits)

THE DATA

SERVICE	% self service 2015/16	% self service 2020/21
Council Tax & Business Rates	49%	95%
Benefits	53%	90%
Housing	7%	53%
Education	40%	99%
Public Realm	30%	97%

INCREASING DIGITAL TAKE UP

- Digital First approach
 - Modernisation agenda
 - Digitising demand
 - Utilising replacement job systems
 - Improve on what we have
- Enforced Shift
- Assisted Self Serve & Web Chat

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MAKING IT EASIER

- Silktide Index
 - Content (spelling, grammar, reading age)
 - Accessibility (WCAG 2.1 standards)
 - User Experience (speed, availability, mobile optimisation, functionality)
 - Compliance (consent, cookies, security)
- Digital Ethics review
 - Transparency
 - Data collection

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MAKING IT EASIER

- Resident Involvement
 - User Groups
 - Anonymised monitoring software
- Resident feedback
 - Website
 - Web form
 - MyHarrow account
 - Monthly improvement huddle

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MAKING IT EASIER

- Process Improvement
- Demand Management
- Retaining Flexibility

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MAKING IT EASIER

- Personalisation

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Harrow Council My account Logout SERVICES

Good afternoon, Mark
Today's weather in Harrow

Today 15°C 11°C Thu 18°C 7°C Fri 15°C 6°C

Top tasks

- Pay a Parking Fine (PCN)
- Council Tax
- Garden waste service
- Planning applications

Rent balance
You are £380.77 in credit. View statements and make payments online

Upcoming repair
You have a repair scheduled for am on 12/10/20

It's bin day tomorrow
Your green bin (household waste) is due to be collected tomorrow

Benefit entitlement
Your next payment of £213.50 is due on 11/10/20

Major works
We are replacing kitchens in your neighbourhood soon

Have your say
There is an open consultation about a development in your area

Harrow Council My account Logout SERVICES

Housing and Property

We are carrying out gas safety checks in your area during the COVID-19 lockdown

[When is my gas safety check?](#)

Rent balance
Your rent payment of £565.45 due in 4 days

Repair history
A boiler repair (6492235) was completed on 09/08/2020

Scheduled Repair
You have a repair scheduled for pm on 21/10/20

Right To Buy application
Your Right To Buy application being processed

Nearby developments
See the latest news about developments in your estate

Manage my account
View your housing portal account and edit your account details

DIGITAL FUTURE

- MyHarrow account enhancements
 - Electoral Services
 - Business Portal
 - Bookings
 - Progress checking
 - Alerts
- Online Service enhancements
 - Registration Services
 - Commercial Services
 - Revenues & Benefits

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DIGITAL FUTURE

- Website personalisation and MyHarrow account integration
- System integration
 - Planning
 - Building Control
 - Public Protection
 - Streets & Grounds
 - Housing
 - Parking

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CLOSING THE DIGITAL DIVIDE

- Deprivation
- Confidence & Skills
- Age
- Language Barrier

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CLOSING THE DIGITAL DIVIDE

- A face to face or telephone service where appropriate

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- Digital Assistants
- Adult Learning courses
- Roll out of 5G infrastructure

A NEW MODEL?

- Impact of Covid-19 on the Contact Centre
 - Financial support & food provision
 - Welfare support
- MTFS 2020/21 to 2021/2022
 - Closure of Revenues & Benefits
 - £350,000 per annum saving
- Initial discussions to retain and repurpose the staff

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A NEW MODEL?

- Face-2-Face
 - Closure of Civic Centre
 - Library network
 - Supported self-service including scanning
 - Case management for complex cases
 - Video conferencing to the Contact Centre
 - Digital roadshows

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A NEW MODEL?

- Telephony
 - Inbound
 - Adult Social Care
 - Revenues & Benefits
 - Housing
 - Registration Services
 - Outbound
 - Welfare checks
 - Debt prevention
 - Digital assistance
 - Demand management

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QUESTION TIME

- Thoughts

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- Questions

- Ideas

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Report for: Cabinet

Date of Meeting:	11 th February 2021
Subject:	Revenue and Capital Monitoring 2020/21 - as at Quarter 3 (31 December 2020).
Key Decision:	Yes
Responsible Officer:	Dawn Calvert - Director of Finance and Assurance
Portfolio Holder:	Councillor Adam Swersky - Portfolio Holder for Finance and Resources.
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All wards
Enclosures:	Appendix 1 – Summary of 2020/21 Revenue Budget Forecast by Directorate as at Quarter 3 Appendix 2 – Draw Down From Reserves and Cross Divisional Adjustments Including One-Off Income Appendix 3 – Summary of Reserves at Q3 Appendix 4 – 2020/21 Savings Tracker Appendix 5 – Capital Programme 2020/21 – as at Quarter 3 Appendix 6 – Trading Company Update 2020/21 – as at Quarter 3

Section 1 – Summary and Recommendations

This report sets out the Council's forecast financial position as at Quarter 3 (31 December 2020), and seeks approval for Capital Programme adjustments.

Recommendations:

1. That Cabinet notes the revenue and capital forecast positions set out in paragraphs 1.2 and 1.10.
2. That Cabinet notes the grave concerns being expressed at the legacy impact of COVID-19 over the MTFS and the work being undertaken on finance sustainability in paragraphs 2.46 to 2.53.
3. That Cabinet approve the proposed amendments to the Capital Programme as set out in paragraphs 3.33 to 3.35
4. That Cabinet note progress on the Council's Trading Update as at Quarter 3, as detailed in Appendix 6.

Reason: (For recommendations)

To report the 2020/21 forecast financial position as at Quarter 3 (31 December 2020), to update Cabinet on trading company performance and to seek approval for Capital Programme adjustments which require Cabinet approval in accordance with the Financial Regulations.

Section 2 – Report

1.0 INTRODUCTION

- 1.1 This is the third monitoring report for 2020/21. As well as reporting on the Council's business as usual forecast position, it also includes the financial impact of COVID-19 on the 2020/21 position.
- 1.2 The net forecast underspend as at Quarter 3, on the revenue budget is (£1.985m) after the planned use of reserves which are largely applied to fund one-off projects and cross divisional adjustments including one-off income.
- 1.3 This is an increase in the underspend position reported at Q2 of £1.956m. This is largely due to a reduction in pressures in the Community directorate which are set out in more detail in section 2 of this report.
- 1.4 The COVID-19 impact is forecast at £22.382m and allowing for (£22.261m) of Emergency grant funding announced to date and also an assumed compensation payment for loss of sales, fees and charges, currently estimated at (£4.3m), the net impact is £121k.

- 1.5 This is a reduction in pressure from the position reported at Q2 of £0.487m. This is largely due to the announcement of a fourth tranche of COVID-19 funding of £2.226m which has been partially offset by additional costs within the directorate costs which are set out in more detail in section 2 of this report.
- 1.6 Once the net impact of COVID-19 is included of £121k, the revenue position shows a (£1.864m) underspend.
- 1.7 As part of the MTFS set out in more detail in the Final Budget Report also considered on this agenda it is anticipated that there will be a £2m underspend in 2020-21 to support the 2021-22 budget.
- 1.8 It should also be noted that the financial projections in this report were calculated before it was announced that the country would enter into another national lockdown phase. It is anticipated that once the financial projections are revised to reflect additional expenditure and further losses of income as a result of this, a balanced budget could only be achieved by another injection of additional government funding.
- 1.9 As a result of this one off COVID-19 funding, this report does indicate that the Council can manage a balanced budget position for 2020/21 for COVID-19 related activities. However there are grave concerns about the legacy impacts of COVID-19 over the Medium Term Financial Strategy.
- 1.10 The Capital Programme is reporting a forecast spend of £90.627m against a budget of £124.420m. This represents a total forecast spend of 73%. In terms of general fund capital, there is a net forecast variance of £3.114m which is mainly slippage. For the Housing Revenue Account, a variance of £30.679m is forecast which all mainly relates to slippage.

2.0 **Revenue Monitoring**

- 2.1 The revenue forecast underspend at Quarter 3 is (£1.864m) which includes a net COVID-19 pressure of £121k. The Q2 position before taking COVID-19 pressures into account is a net underspend of (£1.985m).
- 2.2 Due to the COVID-19 pandemic the monitoring of financial performance is being separated between business as usual and COVID-19. This is to ensure the impact of COVID-19 is fully understood in the current financial year and moving forwards. The summary of the forecast by the division is set out in Table 1 with a more detailed breakdown at Appendix 1:

Table 1: Summary of Revenue Budget Monitoring – as at 31 December 2020

Directorate	Revised Budget £'000	Forecast Outturn – Business as usual £'000	Drawdown From reserves £'000	Cross Divisional Adjustments Including one-off £'000	Revised Forecast due to Business as usual £'000	Variance due to Business as usual £'000	Forecast Outturn – due to COVID-19 £'000	Revised Forecast after COVID-19 Pressure £'000	Variance Including COVID-19 £'000	Q2 Variance £'000	Movement £'000
Resources	36,939	39,646	(2,511)	(285)	36,851	(88)	3,788	40,639	3,700	3,228	472
Community											
Commissioning & Commercial Services	(4,431)	(3,390)	(18)	(80)	(3,488)	943	8,601	5,113	9,544	9,336	208
Environment & Culture	23,226	23,638	(284)	0	23,354	128	4,028	27,382	4,156	4,099	57
Directorate Management	195	195	0	0	195	0	0	195	0	(0)	0
Housing General Fund	4,557	4,695	112	(250)	4,557	0	320	4,877	320	620	(300)
Regeneration, Enterprise and Planning	1,291	2,273	(994)	0	1,279	(12)	612	1,891	600	250	350
Total Community	24,838	27,411	(1,184)	(330)	25,897	1,059	13,561	39,458	14,620	14,304	316
People											
Adults Services	66,783	66,871	(88)	0	66,783	0	2,897	69,680	2,897	4,332	(1,435)
Public Health	(1,814)	(1,814)	0	0	(1,814)	0	400	(1,414)	400	0	400
Children's Services	33,845	34,239	(61)	(333)	33,845	0	1,736	35,581	1,736	1,764	(28)
Total People	98,814	99,296	(149)	(333)	98,814	0	5,033	103,847	5,033	6,096	(1,063)
Total Directorate Budget	160,590	166,353	(3,844)	(948)	161,562	971	22,382	183,944	23,353	23,628	(275)
Covid-19 Grant Allocations						0	(20,391)	(20,391)	(20,391)	(18,165)	(2,226)
Covid-19 estimated income compensation							(4,300)	(4,300)	(4,300)	(4,300)	0
Corporate Items	4,904	4,774	0	0	4,774	(130)	1,429	6,204	1,300	975	324
Corporate Contingency	1,248	1,000	0	0	1,000	(248)	0	1,000	(248)	0	(248)
Technical and Corporate Adjustment	12,060	9,481	0	0	9,481	(2,579)	1,000	10,481	(1,579)	(1,560)	(18)
Total Corporate	18,212	15,255	0	0	15,255	(2,957)	(22,261)	(7,006)	(25,218)	(23,050)	(2,168)
Uncontrollable Budget	(4,041)	(4,041)	0	0	(4,041)	0	0	(4,041)	0	0	0
Total Budget	174,762	177,568	(3,844)	(948)	172,777	(1,985)	121	172,898	(1,864)	578	(2,443)

RESOURCES

2.3 At Q3, the directorate is forecasting to underspend by (£88k) which has decreased from (£127k) reported in Q2. However including the COVID-19 impact on services of £3.788m, which has increased from £3.355m reported in Q2, the directorate is forecasting a total overspend of £3.700m in Q3. This has increased from £3.228m reported in Q2. This is after the net draw down from reserves and cross divisional adjustments.

Table 2: Resources Directorate Revenue Monitoring Q2 v Q3

Revised Budget	Net Forecast Spend At Quarter 2 BAU	Quarter 2 Variance BAU	Quarter 2 COVID-19 impact	Total Quarter 2 variance including COVID-19 impact
£'000	£'000	£'000	£'000	£'000
36,735	36,608	(127)	3,355	3,228

Revised Budget	Net Forecast Spend At Quarter 3 BAU	Quarter 3 Variance BAU	Quarter 3 COVID-19 impact	Total Quarter 3 variance including COVID-19 impact
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£'000	£'000	£'000	£'000	£'000
36,939	36,851	(88)	3,788	3,700

Movement from Q2	£'000	£'000	£'000	£'000
204	243	39	433	472

2.4 At Q3 there is a business as usual net underspend of (£88k) as a result of underspends in Legal and Governance (£302k) and Procurement (£63k), offset by overspends of £152k in Strategy, £53k in Finance and Assurance and other minor variances across the directorate totalling net £72k and is explained in more detail below.

- Legal and Governance underspend of (£302k) relates to income generated from Land Charges, Register of Birth, Death and Marriages and Citizenship in excess of the budgeted target. This has decreased by net £19k from Q2 which reflects minor changes across the division.
- Procurement is reporting a net (£63k) underspend in Q3 which reflects a vacancy within team pending recruitment which will be complete in January 2021. This has not changed since Q2.
- The £152k overspend within the Strategy division relates to decreasing SIMS income from schools due to school merges and loss of a school subscribing to the SIMS service, overspend in Community Resilience, which too reflects loss of income from schools and is agreed by CSB up to a value of £60k in lieu of adjustment to the budget. The overall division's overspend has increased by £5k which reflects minor variances across the division.
- The Finance and Assurance division net £53k overspend reflects an estimated loss of insurance income due to the Government extending its Risk Pooling Arrangement (RPA) to Local Authority Maintained Schools with effect from 1 April 2020 which five schools have taken up. This overspend is partly offset by minor underspends across the rest of finance division. The overspend has decreased by £10k from Q2 in line with improved insurance position.
- There are a few other minor variances across the other services areas totalling net £72k overspend. Of which £25k relates commercial space which became vacant in December 2020.

The COVID-19 impact for the Resources Directorate is forecast at £3.788m which has increased by £433k from Q2 and relates to the following:

- ICT additional costs totalling £973k on remote working, licences telephones and teleconferencing caused by lockdown. This has increased by £200k from Q2 mainly due to additional cost of extended Windows 10 deployment and support.
- Business Support £12k on additional staff cost due to COVID-19, including cover for shielding and self-isolating staff, this is at the same level as reported in Q2.
- Customer Services/Access Harrow £500k COVID-19 related costs of which £100k is in the Community Hub where additional staff costs have been incurred due to increased demand and staff self-isolating/shielding. There is also £175k unachieved savings in the change of communication channels in Revenues and Benefits, Careline is reporting overall £150k additional costs due to approximately 70% of staff shielding and self-isolating and a further £75k Customer Relationship Management to enable service provision in the lockdown/remote working situation. This is at the same level as reported in Q2.
- Finance and Assurance £935k which reflects grants to Harrow Community Action, Harrow Community Transport and ICT – Connected Performance. This is at the same level as reported in Q2.
- Directorate Management team £33k forecast COVID-19 related spend on consultancy costs, this is at the same level as reported in Q2.
- Revenues and Benefits £520k which reflects £350k loss of Revenues income due to Local Authorities not being able to instigate court actions to pursue debts and additional cost of £170k on Capita support and overtime of staff who are working on the business grants. The forecast cost has increased by £110k from Q2 due to further loss of income, shielding and additional work on the grants processing.
- Strategy £384k COVID -19 related reflects additional costs across the division mainly on community resilience, establishing the community hub, additional cost of communication services, loss of advertising income within the communication team and loss of income from schools within the SIMS team due to the cancellation of the Key Stage tests this year. This estimated cost has increased by £73k from Q2 mainly due to additional communication cost.
- Legal and Governance £331k loss of income from Land Charges, Citizenship ceremonies and Register of Birth, Death and Marriages. The estimated loss has decreased by £50k from Q2 reflecting the performance up to Q3.

- Investment Properties £100k covid related loss of rental income due to vacant office space and additional cost, mainly business rates and service charges.

COMMUNITY

- 2.5 At Q3 the Community directorate reports an adverse variance of **£14.620m** against a budget of **£24.839m**. The financial impact of COVID-19 is estimated to be **£13.561m**.

Table 3: Community Directorate Revenue Monitoring Quarter 2 v Quarter

3

Division	Revised Budget	Net Forecast Spend At Quarter 2	Quarter 2 Variance BAU	Quarter 2 COVID-19 impact	Total Quarter 2 including COVID-19 impact
	£'000	£'000	£'000	£'000	£'000
Commissioning and Commercial Services	(4,422)	(2,463)	1,959	7,553	9,512
Environment and Culture	23,103	23,772	669	3,254	3,923
Directorate Management	193	193	-	-	-
Housing General Fund	4,529	4,529	-	620	620
Enterprise, Planning and Regeneration	1,260	1,248	(12)	262	250
Total	24,663	27,279	2,616	11,689	14,305

Division	Revised Budget	Net Forecast Spend At Quarter 3	Quarter 3 Variance BAU	Quarter 3 COVID-19 impact	Total Quarter 3 including COVID-19 impact
	£'000	£'000	£'000	£'000	£'000
Commissioning and Commercial Services	(4,431)	(3,488)	943	8,601	9,544
Environment and Culture	23,226	23,354	128	4,028	4,156
Directorate Management	195	195	0	0	0
Housing General Fund	4,557	4,557	0	320	320
Enterprise, Planning and Regeneration	1,291	1,279	(12)	612	600
Total	24,839	25,897	1,059	13,561	14,620

Movement from Q2	£'000	£'000	£'000	£'000	£'000
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Total	176	(1,382)	(1,557)	1,872	315
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- 2.3 The net reported business as usual overspend of £1.059m is a result of overspends in Commissioning and Commercial Services of £943k and Environment and Culture of £128k; this has been offset by a small underspend of £12k within the Enterprise and Planning division. This is explained in more detail below
- 2.4 The Commissioning and Commercial Services Division is reporting an overspend of £943k in the following areas:
- Facilities Management - £869k. Building maintenance and the cost of responsive repairs are forecast to overspend by £300k, there is also an under recovery of income of £177k in respect of schools cleaning and £119k in respect of under achievement of income for other services provided by Facilities Management to schools and academies. Staffing costs are forecast to overspend by £119k due to additional staff required to cover staff absences. In addition, a further £154k of costs are to be incurred for the provision of security services at the depot.
 - Contracts Management - £171k. There is a forecast overspend as a result of staffing pressures and unachieved procurement savings.
 - There are net underspends of £97k elsewhere across the division, mainly due to underspends in staffing within the Business and Commercial Services area and an over-recovery of rental income from the commercial property portfolio.
- 2.5 The Environment and Culture Division is reporting a net overspend of £128k as follows:
- Mixed recyclables - £266k – Due to unfavourable market prices the level of revenue rebate achieved from sales has been low and is expected to remain so, which has resulted in this overspend. The re-procurement of the mixed dry recycling disposal contract has now been concluded and the full year pressure in 2021/22 is estimated at £600k.
 - Waste Management - £139k – there is an underspend in staffing costs due to less reliance on agency staff.
- 2.6 There is a small net underspend in the Enterprise and Planning division of £12k.
- 2.7 The Housing General Fund is forecasting a balanced position after assuming a drawdown from the Flexible Homelessness Support Grant (FHSG) of £1.258m to meet the business as usual costs associated with the Homelessness

Reduction Act and cross divisional adjustments of £250k associated with financing costs for the Property Acquisition Programme.

2.8 The Regeneration Programme revenue budget for 2020/21 is £1.25m and £0.950m is forecast to be spent, mainly on staff costs and additional consultancy.

2.9 **The COVID-19 impact for the Community Directorate is forecast at £13.261m. The bulk of this which relates to lost income and is detailed as follows:**

- Parking Services - £5.766m. A significant loss of income from Penalty Charge Notices totalling £3.712m is forecast because of reduced enforcement activities and delays to the debt recovery process. Furthermore, an under-recovery of income is forecast for pay and display charges in car parks of £976k, on street parking of £557k, and parking permits of £335k. In addition, school SLA income derived from the cash collection service is expected to reduce by £36k, given the significant reduction in the numbers requesting the service.
- Depot income - £681k. A MTFs target in relation to the generation of commercial income from the depot which is unachievable in the current financial year.
- £377k in relation to commercial waste services and £208k in other commercial activities.
- £318k in loss of rental income as a result of providing rental payment holidays to eligible local businesses within the borough.
- £198k loss of income in Catering services with the closure of the Civic Centre and Depot canteen.
- £133k loss of income from the Civic Centre car park as a result of less visitors to the Civic Centre.
- £889k in additional cleaning and fogging (£464k) and works associated with the fire risk assessments (£312k) for Civic Centre. In addition, there is forecast to be a shortfall of £113k in rental income from the Depot and Civic Centre
- £31k in relation to income from several transport commercial activities, including M.O.T, driver assessments and vehicle maintenance.
- £1.408m relating to Sports and Leisure which is the provision of support to Everyone Active by way of granting a management fee

holiday, help to underwrite losses and also assistance with maintenance and management costs.

- £1.054m in Waste Management services which is a combination of reduced Garden Waste income (£110k), reduced income from trade waste customers (£149k), reduced income from the textile and metal recycling rebate at the Civic Amenity site (£68k) and increased staffing costs as a result of employing agency staff where existing staff were unable to work. In addition, there is a further cost pressure of £600k following increased levels of household waste.
- £334k (net) at the Harrow Arts Centre. £727k of this relates to lost income forecast in connection with the cancellation of shows and events as well as room lettings. The remaining £67k relates to additional cleaning costs which are forecast to be spent to ensure the centre meets necessary health and safety requirements. This is partially offset by a one-off payment via the Culture Recovery Fund successfully applied for from the Arts Council (£356k), and reduced spend on staffing (£104k).
- £551k (net) in Public Protection of which the majority (£460k) relates to a loss in licencing incomes and applications across several areas including street trading and Highway licences. Payments to our third party enforcement contractor are forecast at £150k as their employees have been diverted from their normal roles to assist in patrolling parks and open spaces, but this is to be fully covered by one-off government grants. As a result, there is a forecast loss of income of £130k as limited number of fixed penalty notices are issued. In addition, SLA income from health and safety works is expected to fall by £20k. These pressures have been partially offset by external grant funding.
- £150k (net) in the Music service as a result of the closure of schools and no events planned for the Summer. This has been partially offset by a one-off payment from the Culture Recovery Fund (£245k).
- £246k (net) at the Harrow Museum – with the exception of £12k which is the additional cost of cleaning and sanitising works required at the museum, the remainder of £479k relates to loss of income from wedding bookings and other events being cancelled. This is partially offset by a one off Cultural Recovery Fund successfully applied for from the Arts Council (£245k).
- £190k across the Libraries service area, with £84k relating to a loss of income streams and £106k in additional pressures forecast as a result of cleaning cost to be incurred.
- £95k for Clean and Green as fewer participants make use of Council facilities across the Borough and income is lost (£87k) with additional

costs incurred (£8k) to ensure cemeteries comply with social distancing measures.

- £300k in Building Control with fewer applications being received.
- £12k. Additional costs incurred following the commission of two separate studies to help support the economic recovery plan(s) for the borough.
- £320k in the Housing General Fund due entirely to extraordinary costs and income losses associated with COVID-19 after assuming a drawdown from the Flexible Homelessness Support Grant (FHSG) of £1.258m to meet the business as usual costs associated with the Homelessness Reduction Act
- £300k in Regeneration due to staff deployed to work on covid related emergency measures.

2.10 The forecast overspend – including the impact of COVID-19 - across the directorate has increased by £15k, up from £14.305m in Q2 to £14.320m in Q3. This is due mainly to the following reasons:

- Facilities Management, £285k - An increase in the expected cost of providing building cleaning and fogging services and the implementation of FRA; in addition, there is an increase in security costs at the depot, which is partially offset by utilities saving.
- Business & Commercial, £248k – A significant increase in the forecast loss of income from commercial activities and trade waste services.
- Public Protection, £144k - An increase in the expected loss of licensing and enforcement income.
- Waste Management, £114k - Increase in the loss of income from textile and metal recycling and disposal charges at the C.A site. In addition, there are further cost pressures expected against the WLWA levy due to higher residual waste tonnage.
- Harrow Arts Centre, £94k - Further lockdown restrictions have led to an increase in the forecast loss of income as performances have been cancelled and the use of the centre's facilities has been reduced. This has been partially offset by Culture Recovery Fund.
- Planning, £50k - Application income, although performing relatively well within Development Control, is forecast to underachieve in the Building Control service area; thus, increasing the forecast loss by £50k.
- Parking, (£442k) - The forecast income shortfall has reduced due to improvements in actual PCN income during Q3.

- Housing General Fund, (£300k) – estimated impact of COVID-19 now lower than previously expected as all single homeless and rough sleepers will be moved on from emergency into settled private rented accommodation by March 2021.
- Music Services, (£146k) - Further loss of income from school-related activities have been offset by Cultural Recovery Fund.
- Catering, (£16k) – the closure/reduced service of the Council’s canteen facilities have resulted in significant cost savings, though these are partially offset by the loss of earned income.

PEOPLE SERVICES

2.11 At Quarter 3 the directorate is forecasting a balanced budget however including the COVID-19 impact on services there is an overall overspend of £4.333m

Table 4: People’s Services Revenue Monitoring Quarter 3

Division	Revised Budget	Net Forecast Spend At Quarter 3	Quarter 3 Variance	Quarter 3 COVID-19 impact	Total Quarter 3 including COVID-19 impact
	£'000	£'000	£'000	£'000	£'000
Adults	66,783	66,783	0	2,897	2,897
Public Health	(1,814)	(1,814)	0	400	400
Children’s Services	33,845	33,845	0	1,736	1,736
Total	98,814	98,814	0	5,033	5,033
Movement from Q2	£'000	£'000	£'000	£'000	£'000
Total	0	-192	-192	-871	-1,063

2.12 The variations are explained in more detail as follows:

Adult Services

2.13 The pre COVID-19 position in Adult Services assumes a balanced position, given that the impact of COVID-19 largely affects all directorate services.

2.14 The COVID-19 related impact on Adult Social care is forecast as £2.897m.

This is explained in more detail as follows

- PPE equipment - £750k – the PPE equipment was largely allocated to providers although some supplies will have been used within the Council. The total spend is forecast at £837k but with an £87k Infection Control grant this is reduced to £750k.
- Temporary support to providers - £1.030m – phase 1 costs have already been incurred at £600k and with additional potential phase 2 costs of £430k.
- Purchasing placements - £1.069m– this is as a result of an increased volume in packages following hospital discharge, together with reduced income as a result of cancelled care. This includes additional income to be received as part of the Better Care Fund (£0.145m).
- £708k – Largely represents the additional temporary staff engaged to support social work practice during the pandemic, a reduction in agreed recharges to the CCG for hospital staff and increased Care package costs in relation to Extra Care placements.
- An underspend on Mental Health Services of £213k caused by a lower level of new placements being required in the current financial year, as well as a reduction in the staffing forecast.
- An underspend of £446k in relation to inhouse services, mainly as a result of to the day centres being closed, and therefore savings being made on Agency staff costs and Utilities.

The position has improved by £1.436m since Q2 as a result of:

- Reduced costs as a result of Increased income arising from the implementation of the changes to the Adult Social Care policy , together with additional income in relation to previous financial years in the management of client finances (£0.872m).
- Reduced costs as a result of Unused accruals and a lower level of adjustments in placement costs (£0.245m), and a reduction in expected CCG income contributing to CYAD placements (£44k)
- Reduced costs as a result of a lower level of expenditure forecast in relation to respite, carers & transitions offset by increased costs of additional placements greater than previous assumptions (£0.265m).

- Reduced forecast costs in the Mental Health services of £195k due to a reduction in the staffing forecast of £35k, with the remaining £160k reduction reflecting a lower level of new placements being required in the current financial year
- Increased staffing costs (£145k) as a result of a combination of increased cost for staff outside the budgeted establishment who have been employed to assist with work relating to the Covid pandemic, as well as new established Service Manager posts having been created and recruited to.
- Increased costs of £40k as a result of Extra Care placement costs.

Public Health

Business as usual

2.15 The Public Health grant is forecast to underspend in 2020/21, increasing the Public Health reserve by £379k. However with reserves earmarked for additional staff employed as a result of COVID-19 (£250k), slippage on reserve projects (£311k) and COVID-19 testing (£500k), the Public health reserve balance has reduced from £1.9m in Q2 to £1.2m in Q3.

Financial Impact of COVID-19

2.16 The Community Testing Programme (CTP) was launched in December 2020 to enable local authorities with high prevalence of Covid-19 to work in partnership with the UK Government to accelerate a reduction in prevalence by identifying asymptomatic cases through local testing and supporting them to isolate. The forecast assumes 75% capacity will be reached in the 6 sites, resulting in approx 178,000 lateral flow tests and a cost of £400k over the capped cost of £14 per test funded by the Government.

Children's Services

2.17 The forecast for the directorate at Q3 is a net overspend of £1.736m which relates to COVID-19 pressures mainly due to placement sufficiency and additional frontline staffing capacity.

2.18 The headline pressure across the directorate is £3.201m with mitigating management actions of £1.071m, £0.061m drawdown from reserves and £0.333m cross divisional adjustments. It should be noted that £1.071m of these management actions are one off and will not be available in future years.

Business as usual

- **Frontline Teams Staffing & Other Costs overspend £661k**

In order to manage caseloads agency staff are required to cover vacant Social Work posts, including sickness and maternity cover. There are around 18%-20% of frontline posts which are covered by agency. 'As and when' workers to provide statutory supervised contact sessions. Also additional Business Support staff required for some service areas. There are also pressures in relation to Mosaic which is the Council's Social Care system. £140k of the budget pressure is due to annual software support, maintenance, licencing and hosting costs.

- **Client Spend Section 17 underspend £14k**
Expenditure to support families with children subject to a Child Protection or Children in Need plan, to help children remain at home where it is safe to do so. Also support for families with No Recourse to Public Funds until they can access benefits. This budget remains at risk due to increasing numbers of Children in Need.
- **Legal costs and signers & interpreters overspend £186k**
These are legal disbursement costs in relation to care proceedings, including expenditure on barristers, court fees, expert fees and solicitor fees. The use of external barristers is due to court hearings being delayed. Also pressure in relation to translation services.
- **Children's Placements & Accommodation overspend £473k**
There are a number of young people in high cost placements who are vulnerable and for whom the current placement meets their complex needs and safety. These are continually reviewed. Keeping Families Together service continues to aim to prevent young people from coming into care or step young people down from care where it is safe to do so. There are regular resource tracking and monitoring panels to ensure the level of accommodation and cost continues to be appropriate for the young person's needs. This includes targeted actions to reduce the average cost of service provision through negotiation with providers including block contract services for Asylum and also Leaving Care.
- **Other Children's Services overspend £159k**
Pressures on other non-staffing budgets. This includes the provision of Free School Meals for the Christmas holidays and February half term which are funded from the Winter Food Grant which is shown in Cross Divisional Adjustments below.
- **Management Actions underspend £751k**
One-off grant income and centrally held budgets used to mitigate in-year pressures.
- **One-off income underspend £320k**

Other one-off income used to mitigate in-year pressures.

- **Drawdown from Reserves £61k**
At Q3 £61k is required from the High Needs Strategic Planning reserve to fund the SEND Programme Manager.
- **Cross Divisional Adjustments £333k**
£45k Covid-19 Tier 2 capacity funding. £288k Winter Food grant funding for Free School Meals during the Christmas holidays and February half term.

Financial Impact of COVID-19

- **Frontline Teams Staffing £212k**
In response to Covid-19 additional management capacity and frontline social workers have been required in order to manage demand for statutory services and operate a 7 day service. Also additional agency Social Workers in the Children in Need Service from December 2020 and January 2021 to manage increasing caseloads.
- **Children's Placements & Accommodation £1.497m**
The rate of children looked after per 10,000 of the child population in Harrow is currently one of the lowest in London. However, since March 2020 there has been a 22% net increase in the number of Looked After Children rising from 169 to 207 in December 2020. Two sibling groups, a total of nine children, were taken into care over one weekend.

There are a number of factors contributing to this which are mainly due to Covid-19

- Delays in the court system meaning the outcome of care proceedings is taking longer
- Increased requirement for a statutory service due to parental mental health
- Increase in county lines activities as lockdown is eased

This means that some young people are unable to move in a timely manner where it is safe to do so. In addition to this there is a sufficiency issue in the availability of placements particularly in relation to foster carers. This means young people may have to be accommodated in more expensive residential placements in order to meet safeguarding needs but where these could ordinarily be met in an alternative form of accommodation.

- **Various other pressures £128k**
Other pressures including educational support to Looked After Children and £79k to provide free school meals during October half term.

- **Early Support Service underspend £101k**
Lower than normal operating costs for Children’s Centres due to COVID-19 and sites closing in March for lockdown with services provided virtually. Sites are currently only open for partner agencies, nurseries, essential health services, and internal services requiring meeting rooms. £20k loss of income from private nurseries due to lockdown is managed within the overall service underspend.

Dedicated Schools Grant (DSG)

- 2.19 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 including those with Education Health & Care Plans (EHCPs) in special schools and special provision and mainstream schools in Harrow and out of borough. The DSG is split into blocks: schools block, early years block and high needs block.
- 2.20 There is a projected overspend on the High Needs Block of £2.994m in 2020-21 which added to the deficit of £2.944m brought forward from 2019-20 will take the total deficit at the end of March 2021 to £5.938m.
- 2.21 Despite a projected underspend on the Schools Growth Fund, this will not be netted off the HNB pressure and Schools Forum does not support this approach.
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
- 2.22 With effect from 2019-20 the DfE has tightened up the rules under which local authorities have to explain their plans for bringing the DSG account back into balance.
- 2.23 The DfE will require a report from any LA that has a cumulative DSG deficit of more than 1% at the end of the financial year. The 1% calculation will be based on the latest published DSG allocations for 2019-20 compared with the deficit shown in the authority’s published draft accounts.
- 2.24 The final deficit in 2019-20 of £2.944m represents 1.35% of the overall DSG allocation (including academy funding). The recovery plan has been drafted however and discussed with Schools Forum. However the following points should be noted:
- Despite the significant proposals and measures planned over the next ten years, this will not mitigate the deficit. This is due to the following contributory factors

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

CORPORATE AND TECHNICAL

2.25 At Q3 the corporate and technical budget is reporting an overall underspend on business as usual of (£2.709m) as detailed below.

Corporate Items

2.26 A net underspend of (£130k) is forecast on the following items:

- Pension augmentation costs
- Treasury Management expenses.

Central Contingency

2.27 At Q3 the central contingency of £1.248m is forecast to underspend by £248k

Technical and Corporate Adjustments

2.28 An underspend of (£2.579m) is forecast on the Technical and Corporate Adjustment budgets as follows:

- (£5.208m) underspend in capital financing costs forecast as a result of slippage in the Capital Programme. This has increased by £1.303m since the position reported at Q2 since it is not anticipated that the council will need to borrow any additional funds before the end of the financial year.
- £2.629m overspend as a result of not drawing down the Budget Planning Reserve originally budgeted and planned for draw down in 2020/21. This will leave the reserve intact so that it can be used to support the 2021/22 budget.

Corporate COVID-19 pressures

2.29 There are also COVID-19 pressures totalling £2.429m made up of:

- £1m additional capacity to frontline services during second lockdown

- £1.124m additional mortuary costs
- £303k 3 year Collection Fund deficit reserve provision. This is new in Q3.

RESERVES

2.30 Attached at Appendix 2 is an explanation of the draw down from Reserves and other funds including as part of Quarter 3 Revenue Budget monitoring. Appendix 3 showing all Reserves held by the Council.

Vaughan Road Capital Receipt

2.31 The ability to apply capital receipts under capital flexibility is currently in place until March 2020. There is a capital receipt of £2.173m received for the sale of Vaughan Road car park. This will be applied under the flexibility guidance and the impact of this will be reflected in the final outturn report.

MTFS IMPLEMENTATION TRACKER

2.32 The 2020-21 budget includes approved MTFS savings of £3.203m.

2.33 Appendix 4 shows a list of the individual red, amber, green and purple rated savings in the MTFS. The definition used to classify savings ratings in this report are detailed in table 5 below:

Table 5: Savings Definition

Green – Low or no risk to delivery of savings	Clear delivery plans in place Project running to timescale
Amber – Medium/some risk to delivery	Potential for slippage but project will be delivered as originally intended but not within timescale, so saving will not be fully realised
Red – High risk to delivering forecast savings	Project may have started but will deliver no savings in the current financial year Project cannot be delivered but underspends found elsewhere to mitigate savings.
Purple	Future years' savings

2.34 Table 6 below shows the summarised position for each directorate at Quarter 3:

Table 6: Savings Tracker 2020/21 – Directorate Summary

	Resources	People Services	Community	Corporate	Total	%
	£'000	£'000	£'000	£'000	£'000	
Red	0	0	(783)	(400)	(1,183)	37%

Amber	(175)	(410)	0	0	(585)	18%
Green	(693)	0	(292)	(450)	(1,435)	45%
Totals	(868)	(410)	(1,075)	(850)	(3,203)	100%

2.35 As at Quarter 3, 45% of the 2020-21 savings are rated green, 18% are rated as amber, whilst 37% are rated as red.

2.36 The red savings of £1.183m relate to three savings in the Community Directorate and one saving held Corporately as follows:

- £681k relates to the non achievement of income from the expansion of the Central Depot caused by a delay in the completion of the Depot.
- £80k relates to the non achievement of income from the redevelopment of Vernon Lodge. However this saving is offset by savings in capital financing costs as a result of the capital not being spent.
- £22k relates to removal of base budget for 4 positions for which resolution is now likely delayed until after March 2021 due to COVID-19
- £400k relates to the non achievement of SEN transport savings which have not been achieved. The saving is being offset against savings in the Capital Financing budget.

HOUSING REVENUE ACCOUNT

2.37 As at Q3, HRA forecasts a pressure of £250k made up of a neutral position on business as usual activities and extraordinary costs and income losses associated with COVID-19 of £250k.

2.38 COVID-19 pressures are made up of income losses of £146k and additional costs of £104k. Income losses are due mainly to commercial income and income not chargeable to leaseholders due to suspension of services. Additional costs comprise repairs costs £73K, increased bad debt provision for £20k and PPE cost of £11k

2.39 The position considers the impact of additional recharges from the depot together with additional calls on operating expenditure anticipated in the final quarter of the financial year.

2.40 The table below summarises the forecast position on HRA revenue account at Q3:

HRA revenue balances £'000	Outturn 2019-20 pre audit	Revised Budget	YTD actual	Forecast Outturn - Business as usual	COVID-19 - Financial impact	Revised Forecast - incl. COVID-19 impact	Variance incl. COVID-19 impact
Balance b/fwd	-7,474	-7,195		-7,526		-7,526	-331

Net (surplus) deficit	-144	308	-9,898	308	250	558	250
Transfer to reserves	92	114		114		114	0
Balance c/fwd	-7,526	-6,773		-7,104		-6,854	-81

MINISTRY FOR HOUSING, COMMUNITIES AND LOCAL GOVERNMENT (MHCLG) – FUNDING AND FINANCIAL REPORTING

2.41 To date the Council has received £22.908m in emergency funding to support additional expenditure incurred and loss of income as a result of the COVID-19 pandemic. This is an increase of £4.393m reported at Q2 due to additional funding to support LAs in Tier 3 and Tier 4 as well as receipt of the first round of income compensation for loss of sales, fees & charges.

2.42 To date the Council has made eight submissions to MHCLG to report the estimated financial position of COVID-19 on the Council. In the Quarter 1 monitoring report to Cabinet in September, a summary of submissions 1 to 4 was included. In the Quarter 2 monitoring report to December, a summary of submissions 4 to 7 was included. Table 8 below sets out submissions 7 to 8:

Table 8: Latest Financial Reporting to MHCLG

Submission No.	7	8
Submission Date	6th Nov	11th Dec
	£000	£000
Estimated Expenditure	17,264	17,408
Estimated loss of income	15,218	15,825
Total	32,482	33,233
Emergency Funding	-17,761	-17,761
Estimated Funding Shortfall	14,721	15,472

2.43 There has been a significant amount of work undertaken to ensure the Q3 forecast of COVID-19 impact is as accurate as possible. Table 9 shows there is a difference between the Q3 forecast and the latest return to MHCLG submitted on 11th December of £3.5m. There are 2 main reasons for this. Firstly there is the timing difference as Q3 covers the period to 31st December but Round 8 covers the period to November. Secondly, there is a fundamental difference between the figures on the submissions and the monitoring, which occurs due to the MHCLG requirement to include gross costs in the return even though separate grants have been provided to fund some of the costs.

2.44 As an example, the round 8 submission includes infection control costs of £3.4m but a grant has been received and so in the monitoring return the grant has been reflected and therefore the monitoring costs do not pick up the cost of £3.4m which correctly reflects the impact on the Council. Table 9 shows the difference:

Table 9 – MHCLG return differences to Q2 forecast

Description	£'000
MHCLG Return 8 – total impact	33,233
Less Collection Fund loss *	(4,900)
Impact net of Collection Fund loss	28,333
Q3 Forecast – COVID- 19 impact Directorates	<u>22,382</u>
Q3 Forecast – COVID- 19 impact Corporate	2,429
Total Q3 Forecast – COVID-19 impact	24,811
Difference – more on Round 8 than on Q3	3,522
*Collection Fund Losses – the estimated losses in year are managed as part of the Collection Fund and will manifest themselves as a Collection Fund loss in 2021/22 which is being managed as part of the budget setting process	

COVID-19 related income and grants

2.45 In addition to the tranches of MHCLG funding and compensation for loss of income set out above there are a number of other grants/income sources which are directly related to COVID-19. These are all assumed to be spent on the activities for which they have been provided/applied for. These are set out at Table 10 which includes the MHCLG tranche funding for completeness

2.46 Items with an asterisk * are those included in the overall forecast in Table 1 at the start of this report and are being used to fund expenditure and loss of income as a result of COVID-19.

Table 10 – COVID-19 related grants and income

GRANT /FUNDING STREAM	Value
Emergency Funding (tranches 1 to 4)	£17,627,755*
Tier 2 Funding (£3 per head) Oct 2020	£753,480*
Tier 3 Funding (£5 per head) Nov 2020	£1,255,800*
Tier 4 Funding (£3 per head) Dec 2020	£753,480*
Compensation for loss of sales, fees & charges	£4,300,000*
Track and Trace	£1,020,000
DEFRA - Food & Welfare - tranche 1	£218,260
DWP Covid Winter Grant Scheme	£588,956
Section 31 Grant - admin burdens	£145,311
Community Champions Fund	£495,000
Clinically Extremeley Vulnerable (tranches 1 and 2)	£320,762
Infection Control (tranches 1 to 2)	£3,437,967
ASC Rapid Testing	£431,905
Social Care Workforce Capacity Grant	£484,914
LA Enforcement & Compliance Grant	£112,853
Reopening High Street Safely Fund	£221,203
Cultural Recovery Fund (Arts Council)	£735,772
Emergency Active Travel Funding (DfT)	£100,000

London Streetspace Programme (TfL)	£683,000
Emergency Response Fund (Arts Council)	£20,405
TOTAL	£33,706,823

GRANTS TO BUSINESSES AND RESIDENTS	
Council Tax Hardship Grant re Council Tax Support	£1,391,506
Grants to Small Businesses	£42,216,000
2nd Funding amount Statutory Business	£7,081,500
Discretionary Business Grants	
LRSO Open discretionary Oct to 2 December	£289,318
Additional restrictions grant - 1st tranche	£5,023,200
LRSO Closed grants Nov 2020 to Dec 2020 1st tranche	£3,648,708
LRSO Closed & one off lockdown grants to 15-02-21 2nd tranche	£16,417,062
Additional restrictions grant - ARG top up Feb 2021 2nd tranche	£2,231,067
Sub Total Business & Residents Grants	£78,298,361
Self Isolation £500 awards Grant:	
Programme Funding - standard applications	£94,000
Programme Funding - discretionary applications	£56,463
Admin Funding	£33,987
Programme Funding - Discretionary applications top up Feb 21	£41,537
Sub Total Self Isolation Grants	£225,987
NNDR Rate relief for 20/21	£8,757,127
GRAND TOTAL	£120,988,298

- 2.47 Q3 reporting does indicate that in the current financial year, as a result of receiving emergency funding that the Council can broadly manage a balanced budget position for COVID-19 related activities, reporting an overspend of £121k. However there are continued grave concerns about the legacy impact of COVID-19 over the MTFS.
- 2.48 It should also be noted that the financial projections in this report were calculated before it was announced that the country would enter into a national lockdown phase in January. It is anticipated that once the financial projections are revised to reflect additional expenditure and further losses of income as a result, a balanced budget could only be achieved by another injection of additional government funding.
- 2.49 Council Officers and Members are linked into numerous lobbying forums to ensure the Government fully understands the financial impact of the emergency on Harrow Council, not only in the current year but over the three years of the MTFS as current events will carry legacy issues into future years. These concerns are heightened by the lack of clarity on Council funding and the continuation of schemes, such as emergency funding and co-payment mechanism, to support the legacy issues.
- 2.50 Full Council approved the Medium Term Financial Strategy (2020/21 to 2022/23) in February 2020. The financial impact of the COVID-19 emergency is

being worked through in detail alongside the published MTFS and implications for future years are reflected in the Final Budget report also on this agenda.

UPDATE ON COMMERCIAL PROPERTY INVESTMENTS

- 2.51 From 2015 to 2019 the Council acquired seven investment properties at a cost of £48.2m. The portfolio consists of warehouses and other commercial and residential properties across the UK, as well as an office block in Harrow.
- 2.52 At acquisition, the net yield was estimated at 2.31% (gross yield 7.3%) for all but the office block Kings House (net yield 0.9% and gross yield 5.9%) which was also purchased as a land acquisition for potential regeneration. The return from investment properties was included in the MTFS.
- 2.53 The projected return from all but Kings House is currently on target despite COVID-19. There is vacant space in Kings House – part of the 3rd floor has been vacant since acquisition and the remainder of the 3rd floor became vacant in December 2020. This results in loss of rental receipts and the additional cost such as business rates and service charges which falls back to the council.
- 2.54 The annual estimated impact of vacant space at Kings House in 2021-22 is a loss of rental income of £290k and costs of business rates and service charges of £105k.
- 2.55 If this pressure materialises the council can call on the investment property reserve to mitigate this.

3.0 CAPITAL PROGRAMME

- 3.1 The 2020/21 Capital Programme agreed by the Council in February 2020 totalled £79.071m. Generally, once the Capital programme is set in February, it will only be amended for carry forwards from the previous year (£215.729m in Table 11) and any in year additions such as externally grant funded schemes.
- 3.2 However, due to the impact of Covid-19 which put a halt on many projects during the first lockdown (March to July), plus the removal of a large number of schemes which are no longer proceeding (as reported in the Final Capital Programme report elsewhere on the agenda), the 2020/21 General Fund budget has been reduced by £185.187m as shown in Table 11. The revised capital budget for 2020/21 is £124.418m at Quarter 3 as set out at Table 11:

Table 11: Capital Programme Forecast Q3

Directorate	Original Budget	CFWDs	Budget Realignment Dec 20 Cabinet	Other Adjustment	TOTAL BUDGET	Forecast Spend	Forecast Variance	Slippage	Underspend after slippage
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RESOURCES T	6,200	106,268	-108,594	11,107	14,981	14,881	-100	-100	0
COMMUNITY									
Commissioning and Environment & Culture	25,953	34,291	-25,878	437	34,803	33,820	-983	-960	-23
Housing	2,480	7,425	-295	-75	9,535	9,355	-180	0	-180
Enterprise and Planning	1,201	2,402	-1,387	80	2,296	1,926	-371	-371	0
Regeneration	5,193	25,964	-25,703	182	5,636	5,636	0	0	0
COMMUNITY T	34,827	70,082	-53,263	624	52,270	50,737	-1,534	-1,331	-203
PEOPLE									
Adults	625	140	-455	20	330	321	-9	0	-9
Public Health	0	78	0	0	78	78	0	0	0
Children	1,121	23,817	-22,845	2,511	4,604	3,132	-1,471	-1,471	0
PEOPLE TOTA	1,746	24,035	-23,300	2,531	5,012	3,531	-1,480	-1,471	-9
TOTAL GENER	42,773	200,384	-185,157	14,261	72,261	69,149	-3,114	-2,902	-212
TOTAL HRA	36,298	15,345	0	514	52,157	21,478	-30,679	-29,529	-1,150
TOTAL GENERAL FUND & HRA	79,071	215,729	-185,157	14,775	124,418	90,627	-33,792	-32,430	-1,362

3.3 The forecast spend at Quarter 3 is £90.627m, 73% of the total Capital Programme budget. The forecast spend on the General Fund at Q3 is £69.148m, (96% of budget) with the remainder of the budget of £2.902m being proposed for slippage into 2021/22 and a small underspend of £212k.

3.4 At Cabinet in December 2020 slippage of £185.187m was reported and this has now been taken out of the figures in Table 11.

3.5 The forecast spend on the Housing Revenue Account budget is £21.478m (41% of budget) with the remainder of the budget of £29.529m being forecast as slippage and £1.150m as an underspend.

RESOURCES

3.6 As at Quarter 3 the Resources Directorate is forecasting an overall spend of £14.881m, which represents 99% of approved budget. The variance of £0.1m relates to slippage which reflects the revised profile of Abavus and Waste collector programmes delivery.

COMMUNITY

3.7 As at Quarter 3 the Community Directorate forecast an overall spend of £50.668m (98%) against the latest budget of £51.838m. The 2020/21 budget has been reviewed as part of the preparation of the 2021/22 Capital Programme, which results in a budget re-alignment of £53.263m in this year's

programme in Community Directorate. The forecast variance of £1.331m is planned to be slipped into 2021/22 and the forecast underspend of £22k can be removed from the Capital Programme. The underspend relates to the Libraries project (para 3.8).

- 3.8 The details of the forecast variances are as follows:
- 3.9 Harrow Arts Centre refurbishment. This project is for multiple years and is funded by the GLA and BCIL. Phase 1 works will be completed in this financial year while Phase 2 is in planning and is scheduled to be completed in 2021/22. Based on the latest project timeline, it is forecast to spend £1.631m in 2020/21 and the rest of the budget profiled in this year **£500k** will be slipped to 2021/22 due to a delay in the commencement of the Phase 2 works (New Build element).
- 3.10 Planning New IT system. This project was originally scheduled to be completed in 2020/21, however the procurement exercise took longer to complete than anticipated. The revised project timeline suggests that the full implementation will now be expected in the summer of 2021, therefore it is forecast to spend £505k in 2020/21 and the rest of the budget **£370k** will be slipped to 2021/22.
- 3.11 Priorities works for Libraries. The Kenton Library window refurbishment project is underway. The tender exercise has been completed with the overall costs forecast to be £22k lower than originally anticipated. Therefore the budget of **£22k** in the Capital Programme is reported as an underspend.
- 3.12 High Priority Planned Maintenance. Various building maintenance projects are underway. Within the programme, there is an allocation of £220k for pipework replacement at Sancroft. This work commences in 2020/21 but the full completion will be in 2021/22 and therefore **£195k** of the budget will be slipped to 2021/22. In addition, the remaining budget of **£265k** in the programme is pending allocation when the outcome of the condition survey is available and this will be slipped to 2021/22.
- 3.13 Unless explicitly stated above there are no revenue implications as a result of the slippage.

Housing General Fund

- 3.14 Progress on all Housing schemes, including HRA, is reliant on access to properties and sometimes interaction with “at risk” individuals. Forecasts take into account the impact of latest Government announcements.
- 3.15 Budgets have been reduced by a total of £295k comprising :
- £337k addition to Disabled Facilities Grants as a result of increased grant
 - £330k reduction to Empty Property Grants reflecting lower spend estimate
 - £302k slippage for Property Acquisition Programme for the remaining

refurbishment costs of forty four properties expected to be purchased by the end of the financial year to mitigate the costs of homelessness

- 3.16 Spend forecast £9.355m against a revised budget of £9.535m generating underspend £180k relating to Adults small equipment expenditure.

Regeneration

- 3.17 As at Quarter 3, Regeneration is forecasting to budget at £5.636m. The 2020/21 budget has been reviewed as part of the preparation of the 2021/22 Capital Programme, which results in a budget re-alignment of £25.521m , against an original budget of £31.157m, £16.996m into 2021/22 and £6.610m and £1.915m in 2022/23 and 2023/24 respectively. This is a variance of £23.368m against the reported quarter 2 forecast position of £29.003m Projects with a budget variance are summarised below:

- 3.18 **Waxwell Lane:** Following a review of the budgets, £1.865m will slip into 2021/22 and £759k of this will be reallocated to fund the budget gap on the Haslam House scheme, resulting in a revised lifetime scheme budget on Waxwell Lane of £7.938m.

- 3.19 There are risks to this position due to issues with the trees, and recently reported Japanese knotweed found on the boundary of the site. Works are being undertaken to mitigate these additional costs and so they are not reflected in the forecast at this time. There are additional consultancy fees as a result of the extended programme, due to Covid, from April 2021 to October 2021, and these are reflected in the forecast

- 3.20 **Haslam House:** The revised project timeline suggests the scheme will conclude in summer of 2021 with forecast expenditure of £1.732m in 2021 and £107k slippage into 2021/22. Covid-19, has resulted in an extension to the programme which would have otherwise concluded this year. This delay has attracted additional running costs for consultancy services and current forecasts indicate that Haslam House will overspend over its lifetime by £759k with the capital receipt from sale of units being delayed to October 2021.

- 3.21 The budget gap on Haslam House can be contained by the underspend on Waxwell Lane scheme and the 2021/22 budgets have been reprofiled to reflect this, resulting in no additional drawdown of funding across the overall programme.

- 3.22 **Gayton Road:** Two of the three elements of this scheme have completed. There is a slippage of £2.293m, into 2021/22. A detailed options appraisal has been undertaken of the commercial unit at Gayton Road and this is going through the approvals process.

- 3.20 **Client Contingency:** An amount of £1.741m is being slipped into 2021/22 to support any unforeseen costs arising from the realigned capital

programme. This is 9.8% of next years programme and is considered reasonable.

3.21 **Harrow Strategic Development Partnership set aside (£19.515m):** this is funding that is set aside to seek a Strategic Development Partner for three core sites within the borough; Poets Corner, Byron Quarter (Phase 1), and Peel Road Car Park. Now that the procurement process has concluded and Wates is on board the budgets have been reprofiled resulting in slippages into future years to reflect:

- Wates spend profile : three cores sites across the MTFS of £8.525m
- Client side cost: HNC related costs of Temple Acquisition £2.070m
- Plots S commercial unit and £0.500m
- Demolition of Social club £0.300m

£11.395m

3.22 The difference of this placeholder funding of £8.120m has been slipped forward to 2021/22.

PEOPLE SERVICES

3.23 As at Quarter 3 People Services is forecasting overall spend of £3.531m, which is 70% of the approved capital budget.

Adult Services

3.24 The forecast variance is £1.480m is all slippage with the exception of a small underspend of £9k. These are detailed below

3.25 The total capital programme is £765k. At Quarter 3, the outturn capital forecast for Adult Services is £301k, with Slippages of £370k forecast and an underspend of £94k forecast. The majority of the slippage (£245k) is due to the Assistive Technology pilot having been delayed by six months with further spend only being able to take place after the pilot has been completed. The Remaining £125k is due to Millman's Day Centre being closed and work not being able to be carried out until it reopens. The £94k underspend relates to the Integrated Health Model project which is no longer required.

Public Health

3.26 Public Health's outturn forecast for capital projects is £77k. This represents the remaining portion of the Healthy Pupil Capital fund that was allocated to

the service in 2018/19, with the majority of this funding having now been assigned for particular projects.

Children's Services

- 3.27 The revised capital programme at Q3 is £4.603m of which £1.472m of schools capital maintenance will be slipped to 2021-22 as COVID-19 has limited the amount of works that can be carried out in schools. There are no revenue implications as a result of this slippage.

HOUSING REVENUE ACCOUNT

- 3.28 At Quarter 3, the outturn forecast for the Housing Revenue Account is £21.478m against budget of £52.157m generating an underspend of £30.679m, of which **£29.529m** is slippage and the remaining £1.150m is underspend. The main items of slippage are
- 3.29 Planned Investment programme - £5.604m spend expected with slippage of **£4.663m** relating to fire compliance and health & safety works, roof replacement, windows, doors, kitchen replacement, structural works and compulsory replacement of the Housing IT system which is expected to underspend by £50k.
- 3.30 Building Council Homes for Londoners (BCHfL) – £15.874m spend expected with slippage of **£24.865m**. The BCHfL programme is expected to span some five years and is expected to provide some 659 new homes in the HRA.
- 3.31 Slippage, resulting mainly from delays in securing planning consents and impact of COVID-19, will result in delays in associated rental streams and new build units for use as social and affordable housing as well as in mitigating the impact of homelessness on the Council's General Fund. These revised trajectories have been incorporated into the HRA Budget 2021/22 and MTFS 2022/23 to 2023/24 appearing elsewhere on this agenda.
- 3.32 Additional £1.1m budget approved by Cabinet 17th December as part of the Rough Sleepers Accommodation Programme to assist rough sleepers back into mainstream society not expected to be spent this financial year as envisaged. Budget unlikely to be eligible for carry forward to 2021/22 therefore no slippage expected although discussions are ongoing with GLA.

AMENDMENTS TO THE CAPITAL PROGRAMME

- 3.33 The following amendments include additions required to the Capital Programme all funded by additional grant and reserve draw downs therefore no additional capital financing costs will be incurred.

COMMUNITY

Urban Tree Challenge Fund – £12,454

- 3.34 The GLA has awarded a grant of £12,454 for the planting of street trees under Urban Tree Challenge Fund (Year 2). It is therefore requested that the Highway Programme is increased by this sum to reflect the grant award.

ADULTS

Wiseworks Ridgeway Project - £20,000

- 3.35 An additional £20k is required in addition to the capital budget agreed form 2020/21. This is to complete work in relation to the Wiseworks Ridgeway Project, for which costs have increased. The additional £20k is funded by the Public Health Reserve.

4.0 COUNCIL TRADING STRUCTURE UPDATE 2021/21 – QUARTER 3

- 4.1 The Council's Trading Structure update for Quarter 3 is attached at Appendix 6 and summarises the financial position and provides a general update on the activities of all the Council's trading entities.

5.0 REPORTING FOR THE 2020/21 FINANCIAL YEAR

- 5.1 Cabinet will one further monitoring report during the year as follows:

- Outturn report June 2021.

6.0 Implications of the Recommendation

Implications of recommendation are set out in the body of this report.

7.0 Performance Issues

Good financial monitoring is essential to ensuring that there are adequate and appropriately directed resources to support delivery and achievement of Council priorities and targets as set out in the Corporate Plan. In addition, adherence to the Prudential Framework ensures capital expenditure plans remain affordable in the longer term and that capital resources are maximized.

The forecast position at Quarter 3 is showing a net underspend position of (£1.864m).

For the 2020/21 savings built into the MTFs total £3.203m. The overall position is that 45% of the savings are RAG rated as Green (Clear delivery plans in place and project running to timescale), 19% amber (Potential for slippage, project will be delivered as originally intended but not within timescale, so saving will not be fully realise) and 36% red (Project may have started but will deliver no savings in the current financial year).

The Capital Programme is projecting spend of 73% as at Quarter 3

8.0 Environmental Implications

There is no direct environmental impact.

9.0 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.
Yes

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

Risk Description	Mitigations	RAG Status
Failing to deliver the budget on target	<ul style="list-style-type: none">▪ Budget monitoring process▪ Anticipated underspend on business as usual activities	Green
Overspend in relation to COVID-19 activities of £121k	<ul style="list-style-type: none">▪ Continued robust budget monitoring process▪ Review of expenditure and anticipated receipt of additional external income to support COVID-19 activities▪ Overall business as usual underspend	Green
Additions to the capital programme that may incur additional borrowing costs to the council	<ul style="list-style-type: none">▪ Funded by additional grants and reserves thus no additional capital financing costs will be incurred	Green
Trading companies failure to deliver required contribution to the MTFS	<ul style="list-style-type: none">▪ Quarterly stakeholder groups▪ Review of financial and non-financial performance information	Green

10.0 Procurement Implications

There are no procurement implication arising from this report

11.0 Legal Implications

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 28 of the Local government Act 2003 imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against budget calculations.

Additions to the Capital Programme are dealt with in B48 of the Financial Regulations, the additions above are within the thresholds allowed for Cabinet.

12.0 Financial Implications

Financial matters are integral to this report.

13.0 Equalities implications / Public Sector Equality Duty

13.1 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:

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

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

13.2 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:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- 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;
- 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:

- Tackle prejudice, and
- Promote understanding.

13.3 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

13.4 Equality assessments were undertaken for the budget proposals agreed by Council listed as part of the MTFs process and an overall equality assessment was undertaken on the MTFs. There is only recommendation in this report for decision "That Cabinet approve the proposed amendments to the Capital Programme as set out in paragraphs 3.39 to 3.49" it is not considered that this will have a detrimental equality impact.

It is not considered that this report will have any further equality implications.

14.0 Council Priorities

The Council's vision:

Working Together to Make a Difference for Harrow

This report deals with the Revenue monitoring which is key to delivering the Council's new priorities:

- Making a difference for the vulnerable
- Making a difference for communities
- Making a difference for local business's
- Making a difference for families

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 03/02/2021

Statutory Officer: Jessica Farmer

Signed on behalf of the Monitoring Officer

Date: 01/02/2021

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 01/02/2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 02/02/2021

Head of Internal Audit: Susan Dixon

Signed by the Head of Internal Audit

Date: 01/02/2021

Mandatory Checks

Ward Councillors notified: NO as it impacts on all Wards

EqIA carried out: NO

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Head of Strategic and Technical Finance
(Deputy S151), Telephone 020 8424 1332,

Sharon.Daniels@harrow.gov.uk

Background Papers:

- [MTFS 2020/21 to 2022/23](#)

- [2020/21 Budget Report](#)

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

NO

Appendix 1 - Summary of 2020/21 Revenue Budget Forecast as at Quarter 3

	Revised Budget	Forecast Outturn – Business as usual	Contribution/Drawdown From reserves	Cross Divisional Adjustments Including one-off Income	Revised Forecast due to Business as usual	Variance due to Business as usual	Forecast Outturn – due to COVID-19	Revised Forecast after COVID-19 Pressure	Q3 Variance Including COVID-19	Q2 Variance	Movement Q2 to Q3	BAU Movement	COVID-19 Movement
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Resources													
Business Support	3,367	3,383	0	0	3,383	16	12	3,395	28	32	(4)	(4)	0
Customer Services/Access Harrow	3,671	3,671	0	0	3,671	(0)	500	4,171	500	501	(1)	(1)	0
ICT	7,265	7,388	(116)	0	7,272	7	973	8,245	980	776	204	4	200
Director of Resources	727	1,865	(1,125)	0	740	13	33	773	46	45	1	1	0
Internal Audit & CAFT	625	624	0	0	624	(1)	0	624	(1)	(1)	0	0	0
Finance & Insurance	3,140	3,538	(345)	0	3,193	53	935	4,128	988	873	115	(10)	125
Revenues, Parking & Benefits	13,090	13,098	0	0	13,098	8	520	13,618	528	419	109	(1)	110
Procurement	404	341	0	0	341	(63)	0	341	(63)	(63)	1	1	0
HRD	1,527	2,031	(383)	(120)	1,528	1	0	1,528	1	0	1	1	0
Legal & Governance	3,071	3,180	(411)	0	2,769	(302)	331	3,100	29	60	(31)	19	(50)
Strategy	2,802	3,250	(131)	(165)	2,954	152	384	3,338	536	583	(47)	5	(52)
Investment Income	(2,750)	(2,723)	0	0	(2,723)	27	100	(2,623)	127	3	124	24	100
Total Controllable Budget	36,939	39,646	(2,511)	(285)	36,851	(88)	3,788	40,639	3,700	3,228	472	39	433
Uncontrollable Budget	(18,697)	(18,697)		0	(18,697)	0	0	(18,697)	0		0	0	0
Community													
Controllable Budget													
Commissioning & Commercial Services	(4,431)	(3,390)	(18)	(80)	(3,488)	943	8,601	5,113	9,544	9,336	208	(840)	1,048
Environment & Culture	23,226	23,638	(284)	0	23,354	128	4,028	27,382	4,156	4,099	57	(717)	774
Directorate Management	195	195	0	0	195	0	0	195	0	(0)	0	0	0
Housing General Fund	4,557	4,695	112	(250)	4,557	0	320	4,877	320	620	(300)	0	(300)
Regeneration, Enterprise and Planning	1,291	2,273	(994)	0	1,279	(12)	612	1,891	600	250	350	(0)	350
Total Controllable Budget	24,838	27,411	(1,184)	(330)	25,897	1,059	13,561	39,458	14,620	14,304	316	(1,556)	1,872
Uncontrollable Budget	24,849	24,849		0	24,849	0	0	24,849	0		0	0	0
People													
Controllable Budget													
Adults Services	66,783	66,871	(88)	0	66,783	0	2,897	69,680	2,897	4,332	(1,435)	0	(1,435)
Public Health	(1,814)	(1,814)	0	0	(1,814)	0	400	(1,414)	400	0	400	0	400
Children's Services	33,845	34,239	(61)	(333)	33,845	0	1,736	35,581	1,736	1,764	(28)	(192)	164
Total Controllable Budget	98,814	99,296	(149)	(333)	98,814	0	5,033	103,847	5,033	6,096	(1,063)	(192)	(871)
Uncontrollable Budget	16,205	16,205	0	0	16,205	0	0	16,205	0		0	0	0
Total Directorate Budgets	182,947	188,710	(3,844)	(948)	183,919	971	22,382	206,301	23,353	23,628	(275)	(1,709)	1,434
Corporate Items													
Corporate Items	4,904	4,774	0	0	4,774	(130)	1,429	6,204	1,300	975	324	19	305
Covid Grants						0	(20,391)	(20,391)	(20,391)	(18,165)	(2,226)	0	(2,226)
Anticipated Compensation loss of income						0	(4,300)	(4,300)	(4,300)	(4,300)	0	0	0
Corporate Contingency	1,248	1,000	0	0	1,000	(248)		1,000	(248)	0	(248)	(248)	0
Technical and Corporate Adjustment	12,060	9,481	0	0	9,481	(2,579)	1,000	10,481	(1,579)	(1,560)	(18)	(18)	0
Total Controllable Budget	18,212	15,255	0	0	15,255	(2,957)	(22,261)	(7,006)	(25,218)	(23,050)	(2,168)	(247)	(1,921)
Uncontrollable Budget	(26,398)	(26,398)	0	0	(26,398)	0	0	(26,398)	0	0	0	0	0
Total Corporate Budget	(8,186)	(11,142)	0	0	(11,142)	(2,957)	(22,261)	(33,403)	(25,218)	(23,050)	(2,168)	(247)	(1,921)
Total Budget Requirement	174,762	177,568	(3,844)	(948)	172,777	(1,985)	121	172,898	(1,864)	578	(2,443)	(1,956)	(487)

income

Appendix 2

All in £'s	Draw Down from Reserves		Cross Divisional Adjustments including one-off				Total
Description	Other Reserves	Capacity Building and Transformation reserve	Funded from MRP/ Capital Financing costs	Corporate Funding	Members Investment Fund	Manifesto Commitment Fund	Total
	£	£	£	£	£	£	£
Resources							
Community Lottery - Manifesto Commitment Fund						45,000	45,000
Community Resources and Cohesion - Brexit Funding	0			26,000		0	26,000
Community Resources and Cohesion - Manifesto Commitment Fund						60,000	60,000
HR - Transformation Reserve		55,000					55,000
Recommissioning of IT contract - Transformation Reserve		748,000					748,000
IT Contract Reserve	116,000						116,000
Legal Service Reserve- draw down to support 2020/21 budget	390,000						390,000
Flexible Futures and Change Management		728,000					728,000
New ERP and PWC		345,000					345,000
Capacity to support COVID-19 activities				285,000			285,000
Resources Total	506,000	1,876,000	0	311,000	0	105,000	2,798,000
Community							
Commissioning and Commercial - ward priorities funding	0				18,000		18,000
Commissioning and Commercial - Unachieved Vernon Lodge savings to be offset against reduced capital financing costs			80,000				80,000
Environment and Culture - fortnightly street sweeping costs					184,000		184,000
Environment and Culture - enforcement, fly-tipping, HMO and planning work					100,000		100,000
Housing GF - Draw down of FHSG grant beyond the £1.370m grant already included in the base budget for 2020/21.							0
Housing GF - interest underspend held centrally for Property Acquisition Programme (interest budgetted for centrally)	-112,000		250,000				138,000
Regeneration - Revenue expenditure to be funded from MRP provision			950,000				950,000
Capacity to support COVID-19 activities				44,000			44,000
Community Total	-112,000	0	1,280,000	44,000	302,000	0	1,514,000
People Services							
Adults							
Strategic Management - project support costs from Transformation Fund		88,000					88,000
							0
Children's Services							
High Needs Strategic Planning Grant	61,089						61,089
COVID-19 Winter Food Grant				258,710			258,710
Capacity to support COVID-19 activities				74,590			74,590
							0
People Services Total	61,089	88,000	0	333,300	0	0	482,389
Total Included in Directorates Forecast at Month 9	455,089	1,964,000	1,280,000	688,300	302,000	105,000	
Total included in Directorates		2,419,089				2,375,300	4,794,389

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

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2020-21 Savings Update								
Item No	Unique Reference No.	Headline Description re: saving / reduction	2020-21	2021-22	2022-23	Total	Rag Rating	Comment - (Comment relates to 2020/21 savings only)
	(1)	(3)	(10)	(11)		(12)		
			£000	£000	£000	£000		
Resources Directorate								
1	RES 2	Access Harrow /Contact Cente - delete one post in the Adults team	(35)			(35)	Green	Savings achieved, post deleted prior to 2020/21.
2	RES 3	Revenues - delete 0.5 FTE which covers the Capita contract resilience	(25)			(25)	Green	Savings already removed from Revenues budget - achieved
3	RES 4	Benefits - delete two posts over two years	(33)	(33)		(66)	Green	£33k already removed from budget and on target to deliver the other £33k in 21/22
4	RES 5	Delete one FTE across finance function	(30)			(30)	Green	Savings already achieved , deletion of a vacant post.
5	RES 2019-20 S1-4	Reduction in Customer Channels (A) - closing telephony & email channels across Council Tax, Housing Benefits, Planning & Building Control and only accepting on-line applications following the release of new on-line services by April 2019.	(135)			(135)	Green	Savings already achieved , deletion of a vacant post.
6	RES 2019-20 S1-5	Reduction in Customer Channels (B) - closing telephony & email channels across Council Tax, Housing Benefits, Planning, Building Control, Education, Parking & Switchboard and only accepting on-line applications following the release of new on-line services by April 2019/20.	(175)	(175)		(350)	Amber	Savings at risk, first year implementation in Revenues and Benefits sections should have started from 1st October 2020, however the preparatory work (digital services and consultation) are not complete as staff are not allowed in the office due to COVID situation. Progress
7	RES 2019-20 S1-6	Review of Business Support for Children's Services - Lean review of Children's' Services and associated business support.	(20)			(20)	Green	Savings achieved, post deleted prior to 2020/21.

2020-21 Savings Update								
Item No	Unique Reference No.	Headline Description re: saving / reduction	2020-21	2021-22	2022-23	Total	Rag Rating	Comment - (Comment relates to 2020/21 savings only)
	(1)	(3)	(10)	(11)		(12)		
			£000	£000	£000	£000		
8	RES 2019-20 S1-13	Additional Legal Hours 'Growth of £530k was added to the budget for 2019/20 in connection with additional usage within Harrow of legal services. Only 50% of this growth is required in 2019/20 and the remaining 50% can be fully removed in 2020/21.	(265)			(265)	Green	Savings achieved
9	RES	Investment Income : Income from investing in commercial properties		(1,726)		(1,726)	Purple	
29	COR 04	Income from £100m Investment Property Purchase	(150)	(1,175)	(1,175)	(2,500)	Green	Savings achieved for 2020/21. The savings on the shedule are net figures. For 2020/21 gross saving is £450k while the capital financing cost is £300k. For 2021/22 and 22/23 the gross savings are £3.525m in each year while the capital financing cost is £2.350m in each year.
		Resources total	(868)	(3,109)	(1,175)	(5,152)		
People Directorate								

2020-21 Savings Update								
Item No	Unique Reference No.	Headline Description re: saving / reduction	2020-21	2021-22	2022-23	Total	Rag Rating	Comment - (Comment relates to 2020/21 savings only)
	(1)	(3)	(10)	(11)		(12)		
			£000	£000	£000	£000		
10	PC_01	<p>Reduction in expenditure in relation to children's placements, accommodation and client related spend.</p> <p>Targeted early intervention and support to prevent young people from coming into care or stepping young people down from care where it is safe to do so. Targeted actions continue to reduce the average cost of service provision through negotiation with providers and continued maximisation of capacity available within block contracts services and council properties.</p>	(410)	(410)		(820)	Amber	Monitoring of achievement is required during the year as savings are at risk due to fluctuations in demand
Children and Young People Total			(410)	(410)		(820)		
Community Directorate								
11	COM_20.21_S01	<p>Substitute funding for 2 existing job brokers with external grant in 2020/21. External funding has been secured as part of Strategic Investment Pot (SIP) over 2 years. Part of this grant is earmarked for funding staffing costs. The proposed funding substitution means the delivery of the programme will have to be incorporated into the work of existing staff. If no further funding is secured beyond 2020/21, one post will be deleted and the other one retained.</p>	(90)	45		(45)	Green	Saving achieved.

2020-21 Savings Update								
Item No	Unique Reference No.	Headline Description re: saving / reduction	2020-21	2021-22	2022-23	Total	Rag Rating	Comment - (Comment relates to 2020/21 savings only)
	(1)	(3)	(10)	(11)		(12)		
			£000	£000	£000	£000		
13	COM_20.21_S02	Automatic Public Convenience (APC) 'The removal of the APC situated at Pinner Road in previous year results in a saving on hire and maintenance costs.	(25)			(25)	Green	Saving achieved. The lease of the APC has been terminated.
14	COM_20.21_S03	Removal of base budget from October 2020 for 4 positions that are currently 67% grant funded - either securing further external funding to 100% fund these posts or deleting the posts. These 4 FTC positions are created as part of the successful bid to HLF for the Headstone Manor refurbishment project. HLF funding will end in Sept 2020, thereby the future of these posts will be dependent on the availability of further external funding.	(22)	(22)		(44)	Red	The removal of base budget from October 2020 for 4 positions that are currently 67% grant funded is expected to be delayed until 31 March 2021. This is a direct result of the onset of the pandemic; it is expected, however, that this saving will be achieved in full in 2021/22.
15	COM_20.21_S04	Achieving full cost recovery from Travellers site-'The council has a duty to provide suitable accommodation for Gypsy and Travellers and use Watling farm site for this purpose.Saving proposal is to seek a cost neutral outcome for the council to be achieved by increased charges to the current licensees and/or agreement for the cost of repairs and maintenance to be passed over to the occupiers.		(14)		(14)	Purple	Awaiting plan from Head of Resident Services

2020-21 Savings Update								
Item No	Unique Reference No.	Headline Description re: saving / reduction	2020-21	2021-22	2022-23	Total	Rag Rating	Comment - (Comment relates to 2020/21 savings only)
	(1)	(3)	(10)	(11)		(12)		
			£000	£000	£000	£000		
16	COM_20.21_S05	Reduction in EACH contract and Sheltered housing support from April 2020- Each contract to be transferred to floating support scheme and reduction in sheltered housing support proposed to finance through enhanced housing management service charge which is HB eligible/ or reduce scope of the service provided.		(68)		(68)	Purple	[1] EACH contract £30k transfer to Floating Support - expected to be achieved through FHSG [2] Sheltered Hsg Support - expected to achieve through reduction in scope service and enhanced management charge which is eligible for Housing Benefit - Domestic Abuse services contract with Hestia (to which Housing contributes GF budget for refuge and floating support) extended. Project team in place for procurement exercise - currently seeking feedback from internal colleagues on current services.
17	COM_20.21_S06	Removal of GF funded base budget for 1 position from April 2020 - As part of the Housing Services management re organisation the vacant post of Head of Service for Business Development & Transformation has been deleted.	(18)			(18)	Green	Savings achieved.
18	COM_20.21_S07	Building Control - Additional income from commercialisation of the service		(20)		(20)	Purple	Future year saving, however the health pandemic is likely to adversely impact on the number of building control applications as a slow economic recovery is anticipated.
19	COM	Income from expansion of Central Depot	(681)			(681)	Red	The target was originally added to the MTFs to reflect the funding for the capital financing costs of the depot redevelopment project. The timeline for completing the project has been delayed. This target is now included in the wider financial and commercial review, which is being worked through to identify mitigations.

2020-21 Savings Update								
Item No	Unique Reference No.	Headline Description re: saving / reduction	2020-21	2021-22	2022-23	Total	Rag Rating	Comment - (Comment relates to 2020/21 savings only)
	(1)	(3)	(10)	(11)		(12)		
			£000	£000	£000	£000		
20	CC_2	<p>Library Strategy Phase 2 - delivery of network of libraries and library regeneration</p> <p>The original saving relates to the relocation of Gayton Library and Wealdstone Library. The new town centre library that replaces Gayton Library will be built by the developer as part of the redevelopment of 51 College Road. The latest timescale suggests that the new library will become operational no later than March 2020. Therefore the saving relating to Gayton Library (£159k) needs to be re-profiled to 2020/21 at the earliest.</p>	(159)			(159)	Green	<p>Gayton Library will be replaced by the new town centre library. The fit out of the new library was originally scheduled to be completed by the end of April 2020 with the new library due to open in mid-May 2020. This is now further delayed due to the health pandemic. However, an agreement has been reached with the landlord of Gayton Library for an extension to the lease until the 31st August 2020 on a rent free basis, therefore the MTFs saving can be achieved in full.</p>

2020-21 Savings Update								
Item No	Unique Reference No.	Headline Description re: saving / reduction	2020-21	2021-22	2022-23	Total	Rag Rating	Comment - (Comment relates to 2020/21 savings only)
	(1)	(3)	(10)	(11)		(12)		
			£000	£000	£000	£000		
22	COM_19.20 S01	<p>Review of Libraries Service</p> <p>Review of operational arrangements to consider minimum staffing level and/or opening hours of libraries in the next 6-9 months through the work with the cross party working group. The estimated financial saving will be available once the proposal is developed. To deliver a service model in line with the new vision for Libraries which is to be developed by the cross party working group. Externalisation of the service will also be considered, to identify a suitable provider to deliver the service for the Council. It should be noted that, the libraries budget was insufficient to pay for Carillion's cost in the past due to the unbudgeted contract indexation. It remains the case for the in-house service provision, with an estimated budget pressure of circa £150k in 18/19 (to be met from one-off libraries reserve). There is a growth budget in the existing MTFS, originally intended for contract indexation (£175k in 19/20 and £25k in 20/21). This will be needed to fund the in-house service to meet the current operating arrangements.</p>	(50)			(50)	Green	Changes to opening hours and staffing reorganisation already completed during 2019/20. This saving in 2020/21 represents the full year effect of the reduction in staffing costs.

2020-21 Savings Update								
Item No	Unique Reference No.	Headline Description re: saving / reduction	2020-21	2021-22	2022-23	Total	Rag Rating	Comment - (Comment relates to 2020/21 savings only)
	(1)	(3)	(10)	(11)		(12)		
			£000	£000	£000	£000		
23	COM_19.20 S02	Increase in Planning fees Income NB: this is predicated on diverting further CIL monies to fund Harrow Local Plan Review instead of using planning income as originally planned.	50			50	Green	This figure shown in 2020/21 reflects a reduction of MTFS target from £100k in 2019/20 to £50k in 2020/21. Albeit not a saving target, it should be noted that the health pandemic resulted in an adverse impact on the number of planning applications in the early part of the financial year. This may be compensated by the income from Planning Performance Agreements and will be closely monitored.
24	COM_19.20 S04	Redevelopment of the Vernon Lodge Homelessness Hostel and the Atkins House Site The maximisation of the assets to increase the homelessness provision at Vernon Lodge while providing capacity to generate additional income at both Vernon Lodge and Atkins House, following Cabinet approval of the redevelopment work in July 18. Gross savings.	(80)	(643)		(723)	Red	Rent income from Atkins House following the completion of refurbishment work will ensure that the 2019/20 MTFS target of £130k is achieved in full in 2020/21. The MTFS targets of £80k and £643k in 2020/21 and 2021/22 respectively relate to the assumed rental income from the redevelopment of Vernon Lodge. The originally planned scheme at Vernon Lodge is no longer progressed. A revised business case for the project is currently being reviewed, along with the inclusion of the Probation Centre as part of a wider proposal to provide homeless accommodation, to assess the financial viability of the scheme. Therefore the 2020/21 saving is not achievable, however there is a corresponding saving on capital financing cost as the capital budget is not spent. The Capital financing cost assumed in 2020/21 is £190k

2020-21 Savings Update								
Item No	Unique Reference No.	Headline Description re: saving / reduction	2020-21	2021-22	2022-23	Total	Rag Rating	Comment - (Comment relates to 2020/21 savings only)
	(1)	(3)	(10)	(11)		(12)		
			£000	£000	£000	£000		
26		Additional Financing Income : Banister (25k) Harrow Weald Toilet (£11k) Probation Centre (£275k) Drones (unmanned aerials) (£92k)		(403)		(403)	Purple	Future year saving, which reflects the capital financing cost of various capital projects. Some capital projects have been delayed or are being reassessed, therefore the MTFs target will have to be reviewed as part of 2021/22 refresh.
Community Total			(1,075)	(1,125)	-	(2,200)		
Corporate								
28	COR 03	SEN Transport efficiency from Transformation	(400)	(400)		(800)	Red	The saving in 2020/21 is not forecast to be achieved. This saving is being offset against underspends in the Capital financing budget.
31	COR 06	Transformation Target - additional £1m over and above SEN Transport target per annum		(1,000)	(1,000)	(2,000)	Purple	Future year savings
27	COR 02	Gayton Road - income from 53 PRS units	(450)	(144)	(47)	(641)	Green	Savings achieved
Corporate Total			(850)	(1,544)	(1,047)	(3,441)		
Total Savings			(3,203)	(6,188)	(2,222)	(11,613)		

Green - Low or no risk to delivery of savings	
Amber - Medium/some risk to delivery	
Red - High risk to delivering forecast savings	
Purple	

Clear delivery plans in place
Project running to timescale
Potential for slippage but project will be delivered as originally intended but not within timescale, so saving will not be fully realised.
Project may have started but will deliver no savings in the current financial year
Project cannot be delivered but underspends found else where to mitigate savings.
Future year's savings

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Project Definition	Original Programme	Realignment 20/21 budget in 19/20	Brought Forward	Virement	Budget Realignment as per Dec 20 Cabinet Report	Other Adjustment (Additional/Reduction)	Externally Funded (E)	Harrow Funded (B)	TOTAL CAPITAL PROGRAMME 20/21	Further Budget Adjustment	Total Budget February Cabinet	Budget Released on SAP	Actuals	Commitments	Forecast Outturn	Forecast Variance	Slippage	Over/ Underspend after Slippage
	£		£	£	£	£	£	£	£			£	£	£	£	£	£	£
Capital cost of transition and transformation of ICT service	0		158,874	0	0	0	0	158,874	158,874		158,874	158,874	0	0	158,874	0	0	0
ICT Infrastructure & Corporate Applications	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
IT Corporate System Refresh	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
ICT Re-Commissioning	0		1,043,512	0	0	0	0	1,043,512	1,043,512		1,043,512	490,437	157,179	151,942	1,043,512	0	0	0
Ongoing refresh & enhancement of ICT	3,000,000		4,447,666	0	-3,867,000	0	0	3,580,666	3,580,666	2,101,772	5,682,438	5,130,910	2,496,501	455,908	5,682,438	0	0	0
Devolved Applications refresh	1,700,000		927,297	-500,000	-1,209,001	0	0	918,296	918,296	517,473	1,435,769	1,077,297	522,404	66,496	1,435,769	0	0	0
SAP: Financial Ledger/Systems Control Imp	0		55,514	0	-55,514	0	0	0	0		0	1,492	0	0	0	0	0	0
Waste Collector	0		25,273	0	0	0	0	25,273	25,273		25,273	25,273	0	0	0	(25,273)	(25,273)	0
ABAVUS	0		513,036	0	0	0	0	513,036	513,036		513,036	513,036	76,679	31,194	438,036	(75,000)	(75,000)	0
LAA Performance Reward Grant	0		59,407	0	0	0	59,407	59,407	59,407		59,407	0	0	0	59,407	0	0	0
Other Schemes (Council wide)	0		2,203,500	0	-9,000,500	6,797,000	0	0	0		0	91,451	0	0	0	0	0	0
ER Grant	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
FM Minor Work	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
Property Investment	0		94,406,672	0	-94,406,672	0	0	0	0		0	0	0	0	0	0	0	0
HR Shared Service	0		65,219	0	-65,219	0	0	0	0		0	15,000	0	0	0	0	0	0
Enterprise Resource Planning System	1,500,000		2,361,876	500,000	10,000	1,650,000	0	6,021,876	6,021,876		6,021,876	6,011,876	2,678,413	2,420,619	6,021,876	0	0	0
Legal Case Management System	0		0	0	0	41,000	0	41,000	41,000		41,000	0	0	0	41,000	0	0	0
BTP Minor Projects	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
TOTAL RESOURCES	6,200,000	0	106,267,846	0	-108,593,906	8,488,000	100,407	12,261,533	12,361,940	2,619,245	14,981,185	13,515,646	5,931,176	3,126,159	14,880,912	(100,273)	(100,273)	0
Commissioning and Environment & Culture																		
Car Parks Infrastructure	15,000		3,550	0	0	0	0	18,550	18,550		18,550	17,330	8,621	8,453	18,550	0	0	0
City Farm/Pinner Park Farm	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
Corporate Accommodation Maintenance	0		174,351	-116,860	0	0	0	57,491	57,491		57,491	57,491	47,260	5,657	57,491	0	0	0
High Priority Plan Maintenance Corporate Property	855,000		248,453	116,860	0	0	0	1,220,313	1,220,313		1,220,313	875,317	200,594	393,709	760,468	(459,845)	(459,845)	0
Highway Drainage Improvements & Flood Defence Infrastructure	500,000		0	0	0	0	500,000	0	500,000		500,000	500,000	345,749	37,931	500,000	0	0	0
Highway Improvement Programme	5,000,000		0	0	0	25,000	25,000	5,000,000	5,025,000	12,454	5,037,454	5,025,000	4,196,165	720,845	5,037,454	0	0	0
Parking Management Programme	300,000		0	0	0	0	300,000	300,000	300,000		300,000	300,000	120,004	62,325	300,000	0	0	0
Neighbourhood Investment Scheme	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
Waste and Recycling	150,000		7,209	0	0	0	157,209	157,209	157,209		157,209	157,209	85,723	65,046	157,209	0	0	0
Section 106 Schemes for Highways	0		0	0	0	0	0	0	0		0	0	(1,554)	1,554	0	0	0	0
Street Lighting Improvement Programme	1,000,000		0	0	0	0	1,000,000	1,000,000	1,000,000		1,000,000	1,000,000	327,845	619,208	1,000,000	0	0	0
TFL Principal Road Maintenance	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
TFL Transport Capital	1,291,000		0	0	-761,000	0	530,000	530,000	530,000		530,000	530,000	0	67,278	530,000	0	0	0
Trade Waste	100,000		138,456	0	0	0	238,456	238,456	238,456		238,456	238,456	113,089	103,313	238,456	0	0	0
Town Centre Regeneration	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
Harrow Green Grid	150,000		66,847	0	0	0	185,239	31,608	216,847		216,847	216,847	37,340	106,847	216,847	0	0	0
CCTV cameras and equipment at the depot	50,000		0	0	0	0	50,000	50,000	50,000		50,000	0	5,220	0	50,000	0	0	0
CCTV Infrastructure	0		1,264,598	0	-1,246,598	0	0	18,000	18,000		18,000	464,598	21,563	11,391	18,000	0	0	0
Parks Infrastructure	675,000		275,969	0	0	0	950,969	950,969	950,969		950,969	944,894	206,307	475,809	950,969	0	0	0
Parks Litter Bins	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
Green Gym	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
Parks Playground Improvement	250,000		122,543	0	0	0	372,543	372,543	372,543		372,543	372,543	31,122	235,379	372,543	0	0	0
Street Litter Bins	0		28,656	0	0	0	28,656	28,656	28,656		28,656	28,656	1,362	27,293	28,656	0	0	0
Harrow Weald Toilet Block	0		148,546	0	0	0	148,546	148,546	148,546		148,546	148,546	23,859	124,468	148,546	0	0	0
Redevelopment of Rayners Lane Toilet Block	0		70,839	0	0	0	70,839	70,839	70,839		70,839	70,839	0	70,770	70,839	0	0	0
Redevelopment of Vernon Lodge & Atkins House	1,324,000		7,857,507	0	-9,176,507	0	5,000	5,000	5,000		5,000	210,257	4,280	45,564	5,000	0	0	0
Vehicle Procurement	0		7,658,811	0	-7,233,811	0	425,000	425,000	425,000		425,000	7,658,811	13,512	13,677	425,000	0	0	0
Depot Redevelopment	5,650,000		8,921,464	0	0	0	14,571,464	14,571,464	14,571,464		14,571,464	14,571,464	8,671,056	1,708,372	14,571,464	0	0	0
Headstone Manor - Park for People Project	0		896,716	0	0	0	896,716	896,716	896,716		896,716	896,716	640,120	218,426	896,716	0	0	0
Probation Centre	3,000,000		2,000,000	0	-5,000,000	0	0	0	0		0	0	0	0	0	0	0	0
Headstone Manor Flood Alleviation Scheme	2,700,000		0	0	-1,700,000	0	1,000,000	1,000,000	1,000,000	150,000	1,000,000	1,000,000	0	169,656	1,000,000	0	0	0
NIS - Kenton West	1,218,000		0	0	0	250,000	1,468,000	1,468,000	1,468,000		1,468,000	1,468,000	886,701	550,894	1,468,000	0	0	0
Bannisters Former Civil Defence Building	0		347,500	0	0	0	347,500	347,500	347,500		347,500	347,500	18,952	327,955	347,500	0	0	0
Unmanned Aerial Vehicles	0		400,000	0	-400,000	0	0	0	0		0	0	0	0	0	0	0	0
Sec 106 Banister Sport Pitch	0		1,158,946	0	0	0	1,158,946	1,158,946	1,158,946		1,158,946	1,158,946	842,081	109,926	1,158,946	0	0	0
Harrow Arts Centre	1,021,000		1,109,625	0	0	0	2,130,625	2,130,625	2,130,625		2,130,625	2,130,625	1,229,232	79,156	1,630,625	(500,000)	(500,000)	0
Headstone Manor	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
HAC/Museum - ICT	0		0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
Central Library Refit/Refurb	0		1,009,093	30,000	0	0	1,009,093	30,000	1,039,093		1,039,093	1,039,093	980,503	18,107	1,039,093	0	0	0
Refurbishment of 3 Libraries	150,000		150,000	0	-300,000	0	0	0	0		0	0	0	0	0	0	0	0
Libraries and Leisure Capital Infrastructure	150,000		231,727	-30,000	0	0	351,727	351,727	351,727		351,727	329,063	57,400	168,423	329,063	(22,664)	(22,664)	0
Harrow Arts Centre Capital Infrastructure	300,000		0	0	0	0	300,000	300,000	300,000		300,000	300,000	122,286	155,918	300,000	0	0	0
Harrow Museum Capital Infrastructure	104,000		0	0	-60,000	0	44,000	44,000	44,000		44,000	44,000	492	44,000	44,000	0	0	0
Total Commissioning and Environment & Culture	25,953,000	0	34,291,406	0	-25,877,916	275,000	9,576,162	25,065,328	34,641,490	162,454	34,803,944	42,252,201	19,236,839	6,703,350	33,821,435	(982,509)	(959,845)	(22,664)
Housing																		
Disabled Facilities Grants	2,030,000	-75,000	13,977	0	337,250	0	1,517,250											

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Appendix 6 – Council Trading Company Update 2020/21, Quarter 3

Introduction

1. As at Quarter 3 2020/21, the Council's trading structure consists of four separate legal entities set out in table 1 below and presented as a flow chart at the end of this report along with detailed financial results.

Table 1: Harrow Council Trading Structure

Name	Legal Structure	Date Started Trading
Concilium Group Limited (Holding Company)	UK Limited Company	November 2015
Concilium Business Services Limited	UK Limited Company	November 2015
Sancroft Community Care Limited	UK Limited Company	January 2018
Concilium Assets LLP	Limited Liability Partnership	January 2019

2. These entities have been set up to provide a financial or other benefit to the Council whilst enabling it to undertake specific commercial activities. Harrow Council either directly or indirectly holds a 100% controlling interest in each of them.

Background

3. Concilium Group Ltd. is a wholly owned commercial subsidiary of the Council, set up with the dual purpose of consolidating the financials of its subsidiaries and to act as the minority partner in a Council controlled Limited Liability Partnership (Concilium Assets LLP).
4. Concillium Business Services Ltd is a wholly owned subsidiary of Concillium Group Ltd. Until February 2019 its principal source of revenue came from the property management of 100 homes, managed on behalf of Harrow Council. Its activities are now kept to a minimum.
5. Sancroft Community Care Ltd is a wholly owned subsidiary of Concilium Group Ltd. It was set up to take over the operation of the now 62 bed residential care home for the elderly. 45 of these beds are block contracted with the London Borough of Harrow for five years.
6. Concilium Assets LLP (The LLP) is a Limited Liability Partnership owned 95% by Harrow and 5% by Concilium Group Ltd, set up to enable direct private rental sector (PRS) property investment activities. 53 PRS units on Gayton Road were transferred to the LLP in July 2019 on a 10 year lease for rent to the private market.

Financial Implications

7. The accounting year end for all of these entities is the 31st March in line with the council's year end. This report references detail for financial years ended 2020 and 2021 along with a summary for financial years ended 2022 and 2023.

8. Financial accounts have been prepared for the year ended 31st March 2020 for Concilium Business Services Limited, Sancroft Community Care Limited and Concilium Assets LLP. Audits of the accounts of Sancroft Community Care Limited and Concilium Assets LLP have been completed. Group accounts are currently being prepared for Concilium Group Limited. For reporting purposes, Concilium Group Limited is classified as a dormant entity. The Council is currently investigating whether an audit of the accounts of Concilium Group Limited is required. Concilium Business Services Limited is subject to exemption from the need to carry out an audit. The published financial position for the companies for the year ending 31st March 2020 is summarised in Table 4.
9. The detailed annual forecast position to 31st March 2021 for the council's trading structure has been summarised in Table 5. These figures have not yet been subject to audit.
10. The annual forecast position for the council's trading structure has been summarised in Table 6. The table covers financial years 2020/21, 2021/22 and 2022/23 in line with the respective business plans.

Concilium Business Services Ltd

11. Concilium Business Services Ltd has undergone a strategic change of direction and the details were presented as part of the part two savings tracker to Cabinet in July 2019. As a result, the company is now only responsible for the legal ownership of 2 homes. The company retains 5% of the income collected from these tenants, distributing the remaining 95% back to the Council.
12. The entity is now trading as a principal as opposed to an agent, thus retaining legal ownership of these properties and neither charging a management fee nor undertaking any property management/agency activities.
13. The future financial position in Table 6 assumes that Concilium Business Services Limited shall remain active with minimal activities which may be subject to change in the coming years as there is a view to winding down the company.

Sancroft Community Care Ltd

14. The audited financial information for Sancroft Community Care Ltd for the year ending 31st March 2020 is summarised in Table 4 at the end of this report. A financial summary of Sancroft's performance against its business plan (budget) for 2020/21 is presented in Table 2 below.

Table 2: Sancroft Forecast Annual Position as at 31st December 2020

<i>Negative/(Positive)</i>	Full year Forecast	Annual Budget	Forecast Budget Variance
Total Income	(2,339,790)	(2,419,349)	79,559
Total Expenditure	2,298,694	2,363,116	(64,422)
(Net Profit)/Loss	(41,096)	(56,233)	15,137

15. The full business plan (refreshed) for Sancroft Community Care Ltd was presented as Appendix 8 (exempt) to the 12th September 2019 Cabinet report and approved along with the detailed quarterly performance against budget for Q1 2019/20 as Appendix 7 (exempt).

16. The forecast remains volatile due to the impact of Covid 19 and the continued uncertainty for the remainder of the year.

Concilium Assets LLP

17. Concilium Assets LLP has had its first year of trading extended for commercial reasons and its prior year shortened. Dormant accounts were therefore filed for the 9 months ended 31st December 2018 and for accounting purposes the LLP has been trading since 1st January 2019 and has prepared audited accounts to the 15 months ended 31st March 2020.

18. The final business plan including financial model for Concilium Assets LLP was included as Appendix 9 (exempt) to the 12th September Cabinet report and approved by Cabinet. The figures reported in Table 6 are a reflection of the final approved business plan.

19. Performance against the LLP's business plan this year is reported below in Table 3. Results for the quarter are in line with the annual budget.

Table 3: LLP Forecast Annual Position as at 30th December 2020

<i>Negative/(Positive)</i>	Full year Forecast	Annual Budget (B-Plan)	Forecast Budget Variance
Total Income	(1,056,640)	(1,072,113)	15,473
Total Expenditure*	854,149	605,303	248,846
(Net Profit)/Loss	(202,491)	(466,810)	264,319

* See paragraph 20 below

20. The Council charges the LLP 33% of its turnover (the lease rent) which is accounted for as an expense in the accounts of the LLP. This expense was not included in the business plan which accounts for the forecast budget variance. The lease rent is a direct benefit to the Council and is included in the MTFS.

21. The LLP accounts for 2019/20 include a technical adjustment spreading the payments to the Council over the full term of the lease rather than accounting for them on a cash basis. The value of this adjustment for 2019/20 is £199,687 resulting in a loss in the audited company accounts for 2019/20 of £74,755. The £199,687 adjustment will be offset by rental income received in future years.

22. Any remaining profit is distributed back to the council as a dividend. The position for the LLP including these distributions is published in the business plan and included in the council's MTFS.

Funding Arrangements

23. Concilium Assets LLP was granted a start-up loan of £175,000 which was fully drawn down in 2019. An additional short term loan facility to the LLP of up to £250k was approved by Cabinet in July 2019 of which only £100k was drawn down. These loans were repaid in full before March 2020, ahead of business plan projections.

Harrow Council Commercial Structure

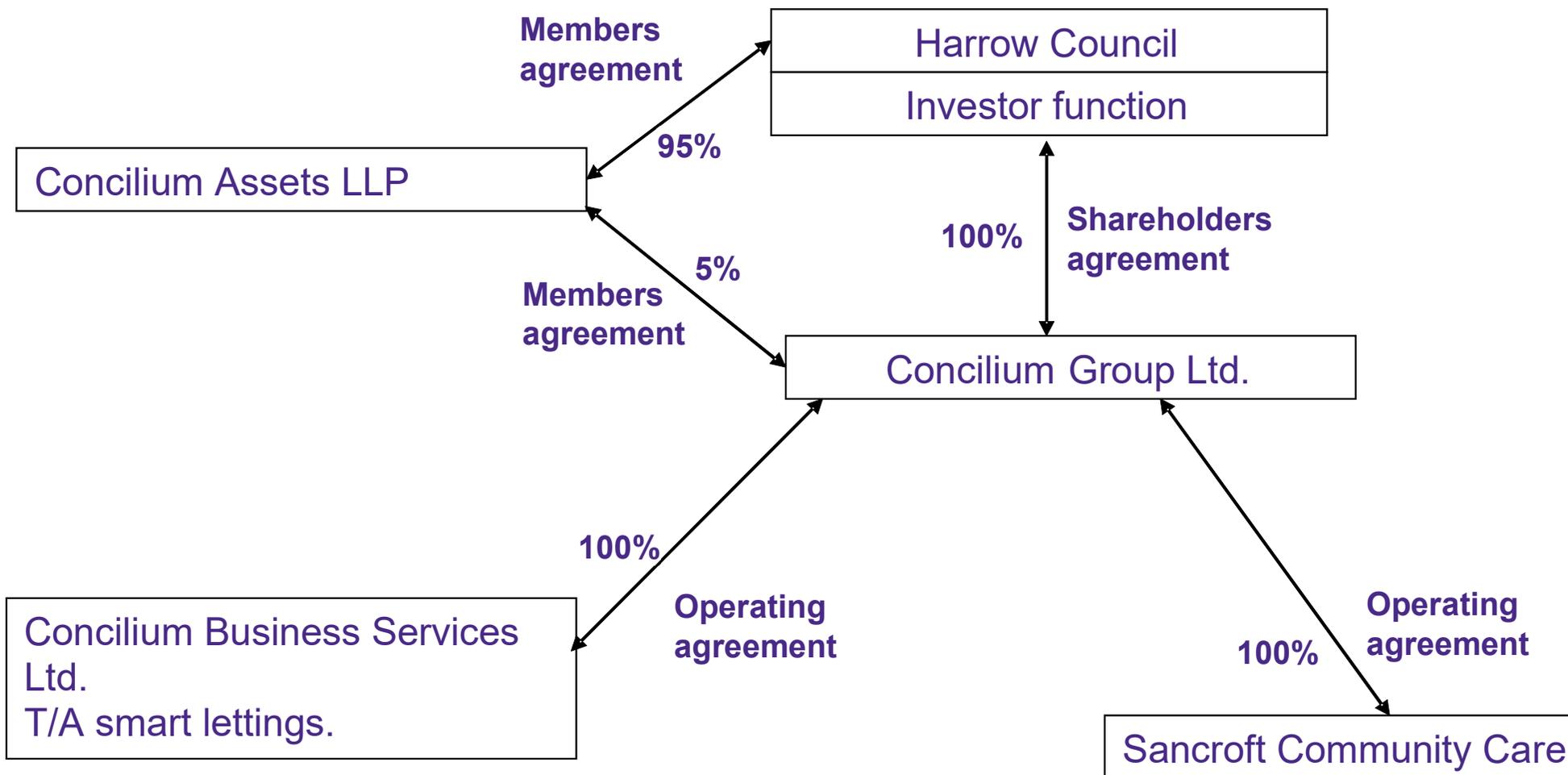


Table 4: Trading Structure Full Year Position to 31st March 2020

£ Negative/(£ Positive)	Concilium Business Services Ltd	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Income	(141,063)	0	(2,373,783)	(679,440)	(3,194,286)
Direct and Administrative Expenditure	145,262	7,450**	2,309,648	754,195	3,216,555
(Net Profit)/Loss	4,199	7,450	(64,135)	74,755*	22,269
Retained Earnings c/f	26,997	12,832	2,356	74,755	116,940

* Refer to paragraph 21.

** Includes estimated accounts preparation and audit costs of £6,450.

Table 5: Trading Structure Full Year Forecast to 31st March 2021

£ Negative/(£ Positive)	Concilium Business Services Ltd	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Income	(55,000)	0	(2,339,790)	(1,056,640)	(3,451,430)
Direct and Administrative Expenditure	50,000	7,450	2,298,694	854,149*	3,210,293
(Net Profit)/Loss	(5,000)	7,450	(41,096)	(202,491)	(241,137)
Retained Earnings c/f	21,997	20,282	(38,739)	(127,736)	(124,196)

* This figure includes the Council's 33% share of rental income which is treated as an expense in the accounts of the LLP. Refer to paragraph 20.

Table 6: Trading Structure Full Year Forecast for MTFS

£ Negative/(£ Positive)	Concilium Business Services Ltd	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP *	Aggregate Position
Retained Earnings b/f	26,997	12,832	2,356	74,755	116,940
(Net Profit)/Loss - 2020/21	(5,000)	7,450	(41,096)	(202,491)	(241,137)
(Net Profit)/Loss - 2021/22	(5,000)	7,450	(37,621)	(186,890)	(222,061)
(Net Profit)/Loss - 2022/23	(5,000)	7,450	(6,938)	(194,160)	(198,648)
Retained Earnings c/f	11,997	35,182	(83,299)	(508,786)	(544,906)

* These figures include the Council's 33% share of rental income which is treated as an expense in the accounts of the LLP. Refer to paragraph 20.

Report for: **Cabinet**

Date of Meeting:	11 th February 2021
Subject:	Housing Revenue Account Budget 2021-22 & Medium-Term Financial Strategy 2022-23 to 2023-24
Key Decision:	Yes
Responsible Officer:	Nick Powell-Divisional Director of Housing; Dawn Calvert- Director of Finance; Paul Walker- Corporate Director of Community
Portfolio Holder:	Councillor Phillip O'Dell- Portfolio Holder for Housing; Councillor Adam Swersky- Portfolio Holder for Finance and Resources;
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – HRA Budget 2021-22 Appendix 2 – Average Rents & Service Charges (Tenants) Appendix 3 – Garage & Parking charges Appendix 4 – Facility Charges Appendix 5 – Water charges Appendix 6 – Community Centre Charges Appendix 7 – Capital Programme

Section 1 – Summary and Recommendations

This report sets out the proposals on the Housing Revenue Account budgets and rent setting for 2021-22 and Medium-Term Financial Strategy (MTFS) for 2022-23 to 2023-24.

Recommendations:

Cabinet is requested to:

1. Approve proposed average weekly rent for non-sheltered and sheltered accommodation of £118.01 and £98.18 for 2021-22 respectively as set out in paragraph 34.
2. Approve proposed average weekly tenant service charge of £3.32 per week as set out in paragraph 40.
3. Delegate authority to the Corporate Director of Community, following consultation with the Portfolio Holder for Housing, Portfolio Holder for Finance and Resources and Director of Finance, to consider the results of the Tenant Service Charges review (and any consultation on this) and approve any changes to existing tenant service charges for the financial year 2021/22, as set out in paragraph 40.
4. Approve proposed average weekly rents for affordable rented and shared ownership accommodation of £197.11 and £199.82 for 2021-22 respectively as set out in paragraph 35 to 36.
5. Approve an increase in the overall HRA Capital programme of £40,728,480 made up £9,762,940 planned investment & Housing IT and £30,965,540 Building Council Homes for Londoners (BCHfL) as set out in paragraphs 56 to 66.
6. Note the following:
 - Charges for Facilities, Community Halls, Garages and Water to remain unchanged as set out in appendices 3 to 6Reconfigured planned investment programme which continues to focus on health and safety and compliance as well as supporting increased flexibility in its delivery. In the coming years we are also making provision to support the Council's ambition to reduce carbon emissions.
 - Assumptions made in construction of the budget
 - Risk Management Implications which require prudent financial reserves, volatility around borrowing costs and ongoing probability of reforms in the housing sector.

Reason (for the recommendations) :

To recommend the HRA budget and capital programme for 2021-22 and the MTFS for 2022-23 to 2023-24.

Section 2 – Report

Introductory paragraph

1. The Council is required by the Local Government and Housing Act 1989 (section 74) to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. The use of this account is heavily prescribed by statute and the Council is not allowed to fund any expenditure for non-housing related services from this account. In addition, the Act expects that the HRA does not fall into a deficit position.
2. The Council has a retained housing stock of c4820 homes currently available to let and manages an additional c1200 leasehold properties with an annual rent roll of c.£29m.
3. The Council has a statutory obligation to agree and publish the HRA budget. The primary purpose of this report is to present the HRA revenue position (see Appendix 1) and a capital position (see Appendix 7 for 2021/22 based on budget submissions plus a HRA Medium Term Financial Strategy(MTFS) 2022-23 to 2023-24 (see Appendix 1), ahead of the final budget presentation and rent setting at Full Council on 25th February 2021.
4. The budget and MTFS have been set within the framework set out in the HRA Business Plan update and draft HRA Budget, reported to Cabinet 8th October 2020 and 21st January 2021 respectively, and include the impact of legislation contained in the Welfare Reform & Work Act 2016 and Housing & Planning Act 2016 including reversion to rent increases of up to CPI + 1% from April 2020. The Business Plan update also included assumptions around inflation and interest rates as well as cost reductions in revenue expenditure required to produce a sustainable financial position for the Council's HRA.
5. Revenue cost reductions assumed at £1.90m will be phased in fully by 2021 and investment in HRA stock, detailed in Capital Investment section supported by appendix 7, is estimated at £12.161m for 2021-22, £5.895m per annum 2022-23 and 2023-24 then £4.895m per annum thereafter. This is based on latest stock condition survey results with focus on essential health & safety, compliance and statutory requirements.
6. A significant change since the Business Plan was submitted to Cabinet is the assumption on CPI used for rental increases. Business plan assumed CPI of 2% in 2021/22, but the September 2020 CPI used for budget setting came in at ½% resulting in an overall reduction in rental income of £13m across the 30-year business plan assuming CPI would return to 2% within two years.
7. Following the recent Budget 2020 announcement, where the Chancellor reversed the recent 1% hike in the interest rate for the Public Works Loan Board (PWLB), the Authority is reviewing its borrowing strategy to secure debt in light of the reduction in PWLB rates. A risk to the Building Council Homes for Londoners (BCHfL) programme has been identified. The recommendations to proceed are therefore predicated on satisfactory borrowing rates being secured.

8. The budget assumes an increase in tenant service charges in line with the Consumer Prices Index (CPI), the Government's preferred measure of inflation.

Details on the assumption used to construct the budgets and MTFs are given later in this report.

Options considered

9. For 2021/22 rent setting there has been no change to the Government rent policy issued in 2020, that allows for social housing providers to increase rents by the previous September Consumer Prices Index (CPI) rate +1% for a five-year period. Guidance released in November 2020 does allow local authorities to breach this cap in circumstances of exceptional financial hardship. However, this would not currently apply to Harrow Council's HRA. Other unregulated income streams can be adjusted to ensure full cost recovery.
10. The Council can proceed with the programme of building 659 new units within the HRA originally approved by Council 27th February 2019 or implement alternative delivery models if it is considered the level of risk now presented cannot be sufficiently mitigated.

Option 1: Continue with new build programme within the HRA

11. This would provide up to 659 additional units across a mix of tenures including affordable rented and shared ownership as part of the BCHfL programme within the Council's HRA and in collaboration with the Harrow Strategic Development Partnership (HSDP).
12. Full utilisation of approved grant and borrowing, with sufficiently low interest rates, would be assumed and tested on an ongoing basis against a suite of assumptions using the HRA Business Plan.
13. Regular review and testing of assumptions would ensure continued viability given changing macro-economic and regulatory assumptions with appropriate mitigations against identified risks.
14. To ensure resources are not over extended and it remains affordable the programme will be expedited in phases with viability reviewed at each stage before starting on the next phase.

Option 2 : Consider alternative delivery models

15. In the event risks around the HRA indicate the service would, on the balance of probabilities, become unviable, alternative delivery models for the provision of low-cost housing would be implemented.

16. It is therefore considered prudent to consider alternatives in the context of the Council's wider regeneration aspirations and work is ongoing in this area.

Option 3: Increase rent by less than CPI plus 1%

17. Rents can be increased by CPI plus up to 1% under current regulations. However not doing so would result in the revenue account generating deficits 2021-22 and 2022-23 and lower surplus for 2023-24 as well as reducing the capacity of the HRA to mitigate the impact of increases in costs and or interest rates associated with the BCHfL programme.
18. In the context of the lower than expected September CPI figure this option is not considered prudent as it would increase the financial risk faced by the Council's HRA.

Preferred Options

19. A rent increase of CPI plus 1% is the preferred option as this is necessary to balance the HRA to a neutral position in 2021/22 and 2022/23. Tenant service charges increasing in line with inflation. Surpluses on the HRA will be used to support investment in stock and the BCHfL programme.
20. In relation to the new build programme Option 1 is the preferred option as it will provide much needed housing supply for the local community as well as mitigating the costs of homelessness on the General Fund and securing the longer-term viability of the Council's HRA.

Background

21. Statutory rent reductions spanning 2016-17 to 2019-20 imposed by Government impacted on the HRA by requiring service reviews across the HRA to reduce costs and maximise income.
22. As a result, it has been assumed a permanent reduction in revenue expenditure of £1.90m will be in place by March 2021 to mitigate the impact of rent reductions and these are on track for achievement.
23. Given the scale of the BCHfL programme and associated risks the cost base of the HRA must now be kept under constant review to ensure continued viability.

Consultation

24. Under s.105 of the Housing Act 1985, the Council is required to maintain such arrangements as it considers appropriate to enable secure tenants

to be informed and consulted about housing management matters which substantially affect them. However, rent and other charges for facilities are specifically excluded from the definition of housing management; therefore, there is no statutory requirement to consult secure tenants on proposed rent changes. The Council has however, always consulted residents on proposed changes via representative groups such as the Value for Money group and the quarterly residents' drop-in meeting (Housing Matters), formerly TLRCF (the Tenants', Leaseholders and Residents' Consultative Forum).

25. A review of tenant and leaseholder service charges is also under way to ensure all costs incurred in the provision of services are being properly recovered. The results from the outcome of this review will be implemented during 2021/22, following consultation, if appropriate.

COVID-19

26. The global pandemic that has been experienced in 2020 and continues to be experienced across the London region and others has had an obvious and significant impact on the local economy. There have been impacts on every activity that occurs within the HRA, from the Council's ability to collect income to void turnaround times. As a result, the impact can be seen in every area of budget setting in this HRA report. It should be noted that, although the financial impact of COVID-19 has been seen mostly during 2020/21, this is not reflected in the 2020/21 budget since that was agreed prior to the pandemic. Thus, we are comparing a pre-COVID budget (2020/21) with a COVID-recovery budget (2021/22).
27. At present it is unclear how and when many economic uncertainties will be resolved, and so medium-term planning is also affected. The HRA Medium Term Financial Strategy (MTFS) is included as appendix 1 and is based on the budget for 2021/22 with inflationary assumptions built in for future years. An update of the HRA Business Plan will be submitted to Cabinet after 2020/21 final accounts which will include updates of key assumptions.

Balances

28. HRA revenue balances were £7.5m as at 31st March 2020 and these are expected to be £7.6m at the end of 2023-24 which are above the minimum balances considered prudent.
29. The budgets for the financial years 2021/22 and 2022/23 have been balanced and so net to nil with a surplus anticipated from 2023-24. The first significant rental streams being generated from the BCHfL programme later in the MTFS.
30. In addition to specific reserves to support repairs, IT investment, restructuring, tenants experiencing financial difficulties, a reserve to

support the BCHfL programme has been set up. These reserves are all within the HRA.

31. Given the scale of the programme significant additional contributions will be required to ensure associated risks can be contained. Although the budget and MTFS allow for a modest BCHfL reserve, increased contributions will be made after 2023-24 when the revenue account returns to a surplus.

Income

Assumptions supporting the main HRA income streams are set out below:

Dwelling rents

32. Rent policy set out by Central Government states that existing rents may be increased annually by the previous September's CPI rate, plus up to 1%. This calculation has been applied, giving a proposed rent increase of 1.5%. Although the Government has stated rents can be increased by CPI plus up to 1% for five years from April 2020, there is no confirmation these increases are permitted beyond March 2025. The Business Plan update reported to Cabinet 8th October 2020, assumed increases for all subsequent years from April 2025 will be at CPI only as this is considered a more prudent assumption given developments in the macro-economic environment.
33. Rents for newly constructed homes are on Affordable rents or the lower London Affordable Rents where the scheme benefits from part of the £32.144m grant secured from the Greater London Authority.
34. The overall average rent & service charge for the Council's housing stock for 2021-22 will be £119.18 per week comprising rent £115.86 (£118.01 non sheltered, £98.18 sheltered) and tenant service charge £3.32 per week (2020-21 average £117.45, comprising rent £114.15, tenant service charge £3.30) assuming an increase of CPI plus 1% for rents and CPI only for tenant service charges, as detailed in Appendix 2. CPI is required to be set at the September rate of ½%.
35. Rents for new build homes are set at affordable rent and are governed by different criteria depending on funding source. The overall average rent is estimated to be £197.11 per week assuming a rent increase of CPI plus 1% for affordable rented units.
36. Rents for shared ownership units, assuming the Council retains 65%/75% equity share, are estimated at £199.82 per week on average.

Right-to-Buy sales

37. There have been fifteen sales under Right-to-Buy ("RTB") so far in 2020-21 and a further nine are assumed by the end of the financial year totalling twenty four estimated sales with twenty four expected for 2021-

22, then reducing to twenty per annum for remainder of the MTFS. It is envisaged the HRA will continue to be viable if RTB sales continue at these levels assuming BCHfL programme proceeds as proposed.

38. The Council continues to retain the majority of the capital receipts arising from the sale of Right to Buy properties, in line with the retention agreement signed with the Government. Under this agreement the receipts must be used within three years to fund a maximum of 30% of spend on replacement properties or be paid to the Government with a high interest penalty. While the new build programme, identified in the Business Plan, can absorb some of these receipts, there has often been difficulties in matching the timing of expenditure to when the receipts must be used and like most London Councils which have limited land, Harrow has found it difficult to invest these receipts and has been required to return some receipts with interest to MHCLG.
39. The Government has recognised the potential difficulties in meeting construction timetables during the current pandemic and has suspended the repayment of receipts for the first three quarters of 2020/21 whilst keeping the position under review. Latest forecasts show that with the use of this extension Harrow Council will need to pay £4.403m receipts to the Government for the current financial year. These funds will not be lost to the Authority but instead these Right to Buy receipts from disposals and the associated interest costs will be ring fenced to Harrow via the GLA and made available to Harrow as affordable housing grant to be used to deliver new rented affordable homes. This arrangement is called the right-to-buy ring fence offer (RTBRFO), to voluntarily repay these receipts to MHCLG and then claim these from GLA to support new build and regeneration schemes.

Service charges: Tenants & Leaseholders

40. Tenants who benefit from specific estate-based services pay a charge to the Council on a weekly basis in addition to their weekly rent charge. Service charges are not subject to the rental increase of 1.5% but are based on cost recovery. This service charge was £3.30 in 2020-21 and it is proposed this will increase to an average of £3.32 in 2021-22 and throughout MTFS in line with CPI. A review of service charges is in the process of being concluded and any changes arising as a result of the review, subject to consultation, if appropriate and approval, will be implemented during 2021/22. It is anticipated that the review will conclude by the end of the first quarter of the financial year 2021.
41. Leaseholders are invoiced annually by the end of September for the previous financial year, based on actual costs. Income expected from leaseholders in 2021-22 (excluding s20 income for capital schemes) is £874k and reflects the recovery of costs from leaseholders of estate-based costs, communal lighting, repairs, ground maintenance, insurance premiums and administration charges. The above figure takes into account the increase in grounds maintenance charges to the HRA from

the General Fund following the results of a recent review of the service provided.

Other Income

42. Rents for shops and commercial units situated on HRA land, garages, parking, facility charges and charges for community centres are set out in appendices 3 to 6.
43. Due to the current economic climate it is proposed to keep these at their current level. This can be revised in a year's time when we may have more economic certainty.

Expenditure

Assumptions supporting the main HRA expenditure items are set out below:

Employee Costs

44. Following the Government's spending review, no pay increase has been assumed with the current staffing establishment used as a basis. As Local Government is subject to separate negotiations the impact of any potential award has been held in HRA revenue reserves which will be deployed to support a subsequent pay award. If no pay award is negotiated the impact of the pay freeze will remain in reserves to support the MTFS.
45. In 2021/22 there is a proposal to create four new roles within Housing Repairs, Resident Services and Housing Regeneration totalling an additional £231k if approved. Two posts, totalling £111k are for a 3-4-year fixed term to support the BCHfL programme, comprising an apprentice and a project manager of which £62k will be funded through capital if approved. The other posts are a hoarding officer (£58k) currently funded through grant which comes to an end this financial year and a Climate Change Project Manager (£63k).
46. Several members of staff spend their time on both HRA and General Fund activities and as a result staff costs are split based on percentages of time relevant to services.

Utility Costs

47. There has been no increase in utility charges as anticipated usage is low and there is little information available about the global wholesale energy price post Covid. Charges for water supplies and sewerage have traditionally been paid to the Council with the amounts collected then paid over to the water company. For the majority of tenants this arrangement has now ceased with tenants paying the water company direct. This results in no additional costs for tenants or the Council.

Central Recharges

48. Costs of support services, which are estimated to increase by 2% p.a. in line with Government's long- term inflation target, are allocated to services using suitable bases of apportionment (e.g. number of staff, estimated time allocation, gross budget). Recharges reflect the full cost of all support services and are designed to permit transparency and challenge to secure value for money.

Repairs

49. Expenditure on repairs has been driven by a focus on legislative and Health & Safety requirements with due regard to the cost reductions identified by the Service Reviews and approved by the Programme Board. These have been reviewed in conjunction with the capital programme. Work is ongoing on the stock condition survey to better inform investment decisions and prioritise works over the next 3 to 5 years. This stock condition survey will be supplemented with information to target retrofit works to address carbon reduction. A review of the repairs service is also taking place. This will help to better understand the cost base and inform the budget cycle next year in line with decisions around extension and the future procurement of the main repairs contract. The review of the capital programme will allow targeting works to reduce the need for reactive repairs. This will also be supported by the development of a robust Planned Preventative Maintenance (PPM) programme designed to extend the life of components. Repairs reporting will also be improved through investment in a new Housing and Asset Management System.

Bad debt provision

50. The HRA has been financially impacted by the COVID pandemic. Rent arrears have risen sharply and this is exacerbated by restrictions on enforcement, in line with national policy.
51. Income collection has become more challenging since the pandemic impacted, despite mitigations by housing services, and this could lead to increased write-offs of arrears. Similarly, the transition to Universal Credit means some rents that would have been received automatically are now recoverable from the tenant. Where tenants suffer a financial impact from the current climate, arrears are likely to increase with the potential for further write-offs, which represent a cost to the Council.
52. It is unclear at this stage precisely to what extent our arrears will be affected and for what duration. The budget has assumed that arrears will continue to rise during 2021 and it may therefore be necessary to increase the bad debt provision at the end of March 2022. A budget to increase the bad debt provision by £150k has been proposed.

General Contingency

53. In addition to HRA reserves, an annual amount of £150k is set aside to cover unforeseen expenditure that may arise in the management and maintenance of the housing stock or in-service development initiatives.

54. Applications for support from this general contingency will be considered on a case by case basis with due regard to the position of the whole HRA.

Charges for Capital

55. HRA Borrowing is divided into historic and new borrowing:

- Historic debt – includes debt Councils were required to raise at the time of Self Financing in 2012 in order to leave the subsidy system and resulted in the Council reaching the Government imposed cap of £150.683m; this is now being progressively reduced in line with RTB disposals thereby reducing interest exposure and providing capacity for future investment. 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 – for BCHfL programme only is estimated at £95.8m for the full life of the scheme, an increase over the estimated borrowing of £77.2m and £73.1m reported to Cabinet 13th February 2020 for the Budget and 8th October 2020 for the Business Plan update 2020. This increase is due primarily to a lower than expected rent increase compounded by anticipated cost increases resulting from the economic environment.

Interest is expected to be payable at the lower rate of 3% as a result of the HRA taking advantage of lower rates conferred in a dedicated second pool for new home building in the HRA.

Current HRA rules do not require either debt to attract Minimum Revenue Provision (MRP), a mandatory charge in General Fund designed to ensure the cost of the asset is charged to revenue over its useful economic life. This is because depreciation in the HRA counts as a genuine charge against revenue and transfers resources to the HRA's Major Repairs Reserve which can be used to finance capital expenditure as well as repay debt.

The costs of the BCHfL programme continue to be reviewed and the results will be used to update the HRA Business Plan and revise the debt repayment strategy.

Capital Investment

56. Planned investment programme, based on the latest stock condition survey, budget for 2021/22 is £12.161m, then £5.895m for 2022/23 and 2023/24, then £4.895m per annum thereafter with focus continuing to be on Health & Safety and statutory works.

57. These estimates allow for slippage from 2020/21 of £4.341m together with an addition of £3m, spread evenly 2021/22 to 2023/24, to meet Government carbon reduction targets by 2030 by retrofitting Council homes.

58. Costs associated with the mandatory upgrade of the Housing IT system, are included at £975k for 2021/22 and 2022/23 after allowing for slippage of £322k together with an addition to the programme of £603k assuming the scheme will complete within prescribed time limits.

Building Council Homes for Londoners

59. The Grange Farm Regeneration scheme will demolish obsolete Council homes and re-provide 274 new homes. Cabinet approved budget allocations 13th February 2020 for phases 1, which is now under construction and phase 2 of the scheme. Expenditure has been reprofiled following a review with an addition of £100k to phase 2 to align to latest cost estimates.

60. Grange Farm phase 1, which is supported by Housing Infrastructure Fund (HIF) as well as RTBRFO, will provide eighty-nine homes, sixty-eight at affordable rent and twenty-one shared ownership at an estimated remaining cost of £18.877m which includes slippage of £9.551m

61. Grange Farm phases 2 which is still at the planning stage is estimated to cost £18.4m in total. The procurement route including phase 3, which has not been finalised, will be the subject of another report to Cabinet.

62. Remaining schemes within the BCHfL programme are at various stages of development and planning and are included in the capital programme at a total remaining estimated cost of £115.940m which includes slippage of £19.215m. Also included in this are additional costs estimated at £23.446m reflecting the anticipated increase in build costs resulting from changes in the macro-economic environment.

63. The BCHfL programme, which has already provided 96 of a total of 659 additional homes, has assumed a selection of sites currently held in the General Fund will be transferred to the HRA for development in line with the current regulations for appropriations although the exact locations and valuations of these sites have yet to be clarified.

64. Funding will be from a combination of GLA grants totalling £32.144m, approved borrowing and other internal HRA resources with no impact on General Fund.

65. Net additions to the HRA capital programme over the approved budget total £51.764m. Of this, £40.728m relate to the current MTFS to 2023-24 with the remaining £11.035m relating to 2024-25 and 2025-26 reflecting the full life estimates of the construction programme.

66. Appendix 7 details the full capital programme including slippage and summarises the additions and re-profiling requested.

Consultation Papers and new developments

67. For the second year, the outcome of the Government's consultation on 'Use of Right to Buy (RTB) Receipts' and increased flexibilities has still not

been concluded. **“Use of receipts from Right to Buy sales”** – Government has consulted on options including increasing proportion of eligible new build expenditure which can be funded from retained right to buy receipts from 30% to 50% as well as potentially extending the deadline for reinvestment of these proceeds from three to five years enabling Councils more time and manoeuvrability to reinvest earmarked sales proceeds to replenish stock lost through right to buy. This will mean the Council will have to put less of its own resources in either through retained receipts or additional borrowing should this proposal go through.

68. This update assumes the current arrangements of 30% financing ratio and three-year deadline for reinvestment is continuing. The Council has submitted a consultation response positively supporting the proposals set out in the consultation document.

69. However, Councils have been allowed to retain receipts which would otherwise become repayable for the first three quarters of 2020/21 due to the impact of the COVID pandemic on development schemes. The Government has also issued a consultation, in November, asking for authorities' current position on the use of receipts. This may lead to a further extension of the repayment timetable, but this is not known at this time. As there has not been any formal conclusion to the last Government consultation process, future policy regarding the RTB system is not known and this continues to impede the use of the receipts

70. Following on from this on 17 November 2020 the white paper, the Charter for Social Housing Residents was released. The Building Safety Bill is already in progress and the Energy White Paper released on 15th December. These have implications going forward including:

- Consultation in respect of electrical safety, installation of carbon monoxide monitors
- A review of the Decent Homes Standard to support the decarbonisation and energy efficiency of social homes and include standards for communal and green space outside the home.
- Proposed introduction of Tenant Satisfaction measures that will be formally monitored including the introduction of a regular inspection regime for social landlords
- Increased regulations to improve responses to complaints
- Requirements to improve tenant engagement and empowerment
- There are also linked commitments with the Building Safety Bill with regard to the management of tall buildings, for example the appointment of a Building Safety Manager
- Retrofitting of the existing social housing stock to meet the Councils Climate Change objectives as well as those set out by the Government

71. **“Revised HRA Manual”** – Primary guidance is based on the HRA Manual issued by MHCLG in 2007; a revised version is expected and is likely to allow Councils to transfer land from General Fund to HRA at nil consideration or below fair value.

72. Although details have yet to be released, including restrictions regarding the number of years land is to be left undeveloped or its physical condition, the Council will consider the new guidance with due regard its broader regeneration aspirations with the aim of securing maximum advantage.

Variation to MTFS 2021-22

Changes in estimates of expenditure and income together with the anticipated impact of Covid-19 have been contained resulting in a neutral position for 2021-22, which is unchanged from the MTFS approved by Cabinet on 13th February 2020. The main changes in estimates are:

- Operating expenditure – increase £50k due to increased recharges in respect of Grounds maintenance and service from Council Depot partially offset by reductions in other expenditure
- Repairs – increase £178k due mainly to review of planned preventative maintenance requirements
- Other expenditure & income – reduction £228k due to increase in expenditure qualifying for capitalisation; improvement in estimated income from leaseholders and reduced void losses from rental income

Summary

73. HRA Budget & MTFS detailed in Appendix 1 include rent increases at CPI plus 1% and sits within the framework set out in the HRA Business Plan Update submitted to Cabinet 8th October 2020.
74. Revenue reserves are expected to remain stable and above minimum recommended balances over the life of the MTFS provided interest on new borrowing does not exceed 3%.
75. Longer term viability of the Council's HRA is dependent on successful completion of BCHfL therefore continuous review of the cost base of the HRA and underlying assumptions are essential through a revised HRA Business Plan Update.
76. Risks associated with BCHfL are significant and earmarked reserves to support this programme are modest therefore increased contributions are required which will be supported by the continuous review process.
77. Consultation papers and emerging Government regulation will be reviewed to ensure maximum advantage is secured for the Council as a whole.

Performance Issues

78. The BCHfL programme contributes to delivery targets agreed with the GLA. Failure to take the project forward would jeopardise achievement of these targets and potentially withdrawal of grant funding resulting in costs already incurred being written off to revenue which would compromise the longer-term viability of the Council's HRA.

Environmental Implications

79. All new homes must meet high standards of energy efficiency to reduce CO2 emissions and reduce fuel poverty as required by London Plan. We have already invested in some of our poorest performing energy efficient council homes by installing external wall insulation and continue programmes to install double glazing and the most efficient gas condensing boilers. The proposed retrofit programme will enhance the energy performance of more of the Council's properties and will contribute toward the Council's carbon reduction targets

Data Protection Implications

80. There are no GDPR implications.

Risk Management Implications

81. Risks included on corporate or directorate risk register? **Yes/No**
 Separate risk register in place? **Yes/No**
 The relevant risks contained in the register are ~~attached~~/refreshed and summarised below. **Yes/No/n/a**
82. A number of risks have been identified, listed below which if they materialise individually or collectively, could impede delivery of core services or raise questions about continued financial viability. The following key risks should be taken onto account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
<ul style="list-style-type: none"> Interest rates – an immediate and significant risk; these have been assumed at 3% for the 2021/22 budget and MTFS. Increases in excess of this over the life of the MTFS will put the BCHfL programme at risk as not all homes will be completed and generating sufficient rental streams to 	In mitigation following the recent Budget 2020 announcement, where the Chancellor reversed the recent 1% hike in the interest rate for the Public Works Loan Board (PWLb), the Authority is reviewing its borrowing strategy to secure more favourable rates in light of the reduction in PWLB rates and minimise rates increases.	Amber

service the debt		
<ul style="list-style-type: none"> • Inflation rates-There is a potential adverse financial impact on the HRA as a result of high inflationary pressures. Rent increases are based on the September CPI figure, which was lower than expected at 0.5%. 	In mitigation If inflation rises above that assumed in the budget generally, or spikes as a result of BREXIT, reductions in spend may need to be made or some of the growth recommended in the MTFS update removed	Amber
<ul style="list-style-type: none"> • Rent increases – Following 2021/22, there will be three further years of the September CPI plus 1% rent increases. Historically the ring-fenced account has relied almost solely on rent income to finance both revenue and capital works. Many changes in policy, including the four years of rent reductions, have made medium to long term planning difficult. These risks have increased with the removal of the debt cap, as the Council is making long term financing decisions, on capital investment, based on income streams set by the current policy After that, it is unclear what rent policy central government will set out for us to follow. Clearly, there is great uncertainty of how costs of running the service will increase with inflation over the coming years and so it is hoped that rent collected will be sufficient to meet the needs of the service. The current Business Plan assumes CPI only rent increases beyond this (at 2%-Governments' long-term target); if rent increases are below this from 2025 this will have an adverse impact on revenue balances. 	In mitigation HRA reserves will be strengthened from 2023-24 and the Business Plan refreshed, and stress tested to ensure the Council's HRA remains viable.	Amber
<ul style="list-style-type: none"> • Welfare reforms – Currently one of the biggest risks to the account is a large increase in arrears. From April 2020 current tenant arrears have risen by 20% as at Qtr 2, to £717k. This was due to the impact of the COVID 19 pandemic and the measures put in place by the Government, which included a suspension of evictions. 	To mitigate this position increased resources are being employed to help recover rent owed and signpost tenants to where they may seek support and the provision for bad debt has been increased to recognise that not all of the outstanding debt will be recovered.	Amber
<ul style="list-style-type: none"> • 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 BCHfL reserve can be deployed to offset unforeseen revenue costs if required.	Amber

83. In the light of these risks it is essential current targets for cost reductions are met and the cost base of the HRA kept under continuous review with the aim of strengthening reserves.

Procurement Implications

Any procurement arising from this report will be advised on supported by the procurement team and will be conducted compliant with the Public Contract Regulations [as amended] and the Contract Procedure Rules.

Legal Implications

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.

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.

The rent reduction requirements brought in under section 23 of the Welfare Reform and Work Act 2016 has now ended and has been replaced by the new rent standard, pursuant to a direction by the Secretary of State under section 197 of the Housing & Regeneration Act 2008, which permits Authorities to increase rents by CPI plus up to 1% for five years commencing April 2020.

Under section 74 of the Local Government & Housing Act 1989 the Council, as a Local Housing Authority, must maintain a Housing Revenue Account (HRA) which includes sums falling to be credited or debited in accordance with the category of properties listed within s74(1), which consists primarily of Council housing stock. HRA must include any capital expenditure on housing stock which a Local Authority has decided to

charge to revenue. Save in accordance with a direction of the Secretary of State, sums may not be transferred between HRA or General Fund, therefore, HRA is ring-fenced and cannot be used to subsidise a budget deficit within General Fund, neither can General Fund be used to subsidise a budget deficit in HRA. Section 76 of 1989 Act requires Local Authorities to formulate and implement proposals to secure HRA for each financial year does not show a debit balance. If a debit occurs, this must be carried forward to next financial year.

Financial Implications

These are integral so are included in the body of the report.

Equalities implications / Public Sector Equality Duty

84. Pursuant to the Equality Act 2010 (“the Act”), the Council, in the exercise of its functions, has to have ‘due regard’ to (i) eliminating discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a relevant protected characteristic and those without; and (iii) fostering good relations between those with a relevant protected characteristic and those without. The relevant protected characteristics are age, race, disability, gender reassignment, pregnancy and maternity, religion or belief, sex and sexual orientation. The duty also covers marriage and civil partnership, but to a limited extent.
85. When making decisions, the Council must take account of the equality duty and any potential impact on protected groups.
86. A full equalities impact assessment has been carried out in relation to the proposed rents and other charges increases and capital build programme and no negative impacts on the protected groups are expected.

The recommendation to increase the capital programme will result in much need new genuinely affordable housing supply and will have a positive impact on the community and businesses alike.

Council Priorities

1. Improving the environment and addressing climate change

The Planned Investment programme is being designed to address key climate change issues with a focus on renewable energy and efficiency in existing and new homes.

2. Tackling poverty and inequality

The additional housing will be genuinely affordable thereby providing accommodation to the most vulnerable in the Borough

3. Building homes and infrastructure

Provision of additional housing will support the local community and economy thereby contributing to the wellbeing of residents and supporting community cohesion,

4. Addressing health and social care inequality

Provision of additional housing will support health and social care of residents through high quality accommodation at affordable rents.

5. Thriving economy

The Business Plan is designed to support the longer-term viability of the HRA which provides much needed housing and advice to residents and those at risk of becoming homeless

Section 3 - Statutory Officer Clearance

Statutory Officer: Tasleem Kazmi

Signed on behalf of Chief Finance Officer

Date: 3rd February 2021

Statutory Officer: Paresh Mehta

Signed on behalf of the Monitoring Officer

Date: 3rd February 2021

Chief Officer: Paul Walker

Signed off by the Corporate Director

Date: 3rd February 2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 30th January 2021

Head of Internal Audit: Susan Dixon

Signed by the Head of Internal Audit

Date: 29th January 2021

Mandatory Checks

Ward Councillors notified: NO as it impacts on all Wards

EqlA carried out: YES

EqlA cleared by: Dave Corby

Section 4 - Contact Details and Background Papers

Contact: Tasleem Kazmi, Finance Business Partner – Housing & Regeneration,
Tel 020 8416 5201 or email tasleem.kazmi@harrow.gov.uk

Background Papers:

- [HRA Business plan update](#)
- [Draft HRA Budget 2021/22 and MTFS 2022/23 to 2023/24](#)

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

NO

Appendix 1

HRA Budget 2021-22 and MTFS 2022-23 to 2023-24 – Expenditure

All figures in £s	Budget 2021-22	Budget 2022-23	Budget 2023-24
Employee Costs	2,507,840	2,507,840	2,509,660
Supplies & Services	861,550	860,120	860,120
Utility cost	599,640	599,640	599,640
Estate & Sheltered Services	3,415,730	3,399,510	3,421,350
Central Recharges	3,503,280	3,573,340	3,644,810
Operating Expenditure	10,888,040	10,940,450	11,035,580
Repairs – Voids	1,000,000	1,000,000	1,000,000
Repairs – Responsive	3,238,770	3,238,770	3,238,770
Repairs – Other	2,608,190	2,458,190	2,458,190
Repairs Expenditure	6,846,960	6,696,960	6,696,960
Contingency	150,000	150,000	150,000
Bad debt provision	150,000	150,000	150,000
Affordable Housing	477,150	477,150	477,150
Charges for Capital	7,091,740	8,242,890	8,848,010
Depreciation	7,530,870	7,611,640	7,601,630
Other Expenditure	15,399,760	16,631,680	17,226,790
Total Expenditure	33,134,760	34,269,090	34,959,330

Appendix 1 (continued)

HRA Budget 2021-22 and MTFS 2022-23 to 2023-24 – Income

All figures in £s	Budget 2021-22	Budget 2022-23	Budget 2023-24
Rent Income – Dwellings	(29,226,470)	(30,367,870)	(31,828,140)
Rent Income – Non Dwellings	(494,330)	(494,330)	(494,330)
Service Charges – Tenants	(1,639,250)	(1,643,580)	(1,656,390)
Service Charges – Leaseholders	(874,430)	(863,030)	(863,030)
Facility Charges	(577,170)	(577,170)	(577,170)
Interest	(3,000)	(3,000)	(3,000)
Other Income	(154,460)	(154,460)	(154,460)
Recharge to General Fund	(165,650)	(165,650)	(165,650)
Total Income	(33,134,760)	(34,269,090)	(35,742,170)
In Year Deficit / (Surplus)	0	0	(782,840)
BALANCE brought forward	(6,346,710)	(6,346,710)	(6,346,710)
BALANCE carried forward	(6,346,710)	(6,346,710)	(7,129,550)

Average Rent & Service Charges – Social Rented Units Appendix 2

Description	No. units	2020-21 weekly charge	2021-22 rent	2021-22 service charge	2021-22 total	Increase
Bedsit bungalow	19	£105.62	£104.18	£2.99	£107.17	£1.55
1 Bed bungalow	115	£115.79	£115.02	£2.48	£117.50	£1.71
2 Bed bungalow	27	£131.90	£129.91	£3.93	£133.84	£1.94
Bedsit flat	82	£91.21	£88.14	£2.99	£91.13	-£0.08
1 bed flat	1,180	£101.24	£98.80	£3.92	£102.72	£1.48
2 bed flat	783	£115.27	£112.44	£4.51	£116.95	£1.68
3 bed flat	42	£127.84	£124.43	£5.28	£129.70	£1.87
1 bed Maisonette	6	£94.22	£95.17	£0.45	£95.62	£1.41
2 bed Maisonette	48	£114.17	£111.90	£3.94	£115.85	£1.68
3 bed Maisonette	44	£127.39	£124.55	£4.71	£129.26	£1.87
4 bed Maisonette	1	£133.51	£135.51	£0.00	£135.51	£2.00
2 bed Parlour House	34	£127.03	£127.56	£1.36	£128.92	£1.89
3 bed Parlour House	522	£139.97	£140.16	£1.89	£142.05	£2.08
4 bed Parlour House	55	£152.96	£152.43	£2.73	£155.15	£2.20
5 & 6 bed Parlour	10	£163.99	£157.30	£9.07	£166.36	£2.37
2 bed Non Parlour	497	£123.19	£122.79	£2.22	£125.01	£1.83
3 bed Non Parlour	707	£135.08	£134.73	£2.36	£137.09	£2.00
4 bed Non Parlour	33	£149.19	£148.10	£3.30	£151.40	£2.21
5,6 & 7 bed Non	6	£161.14	£162.27	£1.28	£163.55	£2.41
Sheltered bedsit	12	£101.01	£90.09	£12.31	£102.40	£1.39
Sheltered – other units	500	£100.43	£98.38	£3.53	£101.90	£1.47
Non sheltered	4,211	£119.52	£118.01	£3.26	£121.28	£1.76
Sheltered	512	£100.45	£98.18	£3.73	£101.92	£1.47
Total	4,723	£117.45	£115.86	3.32	£119.18	£1.73

Average charge for social rented units 2020-21 was £117.45 per week comprising £114.15 rent, £3.30 service charge compared to budgeted £114.13 and £3.30 per week respectively.

Estimated average charge 2021-22 is £119.18 per week comprising £115.86 rent, £3.32 service charge, reflecting rent increase of CPI + 1% where September CPI is ½% and just CPI for tenant service charges.

Average Rent – Affordable Rented & Shared ownership Units
Appendix 2 (continued)

Description	No. units	2020-21 rent	2021-22 rent	Increase
1 bed flat	17	£169.68	£172.22	£2.55
2 bed flat	49	£195.35	£198.28	£2.93
3 bed flat	10	£209.33	£212.47	£3.14
2 bed Parlour House	1	£137.86	£139.93	£2.07
3 bed Parlour House	1	£208.45	£211.58	£3.13
3 bed Non Parlour House	9	£208.21	£211.34	£3.12
4 bed Non Parlour House	4	£225.39	£228.77	£3.38
3 bed Parlour House (shared ownership)	5	£196.86	£199.82	£2.95
Total	96	£197.31	£200.27	£2.96
Affordable rented	91	£194.19	£197.11	£2.91
Shared ownership	5	£196.86	£199.82	£2.95
Total	96	£197.31	£200.27	£2.96

Ninety-six new homes have completed; table above shows average rents for 2021-22 reflecting average rent increase of CPI + 1% where September CPI is ½%.

Council initially has equity of 65% to 75% in shared ownership units with option for the tenant to purchase additional equity in future.

Garages & parking space charges**Appendix 3**

All in £s	Current Weekly Rental 2020-21	Proposed Weekly Rental 2021-22
Garages	14.05	14.05
Car Spaces	9.16	9.16

Facility Charges

Appendix 4

Sheltered Block	No. of properties	Current average weekly facility charge (Heating) 2020-21	Proposed average weekly facility charge (Heating) 2021-22 0% increase
Alma Court	30	17.02	17.02
Belmont Lodge	30	17.02	17.02
Boothman House	30	17.02	17.02
Cornell House	30	17.02	17.02
Durrant Court	27	17.02	17.02
Edwin Ware Court	30	13.24	13.24
Goddard Court	30	17.02	17.02
Grahame White House	30	17.02	17.02
Grange Court	30	13.24	13.24
Harkett Court	30	17.02	17.02
Harrow Weald Park 0 Bed	12	11.50	11.50
Harrow Weald Park 1 Bed	19	15.54	15.54
Harrow Weald Park 3 Bed	1	23.10	23.10
John Lamb Court	32	17.88	17.88
Meadfield	30	17.02	17.02
Sinclair House	27	17.02	17.02
Tapley Court	26	17.02	17.02
Thomas Hewlett House	30	17.02	17.02
William Allen House	29	13.24	13.24
Resident Warden Accommodation	9	24.83	24.83
Other Non-Sheltered	101	14.67	14.67

Water Charges

Appendix 5

Sheltered Block	No.of flats	Current Range Water Charge 2020-2021		Proposed Range Charge at 0% increase for 2021-2022	
		Lower	Higher	Lower	Higher
Alma Court	30	£5.87	£5.87	£5.87	£5.87
Edwin Ware Court	30	£4.99	£6.49	£4.99	£6.49
Grange Court	30	£4.99	£6.20	£4.99	£6.20
John Lamb Court	32	£6.20	£6.20	£6.20	£6.20
William Allen House	29	£4.99	£6.20	£4.99	£6.20
Total No of Sheltered Flats	151				
Resident Warden Accommodation	3	£7.89	£8.73	£7.89	£8.73
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.

Community Hall and Capacity	Current 2020-21			Proposed 2021-22		
	Charges per first 3 hours block booking then subsequent hourly rate			Charges per hour letting 0% Price Increase		
	Evening Rate	Daytime Rate	Weekend Rate	Evening Rate	Daytime Rate	Weekend Rate
	£	£	£	£	£	£
Augustine Road [max 30]	27.38	13.69	41.06	27.38	13.69	41.06
Marsh Road Hall [max 30]	27.38	13.69	41.06	27.38	13.69	41.06
Brookside Hall [max 30]	27.38	13.69	41.06	27.38	13.69	41.06
Woodlands Hall [max 60]	41.06	20.52	56.05	41.06	20.52	56.05
Churchill Place [max 100]	54.74	24.62	68.43	54.74	24.62	68.43
Kenmore Park [max 100]	54.74	24.62	68.43	54.74	24.62	68.43
Pinner Hill Hall [max 100]	54.74	24.62	68.43	54.74	24.62	68.43
Pinner Hill [max 100]	52.63	23.67	65.79	52.63	23.67	65.79

Terms & Conditions associated with Hall lets:

- Lets to Tenants & Residents Assocs free, providing 4 weeks' notice provided.
- Charges shown are exclusive of VAT at 20% and Insurance Premium at 7%
- Day time rates are from 9.00am to 3.30pm
- Commercial lets will be charged at above hourly rates plus 20%.
- Registered Charities will receive a discount of 50% (9.00am to 3.30pm only).
- Block Bookings of 6 months minimum will receive a 25% discount.
- Refundable deposit of £100 against loss or damage required by all other users.

Of the 10 community centres, there are a number of premises that are fully let and supported by lease agreements and therefore charges not levied in accordance with the above schedule. These are:

- Stonegrove Gardens fully let to nursery on lease agreement £12,700 rent pa
- Pinner Hill 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 Capital Programme

Appendix 7

Budget Description including additions / re-profiling (£)	MTFS				Additional		Total
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Cumulative
Main programme	4,345,866	10,316,010	4,050,000	4,050,000	4,050,000	4,050,000	30,861,876
Retrofit for energy efficiency	0	1,000,000	1,000,000	1,000,000	0	0	3,000,000
Housing IT system	412,750	796,280	178,880	0	0	0	1,387,910
Aids & Adaptations	845,000	845,000	845,000	845,000	845,000	845,000	5,070,000
Planned investment	5,603,616	12,957,290	6,073,880	5,895,000	4,895,000	4,895,000	40,319,786
Grange Farm phase 1	6,185,490	15,811,940	2,632,450	432,490	0	0	25,062,370
Grange Farm phase 2	4,000,000	975,000	1,800,000	6,037,500	2,537,500	3,052,940	18,402,940
Other schemes	5,688,927	61,079,254	43,042,596	10,672,987	1,145,472	0	121,629,236
Building Council Homes for Londoners (BCHfL)	15,874,417	77,866,194	47,475,046	17,142,977	3,682,972	3,052,940	165,094,546
Total HRA Capital Programme	21,478,033	90,823,484	53,548,926	23,037,977	8,577,972	7,947,940	205,414,332

2020-21 and 2021-22 both include slippage estimates from prior years. Slippage from 2019-20 totalled £15.345m

Summary of additions / reductions included in the capital programme over the term of the MTFS and two years beyond are summarised below:

Additions included in programme above (£)	MTFS				Additional		Total
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Cumulative
Main programme	-400	2,595,400	670,000	5,895,000	4,895,000	4,895,000	18,950,000
Housing IT system	-50,000	474,060	178,880	0	0	0	602,940
Grange Farm phase 2	0	0	0	0	0	100,000	100,000
Other schemes	0	13,447,190	9,657,980	7,860,370	1,145,470	0	32,111,010
Total HRA Capital Programme	-50,400	16,516,650	10,506,860	13,755,370	6,040,470	4,995,000	51,763,950

Summary of re-profiling included in the capital programme summarised below:

Additions included in programme above (£)	MTFS				Additional		Total
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Cumulative
Main programme	-4,340,610	4,340,610	0	0	0	0	0
Housing IT system	-322,230	322,230	0	0	0	0	0
Grange Farm ph 1	-9,550,760	6,485,820	2,632,450	432,490	0	0	0
Grange Farm ph 2	3,900,000	-9,128,580	-6,299,360	6,037,500	2,537,500	2,952,940	0
BCHfL other	-19,214,710	13,589,470	2,812,620	2,812,620	0	0	0
Total HRA Capital Programme	-29,528,310	15,609,550	-854,290	9,282,610	2,537,500	2,952,940	0

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Report for: Cabinet

Date of Meeting:	11 February 2021
Subject:	Final Revenue Budget 2021/22 and final Medium-Term Financial Strategy 2021/22 to 2023/24
Key Decision:	Yes
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance (S151 Officer)
Portfolio Holder:	Councillor Adam Swersky – Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	No – decisions reserved to Council
Wards affected:	All
Enclosures:	<p>Appendix 1A – Growth/Reversed savings and savings from 2021/22 Process Appendix 1B – Savings and Growth 2021/22 to 2022/23 from the 2020/21 Budget Process Appendix 2 - Medium Term Financial Strategy 2021/22 to 2023/24 Appendix 3 – Revenue Budget Summary 2021/22 Appendix 4 – Levies, contributions and subscriptions Appendix 5 – Policy on use of contingency Appendix 6 - Schools Budget 2021/22 Appendix 7 - Public Health Budget 2021/22 Appendix 8- Reserves Policy Appendix 9 – Reserves Forecast Appendix 10- Report of the Chief Finance Officer Appendix 11- Model Council Tax Resolution</p>

Appendix 12- Members Allowance Scheme 2021/22

Appendix 13 – Annual Pay Policy Statement for 2021/22

Appendix 14- Flexible Use of Capital Receipts

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

Section 1 – Summary and Recommendations

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

Recommendations:

Cabinet is requested to:

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

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

Reason: (For recommendations)

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

Section 2 – Report

BACKGROUND

- 1.1 Prior to the Covid-19 pandemic, Local Government finances continued to have a very difficult decade. Revenue expenditure has reduced by 20 to 30% on average against a backdrop of a rising UK population and a continued increase in demand for social care across all age groups and for pupils with special educational needs. In their publication ‘Local Government Funding – Moving the conversation’ (June 2018) the Local Government Association shared a number of their key statistics including:
- Analysis indicated that local services face a funding gap of £7.8billion by 2025 of which £6.6 billion would relate to Adults social care and Children’s services.
 - By 2020, local authorities will have faced a reduction to core funding from central Government of nearly £16 billion over the preceding decade.
- 1.2 With the Local Government sector being at the forefront of the response to both the public health and economic crises caused by Covid 19, it is hardly surprising that the pandemic has had a significant impact on local government finances which were already in a difficult position following a decade where resources have been reduced by over a quarter. Early in the pandemic London Councils published their report ‘Impact of Covid-19 on Local Government Finance.’ The report published the findings of the surveys issued by the Ministry of Housing, Communities and Local Government (MHCLG) to track the financial impact of the pandemic over the first three months of the year. The estimated financial impact across London Borough’s was £1.96b against Emergency Funding allocated at the time of £500m. Whilst it is appreciated that further financial support has been provided which is gratefully received, so too have increased, and continue to emerge, the associated costs of the pandemic on the sector and the wider local government economy including the impact on local business, jobs and employment, housing and the high street.
- 1.3 Harrow remains one of the lowest funded Councils both within London and nationally. Table 1 below summarises the key financial changes over the 9-year period up to 2021/22:

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

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

1.4 Over the 9-year period, table shows:

- The Council's Revenue Support Grant (RSG), its main source of funding from central government, has reduced by 97% to just £1.6m, a reduction of £50.5m. To set this in context, the Council's net revenue budget requirement to support service delivery is £179m.
- Over and above the RSG, the Council receives no additional funding to meet demographic and inflationary pressures. Therefore, growth of £77.4m has had to be provided to fund the continued pressures on front line services, including adults and children's social care, homelessness and waste services. Technical growth of £19.4m has had to be provided to fund inflationary pressures (pay and non-pay) and the cost of capital investment for which the council receives no additional funding.
- These three factors have taken the total budget shortfall to find over the nine years to £147.3m to achieve a balanced budget.
- Savings and efficiencies of £99.4m have been achieved but the profiling of these savings, and how the quantum has reduced in recent years, demonstrates the challenges of finding sustainable savings year on year. For the first time in 2020/21 the Council had to rely upon the use of reserves to balance its budget. Thankfully, through tight financial management, these reserves are now unlikely to be drawn down and can be retained to support the even larger pressures the Council faces in future years.
- Council Tax has been increased largely in line with referendum limits and full use has been made of the Adults Social Care precept. Again for 2021/22, the Council has little choice but to propose the maximum allowable increase in Council Tax of 4.99% which increases the transfer of responsibility onto the council taxpayer to 78%.

- 1.5 Despite all reasonable actions, including council tax increases, significant savings, and efficiencies and generating income, it still remains a considerable challenge for the Council to balance its annual budget in light of continued demand pressures and funding certainties compounded by a historically low funding base. In February 2020 full Council approved the Medium-Term Financial Strategy (MTFS) 2020/21 to 2022/23. Despite achieving a balanced budget for 2020/21, there remained a budget gap of £22.592m over the final two years of the MTFS.
- 1.6 A budget gap of £22.592m is enough of a significant financial challenge from which to refresh the MTFS. Factor into this a disproportionate impact of Covid- 19 on the Borough and it leaves the Council in a grave financial position facing very difficult budget decisions. Between the period March 2020 and February 2021, a total of 18,594 lab-confirmed cases were recorded for the London Borough of Harrow. Harrow had an overall case rate of 7,365 per 100,000 population, higher than the London rate of 7,317 cases per 100,000. Since the beginning of the pandemic in 2020, there have been 522 deaths registered to Harrow residents, which mentioned Covid-19 on the death certificate. The cumulative rate of death in Harrow was 207.8 per 100,000, which is significantly higher than London (162 per 100,000) and England (171 per 100,000).
- 1.7 Covid-19 has been shown to disproportionately affect older people and people from BME communities. Both these groups are more likely to become ill from Covid-19, require admission to hospital and subsequent support, and both these groups are more highly represented in Harrow than many other London Boroughs. The high number of 57 residential and care homes in Harrow, and outbreaks within them have certainly contributed to the high number of cases of Covid-19 in Harrow.
- 1.8 The disproportionate impact felt by Harrow has not been matched by a proportionate share of funding. Analysis shows that, over the four tranches of Emergency Funding received, Harrow ranked in 108th position nationally (out of 339) and across London in 26th position (out of 33, which is 8th lowest).

SUMMARY

- 1.9 The final budget set out in this report shows an updated MTFS with several changes which Cabinet are asked to note. The changes achieve a balanced budget position for 2021/22 and budgets gaps of £24.651m and £5.098m for 2022/23 and 2023/24 respectively. The final MTFS is based on the Indicative Local Government Settlement received on 17 December 2020. MP's will vote on the final Local Government finance settlement for 2021/22 on 10 February and the final settlement is likely to be published in the days beforehand. Section 30 of the Local Government Finance Act 1992 requires local authorities to set their council tax no later than 11 March 2021 therefore the final budget and MTFS will proceed to Cabinet and Council in February 2021. Whilst it is intended that Members will approve the MTFS in February 2021, it could still be subject to assumptions in relation to grant settlements, council tax income, legislation and demographics. The Council does hold a contingency for unforeseen items (£1.248m), including adverse equality impacts, which is intended to support

uncertainties and the Council will still be required to review the Council's budget on a yearly basis.

EXTERNAL FUNDING POSITION

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

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

- The main Council Tax referendum limit is set 2% and the Adult Social Care Precept at 3%.
- £300m of extra grant funding for Social care. Harrow's share is confirmed at £326k and is assumed to be recurrent for budgeting purposes.
- £670m of additional grant funding to help local authorities support more than 4m households least able to afford Council Tax payments. Harrow's indicative allocation is £2.325m and the funding is assumed to be non-recurrent for budgeting purposes.
- A mandatory requirement to spread the impact of Collection Fund losses for 2020/21 over the following three years. Harrow's collection rates have remained at good levels and this mandatory requirement has a minimal impact on the MTFS.
- An extra £1.55n of grant funding to meet additional Covid-19 expenditure pressures. Harrow's allocation is £6.051m which is reflected in the draft budget on a one-off basis.
- The Income Compensation Scheme for Sales, Fees and Charges will be extended for three months until June 2021. The estimated compensation for Harrow is £500k which is reflected in the final budget on a one-off basis.
- The New Homes Bonus grant will continue for a further year into 2021/22 with reform of the scheme planned for implementation in the following year.
- Grant funding for Public Health, the Troubled Families Programme

and the Improved Better Care Fund will continue on a cash flat basis.

- The Business Rates multiplier will be frozen in 2021/22 which will reduce business rate bills.
- There is a delay to the planned move to 75% Business Rates Retention and the implementation of the Fair Funding Review and Government will not proceed with the reset of the business rate baselines in 2021/22. These are all likely to be considered for SR21.

DELIVERY OF THE 2020/21 BUDGET

- 1.12 In these unprecedented times, delivery of the 2020/21 budget is critical to maintaining the Council's financial standing and to do everything possible to protect front line services and to manage the future impact on the MTFs. Due to the Covid-19 pandemic, the monitoring of financial performance is being separated between business as usual and Covid-19. This is to ensure the impact of the pandemic is fully understood on the current and future years and business as usual budget is robustly managed to ensure no unfunded pressures.
- 1.13 Harrow has a good track record of robust financial management and has not reported a revenue budget overspend for many years. The performance against the 2020/21 budget is detailed in a separate report on this agenda, 'P3 2020/21 Revenue & Capital Monitoring 2020/21 – as at Qtr 3 (31/12/20).' This report forecasts a net underspend of £1.864m made up of a forecast underspend against the business as usual budget of £1.985m off set against unfunded Covid-19 pressures of £121k. It should be noted that the Qtr 3 report was prepared before it was announced that the country would enter a third lockdown late December. The impact of this and current tier restrictions are being assessed, alongside additional central government funding announcements, and will be reflected in the final outturn report scheduled for Cabinet in June.
- 1.14 It is well reported that the Council does not have large reserve balances when benchmarked with other local authorities and during this decade of austerity has steered away from applying one off reserve to balance the budget. However, due to the continued challenging fiscal environment and additional unfunded adult social care pressures, the 2020/21 budget included £3.805m to be drawn down from the Budget Planning and Business Risk reserves on a one-off basis. The Quarter 3 forecast, through robust management and grip on the in-year budget, estimates no drawdown of the £3.805m from reserves. This means these reserves can remain on the balance sheet to support the considerable strain on the MTFs in future years.

BUDGET PROCESS 2021/22

- 1.15 The Council has a statutory obligation to agree and publish the budget for 2021/22, and approval for this is being sought in February 2021. In preparing the 2021/22 budget and rolling forward the MTFs to cover the three-year period 2021/22 to 2023/24, the current MTFs (approved by Council in 2020) has been the starting point for the process.

- 1.16 The MTFS approved in February 2020 assumed a budget gap of £11.414m for 2021/22 and £11.178m for 2022/23. This was the starting point for the refreshed 3-year MTFS. It's important to note that this starting point assumed achieving existing directorate savings of £2.947m in 2021/22.
- 1.17 The Council's financial position has always been dynamic affected by several financial uncertainties and adjustments that impact upon its financial position over the short and medium term. The impact of Covid-19 upon both the Council's financial position and its internal capacity has made the sustainability of Council finances a key strategic issue. In preparing the draft budget for 2021/22 the existing MTFS has been:
- Refreshed and rolled on a year
 - Updated to reflect the estimated impact of Covid -19 (both expenditure and income) beyond the current year
 - Updated to reflect the estimated impact of SR 20 where the financial implications can be assessed for the Council with a reasonable degree of certainty, accepting that there is an element of risk until the final Financial Settlement is announced early February.
- 1.18 The draft budget was presented to Cabinet in December and the adjustments required to set the draft budget are summarised in Table 2 below followed by a narrative explanation. These adjustments are also set out in Appendix 2 along with adjustments included within the previous MTFS agreed as part of the 2020/21 Budget process:

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

Council Tax Adjustments

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

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

Technical Adjustments

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

1.22 **Freedom Passes.** The Freedom Pass Scheme (FPS) provides free travel for older and disabled London residents on all Transport for London (TfL) travel modes and on most National Rail routes (with restrictions). The methodology used for settlement of the FPS with TfL uses journey data for the previous 2 years. Covid-19 has significantly reduced the use of public transport, including among concessionary fare passengers and London Councils have provided 3-year cost estimates for each London Borough. Harrow's concessionary fares budget is £9.883m. Savings of £1.108m and £1.580m are estimated for 2021/22 and 2022/23 with journey numbers estimated to pick up in 2023/24 requiring the baseline budget to be increased by £1.377m. These adjustments are reflected in the MTFs.

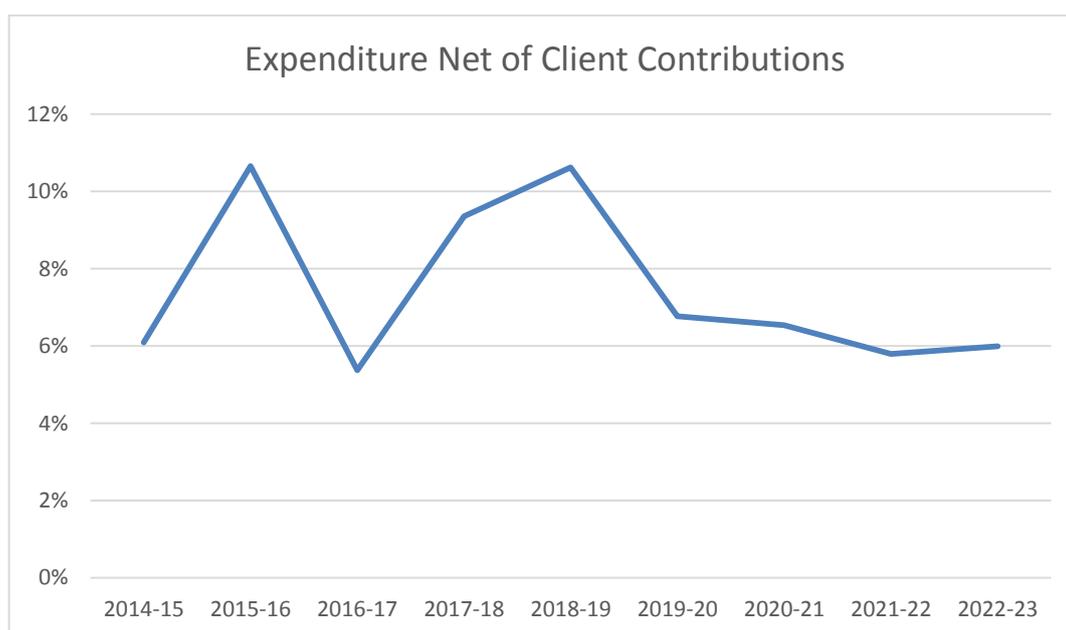
- 1.23 **Allocation of Capital Flexibilities.** The current capital flexibility arrangements are in place until 2021/22 and any announcements around their extension are anticipated in the Indicative Financial Settlement. £2m of capital flexibilities will be applied in 2021/22 to fund the qualifying revenue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

1.28 Adult Social Care Growth

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

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

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



1.31 Against a backdrop of a rising UK population, increasing social care demands for older people and young adults with learning difficulties and the NHS under pressure, the modelling continues to estimate future cost pressures. The draft MTFs includes estimated adult social care growth pressures as detailed in table 3 below:

Table 3: Estimated Adult Social Care Growth 2021 to 2024

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

The following narrative supports the numbers in the table above:

- 1.32 **Complexity** includes the increased cost of existing packages or care as clients remain within the system. A 5% year on year increase in the current average weekly cost of £334 per week has been assumed.
- 1.33 **Demand** assumes accepting liability for 30 Covid-19 nursing placements from health following care act assessment from April 2021, together with net new demand during each financial year (approx. 4,420 weeks of care 21/22 and 3,490 22/23 assuming an average community package of £261 per week).
- 1.34 **Commissioning activity** is to support the review of elements of care aiming to increase quality and keep pace with the external market.
- 1.35 **Care provider inflation** is assumed at 1.5% of the Adults budget. The National Living Wage will increase in April 2021 by 2.2% from £8.72 to £8.91. As a result, containing increases in the cost of care will need to be targeted to ensure that increases are agreed within the available financial envelope.
- 1.36 **Mitigations did not achieve** the 2020/21 Adults budget assumed mitigations of £1.584m to achieve a balanced position within the approved growth allocation. At the time of setting the budget £0.9m of mitigations had been identified. The impact of Covid-19 has reduced the achievement of the savings identified (a lower level of learning disability commissioning savings and the delayed implementation of the changes in the Adults charging policy) to £550k and it has not been possible at this stage to identify further reductions to mitigate the original unidentified savings.
- 1.37 The estimated growth projections, and the assumptions upon which they were based, are dynamic and continue to be worked upon and refined, especially in light of the service approaching one of its most challenging times of the year, winter pressures coupled with the second wave of Covid-19.
- 1.38 The underlying budget, assumes the following for 2021/22:
- 29,172 weeks of bedded care (residential and nursing), the equivalent of 561 citizens for a full year, with an average gross cost of £980 per week.
 - 7,072 weeks of care in supported accommodation, the equivalent of 136 citizens for a full year, with an average gross cost of £1,097 per

week.

- 100,152 weeks of care for community services (domiciliary care, cash personal budgets and external day care), the equivalent of 1,926 citizens for a full year, with an average gross cost of £261 per week.

1.39 Without a national solution for the longer term sustainable financing of Adult Social Care, and given the challenging financial picture of the wider Council position, the directorate will need to continue to work to reduce the costs of service provision to mitigate future growth requirements, including in 2023/24 where there is no specific growth included in the MTFs. The key areas for review are detailed below:

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

1.40 **Adults growth - transfer of capital Adaptations and careline equipment budgets to Revenue.** There has been a capital budget of £230k allocated annually for equipment needed to adapt homes for adults requiring help to remain at home and a separate allocation of £235k to fund careline equipment. This was previously funded as part of the allocation of grant funding for Disabled Facility Grants (DFG). As the requirement for DFG funded adaptations has increased, it has been decided to allocate the full grant to those more substantial adaptations made in homes and move the smaller equipment budgets to revenue. There is a one-off impact of growth this year of £465k in moving these budgets to revenue, but there will be a longer-term benefit of no requirement to borrow in order to fund these smaller equipment-based adaptations.

1.41 **Children's Placements & Accommodation**

There are significant pressures on Children's Placements & Accommodation in 2020/21 which are estimated to continue into future financial years. There has been a net increase in the number of Looked After Children rising from 169 in March 2020 to 206 in October 2020. There are a number of factors contributing to this including, but not limited to, Covid-19 which has led to delays in court proceedings, reductions in face to face family work to prevent or delay young people coming into care where it

is safe to do so and increased statutory intervention due to family mental health leading to more children coming into care. In addition, children are presenting with more complex and challenging needs leading to higher cost residential placements. There is also a net increase in the number of children subject to Child Protection plans rising from 279 in March 2020 to 340 in October 2020. This has meant that the savings of £820k over the period 2020/2022 have not been achieved and further growth is required to fund the underlying demand over the next two years as one off funding currently being used to mitigate some of these pressures in 2020/21 is exhausted. Growth of £1.227m and £1,205m is provided in the draft budget for 2021/22 and 2022/23 respectively.

1.42 **SEN Transport**

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

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

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

1.44 **Waste Services (£1.475m)**

- There is a significant pressure on waste disposal budgets. Residual waste tonnage has increased significantly since the start of the health pandemic due to working from home arrangements thereby more waste is produced by households. Based on the forecast waste tonnage for 2021/22, the budget pressure on West London Waste Levy (WLWL) is estimated at £0.75m in 2021/22, increasing by £300k each year in 2022/23 and 2023/24 to account for household growth and price inflations. The re-procurement of dry mixed recycling (DMR) waste disposal contract has been completed. Due to the continuous unfavourable market prices for mixed dry recyclables, the level of revenue rebate achieved from

the sales of these has been low and is expected to remain so. The processing cost of the DMR waste has also increased in the new contract. The combined effect of these is that the cost of DMR waste disposal is estimated to be £0.6m more than budget.

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

1.45 Facilities Management (£380k)

- Building maintenance and responsive repairs for all corporate sites is forecast to overspend by £300k in 2020/21 against the base budget of £0.77m. A budget review in this area was undertaken and identified that the cost of Planned Preventative Maintenance (PPM) works across the corporate property portfolio was in excess of £420k. This does not include the cost of any remedial works following PPM or any cost of responsive repairs. Due to the age and the lack of investment of some of the buildings, the current budget is not sufficient to cover all building repairs and therefore a growth of £300k is included in 2021/22 budget.
- There is a reduction in the uptake of SLA services by schools, in the area of Facilities Management. This has created an income pressure of £80k for the service.

1.46 Unachieved MTFS (£1.065m)

- A MTFS target of £1.234m was originally set for the depot redevelopment project to reflect the financing cost of the capital borrowing. The target profiled to 2019/20 and 2020/21 were £246k and £681k respectively. Some of the overall target has been achieved from additional rent income across the corporate property portfolio, leaving a net target of £0.861m which remains unachievable in 2020/21 and will not be achieved from the new depot following a review of commercial opportunities earlier of the year.
- The existing MTFS has set a net target of £172k to be achieved from Vernon Lodge site through a combination of B&B saving and additional rent income in 2021/22. This is no longer achievable as the original Vernon Lodge redevelopment project did not go-ahead following planning issues and environmental health concerns.
- A procurement saving target of £200k was included in the MTFS in 2019/20. Despite some savings have been achieved from various Contract re-procurements, a net target of £32k remains unachievable.

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

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

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

1.48 **Spending Review - Estimated additional Covid-19 Funding.** The SR 20 announcements on additional Emergency Funding and Income Compensation for 2021/22 have been estimated at £4.6m and £500k respectively for Harrow and included in the draft budget for 2021/22 only.

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

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

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

1.50 At the time of writing this draft budget report, it is accepted that the Council is still waiting for the Indicative Financial Settlement due to be received mid to late December. However, all efforts have been made to include all quantifiable SR 20 announcements within the MTFS and it is

considered unlikely the indicative settlement will materially change the estimated budget gap. It is also accepted that the draft MTFs for future years is an estimate. The estimate includes known growth and demand pressures but includes no potential funding implications from SR 21, additional support for social care (either grant or precept), support for the impacts of Covid-19. Therefore, it's not unrealistic that the indicative future budget gaps have the potential to reduce but the budget shortfall for 2022/23 is estimated £25.754m which exceeds the balance of the Councils remaining non-earmarked and General Fund reserves (£15.2m). Whilst the Council will continue its lobbying for a fairer funding settlement which meets the needs of the borough, the Council must have a strategy in place to tackle its financial challenges and for this reason the Council must develop a fully costed budget and implementation plan, ready to bring to Cabinet in the summer / autumn ready to feed into the budget setting round for 2022/23. Further detail will be presented on this in the final budget report to Council in February.

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

Budget Planning Reserve	£2.628m
Budget Risk Reserve	£1.771m
Adults Social Care Reserve	£0.920m
Children's Social Care Reserve	£0.932m
2020/21 Savings Target	<u>£2m</u>
Total	£8.251m

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

Adjustments required following the Indicative Local Government Settlement announcement.

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

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

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

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

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

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

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

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

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

- 1.56 **Additional Covid 19 expenditure grant / Multiplier grant / lower tier grant and New Homes Bonus** – The lower tier grant was newly announced at settlement with the other three grants all increasing in value in the financial settlement. The challenge is, except for the New Homes Bonus, the grant income is non recurrent in nature and must be reversed out of the MTFS in 2022/23.
- 1.57 **Additional Council Tax Support Grant**- This is a new grant to help local authorities support households least able to afford Council Tax. The Council has been given an indicative allocation of £2.325m with the final value subject to confirmation. The draft budget explained that

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

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

Budget Refresh, Growth & Savings

- 1.61 There is a commitment to refresh the three-year MTFS annually to ensure it remains reflective of the changing Harrow and Local Government landscape. All savings in the current MTFS for 2021/22 and 2022/23 have been reviewed to ensure that they can either be taken forward or removed as part of this draft budget.
- 1.62 Table 4 summarises the total savings and growth put forward as part of the budget process last year in respect of financial years 2021/22 and 2022/23. Table 4 shows total savings of £8.410m between 2021/22 and 2022/23 and growth of £2.067m, so net savings of £6.343m across 2 years. The net saving for 2021/22 is £4.799m. The detail is set out in Appendix 1B.

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

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

1.63 Table 5 sets out the total changes in terms of Growth/reversed savings and growth and savings proposed as part of the 2021/22 budget process. Table 5 shows a net growth as a result of reversed savings/growth and new growth of £13.327m over the three-year period 2021/22 to 2023/24. The impact in 2021/22 is net growth of £13.494m. The detail is set out at Appendix 1A.

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

Table 5: Growth/Reversed savings and savings from 2021/22 Process				
	2021-22	2022-23	2023-24	Total
	£000	£000	£000	£000
Reversal of prior year savings/ growth and new savings				
Resources	(176)	(177)	-	(353)
Children				-
Community	(250)	(300)	(600)	(1,150)
Corporate	1,175	1,475	600	3,250
Total	749	998	-	1,747
Growth and reversal of prior year savings				
Resources	234	-	-	234
Adults	1,787	1,047	-	2,834
Children	2,004	1,205	-	3,209
Community	8,838	(1,918)	(1,499)	5,421
Corporate	(118)	-	-	(118)
Total	12,745	334	(1,499)	11,580
Net Impact of Reversals/Growth and Savings	13,494	1,332	(1,499)	13,327

INVESTMENT

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

investments will continue into 2021/22:

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

CAPITAL RECEIPTS FLEXIBILITY

1.65 In the Spending Review 2015, it was announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects. This flexibility was initially offered for the three years 2016/17 to 2018/19 but was extended as part of the 2018/19 Finance settlement for a further 3 years from 2019/20 to 2021/22.

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

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

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

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

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

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

PUBLIC HEALTH FUNDING

1.71 In 2020/21 the total public health grant to local authorities totalled £3.279bn, with £11.150m being allocated to Harrow. The grant is ringfenced for use on public health functions exclusively for all ages of the population and must be spent in accordance with grant conditions on expenditure incurred by local authorities for the purposes of their public health functions, as specified in Section 73B(2) of the National Health

Service Act 2006.

- 1.72 The Public Health commissioning intentions detailed in Appendix 7 are based on the current (2020/21) grant allocation as Public Health England have yet to announce national funding for 2021/22. These commissioning intentions reflect alignment with the Health & Wellbeing Strategy, Borough Plan and evidence of population priorities. At this stage there is no assumption of additional duties arising from the pandemic being placed on local authorities on an ongoing basis, and as a result the Council consider that this level of funding enables the Council's overarching statutory duties (including equality duties) to be maintained, taking account of the joint strategic need's assessment.
- 1.73 In the event that additional duties are required by Councils, and if these were unfunded, the commissioning intentions would need to be reviewed considering the allocated grant envelope.

BETTER CARE FUND (BCF)

- 1.74 The framework for the Better Care Fund (BCF) derives from the government's mandate to the NHS which sets an objective for NHS England to ring fence funding to form the NHS contribution to the BCF. The NHS Long Term Plan, published in January 2019 set out the priorities for transformation and integration, including plans for investment in integrated community services and next steps to develop Integrated Care Systems.
- 1.75 The BCF continues to provide a mechanism for personalised, integrated approaches to health and care that support people to remain independent at home or to return to independence after an episode in hospital. The continuation of the national conditions and requirements of the BCF provides opportunities for health and care partners to build on their plans to embed joint working and integrated care further, including how to work collaboratively to bring together funding streams to maximise the impact on outcomes for communities and sustaining vital community provision.
- 1.76 The Better Care Fund Policy statement announced at the beginning of December advised that the CCG contribution will again increase by 5.3% in line with the NHS Long Term Plan settlement. Whilst the Policy Framework and Planning Requirements which provide the detailed guidance is expected to be published in early 2021 (usually March), the requirements around integration and collaborative working are expected to continue.
- 1.77 The 2021/22 Adults budget assumes that funding for the Protection of Social Care through the BCF will remain at the agreed 2020/21 level of £6.436m, although this should be expected to increase by up to 5.3% in light of the NHS increase committed within the spending review.
- 1.78 The 2021/22 BCF plan will be signed off by the Health & Wellbeing Board ahead of submission to, and assurance by, NHS England.

RESERVES AND CONTINGENCIES

1.79 Reserves and contingencies need to be considered in the context of their role to protect the Council's good financial standing and in the context of the overall risks that the Council faces during a continuing period of economic uncertainty. The MTFs reflects the Council's need to ensure an adequate level of reserves and contingencies which will enable it to manage the risks associated with delivery of the budget including equalities impacts and unforeseen events. At the time of writing this report, the Council has £42.802m of reserves (detailed in Appendix 9 – Reserves Forecast):

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

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

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

General Fund Reserve of £10m

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

1.81 The Director of Finance and Assurance will report on the adequacy of the Council's reserves as required in the budget setting report in February 2021.

LEVIES, CONTINGENCIES AND SUBSCRIPTIONS

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

BUDGET PROCESS 2022/23 and 2023/24

1.83 There is a good track record of containing revenue expenditure within annual budget. Since 2017/18 underspends have been declared at outturn allowing very low reserve balances to be added to and the current financial year is forecasting a budget underspend on business as usual to support 2021/22. This report does recommend a balanced budget for 2021/22 but a significant budget gap of £29.7m remains over the last two years of the MTFs. Whilst the Council will continue its lobbying for a fairer funding settlement which meets the needs of the borough, the Council must have a strategy in place to tackle its financial challenges and for this reason the Council must develop a fully costed budget and implementation plan, to the value of a minimum £10m,

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

COUNCIL TAX MODEL RESOLUTION

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

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

MEMBERS ALLOWANCES

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

ANNUAL PAY POLICY STATEMENT

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

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

LONDON BOROUGH'S GRANTS SCHEME

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

2.0 CONSULTATION

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

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

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

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

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

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

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

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

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

Table 6: Key Stakeholder Consultation

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

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

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

2.6 In terms of service specific consultations, the council has a duty to consult with residents and service users in a number of different situations including where proposals to significantly vary, reduce or withdraw services. Consultation is also needed in other circumstances, for example, to identify the impact of proposals or to assist with complying with the council's equality duties. Where appropriate, separate service specific consultations have already taken place or will be taking place for the 2021/22 savings and may be subject to a separate cabinet report.

3.0 PERFORMANCE ISSUES

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

4.0 RISK MANAGEMENT IMPLICATIONS

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

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

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

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

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

	<ul style="list-style-type: none"> ▪ Clean bill of health on our 18/19 Statement of Accounts and VFM audit from the External Auditors ▪ Strategic financial planning with CSB & Cabinet 	
<p>A balanced budget position is not achievable in 2022/23 or 2023/24 due to the overall reduction in revenue/funding, increases in the population, disproportionately high impact of Covid-19 on the borough, economic uncertainty and the difficulty of finding sustainable savings year on year. This leaves the Council in a grave financial position, facing very difficult budget decisions and potentially at risk of being unable to meet the demand for services, particularly Adult Social Care, Children's Placements and Accommodation and SEN.</p>	<ul style="list-style-type: none"> ▪ Tight financial management ▪ Maintaining the level of reserves and using them with caution ▪ Increasing Council Tax in line with referendum limits ▪ Full use of Adult Social Care precept ▪ Ongoing efficiencies ▪ The generation of income ▪ A budget strategy for savings 	
<p>In preparing the final budget for 2021/22 it is accepted that there is an element of risk until the Final Financial Settlement is received mid-February 2021.</p>	<ul style="list-style-type: none"> ▪ The revenue budget includes a contingency for unforeseen items of £1.248m 	

5.0 LEGAL IMPLICATIONS

- 5.1 Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their council tax requirements in accordance with the prescribed requirements of that section. This requires consideration of the authority's estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund.
- 5.2 Local authorities owe a fiduciary duty to council taxpayers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of council taxpayers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.
- 5.3 Cabinet is approving these proposals for consultation after which a cumulative equalities impact will be drafted. These proposals will be referred to Council so that Council can approve the budget envelope and set the Council Tax. There will be contingencies within the budget envelope so that decision makers have some flexibility should any decisions have detrimental equalities impacts that cannot be mitigated.

6.0 FINANCIAL IMPLICATIONS

6.1 Financial Implications are integral to this report.

7.0 PROCUREMENT IMPLICATIONS

7.1 There are no procurement implications arising from this report.

8.0 EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY

8.1 Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on each of the proposals as they are developed.

Consideration of the duties should precede the decision. It is important that

Cabinet has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

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

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

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

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

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

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

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

Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as

permitting conduct that would otherwise be prohibited by or under this Act.

The relevant protected characteristics are:

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

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

9.0 COUNCIL PRIORITIES

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

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 02/02/2021

Statutory Officer: Jessica Farmer

Signed on behalf of the Monitoring Officer

Date: 02/02/2021

Chief Officer: Charlie Stewart

Signed off by the Corporate Director

Date: 02/02/2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 02/02/2021

Head of Internal Audit: Susan Dixon

Signed by the Head of Internal Audit

Date: 02/02/2021

Mandatory Checks

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

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

EqlA cleared by: Jessica Farmer

Section 4 - Contact Details and Background Papers

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

Background Papers:

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

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

NOT APPLICABLE (decisions reserved to Council)

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Appendix 1A - Growth/Reversed savings and savings from 2021/22 Proce:

	2021-22	2022-23	2023-24	Total
	£000	£000	£000	£000
Reversal of prior year savings/ growth and new savings				
Resources	(176)	(177)	-	(353)
Children				-
Community	(250)	(300)	(600)	(1,150)
Corporate	1,175	1,475	600	3,250
Total	749	998	-	1,747
Growth and reversal of prior year savings				
Resources	234	-	-	234
Adults	1,787	1,047	-	2,834
Children	2,004	1,205	-	3,209
Community	8,838	(1,918)	(1,499)	5,421
Corporate	(118)	-	-	(118)
Total	12,745	334	(1,499)	11,580
Net Impact of Reversals/Growth and Savings	13,494	1,332	(1,499)	13,327

Growth/Reversed savings and savings- 2021/22 Budget Process																	
Item No	Unique Reference No.	Specific Service Area	Headline Description re: saving / reduction	2020/21 Service Budget	agreed Savings /growth 2020/21	agreed' Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	2023-24	Total	Risk	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000				
Reversal of prior year savings/ growth and new savings																	
Resources Directorate																	
1		Legal & Governance	Bucks and Aylesbury Vale District Council exit of shared service with Legal Services. Scale down the growth agreed in 20/21 budget process.The growth was to fund the net impact of this lost income.	7,550	0	0	7,550	TBC	-	(176)	(177)		(353)		N	N	
			Resources total	7,550	-	-	7,550	-	-	(176)	(177)	-	(353)				
People Directorate																	
			Total Adults														
			Total Children's Services														
Community Directorate																	
2	COM21.22_S01	Environment & Commissioning	Commissioning and Environmental Services re-organisation - net saving on salary budget	26,075	-	-	26,075	TBC	-	(250)			(250)		Y	N	Yes - Staff, trade unions
3		Housing General Fund	Property Acquisition Programme - Savings in Temporary Accommodation costs as a result of purchasing properties to use for temporary accommodation as an alternative to using Bed and Breakfast and Private Sector Leasing to house the homeless. The Capital Programme allocation to be funded from borrowing is approximately £6m pa for 2021/22, 2022/23 and 2023/24 - totalling £18.062m over a 3 year period. Based on Capital financing costs of 5% (2% MRP and 3 % interest), the annual cost would be £900k by year 3. The saving will be reviewed and adjusted according to capital spend taking place.										(900)		N	N	
			Community Total				966	-	-	(250)	(300)	(600)	(1,150)	-			
Corporate																	
4	Corporate	Capital Financing	Capital Financing costs as a result of the Property Acquisition Programme. To be offset by savings in the Housing General Fund included in this schedule.										900		N	N	
5	Corporate	Corporate	Removal of Investment Property Capital Budget and savings associated.			(7,050)	(7,050)			3,525	3,525		7,050		N	Y	
6	Corporate	Corporate	Capital financing costs reduced as a result of removal of Investment Property Capital Budget			4,700	4,700			(2,350)	(2,350)		(4,700)		N	Y	
			Corporate Total					-	-	1,175	1,475	600	3,250	-			
			Total					-	-	749	998	-	1,747				

Growth/Reversed savings and savings- 2021/22 Budget Process																	
Item No	Unique Reference No.	Specific Service Area	Headline Description re: saving / reduction	2020/21 Service Budget	agreed Savings /growth 2020/21	agreed' Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	2023-24	Total	Risk	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
Growth and reversal of prior year savings																	
Resources																	
7	RES 1	Strategy	Emergency Planning & Business Continuity Pan London Resilience improvement programme.	167			167	-	-	70			70		N	N	N
8	RES 2	Transformation - PMO	Expansion of PMO	244			244		-	64			64		N	N	Yes
8	RES 3	Strategy	Growth in HR to fund the establishment of a small team to take forward Council's Equality, Diversity and Inclusion (EDI) strategy and action plan, particularly in response to Black Live Matters movement."						-	100			100		N	N	Yes
Total Resources				411	-	-	411	-	-	234	-	-	234	-			
People Directorate																	
Adults																	
9		Transition and Personal Budgets	Reversal of 'Growth in the transition budget and Personal Budgets' agreed as part of the 2019/20 Budget Setting as this is replaced by the updated growth figure of £3.895m. The £652k was based on £300k for transitions (assumes additional 10 pa) and £352k for Personal Budgets (a further 1 new PB every other week)			652	652			(652)			(652)		N	N	N
10		Placements	Demand Pressures - additional pressures identified and reported to Cabinet in February 2020.	35,686	7,317	0	43,003	N/A		3,895	1,047	-	4,942		N	N	N
		Placements	Adjustment to Adults Growth agreed at draft budget - a sum of £1.921m for growth will be held as a budget reserve rather than permanent growth being added to the budget.							(1,921)			(1,921)				
11		Equipment	Careline & Community Equipment - historic annual capital expenditure to be funded by revenue and no longer put through the Capital Programme	372	-	-	372	N/A		465			465		N	Y	N
Total Adults								-	-	1,787	1,047	-	2,834				
Children's Services																	
12	PCS21.22_G01	CYPS	Children's Placements & Accomodation	25,482				-	-	1,227	1,205		2,432		N	N	No
13	PCS21.22_G02	Education	SEN Transport	5,015				-	-	777	(0)		777		N	N	No
Total Children's Services						-	-	-	-	2,004	1,205	-	3,209				
People Total						-	-	-	-	3,791	2,252	-	6,043				
Community																	
14	COM21.22_G01	Directorate wide	Impact of Covid-19: Loss of income across Community directorate	(46,399)	-	-	(46,399)	-	-	5,000	(2,218)	(1,799)	983		N	N	No

Growth/Reversed savings and savings- 2021/22 Budget Process																	
Item No	Unique Reference No.	Specific Service Area	Headline Description re: saving / reduction	2020/21 Service Budget	agreed Savings /growth 2020/21	agreed' Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	2023-24	Total	Risk	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
15	COM21.22_G02	Facilities Management	Income pressure for School SLA services	(226)			(226)	-	-	80			80		N	N	No
16	COM21.22_G03	Facilities Management	Building repair and maintenance for all corporate sites	771			771	-	-	300			300		N	N	No
17	COM21.22_G04	Depot	Residual amount of unachieved MTFS target relating to Depot	(1,234)			(1,234)	-	-	861			861		N	N	No
18	COM21.22_G05	Contracts Management	Residual amount of unachieved MTFS procurement saving (£250k profiled in 19/20)	(250)			(250)	-	-	32			32		N	N	No
19	COM21.22_G06	Waste Services	West London Waste Authority Levy increases as a result of waste growth, household growth and contract price inflation	8,357			8,357	-	-	750	300	300	1,350		N	N	No
20	COM21.22_G07	Waste Services	Increase in Mixed Dry Recycling waste disposal cost	947			947	-	-	600			600		N	N	No
21	COM21.22_G08.1		Redevelopment of Vernon Lodge - Reversal of MTFS target that reflects capital financing cost and net income	(80)	(643)		(723)	-	-	723			723		N	N	No
22	COM21.22_G09.1		Probation Centre - Reversal of MTFS target which reflects capital financing cost of £5m capital	-	275		275	-	-	275			275		N	N	No
23	COM21.22_G10.1		Unmanned Aerial Vehicles -Reversal of MTFS target that reflects capital financing cost of £400k capital	-	(92)		(92)	-	-	92			92		N	N	No
24	COM21.22_G11	Waste Services	Waste bins - change the funding source from capital to revenue following capital programme review	-			-			125			125		N	N	No
													-				
			Community Total		-	-	-	-	-	8,838	(1,918)	(1,499)	5,421				
26		Corporate Finance	Reversal of saving from 'SEN Transport efficiency from Transformation		(400)	(400)	(800)			800			800		N	N	
26	COM21.22_G08.2	Corporate Finance	Redevelopment of Vernon Lodge - Reduction in capital financing costs	307	244		551	-	-	(551)			(551)		N	N	No
27	COM21.22_G09.2	Corporate Finance	Probation Centre - Reduction in capital financing costs	-	(275)		(275)	-	-	(275)			(275)		N	N	No
28	COM21.22_G10.2	Corporate Finance	Unmanned Aerial Vehicles - Reduction in capital financing cost	-	92		92	-	-	(92)			(92)		N	N	No
			Corporate Total			-	-	-	-	(118)	-	-	(118)				
			Total		-	-	-	-	-	12,745	334	(1,499)	11,580				
			Net Impact of Reversals/Growth and Savings					-	-	13,494	1,332	(1,499)	13,327				

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

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

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

Appendix 1B

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

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

Appendix 1B

Item No	Unique Reference No.	Headline Description re: saving / reduction	2019/20 Service Budget	agreed Savings /growth 2020/21	agreed Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	Total	EQIA Required Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
			£000	£000	£000	£000	£000	£000	£000	£000	£000			
14	COM_20.21_S03	Removal of base budget from October 2020 for 4 positions that are currently 67% grant funded. These 4 FTC positions are created as part of the successful bid to HLF for the Headstone Manor refurbishment project. HLF funding will end in Sept 2020, thereby the future of these posts will be dependent on the availability of further external funding. As no further external funding has been secured, these positions are deleted in 2020/21. This saving started in 2020/21 with a £22k saving made in 2020/21, therefore a total of £44k across 2 years.	157	-	-	157	TBC	-	(22)		(22)	Y - already completed as part of 2020/21 budget process	N	N
15	COM_20.21_S04	Review of Travellers site- The council has a duty to provide suitable accommodation for Gypsy and Travellers and use Watling farm site for this purpose. Saving proposal is to seek a cost neutral outcome for the council. The housing service have reconsidered this proposal and will not be able to carry out a review to achieve full cost recovery for 2021/22. Therefore this saving will not be made in 2021/22 and will be considered as a 2022/23 saving. The £14k saving in 2021/22 will be met from within the existing 2021/22 housing general fund budget.	14	-	-	14	-	-	(14)		(14)	N - not required in 2021/22 but will be required for 2022/23 budget process.	N	N
16	COM_20.21_S05	Reduction in EACH contract and Sheltered housing support from April 2020- Each contract to be transferred to floating support scheme and reduction in sheltered housing support proposed to finance through enhanced housing management service charge which is HB eligible/ or reduce scope of the service provided.	400	-	-	400	-	-	(68)		(68)	Y - required in 2021/22. Individual assessments will be done.	N	N
18	COM_20.21_S07	Building Control - Additional income from commercialisation of the service	(132)	-	-	(132)	-	-	(20)		(20)	N	N	N
24	COM_19.20_S04	Redevelopment of the Vernon Lodge Homelessness Hostel and the Atkins House Site The maximisation of the assets to increase the homelessness provision at Vernon Lodge while providing capacity to generate additional income at both Vernon Lodge and Atkins House, following Cabinet approval of the redevelopment work in July 18. Gross savings.							(643)		(643)	http://modern.gov:8080/documents/g64382/Public%20reports%20pack%20Thursday%2021-Feb-2019%2018.30%20Cabinet.pdf?T=10	N	Y for any planning application

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

Item No	Unique Reference No.	Headline Description re: saving / reduction	2019/20 Service Budget	agreed Savings /growth 2020/21	agreed Savings /growth 2021/22	Net budget	Implementation Costs & Redundancy	Implementation Costs CAPITAL	2021-22	2022-23	Total	EQIA Required	Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholders to consult 'Yes/No Completed
			£000	£000	£000	£000	£000	£000	£000	£000	£000				
24	COM_19.20 S04	This saving is being reversed out in Appendix 1A													
26		Additional Financing Income : Banister (25k) Harrow Weald Toilet (£11k) Probation Centre (£275k) Drones (unmanned aerials) (£92k)							(403)		(403)	N		N	N
26		This saving for the Probation Centre and Drones is being reversed out in Appendix 1A										N		N	N
Community Total			966	-	-	966	-	-	(1,125)	-	(1,125)				
Corporate															
27	COR 02	Gayton Road - income from 53 PRS units							(144)	(47)	(191)	N		N	N
28	COR 03	SEN Transport efficiency from Transformation							(400)		(400)	N		N	N
28	COR 03	This saving is being reversed out in Appendix 1A													
29	COR 04	Income from £100m Investment Property Purchase							(3,525)	(3,525)	(7,050)	N		N	N
30	COR 05	Capital Financing Cost of the £100m Investment Property							2,350	2,350	4,700	N		N	N
	COR 04 and 05	The net impact of the Investment Property income is being reversed out in Appendix 1A													
31	COR 06	Transformation Target - additional £1m over and above SEN Transport target per annum							(1,000)	(1,000)	(2,000)	N		N	N
Corporate Total									(2,719)	(2,222)	(4,941)				
Total Savings									(6,188)	(2,222)	(8,410)				
Growth															
Resources															
2	RES G2	Bucks and Aylesbury Vale District Council exit of shared service with Legal Services. The growth is to fund the net impact of this lost income.							353	678	1,031	N		N	N
	RES G2	A proportion of this growth is being reversed out in Appendix 1A													

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

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

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

MEDIUM TERM FINANCIAL STRATEGY 2021/22 to 2023/24

Appendix 2

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Budget Requirement Brought Forward	167,081	174,762	179,440	182,039
Corporate & Technical	6,393	-4,018	27,463	6,597
People	289	4,033	2,252	0
Community	1,286	7,463	-2,218	-2,099
Resources	383	-1,383	501	0
Corporate	-670	-1,418	-747	600
Total	7,681	4,677	27,251	5,098
FUNDING GAP	0	0	-24,651	-5,098
Total Change in Budget Requirement	7,681	4,677	2,600	0
Revised Budget Requirement	174,762	179,440	182,039	182,039
Collection Fund Deficit/-surplus	-2,120	-180	0	0
Revenue Support Grant	-1585	-1585	-1585	-1585
Top Up	-22,623	-22,623	-22,623	-22,623
Retained Non Domestic Rates	-14,942	-15,346	-15,346	-15,346
Amount to be raised from Council Tax	133,492	139,706	142,485	142,485
Council Tax at Band D	£1,522.72	£1,598.70	£1,630.51	£1,630.51
Increase in Council Tax (%)	3.99%	4.99%	1.99%	0.00%
Tax Base	87,667	87,387	87,387	87,387
Collection rate	98.00%	98.00%	98.00%	98.00%
Gross Tax Base	89,456	89,170	89,170	89,170

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

Technical Adjustments			
	2021/22	2022/23	2023/24
	£000	£000	£000
Capital and Investment			
2018/19 implications in 2021/22	1900		
Reversal of one off Regen MRP Provision used in 2020/21	1000		
MRP on Community projects and Property investment from 2019/20	1454		
Interest on Community projects and Property investment from 2019/20	967		
Capital Financing costs from additional Capital Programme		1250	
Capital Financing included as part of 2021/22 budget setting process			
Implications of Capital Programme agreed for 2020/21 to 2023/24	-2981	2981	470
Total Capital and Investment Changes	2,340	4,231	470
Grant Changes			0
Additional 2019 New Homes Bonus after settlement from prior years	535		
Additional New Homes Bonus for 2020/21	787		
Assumption that New Homes Bonus reduces in 2022/23		728	
Reversal of previous reductions in NHB assumed on the basis it continues	-782	-728	
Additional NHB over estimated sum (£3.185m v £3.176m estimated)	-9	9	
Reduction in Section 31 grant of £404k to offset increase in Retained Business rates	404		
Reversal of 'Use of 2019/20 Business Rates Pool Budget in 2020/21 budget	1800		
Additional Social Care grant announced in SR estimated figure	-326		
£1.55b grant to meet additional COVID expenditure (one off)	-6051	6051	
Income compensation for sales, fees and charges - 3 mth extension	-500	500	
Extra Multiplier grant	-477	477	
Council Tax Support Grant	-1,780	1780	
Lower Tier grant	-399	399	
Total Grant Changes	-6,798	9,216	0
Other Technical Changes			
Freedom Passes - estimated reduction in usage	-1108	-1580	1377
Use of Reserves			
Full use of the Budget Planning Reserve in 2020-21	2629		
Use of Business Risk Reserve smoothed over 2 years	1176	0	
Use of Business Risk Reserve for one off investment of £1m pa for 3 years	-1000	-1000	
One off Investment into front line priorities	1000	1000	
Use of Business Risk Reserve smoothed over 2 years	-3350	3350	
Budget planning reserve not applied in 20/21	0	0	
Business Risk Reserve - not applied in 20/21	0	0	
Children's social care reserve - no applied in 20/21	-852	852	
Adult Social Care Reserve	0	0	
£2m 20/21 target underspend - to be added to reserves in 2021/22	-2000	2000	
Total Other Technical Changes	-3,505	4,622	1,377
Pay and Inflation			
Pay Award @ 2% pa	2000	2000	
Pay Award @ 2.75% pa			2750
Non Pay Inflation/budget pressures	1100	2750	2000
Total Pay and Price Inflation	3,100	4,750	4,750
OTHER			
Gayton Road Income - Reversal of 72 units transferred to HRA	500		
Capital Receipts Flexibility - £2m applied in 2021/22	-2000	2000	
Adults Growth / Pressure	2344	2644	
Total Corporate & Technical	-4,018	27,463	6,597

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

People			
	2021/22	2022/23	2023/24
	£000	£000	£000
Children & Families			
Proposed Savings - Appendix 1B	-410	0	0
Proposed Growth - see appendix 1a	2004	1,205	0
Sub total Children & Families	1,594	1,205	0
Adults			
Proposed Growth - see appendix 1a	1787	1047	0
Proposed Growth - see appendix 1b	652	0	0
Sub total Adults	2,439	1,047	0
Total People Directorate	4,033	2,252	0

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

Community			
	2021/22	2022/23	2023/24
	£000	£000	£000
Proposed Savings - see appendix 1a	-250	-300	-600
Proposed Growth - see appendix 1a	8,838	-1,918	-1,499
Proposed Savings - see appendix 1b	-1,125	0	0
Proposed Growth - see appendix 1b	0	0	0
Total Community	7,463	-2,218	-2,099

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

	2021/22	2022/23	2023/24
Resources	£000	£000	£000
Proposed Savings - see appendix 1b	-1,934	0	0
Proposed Growth - see appendix 1b	493	678	0
Proposed Savings - see appendix 1a	-176	-177	0
Proposed Growth - see appendix 1a	234	0	0
Total Resources	-1,383	501	0

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

	2021/22	2022/23	2023/24
	£000	£000	£000
CORPORATE			
Proposed Savings - appendix 1a	1175	1475	600
Proposed Growth - appendix 1a	-118	0	0
Proposed Savings - see appendix 1b	-2,719	-2,222	0
Proposed Growth - see appendix 1b	244	0	0
Total Corporate	-1,418	-747	600

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

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Levies, Contribution and Subscriptions 2021/22

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

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

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Policy on Use of Contingency

General Principles

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

Appropriate uses

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

Criteria

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

Approval Process

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

Unspent balances

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

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

Introduction

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

Funding Announcements Autumn 2019

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

DSG Settlement 2021-22

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

Table 1 – 2021-22 Dedicated Schools Grant allocation

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

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

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

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

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

Consultation

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

Minimum Funding Guarantee

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

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

15. The most significant change in 2021-22 is that funding previously received through the TPG and TPECG, including the supplementary fund for LAs, to mainstream schools for pupils from reception to Y11 will be allocated through the NFF thus increasing schools' baselines.
16. In addition to the 3% general inflationary amount added to each formula factor a further £180 has been added to the primary basic entitlement factor and £265 to each of the KS3 and KS4 basic entitlement factors. This funding (plus the Area Cost Adjustment) is equivalent to the funding received in the TPG and TPECGs for September 2018 and September 2019 pay awards. No further funding will be allocated for pay changes in September 2020 or beyond.
17. Therefore, despite an additional approx. £11m of funding in the NFF for 2021-22 nearly £8m of this represents funding already being received by schools through the TPG and TPECG.

Income Deprivation Affecting Children Index (IDACI)

18. The IDACI dataset has been updated in 2019 so that the IDACI bands are now assigned based on rank rather than score. For example, Band A now consists of pupils in the most deprived 2.5% of lower super output areas (LSOAs), instead of consisting of pupils in LSOAs with an IDACI score greater than 0.5.
19. As set out at Appendix B nearly all schools will lose funding as a result of this change. In order to compensate slightly some of the factor values have increased above the 3% generic inflation but this still does not mitigate the overall losses.
20. The impact of the banding changes is that is that more pupils are in Band G which is the least deprived band and attracts no funding and more are in Band F which attracts the lowest rate of funding.

Additional Funding

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

High Needs Block

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

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

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

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

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

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

Table 3 – 2021-22 High Needs Block Funding

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

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

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

DSG Deficits

31. The government consulted on the accounting treatments of deficits on the DSG. The consultation focussed on changing the conditions of grant and regulations applying to the DSG so as to clarify that the DSG is a ring-fenced specific grant separate from the general funding of local authorities. Therefore any deficits an authority may have on its DSG account is expected to be carried forward and does not require to be covered by the authority's general reserves.
32. With effect from 2019-20 the DfE has tightened up the rules under which local authorities have to explain their plans for bringing the DSG account back into balance.
33. The DfE will require a report from any LA that has a cumulative DSG deficit of more than 1% at the end of the financial year. The 1% calculation will be based on the latest published DSG allocations for 2020-21 compared with the deficit shown in the authority's published draft accounts.
34. Harrow's projected cumulative deficit of £6m as a proportion of gross budget of £225m would equate to approx. 2.7% and will therefore require a deficit recovery plan.
35. An initial Deficit Recovery Plan has been discussed with Schools Forum. This requires further work and needs to take into account delays due to Covid-19.

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

Early Years Block

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

3 & 4 year old funding

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

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

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

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

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

Table 4 – indicative 2021-22 EYSFF

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

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

2 year old funding

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

SEND Inclusion

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

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

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

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Reserves Policy

The recommended reserves policy is as follows:

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

The rationale for this policy is set out below.

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

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

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

The target level of reserves depends on:

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

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

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

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

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

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

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

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

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

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Report of the Chief Finance Officer – 2021/22 Budget

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

Robustness of the Budget

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

Until the summer of 2020 the indication from government was still an intention to set a three-year revenue settlement after representations from the sector of the challenges managing temporary funding over the medium and longer term for budget planning and sustainability purposes. After the cancellation of the Autumn Budget, confirmation was finally received that Spending Review 20 would be a one-off settlement only for 2021/22. There are significant areas of uncertainty around the future of Local Government funding beyond 2021/22, with a direct impact on Harrow finances, with the outcome of major events unknown:

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

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

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

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

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

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

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

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

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

Adequacy of General Reserves, Ear marked Reserves, and Contingencies

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

The Council holds £42.802m in reserve:

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

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

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

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

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

Budget Monitoring

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

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

Model Council Tax Resolution

Harrow Council

Council Tax Resolution 2021/2022

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

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

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

(v) Valuation Bands

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

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

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

Valuation Bands

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

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

Valuation Bands

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

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

Members' Allowances Scheme

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

Basic Allowance

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

Special Responsibility Allowances and Mayoral Allowances

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

Uprating the Basic and Special Responsibility Allowances

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

Travel and Subsistence Allowances

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

Carers' Allowance

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

Co-optees' Allowance

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

Sickness, maternity and paternity leave

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

Claims and Payments

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

Backdating

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

Pensions

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

Renunciation

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

Approved duties for Carers' Allowance

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

Schedule 1

Special Responsibility Allowances (SRAs)

There are 6 bands of SRAs:

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

Note

The Groups are as follows:-

Largest Group = Labour Group

Minority Group = Conservative Group

Schedule 2

Claims for Out-Of-Borough Travel and Subsistence Expenses

Duties Undertaken Out-of-Borough

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

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

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

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

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

HARROW COUNCIL PAY POLICY STATEMENT 2021/22

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

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

Updates December 2020:

Annual Pay award

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

London Living Wage update

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

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

The Restriction of Public Sector Exit Payments Regulations 2020

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

Context

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

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

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

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

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

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

Modernising Terms & Conditions Review 2011/12

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

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

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

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

Council Pay Rates / Scales

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

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

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

Remuneration of Senior Management (Chief Officers)

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

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

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

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

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

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

Remuneration of Lowest Paid Employees

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

Pay Multiple

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

Pay Grading

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

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

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

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

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

Pay on Appointment

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

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

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

Pay Progression

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

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

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

Progression for Chief Officers is subject to the following qualifications:

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

Performance Related Pay

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

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

National / Regional Pay Agreements

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

Market Supplements

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

Fees for Election Duties

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

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

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

Other Payments

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

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

Pension

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

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

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

⁴ Joint Negotiating Committee / National Joint Council

Other Terms and Conditions of Employment

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

Payments on Termination of Employment

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

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

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

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

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

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

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

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

Re-employment of Employees

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

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

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

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

Further Information

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

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INTRODUCTION

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

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

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

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

EXAMPLES OF QUALIFYING PROJECTS

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

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

RULES OF QUALIFICATION

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

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

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

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

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

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

STRATEGY FOR USE OF FUNDS

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

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

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

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

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

Savings on Appendix 1A

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

Savings on Appendix 1B

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

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