

Cabinet Agenda

Date: Thursday 9 December 2021

Time: 6.30 pm

Venue: Council Chamber, Harrow Civic Centre,
Station Road, Harrow, HA1 2XY

Membership:

Chair: Councillor Graham Henson (Leader of the Council;
Portfolio Holder for Strategy, Regeneration,
Partnerships and Devolution)

Portfolio Holders:	Portfolio:
Councillor Sue Anderson	Community Engagement, Accessibility & Customer Services
Councillor Peymana Assad	Community Cohesion, Crime & Enforcement
Councillor Simon Brown	Adults and Social Care
Councillor Keith Ferry	Business, Property and Leisure
Councillor Phillip O'Dell	Housing
Councillor Varsha Parmar	Environment and Climate Change
Councillor Natasha Proctor	Finance & Resources (Deputy Leader)
Councillor Christine Robson	Education and Social Services for Children and Young People
Councillor Krishna Suresh	Equalities and Public Health

Non-Executive Members:	Role:
Councillor Adam Swersky	Non-Executive Cabinet Member
Councillor Antonio Weiss	Non-Executive Cabinet Member
John Higgins	Non-Executive Voluntary Sector Representative

Quorum 3, including the Leader and/or Deputy Leader)

Contact: Nikoleta Kemp, Senior Democratic & Electoral Services Officer
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- (2) Scan the NHS Test and Trace barcode or provide your contact information;
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- (4) Stay seated during the meeting;
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Filming / recording of meetings

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Agenda publication date: Wednesday 1 December 2021

Agenda - Part I

1. Apologies for Absence

To receive apologies for absence (if any).

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 Committee, Sub-Committee or Panel;
- (b) all other Members present in any part of the room or chamber.

3. Petitions

To receive any petitions submitted by members of the public or Councillors.

4. Public Questions *

To receive any public questions received in accordance with paragraph 16 of the Executive Procedure Rules.

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, 6 December 2021. Questions should be sent to publicquestions@harrow.gov.uk

No person may submit more than one question].

5. Councillor Questions *

To receive any Councillor questions received in accordance with paragraph 17 of the Executive Procedure Rules.

Questions will be asked in the order agreed with the relevant Group Leader by the deadline for submission and there be a time limit of 15 minutes.

[The deadline for receipt of Councillor questions is 3.00 pm 6 December 2021.]

6. Key Decision Schedule December 2021 - February 2022 (Pages 7 - 18)

7. Progress on Scrutiny Projects (Pages 19 - 20)

For consideration

8. Covid-19 Update (To Follow)

Verbal update from the Chief Executive.

9. Membership of the Employees' Consultative Forum

To note the appointment of Sharon Hayes as a Unison representative to the vacancy on the Employees' Consultative Forum.

Community

KEY 10. Harrow Digital Infrastructure Strategy - Enabling Investment in Digital Infrastructure (Pages 21 - 60)

Report of the Corporate Director, Community.

Resources and Commercial

KEY 11. Draft Revenue Budget 2022/23 and Medium Term Financial Strategy 2022/23 to 2024/25 (Pages 61 - 104)

Report of the Director of Finance and Assurance.

KEY 12. Draft Capital Programme 2022/23 to 2024/25 (Pages 105 - 120)

Report of the Director of Finance and Assurance.

KEY 13. Quarter 2 Revenue & Capital Budget Monitoring 2021/22 (Pages 121 - 172)

Report of the Director of Finance and Assurance.

KEY 14. Estimated Surplus / (Deficit) on the Collection Fund 2021-2022 (Pages 173 - 182)

Report of the Director of Finance and Assurance.

KEY 15. Calculation of Council Tax Base for 2022- 2023 (Pages 183 - 194)

Report of the Director of Finance and Assurance.

KEY 16. Application to the Living Wage Foundation to become an accredited authority (Pages 195 - 210)

Report of the Director of Finance and Assurance.

17. Treasury Management Mid-Year Report 2021/22 (Pages 211 - 232)

Report of the Director of Finance and Assurance.

18. Any Other Urgent Business

Which cannot otherwise be dealt with.

19. Exclusion of the Press and Public

To resolve that the press and public be excluded from the meeting for the

following item of business, on the grounds that it involves the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

Agenda Item No	Title	Description of Exempt Information
20.	Application to the Living Wage Foundation to become an accredited authority – Appendix1	Information under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, relating to the financial or business affairs of any particular person (including the authority holding that information).

Agenda - Part II

KEY 20. Application to the Living Wage Foundation to become an accredited authority (Pages 233 - 234)

Appendix 1 to the report of the Director of Finance is attached.

*** Data Protection Act Notice**

The Council will record the meeting and will place the recording on the Council's website.

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

Deadline for questions	3.00 pm on 06 December 2021
Publication of decisions	10 December 2021
Deadline for Call in	5.00 pm on 17 December 2021
Decisions implemented if not Called in	18 December 2021

London Borough of Harrow

Key Decision Schedule (December 2021 - February 2022)

Month: December

The following is a list of Key Decisions which the Authority proposes to take at the above Cabinet meeting. The list may change over the next few weeks. A further notice, by way of the Cabinet agenda, will be published no less than 5 clear days before the date of the Cabinet meeting, showing the final list of Key Decisions to be considered at that meeting.

A Key Decision is a decision by the Executive which is likely to:

- (i) result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or
- (ii) be significant in terms of its effects on communities living or working in an area of two or more wards or electoral divisions of the Borough.

A decision is significant for the purposes of (i) above if it involves expenditure or the making of savings of an amount in excess of £1m for capital expenditure or £500,000 for revenue expenditure or, where expenditure or savings are less than the amounts specified above, they constitute more than 50% of the budget attributable to the service in question.

Decisions which the Cabinet intends to make in private

The Cabinet hereby gives notice that it may meet in private after its public meeting to consider reports which contain confidential information. The private meeting of the Cabinet is open only to Members of the Cabinet, other Councillors and Council officers.

Reports relating to decisions which the Cabinet will take at its private meeting are indicated in the list of Key Decisions below with the reasons for the decision being made in private where appropriate. The Schedule also contains non-Key Decisions which involve Cabinet having to meet in private. Any person is able to make representations to the Cabinet if he/she believes the decision should instead be made in the public Cabinet meeting. If you want to make such representations please contact Democratic & Electoral Services. You will then be sent a response in reply to your representations. Both your representations and the Cabinet's/Leader's response will be published on the Council's website <http://www.harrow.gov.uk/www2/mgListPlans.aspx?RPId=249&RD=0&bcr=1> at least 5 clear days before the Cabinet meeting.

∞ The Cabinet/Leader will be considering a report prepared by the relevant Directorate. The report together with any other documents (unless they contain exempt information) will be available for inspection 5 clear days before the decision is taken by Cabinet/Leader from Democratic Services, on 020 8424 1055 or by contacting democratic.services@harrow.gov.uk or by writing to Democratic & Electoral Services, Harrow Council, Civic Centre PO Box 2, Station Road, Harrow, HA1 2UH or on the Council's website. Copies may be requested but a fee will be payable. Reports to be considered at the Cabinet's public meeting will be available on the Council's website 5 clear days before the meeting.

The KDS looks 3 meetings ahead and will be published 28 clear days before the Decision Date / Period of Decision.

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Subject	Nature of Decision	Decision Maker	Decision date / Period of Decision	Cabinet Member / Lead officer	Open or Private Meeting	Additional Documents to be submitted and any Consultation to be undertaken
DECEMBER 2021						
Estimated Surplus / (Deficit) on the Collection Fund 2021 - 2022	To agree the Council's collection fund position and to allow the appropriate transfers to the general or collection fund to clear surplus or deficit.	Cabinet	9 December 2021	Councillor Natasha Proctor Corporate Director, Resources fern.silverio@harro w.gov.uk, tel. 020 8736 6818	Open	Agenda report and any related appendices. N/A
Calculation of Council Tax Base for 2022 - 2023	To approve the Council's Council Tax Base for 2022-23.	Cabinet	9 December 2021	Councillor Natasha Proctor Corporate Director, Resources fern.silverio@harro w.gov.uk, Tel: 020 8736 6818	Open	Agenda report and any related appendices. N/A
Application to the Living Wage Foundation to	1. Approve the application to the Living Wage	Cabinet	9 December 2021	Councillor Natasha Proctor	Open	Agenda report and any related appendices.

Subject	Nature of Decision	Decision Maker	Decision date / Period of Decision	Cabinet Member / Lead officer	Open or Private Meeting	Additional Documents to be submitted and any Consultation to be undertaken
become an accredited authority	<p>Foundation to become an accredited Real Living Wage payer.</p> <p>2. Delegate to the Corporate Director of Resources all decisions relating to the finalisation of the above application.</p> <p>3. Note the estimated financial impact and the budget provided for in the draft Medium-Term Financial Strategy (MTFS).</p>			<p>Director of Finance</p> <p>nimes.mehta@harrow.gov.uk</p>		<p>Engagement across the Directorates.</p>
School Streets Programme	To consider the recommendations from the special Traffic and Road Safety Advisory	Cabinet	9 December 2021	Councillor Varsha Parmar	Open	Agenda report and any related appendices.

Subject	Nature of Decision	Decision Maker	Decision date / Period of Decision	Cabinet Member / Lead officer	Open or Private Meeting	Additional Documents to be submitted and any Consultation to be undertaken
	Panel (TARSAP) meeting in December 2021 to determine if the school streets schemes should be made permanent or removed.			Corporate Director, Community david.eaglesham@harrow.gov.uk		Public consultation on scheme trials is being undertaken in October/November 2021 and will be reported to a special Traffic and Road Safety Advisory Panel (TARSAP) meeting in December 2021.
Harrow Digital Infrastructure Strategy	To approve the draft Harrow Digital Infrastructure Strategy.	Cabinet	9 December 2021	Councillor Keith Ferry Corporate Director, Community David.Sklair@harrow.gov.uk	Open	Agenda report and any related appendices The following council services have been consulted directly: Planning, Transport, Corporate

Subject	Nature of Decision	Decision Maker	Decision date / Period of Decision	Cabinet Member / Lead officer	Open or Private Meeting	Additional Documents to be submitted and any Consultation to be undertaken
						<p>Estates, Housing, Information Communication Technology – Assets and through Digital Infrastructure Officer Working Group.</p> <p>External consultation subject to Cabinet approval.</p>
<p>Draft Revenue Budget Monitoring 2022/23 and Medium Term Financial Strategy 2022/23 to 2024/25</p>	<ol style="list-style-type: none"> 1. To approve the Draft Budget for 2022/23 and Medium Term Financial Strategy (MTFS) for general consultation. 2. Note the proposal for the Council Tax 	<p>Cabinet</p>	<p>9 December 2021</p>	<p>Councillor Natasha Proctor</p> <p>Director of Finance dawn.calvert@harr ow.gov.uk, tel. 0208 420 9269</p>	<p>Open</p>	<p>Agenda report and any related appendices.</p> <p>N/A</p>

Subject	Nature of Decision	Decision Maker	Decision date / Period of Decision	Cabinet Member / Lead officer	Open or Private Meeting	Additional Documents to be submitted and any Consultation to be undertaken
	increase for 2022/23.					
Quarter 2 Revenue & Capital Budget Monitoring 2021/22	<ol style="list-style-type: none"> To note the Revenue and Capital forecast position at Quarter 2 To approve amendments to the Capital Programme if applicable. 	Cabinet	9 December 2021	Councillor Natasha Proctor Director of Finance jo.frost@harrow.gov.uk, tel. 020 8424 1980	Open	Agenda report and any related appendices. N/A
Draft Capital Programme 2022/23 to 2024/25	<ol style="list-style-type: none"> To note the Draft Capital Programme 2022/23 to 2024/25 The note that the Final Capital Programme 2022/23 to 2024/25 will be brought back to Cabinet in February 2022. 	Cabinet	9 December 2021	Councillor Natasha Proctor Director of Finance sharon.daniels@harrow.gov.uk, tel. 020 8424 1332	Open	Agenda report and any related appendices. N/A

Subject	Nature of Decision	Decision Maker	Decision date / Period of Decision	Cabinet Member / Lead officer	Open or Private Meeting	Additional Documents to be submitted and any Consultation to be undertaken
People Services Strategic Commissioning - Adult Mental Health Services	To delegate authority to the Corporate Director of People Services and Corporate Director of Resources, following consultation with the Portfolio Holders for Adults and Social Care and Finance and Resources, to continue the Section 75 agreement with Central North West London NHS Foundation Trust for the provision of mental health social care services in accordance with the Care Act 2014.	Cabinet	9 December 2021	Councillor Simon Brown Corporate Director, People johanna.morgan@harrow.gov.uk	Open	Agenda report and any related appendices. There will be on-going engagement with stakeholders, service users and providers to inform the co-production and redesign of services as required.

Subject	Nature of Decision	Decision Maker	Decision date / Period of Decision	Cabinet Member / Lead officer	Open or Private Meeting	Additional Documents to be submitted and any Consultation to be undertaken
JANUARY 2022						
Calculation of Business Rates Tax Base for 2022 - 2023	To approve the Council's Business Rates Retention amount for 2022-23.	Cabinet	20 January 2022	Councillor Natasha Proctor Corporate Director, Resources fern.siverio@harrow.gov.uk, Tel: 020 8736 6818	Open	Agenda report and any related appendices N/A
FEBRUARY 2022						

Harrow Council Cabinet 2020/21

Contact Details of Portfolio Holders

Portfolio	Councillor	Address	Telephone no.	Email
Leader, Strategy, Regeneration, Partnerships and Devolution	Graham Henson	Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH	Mobile: 07721 509916 Group Office: (020) 8424 1897	Email: graham.henson@harrow.gov.uk
Deputy Leader Finance & Resources	Natasha Proctor	Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH	Group Office: (020) 8424 1897	Email: natasha.proctor@harrow.gov.uk
Adults & Social Care	Simon Brown	Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH	Group Office: (020) 8424 1897	Email: simon.brown@harrow.gov.uk
Business, Property and Leisure	Keith Ferry	Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH	Mobile: 07922 227147 Group Office: (020) 8424 1897	Email: keith.ferry@harrow.gov.uk

Portfolio	Councillor	Address	Telephone no.	Email
Community Cohesion, Crime & Enforcement	Peymana Assad	Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH	Group Office: (020) 8424 1897	Email: peymana.assad@harrow.gov.uk
Community Engagement, Accessibility & Customer Services	Sue Anderson	Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH	Mobile: 07875 094900 Group Office: (020) 8424 1897	Email: sue.anderson@harrow.gov.uk
Education and Social Services for Children and Young People	Christine Robson	Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH	Group Office: (020) 8424 1897	Email: christine.robson@harrow.gov.uk
Environment & Climate Change	Varsha Parmar	Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH	Mobile: 07764 681987 Group Office: (020) 8424 1897	Email: varsha.parmar@harrow.gov.uk
Equalities and Public Health	Krishna Suresh	Labour Group Office Room 102, PO Box 2, Civic Centre Station Road HARROW HA1 2UH	Mobile: 07967 565477 Group Office: (020) 8424 1897	Email: krishna.suresh@harrow.gov.uk

Housing	Phillip O'Dell	64 Marlborough Hill HARROW HA1 1TY	Tel: (020) 8861 0090 Group Office: (020) 8424 1897	Email: phillip.odell@harrow.gov.uk
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PROGRESS ON SCRUTINY PROJECTS

Review	Methodology	Type of report	Expected date for report to Cabinet	Comments
<p>Joint Overview & Scrutiny Committee (JHOSC) for Shaping a Healthier Future Programme</p>	<p>Joint Committee</p>	<p>Update reports provided for O&S/ Health & Social Care sub committee and Cabinet (for information)</p>	<p>As required</p>	<p>The JHOSC met on 23 September (hybrid meeting hosted by Brent) and considered the NW London Covid-19 recovery and vaccination programme and development of the Integrated Care System in NW London. The JHOSC also considered the NW London acute strategy and digital strategy.</p> <p>The next meeting of the JHOSC will be on 14 December when it is scheduled to consider : 1) London Ambulance Service 2) Integrated Care System update 3) Palliative care and 4) NW London NHS workforce. The meeting will be hosted by Harrow Council.</p>
<p>Shared Services – Lessons learnt, other councils' experiences, impact on savings and improving quality</p>	<p>Review</p>	<p>Report to Cabinet</p>	<p>By September 2021</p>	<p>The final report of the review was considered by O&S on 20 April, with a relaxation on the timescales for an Executive response (by September 2021). Update: due to resource and capacity issues, this has yet to be completed.</p>

Contact: Farah Ikram . **Email:** farah.ikram@outlook.com

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Report for: Cabinet

Date of Meeting:	9th December 2021
Subject:	Harrow Digital Infrastructure Strategy - Enabling Investment in Digital Infrastructure
Key Decision:	Yes - the Strategy, once adopted, will impact on all wards in the borough
Responsible Officer:	Dipti Patel- Corporate Director of Community
Portfolio Holder:	Cllr Keith Ferry - Portfolio Holder for Business, Property and Leisure; Cllr Natasha Proctor – Deputy Leader and Portfolio Holder Finance & Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 - Draft Digital Infrastructure Strategy Appendix 2 – Equalities Impact Assessment (EQIA)

Section 1 – Summary and Recommendations

This report seeks Cabinet approval for the Council’s draft Digital Infrastructure Strategy that sets out the Council’s approach to supporting the deployment of digital infrastructure across the Borough.

Recommendations:

Cabinet is requested to:

1. agree the draft Digital Infrastructure Strategy, attached to this report as Appendix 1, for consultation with external stakeholders;
2. delegate approval of the final version of the Digital Infrastructure Strategy to the Corporate Director for Community, following consultation with the Portfolio Holder for Business, Property and Leisure and Portfolio Holder for Finance & Resources;
3. delegate implementation of the Strategy and operational issues to the Director of Economy and Culture in conjunction with the Director of ICT; and
4. update the Council’s telecoms policy on land owned or controlled by the Council agreed in April 2000 in accordance with recent central government guidance.

Reason:

The adoption of the Digital Infrastructure Strategy will set a clear policy direction for the Borough and help it meet its Borough Plan objective that “Everyone has a quality, energy efficient and digitally enabled home in a thriving community.”

Section 2 – Report

Introductory paragraph

The adoption of a Digital Infrastructure Strategy will encourage and facilitate the deployment of digital infrastructure in the Borough including Fibre to the Premises (FTTP) broadband and mobile networks. This in turn will help the Council meet its Borough Plan objective that “Everyone has a quality, energy efficient and digitally enabled home in a thriving community.” and that digital infrastructure will support tackling inequality by promoting digital inclusion and ensuring that communities are connected and businesses are able to benefit from Smart Cities technology.

The development of digital infrastructure is also at the heart of the “Connecting Communities” theme of the Council’s Economic Strategy, as it supports the development and growth of the local economy as a whole and key sectors within it such as the knowledge economy.

Options considered

- Do nothing: Without adopting a Digital Infrastructure Strategy, there will be no clear message and guidance to digital infrastructure providers regarding the Council's policy towards deployment of this key utility. As a result, the providers may delay investment in the Borough due to perceived risk and uncertainty, focusing on areas with a strategy and support for investment.
- Work with providers but without adopting a formal Digital Infrastructure Strategy. There will be the same issues as in the Do Nothing approach, and there will be no formal governance arrangement in place when dealing with approaches from providers
- Adopt the Digital Infrastructure Strategy attached to this Report at Appendix 1. This is the preferred option to ensure the Council conforms with Government legislation and achieves tangible benefits for the community

Background

Government Policy

The Government is committed to supporting the deployment of gigabit broadband across the country, ensuring that every home and business in the UK can access gigabit broadband services by 2025, ahead of the previous target of 2033. Linked to this roll out, BT Openreach will switch off analogue telephone services in 2025.

As the Government considers that the private sector is responsible for the delivery of a full fibre broadband network within London (i.e. without significant public sector investment), the Council is reliant on the private sector to deliver this infrastructure in Harrow.

Council Policy

The Borough Plan objective is that "Everyone has a quality, energy efficient and digitally enabled home in a thriving community".

The Borough Plan's 'Big Idea' is that "Digital infrastructure delivered in line with house building across the borough will support tackling inequality by ensuring that communities are connected, and businesses are able to benefit from SMART Cities technology."

The Council's Economic Strategy sets out how digital exclusion will be addressed through measures to provide training to those without digital skills and to increase access to Wi-Fi and broadband.

Based on this policy background, the Digital Infrastructure Strategy sets out the Council's approach to supporting the deployment of digital infrastructure - namely fibre to the premises (FTTP) broadband and 4G & 5G transmitters including small cells. The Strategy:

- Identifies the current level of digital infrastructure in the Borough.

- Explains how the local authority will facilitate the rollout of digital infrastructure (FTTP and 4G & 5G) taking into account government and Council policy.
- Identifies issues regarding digital exclusion that can be addressed through digital infrastructure and identifies potential social value contributions.
- Encourages providers to look at longer term investment plans

Current situation

The deployment of digital infrastructure requires coordination across Council services, including highways, planning, legal, estates and housing. A Digital Infrastructure officer team that includes officers from Planning, Transport, Highways and Asset Management, Network Management, Procurement (Communities), Regeneration, ICT, Housing Development, Housing Assets, Corporate Estates, Legal and Finance has been established to help coordinate this work.

There is, however, no approved policy approach to help guide the work of this team as well as set out to the telecoms industry what the council is seeking and how it will work with them.

Digital Infrastructure Strategy - Summary

The Digital Infrastructure Strategy provides this strategic direction by setting out key aims and objectives as follows:

Harrow Council's Approach: In line with Government guidance, Harrow's aim in all cases will be to enter into agreements with telecoms providers on an open access basis, and on terms which reflect government policy and the legislative framework. The Council will use framework agreements that set out the council's requirements and are therefore consistent for all providers, rather than negotiate with individual providers.

Digital Exclusion & Social Value: The Strategy focusses on the role that digital infrastructure can take in addressing digital exclusion issues. This is just part of the wider work that is being undertaken to address digital exclusion in the borough. The Strategy highlights the need to ensure borough wide availability of broadband and mobile connections. The council will work with providers to ensure borough wide coverage and use external funding where available to address not spot issues in the borough.

The Strategy also highlights digital exclusion issues that can be addressed through infrastructure and social value commitments including:

- Providing training to the "digitally excluded" on how to use the internet in conjunction with the Council's Adult Community Learning service (Learn Harrow)
- Providing access to the internet at no or low cost to residents either at home or at community buildings such as libraries and community centres to ensure access to those unable to afford internet / Wi-Fi provision

Digital Infrastructure Delivery - Progress so far

Harrow Social Housing FTTP Broadband

Harrow Council has recently signed an agreement with fibre provider Community Fibre to allow them to install fibre to the premises to council owned social housing in the borough. Work on the roll out will start early in 2022.

This follows work with Barnet and Hounslow Councils through HB Public Law to develop a Master Wayleave Framework agreement to set out requirements that any provider must follow when requesting access to council owned social housing. The Master Wayleave includes a commitment to providing services to address digital exclusion and related social value as well as setting out a cost per unit to ensure council costs including legal, safety and monitoring costs are covered. In line with the approach set out in the Strategy, the Council wishes to sign further agreements with other providers.

West London Alliance programmes

(i) 4G/5G Small Cell Deployment

The West London Alliance (WLA) has been developing a west London approach to allow installation of “small cell” mobile phone transmitters on council owned assets such as lamp posts. The approach is in line with Government guidance and is reflected in the approach proposed in the draft Strategy, in that the Council will only enter into agreements on an open access basis, which means exclusivity is not granted to a single operator.

The Strategy also proposes that a toolkit is produced by the council to provide clear guidance to providers on how to obtain relevant permissions to install small cells on lamp columns.

(ii) Fibre West Programme

The WLA has secured a mix of funding to ensure that FTTP investment covers the whole of west London and that there are no “not spots”. Part of the programme includes using the funding to provide FTTP connections in potential “not spot” areas by connecting council owned buildings or buildings where council services are delivered from. The council has been working with the WLA to identify these potential sites.

Why a change is needed

The increased importance of digital infrastructure both at the national, regional and local level means that the Council needs to support and coordinate this investment, working with private sector providers to ensure the investment comes to Harrow and its benefits are maximised for local residents.

The Digital Infrastructure Strategy provides a focused strategy for encouraging and facilitating the deployment of FTTP Broadband and mobile networks in the Borough. This can help boost economic growth, digital inclusion and deliver a range of societal benefits including the more effective provision of local public services.

Digital infrastructure is a vital part of delivering Harrow's vision for the future of its community and forms an important element of both the Council's Digital Strategy and Economic Strategy.

Current Telecoms Policy

In April 2000, Cabinet agreed a planning policy that "new telecom masts aerials or dishes emitting radiation shall not be permitted on land owned or controlled by the Council in any capacity unless expressly approved by Cabinet". The introduction of the Digital Economy Act 2017, Electronic Communication Code and national planning policy means that the Cabinet decision made in April 2000 is now invalid. The new Digital Infrastructure Strategy will update the Council's position in relation to its telecoms policy in accordance with the latest relevant legislation.

Implications of the Recommendation

Resources, costs

The adoption of a Digital Infrastructure Strategy will help coordinate this work across the Council. An officer will be required to act as the main contact point for this work (Digital Infrastructure & Smart City Lead). Section 106 funding has been identified to fund this post for 3 years.

The "Enabling Fund" that is part of the WLA's Fibre West Programme of which there is £81,937 funding carried forward from 2020/21 to further support the delivery of digital infrastructure in the Borough.

With regard infrastructure deployment, the Council is entitled to recover the cost of the deployment from the providers. For social housing broadband roll out, the Council has worked with the providers to identify a cost per unit which is included within the Framework Wayleave agreement, to cover the council's costs. Similarly, for small cell roll out, the WLA is working on a west London based tariff to cover council costs of deployment.

Staffing/workforce

As mentioned above, with increasing workload, an officer will be required to act as the main contact point for this work (Digital Infrastructure & Smart City Lead). Section 106 funding has been identified to fund this post for 3 years.

Performance Issues

The following two key performance indicators are included in the Digital Infrastructure Strategy to track progress.

- (i) Borough wide Full Fibre availability (currently 15.4% of the borough has access to full fibre, compared with a London average of 27.1% Source: Ofcom via GLA – May 2021). The target will be to match the London wide average within 3 years. It should be noted that the GLA forecast that London will be around 75% full fibre enabled by 2025.
- (ii) To increase the proportion of LBH Social Housing with access to Full Fibre Connectivity.

Environmental Implications

There will be a direct impact of the roll out in terms of construction work. Many of the providers do however use the existing Openreach duct and pole network to deploy their fibre network. This minimises the requirement for civils work, which will then only be carried out if necessary. As part of the Framework Wayleave agreement and by working together with the providers, disruption to residents and businesses will be minimised.

Harrow Council follows the advice and guidelines set by national Government via Public Health England (PHE) regarding health and safety issues for 5G.

PHE endorses the international guidelines for limiting exposure to radio waves, published by the International Commission for Non-Ionising Radiation Protection (ICNIRP). In relation to 5G, PHE have said that “the overall exposure is expected to remain low relative to guidelines and, as such, there should be no consequences for public health”.

Mobile companies are also required to ensure that their signals do not exceed the limits set out in the ICNIRP guidelines for the protection of the general public.

The provision of modern and efficient electronic communications across the Borough will improve residents’ and businesses’ access to information, and for some employment groups will facilitate flexible and remote working, thereby helping them avoid unnecessary travel. There are therefore potential environmental benefits in reducing work-related traffic congestion in the borough and the air pollution and carbon emissions associated with combustion vehicle journeys.

Data Protection Implications

There are no direct data protection issues for the council in relation to the roll out of digital infrastructure. Once in place, the broadband providers and mobile phone operators will need to meet relevant data protection legislation.

Risk Management Implications

The main risks in adopting the Digital Infrastructure Strategy relate to the cost and the fire, health and safety implications of the roll out of FTTP Broadband to social housing, when it occurs. The adoption of the Strategy as noted below shows commitment of the council to the delivery of digital infrastructure in response to changes in central Government policy.

As part of the master wayleave framework agreement between the Council and providers, providers are required to set out their methodology in relation to fire, health and safety. This methodology is then assessed by the Council to ensure that it meets the Council’s requirements. In addition, the Council requires certification from the installer for all passive fire installations.

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

Separate risk register in place? **Yes**

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
<p>Strategy: Council is reliant on the private sector to deliver digital infrastructure</p> <p>Without a clear strategy in place, there is a danger that the private sector will prioritise other boroughs for their investment.</p>	<p>The adoption of this Strategy and continued dialogue with providers through the WLA and the Digital Infrastructure Officer will show how the council will work in partnership with the private sector to invest in digital infrastructure. This will help de-risk the investment and make Harrow a more attractive borough for such investment.</p>	Green
<p>FTTP Broadband to Social Housing: Cost of deployment to the council impacts on council resources</p>	<p>A £20 per dwelling cost payable by the provider is included in the Council's Wayleave agreement to cover the council's costs. Any shortfall can be covered by the SIP Enabling Fund and by sharing the resource with neighbouring boroughs.</p>	Green
<p>FTTP Broadband to Social Housing: Disruption to streetworks</p>	<p>A clear sign off process has been agreed between Network Management and the providers to identify installation routes and for relevant permits to be obtained before any works start. Network Management will therefore be able to coordinate the streetworks in the area so as to minimize disruption.</p>	Green
<p>FTTP Broadband to Social Housing: Fire risk and health and safety risk in relation to installation process</p>	<p>The Council has issued a detailed Borough Constraints and Guidance Document for Broadband/ Telecoms Works as part of the master wayleave framework agreement.</p> <p>Providers are required to set out their methodology in relation to this Guidance Document as part of the master wayleave framework agreement.</p>	Green
<p>FTTP Broadband to Social Housing: Post installation fire risk</p>	<p>Upon completion, the Council requires certification from the installer for any and all passive fire installations i.e. components of a building or structure that impedes the spread of fire, such as fire doors, fire resistant coatings, compartmentation</p>	Green

Procurement Implications

There are no direct procurement implications in adopting the Digital Infrastructure Strategy. The delivery of the digital infrastructure is governed by the Electronic Communications Code and government guidance which states that, unlike arrangements which involve the provision of services, these agreements only involve the conferring of a right, and not the procurement of services. It would therefore appear to be unnecessary for the local authority to run a procurement exercise before entering into a lease, licence, wayleave, or other form of property right with a Code operator.

Legal Implications

The approach set out in the Strategy complies with the relevant legislation as set out in the Digital Economy Act 2017 and the Electronic Communications Code set out in the Digital Economy Act 2017, which gives statutory rights to telecommunications operators in relation to the installation, maintenance and operation of electronic communications apparatus over land and the carrying out of works on land for or in connection with the installation of the apparatus on the land, subject to agreements with landowners.

It is necessary to update the Council's April 2000 position relating to its telecoms policy so that it complies with the Digital Economy Act 2017 and the Electronic Communications Code .

The arrangements set out in this report are subject to a statutory regime under the Digital Economy Act 2017 and the Electronic Communications Code, and so are not services contracts that need to be competitively tendered under public procurement regulations.

The section 106 funding identified in the report to fund the new digital infrastructure post can lawfully be used for this purpose.

The council has statutory powers to enter into the arrangements set out in this report under the Digital Economy Act 2017 and the Electronic Communications Code, as well as under the

- Local Government Act 1972;
- Housing Act 1985;
- Town and Country Planning Acts;
- Local Authorities (Land) Act 1963.
- Housing and Planning Act 2016, and
- Localism Act 2011

Financial Implications

The adoption of the Digital Infrastructure Strategy will help facilitate the deployment of full fibre and 5G infrastructure in the borough. The installation of

the digital infrastructure and associated costs are the responsibility of network providers.

Legislation allows the Council to recover the cost of staffing resource, and any loss of income as a result of the installation.

The delivery of FTTP broadband to council housing will require proposals submitted by network providers and reviewed by the Council to ensure that they meet the fire, and health & safety requirements. The Council is entitled to recover the cost of staffing resource, which is estimated at £20 per residential unit. This cost will be recovered from network providers.

Similarly, as mentioned above, the WLA are working with the boroughs on a tariff to cover costs of small cell and related deployment on council assets.

Additional staffing capacity is required to take forward the work, and a new Digital Infrastructure & Smart City Lead officer post has been created to support this. The cost of this officer over a 3-year period is around £170k and will be met from S106 funding allocated for Economic Development.

Equalities implications / Public Sector Equality Duty

The EQiA did not identify any specific impacts regarding the roll out of digital infrastructure, nor are there any direct implications regarding the Public Sector Equality Duty.

The installation of new broadband fibre and mobile 4G & 5G technology will allow new and revised services to be delivered by the council and a range of other providers. These services will have to be assessed in terms of the Equality Act.

Council Priorities

The Digital Infrastructure Strategy sets out a strategy for encouraging and facilitating the deployment of full fibre and mobile networks in the Borough. As such it helps deliver the Council priorities in relation to Tackling poverty and inequality, building homes and infrastructure and Thriving economy.

For example, the Strategy aims to ensure that deployment of FTTP broadband covers the whole of the borough. This will mean both residents and businesses will have access to high download speeds, thus supporting the local economy

By providing access to FTTP broadband to council social housing, the residents will have a wider choice of FTTP broadband providers, thus increasing competition and reducing cost of access.

In addition, through social value commitments, the fibre providers will be supporting digital training to residents, providing employment opportunities and FTTP broadband for community centres in these estates.

To ensure a thriving economy, and increased productivity and skills and wages, the borough needs effective digital infrastructure. This infrastructure enables growth in the type of jobs and pay levels that help address income inequality.

Section 3 - Statutory Officer Clearance

Statutory Officer: Jessie Man

Signed on behalf of the Chief Financial Officer

Date: 30/11/21

Statutory Officer: Stephen Dorrian

Signed on behalf of the Monitoring Officer

Date: 30/11/21

Statutory Officer: Nimesh Mehta

Signed by the Head of Procurement

Date: 18/11/21

Statutory Officer: Dipti Patel

Signed by the Corporate Director

Date: 29/11/21

Statutory Officer: Susan Dixon

Signed by the Head of Internal Audit

Date: 29/11/21

Mandatory Checks

Ward Councillors notified: NO as it impacts on all Wards

EqIA carried out: YES

EqIA cleared by: Micah McLean

Date: 25/11/21

Section 4 - Contact Details and Background Papers

Contact: David Sklair, External Funding Manager – Economic Development David.Sklair@harrow.gov.uk

Background Papers:

- [Press release – “Ministers call on councils to help deliver digital connectivity ambitions”](#)

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

NO

HARROW COUNCIL
DIGITAL INFRASTRUCTURE STRATEGY

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Introduction

This is Harrow's first Digital Infrastructure¹ Strategy for encouraging and facilitating the deployment of full fibre broadband and 5G infrastructure in the borough.

It helps deliver Harrow's Borough Plan objective that "*Everyone has a quality, energy efficient and digitally-enabled home in a thriving community*" and forms part of the Council's wider Digital Strategy. It specifically addresses the Digital Community/Place aim within that Strategy (see Appendix B).

The development of digital infrastructure is also at the heart of the council's Economic Strategy, as it supports the development and growth of the local economy as a whole and key sectors within it such as the knowledge economy.

The effect of the Covid 19 pandemic has highlighted the importance of good broadband connections as demand at home has increased due to a combination of increased working from home, home schooling and increased online shopping. Average data usage per household increased by more than a third from 315 Gb in 2019 (itself up from 241 GB in 2018) to 429 Gb in 2020 [Source: Ofcom - Connected Nations 2020 Report] and usage and the need for increased capacity is likely to increase over the coming years.

This Digital Infrastructure Strategy:

- Defines council policy in relation to digital infrastructure
- Outlines the current extent of "digital infrastructure" in the borough, identifying key issues and challenges
- Sets out how Harrow Council will facilitate the deployment of digital infrastructure

National and Regional Policy Background

The delivery of digital infrastructure is governed by the Digital Economy Act 2017 and the Electronic Communication Code (ECC). This legislation gives statutory rights to (qualifying) telecommunications operators to construct infrastructure and install and maintain equipment on, under and over land to provide communications network. Government legislation now allows broadband fibre investors and operators to apply for wayleaves to landlords to request access to their property to install the required infrastructure and that where this agreement is not given, the operators can ask for an agreement to be imposed by a court order.

The National Planning Policy Framework Planning (NPPF) also supports the expansion of electronic communications networks, including next generation mobile technology (such as 5G) and full fibre broadband connections. Planning policies are required to set out how high-quality digital infrastructure, providing access to services from a range of providers, is expected to be delivered and upgraded over time; and should prioritise full fibre connections to existing and new developments.

The Government has set a target that the whole country should have access to "gigabit-capable" infrastructure by 2025. It has pledged £5 billion of funding to roll out better broadband in the hardest-to-reach areas of England, Scotland, Wales and Northern Ireland which covers around 20% of the country, with a particular focus on rural areas. The government believes that the commercial sector should be providing the full fibre network in London.

In August 2020, the government sent a letter to councils to set out their views on how they can help in the delivery of digital infrastructure. The letter recognises that Councils are in an excellent position to support investment and roll out by ensuring that effective policies and procedures are in place to promote engagement with industry. Specifically, it recognises that the deployment of networks is complex and

¹ Digital infrastructure refers to all the hardware and software that is required for digital services to function in the borough. This includes broadband fibre, mobile phone hardware including 4G & 5G.

requires strong collaboration (i) between telecommunications operators, councils and third parties (such as contractors) and (ii) within the council (highways, planning, legal, estates and housing).

WLA Digital Programme

The West London Alliance (WLA), of which Harrow is a member, has developed a Digital Programme for the West London Area - see Appendix C. This focuses on broadband investment and 5G investment co-ordination across the boroughs to promote and facilitate Fibre to the Premises investment (Fibre West Programme) and 5G investment (Expanding Opportunities Programme), and promotion of west London as a digital hub for businesses and 5G investors.

Harrow Council Aims and Objectives

Harrow Council has a commitment to the delivery of digital infrastructure as stated in its “Borough Plan” and Digital Strategy.

Harrow’s Borough Plan objective is that “Everyone has a quality, energy efficient and digitally-enabled home in a thriving community” while the “Digital Community” Theme in the Digital Strategy and the Connecting Communities theme of the Economic Strategy includes objectives to create the conditions for economic growth and sustainable communities as a whole and key sectors within it such as the knowledge economy.

This includes improving access to digital technology in areas where it is most needed; stimulating an expansion of digital infrastructure across the Borough; taking advantage of the emerging “internet of things” to deliver smarter services; attracting and nurturing digital skills; and, making Harrow an attractive location for knowledge economy and digital and creative businesses.

To help achieve these objectives, this Digital Infrastructure Strategy supports a council approach whereby the council works with the private sector in line with the Digital Economy Act 2017 and the Electronic Communication Code to deliver the digital infrastructure within the borough, rather than rely on public sector funding.

Digital Infrastructure in Harrow

This section sets out the provision of digital infrastructure in the borough, as currently known. This includes broadband fibre, and mobile phone connectivity including 4G & 5G. It should however be noted that the information available on provision is limited due to a combination of the way the infrastructure is delivered (by various private sector companies) and the reluctance of those companies to share the information and plans. Ofcom does gather data annually from the operators for regulatory purposes and publishes very high-level findings as part of their annual Connected Nations report, the latest Connected Nations update was published in Summer 2021, with figures as of May 2021.

Broadband Infrastructure & Fibre to the Premises (FTTP)

The latest data available from Ofcom (for May 2021) shows that just over 15% of the borough has full fibre (FTTP) coverage (See table 1 below), compared to a London average of 27.6%.

Appendix A Fig 1 shows coverage of Full Fibre (Fibre to the Premises) in Harrow at a post code level as at September 2020 (Ofcom stopped publishing full fibre information at a post code level after 2020). The area identified to the south of the borough with good full fibre coverage corresponds to Openreach’s Kenton Fibre First project, while that to the north west corresponds to Openreach’s Hatch End Fibre First project. Fig 2 shows Unavailability and Not Spots in Harrow.

Table 1: Summary of Broadband Availability in Harrow

Speed	Harrow	London Average
Super Fast	97.6%	95.18%
Ultra Fast	80.6%	76.69%
Gigabit Capable	15.4%	27.08%
Source: Ofcom via GLA -as at May 2021		

4G and 5G

The specific locations of small cells and detailed information about the type of equipment installed is not publicly available. Operators have current coverage maps available at their websites. See appendix A fig 3 for 4G & 5G EE coverage in Harrow.

Targets

KPI	Target & Outcome	Harrow Actual	Comments/Issues
Gigabit capable coverage ² Data from Ofcom via www.maps.london.gov.uk/connectivity	Target: To match London average over 3 Year period from May 2021		Source: Ofcom – Annual Connected Nations Report. Ofcom occasionally change the way the data is collected. Target/ outcome will have to be reviewed if this is the case.
May 2020	London average: 18.2%	12.3%	
Sept 2020	London average: 25.0%	15.0%	
May 2021	London Average: 27.08%	15.4%	
% LBH Social Housing with access to Full Fibre Connectivity (1GB)	100% 6800 units	No current available data	Wayleave framework agreement to be signed with

² Gigabit capable coverage was introduced in the Connected Nations 2020 report, which includes all Full Fibre coverage, and all Coaxial coverage using Docsis 3.1 that has been identified as delivering download speeds up to 1 Gbit/s. However, due to commercial confidentiality, Full Fibre coverage has now been removed.

			<p>providers.</p> <p>Roll out scheduled over 3 years from when wayleave agreement signed.</p> <p>100% target is ideal target, there will be some properties where FTTP connections are not possible for technical and other reasons.</p>
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Harlow Council's Approach to Providing Access

In line with Government guidance³, Harlow's aim in all cases will be to enter into access agreements on an open access basis, which means exclusivity is not granted, and on terms which reflect government policy and the legislative framework. The Council will use framework agreements that set out the council's requirements and are therefore consistent for all providers, rather than negotiate with individual providers.

It is assumed that most agreements will be with operators that have code rights under the Electronic Communications Code. For companies that request access to council land outside of the Electronic Communications Code, the Council will assess the proposals based on government policy and the legislative framework, including the council's Planning policy as set out below.

Planning

The Council recognises that advanced, high quality and reliable communications infrastructure is essential for economic growth and social well-being. Its planning policies and decisions support the expansion of electronic communications networks, including next generation mobile technology (such as 5G) and full fibre broadband connections.

In assessing applications for communications infrastructure, the council will take account of the Government guidance as set out in the NPPF (Chapter 10), as well as its local plan policies.

Policy DM1 of the Harlow Development Management Policies Local Plan (2013) seeks to resist proposals detrimental to local character and appearance and have regard to the height of proposed buildings in relation to their location, surroundings and impact on neighbouring occupiers.

Policy DM49 seeks to ensure that the installation of new telecommunications equipment minimises its impact on the character and appearance of the area within which it is located.

Code Operators should make use of the Harlow Planning pre-application meeting service. Harlow Planning Department can be contacted through the Council web site – see <https://www.harlow.gov.uk/planning-developments/planning-applications-advice-service>

Further information on telecoms infrastructure will be provided in the Council's Telecoms Toolkit.

³ Providing access to Local Authority land, buildings and other assets for Digital Deployment DCMS/MHCLG August 2020 Annex B

Fibre Broadband Investment

There are several broadband infrastructure companies operating in London. In addition to Openreach and Virgin, new operators have come into the market in recent years including Community Fibre, G Network and Hyperoptic. These new operators have access to Government backed investment finance to help deliver the Government's aims. Some of the operators have already approached the Council to request access to the Council's housing stock. This will give the providers access to a number of potential subscribers and make investment in the fibre network financially worthwhile for them in the medium to long term.

Harrow Council signed a Framework Wayleave Agreement with Community Fibre in April 2021 and wish to sign further agreements with other providers.

Openreach has completed its "Fibre First" roll out in Kenton and is currently working on a "Fibre First" roll out in Hatch End.

New council led development, such as the regeneration of the Grange Farm estate and new housing to be provided through the Harrow Strategic Development Partnership with Wates, provides an opportunity to ensure residents of these developments benefit from the latest FTTP infrastructure.

As identified above, there is little public sector funding available for digital infrastructure investment (especially fibre broadband) in London. The Council will therefore need to work with the private sector to ensure the development of broadband infrastructure across the borough. As part of this approach, the council will seek to meet the following aims in the delivery. Where public sector funding does become available, the council will use this funding to address not spots and digital exclusion issues.

To maximise the extent and coverage of fibre broadband availability for residents and businesses in the borough: As part of this work, the council will seek to ensure that new investors do not "cherry pick" locations with maximum potential return and leave areas that are less commercially attractive with no FTTP connections. The council will require providers to set out their investment proposals so that these potential residential and commercial "not spots" can be identified early in the investment process and ways to overcome these issues sought with the providers. The Council will work with the providers to ensure that town centres (district and local centres) and Harrow Metropolitan centre, as well as industrial areas are wherever possible included in any roll out.

To deliver the rollout of improved digital infrastructure in a way that minimises the disturbance to residents and businesses in the borough: The Council will require that the providers work closely with both the council's Housing team and Network Management team to provide information on their proposed investment plans that allows coordination of works and minimises disruption in the borough.

To leverage social, environmental and economic value and secure investment in digital investment that everyone in the borough can benefit from: The council will work with the providers to ensure that the digital inclusion and social value aims set out below are met through any investment.

Wayleave Agreements & Access to Council-owned housing

The Council has worked with LB Barnet and LB Hounslow through its shared legal service (HB Public Law) to develop a Wayleave Framework Agreement for fibre providers, the aim of which is to address some of the issues highlighted in this Strategy.

The Framework Agreement includes the overarching programme, standards, compliance and commercial terms for each suitable service provider. The site specific technical, safety and communication matters are then addressed through a 'signing off' process that completes the wayleave for each relevant block.

As at December 2021, Harrow Council has signed a Wayleave Framework Agreement with Community Fibre and is keen to agree further agreements with other providers.

Telecoms (4G & 5G) Investment

The Council will work with telecoms providers and their agents to allow access to Council assets, based on a non-exclusive, open access approach as recommended by Government guidance.

The Council will produce a Telecoms Toolkit that provides

- Guidance to Code Operators seeking to host 4G/5G Small Cells on Council assets;
- Guidance on setting up an agreement between the Local Authority and the Code Operator;
- Standard Financial Terms; and
- Advice on the processes for Code operators to follow when considering siting digital communications infrastructure on Council assets.

5G Health and Safety

(from 5G mobile technology: a guide Ofcom Published 27 August 2020)

Harrow Council follows the advice and guidelines set by national Government via Public Health England (PHE) regarding health and safety issues related to 5G.

PHE endorses the international guidelines for limiting exposure to radio waves, published by the International Commission for Non-Ionising Radiation Protection (ICNIRP). These guidelines cover many uses of radio frequencies, including Wi-Fi, Bluetooth and mobile technologies. The guidelines were updated in March 2020 and take full account of 5G operating at higher frequencies.

In relation to 5G, PHE have said that “the overall exposure is expected to remain low relative to guidelines and, as such, there should be no consequences for public health”.

Mobile companies are also required to ensure that their signals do not exceed the limits set out in the ICNIRP guidelines for the protection of the general public. Planning law and policy requires that planning applications for electronic communications development should be accompanied by a statement or declaration that certifies that when operational, equipment will be compliant with the ICNIRP guidelines for limiting exposure to electromagnetic fields

Digital Exclusion & Social Value

Research⁴ undertaken in 2019 suggested that the most common reason for not having internet access in the household is a perceived lack of need (over 60%), followed by a lack of skills. This is particularly the case among certain groups, including older people and disabled people as well as potentially those not living in private households. It should be noted that under 10% of households see costs of equipment or subscription costs as being too high, while a number of households access the internet elsewhere.

The research concluded that these barriers to digital inclusion suggest part of the education for digital skills may need to start by highlighting the benefits of being online and overcoming any apprehension to engagement.

The effect of the Covid 19 pandemic since the research was undertaken has highlighted the importance of good broadband connections, meaning that those without the skills and connections are even more likely to be excluded from accessing employment and services.

Given this analysis, it is proposed that the Council focus on the following that relate to digital infrastructure to help address digital exclusion:

⁴ Exploring the UK's Digital Divide Office for National Statistics 4 March 2019

- Providing training to the “digitally excluded” on how to use the internet in conjunction with the Council’s Adult Community Learning service (Learn Harrow)
- Providing access to the internet at no or low cost to residents either at home or at community buildings such as libraries and community centres to ensure access to those unable to afford internet / wifi provision

The Council will therefore work with providers to provide the following.

- **Free Connections** – The provision of free Gigabit Internet connections to community facilities that are within reach of its network footprint.
- **Digital Engagement** – The provision of digital engagement training for members of the communities where it introduces its services.

Employment Opportunities – This new investment will provide new employment opportunities in an identified growth sector. The network builder must work with the Council’s Xcite employment service, with the aim of maximising employment and apprenticeship opportunities for local residents.

The council will include these requirements as part of any agreements signed between the council and telecoms providers. If a provider is not able to provide directly, the council and provider will work together to identify other social value provision to an equivalent value.

Smart City

The concept of Smart Cities has increased its profile over the last few years, although exact definitions and understanding do vary depending on the viewpoint of the user. In simple terms, smart cities “use new technologies (mainly information and communication technologies) and data to improve service delivery and address various economic, social and environmental challenges”⁵.

The use of the Smart City technology is linked to digital infrastructure in that the infrastructure (usually 5G and Broadband Fibre) needs to be in place to fully utilise the benefits of smart city technology.

“Smart City” Links to Council Service Delivery

Harrow Council is at an early stage of assessing how it can make the best use of this emerging technology. As well as allowing residents better access to council services, this technology can help deliver services including for example traffic management, empowering social care processes, real time information to address the climate change emergency and NHS emergency diagnoses.

Austerity and the Covid 19 pandemic has forced the council to focus on delivering key services rather than looking to the future. This and the fact that many of the smart technologies are at an early stage of development make it difficult for the council to assess the business case of investing in the technology.

Work on Smart Cities and service delivery is developing through the West London Alliance’s (WLA) Digital programme, and with support from the London Office of Technology and Innovation (LOTI), and the GLA’s Smart London Team & Sharing Cities programme. The Council will work with these organisations and others to identify how these new technologies can help improve and deliver council services, while ensuring that they offer value for money for residents.

⁵ Social innovations in Context of Smart City p387 Richard Jurenka, Dagmar Caganova, Natalia Hornakova, Augustin Starecek in Smart Technology Trends in Industrial and Business Management EAI Springer 2019

Key Contact

Harrow Digital Infrastructure Coordinator

Name David Sklair

Email: David.Sklair@Harrow.gov.uk

DRAFT

FTTC - Fibre to the Cabinet: In an FTTC network, fibre is installed from the carrier network to the distribution point. This is why FTTC is known as fibre to the cabinet (the street level cabinet or distribution point). The FTTC product uses high-speed fibre to the cabinet but then uses copper to reach the business.

The use of copper in the "last mile" significantly reduces the bandwidth speed that can be achieved over the FTTC service. The data signal degrades over copper, so the longer the copper wire from the cabinet to the business premises, the slower the speed a business will get from the FTTC service.

Full Fibre/Fibre to the Premises (FTTP): Unlike FTTC, FTTP connects the last part of the network, between the distribution point and the business premises by fibre. Replacing the copper in the "last mile" with fibre has the effect of removing the bandwidth bottleneck that traditionally copper networks have caused and allowing for much greater amounts of data to be transferred.

Super Fast: Superfast broadband describes any broadband service that provides speeds of 30Mbps or higher

Ultra Fast: Ultrafast broadband describes any broadband service that provides speeds of between 100Mb per second and 1Gb (1000 Mb)

Full Fibre: This allow for offer much faster average speeds of one gigabit per second (Gbps) (= 1,000Mbps). It could potentially offer speeds in terabits per second in the future. (One terabit equals 1,000 gigabits.)

4G: 4G (LTE) (Long Term Evolution) was a major enhancement to mobile radio communications networks. 4G (LTE) is a standard that is part of the evolution of 3G, which incorporates significantly increased data rates (up to 100Mb/s) and better performance to enhance the mobile broadband experience.

4G (LTE), like all other radio communications standards, is based on the use of radio waves or radio frequency (RF) energy to transmit and receive voice and data calls.

5G: 5G is the 5th generation of mobile networks, a significant evolution of today's 4G networks. 5G is being designed to meet the very large growth in data and connectivity of today's modern society, the internet of things with billions of connected devices, and tomorrow's innovations.

5G networks are designed to work in conjunction with 4G networks using a range of macro cells, small cells and dedicated in-building systems. Small cells are mini base stations designed for very localised coverage typically from 10 metres to a few hundred metres providing in-fill for a larger macro network. Small cells are essential for the 5G networks as the mmWave frequencies have a very short connection range.

5G wireless devices in a cell communicate by radio waves with a local antenna array and low power automated transceiver (transmitter and receiver) in the cell, over frequency channels assigned by the transceiver from a common pool of frequencies, which are reused in geographically separated cells. The local antennas are connected with the telephone network and the Internet by a high bandwidth optical fibre or wireless backhaul connection.

Fig 1. Full Fibre Availability In Harrow September 2020

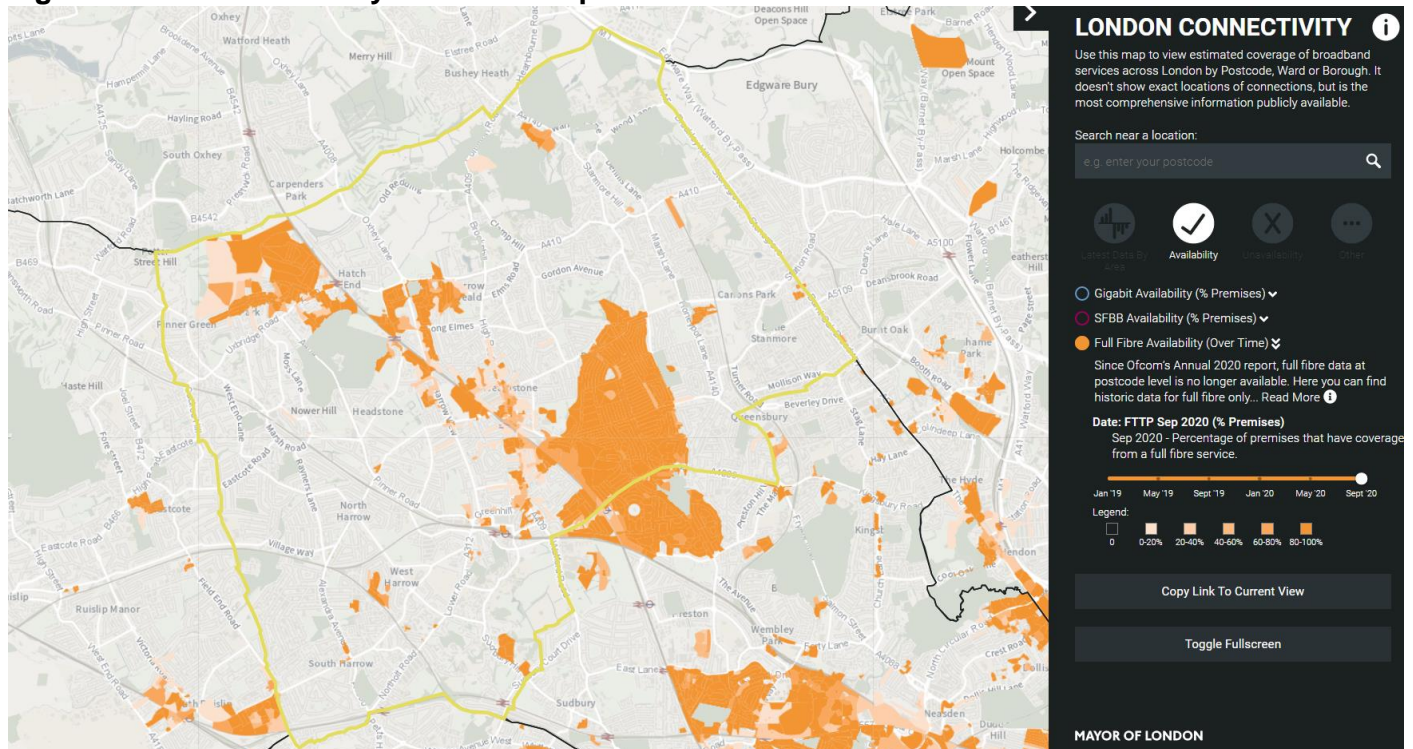


Fig 2: Unavailability and Not Spots in Harrow

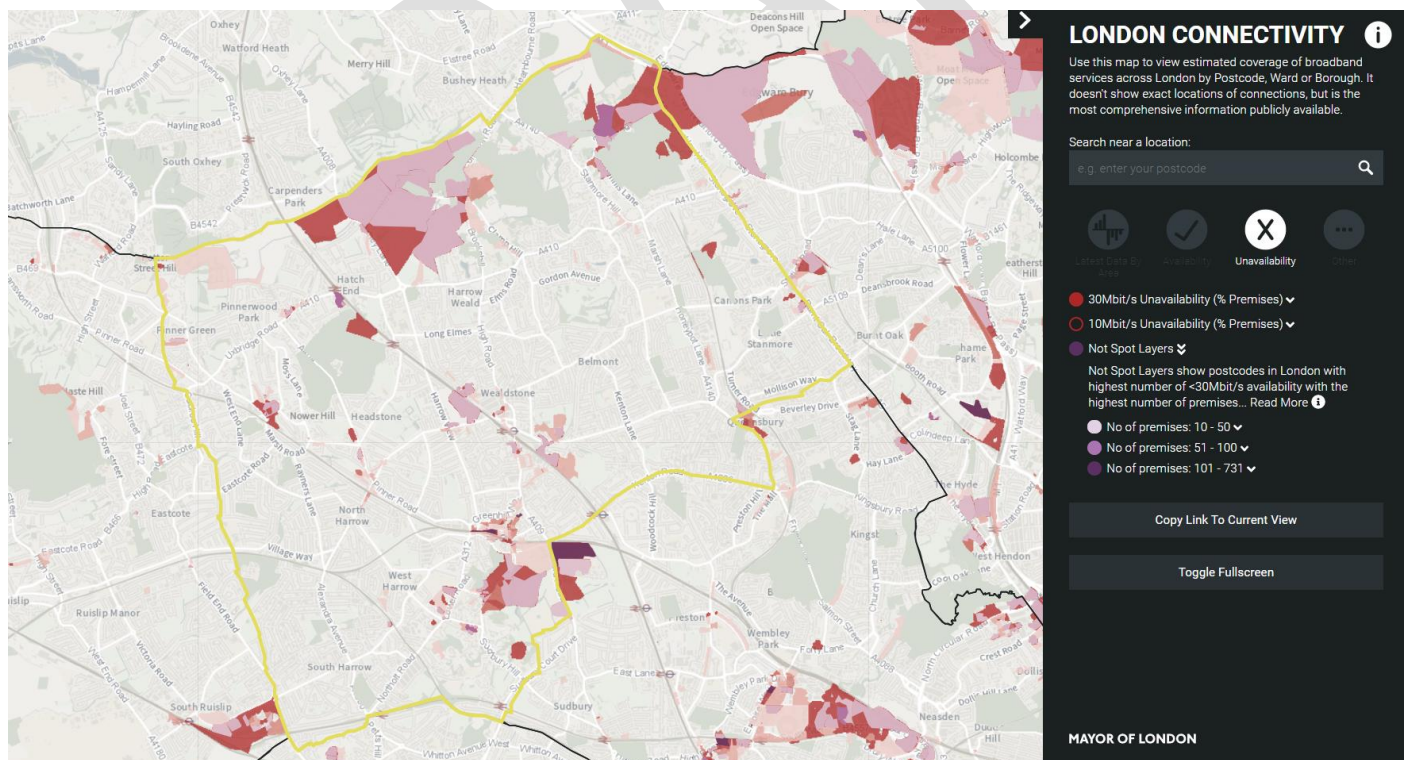
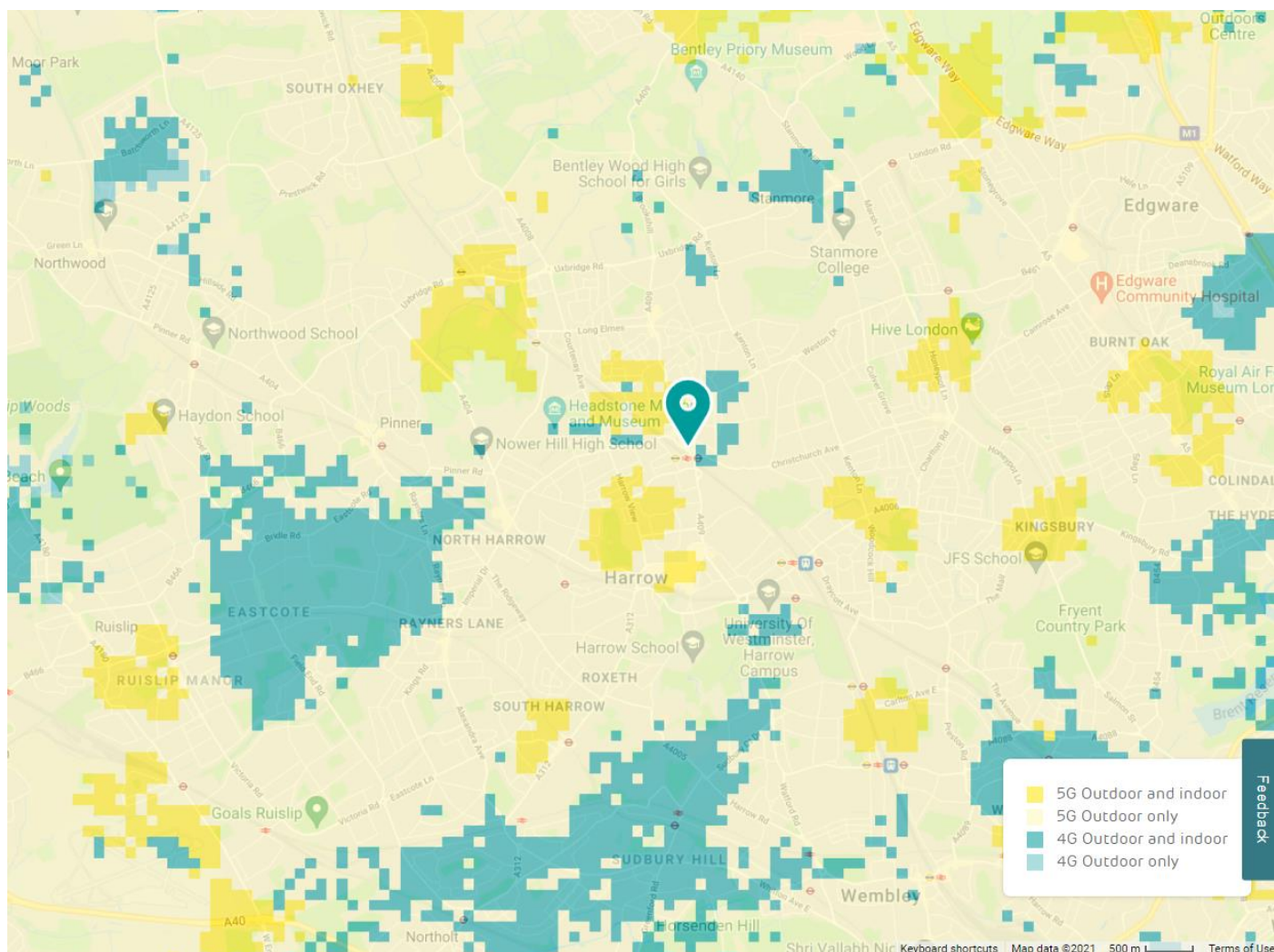


Fig 3: 5G & 4G availability in Harrow via EE network – November 2021



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i Contains public sector information licensed under the [Open Government Licence v3.0](#).



Appendix B Harrow Council Digital Strategy Aims

Digital Community/ Place Creating the conditions for economic growth and sustainable communities: by improving access to digital technology in areas where it is most needed; stimulating an expansion of digital infrastructure across the Borough; taking advantage of the emerging “internet of things” to deliver smarter services; attracting and nurturing digital skills; and, making Harrow an attractive location for digital and creative businesses

Digital Customer/People Building online services around citizens and businesses: by redeveloping our website and My Harrow account to provide a single and efficient point of access to council services; maximising digital channels, including social media, to revitalise democracy and engage hard to reach groups; and, nurturing digital skills in the community so our most vulnerable residents are not left behind

Digital Council Enabling the delivery of value for money services through flexible and secure technology: through transforming the Council’s workforce so it is digital and mobile by default; using technology to integrate services across organisational boundaries; taking advantage of the cloud to update and optimise our internal systems; and, providing open access to real time and transparent information for the benefit of citizens and businesses

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WLA Digital Programme Objectives

	Objectives	Short term benefits	Longer term benefits
<p>A place where businesses can thrive</p> <p>Digital Place</p>	<ul style="list-style-type: none"> Enable fast network coverage and eradicate not spots for residents and businesses – 5G and Fibre Define shared West London innovation challenges and agree measurable outcomes to tackle congestion, air quality, de-carbonisation. 	<ul style="list-style-type: none"> Improved connectivity means wider range of public services can be delivered at buildings Businesses which benefit from new connections to use cloud apps proven to drive productivity improvements. Drives investment into growth and regeneration areas which struggle with viability for new fibre connections 	<ul style="list-style-type: none"> Potential investment and commercialisation opportunities from new fibre network Innovation challenges are proven way for the public sector to engage creatively and collaboratively with the private sector to drive growth and innovation.
<p>Entrepreneurial councils</p> <p>Digital Council</p>	<ul style="list-style-type: none"> Generate new revenue streams through innovative technology development with universities and local tech partners Challenge the market through Innovation Partnership procurement to stimulate business growth in emerging technology 	<ul style="list-style-type: none"> Collaboration with universities offers scope for borough staff to access leading global research and engineering expertise and students to inform procurement and run sprints and hackathons. Short term proof of concept projects and experiments can quickly uncover new opportunities which can then be taken forward for further funding. 	<ul style="list-style-type: none"> Boroughs can co-develop new digital products and services which drive efficiency and improve service outcomes and then jointly commercialise the new product creating new long term revenue streams or digital public goods.
<p>Citizens and Communities</p>	<ul style="list-style-type: none"> Improve digital inclusion to enable independent living and learning Enable increased access to services through digital innovation 	<ul style="list-style-type: none"> Improvements to technology such as new devices or improvement to connectivity provide near instant impact for a user. Use of digital tools at the neighbourhood level promotes greater social cohesion. 	<ul style="list-style-type: none"> Ending digital exclusion improves public services and delivers greater benefit from digital transformation programmes. Digital networks created at the neighbourhood and street level can be repurposed for other themes such as circular economy and climate change.

A place where businesses can thrive (1)

Digital Place

- Enable fast network coverage and eradicate not spots for residents and businesses – 5G and Fibre
- Define shared West London innovation challenges and agree measurable outcomes to tackle congestion, air quality, de-carbonisation.



Project	Outcomes/Outputs	Timeline / Next Steps
<p>Delivery of the £7m (+£2m from MHCLG) Fibre West SIP 1 Project to connect public building to TIL stations.</p> <p>Connections will be prioritised for buildings and routes which will have a most significant positive impact on addressing inequalities and improving connectivity for businesses e.g. in Town Centres.</p>	<ul style="list-style-type: none"> Over 2,400 new business connections across West London Over 7,900 new residential connections across West London Improve connectivity to public buildings to support service innovation. 	<ul style="list-style-type: none"> Economy and Skills Directors - Alternative Options Paper – Feb 2021. TIL contract effective date – March 31st 2021. Network planning - March-May 2021 Works start on site - June 2021 Completion of works - March 2022.
<p>Delivery of the 5G West SIP 2 Project to map network performance, location and condition of public assets required for 4G/5G and develop new business case for investment.</p> <p>Provide business analysis in West London to target programmes e.g. Build and Recover plan, comms campaign.</p>	<ul style="list-style-type: none"> Creation of a mapping tool to engage with mobile and fibre companies to plan networks and new public data infrastructure for 5G. Clarity on the baseline, funding gap and inclusion and innovation priorities and targeting. Secure new investment for new connectivity projects and data infrastructure projects. Future proofed and streamlined governance to support volume deployment of 4G/5G use cases and a competitive market. More rapid and responsive network deployment to meet inclusion and economic growth goals. Encourage MNO to re-use existing infrastructure. 	<ul style="list-style-type: none"> 12 month Project Plan and proposed business model to sustain project– End Jan 2021 Senior Data Programme Manager start date 8th Feb 2021. Procurement of services – March 2021 Connected Map User Testing – April/May Network planning sessions with operators/boroughs – June, August, October, December, Feb 2022. Market engagement with MNO – Jan/Feb 2021 Input required from boroughs
<p>(NEW) Move to Open Access arrangements for local authority and other public sector assets for 4G/5G and transition out of/vary Arqiva contracts as they come to an end.</p> <p>Complete an Asset Valuation to inform implementation of the code and process for covering local authority costs using WMSG best practice.</p>	<ul style="list-style-type: none"> Future proofed and streamlined governance to support volume deployment of 4G/5G use cases and a competitive market. More rapid and responsive network deployment to meet inclusion and economic growth goals. Encourage MNO to re-use existing infrastructure. 	<ul style="list-style-type: none"> Market engagement with MNO – Jan/Feb 2021 Input required from boroughs
<p>Develop an innovation offer for 5G and fibre to attract new investment from providers and operators and engage with thought leadership opportunities.</p> <p>(NEW) Develop new models to aggregate demand (for example through working with BIDS or RPs) to stimulate new investment in digital connectivity, focusing on areas where equality groups are disproportionately impacted by poor connectivity.</p>	<ul style="list-style-type: none"> Increased investment into digital infrastructure Clarity on West London priorities for innovation. More investment into connectivity in priority areas for inclusive growth. Repeatable models for aggregating demand 	<ul style="list-style-type: none"> Innovation offer v1 developed Jan 2020 for MNO and DCMS engagement Feasibility report produced April 2021 Testing with stakeholders May-June 2021 Final report July 2021

Entrepreneurial councils

Digital Council

- Generate new revenue streams through innovative technology development with universities and local tech partners
- Challenge the market through Innovation Partnership procurement to stimulate business growth in emerging technology



Project	Outcomes/Outputs	Timeline
Build and Recover Plan: West London Innovation Test Bed (NEW) Concept development for a West London health and public services test bed with HEI partners. Concept development for a green recovery innovation test bed for SME's with HEI partners. Concept development for public data infrastructure test bed including an e-service platform for SMEs Collaborations with OPDC 5G Strategy, Digital Creative network and Heathrow Innovation District.	<ul style="list-style-type: none"> • Extend impact of UKRI by opening up borough assets and services in a managed way for innovators to test emerging tech and business models. • Accelerated business innovation with digital and 5G triggering more rapid economic growth. • Working with the universities to develop/procure new tech can help mitigate ethical risk – e.g. bias being designed into digital systems 	<ul style="list-style-type: none"> • Framework for SMEs and innovators to access local authority assets for green recovery SME first draft Feb 2021 • Concept note for Health and public services test bed April 2021. • Stakeholder testing March and April 2021. • Deliver a pledge and framework to provide clarity to innovators on how they can engage with West London to run trials of new technologies and business models at scale. (summer 2021)
Future Public Services West London online meet up (NEW) Public service innovation network developed with a programme of online events to draw together a community of interest from boroughs and other public sector organisations in West London.	<ul style="list-style-type: none"> • Regular access to thought leaders and technical expertise. • Development of a cross sector network to share ideas and come together to develop bids and projects. • Promotional opportunities for West London. 	<ul style="list-style-type: none"> • Issue EIO for interested teams, individuals and topics. • Monthly 45min call with an external speaker/expert team. • Article published through networks.
Digital Skills for Boroughs (NEW) Working with HEI partners establish a programme of online skills and development opportunities for WLA borough staff and their suppliers.	<ul style="list-style-type: none"> • Access to HEI digital and business modules and teaching to support staff engage with digital projects and transformation. 	TBC
Innovation Partnership Procurement Develop a partnership with LOTI to run a programme of West London Innovation Partnership procurements to work directly with suppliers.	<ul style="list-style-type: none"> • Work directly with suppliers to innovate with products and services, for example with procuring IoT systems for West London. 	TBC

Citizens and Communities

- Improve digital inclusion to enable independent living and learning
- Enable increased access to services through digital innovation



Project	Outcomes/Outputs	Timeline
Coordination and management of social value and CSR (NEW) commitments and opportunities from digital and technology companies active in West London.	Joined up approach between existing providers of employment services and social value offers. Increased take up of CSR opportunities which benefit residents and improve access to services.	Regular meetings with providers to map pipeline of opportunities.
Digital Access Mission led by GLA with LOTI (NEW) Every Londoner to have access to good connectivity, with the devices or data allowance they need to lift them out of digital exclusion, while ensuring they stay safe online. Understanding how digital exclusion affected Londoners during the pandemic, and how local councils and the voluntary sector responded to the problem. Making full fibre broadband available in areas with poor coverage, such as social housing. Making it easier for Londoners to access free Wi-Fi outside their home by identifying skills and the device or support spaces – such as libraries – where it possible to work online for free. Training all adults, including job seekers, in basic digital skills. Targeting the most vulnerable – such as schoolchildren, learners and those shielding –	Resources unlocked from public and private sector at scale to resolve digital access and inclusion issues. Digital enables real time language translation improving public service delivery outcomes for equality groups. Digital creates new ways to improve accessibility to services and in the built environment removing barriers. Delivering services remotely through video/voice reduces requirements to travel and broadens access to services.	In development with GLA – timeline/funding TBC

Appendix D Action Plan 2021/22 & 2022/23

Digital Strategy Aim	Action	Lead	Budget	Timescale
Stimulating an expansion of digital infrastructure across the Borough				
Strategic actions	Work with WLA and relevant council officers to help deliver the WLA Digital programme.	Digital Infrastructure & Smart City Lead /Harrow Digital Project Team	Officer time	Q4 2021/22 Q 1- 4 2022/23
	Work with WLA/GLA/DCMS to maintain knowledge on digital infrastructure related policy, issues and funding.	Digital Infrastructure & Smart City Lead	Officer time	Q4 2021/22 Q1- 4 2022/23
	Work with industry to promote to the local authority, residents and businesses the social and economic benefits of improved connectivity in the area/region.	Digital Infrastructure & Smart City Lead	Officer time/SIP Enabling Fund	Q4 2021/22 Q1- 4 2022/23
	Work with WLA to compile a register of public sector assets and infrastructure, which can be used to host digital equipment.	Digital Infrastructure & Smart City Lead	Officer time	Q4 2021/22
FTTP Broadband Investment	Promote and agree social housing Framework Wayleave Agreement with fibre providers	Digital Infrastructure & Smart City Lead /Harrow Council - Housing Assets	Officer time	Q4 2021/22 Q1- 4 2022/23
	Work with Harrow Assets team and providers to support roll out of FTTP broadband to social housing, ensuring digital infrastructure objectives and social value commitments are met	Harrow Council - Housing Assets/Fibre providers	Officer time/SIP Enabling Fund/Fibre provider contributions	Q4 2021/22 Q1- 4 2022/23
5G Investment	Work with WLA to develop 4G/5G "small cell" roll out	WLA/ Digital Infrastructure &	Officer time	Q3 - Q4 2021/22

Digital Strategy Aim	Action	Lead	Budget	Timescale
	strategy for west London	Smart City Lead		
	Develop a Telecomms Toolkit to provide guidance to providers and support the roll out of small cells in the borough	Digital Infrastructure & Smart City Lead /Harrow Digital Project Team	Officer time	Q4 2021/22
	Promote and agree WLA small cell agreement with MNOs and neutral host providers	Digital Infrastructure & Smart City Lead	Officer time	Q4 2021/22 Q1- 4 2022/23
Improving access to digital technology in areas where it is most needed				
49 Fibre Broadband Investment	Work with providers to ensure that there are no “not spots” as part of the fibre broadband roll out across the borough	Digital Infrastructure & Smart City Lead	Officer time	ongoing
Provide public access to broadband at public buildings	Secure fibre broadband connections to community centres, libraries and other public buildings (i) via social value commitments from fibre providers (ii) via the WLA's Fibre West programme	Digital Infrastructure & Smart City Lead	Fibre providers WLA Fibre West funding Officer time	Q4 2021/22 Q1 - 4 2022/23
Taking advantage of the emerging “internet of things” to deliver smarter services;				
Maintain overview of developing services and offers	Work with the Digital Project Team to identify how new technologies can help improve and deliver council services, while ensuring that they offer value for money for residents.	Digital Infrastructure & Smart City Lead /Harrow Digital Project Team	Officer time	Q4 2021/22 Q1 - 4 2022/23

Digital Strategy Aim	Action	Lead	Budget	Timescale
Attracting and nurturing digital skills				
Support training and access to new digital employment opportunities	<p>Work with Learn Harrow and the fibre providers to provide training and other support through the wayleave framework agreement</p> <p>Work with the council's Xcite team and the fibre providers to provide employment opportunities through the wayleave framework agreement</p>	Harrow Council - Xcite Team	Officer time	<p>Q4 2021/22</p> <p>Q1 - 4 2022/23</p>
Making Harrow an attractive location for digital and creative businesses				
Attracting businesses to commercial space developed on regeneration sites and empty commercial premises	Ensuring FTTP broadband infrastructure is included in council regeneration/HSDP sites	Digital Infrastructure & Smart City Lead	Officer time	<p>Q4 2021/22</p> <p>Q1 - 4 2022/23</p>

Equality Impact Assessment (EqIA)



You will need to produce an Equality Impact Assessment (EqIA) if:

- You are developing a new policy, strategy, or service
- You are making changes that will affect front-line services
- You are reducing budgets, which may affect front-line services
- You are changing the way services are funded and this may impact the quality of the service and who can access it
- You are making a decision that could have a different impact on different groups of people
- You are making staff redundant or changing their roles

Guidance notes on how to complete an EqIA and sign off process are available on the Hub under Equality and Diversity.

You must read the [guidance notes](#) and ensure you have followed all stages of the EqIA approval process (outlined in appendix 1).

Section 2 of the template requires you to undertake an assessment of the impact of your proposals on groups with protected characteristics. Equalities and borough profile data, as well as other sources of statistical information can be found on the Harrow hub, within the section entitled: [Equality Impact Assessment](#) - sources of statistical information.

Equality Impact Assessment (EqIA)		
Type of Decision:	<input checked="" type="radio"/> Cabinet <input type="radio"/> <input type="radio"/> Other (state)	
Title of Proposal	Digital Infrastructure Strategy	Date EqIA created 10/12/20; updated 18/11/21
Name and job title of completing/lead Officer	David Sklair – External Funding Manager – Economic Development	
Directorate/ Service responsible	Regeneration, Enterprise, and Planning	
Organisational approval		
EqIA approved by Directorate Equalities Champion	Name Micah McLean – Policy Officer	Signature <input checked="" type="checkbox"/> Tick this box to indicate that you have approved this EqIA Date of approval 25/11/2021

1. Summary of proposal, impact on groups with protected characteristics and mitigating actions

(to be completed after you have completed sections 2 - 5)

a) What is your proposal?

The proposal to which this EqiA relates is the adoption of a Digital Infrastructure¹ Strategy. The draft Strategy will be reported to Cabinet for approval for consultation with relevant stakeholders. The aim of the Digital Infrastructure Strategy is to encourage and facilitate the deployment of full fibre and 5G infrastructure in the borough, working with private sector providers to do this.

It will help deliver Harrow's Borough Plan objective that "*Everyone has a quality, energy efficient and digitally-enabled home in a thriving community*" and forms part of the Council's wider Digital Strategy. It specifically addresses the Digital Community/Place aim within that Strategy (see Appendix B). The development of digital infrastructure is also at the heart of the council's Economic Development Strategy, as it supports the development and growth of the local economy as a whole and key sectors within it such as the knowledge economy.

Aims and Objectives of the Digital Infrastructure Strategy

The Strategy:

- Defines council policy in relation to digital infrastructure
- Identifies the current level of digital infrastructure in the Borough
- Explains how the local authority will facilitate the rollout of digital infrastructure (FTTP and 4G & 5G) taking into account government and Council policy.
- Identifies issues regarding digital exclusion that can be addressed through digital infrastructure, and identifies potential social value contributions. In doing so, the Strategy aims to ensure that fibre broadband and mobile phone services (4G & 5G) are available across the borough, so as to avoid "not spots" in terms of access to these services.
- Encourages providers to look at longer term investment plans

b) Summarise the impact of your proposal on groups with protected characteristics

The adoption of the Strategy doesn't include a proposal to remove or reduce a service. There is no direct impact on persons with protected characteristics as a result of the installation of this new digital infrastructure.

c) Summarise any potential negative impact(s) identified and mitigating actions

¹ Digital infrastructure refers to all the hardware and software that is required for digital services to function in the borough. This includes broadband fibre, mobile phone hardware including 4G & 5G.

None.					
2. Assessing impact					
You are required to undertake a detailed analysis of the impact of your proposals on groups with protected characteristics. You should refer to borough profile data , equalities data , service user information, consultation responses and any other relevant data/evidence to help you assess and explain what impact (if any) your proposal(s) will have on each group. Where there are gaps in data, you should state this in the boxes below and what action (if any), you will take to address this in the future.			What does the evidence tell you about the impact your proposal may have on groups with protected characteristics? Click the relevant box to indicate whether your proposal will have a positive impact, negative (minor, major), or no impact		
Protected characteristic	For each protected characteristic, explain in detail what the evidence is suggesting and the impact of your proposal (if any). Click the appropriate box on the right to indicate the outcome of your analysis.	Positive impact	Negative impact		No impact
			Minor	Major	
Age	<p>Harrow has a resident population of 251,160 . It has an above average working age population aged 16-64 of just under 63% (158,000) and a growing younger population aged 0-15, which is higher than the London average, suggesting that the borough is a popular destination for families .</p> <p>As with most areas in the country, the borough has an ageing population. it is expected that the number of residents aged 65 plus will increase by 38% and those aged 85 plus could increase by 60% by 2030 .</p> <p>Impact</p> <p>With the shift in access to both council and businesses to on line services, access to good (free) broadband connections at public facing council owned buildings and the ability to use the facilities are essential to ensure residents, especially older residents continue to have access. Through the social value/digital inclusion objectives, the Strategy seeks to ensure good connections at council owned properties and the provision of training to residents.</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disability	<p>ONS data for 2016-2018 shows that 19,208, (12.2%) of Harrow's working age population have a disability.</p> <p>Impact</p>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	<p>With the shift in access to both council and businesses to on line services, access to good (free) broadband connections at accessible public facing council owned buildings and the ability to use the facilities are essential to ensure residents, especially disabled residents continue to have access. Through the social value/digital inclusion objectives, the Strategy seeks to ensure good connections at council owned properties and the provision of training to residents.</p>				
Gender reassignment	<p>There is limited national data collected for this characteristic. We will need to consider the inequalities and discrimination experienced for this protected group when data becomes available.</p> <p>The charity GRES estimated in their Home Office funded study in 2009 the number of transgender people in the UK to be between 300,000 and 500,000. More recently Stonewall advised that it is estimated that around 1% of the population might identify as trans, including people who identify as non-binary. This would represent about 600,000 trans and non-binary people in Britain and about 2,500 people in Harrow.</p> <p>Impact The Strategy will have a positive impact on all residents in providing better access to broadband and related services. There is insufficient data and no evidence that the proposal will have a negative impact on any individual or group due to gender reassignment.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Marriage and Civil Partnership	<p>At the time of the 2011 Census 54% of Harrow's residents were married, which was the highest level in London. 21% of households were married, or in same-sex civil partnerships, with dependent children, the highest level in London. At October 2020 there have been 144 Same Gender Civil Partnerships in Harrow, 25 of which has been converted to a Marriage. There have been 8 Opposite Gender Civil Partnerships. There have been 57 Same Sex marriages.</p> <p>Impact The Strategy will have a positive impact on all residents in providing better access to broadband and related services. The Strategy will aim to support residents regardless of their partnership status</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Pregnancy and Maternity	<p>ONS births figures show Harrow as having 3,526 live births in 2019. 14 live births per 1000 population is higher than the England & Wales average of 10.8</p> <p>The borough has the worst infant mortality rate in London, at a rate of 5.1 deaths per 1000 live births, which is a strong indicator of poverty and inequality in the borough.</p> <p>Impact The Strategy aims to support all residents get access to good broadband and mobile connections, including residents with childcare/caring responsibilities.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Race/ Ethnicity	<p>Harrow is one of the most culturally diverse local authorities in the UK, with over 60% of residents from Black, Asian, and Multi-Ethnic backgrounds and an estimated 20% Eastern European community, which is fast growing . Black African (notably the Somali Community) groups have been fast growing over the last 6 years or so, as has the Afghan community.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Religion or belief	<p>Religious diversity is strong in Harrow. At the 2011 Census Harrow was the most religiously diverse borough in the country. The 2011 Census showed that Harrow has the highest number (and proportion) of Hindu followers in the country (25.3%), the highest number of Jains (2.2%) and the second highest number of Zoroastrians. Harrow's Jewish community was the sixth largest nationally. 37.3% of residents were Christians (the 5th lowest proportion in the country) and 12.5% were Muslims. Harrow had the 2nd lowest ranking for 'no religion'.</p> <p>Impact The Strategy aims to support all residents get access to good broadband and mobile connections. There is no evidence that the proposal will have a negative impact dependent on religion or belief.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Sex	<p>The Government's population estimates as of mid-2019 show that the total population of Harrow is now 251,200, made up of 125,800 men and 125,400 women. Overall, the number of males and females living in Harrow is very similar.</p> <p>Impact</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

	The Strategy aims to support all residents get access to good broadband and mobile connections. There is no evidence that the proposal will have a negative impact dependent on sex.				
Sexual Orientation	The Office for National Statistics estimated in 2014, 2.6% of Londoners identify as lesbian, gay, or bisexual, the highest of any UK region . Impact The Strategy aims to support all residents get access to good broadband and mobile connections. There is no evidence that the proposal will have a negative impact dependent on sexual orientation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<p>2.1 Cumulative impact – considering what else is happening within the Council and Harrow as a whole, could your proposals have a cumulative impact on groups with protected characteristics?</p> <p><input type="checkbox"/> Yes No <input checked="" type="checkbox"/></p>					
<p>If you clicked the Yes box, which groups with protected characteristics could be affected and what is the potential impact? Include details in the space below</p>					
<p>2.2 Any other impact - considering what else is happening nationally/locally (national/local/regional policies, socio-economic factors etc), could your proposals have an impact on individuals/service users, or other groups?</p> <p><input checked="" type="checkbox"/> Yes No <input type="checkbox"/></p>					
<p>If you clicked the Yes box, Include details in the space below</p> <p>The installation of new broadband fibre and mobile 4G & 5G technology will allow new and revised services to be delivered by the council and a range of other providers. These new and revised services will have to be assessed in terms of the Equality Act.</p>					

3. Actions to mitigate/remove negative impact

Only complete this section if your assessment (in section 2) suggests that your proposals may have a negative impact on groups with protected characteristics. If you have not identified any negative impacts, please complete sections 4 and 5.

In the table below, please state what these potential negative impact (s) are, mitigating actions and steps taken to ensure that these measures will address and remove any negative impacts identified and by when. Please also state how you will monitor the impact of your proposal once implemented.

State what the negative impact(s) are for each group, identified in section 2. In addition, you should also consider and state potential risks associated with your proposal.	Measures to mitigate negative impact (provide details, including details of and additional consultation undertaken/to be carried out in the future). If you are unable to identify measures to mitigate impact, please state so and provide a brief explanation.	What action (s) will you take to assess whether these measures have addressed and removed any negative impacts identified in your analysis? Please provide details. If you have previously stated that you are unable to identify measures to mitigate impact please state below.	Deadline date	Lead Officer

4. Public Sector Equality Duty

How does your proposal meet the Public Sector Equality Duty (PSED) to:

1. Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
2. Advance equality of opportunity between people from different groups

3. Foster good relations between people from different groups

The Strategy aims to ensure that fibre broadband and mobile phone services (4G & 5G) are available across the borough, so as to avoid “not spots” in terms of access to these services.

5. Outcome of the Equality Impact Assessment (EqIA) click the box that applies

Outcome 1

No change required: the EqIA has not identified any potential for unlawful conduct or disproportionate impact and all opportunities to advance equality of opportunity are being addressed

Outcome 2

Adjustments to remove/mitigate negative impacts identified by the assessment, or to better advance equality, as stated in section 3&4

Outcome 3

This EqIA has identified discrimination and/ or missed opportunities to advance equality and/or foster good relations. However, it is still reasonable to continue with the activity. Outline the reasons for this and the information used to reach this decision in the space below.

Include details here

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REPORT FOR: CABINET

Date of Meeting:	09 December 2021
Subject:	Draft Revenue Budget 2022/23 and draft Medium Term Financial Strategy 2022/23 to 2024/25
Key Decision:	Yes
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance (S151 Officer)
Portfolio Holder:	Councillor Natasha Proctor – Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1A – Growth/Reversed savings and savings from 2021/22 Budget Process Appendix 1B – Savings and Growth 2022/23 from the 2020/21 Budget Process Appendix 2 - Medium Term Financial Strategy 2022/23 to 2024/25 Appendix 3 - Schools Budget 2022/23 Appendix 4 - Draft Public Health Budget 2022/23

This report sets out the draft revenue budget for 2022/23 and draft Medium Term Financial Strategy (MTFS) for 2022/23 to 2024/25. The budget and MTFS will be brought back to Cabinet in February 2022 for final approval and recommendation to Council.

Recommendations:

Cabinet is requested to:

- 1) Approve the draft budget for 2022/23 and the MTFS 2022/23 to 2024/25 for general consultation as set out in Appendices 1 and 2 so that Cabinet may later consider the budget in light of the consultation responses and the equality impact assessment (s) before it is referred to Council in February 2022.
- 2) Note the Spending Review 2021 confirmed broad plans for public spending for 2022/23, which will impact on local government, and that the draft budget will be updated when the detail is announced in the Indicative Financial Settlement which is expected mid to late December followed by the Final Settlement no later than January 2022 (paragraph 1.10).
- 3) Note the balanced budget position for 2022/23, the estimated budget gap of £14.847m for 2023/24 and an estimated balanced budget for 2024/25 based on the scenario of a Council Tax increase of 2.99% per annum over all three years of the MTFS (Table 2).
- 4) Note the use of £15.7m Budget Planning Reserve MTFS to achieve the balanced budget position for 2022/23 which is reversed out in the following year (Table 2).
- 5) Note the proposal to increase core Council Tax by 1.99% per annum 2022/23 to 2024/25 in line with Central Government spending power calculations (Table 2 and paragraph 1.20).
- 6) Note the proposal to increase Council Tax by 1% per annum 2022/23 to 2024/25 in line with Central Government spending power calculations in respect of the Adult Social Care Precept (Table 2 and paragraph 1.20).
- 7) Note the requirement to develop a fully costed budget and implementation plan to support the estimated financial challenges over the MTFS for presentation to Cabinet (paragraph 1.40).
- 8) Note there are no proposed structured changes to the schools funding formula for 2022/23 as set out in Appendix 3 and paragraph 1.47.

- 9) Approve the draft Public Health budget for 2022/23 as set out in Appendix 4.
- 10) Note the assumed funding for the protection of social care 2022/23 through the BCF as set out in paragraphs 1.51 to 1.54.
- 11) Authorise the Director of Finance and Assurance, following consultation with the Portfolio Holder for Finance and Resources, to agree Harrow's 2022/23 contribution to the London Borough's Grant Scheme (paragraph 1.57).

Final approval will be sought from Cabinet and Council in February 2022.

Reason: (For recommendations)

To ensure that the Council publishes a draft budget for 2022/23 and a draft three Year MTFS to 2024/25.

Section 2 – Report

BACKGROUND

- 1.1 Prior to the Covid-19 pandemic, Local Government finances continued to have a very difficult decade. A number of bodies, over recent years, have published studies which paint a similar picture of the challenges faced by the sector. In its recent publication ‘The Local Government Finance System: Overview and Challenges’, the National Audit Office provided an insight into such challenges including:
- After removing Council Tax, spending power funded by central government fell in real terms by more than 50% on a like for like basis between 2010/11 and 2020/21 with the reliance on Council Tax growing significantly over this period.
 - Funding reductions have coincided with growing service demand and cost pressures:
 - The population as a whole has grown by 7% since 2010/11.
 - Between 2010/11 and 2019/20 the number of adults aged 65 to 84 has increased by 21% and those over 85 have increased by 20%
 - Overall gross spending on Children’s social care has increased by 17% between 2010/11 and 2019/20
 - The number of homeless households in temporary accommodation has increased from approximately 48,000 in 2010/11 to approximately 92,000 by 2019/20
- 1.2 In their publication ‘Local Government Funding – Moving the conversation’ (June 2018) the Local Government Association shared a similar picture with their key statistics including:
- Analysis indicated that local services face a funding gap of £7.8billion by 2025 of which £6.6 billion would relate to Adults social care and Children’s services.
 - By 2020, local authorities will have faced a reduction to core funding from central Government of nearly £16 billion over the preceding decade.
- 1.3 In their press release following Spending Review 21, London Councils highlighted the specific challenges for London with borough’s seeing a 25% reduction in funding since 2010 even though population growth means there are now a million more Londoners.
- 1.4 With the Local Government sector being at the forefront of the response to both the public health and economic crises caused by Covid 19, it is hardly surprising that the pandemic has had a significant impact on local government finances which were already in a difficult position. Throughout the pandemic London Councils have monitored the financial impact of Covid-19 on boroughs using the monthly returns submitted to the Department for Levelling Up, Housing and Communities (DLUHC). Current findings show

that, as at September 2021, Boroughs are forecasting just over £1b of additional funding pressures in 2021/22. Total estimated funding for 2021/22 is £666b therefore funding announced so far falls short of the estimated impact by £384m.

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

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

	Revenue Support Grant	Demand Led Growth	Technical Growth	Savings	Additional Revenue from Council Tax	Business Rate	Revised Budget Requirement	Amount to be raised from Council Tax	Council Tax as a % of Budget Requirement
	£000	£000	£000	£000	£000	£000	£000	£000	%
2013/14	52.1	10	10	-22	-1.8	14.7	181,063	93,039	51
2014/15	42.6	5.5	-2.1	-10	-1.9	14.5	174,426	95,067	55
2015/16	32	7.7	5.9	-20.6	-3.4	14	166,171	98,496	59
2016/17	21.9	4.7	9.5	-16.6	-6.8	13.2	164,987	105,256	64
2017/18	13	10.7	-0.6	-10.2	-7.3	14.4	164,804	112,530	68
2018/19	7.3	9.8	1.7	-7.4	-5.3	14.4	168,917	117,804	70
2019/20	1.6	7.4	-4	-5.2	-8.5	14.4	167,081	126,295	76
2020/21	1.6	5.1	5.7	-3.8	-7.2	14.9	174,762	133,492	76
2021/22	1.6	16.5	-6.7	-3.6	-6.4	14.9	178,856	139,706	78
2022/23	1.6	4.2	0.9	1.0	-6.5	15.1	185,482	146,185	79
Total	50.5	81.6	20.3	-98.4	-55.1				

Over the 10-year period, the table shows:

- The Council's Revenue Support Grant (RSG), its main source of funding from central government, has reduced by 97% to just £1.6m, a reduction of £50.5m. To set this in context, the Council's net revenue budget requirement to support service delivery is £185.4m.
- In addition to the RSG, the Council does receive a number of other grants to support services. In the current financial year government grants are estimated at £329m however these grants are all ring fenced to specific areas of activity and cannot be used to support the core budget. The most significant of the grants include the Dedicated Schools Grant (£138m), Housing Benefits Grants (£116m) and Public Health Grant (£11m). The RSG is un ringfenced and the Council has the discretion to spend it across all services hence why its reduction has caused significant challenges.
- Until SR 21 and the allocation of the Core Spending Grant, the Council has not received additional funding to meet demographic and

inflationary pressures. Therefore, growth of circa £81.6m has had to be provided to fund the continued pressures on front line services, including adults and children's social care, homelessness and waste services. Technical growth of £20.3m 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 £152.4m to achieve a balanced budget.
- Savings and efficiencies of £98.4m have been achieved but the profiling of these savings, and how the quantum has reduced in recent years, demonstrates the challenges of finding sustainable savings year on year. For the first time in 2020/21 the Council had to rely upon the use of reserves to balance its budget. Thankfully, through tight financial management, these reserves are now unlikely to be drawn down and can be retained to support the even larger pressures the Council faces over its MTFS.
- Council Tax has been increased largely in line with referendum limits and full use has been made of the Adults Social Care precept, both of which are in line with central government expectation. Again for 2022/23, the Council has little limited options and is proposing the maximum allowable increase in Council Tax of 2.99% which increases the transfer of responsibility onto the council taxpayer to 79%. It is important to note that again the Council is following central government expectations in terms of Council Tax increases as per their spending power calculations.

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

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

The Covid-19 pandemic has shown a light on existing health disparities within particular community cohorts which need managing. A particular example is the significant migration of the Romanian Community into Harrow. In

proportion to the overall population of the borough, Harrow has the highest number of Romanian residents in the country – 34,090 which represents 57.6 percent of our total European population (EUSS Statistics Home Office March 2021). It is in such community cohorts, that we have found higher degrees of vaccine hesitancy and reluctance to undertake Covid-19 testing which presents not only a health risk to the community, but also a risk to Harrow's Councils recovery plans.

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

SUMMARY

- 1.10 The draft budget set out in this report shows an updated MTFs with several changes which Cabinet are asked to note. The changes achieve a balanced budget position for 2022/23, a budget gap of £14.847m for 2023/24 and an estimated balanced budget position for 2024/25. It's important to note that for 2024/25, a number of the budget adjustments are estimated at a high level due to the challenges of forecasting complex issues such as demand and demographics so far in advance. As the budget is approved annually the latter two years of the MTFs will be subject to much review and adjustment before finally being approved.

The draft MTFs is based on the SR 21, announced 27 October, which confirmed broad plans for public spending for the three years 2022/23 to 2024/25. SR 21 contained several policies and announcements which will impact on local government although the detail of these will only become clear in the Local Government Indicative Financial Settlement expected mid-December. There is still uncertainty around a number of adjustments, the most significant uncertainties being external grants and in particular the £1.5b per annum core spending grant. Estimates have been based on the most up to date information known at the time of setting the draft MTFs. but is very likely this position will change following the indicative settlement and this change could be for the better or worse. The final settlement is expected to be agreed no later than the end of January 2022. Whilst it is intended that Members will approve the MTFs in February 2022, it could still be subject to assumptions in relation to grant settlements, council tax income, legislation and demographics. The Council does hold a contingency for unforeseen items (£1.248m) which is intended to support uncertainties and the Council will still be required to review the Council's budget on a yearly basis.

EXTERNAL FUNDING POSITION

- 1.11 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. Spending Review announcements since these calculations have done little to address the relative position of Harrow's funding baseline.

SPENDING REVIEW 2021

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

- The headline announcement was that Local Government Core Spending Power is to increase by £8.5b over 3 years (3% per annum in real terms). However, this assumes that Council Tax will be increased by the maximum allowable per annum over the three years of SR21. After excluding funding allocated for the Adult Social Care Reforms, the real terms increases are reduced to an average of 1.8% per annum.
- Council Tax referendum level is expected to remain at 2% and the Adults Social Care Precept at 1% per annum over the three years
- £3.6b over the three years for the Adult Social Care Funding Reform to cover preparation and implementation of the reforms, supporting those who reach the care cap and the fairer cost of care.
- £1.5b per annum of new grant funding intended to cover inflationary pressures, the employer NI increase of 1.25%, announcements on public sector pay, Covid-19 impact on demand (Adult social care, mental health and Children's Services). This must also cover the inflationary pressures felt by those outside Local Government which will come back into the sector via increased costs.
- There will be no separate compensation for 2021/22 Covid-19 Tax losses and no separate funding was announced for the legacy impacts of Covid-19, either income or expenditure.
- The Public Health Grant will stay flat in real terms
- The fundamental review of business rates 3 yearly revaluation from 2023, a freeze to bills in 2022/23 and 2 new reliefs but no major reform.

- Three announcements on pay:
 - Public Sector workers will receive pay rises over the next three years via the normal pay setting process
 - 6.6% increase to the National Living Wage to £9.50 per hour from April 2022
 - Increase in the National Minimum Wage
- £2.6b of capital funding for school places for children with special educational needs and disabilities
- There was no specific confirmation regarding funding for New Homes Bonus, Settlement Funding Assessment, Improved Better Care Fund, Adult Social Care Support Grant, Winter Pressures Funding, Social Care Grant, Rural Services Delivery Grant and Lower Tier Services Grant. For budgeting purposes, if the Council are entitled to these grants, they will be assumed to remain at 2021/22 levels.
- There was no confirmation of either the scope or timetable for the planned Local Government Finance Reforms, including business rates reset and the review of Relative Needs and Resources.

DELIVERY OF THE 2021/22 BUDGET

- 1.13 In these unprecedented times, delivery of the 2021/22 budget is critical to maintaining the Council's financial standing and to do everything possible to protect front line services whilst managing the impact of Covid-19 and the future impact of demand and activity on the MTFS.
- 1.14 Harrow has a good track record of robust financial management and has not reported a revenue budget overspend for many years. The performance against the 2021/22 budget is detailed in a separate report on this agenda, 'Qtr 2 Revenue and Capital Budget Monitoring 2021/22' report. This report forecasts a net overspend of £101k. This is reduction of £540k on the Qtr 1 reported forecast and is a positive sign the Council will achieve a balanced budget position by the end of the financial year.
- 1.15 The 2021/22 budget is supported by £6.051m of grant to meet additional Covid-19 expenditure, £700k Covid-19 income compensation grant and £3.5m of Controlling Outbreak Management Funding (COMF). SR21 made no announcement of continued funding for Covid-19 beyond 2021/22. The current MTFS already assumes that the first two sources of Covid-19 grant support are non-recurrent. In terms of the COMF, it has been confirmed that this funding cannot be carried forward into future years. Hence all activities funded from the COMF are being reviewed to ensure they are ceased by the end of March 2022 to prevent unfunded cost pressures being carried forward into 2022/23. Other Covid-19 Grant funding, which is received to support specific expenditure and not the general budget is all accounted for on a non-recurrent basis and is detailed in Appendix 3 of the 'Qtr 2 Revenue and Capital Budget Monitoring 2021/22' report which is elsewhere on this agenda

BUDGET PROCESS 2022/23

- 1.16 The Council has a statutory obligation to agree and publish the budget for 2022/23, and approval for this will be sought in February 2022. In preparing the 2022/23 budget and rolling forward the MTFS to cover the three-year period 2022/23 to 2024/25, the current MTFS has been the starting point for the process.
- 1.17 The Council's financial position and its operational environment has always been dynamic affected by a number of financial uncertainties and adjustments that impact upon its financial position over the short and medium term. In preparing the draft budget for 2022/23 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 21 where the financial implications can be assessed for the Council with a reasonable degree of certainty, accepting that there is an element of uncertainty and risk until the Indicative Financial Settlement is received mid to late December.
- 1.18 The adjustments are summarised in Table 2 below. Following Table 2 there is an explanation for the figures contained within. These adjustments are also set out in Appendix 2 along with adjustments included within the previous MTFS agreed as part of the 2021/22 Budget process:

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

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

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

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

- 1.23 The NNDR tax base used to calculate the 2022/23 rate retention amounts has not this year benefited from the September 2021 CPI which is used to calculate the following financial year's rating multiplier. SR21 announced that

the multiplier would be frozen for 2022/23 which means businesses will not see an increase in their bills and the Council will be compensated for this loss of inflationary income through the NNDR Multiplier Grant which is estimated at £1.710m. SR21 was very unclear whether the Multiplier Grant would continue as a separate grant or whether it would be wrapped up as part of the new core spending grant. The draft 2022/23 budget has been prepared on a prudent basis and assumes the Multiplier Grant will no longer be a separate grant.

Summary of Directorate Changes

- 1.24 Spend on Special Educational Needs (SEN) Transport continues to grow and over the last four years spend has on average increased by £500k per year from £4.1m in 2017/18 to projected £5.9m in 2021/22. There are over 1,800 children and young people with Education Health & Care Plans (EHCPs) and approximately 40% of these are accessing SEN Transport. It is anticipated that the number of children and young people with EHCPs will increase to over 2,000 by 2023 which on the same ratio could mean a further 80 to 100 children requiring transport by 2023. The type of transport required is dependent upon the education setting the child attends as well as the child's special educational need and disability (SEND) /medical diagnosis and behaviour. The main focus of the Council's SEND strategy is to ensure that as many children are educated in local in-borough SEND provision to prevent high cost out of borough independent placements where the needs could be met in borough but for the fact that capacity is an issue. However, the SEND Strategy is a medium to long term strategy due to the lead-in time it takes to create additional provision. It is projected that £750k growth per annum will be required to meet the costs of SEN Transport over the period of the MTFS. This has been provided for but SEN Transport is subject to a separate review with a view to, amongst other things, reduce this estimated pressure on the MTFS.
- 1.25 In Children & Young People Services, there has been an increase in the number of Children In Need and children subject to Child Protection Plans as more families' needs are managed within the community as well as increased Early Support engagement putting pressure on the workforce and social worker caseloads. In addition, there are more children requiring placements with more complex and challenging needs and an increase in the average weekly cost of placements putting significant pressure on placements and other client related budgets. In Education Services there has been a significant increase in referrals and assessments and the number of young people with an Education Health & Care Plan. This is putting significant pressure on the workforce and casework officer caseloads. In the current financial year, Children's Services are forecasting a net pressure, after draw down from reserve, of £1.564m. The current MTFS already assumes growth of £1.205m for 2022/23 and draft budget for 2022/23 proposes to re-profile an additional £565k growth from Adult Services. Also, there is expected to be a balance on the Children's Social Care Reserve (currently sitting in the Revenue Grants Reserve) of £1.117m at the end of this financial year which can be used in 2022/23 to support pressures. As this reserve funding is temporary, this has been provided for as permanent growth from 2023/24.

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

Technical Changes

- 1.32 Over recent years the Council has pursued a strategy of internal borrowing rather than taking on external debt to fund its Capital Programme. This, along with the application of capital receipts and the continued slippage on the programme has led to in year savings against the capital financing budget. In year these savings are being used to minimise the planned draw down from reserves and from 2022/23 a permanent budget reduction of £2m is estimated. This will be refined in preparation for the final budget.
- 1.33 As part of the prior years process for re setting the existing three-year Capital Programme up to 2023/24, there was a cost implication of £224k which fell in 2024/25 and this is now reflected in the draft MTFS. The updated Capital Programme is subject to a separate report on this agenda. The additional

capital financing cost associated with the new proposed Capital bids across all 3 years (which total a net increase in the Programme of £16.325m) is £2m in total in 2025/26. As this year is outside of the current period of the MTFS, this increase needs to be factored into the budget for 2025/26 as part of next year's 2023/24 budget process.

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

Spending Review – Estimated Additional Grants

- 1.37 As previously explained, SR21 announced £3.6b over the three years for the Adult Social Care Funding Reform to cover preparation and implementation of the reforms, supporting those who reach the care cap and the fairer cost of care. The allocation of this funding will not be announced until the Indicative Financial Settlement in December. For budgeting purposes, the profiling of the funding has been based on information received from London Councils. The Council 's share is based on proportionality, i.e. Harrow's proportionate share of Adults Social care nationally (0.004). As this funding is ring fenced to funding the costs of the reforms, it will have a neutral impact on the MTFS as funding received is matched by new expenditure.
- 1.38 Again, as previously explained, SR21 announced £1.5b per annum of new core grant funding intended to cover inflationary pressures, the employer NI increase of 1.25%, announcements on public sector pay, Covid-19 impact on

demand (Adult social care, mental health and Children's Services). This must also cover the inflationary pressures felt by those outside Local Government which will come back into the sector via increased costs. Again, the allocation of this funding will not be announced until the Indicative Financial Settlement in December and proportionality of 0.004 has been applied resulting in an estimated annual grant sum into the Council of £6m.

- 1.39 Prior to SR21, an increase in employer NI by 1.25% was announced and the estimated impact for the Council is £800k.

Application of Budget Planning Reserve MTFS

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

Budget Refresh, Growth & Savings

1.43a There is a commitment to refresh the three-year MTFS annually to ensure it remains reflective of the changing Harrow and Local Government landscape. All the savings in the current MTFS for 2022/23 have been reviewed to ensure that they can either be taken forward or removed as part of this draft budget. Table 3 below summarises the growth/reversed savings and savings from the 2021/22 process and table 4 summarises the position from the prior years budget setting process. The summary information in the tables is support by the details in appendices 1A and 1B:

Table 3: Growth/Reversed savings and Savings from 2021/22 Process			
	2022-23	2023-24	Total
	£000	£000	£000
Reversal of prior year savings/ growth and new savings			
Resources	(177)	-	(177)
Children			-
Community	(300)	(600)	(900)
Corporate	1,475	600	2,075
Total	998	-	998
Growth and reversal of prior year savings			
Resources	-	-	-
Adults	1,047	-	1,047
Children	1,205	-	1,205
Community	(1,918)	(1,499)	(3,417)
Corporate	-	-	-
Total	334	(1,499)	(1,165)
Net Impact of Reversals/Growth and Savings	1,332	(1,499)	(167)

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

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

CAPITAL RECEIPTS FLEXIBILITY

- 1.43b In 2016 the government announced the Capital Receipts Flexibility Scheme to support local authorities to deliver more efficient and sustainable services by allowing them to spend up to 100% of their fixed assets receipts on the revenue costs of reform projects. The flexibility is in place until 2021/22. In its Local Government Finance Settlement, published in February 2021, MHCLG announced a further extension from 2022/23 onwards of the existing scheme. The settlement indicated further details on the extension will be published in due course and, until received, the principles of the existing flexibilities will be assumed.
- 1.44 In June 2021, a report was taken to Cabinet proposing to fund the modernisation and organisation funding requirement of £4,444,638 under the capital flexibilities scheme with the receipts being generated from the sale of development at Waxwell Lane and Haslam House. As these schemes are due to complete between now and final budget, the profiling of the capital flexibilities being applied will be updated in the final budget.

SCHOOLS FUNDING FOR 2022/23

- 1.45 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.
- 1.46 The LA carried out a consultation in Autumn 2017 which sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018/19. 76% of schools responded to the consultation and 89% voted in favour of introducing the NFF

from 2018/19. This was approved by Cabinet in February 2018 and school budgets for the last three years have been set based on the NFF.

- 1.47 The NFF will therefore continue to be used to distributed school budgets for 2022/23 There are no proposed changes to the structure of the formula for 2022/23. The proposed final funding formula and final DSG allocations will be reported to Cabinet in February 2022 for approval.

PUBLIC HEALTH FUNDING 2022/23

- 1.48 In 2021/22 the total public health grant to local authorities totalled £3.324bn, with £11.310m being allocated to Harrow. The grant is ringfenced for use on public health functions exclusively for all ages of the population and must be spent in accordance with grant conditions on expenditure incurred by local authorities for the purposes of their public health functions, as specified in Section 73B(2) of the National Health Service Act 2006.
- 1.49 The draft Public Health commissioning intentions detailed in Appendix 4 are based on the current (2021-22) grant allocation as Public Health England have yet to announce national funding for 2022-23, however the comprehensive spending review confirmed that the grant would be maintained in real terms. These commissioning intentions reflect alignment with the Health & Wellbeing Strategy, Borough Plan and evidence of population priorities.
- 1.50 The Council consider that this level of funding enables the Council's overarching statutory duties (including equality duties) to be maintained, taking account of the joint strategic needs assessment, however in the event that additional duties are required by Councils, and if these were unfunded, the commissioning intentions would need to be reviewed in light of the allocated grant envelope.

BETTER CARE FUND (BCF) 2022/23

- 1.51 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.
- 1.52 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.
- 1.53 The 2022/23 Adults budget assumes that funding for the Protection of Social Care through the BCF will remain at the agreed 2021/22 level of £6.759m, although this should be expected to increase in light of the NHS funding

commitments made within the spending review. The Better Care Fund Policy statement and Policy Framework and Planning Requirements will provide the detailed guidance when published in early 2022 (usually March), however the requirements around integration and collaborative working are expected to continue.

- 1.54 The 2022/23 BCF plan will be signed off by the Health & Wellbeing Board ahead of submission to, and assurance by, NHS England.

RESERVES AND CONTINGENCIES

- 1.55 Reserves and contingencies need to be considered in the context of their role to protect the Council's financial standing and in the context of the overall risks that the Council faces during a continuing period of economic uncertainty. The MTFS reflects the Council's need to ensure an adequate level of reserves and contingencies which will enable it to manage the risks associated with delivery of the budget including equalities impacts and unforeseen events. The Councils overall reserves position is reported to Cabinet quarterly as part of the revenue monitoring update. At quarter 2 (end of September 2021), total reserves are £64.720m. After accounting for ear marked reserves and the £15.7m recommended to balance the 2022/23 budget, this does leave the Councils remaining non ear marked reserves at a much-reduced level:

- Contingency for Unforeseen items £1.248m (on going revenue reserve)
- General Fund – £10m
- London Living Wage - £250k (provision recommended for base budget)
- Business Risk Reserve - £3.350m
- MTFS Implementation Reserve – £349k
- Balance Budget Planning MTFS - £136k

- 1.56 At the end of the financial year, all reserves are reviewed. 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 2022.

LONDON BOROUGHS GRANTS SCHEME

- 1.57 Harrow's contribution to the London Borough's Grant Scheme was £187k in 2021/22. At the time of writing this report the Council has not been notified of the recommended contribution for 2022/23. To ensure that the Council can respond to London Council's when contribution rates are notified, it is recommended that Cabinet authorise the Director of Finance & Assurance to agree Harrow's 2022/23 contribution to the London Borough's Grant Scheme, in consultation with the Portfolio Holder for Finance and Resources. The contribution rate will be reported to Cabinet in February 2022 as part of the final budget.

2.0 CONSULTATION

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

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

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

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

2.3 Public consultation on the overall budget for 2022/23 will commence on 10 December 2021 and will last for a period of 4 weeks ending 07 January 2022 before the final budget is recommended to Full Council on the 24 February 2022. The public consultation will give residents an opportunity to comment on the 2022/23 overall budget before final decisions are formalised in the council's annual budget. Other key stakeholders, including Union Representatives, local businesses, employees and the Council Scrutiny function will also be fully consulted in the draft budget and MTFS before final approval.

2.4 In terms of service specific consultations, the council has a duty to consult with residents and service users in a number of different situations including where proposals to significantly vary, reduce or withdraw services. Consultation is also needed in other circumstances, for example to identify the impact of proposals or to assist with complying with the council's equality duties. Where appropriate, separate service specific consultations have already taken place or will be taking place for the 2022/23 savings and may be subject to a separate cabinet report.

3.0 PERFORMANCE ISSUES

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

4.0 RISK MANAGEMENT IMPLICATIONS

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

Separate risk register in place? No

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

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

Risk Description	Mitigations	RAG Status
Inability to deliver the Council’s approved MTFS - over the next 3 years leading to an inability to set a balanced budget and provide core services	<ul style="list-style-type: none"> • Process to challenge and quality-assure MTFS savings and impacts submitted • Process to ensure MTFS accurately reflects demand & legislative changes • In-year Revenue & Capital monitoring reported to CSB, Cabinet and all members regularly • Revenue budget contingency remains in place for unforeseen items • Strategic financial planning with CSB & Cabinet 	Red At Quarter 3 2020/21 this risk is rated at B2 on the Corporate Risk Register – high likelihood and critical impact.
The draft budget was based on the Spending Review 2021 that confirmed broad plans for public spending for 2022/23. There is a risk that the Indicative Financial Settlement which is expected mid to late December followed by the Final Settlement no later than January 2022 differ requiring changes to the budget	<ul style="list-style-type: none"> • Draft budget based on most up to date information from London Councils and DHLUC based on prudent assumptions • The final budget will be prepared taking into account the Final Settlement • There is a contingency for unforeseen items (£1.248m) which is intended to support uncertainties 	Amber

<p>The budget gap of £14.847m identified for 2023/24 is larger than predicted and the estimated balanced budget for 2024/25 is unachievable.</p>	<ul style="list-style-type: none"> • Draft budget based on most up to date information from London Councils and DHLUC based on prudent assumptions • Directorate pressures have been included where known • The Council still has its general fund reserve balance of £10m 	<p>Amber</p>
<p>The application of one off reserves to balance the 2022/23 budget pushes the budget gap into 2023/24</p>	<ul style="list-style-type: none"> • The Council still has its general fund reserve balance of £10m • £x of other non- earmarked reserves remain on the balance sheet to help support the MTFS • Development of a fully costed budget and implementation plan addressing the budget gap and reported to Cabinet which could include in year savings for 2022/23 	<p>Red</p>
<p>Balanced budget for 2021/22 not achieved adversely impacting on the 2022/23 budget</p>	<ul style="list-style-type: none"> • There is a contingency for unforeseen items (£1.248m) which has not been called upon • Harrow has a good track record of robust financial management and has not reported a revenue budget overspend for many years. • The 'Qtr 2 Revenue and Capital Budget Monitoring 2021/22' report forecasts a net overspend of £101k. This is reduction of £540k on the Qtr 1 reported forecast and is a positive sign the Council will achieve a balanced budget position by the end of the financial year. 	<p>Green</p>

5.0 LEGAL IMPLICATIONS

5.1 Section 31A of the Local Government Finance Act 1992 requires billing authorities to calculate their council tax requirements in accordance with the prescribed requirements of that section. This requires consideration of the

authority's estimated revenue expenditure for the year in order to perform its functions, allowances for contingencies in accordance with proper practices, financial reserves and amounts required to be transferred from general fund to collection fund.

- 5.2 Local authorities owe a fiduciary duty to council tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of council tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.
- 5.3 Cabinet is approving these proposals for consultation after which a cumulative equalities impact will be drafted. These proposals will be referred to Council so that Council can approve the budget envelope and set the Council Tax. There will be contingencies within the budget envelope so that decision makers have some flexibility should any decisions have detrimental equalities impacts that cannot be mitigated.

6.0 FINANCIAL IMPLICATIONS

- 6.1 Financial Implications are integral to this report.

7.0 PROCUREMENT IMPLICATIONS

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

8.0 EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY

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

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

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

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

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

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

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

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

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

The relevant protected characteristics are:

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

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

9.0 COUNCIL PRIORITIES

- 9.1 The Council's draft budget for 2020//21 has been prepared in line with the Council's priorities:

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

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 30 November 2011

Statutory Officer: Jessica Farmer

Signed on behalf of the Monitoring Officer

Date: 30/11/2021

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 30 November 2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 30 November 2021

Head of Internal Audit: Susan Dixon

Signed by the Head of Internal Audit

Date: 26 November 2021

Mandatory Checks

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

EqIA carried out: NO To be reported on as part of the Feb Budget report.

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Dawn Calvert, Director of Finance and Assurance,

Tel: 0208 4209269, dawn.calvert@harrow.gov.uk

Background Papers: none

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

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	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				
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	(177)		(177)		N	N	
			Resources total	7,550	-	-	7,550	(177)	-	(177)				
Community Directorate														
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.					(300)	(600)	(900)		N	N	
			Community Total		-	-	966	(300)	(600)	(900)		-		
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.					300	600	900		N	N	
5	Corporate	Corporate	Removal of Investment Property Capital Budget and savings associated.		-	(7,050)	(7,050)	3,525	-	3,525		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)		N	Y	
			Corporate Total					1,475	600	2,075		-		
			Total					998	-	998				

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	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														
People Directorate														
			Adults											
10		Placements	Demand Pressures - additional pressures identified and reported to Cabinet in February 2020.	35,686	7,317	0	43,003	1,047	-	1,047		N	N	N
			Total Adults					1,047	-	1,047				
			Children's Services											
12	PCS21.22_G01	CYPS	Children's Placements & Accomodation	25,482				1,205		1,205		N	N	No
			Total Children's Services		-	-	-	1,205	-	1,205				
			People Total		-	-	-	2,252	-	2,252				
Community														
14	COM21.22_G01	Directorate wide	Impact of Covid-19: Loss of income across Community directorate	(46,399)	-	-	(46,399)	(2,218)	(1,799)	(4,017)		N	N	No
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	300	300	600		N	N	No
			Community Total		-	-	-	(1,918)	(1,499)	(3,417)				
			Total		-	-	-	334	(1,499)	(1,165)				
			Net Impact of Reversals/Growth and Savings					1,332	(1,499)	(167)				

Total Savings and Growth 2022/23 from 2020/21 Budget Process											Appendix 1B	
Item No	Unique Reference No.	Headline Description re: saving / reduction	2019/20 Service Budget	agreed Savings /growth 2020/21	agreed'Sa vings /growth 2021/22	Net budget	2022-23	Total	EQIA Required	Y/N	Does this proposal impact on another directorate Y/N	Key Stakeholder s to consult 'Yes/No Completed
			£000	£000	£000	£000	£000	£000				
Savings												
Corporate												
27	COR 02	Gayton Road - income from 53 PRS units					(47)	(47)	N		N	N
29	COR 04	Income from £100m Investment Property Purchase					(3,525)	(3,525)	N		N	N
30	COR 05	Capital Financing Cost of the £100m Investment Property					2,350	2,350	N		N	N
	COR 04 and 05	The net impact of the Investment Property income is being reversed out in Appendix 1A										
31	COR 06	Transformation Target - additional £1m over and above SEN Transport target per annum					(1,000)	(1,000)	N		N	N
		Corporate Total					(2,222)	(2,222)				
		Total Savings					(2,222)	(2,222)				
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.					678	678	N		N	N
	RES G2	A proportion of this growth is being reversed out in Appendix 1A										
		Resources Total		-	-	-	-	678	678			
		Total Growth		0	0	0	0	678	678			
		Net Savings/Growth					(1,544)	(1,544)				

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MEDIUM TERM FINANCIAL STRATEGY
2022/23 to 2024/25

Appendix 2

	2022/23	2023/24	2024/25
	£000	£000	£000
Budget Requirement Brought Forward	179,440	185,482	189,904
Corporate & Technical	6,254	20,769	4,501
People	2,252	0	0
Community	-2,218	-2,099	0
Resources	501	0	0
Corporate	-747	600	0
Total	6,042	19,270	4,501
FUNDING GAP	0	-14,847	0
Total Change in Budget Requirement	6,042	4,423	4,501
Revised Budget Requirement	185,482	189,904	194,406
Collection Fund Deficit/-surplus	52	0	0
Revenue Support Grant	-1585	-1585	-1585
Top Up	-22,623	-22,623	-22,623
Retained Non Domestic Rates	-15,141	-15,141	-15,141
Amount to be raised from Council Tax	146,185	150,555	155,057
Council Tax at Band D	£1,646.50	£1,695.73	£1,746.43
Increase in Council Tax (%)	2.99%	2.99%	2.99%
Tax Base	88,785	88,785	88,785
	98.00%	98.00%	98.00%
Gross Tax Base	90,597	90,597	90,597

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

Appendix 2

Technical Adjustments			
	2022/23	2023/24	2024/25
	£000	£000	£000
Capital and Investment			
Capital Financing costs from additional Capital Programme	1250		
Implications of Capital Programme agreed for 2020/21 to 2023/24	2981	470	
Saving on Capital Financing costs - 2022/23 process	-2000		
Implications of Capital Programme agreed for 2021/22 to 2023/24 budget process			225
Total Capital and Investment Changes	2,231	470	225
Grant Changes			
Assumption that New Homes Bonus reduces in 2022/23	728		
Reversal of previous reductions in NHB assumed on the basis it continues	-728		
Additional NHB over estimated sum (£3.185m v £3.176m estimated)	9		
Additional Social Care grant announced in SR estimated figure	-800	-5600	-8000
Additional Cost of Adult Social Care Reform	800	5600	8000
Increase - Core Spending Grant	-6000	-6000	-6000
Cost of National Insurance Increase	800		
Multiplier Adjustment from core spending increase	1710		
£1.55b grant to meet additional COVID expenditure (one off)	6051		
Income compensation for sales, fees and charges - 3 mth extension	500		
Extra Multiplier grant	477		
Retain Multiplier grant at 2021/22 level	-1710		
Council Tax Support Grant	1780		
Lower Tier grant	399		
Total Grant Changes	4,016	-6,000	-6,000
Other Technical Changes			
Freedom Passes - estimated reduction in usage	-1580	1377	
Freedom Passes - revision to usage figures from London Council update	-1271	644	1000
Use of Reserves			
Use of Business Risk Reserve for one off investment of £1m pa for 3 years	-1000		
One off Investment into front line priorities	1000		
Use of Business Risk Reserve smoothed over 2 years	3350		
Children's social care reserve - no applied in 20/21	852		
One of use of Reserves	-15700	15700	
£2m 20/21 target underspend - to be added to reserves in 2021/22	2000		
Total Other Technical Changes	-12,349	17,721	1,000
Pay and Inflation			
Pay Award @ 2% pa	2000		
Pay Award @ 2.75% pa		2750	2750
Non Pay Inflation/budget pressures	2750	2000	1000
Total Pay and Price Inflation	4,750	4,750	3,750
OTHER			
Gayton Road Income - Reprofiling of income	62	-22	-12
Capital Receipts Flexibility - £2m applied in 2021/22	2000		
Adults Growth / Pressure	2644		
Growth Special Needs Transport - Childrens Services	750	750	750
Growth Childrens pressures		1100	
Growth Regeneration Revenue Budget		1250	
Growth London Living Wage	450	450	1000
Reversal of Transformation Savings	2000		
Adults growth Reduction	-565		
Childrens additional growth	565		
Reprofiling of COVID loss of income in Community	-300	300	
Directorate growth			3788
Total Corporate & Technical	6,254	20,769	4,501

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

People			
	2022/23	2023/24	2024/25
	£000	£000	£000
Children & Families			
Proposed Savings - Appendix 1B	0	0	0
Proposed Growth - see appendix 1a	1,205	0	0
Sub total Children & Families	1,205	0	0
Adults			
Proposed Growth - see appendix 1a	1047	0	0
Proposed Growth - see appendix 1b	0	0	0
Sub total Adults	1,047	0	0
Total People Directorate	2,252	0	0

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

Community			
	2022/23	2023/24	2024/25
	£000	£000	£000
Proposed Savings - see appendix 1a	-300	-600	0
Proposed Growth - see appendix 1a	-1,918	-1,499	0
Proposed Savings - see appendix 1b	0	0	0
Proposed Growth - see appendix 1b	0	0	
Total Community	-2,218	-2,099	0

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

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

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

Appendix 2

	2022/23	2023/24	2024/25
	£000	£000	£000
CORPORATE			
Proposed Savings - appendix 1a	1475	600	0
Proposed Growth - appendix 1a	0	0	0
Proposed Savings - see appendix 1b	-2,222	0	0
Proposed Growth - see appendix 1b	0	0	0
Total Corporate	-747	600	0

School Budgets – Dedicated Schools Grant (DSG) 2022/23**Introduction**

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

Schools Funding for 2022-23

2. In 2018-19 the government introduced a new National Funding Formula (NFF) for Schools, High Needs and the Central Schools services Block. For the Schools Block this means LAs are funded on the basis of the total of the NFF for all school, academies and free schools in its area. However the final formula for distribution is determined by each Council following consultation with schools and Schools Forums.
3. The LA carried out a consultation in Autumn 2017 which sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018-19. 76% of schools responded to the consultation and 89% voted in favour of introducing the NFF from 2018-19. This was approved by Cabinet in February 2018 and school budgets for the last three years have been set based on the NFF.
4. The NFF will therefore will continue to be used to distributed school budgets for 2022-23.
5. From 2020 the government intended to implement the NFF in full which means that school allocations will be determined by the DfE rather than LAs. However this has been delayed and there is no fixed date for this.
6. There are no proposed changes to the **structure** of the formula for 2022-23 however there are a number of changes for schools to be aware of.

Changes in 2022-23**Increase in factor values**

Table 1 – funding formula factor values

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

7. The Minimum Per-Pupil Funding Levels (MPPL) will be set at £4,265 for primary schools and £5,525 for secondary schools compared with £4,180 and £5,415 in 2021-22.
8. NFF Factor values have increased by:
 - 3% to basic entitlement, FSM6, IDACI, low prior attainment, EAL and the lump sum
 - 2% to the floor, the MPPL and FSM
 - 0% on the premises factor
9. Free School Meals (FSM) – data on pupils who have been eligible for FMS6 is now taken from the October 2020 school census instead of the January 2020 census, to make the factor more up to date and bring it in line with arrangements for other NFF factors as well as the pupil premium
10. Low Prior Attainment – data from the 2019 Early Years Foundation Stage Profile (EYFSP) and KS2 tests is used as a proxy for the 2020 tests, following the cancellation of assessment due to Covid-19
11. Mobility – pupils who joined a school between January 2020 and May 2020 attract funding for mobility based on their entry date, rather than by virtue of the May school census being their first census at the current school as the May 2020 census did not take place due to Covid-19
12. Rates – school business rates will be paid by the ESFA to LAs directly on behalf of all state funded schools from 2022-23. Further details will be issued separately within the formal consultation response.

13. Teachers Pay Grant (TPG) and Teachers Pension Employers Contribution Grant (TPECG) are now fully rolled into the NFF. No separate adjustments are needed to local formulae beyond what was already done in 2021-22 to account for these grants in 2022-23.
14. Block transfers – LAs will continue to be able to transfer up to +0.5% of the schools block to other blocks of the DSG, with schools forum approval. A disapplication is required for transfers above 0.5% or for any amount where schools forum does not give approval.
- 15.

Minimum Funding Guarantee (MFG)

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

Central School Services Block

19. The CSSB funds the following services:
 - School Admissions
 - Servicing of Schools Forum
 - LA retained duties for schools and academies.
20. The indicative funding for 2022-23 is £1.4m.

Growth Fund

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

High Needs Funding

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 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. The government introduced a National Funding Formula for High Needs from 2018-19. Funding has previously been based on historical allocations plus small annual amounts of growth. In order to manage increasing growth for demand and complexity, annual funding transfer from the schools block into the high needs block have been approved by Schools Forum
24. From 2018-19 the Schools Block has been ring-fenced and transfers between blocks has been restricted to 0.5% of the Schools Block (approx. £800k). The decision to agree a transfer remains with Schools Forum. It agreed a transfer of 0.5% in 2018-19 and a reduced transfer of 0.25% in 2019-20 however it did not agree to any transfer beyond 2019-20 on the basis that the government should be properly addressing the inherent underfunding of High Needs pupils and to continue to topslice mainstream school budgets masks the extent of the problem.
25. There is anticipated to be an additional £3m added to the HNB for 2022-23 however there are already significant pressures on the HNB.
26. At the start of 2021-22 there is a cumulative overspend on the HNB of £3.730m and there is a further projected overspend in 2021-22 of £1.165m taking the projected cumulative deficit on the HNB to £4.895m by March 2022.

DSG deficits

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

DSG Management Plans

28. 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
29. 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.
30. The recovery plan has been drafted however and discussed with Schools Forum. However the following points should be noted:
31. Despite the significant proposals and measures planned over the next ten years, this will not mitigate the deficit. This is due to the following contributory factors:

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

Early Years Funding

32. Funding for Early Years relates to free 15 hour nursery entitlement for all 3 & 4 year olds in maintained nurseries and nursery classes as well as private, voluntary and independent (PVI) provision. From September 2017 this was extended to 30 hour nursery entitlement for eligible 3&4 year olds. It also funds free 15 hour nursery entitlement for disadvantaged 2 year olds.
33. A National Funding Formula for Early Years was introduced in 2017-18. Cabinet approved the structure of the Harrow formula for the distribution of funding to providers in January 2018.
34. Funding rates and allocations will be announced in December 2021.

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Draft Public Health Funding 2022-23

Appendix 4

	£000	
Mandatory Services		
Sexual Health (incl Family Planning)	2,336	
0-19 Services	3,695	
Health Checks	184	
		6,215
Discretionary Services		
Tobacco Control	73	
Drug & Alcohol Misuse	1,934	
Physical Activity	30	
		2,037
Staffing & Support Costs		
Staffing	1,000	
Non-Staffing	91	
Overheads	163	
		1,254
Health Improvement	267	
Wider Determinants of Health	1,651	
		1,917
Total Expenditure		11,423
Funded by		
Department of Health Grant	-11,310	
Contribution from Reserve	-114	
Total Income		-11,424
		0

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REPORT FOR: CABINET

Date of Meeting:	9 December 2021
Subject:	Draft Capital Programme 2022/23 to 2024/25
Key Decision:	Yes Involves expenditure in excess of £1m
Responsible Officer:	Dawn Calvert, Director of Finance and Assurance
Portfolio Holder:	Councillor Natasha Proctor - Deputy Leader and Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Capital additions to the Capital Programme for 2022/23 to 2024/25

Section 1 – Summary and Recommendations

This report sets out the draft General Fund capital proposals which have been proposed as part of the 2022/23 budget process.

Recommendations:

1. Cabinet is requested to note the new proposed draft capital proposals, as detailed within Appendix 1, which will be brought back to Cabinet in February 2022 for approval.

The final version of the Capital Programme 2022/23 to 2023/25 will be brought back to Cabinet in February 2022 for recommendation to Council.

Reason: To enable the Council to have an approved Capital Programme for 2022/23 to 2024/25.

Section 2 – Report

Development of the Capital Programme

1. The purpose of this draft Capital Programme report is to set out the Council's additional capital proposals for investment over the years 2022/23 to 2024/25 which have been proposed as part of the Annual budget setting process. Additional meaning that these proposals are over and above the existing Capital Programme agreed by Council in February 2021. The final Capital programme report, which will contain new proposals as well as the existing Capital Programme will be presented to Cabinet in February 2022.

Capital Programme 2022/23 to 2024/25

2. As part of the 2021/22 budget process, there was a fundamental review of the Capital Programme where services were asked to take a bottom up approach to the Capital that they needed rather than using historical figures and allocations. As part of last year's review, many schemes previously put into the budget on a cost neutral basis or where they intended to make a net benefit to the bottom line, were removed, along with any revenue savings attached to them.
3. For the forthcoming Capital Programme review it is proposed that new bids should still be based on a bottom up approach, but given the major review which took place last year, the purpose of this report to December cabinet is to focus on the new proposed bids for the further year of 2024/25. The criteria used for the inclusion on new bid remains unchanged from previous years which is for capital to be contained within the following categories:

- a. Life and Limb/Health and Safety.
- b. Statutory Requirement/legislation.
- c. Schemes fully funded by external sources.
- d. Invest to Save Schemes (the capital expenditure must generate a revenue stream to cover the capital financing costs and make a savings contribution).

Cost of the Existing Capital Programme (excluding new proposals)

4. The Capital Programme can be funded from a variety of funding sources. Where the Capital Programme is funded from capital grants, external partnership funding, Borough CIL and revenue funding such as reserves; this will not attract any form of capital financing cost and has no impact on the revenue budget. Schemes funded from borrowing, will attract a capital financing cost and therefore a direct impact on the revenue budget.
5. Although there are no specific limits to borrowing in order to fund capital expenditure, the Council must be prudent when considering the revenue implications in the context of the overall revenue budget commitments in the medium term and the Capital Programme must be affordable.
6. Table 1 shows the capital financing cost budgets that are already factored into the existing MTFS from 2021/22 to 2023/24 in relation to the Capital Programme agreed in February 2021 and also what proportion of the 2021/22 net revenue budget of £179.4m is made up of Capital Financing costs.

Table 1 - Capital Financing Costs as % of the Net Revenue Budget as at 2021/22 Budget Setting

	Capital Financing Costs	Capital financing costs as % of 2021/22 Net Budget
	£m	%
2021/22	32.4	18%
2022/23	37.0	20.6%
2023/24	37.5	21%

7. The capital financing cost of the existing Capital programme 2021/22 to 2023/24 (**agreed at Council last year in February 2021**) is £32.4m in 2021/22 and then increases to £37.5m by 2023/24. These figures also relate to the cost of historic capital programmes.
8. The figures in Table 1, will also include capital financing costs which relate to projects put into the programme to generate enough revenue to cover their capital financing costs and therefore are cost neutral and do not impact on the revenue budget as a direct cost. If these costs were removed from the figures in Table 1, it would reduce the overall percentage figure. However, for prudence the figures are included on the basis that the requirement on borrowing is definite but the requirement to generate revenue is not guaranteed.
9. When the Final Capital Programme report is presented to cabinet in February 2022, an updated table will be included which shows the revised capital financing costs for the period 2022/23 to 2024/25, including new capital proposals included in this report.

Capital proposals put forward 2022/23 to 2024/25

10. The proposed Capital Programme bids for 2022/23 to 2024/25 is detailed in Appendix 1 and summarised in Table 2 below.

Table 2 – Total Capital Programme 2022/23 to 2024/25

Summary	2022/23			2023/24			2024/25			Grand Total		
	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000
Resources	0	0	0	0	0	0	3,550	0	3,550	3,550	0	3,550
Peoples	450	0	450	250	0	250	50	0	50	750	0	750
Community	50	0	50	520	0	520	18714	7349	11365	19284	7349	11935
Total	500	0	500	770	0	770	22,314	7,349	14,965	23,584	7,349	16,235

11. The total of capital bids across the 3 year period amounts to £23.584m of which £7.349m can be funded from a combination of Borough CIL (BCIL), assumed external grants and reserves, which leaves a net figure £16.235m which would require funding from borrowing.

12. Whilst the request was for services to put forward 2024/25 bids, out of the net £16.235m total for all bids, there are 3 bids across 2022/23 and 2023/24 which total £1.270m (£500k 2022/23 and £770k 2023/24) as follows:

- £700k Social Care reform - Capital funding (placeholder) will be used to support the social care reforms. It is likely that DLUHC (formerly MHCLG) will provide funding towards this IT investment required but until the December settlement is announced this cannot be confirmed and therefore capital financing costs have been assumed.
- £500k Climate Emergency - Energy emissions reduction measures – funding exists in the capital programme up to 2022/23 for climate energy related works to contribute to decarbonisation of the Council’s (non-residential) built estate. A bid has been made to continue this work in future years with a bid of £500k in 2023/24. (There is also a £500k bid in 2024/25). The service will review the possibility of funding this from the carbon offset fund or other external funding rather than borrowing

and confirm this between now and the final Capital programme report at the February cabinet.

- £70k for health and Safety works at the Harrow Arts Centre & Headstone Manor Capital Infrastructure. There may be some grant funding available which is not yet known and again this will be confirmed when the Final Capital Programme goes to cabinet in February.

13. The bids for the year 2024/25 total £22.314m of which £7.349m can be funded from a combination of Borough CIL (BCIL), assumed external grants and reserves, which leaves a net figure £14.965m which would require funding from borrowing.

14. The schemes assumed to be funded from BCIL, external grants and reserves which total £7.349m in 2024/25 are as follows:

	£000	
• High streets Fund	£1,000	BCIL
• Flood defence and drainage	£500	BCIL
• Green Grid Programme	£150	BCIL
• Neighbourhood CIL schemes	£500	NCIL
• Disabled Facilities grants	£1,722	*Govt grant
• Transport projects	£1,391	*TFL grant
• Vehicle replacement	£2,086m	Vehicle reserve
Total	£7,349m	

*The grant is based on 2021/22 levels and subject to confirmation. Figures will need to be reduced or increased accordingly if the grant differs from the estimate.

15. The remaining bids for 2024/25 total a net figure of £14.965m as set out in the attached appendix 1 but summarised at a very high level below:

	£000	£000
Resources IT projects		3,550
Peoples (social care reform)		50
Community		
High Priority works - Corporate sites	650	
Parks Infrastructure	350	
Civic Amenity site Infrastructure	75	
Highways Programme	6000	
Street Lighting	2000	
CPZ Parking schemes	300	
Climate change measures	500	
Breakspear Crematorium	700	
Leisure and Libraries Infrastructure	150	
Harrow Arts Centre & Headstone Manor	20	
Empty Properties Programme	120	
Harrow High Street Fund	500	11,365
Total bids for 2024/25 requiring borrowing		14,965

16. The additional capital financing cost associated with the new proposed Capital bids across all 3 years (which total a net increase in the Programme of £16.325m) is £2m in total in 2025/26. As this year is outside of the current period of the MTFS, this increase needs to be factored into the budget for 2025/26 as part of next year's 2023/24 budget process.

Table 4 – Additional Capital Financing Implications Proposed Capital Programme

Capital Financing Costs	Annual costs
	£m
Minimum Revenue Provision (MRP)	1.6
Interest	0.4
Total Capital Financing Costs	2.0

17. Between now and the submission of the Final Capital Programme report to cabinet in February 2022, there could be refinement of the new capital proposals in Appendix 1 to take account of factors such as any external funding notifications, for example, government grant announcements, further internal departmental reviews etc.

Community Infrastructure Levy (CIL) Funding

18. The Community Infrastructure Levy (CIL) enables the council to raise funds for infrastructure from new development. It is levied on the net increase in floor space arising from new developments and is paid when that development starts. The Community Infrastructure Levy (CIL) is a tool for local authorities to support the development of their area by funding the provision, improvement, replacement, operation or maintenance of infrastructure. However, the focus of CIL is on the delivery of new infrastructure to meet and mitigate the impacts of new development in an area.
19. CIL receipts can be used to fund a wide range of infrastructure including transport, schools, health and social care facilities, libraries, play areas, green spaces and sports facilities. Harrow's list of strategic infrastructure requirements known as a Regulation 123.
20. Of all CIL monies collected, 85% is used to fund strategic borough wide infrastructure projects, which includes a 5% allowance to cover the administrative costs of CIL. The decisions on where to spend CIL at a borough-wide level is determined by the Council. The remaining 15% is allocated to Neighbourhood CIL (NCIL) and must be spent on projects that have taken account of the views of the communities in which the income was generated, and these projects should support the development of the area.
21. In 2017, the principle was adopted by the Major Development Panel (14th November 2017) and recommended to Cabinet that the allocation of Borough and Neighbourhood CIL is included as part of the Annual Budget

Setting process and included in the Capital Programme report which goes to Cabinet in draft (this report) and in February in its final version.

22. In terms of the Neighbourhood element of CIL specific projects to be funded by Neighbourhood CIL can be put forward by the relevant Directorates / Ward members and assessed against the criteria outlined in the CIL Allocations report agreed by the Major Development Panel in November 2017. The final decision on what projects are funded from the agreed NCIL allocations was delegated to the Divisional Director – Regeneration and Planning*, in consultation with the Portfolio Holders for Regeneration and Planning, and Finance and Resources. *The current delegation is with the Interim Chief Planning Officer.
23. The Borough CIL element is used to fund the core Capital programme. Schemes in the Capital Programme that have been funded by BCIL between 2017/18 to 2020/21 are set out in Table 5 and total £12.449m. Of this total, £1.582m of schemes remain outstanding as at 31.3.2021 and this has been carried forward as a commitment for 2021/22 and included in Table 7.

Table 5 – Schemes funded from BCIL up to 2020/21

Financial year	Description	BCIL	17/18 Actual Exp	18/19 Actual Exp	19/20 Actual Exp	20/21 Actual Exp	Outstanding commitment
2017/18	Highway projects	4,800,000	4,800,000				0
2018/19	Headstone Manor (Parks for People)	300,000		51,293	233,081	15,626	0
2018/19	Rayners Lane Triangle project	40,000		40,000			0
2018/19	Parks Infrastructure (Playground replacement)	545,000		219,138	325,862		0
2019/20	Parks Infrastructure (Playground replacement)	350,000			227,458	122,542	0
2019/20	Harrow Arts Centre - refurbishment & new build	1,150,000			71,737	841,490	236,773
2019/20	Sudbury Hill step-free access	50,000					50,000
2019/20	Flood Defence	300,000			300,000		0
2019/20	Highway Drainage	200,000			199,999		1
2019/20	Green Grid	75,000			39,761	35,239	0
2019/20	New Town Centre Library	2,090,000			1,569,662	520,338	0
2020/21	Headstone Manor (Flood alleviation scheme)	500,000				30,574	469,426
2020/21	Parks Infrastructure (Playground replacement)	250,000				204,329	45,671
2020/21	Harrow Arts Centre - refurbishment & new build	599,000					599,000
2020/21	Harrow Arts Centre Capital Infrastructure	300,000				266,212	33,788
2020/21	Flood Defence	300,000				300,000	0
2020/21	Highway Drainage	200,000				149,607	50,393
2020/21	Green Grid	150,000				150,000	0
2020/21	High Street Fund	250,000				152,733	97,267
Total		12,449,000	4,800,000	310,431	2,967,560	2,788,690	1,582,319

24. Table 6 sets out the CIL funding received to 13th September 2021 showing that £5.526m of BCIL and £1.815m of NCIL has been received to date to fund projects from 2021/22 onwards.

Table 6 – CIL Funding available as at 13 September 2021			
	BCIL	NCIL	Total
	£'000	£'000	£'000
Balance as at 31.3.2021	4,579	1,655	6,234
2021/22 Receipts (up to 13/09/2021 as per SAP)	947	160	1,107
Total Balance (up to 13/09/2021)	5,526	1,815	7,341

25. The projects in the Capital Programme for 2021/22 to 2023/24, to be funded from BCIL is £12.419m as set out in Table 7 which shows the spend over financial years.

Table 7: Schemes funding from BCIL from 2021/22 to 2024/25					
Capital programme commitments	2021/22	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000	£'000
Harrow Arts Centre - refurbishment & new build	2,013				2,013
Sudbury Hill step-free access	50				50
Headstone Manor (Flood alleviation scheme)	469				469
Parks Playground replacement	46				46
HAC Capital Infrastructure	34				34
Flood Defence and Highway Drainage	550	500	500	500	2,050
High Street Fund	1,397	1,100	1,000		3,497
High Street Fund Phase 2				1,000	1,000
Green Grid	150	150	150	150	600
Wealdstone Major Transport Infrastructure project - Bus improvement	900				900
Wealdstone Future High Street Fund			1,760		1,760
Total	5,609	1,750	3,410	1,650	12,419

26. The total current BCIL available as of 13th September amounts to £5.526m as set out in Table 6. The total requirement for BCIL funding to cover the total commitment of the existing capital programme and the new bids set out in paragraph 14) is £12.419m as set out in Table 7. This means a further £6.893m of BCIL is needed between the remainder of this current financial year of 2021/22 and the 3 years 2022/23, 2023/24 and 2024/25.

27. A further sum of £1.6m is expected in the current financial year of 2021/22, which would leave an average requirement of £1.76m pa for the following 3 years in order to fund the commitments in Table 7. Based on years prior to 2020/21 which was impacted by COVID-19, this has been considered a reasonable assumption. If this estimated level of BCIL is not received, then it would be necessary to fund the schemes from other sources. If this is ultimately borrowing, then this will impact upon future year's revenue budgets.

Housing Revenue Account (HRA)

28. The proposed HRA Capital Programme will be detailed in a separate report to Cabinet in January 2022. Any implications from the HRA Capital Programme are funded from the Housing Revenue Account and do not impact upon the General Fund Budget. The HRA Capital Programme will be included in the Final Capital Programme report going to cabinet in February 2022.

Options considered

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

Legal Implications

30. Under the Financial Regulations paragraph B2 full council is responsible for agreeing the authority's policy framework which are proposed by the cabinet and this includes the capital programme. Under B41 the Director of Finance is responsible for producing an annual capital strategy for Cabinet to recommend to Council.

Financial Implications

31. Financial matters are integral to the report. The capital financing costs of all capital investment must be provided for within the revenue budget.

Procurement Implications

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

Performance Issues

33. The capital programme proposed represents a significant investment by the Council in infrastructure. This will have an impact on a range of performance indicators across the Council's services.
34. Monitoring of the approved programme is ongoing and is essential for good financial management.
35. It is proposed that a performance target is set of 90% of the approved budget to be spent in year. Having approved an investment programme it is important that the programme is then substantially delivered in the planned timeframe, in line with member priorities.

Risk Management Implications

36. Risks included on corporate or directorate risk register? **Yes/No**
37. Separate risk register in place? **Yes/No**
38. The relevant risks contained in the register are attached/summarised below. **Yes/No/n/a**
39. The following key risks should be taken onto account when agreeing the recommendations in this report:

RisDescription	Mitigations	RAG Status
<p>A significant consideration in developing the proposals has been the risks arising from not keeping our infrastructure in good order. Not doing so would lead to an increase in health and safety risks and additional costs in replacing assets when they deteriorate too much to repair.</p>	<p>Two of the key criteria for including projects in the capital Programme are those projects that are needed to ensure that we continue to invest in our capital assets to cover to ensure the Council meets it's requirements for both Life and Limb/Health and Safety requirements and to fulfil the Council's Statutory and legislative duties.</p>	
<p>The cost of the Capital proposals are not affordable.</p>	<p>The additional capital financing costs (borrowing) of these Capital proposals impacts the Revenue Budget in 2025/26 and will be included in Revenue Budget for 2025/26 as part of next year's budget process when the year of 2025/26 will be included in the MTFS. The balancing of the 2025/26 budget will ensure affordability.</p>	
<p>The risk that the required level of BCIL does not materialise.</p>	<p>As the Capital programme is an annual process and the BCIL funding is now included in the report each year, the availability of BCIL to fund the Capital Programme will be kept under review. Should the level of BCIL not be sufficient then either the schemes can be removed from the programme or funded from an alternative source. If that source is borrowing then the revenue cost of borrowing will need to be included in the revenue budget.</p>	
<p>Capital projects being included in the Capital programme where they are funded from additional income to be generated from the project.</p>	<p>A number of projects that were reliant of income generation to fund the capital financing costs were removed from the Capital Programme as part of last year's budget process which has reduced the risk associated with income generation. For those projects which have remained in the Programme, where income generation is necessary to fund the borrowing costs, this income is monitored as part of the monthly budget monitoring process.</p>	

Equalities implications / Public Sector Equality Duty

40. One of the aims of the Capital Strategy is to ensure the responsible allocation of funding in line with the Council's priorities and legislative requirements such as equalities legislation. The officer's initial views are that no protected group is adversely affected by the proposals.
41. Decision makers should have due regard to the public sector equality duty in making their decisions. Consideration of the duties should precede the decision. It is important that Cabinet has regard to the statutory grounds in the light of all available material such as material in the press and letters from residents. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

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

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

The relevant protected characteristics are:

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

42. **Council Priorities**

The Council's new draft Capital proposals for 2022/23 to 2024/25 have been prepared in line with the Council's priorities set out below:

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: 30 November 2011

Statutory Officer: Jessica Farmer

Signed on behalf of the Monitoring Officer

Date: 1/12/2021

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 29 November 2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 26 November 2021

Head of Internal Audit: Susan Dixon

Signed by the Head of Internal Audit

Date: 26 November 2021

Mandatory Checks

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

EqIA carried out: NO as these capital proposals are in the main rolling programme items which will improve the Council's infrastructure and assets.

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Head of Strategic and Technical Finance (Deputy S151)

Email: sharon.daniels@harrow.gov.uk

Background Papers: none

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

NO

Project Title	2022/23			2023/24			2024/25			Grand Total		
	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000
Resources and Commercial Directorate												
Ongoing ICT Refresh - to include core Network upgrade and Migration of remaining azure applications into SaaS.			0			0	1,500	0	1,500	1500	0	1500
New Council Head Office IT refit			0			0	750	0	750	750	0	750
Ongoing ICT refresh - to cover improvements and refresh of cyber security, rolling device and peripheral refresh of IT equipment (W10/O365 & Sharepoint)			0			0	1,150	0	1,150	1150	0	1150
My Harrow Account upgrade							150		150	150	0	150
Total Resources	0	0	0	0	0	0	3,550	0	3,550	3,550	0	3,550
People's Directorate												
Adults:												
Proposed reforms to adult social care Capital funding (placeholder) will be used to support the implementation of the reforms and adapt the social care case management system (Mosaic) to meet the requirements of the reforms. This reflects the introduction of a cap on the lifetime contribution towards care costs of £86k from October 2023 (current advised implementation date), together with changes to make the means test for accessing local authority social care funding more generous by increasing the upper limit from £23,250 to £100,000. New burdens funding is anticipated but has not yet been confirmed	450	0	450	250	0	250	50	0	50	750	0	750
Total Adults	450	0	450	250	0	250	50	0	50	750	0	750
Public Health:												
	0		0			0			0	0	0	0
Total Public Health	0	0	0	0	0	0	0	0	0	0	0	0
Schools:												
			0			0			0	0	0	0
Total Schools	0	0	0	0	0	0	0	0	0	0	0	0
Total People's Directorate	450	0	450	250	0	250	50	0	50	750	0	750
Community Directorate												
Environmental Services:												

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Project Title	2022/23			2023/24			2024/25			Grand Total		
	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000
High Priority Planned Works - Corporate Sites To continue the programme of investment to undertake essential improvements across the Corporate Estate to ensure that properties in a safe and appropriate condition and comply with appropriate statutory, regulatory and corporate standards. A review of stock condition surveys is being undertaken and will feed into the Final Capital Programme report as necessary. This budget does not cover Schools which are funded separately from the schools capital maintenance grant and included in the existing Schools Capital Programme. Funding for 2022/23 will be confirmed in December when the finance settlement is announced.			0			0	650	0	650	650	0	650
Parks Infrastructure On-going programme to address historic under-investment and responsive only maintenance regimes to parks infrastructure; to address areas of deterioration and improve existing facilities and provide safe access for users.						0	350	0	350	350	0	350
CA Site Infrastructure On-going maintenance programme to the Civic Amenity site to ensure it provides a safe and secure environment in which to operate its business and continue to meet the needs of staff and users.							75		75	75	0	75
Green Grid Programme - BCIL funded Improvements to Harrow's green infrastructure to provide a network of interlinked and multifunctional open spaces.						0	150	150	0	150	150	0
Highways Programme To deliver the highways programme of investment and undertake essential structural maintenance to the highway asset.						0	6000	0	6,000	6000	0	6000
Flood Defence & Highways Drainage -BCIL funded To deliver the flood defence and alleviation programme of investment and implement schemes that minimise the risk of flooding from approximately 80kms of rivers and watercourses in the borough, and the highways drainage programme of investment and implement schemes in 15 critical drainage areas identified in the Council's Surface Water Management Plan.						0	500	500	0	500	500	0
Street Lighting Programme To continue the street lighting refurbishment programme of investment, which includes upgrading life expired street lighting columns and replacing conventional lanterns for more energy efficient LED lanterns and CMS rollout						0	2000	0	2,000	2000	0	2000

Project Title	2022/23			2023/24			2024/25			Grand Total		
	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000
Local Implementation Plan (LIP) including Parking Management Programme To deliver the transport projects and initiatives set out in the third Transport Local Implementation Plan (LIP) programme of investment. A Parking Management Programme to implement controlled parking schemes and restrictions is funded by Harrow Capital and supports the delivery of the LIP.						0	1691	1391	300	1691	1391	300
Vehicle Procurement Vehicles replacement programme The proposed capital investment assumes vehicles are replaced on a like for like basis (i.e. primarily diesel fuel). Should a decision on alternative fuel vehicles be made, the cost would be considerably more. A wider discussion is required to develop a Fleet Strategy to contribute towards carbon neutrality targets and how the costs of decarbonising the fleet can be funded.						0	2086	2086	0	2086	2086	0
Climate Emergency - Energy emissions reduction measures Continuation of the programme of energy related works to contribute to decarbonisation of the Council's (non-residential) built estate, in order to continue to address the Climate Emergency declared by the Council and support the Council's aim to work towards carbon neutrality as an organisation by 2030. Investing in energy saving measures and local renewable power generation will also increase the organisation's energy security over the medium term, protecting the public finances from volatility in national and international energy markets.				500	0	500	500	0	500	1000	0	1000
Breakspear Crematorium - Replacement of 3 cremators The facility is shared between Harrow and Hillington, with Harrow owning 1/3rd of the share. The existing cremators are reaching the end of useful life and will require replacement. Harrow will be responsible for 1/3rd of the investment cost.						0	700	0	700	700	0	700
Total Environmental Services	0	0	0	500	0	500	14702	4127	10575	15202	4127	11075
Cultural Services:												
Leisure and Libraries Capital Infrastructure Targeted investment to improve the infrastructure of the Council's leisure and library facilities.			0			0	150	0	150	150	0	150
Harrow Arts Centre & Headstone Manor Capital Infrastructure Replacement of roof tiles at Rayners Building to meet H&S issues; replacement of cast iron guttering for some parts of the existing buildings to ensure that buildings remains water-tight; and repairs/replacement of external railings, fencing etc.	50	0	50	20	0	20	20	0	20	90	0	90

Project Title	2022/23			2023/24			2024/25			Grand Total		
	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000	Total Project cost £000	Funding excluding Borrowing £000	Net project cost funded from borrowing £000
Total Cultural Services	50	0	50	20	0	20	170	0	170	240	0	240
Housing General Fund:												
Empty Properties Programme			0		0	0	120		120	120	0	120
Disabled Facilities Grants							1722	1722	0	1722	1722	0
Total Housing General Fund	0	0	0	0	0	0	1842	1722	120	1842	1722	120
Regeneration, Enterprise and Planning:												
Harrow High Street Fund - Phase 2 (2024/25 to 2026/27) To deliver public realm and creative placemaking improvements to the following district centres: Harrow Weald, Kenton, Pinner and Stanmore. The programme aims to improve the public realm and use a series of measures to help strengthen a sense of place in those centres. This includes: Festive Lights, Feature Lights, Greening (including trees and sustainable urban drainage systems), Copenhagen Crossings, Gateway Features (Wayfinding), Street Furniture such as benches and bins.			0			0	1500	1000	500	1500	1000	500
Neighbourhood CIL funded projects			0			0	500	500	0	500	500	0
Total Regeneration, Enterprise and Planning	0	0	0	0	0	0	2000	1500	500	2000	1500	500
Total Community Directorate	50	0	50	520	0	520	18714	7349	11365	19284	7349	11935
Total General Fund	500	0	500	770	0	770	22,314	7,349	14,965	23,584	7,349	16,235

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Report for: Cabinet

Date of Meeting:	9 December 2021
Subject:	Q2 Revenue and Capital Monitoring 2021/22
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance and Assurance
Portfolio Holder:	Councillor Natasha Proctor, Deputy Leader and Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All wards
Enclosures:	Appendix 1 – Summary of 2021/22 Revenue Budget Forecast by Directorate Appendix 2 – Summary of Reserves Appendix 3 – Summary of Grants Appendix 4 – Savings Tracker 2021/22 Appendix 5 – Capital Programme 2021/22 Appendix 6 – Trading Company Update 2021/22

Section 1 – Summary and Recommendations

This report sets out the Council's final revenue and capital outturn position for 2021/22.

Recommendations:

1. That Cabinet notes the revenue and capital forecast positions set out in paragraphs 1.2 and 1.3.
2. That Cabinet approve the proposed amendments to the Capital Programme as set out in paragraphs 3.34 to 3.39 and notes paragraphs 3.31 to 3.33.
3. That Cabinet note the Council's Trading Update as detailed in Appendix 6.
4. That Cabinet authorise the Director of Strategy and Partnerships, following consultation with the Portfolio Holder of Community Safety, Cohesion and Enforcement, to spend the expected grant received from the Government to support the Afghan Resettlement Programme, which over the three-year period of the funding programme is expected to be in the region of £1.5m.

Reason: (For recommendations)

To report the 2021/22 financial forecast position at Q2 and to update Cabinet on trading company performance.

Afghan Resettlement Programme

The Council will receive £20,520 over three years per family member. Given the average size of families in Holding Hotels is 6.6, if the Council takes 10 families, then this would equate to £1.35m over the three years of the programme. As this amount exceeds the £500,000 delegated authority for revenue spend, it is necessary to seek Cabinet approval for overall spend for the Afghan Resettlement Programme. The programme will be agreed in consultation with the Portfolio Holder of Community Safety, Cohesion and Enforcement.

Section 2 – Report

1.0 INTRODUCTION

- 1.1 This is the second budget monitoring report for 2021/22.
- 1.2 The revenue budget in 2021/22 is £179.442m which is net of government and other specific grants. A list of external grants is shown at Appendix 3. The net forecast position on the revenue budget at Q2 is an overspend of £101k, after the planned use of reserves which are largely applied to fund one-off projects and cross divisional adjustments.
- 1.3 The general fund capital programme budget in 2021/22 is £113.027m. The net forecast position on the capital budget at Q2 is £88.826m which represents 79% of the total capital programme budget. The variance of £24.201m is made up of proposed slippage of £19.721m and an underspend of £4.480m.
- 1.4 The Housing Revenue Account capital programme budget is £102.645m. The net forecast position on the HRA capital budget at Q2 is £99.595m which represents 97% of the total HRA capital programme budget. The variance of £3.050m is made up of proposed slippage of £2.3m and a net underspend of £750k.

2.0 REVENUE MONITORING

- 2.1 The net forecast position on the revenue budget at Q2 is an overspend of £101k.
- 2.2 This is a reduction of £540k from the position reported at Q1 which is largely due to technical adjustments in the Corporate budgets.
- 2.3 The summary of the outturn by each division is set out in Table 1 with a more detailed breakdown at Appendix 1:

Table 1: Summary of Revenue Budget Monitoring Forecast – Q2 2021/22

Directorate	Revised Budget	Forecast	Variance due to BAU	Contribution/Drawdown From reserves	Cross Divisional Adjustments	Use of one off funding / management actions	Revised Outturn	Variance to budget	Q1 Variance to budget	Movement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	38,795	43,292	4,497	(885)	(2,186)	0	40,221	1,426	1,193	234
Community										
Environmental Services	19,482	21,414	1,932	(284)	0	0	21,130	1,648	1,188	460
Directorate Management	5,340	5,364	24	(38)	0	0	5,326	(14)	178	(192)
Housing General Fund	4,516	4,368	(148)	218	(70)	0	4,516	0	0	0
Enterprise and Planning	1,375	1,684	309	(239)	0	0	1,445	70	0	70
Cultural Services	2,434	2,205	(229)	0	0	0	2,205	(229)	(207)	(22)
Regeneration	0	1,250	1,250	0	(1,250)	0	0	0	0	0
Total Community	33,147	36,285	3,138	(343)	(1,320)	0	34,622	1,475	1,159	316
People										
Adults Services	71,566	71,845	279	(35)	(244)	0	71,566	0	1,091	(1,091)
Public Health	(1,667)	(1,539)	128	(128)	0	0	(1,667)	0	0	0
Children's Services	35,471	40,160	4,689	(2,498)	0	(627)	37,035	1,564	1,865	(301)
Total People	105,370	110,466	5,096	(2,661)	(244)	(627)	106,934	1,564	2,956	(1,392)
Total Directorate Budget	177,312	190,043	12,731	(3,889)	(3,750)	(627)	181,777	4,465	5,308	(842)
Corporate Items	4,931	5,011	80	0	0	0	5,011	80	80	0
Investment Income	(2,876)	(2,796)	80	0	0	0	(2,796)	80	80	0
Transformation Savings	(1,000)	0	1,000	0	0	0	0	1,000	1,000	0
Covid Grants	(6,051)	(6,051)	0	0	0	0	(6,051)	0	0	0
Controlling Outbreak Mgmt Fund (20/21)	0	(1,503)	(1,503)	0	0	0	(1,503)	(1,503)	(1,503)	0
Controlling Outbreak Mgmt Fund (21/22)	0	(2,100)	(2,100)	0	0	0	(2,100)	(2,100)	(2,100)	0
Covid Compensation for loss of income	(500)	(700)	(200)	0	0	0	(700)	(200)	(200)	0
Corporate Contingency	1,248	0	(1,248)	0	0	0	0	(1,248)	(1,248)	0
Technical and Corporate Adjustment	10,530	16,301	5,771	(6,243)	0	0	10,058	(473)	(775)	302
Total Controllable Budget	6,282	8,161	1,879	(6,243)	0	0	1,918	(4,364)	(4,667)	302
Uncontrollable Budget	(4,154)	(4,154)	0	0	0	0	(4,154)	0	0	0
Total Corporate Budget	2,128	4,007	1,879	(6,243)	0	0	(2,236)	(4,364)	(4,667)	302
Total Budget Requirement	179,440	194,051	14,611	(10,132)	(3,750)	(627)	179,541	101	641	(540)

RESOURCES

2.4 As at Q2 the directorate is reporting a net overspend of £1.426m after a draw down from reserves and cross divisional adjustments.

Period	Budget £'000	Forecast £'000	Variance £'000
Q1	£38,730	£39,923	£1,193
Q2	£38,795	£40,221	£1,426
Variance	£65	£298	£233

2.5 This is an increase since Q2 of £233k which is largely due to additional expenditure funded from Controlling Outbreak Management Fund (COMF) grant which is held within the corporate budgets.

2.6 The main variances at Q2 are detailed in the following paragraphs.

- **Business Support** – net overspend £28k. This relates to a scanning project which was scheduled in the previous financial year but delayed due to Covid-19

- **Customer Services/Access Harrow** – net overspend £350k. This reflects unachieved savings of £50k (£175k 2020/21 and £175k 2021/22). Cabinet agreed to close the telephone lines for Council Tax and Benefits resulting in a saving in staffing costs. The closure was due to take place from 1 October 2020 however Covid-19 prevented to the start of the programme of work required to shift to digital channels. The delays are due to the team working on supporting CEV residents, the Community Hub, Track & Trace, Testing and the Revenues service. It is anticipated that the work can be carried out over the next nine months although there are ongoing discussions regarding the future of this team. In the meantime, the discovery work for the digitalisation of Revenues & Benefits has commenced.
- **Management** – net overspend £13k. This is due to additional subscription costs.
- **Strategy** – net overspend £583k. £572k is funded from the COMF grant.
- **Finance & Insurance** – net overspend £88k. This is due to a loss of income as several schools have joined the Government’s Risk Protection Arrangement insurance scheme.
- **Revenues & Benefits** – net overspend £314k. This is due to increased workloads due to Covid-19 and additional resource spend on post-pandemic recovery work to decrease backlogs which built up. In addition, there are extra pressures to a 40% increase in working age council tax support applications over the last 12 months.
- **Legal & Governance** – net underspend £50k. This relates to Land Charges and Registration of Births, Deaths & Marriages where the income is expected to exceed the budget.

COMMUNITY

2.7 As at Q2 the directorate is reporting a net overspend of £1.475m after a draw down from reserves and cross divisional adjustments. It should be noted that whilst it’s assumed that Covid-19 related measures will cease in the financial year 2021/22 the expectation is that the legacy of these restrictions will continue to have an impact on the Council’s financial performance.

Period	Budget £’000	Forecast £’000	Variance £’000
Q1	£33,214	£34,373	£1,159
Q2	£33,147	£34,622	£1,475
Variance	-£67	£249	£316

2.8 The variance has increased by £316k from Q1, due mainly to the following reasons:

- Facilities Management – forecast pressure of £200k assumed against the budget for reactive repair works across the Council’s corporate sites
- Facilities Management - Increase in forecast security cost at the depot of £64k
- Planning – legal costs of £70k are expected to be incurred following the commission of a public inquiry on a planning application at Canons Park station
- Housing (GF) - £176k increase in the forecast cost of using of B&B accommodation. As part of the pandemic response for the last 15 months, the Council has continued to accommodate households who were homeless even though full assessment of their circumstances resulted in the Council not having a housing duty. As we now move into recovery mode, a decision has been made following a review of these cases to work with them to move them on over the next 3 months.

This is partially offset by the following reductions:

- Regeneration – £32k reduction in forecast spend on providing additional support. This includes expenditure on consultancy advice.
- Harrow Arts Centre/Harrow Museum – £147k reduction in income loss forecast due to the award of the Cultural Recovery Fund Round 2
- Licensing & Enforcement – the easing of restrictions has allowed for a greater number of applications to be processed and the forecast income shortfall has been revised accordingly.

2.9 Environmental Services – net overspend £1.648m

2.10 Estates & Facilities Management

- **Facilities Management** – net overspend £1.402m. This is due to a forecast overspend on the Depot operational costs. The budget for reactive repair works for the Council’s corporate sites is estimated to overspend by £200k. Interim staffing arrangements across the service area is projected to increase staffing costs, resulting in a net overspend of £79k. In addition there is Covid related expenditure of £801k including works resulting from fire risk assessments as the Civic Centre, enhanced cleaning, fogging and security.
- **Corporate Estates** – net underspend £208k. This is due to over recovery of rental income across the Council’s corporate property portfolio

- **Head of Facilities and Estates** – net overspend £22k due to staffing costs as a result of interim staffing arrangements.
- **Catering** – net overspend £6k in relation to the Harrow Meals on Wheels service following the cessation of service provision to LBHF in August 2021
- **Waste Management** – net reduction £400k in the monthly gate fee, driven by current market conditions for dry recyclables, has resulted in a forecast underspend on waste disposal costs.

2.11 Parking and Network Management

- **Parking Services** – income is expected to be lower than pre-Covid-19 levels however this is largely offset by budget growth in the MTFS to reflect the losses of income. Therefore, this area is forecasting a balanced budget.

2.12 Divisional Director

- **Staffing** – net underspend £93k. This is due to 2 vacant divisional director posts which at present are being covered by an interim member of staff

2.13 Licensing & Enforcement

- **Covid-19 Marshalls** – net overspend £480k. In addition, £52k pressure relates to advertising and legal costs attributed to a manslaughter case.

2.14 Strategy, Development & Performance

- **Community Engagement** – net underspend £121k. This is due to vacant posts across the Community Engagement and School Crossing Patrol teams.
- **Contracts Management** – net overspend £23k. This is as a result of a forecast overspend on the Public Mortuary SLA which is partially offset by a small underspend on service overheads.
- **Business Performance** – net underspend £19k. This is due to a vacant post

2.15 Transport and Environmental Operations

- **Transport** – net overspend £21k. This is due to staffing costs in the Fleet Management team
- **Head of Transport and Environmental Ops** – net overspend £66k. This is due to interim staffing arrangements.

2.16 Directorate Management – net underspend £14k

2.17 Covid-19 is expected to continue to result in losses of income in 2021/22. As part of the MTFS process budget growth of £5m was added to the Community directorate budget to recognise anticipated losses of income. This £5m growth is held within Directorate Management. As at Q2 it is anticipated that the losses of income due to Covid-19 will be £4.986m resulting in a net underspend of £14k.

2.18 Enterprise and Planning – net overspend £70k

- In the Planning service a public inquiry on the planning application decision of Canons Park Station is estimated to result in £70k of counsel and consultant costs. There is a risk that this may increase if the Council is liable for appellant's costs.

2.19 Cultural Services – net underspend £229k

- **Harrow Museum** – net underspend £263k. A one-off payment of £325k has been received from the National Heritage Lottery fund. This relates to the final 10% of the grant award for the Headstone Manor refurbishment project as the grant condition only allows that this funding is released after the final monitoring and evaluation report has been submitted and approved. This is partially offset by a pressure of £46k due to sunk costs in relation to proposals for a new funding application for Headstone Manor. In addition, there is a further £16k of additional Covid-19 costs.
- **Harrow Arts Centre** – net overspend £39k. This is due to additional enhanced cleaning costs related to Covid-19.
- **Libraries** – net underspend £5k. This is due to several part-time posts across the library portfolio which are forecast to remain vacant throughout the financial year of £30k partially offset by £25k in additional enhanced cleaning costs relating to Covid-19.

2.20 Housing General Fund

2.21 As at Q2 the Housing General Fund is projecting a contribution to reserves of £218k and a cross divisional adjustment of £70k. The forecast also includes utilising £2.028m from the Homelessness Prevention Grant (formerly FHSG) to meet the costs associated with the Homelessness Reduction Act.

2.22 It is expected that there will be a significant increase in homelessness approaches from the private rented sector as Government support and

mitigations such as the ban on evictions, furlough scheme extension and the extended six-month Section 21 notice period comes to an end.

2.23 Estimated known pressures are summarised as follows

- Additional costs of accommodating single homeless and rough sleepers of £31k. Bed & Breakfast and other forms of emergency accommodation are initially used, then settle into more permanent private rented accommodation (costs net of Housing Benefit)
- B&B cases accommodated under discretionary power due to Covid-19 where homelessness duty has ended total costs £165k

2.24 **Regeneration**

2.25 The Regeneration Programme revenue budget for 2021/22 is £1.250m and is forecast to spend within budget. The majority of the costs relate to staffing and additional consultancy advice however a portion of the spend is attributable to the financial impact of Covid-19.

PEOPLE SERVICES

2.26 The forecast for People Services at Q2 is a net overspend of £1.564m after drawdowns from reserves and cross divisional adjustments.

Period	Budget £'000	Forecast £'000	Variance £'000
Q1	£105,305	£108,261	£2,956
Q2	£105,370	£106,934	£1,564
Variance	£65	-£1,327	-£1,392

2.27 This is reduction from the position reported at Q1 of £1.392m This is made up of

- Adult Services - £1.091m reduction in spend previously anticipated to be funded from the Adults Social Care Reserve
- Children's Services - £301k reduction in spend mainly related to SEN Transport

2.28 The movements and variations are explained in more detail in the following paragraphs.

Adult Services

2.29 As at Q2 the forecast for Adult Services indicates that the service will be delivered within the budget allocated.

2.30 At this point in the financial year it is challenging to forecast the position with certainty given that the services continue to be affected by the pandemic.

2.31 **Strategic Management** – net overspend £176k. This has changed from a balanced position at Q1 due to new temporary social worker posts to be funded for a fixed term, funded from the ASC reserve. A balance of £186k is being held on the Directors contingency to mitigate any unplanned pressures arising during the year which cannot be reduced or eliminated elsewhere across the directorate

2.32 **Purchasing** – balanced position. At Q2 the reported forecast for purchasing indicates planned activity in line with the allocated budget, requiring no draw down from the ASC reserve.

2.33 The position has improved since Q1 by £1.255m due to:

- Reduction in level of growth by £200k in Children & Young Adults with Disabilities service in terms of number and cost of care packages than previously forecast
- Reduction in the Adults purchasing forecast by £1.055m due to a lower number of care packages per week being set up than forecast in Q1 and a higher number of deaths in the community above budgeted assumptions.

2.34 The forecast assumes the following:

- The Discharge to Assess process will continue until the end of the financial year and results in the costs of the first 4 weeks of care being funded by the NHS
- 15 new care packages per week (11 in the community and 4 in Nursing and Residential). Winter pressures have been assumed for 12 weeks starting from mid-November resulting in a further 2 Nursing Packages a week being required over this period. Evidence suggests that this is overstated as data indicates that 6 months post hospital discharge there is a steep drop off and the ongoing new packages is closer to 11 per week. This will continue to be closely monitored.
- Early indications show that the Three Conversations to social care conversations is returning to pre-pandemic performance at finding alternative solutions and thereby reducing the number of ongoing packages of care, however, this has led to a bottleneck at the front end and continued pressures on staffing.
- A number of CCG commissioned care packages from hospital discharges will transfer to the LA. This is currently estimated at £325k however social care reviews will determine any ongoing LA liability
- 325 deaths during the year

- Approximately £220k of the £300k MTFS commissioning savings have been achieved and the balance is on target to be delivered by year end. The PWC costs of £175k are being funded centrally.
- The best-case scenario forecast assumes that the 5.3% BCF uplift is agreed and will reduce placement pressures and that there are no further nursing pressures (beyond the £325k assumed) from CCG commissioned placements.

2.35 **Mental Health** – balanced budget. This assumes forecast savings of £627k as part of the S75 overspend recovery plan will be achieved. The position is being closely monitored and reviewed through the S75 governance process.

2.36 **Other Adults** – balanced budget. This position has worsened since Q1 by £80k due to assumptions around the use of corporate reserves changing, as well as an increase in the Occupational Therapists staffing forecast.

2.37 **In-House Services** – net underspend £331k. This is due to the phased opening of day care largely in relation to the budgeted costs of agency staff which enables the loss of income at Wiseworks to be mitigated. This underspend has increased by £242k since Q1 due to delays in re-opening the day centres, leading to lower agency staff and transport costs.

2.38 **ASC Reserve** – the 2020/21 outturn enabled reserves to be set aside for adults social care to be carried forward to 2021/22, totalling £1.921m. It is anticipated that this will not need to be drawn down this financial year.

Public Health

2.39 As at Q2 Public Health (PH) is reporting an overspend of £128k related to wider health projects. The position has improved since Q1 by £194k due to increase in underspends in the sexual health service (on the CNWL contract), an underspend on the agenda for change budget of £76k and a staffing underspend caused by delay in recruitment of staffing allowing for the service not to use the grant uplift to offset staffing costs. The overspend will be managed through a draw down from the PH reserve. There are ongoing projects which are being funded through reserves including the Dementia Hub, ADHD & Autism, Ridgeway Project and PNA assessment which is cyclical and has been delayed from 2020/21 as well as the funding of October half term free school meals.

Children's Services

2.40 As at Q2 Children's Services is reporting a net overspend of £1.564m after draw down from reserves. This has reduced by £301k since Q1 largely due to reduction of pressures in SEN Transport as the new routes for the 2021/22 academic year have been finalised.

- 2.41 The headline pressure across the directorate is £4.963m with mitigating managements actions of £901k and £2.498m draw down from reserves. It should be noted that these £627k of these management actions are one off and will not be available in future years.
- 2.42 The 2021/22 budget has increased by £1.226m through the MTFs to support anticipated growth in placements & accommodation and frontline staffing which is partially offset by a reversal of savings of £410k no longer achievable taking the net growth to £816k. There was also growth of £777k for SEN Transport to manage increased demand and costs.
- 2.43 **Frontline Teams Staffing & Other Costs** – net overspend £1.504m. In order to manage caseloads agency staff are required to cover vacant social work posts, including sickness and maternity cover. There are around 25% of frontline posts which are covered by agency as well as increased ‘As and when’ workers to provide statutory supervised contact sessions. It has been necessary to recruit agency super numerate social workers in frontline teams to help manage increasing referrals and caseloads.
- 2.44 **Children’s Placements & Accommodation** – net overspend £2.384m
- 2.45 In 2020/21 spend in these areas significantly increased compared with average spend in the previous two years. Largely this was attributed to Covid-19 however it is difficult to accurately work out exactly which costs are Covid-19 related and which are due to other demographic changes. Throughout 2020-21 the number of Children Looked After peaked at 207 in August 2020 compared to previous averages of around 170.
- 2.46 The current number of CLA is back down to around 170 however the number of young people currently accommodated have significant and complex needs which in some cases require expensive residential provision.
- 2.47 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 is supported by the Keeping Families Together service which aims to prevent young people coming into care or working on step down plans where safe to do so. In addition, there are targeted actions to reduce the average cost of service provision through negotiation with providers including block contract services for Asylum and also Leaving Care.
- 2.48 There are also issues regarding placement sufficiency as foster carers and other providers were reluctant to take new young people during COVID resulting in higher cost placements than necessarily required or young people staying longer in existing placements where they could have been stepped down. In addition, despite a successful in-house fostering recruitment campaign young people are still being placed out of borough for reasons of contextual safeguarding and not just placement sufficiency
- 2.49 **Signers & interpreters and Legal costs** – net overspend £143k. There are pressures mainly in relation to translation services, such as whole

document translation of parenting assessments for individuals whose first language is not English as well as Legal disbursement costs including barrister and independent experts' fees in relation to care proceedings.

- 2.50 **Client Spend Section 17** – net overspend £65k. There are pressures in relation to support to 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. This budget remains at risk due to increasing numbers of Children in Need.
- 2.51 **Other Children and Young People Services** – net overspend £183k. This is due to pressures on other non-staffing budgets including commissioned services and the Harrow Children's Safeguarding Board.
- 2.52 **SEN Transport** – balanced budget. SEN Transport provides home to school and home to further education settings for children and young people in education with Education Health and Care Plans (EHCPs). There are significant pressures due to increase in demand for transport, increased complexity of children's needs and pressures in the market in relation recruitment of qualified drivers. These issue lead to requirement for more single passenger journeys and the increased use of taxis and other hired transport. Despite this, it is anticipated that a balanced budget can be achieved in 2021/22.
- 2.53 **Education Services** – net overspend £286k. This is due to pressures in relation to SEN Assessment & Review Service and Educational Psychology for Covid-19 recovery which is funded from a draw down from a reserve.
- 2.54 **Capital Programme & PFI**- net overspend £224k. The majority of this pressure relates to the Schools PFI which will be funded by a drawdown of £195k from the PFI reserve. The remainder relates to feasibility studies which must be charged to revenue until the it is determined whether the capital scheme can proceed.
- 2.55 The above pressures are partially mitigated by the following income/drawdowns:
- 2.56 **One-off grant and other income** – net underspend £627k.
- 2.57 **Drawdown from Reserves** – net underspend £2.498m.

Dedicated Schools Grant (DSG)

- 2.58 The 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

- 2.59 There is a projected overspend on the High Needs Block of £1.164m in 2021-22 which added to the cumulative deficit of £3.730m brought forward from 2019-20 and 2020-21 will take the total deficit at the end of March 2022 to £4.895m.
- 2.60 There is a projected underspend on the Schools Block (growth fund) of £777k which will be returned to the schools contingency.
- 2.61 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. This is a temporary arrangement until 2022-23 beyond which LAs must demonstrate they have sufficient reserves to cover the deficits.
- 2.62 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.
- 2.63 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 2021-22 compared with the deficit shown in the authority's published draft accounts.
- 2.64 The final deficit at the end of 2020-21 of £3.730m represents 1.55% 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
- 2.65 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

HOUSING REVENUE ACCOUNT (HRA)

- 2.66 As at Q1 the HRA is forecast to make a small surplus of £74k which brings the reserves in line with the budgeted position of £6.347m ie £6.273m (draft

closing reserve position for 2020/21. The position reflects the Covid-19 pressures of £71k and other variances of £849k due to lower income of £561k, higher depreciation charges of £184k, health & safety costs £80k and GLA grant £24k. These have been offset by lower capital charges of £732k and savings in operational budgets of £262k mainly due to vacancies and the impact of lower void numbers.

2.67 The main risk identified in the budget is the impact of the end of Covid-19 restrictions on the repairs service that may have the effect that the number and cost of void properties, which are currently below budget, could increase over the next seven months

2.68 The expected HRA reserve position is set out below at Table 2:

Table 2 – Housing Revenue Account Reserves 2021/22

HRA revenue balances £'000	Outturn 2020/21 pre audit	Budget	YTD actual	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000
Balance b/fwd	-7,526	-6,347	0	-6,347	0
Net (surplus) deficit	339		0	0	0
<u>Transfer to/(from) reserves:</u>					
Repairs reserve	114	0	0	0	0
Transformation reserve	250	0	0	0	0
Regeneration Reserve	550	0	0	0	0
Balance c/fwd	-6,273	-6,347	0	-6,347	0

CORPORATE AND TECHNICAL

2.69 As at Q2 the forecast for the corporate and technical budget is a net underspend of £4.364m as detailed below.

Corporate Items

2.70 As at Q2 the forecast for corporate items is a net overspend of £80k. This is due to increased costs related to the coroner's court.

Investment Properties

2.71 As at Q2 the forecast for investment properties is a net overspend of £80k. This is due to vacant space which results in loss of rental income.

2.72 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.

- 2.73 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.
- 2.74 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.
- 2.75 The annual estimated impact of vacant space at Kings House in 2021/22 is a loss of rental income of £395k. This is partly offset by earlier investment purchases achieving returns over and above their target hence the overall investment property pressure is forecast at £80k.
- 2.76 If this pressure materialises the council can call on the investment property reserve to mitigate this.

Transformation Savings

- 2.77 As at Q1 the transformation savings target of £1m is reporting an adverse variance as the target will not be met.

Covid-19 Grants & Income

- 2.78 In 2021/22 the council will receive the following Covid-19 grants and income as shown at Table 3

Table 3 – Covid-19 Grants & Income

Description	£000
Covid-19 Expenditure Pressures Grant 2021/22	6,051
Controlling Outbreak Management Fund	
- 2020/21 brought forward	1,503
- 2021/22 allocation	2,100
Compensation for loss of sales, fees & charges	700
Total Covid-19 grants and income	10,354

- 2.79 The Covid-19 Expenditure Pressures Grant 2021/22 allocation of £6.051m was included in the overall 2021/22 budget on a one-off basis. Compensation for loss of sales, fees & charges was also included in the budget on a one-off basis but at an estimated lower value of £500k.
- 2.80 Both COMF allocations have been earmarked to additional expenditure within the directorates including enhanced cleaning, fire risk assessments, communications, Covid-19 marshals and other COMF relevant activities. The grant is not as specific as other ringfenced grants as it can be spent against a set of criteria at the organisation's discretion to best meet the

needs of the borough. The expenditure is shown against the relevant directorate and the grant income is held corporately as it is a cross-council grant.

Central Contingency

2.81 The central contingency of £1.248m was not required and therefore there is an underspend against this budget.

Technical and Corporate Adjustments

2.82 As at Q2 there is a projected net underspend of £473k in the technical and corporate adjustments budgets which is primarily an underspend on capital financing costs and interest charges.

RESERVES

2.83 Attached at Appendix 2 is a schedule of all the reserves held by the Council.

GRANTS

2.84 Attached at Appendix 3 is a schedule of all the grants the Council is anticipating receiving in 2021/22

AFGHAN RESETTLEMENT PROGRAMME

2.85 On 31 August 2021, the Government announced 'Operation Warm Welcome' to ensure that all those Afghan residents who have relocated to the UK following the evacuation of Kabul, can access the vital healthcare, housing, education and support into employment they need to fully integrate into our society.

2.86 There are two specific programmes as part of 'Operation Warm Welcome', the Afghan Relocations and Assistance Policy (ARAP) and the Afghan Citizens Resettlement Scheme (ACRS), both of which offer funding to Local Authorities who receive families under these schemes for three years on the basis of £20,520 per family member over the three year period, tapered in three annual payments, with the year one payment being £10,500.

2.87 On the basis of the number of families in holding Hotels, the Council has made an initial pledge to receive 10 families over the next 10 months, which given the average size of families within hotels is currently 6.6, would equate to around £1.35m over the three years. The council has developed a partnership approach to support the delivery of this programme locally, but with the sums of money that the Council is likely to receive, Officers require delegated authority to move forward with the development of the offer, which will include housing, integration support, benefits take up,

school places, language support, employment skills and more. The funding received will go towards putting in place the best value response to support these outcomes being delivered effectively for the families.

- 2.88 Regular monitoring reports will be submitted to the finding department, the Home Office, to ensure spend is carried out to support the intentions of the funding agreement.

MTFS IMPLEMENTATION TRACKER

- 2.89 The 2021/22 budget includes approved MTFS savings of £3.443m.

- 2.90 Attached at Appendix 4 is a schedule 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 4 below:

Table 4: 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

- 2.91 Table 5 below shows the summarised position for each directorate for 2021/22:

Table 5 - Savings Tracker 2021/22 – Directorate Summary

	Resources	People Services	Community	Corporate	Total	%
	£'000	£'000	£'000	£'000	£'000	
Red	-175		-34	-1,000	-1,209	35%
Amber			-36	-144	-180	5%
Green	-1,759		-295		-2,054	60%
Totals	-1,934	0	-365	-1,144	-3,443	100%

- 2.92 In 2022/23 the MTFS savings total is £3.443m. 35% of these savings are rated red which means that these savings will not be delivered in this

financial year. The financial impact of not delivering these savings is included in the overall forecast position at Q2.

2.93 The red savings of £1.209m relate to the following savings:

- Resources £175k – Customer Services: Reduction in Customer Channels. Cabinet agreed to close the telephone lines for Council Tax and Benefits to reduce the Access Harrow budget by £350k through staff reduction. The closure was due to take place from 1 October 2020 with the budget reduction being equally split between 2020/21 and 2021/22. However, Covid-19 prevented the start of the programme of work required to channel shift Revenues & Benefits to digital channels. It is anticipated that the work can be carried out over the next nine months.
- Community £20k – Building Control. Income is adversely impacted by Covid-19 and it is unlikely that any additional income will be generated in 2021/22.
- Community £14k – Housing General Fund: Travellers Site. The Housing service will be unable to carry out this review in 2021/22 to achieve full cost recovery. The saving will be met from within the Housing General Fund in 2021/22.
- Corporate £1m – Transformation Savings.

3.0 **CAPITAL PROGRAMME**

3.1 The revised capital budget for 2021/22 is £215.672m as set out at Table 9:

Table 9: Capital Programme 2021/22

Directorate	TOTAL BUDGET (A+B)	Forecast Spend	Forecast Variance	Slippage	Underspend after slippage
	£'000	£'000	£'000	£'000	£'000
RESOURCES TOTAL	14,833	14,583	(250)	(250)	0
COMMUNITY					
Commissioning and Environment	38,908	36,617	(2,291)	(600)	(1,691)
Cultural Services	2,958	1,445	(1,513)	(1,513)	0
Housing General Fund	12,348	9,559	(2,789)	0	(2,789)
Regeneration, Enterprise and Planning	15,094	15,094	0	0	0
COMMUNITY TOTAL	69,308	62,716	(6,593)	(2,113)	(4,480)
PEOPLE					
Adults	411	171	(240)	(240)	0
Public Health	9	9	0	0	0
Children	28,466	11,348	(17,118)	(17,118)	0
PEOPLE TOTAL	28,886	11,528	(17,358)	(17,358)	0
TOTAL GENERAL FUND	113,027	88,827	(24,201)	(19,721)	(4,480)
TOTAL HRA	102,645	99,595	(3,050)	(2,300)	(750)
TOTAL GENERAL FUND & HRA	215,672	188,422	(27,251)	(22,021)	(5,230)

3.2 The general fund capital programme budget in 2021/22 is £113.027m. The net forecast position on the capital budget at Q2 is £88.827m which represents 79% of the total capital programme budget. The variance of £24.201m is made up of proposed slippage of £19.721m and an underspend of £4.480m. Further details are set out at the following paragraphs.

RESOURCES

3.3 As at Q2 the Resources capital programme is forecasting to spend £14.528m which represents 98% of the total budget.

3.4 There is a variance of £250k in relation to the Careline Devices Replacement Programme and this will be slipped to 2022/23 as the programme is phased over two years. There are no revenue implications as a result of this slippage.

COMMUNITY

3.5 As at Q2 the Community Directorate forecast is an overall spend of £62.716m which represents 90% of the total budget.

3.6 The forecast variance of £2.113m is planned to be slipped into 2022/23 and £4.480m is forecast as underspend in this year's Capital Programme.

Environment

- 3.7 The services forecast to spend £36.617m in 2021/22 and to slip a budget of £0.060m to 2022/23. £1.691m is reported as budget underspend. Projects with a budget variance are summarised below.
- 3.8 There are a couple of major transport infrastructure projects in Wealdstone area in the capital programme – Bus Improvements scheme and Liveable Neighbourhood. Both projects require significant external funding from TfL supported by a match fund from BCIL. TfL funding has been adversely affected by the Covid-19 pandemic. Following its funding review, TfL confirmed the release of the funding for the bus improvements scheme in 2021/22 to continue the works that started in the previous financial year. However, no funding has been allocated for Liveable Neighbourhood. £300k was originally assumed to be allocated in 2021/22 capital programme, and this is forecast as an underspend until there is any update from TfL funding.
- 3.9 TfL funding update is awaited on the annual Local Implementation Plan, therefore the budget of £1.391m in the capital programme is reported as an underspend.
- 3.10 There is a budget of £0.060m allocated for vehicles procurement in 2021/22. This is primarily for the replacement of a couple of small vehicles according to their age profile. Following an assessment on vehicles' condition, it is decided that the vehicles are to be kept for another year and therefore this budget is slipped to 2022/23.
- 3.11 The Wealdstone Future High Street Fund project is funded by MHCLG with a match fund from BCIL. There is a total budget of £9.209m over 3 years. £1.500m was originally estimated for year 1 when the Capital Programme was prepared. Subsequent reviews of the project plan and the signing of the Memorandum of Understanding confirm the funding profiled to year 1 of £0.960m. Therefore the £0.540m in 2021/22 is forecast to be slipped to 2022/23.

Culture

- 3.12 The services forecast to spend £1.445m in 2021/22 and to slip a budget of £1.513m to 2022/23. Projects with a budget variance are summarised below.
- 3.13 Harrow Arts Centre refurbishment. This project is for multiple years and is funded by the GLA and BCIL. The refurbishment of existing buildings was completed in previous years, while the New Build phase is programmed in 2021/22. An initial tender exercise for the New Build was completed, however the costs exceeded the funding envelope. A decision was then made to re-tender the project based on a design and build contract instead. The delay in appointing a contractor means that the majority of

works will be delivered next year and therefore £1.513m is slipped to 2022/23.

- 3.14 Unless explicitly stated above there are no revenue implications as a result of the slippage.

Enterprise & Planning

- 3.15 The services forecast to spend the full budget allocation of £3.385m in 2021/22.

Housing General Fund

- 3.16 The services forecast to spend £9.559m in 2021/22. £2.789m is reported as a budget underspend. Projects with a budget variance are summarised below.
- 3.17 Additional DFG grant was carried forward from 2020/21 resulting in a corresponding £0.085m reduction in borrowing requirement for 2021/22.
- 3.18 Property Acquisition programme – 32 additional homes. Budget was carried forward from 2020/21 to complete 3 remaining property purchases, bringing the total programme purchases to 42. These have concluded resulting in an estimated underspend of £154k.
- 3.19 Property Acquisition Programme 2021/22 – there is a projected underspend of £2.550m as a result of legislation changes effective from 1st April 2021, which prevents the continued use of Right to Buy 1-4-1 receipts being eligible to fund this programme.

Regeneration

- 3.20 At this stage, the service is forecasting spend to budget. There are some known risks to this position identified on Waxwell Lane (£0.220m) due to some immature Japanese Knotweed identified on site, boundary tree issues, design and drainage issues but at this stage it is thought this will be contained within existing budgets. Practical completion is estimated to be achieved January 2022 with sales concluding early in 2022/23.

PEOPLE SERVICES

- 3.21 The total People Services capital budget in 2021/22 is £28.886m. As at Q2 the projected spend is £11.528m which represents 40% of the total budget. Further details are set out at the following paragraphs.

Adult Services

- 3.22 The Adult Services capital budget in 2021/22 is £411k. As at Q2 this is forecast to spend to budget.

Public Health

- 3.23 The Public Health capital budget in 2021/22 is £9k. As at Q2 this is forecast to spend to budget

Children's Services

- 3.24 Children's Services capital budget in 2021/22 is £28.466m. It is proposed to slip the majority of this funding totalling £17.118m to future years. The majority of the slippage relates to external grant funding allocated for basic need school places. However, at present the school roll projections do not indicate that there is a need for permanent expansion at this time.
- 3.25 There are no revenue implications as a result of this slippage

HOUSING REVENUE ACCOUNT

- 3.26 The service forecasts to spend £102.644m and slip budget of £2.30m to 2022/23. There is also an underspend of £750k. Projects with a budget variance are summarised below.
- 3.27 Planned Investment – following the tender of Meadfield & Cornell scheme, the budget has been reprofiled to reflect project delivery resulting in slippage of £900k to 2022/23.
- 3.28 Health & Safety 3 Programme – In October 2021 Cabinet approved an additional £1.6 of HRA capital resources, above that which had already been approved in the programme of £2.4m, resulting in a total revised allocation of £4m. The additional £1.6m expenditure is as a result of additions to the level of works required can be contained within the current HRA Planned Investment Capital Budget for 2022-23 of £5.895m with no impact on the General Fund and no requirement for additional borrowing. This is estimated to be a 66 week programme of works spanning this year and 2022-23 and the budget has been reprofiled to reflect this resulting in slippage of £1.4m into 2022-23.
- 3.29 There is a budget of £1.0m within the planned investment programme set aside to be used as match funding towards meeting Governments' Green initiatives targets and the service anticipates that the full budget will not be required this year resulting in an underspend of £0.750m. This resource will go back into the HRA capital programme and be reallocated.
- 3.30 The following additions required to the Capital Programme are all funded by grant and therefore no additional capital financing costs will be incurred within the Council's general fund.

AMENDMENTS TO THE CAPITAL PROGRAMME 2021/22

3.31 ICT Dynamics – Further £500,000 draw down from budget

3.32 The current capital programme includes provision for the new Dynamics ERP system. The Finance part of the project went live on 4th October, with payroll and HR being progressed with an estimated go live date of April 2022. Cabinet were updated in September 2021, (as part of the Quarter 1 budget monitoring update) and were asked to note that £500k of the phase II budget was being drawn down to cover delay costs to 31st March 2022.

3.33 The total budget in the Capital Programme associated with enhancing Dynamics 365 is £1.7 m (£1.050m in 2021/22 and £0.650m in 2022/23). Out of the £1.7m, £1m relates to HR enhancements. Cabinet are requested to note a further draw down of £500k to cover the completion of the Phase I project and to cover some of the additional HR functionality which was in the second phase of the Dynamics project. Given the current focus of the project team is to go live with payroll and HR by 1st April, it is likely that any new HR functionality will be timetabled for post April 2022, once HR and payroll have gone live.

Additions to the Capital Programme

3.34 Litter in Project - £17,693

3.35 Following the successful application of the Litter Bin-frastructure grant scheme, WRAP has awarded a funding of £17,693 to undertake a litter project that focuses on raising awareness of litter and educates on what can be done with it. The project will focus on 30 primary schools and install 2 bins outside each school at located agreed with them. The funding will be used on the purchase of bins, therefore it is proposed that additional funding of £17,693 is included in the Capital Programme.

3.36 Headstone Manor Park for People - £308,371

3.37 The Headstone Manor Park for People project was in the previous year's Capital Programme with a total budget of £1.797m. Due to two periods of prolonged wet weather and Covid-19 lockdowns, the project was delayed with resultant contractor claims and extension of time. The work has now been completed and the final account from the contractor is produced. The additional costs of £359,289 over budget are being met from an additional grant of £265,100 recently secured from Heritage Lottery Fund (original funder of the project), additional S106 funding of £43,271 not previously utilised on the project and an existing budget of £50,918 in Highway Drainage of the Capital Programme. It is therefore proposed that a total additional funding of £308,371 is included in the Capital Programme. A separate approval will be sought for the use of budget of £50,918 from Highway Drainage project by way of a budget virement under delegated authority in accordance with Financial Regulations.

3.38 Parks Infrastructure - £15,000

3.39 A funding of £15,000 from Heritage of London Trust has been secured to contribute towards the restoration of the historic railings and gates and the stone piers of Cedars Open Space. It is therefore proposed that additional funding of £15,000 is included to Parks Infrastructure capital programme.

4.0 COUNCIL TRADING STRUCTURE UPDATE 2021/22

4.1 The Council's Trading Structure update 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 2021/22 FINANCIAL YEAR

5.1 This is the second revenue and capital budget monitoring report for 2021/22.

5.2 Cabinet will receive quarterly monitoring reports during the year as follows:

- Quarter 3 – February 2022
- Outturn report – June 2022

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.

As at Q2 the forecast position on the revenue budget is an overspend of £101k

For the 2021/22 savings built into the MTFs total £3.443m. The overall position is that 60% of the savings are RAG rated as Green (Clear delivery plans in place and project running to timescale), 5% amber (Potential for slippage, project will be delivered as originally intended but not within timescale, so saving will not be fully realised) and 35% red (Project may have started but will deliver no savings in the current financial year).

The general fund capital programme budget in 2021/22 is £113.027m. The net forecast position on the capital budget at Q2 is £88.826m which represents 79% of the total capital programme budget.

The Housing Revenue Account capital programme budget is £102.645m. The net forecast position on the HRA capital budget at Q2 is £99.595m which represents 97% of the total HRA capital programme budget.

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
Additions to the capital programme that may incur additional borrowing costs to the council	<ul style="list-style-type: none"> ▪ Funded by additional grants thus no additional capital financing costs will be incurred by the Council's general fund budget 	Green
Failure to deliver the budget on target	<ul style="list-style-type: none"> ▪ At Q2 the council can broadly manage a balanced budget, reporting a small overspend of £101k which has reduced from £641k reported at Q1. ▪ It is anticipated that by the end of the year this can be contained within budget through continued robust budget monitoring and challenge. 	Green
Trading companies' failure to deliver required contribution to the MTFS	<ul style="list-style-type: none"> ▪ Income target reprofiled over four years rather than three ▪ Impact of reprofiling on 2021-22 budget is already assumed in overall forecast at Q2 ▪ Quarterly stakeholder groups ▪ Review of financial and non-financial performance information 	Green
A total £1m draw down of the ICT Dynamics Budget to cover delays and to complete Phase I leaves insufficient budget to complete the project	<ul style="list-style-type: none"> ▪ The project scope will be reviewed to ensure the project comes in on budget whilst delivering as much of the additional functionality as possible. 	Green

10.0 Procurement Implications

Any procurement arising from this report will be supported by the procurement team and will be undertaken compliant with the Public Contract Regulations 2015 and the Council's Contract Procedure Rules.

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 3.33 to 3.41" it is not considered that this will have a detrimental equalities 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: 26/11/21

Statutory Officer: Jessica Farmer

Signed on behalf of the Monitoring Officer

Date: 30/11/21

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 1/12/2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 30/11/21

Head of Internal Audit: Susan Dixon

Signed by the Head of Internal Audit

Date: 30/11/21

Mandatory Checks

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

EqIA carried out: NO

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Head of Strategic and Technical Finance (Deputy S151), Telephone 020 8424 1332, Sharon.Daniels@harrow.gov.uk

Background Papers:

- [2021/22 Budget Report](#)

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

NO

Appendix 1 – 2021/22 Summary of Revenue Forecast by Directorate

	Revised Budget	Forecast	Variance due to BAU	Contribution / Drawdown From reserves	Cross Divisional Adjustments	Use of one off funding / management actions	Revised Outturn	Variance to budget	Q1 Variance to budget	Movement
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Resources										
Business Support	3,298	3,326	28	0	0	0	3,326	28	33	(5)
Customer Services/Acess Harrow	3,496	3,871	375	0	0	0	3,871	375	359	16
ICT	7,252	7,353	101	0	(70)	0	7,283	31	0	31
Director of Resources	790	1,711	921	0	(908)	0	803	13	179	(166)
Internal Audit & CAFT	625	619	(6)	0	0	0	619	(6)	(5)	(1)
Finance & Insurance	3,262	3,650	388	(300)	0	0	3,350	88	155	(67)
Revenues, Parking & Benefits	11,905	12,619	714	(400)	0	0	12,219	314	330	(16)
Procurement	674	674	0	0	0	0	674	0	0	0
HRD	1,319	2,571	1,252	(125)	(1,077)	0	1,369	50	(0)	50
Legal & Governance	3,353	3,303	(50)	0	0	0	3,303	(50)	(84)	34
Strategy	2,821	3,595	774	(60)	(131)	0	3,404	583	227	356
Total Controllable Budget	38,795	43,292	4,497	(885)	(2,186)	0	40,221	1,426	1,193	234
Uncontrollable Budget	(19,556)	(19,556)	0	0	0	0	(19,556)	0	0	0
Community										
Controllable Budget										
Commissioning & Commerical Services	19,482	21,414	1,932	(284)	0	0	21,130	1,648	1,188	460
Environment & Culture	5,340	5,364	24	(38)	0	0	5,326	(14)	178	(192)
Directorate Management	4,516	4,368	(148)	218	(70)	0	4,516	0	0	0
Housing General Fund	1,375	1,684	309	(239)	0	0	1,445	70	0	70
Enterprise & Planning	2,434	2,205	(229)	0	0	0	2,205	(229)	(207)	(22)
Regeneration	0	1,250	1,250	0	(1,250)	0	0	0	0	0
Total Controllable Budget	33,147	36,285	3,138	(343)	(1,320)	0	34,622	1,475	1,159	316
Uncontrollable Budget	25,129	25,129	0	0	0	0	25,129	0	0	0
People										
Controllable Budget										
Adults Services	71,566	71,845	279	(35)	(244)	0	71,566	0	1,091	(1,091)
Public Health	(1,667)	(1,539)	128	(128)	0	0	(1,667)	0	0	0
Children's Services	35,471	40,160	4,689	(2,498)	0	(627)	37,035	1,564	1,865	(301)
Total Controllable Budget	105,370	110,466	5,096	(2,661)	(244)	(627)	106,934	1,564	2,956	(1,392)
Uncontrollable Budget	16,341	16,341	0	0	0	0	16,341	0	0	0
Total Directorate Budgets	199,226	211,958	12,731	(3,889)	(3,750)	(627)	203,692	4,465	5,308	(842)
Corporate Items	4,931	5,011	80	0	0	0	5,011	80	80	0
Investment Income	(2,876)	(2,796)	80	0	0	0	(2,796)	80	80	0
Transformation Savings	(1,000)	0	1,000	0	0	0	0	1,000	1,000	0
Covid Grants	(6,051)	(6,051)	0	0	0	0	(6,051)	0	0	0
Controlling Outbreak Mgmt Fund (20/21)	0	(1,503)	(1,503)	0	0	0	(1,503)	(1,503)	(1,503)	0
Controlling Outbreak Mgmt Fund (21/22)	0	(2,100)	(2,100)	0	0	0	(2,100)	(2,100)	(2,100)	0
Covid Compensation for loss of income	(500)	(700)	(200)	0	0	0	(700)	(200)	(200)	0
Corporate Contingency	1,248	0	(1,248)	0	0	0	0	(1,248)	(1,248)	0
Technical and Corporate Adjustment	10,530	16,301	5,771	(6,243)	0	0	10,058	(473)	(775)	302
Total Controllable Budget	6,282	8,161	1,879	(6,243)	0	0	1,918	(4,364)	(4,667)	302
Uncontrollable Budget	(26,068)	(26,068)	0	0	0	0	(26,068)	0	0	0
Total Corporate Budget	(19,786)	(17,907)	1,879	(6,243)	0	0	(24,150)	(4,364)	(4,667)	302
Total Budget Requirement	179,440	194,051	14,611	(10,132)	(3,750)	(627)	179,541	101	641	(540)

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Reserves 2021-22

APPENDIX 2 - RESERVES 2021/22

Description	Brought Forward 01/04/21	Addition to Reserves 2021-22	Directorates Draw Down From Reserves	Corporate Reserves Movements	Balance Carry Forward 31/03/2022
CIL Harrow	-6,730,442				-6,730,442
Revenue Grant Reserve	-8,823,265	-218,000	2,408,000		-6,633,265
Compensatory Added Year Reserve	-242,782				-242,782
Business Pool Reserve	-767,170				-767,170
PFI Schools Sinking Fund	-2,371,579				-2,371,579
Public Health Reserve	-2,372,440		128,000		-2,244,440
PFI NRC Sinking Fund	-1,751,952				-1,751,952
Legal Services Contingency	-949,339				-949,339
Legal Expansion Reserve	-377,639				-377,639
HRA Transformation Reserve	-671,551				-671,551
Carryforward Reserve	-2,041,393			2,041,393	0
Collection Fund Reserve	-8,924,753				-8,924,753
Equalities Diversity & Inclusion Reserve	-250,000		125,000		-125,000
London Living Wage Reserve	-250,000				-250,000
Capital Feasibilities Reserve	-500,000				-500,000
Accommodation Strategy Reserve	-725,000				-725,000
Adults Social Care Reserve	-1,969,475			0	-1,969,475
IT Reserve	-134,000				-134,000
Borough Election	-398,747				-398,747
Harvist Reserve Harrow Share	-15,889				-15,889
Proceeds Of Crime Reserve	-63,000				-63,000
Proceeds Of Crime Reserve Planning	-326,550				-326,550
Headstone Manor Reserve	-287,750				-287,750
CIL Mayor	-152,902				-152,902
Libraries Reserve	-150,000				-150,000
Vehicle Fund	-920,478				-920,478
Investment Property Reserve	-841,875				-841,875
DSG Overspend	3,730,218				3,730,218
PAP Sinking Fund	-190,000				-190,000
HRA Hardship Fund	-25,000				-25,000
HRA Regeneration Reserve	-722,200				-722,200
HRA Repair Reserve	-277,428				-277,428
Business Risk Reserve	-5,350,000		936,000	3,350,000	-1,064,000
Budget Planning Reserve MTFS gap	-16,688,761			852,000	-15,836,761
Capacity Build/ Transformation Reserve	-2,000,000		510,000		-1,490,000
MTFS Implementation Reserve	-349,683				-349,683
Total non General Fund Reserves	-64,882,826	-218,000	4,107,000	6,243,393	-54,750,433
	0				
General Fund Reserves	-10,000,000				-10,000,000

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Appendix 3 - Summary of 2021-22 Grants

Directorate	Division	Awarding Body	Grant Name	Ringfenced Y/N	COVID Y/N	Value	Purpose of grant
People	Schools	ESFA	Dedicated Schools Grant	Y	N	£138,631,218	75% passported to schools and early years providers determined by funding formulae. 25% retained by LA for commissioning of High Needs provision for pupils with Special Educational Needs & Disabilities
People	Schools	ESFA	Pupil Premium Grant	Y	N	£3,788,080	All passported to schools
People	Schools	ESFA	Universal Infant Free School Meals	Y	N	£2,232,445	All passported to schools
People	Schools	ESFA	16-19 Sixth Form provision	Y	N	£1,906,276	All passported to schools
People	Schools	ESFA	Schools SEN	Y	N	£3,255,561	All passported to schools
People	Schools	ESFA	PE & Sports	Y	N	£1,858,719	All passported to schools
People	Children	Home Office	Unaccompanied Asylum Seeking Children	Y	N	£1,822,089	To support UASC and 18+ Asylum seekers. Figure is 2020-21 as is claimed in arrears based on spend
People	Children	YJB	Youth Justice Grant	Y	N	£232,466	Delivery of youth justice services
People	Children	DFE	Holiday Activities & Food Programme	Y	N	£554,270	Local co-ordination of free activities and healthy food for disadvantaged children.
People	Children	ESFA	Children Looked After Pupil Premium Grant	Y	N	£330,645	£2345 per child for looked after children by LA for at least 1 day. LAC premium is managed by Virtual School Head for the benefit of the child.Grants to be paid to schools and also can be held centrally to be paid for staffing, tutors training etc. Grant needs to be fully spent. Unspent grant is recovered by ESFA
People	Children	MHCLG	Supporting Families (was Troubled Families)	Y	N	£618,600	Provision of intensive family support services and increasing the maturity of the Early Help system. Also bringing services together around families to deliver whole family working. £433k attachment fees and up to £185.6k Payments by results
People	Children	DWP	Reducing Parental Conflict	Y	N	£18,673	To develop staff skills and capability to identify parents experiencing parental conflict, deliver specialist interventions and provide other support to reduce parental conflict
People	Children	DFE	Social Workers in Schools	Y	N	£382,825	A team of social workers based in schools (SWIS) with the aim they work more effectively with education colleagues and with children and families. 100% refund for salary costs.
People	Children	DfE	School Improvement Monitoring & Brokerage	Y	N	£148,436	Purpose of this grant is to support LA fulfilling statutory school improvement functions for maintained schools
People	Children/Adults	DfT	Bus Service Operators (BSOG)	Y	N	£69,341	Split 66.66% childrens and 33.33% adults. Payment made to LA for community transport

Directorate	Division	Awarding Body	Grant Name	Ringfenced Y/N	COVID Y/N	Value	Purpose of grant
People	Children	DfE	Extended Rights for Home to School Travel	Y	N	£6,400	To promote sustainable travel for children and young people of compulsory school age who travel to receive education or training
People	Children	DfE	Schools PFI	Y	N	£1,543,316	
People	Children	DfE	Sec 31 Extension of the Role of Virtual School Heads	Y	N	£30,000	The purpose of this grant is to provide support to local authorities in England, to help them meet their duty to appoint a Virtual School Head for previously looked-after children and make information and advice available to the following parties for the purposes of promoting the education of eligible previously looked-after children
People	Children	DfE	Sec 31 Extension of the Role of Virtual School Heads to children with a social worker Implementation Grant	Y	N	£100,000	Extend the role of the Virtual School Head to promote the educational outcomes of the cohort of children with a social worker in early years setting, schools and colleges. To help all childrens with Socail worker to make educational progress. 2021-22 is the first year and Budget holder informs unspent grant can be carried over to use following year
People	Children	DfE	Wellbeing for Education Recovery Grant	Y	Y	£23,331	First received in 2020-21 for school return in September 2020 to provide LA funding to support staff working in schools and colleges with training to respond to additional pressures young people maybe be feeling as result of the pandemic.
People	Children	HMPPS	Remand	Y	N	£124,767	Under 18s in remand/secure accommodation placements
People	Children	DfE	Staying Put	Y	N	£77,473	Statutory Staying Put duty (18+ remain with foster carers)
People	Children	DfE	Personal Advisor	Y	N	£47,564	Statutory duty to offer Personal Adviser support to all care leavers up to age 25
People	Children	DfE	Adoption Support Fund	Y	N	Variable TBC	Therapeutic services for adoptive and special guardianship order (SGO) families
People	Children/Adults	MOPAC	Appropriate Adult	Y	N	£6,844	46% refund for Appropriate Adult costs incurred for young people and adults in Harrow and Barnet custody suites. Value is estimated based on max amount available
People	Children	MOPAC	PRU Mentoring	Y	N	£19,687	To deliver dedicated one-to-one mentoring support for young people with complex needs that attend a Pupil Referral Unit
People	Children	ESFA	KS2 Moderation and KS1 Phonics	N	N	£7,051	To support the teaching of phonics at key stage 2

Directorate	Division	Awarding Body	Grant Name	Ringfenced Y/N	COVID Y/N	Value	Purpose of grant
People	Schools	ESFA	School Led Tutoring programme	Y	N	£104,514	All passported to schools. To support catch-up for lost education due to COVID-19
People	Schools	ESFA	Recovery Premium	Y	N	£108,199	All passported to schools. Additional funding for eligible schools based on Pupil Premium eligibility to provide further support to disadvantaged pupils
Corporate	Corporate	MHCLG	Business Rates Top Up Grant	Y	N	£22,623,424	
Corporate	Corporate	MHCLG	Covid-19 Tranche Funding	N	Y	£6,051,184	
Corporate	Corporate	MHCLG	Controlling Outbreak Management Fund	Y	Y	£1,561,596	Additional Surge Funding
Community	Cultural Services	Arts Council	Cultural Recovery Fund Round 2	Y	Y	£367,886	To support the recovery of cultural activities in Harrow Arts Centre, Harrow Museum and Harrow Music Service
Community	Cultural Services	Sport England	National Leisure Recovery Fund	Y	Y	£366,549	£523,642 was awarded in 20/21 but the grant condition allows the unspent fund to be carried forward into 2021/22 to continue financial support to leisure service provider
Community	Cultural Services	Arts Council	Music Education Grant	Y	N	£334,931	To support the delivery of activities from Music Hub
Community	Cultural Services	DfE	Centrally Employed Teacher's Pension Grant	Y	N	£74,251	To support the pension costs increase of music
Community	Environment	European Regional Development Fund	Welcome Back Fund	Y	Y	£221,203	An expansion of the Reopening High Street Safely Fund (RHSSF) in 20/21. To continue to support RHSSF objectives, and also to support and promote a safe public environment for a local area's visitor economy; and allow local areas to develop plans for responding to the medium-term impact of CV-19 including trialling new ideas particularly where these relate to the High Street.
Community	Environment	TfL	2021/22 LIP - interim funding package	Y	N	£221,000	Interim funding for period up to 28th May 21 to deliver Corridors schemes and Local Transport measures.
Community	Enterprise	GLA	Adult Education Budget (Community Learning)	Y	N	£452,975	To deliver personal development, health and wellbeing courses to Harrow / London residents
Community	Enterprise	GLA	National Skills Fund	Y	N	£50,000	To deliver level 3 vocational qualifications to Harrow / London Residents
Community	Enterprise	GLA	Adult Education budget (Skills)	Y	N	£295,249	To deliver level English, maths, ESOL and ICT courses to Harrow / London Residents
Community	Enterprise	Education and Skills Funding Agency	Adult Education Budget	y	N	£35,500	To deliver personal development, health and wellbeing and skills courses to people travelling to Harrow for work but reside out of London

Directorate	Division	Awarding Body	Grant Name	Ringfenced Y/N	COVID Y/N	Value	Purpose of grant
Community	Enterprise	DWP	Kickstart	Y	N	£611,000	Govt programme for 16-25 year olds providing 6 months paid work placement for 25 hours per week. Up to £611k. Funding will be passed to organisations that provide eligible work placements. Government pay min wage, Xcite subsidize difference to LLW
Community	Enterprise	DWP	Harrow Brokerage Programme	Y	N	£24,510	To deliver training on skills and job support
Community	Enterprise	DWP	Raising Ambition Harrow	Y	N	£68,231	To deliver training on skills and job support
Community	Enterprise	West London Alliance	Strategic Investment Partnership	Y	N	£183,285	Enabling Fund to support the delivery of digital infrastructure in the borough; Business & Skills Fund to continue to provide support to residents on skills and apprenticeship and to support entrepreneurs and micro businesses.
People	Adults	MHCLG	Improved Better Care Fund	Y	N	£6,437,630	Meeting adult social care needs, supporting people to be discharged from hospital when they are ready, ensuring the social care provider market is supported
People	Adults	MHCLG	Social Care Grant	Y	N	£5,465,188	The purpose of the grant is to provide support to local authorities
People	Adults	MHCLG	ASC Infection Control & Testing	Y	Y	£1,988,125	Reduce the rate of COVID-19 transmission and conduct testing
People	Public Health	DOH	Public Health Grant	Y	N	£11,150,058	Improving the health of the local population and reducing health inequalities
Resources	Strategy	DCLG	CEV		Y	£983,023	received in 20/21 - support for clinically extremely vulnerable people , further grants to be received in 21/22 CC 2588 so far collected £574k in 21/22
Resources	Strategy	DEFRA	DEFRA		Y	£218,000	food parcels grant received in 20/21, the remaining amount which was carried forward to 21/22 is £177,587
Resources	Strategy	MHCLG	Community Champions Fund		Y	£495,000	received in 20/21 -to support small organisations in our less engaged communities to promote vaccination messaging within their communities (e.g. Romanian, Tamil, Somali, etc). Remaining amount c/f to 21/22 £212,336
Resources	Strategy	DWP	Covid Winter/Easter Grant	Y	Y	£736,000	Grant received in 20/21 to support communities during winter and \Easter schools breaks , remaining grant c/f to 21/22 £319,849
Resources	Strategy	Home Office	Resettlement VPRS grant	Y	N	£121,806	to fund resettlement cost (admin, support officer) for refugee families 20/21, further £96,096 was received in 21/22
Resources	Strategy	WLA	One Public Estate	Y	N	£73,000	grant remaining in 21/22 to fund expenditure relating to community buildings upkeep /improvement) in the Borough
Resources	Strategy	MHCLG	Domestic Abuse Grant	Y	N	£170,300	to contribute to DO cost - Hestia contract

Directorate	Division	Awarding Body	Grant Name	Ringfenced Y/N	COVID Y/N	Value	Purpose of grant
Resources	Strategy	MOPAC	VRU/LCPF	Y	N	£435,009	To cover cost of community projects preventing abuse and violence - gang worker
Resources	Benefits	DWP	Rent Rebate Subsidy	Y	N	£25,680,554	as received in 20/21 – DWP subsidy paid to local authority to cover the cost of Housing Benefit paid to local authority tenants who are paid Housing Benefit by the LA via means testing
Resources	Benefits	DWP	Rent Allowance Subsidy	Y	N	£91,109,269	as received in 20/21– DWP subsidy paid to local authority to cover the cost of Housing Benefit paid to privately renting tenants who are paid Housing Benefit by the LA via means testing
Resources	Benefits	MHCLG	Local Council Tax Admin Subsidy	Y	N	£213,875	as received in 20/21 – administration grant paid by DWP to LA to cover costs of administering Housing Benefit locally
Resources	Benefits	MHCLG	local council tax support schemes grant (2021-22) [No 31/5550].		N	2,326,514	The grant is provided towards expenditure incurred, or to be incurred, in respect of the provision of local council tax support in 2021-22.
Resources	Democratic Services /Governance	DCLG		Y	N	£454,833	to cover/contribute to the cost of General Elections, as and when they take place, grant received in 20/21
Resources	Democratic Services /Governance	DCLG	MHCLG Cabinet Office , Local Election Funding	Y	N	£111,531	to cover/contribute to the cost of GLA, as and when they take place, grant received in 21/22
Resources	Benefits	MHCLG	MHCLG Local Council Tax Support Schemes Grant		Y	£545,000	this is c/f fro Council Tax hardship support
Resources	Benefits	DCLG	Test/Trace Support Payment Scheme PLPYJ0021531		Y	£268,785	Selfisolation £500per person payment for each claimant needing to sty at home
Resources	Democratic Services /Governance	DCLG	GLA Elections for London Boroughs	Y	N	£308,700	to cover/contribute to the cost of GLA, as and when they take place, grant received in 21/22
Community	Housing	MHCLG	Homelessness Prevention Grant	Y	N	£2,246,458	to give local authorities control and flexibility in managing homelessness pressures and supporting those who are at risk of homelessness
Community	Housing	MHCLG	Rough Sleeping Initiative	Y	N	£309,819	support for rough sleepers. £309,819 is the allocation for this year which we expect to be reduced by the amount of £163,208 which was carried forward from 20-21
						£343,440,041	

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MTFS Savings- 2021/22 to 2023/24							
Specific Service Area	Headline Description re: saving / reduction	2021-22	2022-23	2023-24	Total	RAG Rating	Comments
		£000	£000	£000	£000		
Resources Directorate							
Customer Services	Benefits - delete two posts over two years	(33)			(33)		Savings achieved
Customer Services	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)		Cabinet agreed to close the telephone lines for Council Tax and Benefits to reduce the Access Harrow budget by £350k through staff reduction. The closure was due to take place from 1 October 2020 with the budget reduction being equally split between 2020/21 and 2021/22. However, covid prevented the start of the programme of work required to channel shift Revenues & Benefits to digital channels. The delays have been caused because of the team supporting CEV residents, the Community Hub, Track & Trace, Testing, the Revenues service, and Virtual meetings as well as a lack of capacity within the service to support discovery and testing. It is anticipated that the work can be carried out over the next nine months although there are ongoing discussions regarding the future of this team.
Investment Income	Investment Income : Income from investing in commercial properties	(1,726)			(1,726)		Savings achieved
Resources total		(1,934)	-	-	(1,934)		
Community Directorate							
Environment & Commissioning	Commissioning and Environmental Services re-organisation - net saving on salary budget	(250)			(250)		Phase 1 and Phase 2 restructure completed and implemented. Saving achieved.
Enterprise - Xcite	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.	45			45		This £45k relates to the reduction of the £90k saving offered in 2020/21 by half in 2021/22 to reflect the staff resource required to continue the jobs and skills programme.
Culture - Harrow Museum	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)			(22)		Cultural Service restructure completed to reflect the end of the HLF funding arrangement. Saving achieved.

MTFS Savings- 2021/22 to 2023/24							
Specific Service Area	Headline Description re: saving / reduction	2021-22	2022-23	2023-24	Total	RAG Rating	Comments
		£000	£000	£000	£000		
Housing GF - Travellers site	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)		Originally aimed for 2021/22, deferred to 2022/23 with savings to be met from overall Hsg GF budgets until review concluded
Housing GF - Supporting people	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)		Reduction in EACH contract to be met from Homelessness Prevention Grant, and reduction in contribution to Sheltered Housing support, funded by deletion of Support Coordinator role.Savings achieved.
Development Management - Building Control	Building Control - Additional income from commercialisation of the service	(20)			(20)		Building Control income is adversely affected by the health pandemic. It is unlikely that any additional income can be achieved in 21/22
Additional Financing Income	Additional Financing Income: (Originally £403k, but £367k relating to Probation Centre and Drones was reversed in 21/22 MTFS) Bannister cafe (25k) Harrow Weald Toilet (£11k)	(36)			(36)		Part-year rent is anticipated. The lease for Harrow Weald café has been drafted. Once the project is complete, this will be leased. Works at Bannister Café is ongoing and will complete in the later part of the financial year. The rent target is mitigated by income from other leases within Corporate Estates.
Community Total		(365)	-	-	(365)		
Corporate							
Corporate	Gayton Road - income from 53 PRS units	(144)	(47)		(191)		The dividend income from the Gayton Road properties has been reprofiled from 2021/22 which means there will be a shortfall in income against the budgeted income level until 2024/25, but thereafter the income target will be met
Corporate	Transformation Target - additional £1m over and above SEN Transport target per annum	(1,000)	(1,000)		(2,000)		
Corporate Total		(1,144)	(1,047)	-	(2,191)		
Adults	Commissioning - contract prices review	(300)			(300)		£220k savings achieved to date. Remaining £80k expected to be delivered by year end
Adults		(300)	-	-	(300)		
GRAND TOTAL		(3,743)	(1,047)	-	(4,790)		

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
Purple	Future years' savings

Capital Programme 2021/22

Project Title	Original Programme	Brought Forward	Virement	Other Adjustment (Additional/Reduction)	Funding Excluding Borrowing (A)	Harrow Funded (B)	TOTAL BUDGET (A+B)	Forecast Outturn	Forecast Variance	Slippage	Over/ Underspend after Slippage
	£	£	£	£	£	£	£	£	£	£	£
Resources and Commercial Directorate:											
ABAVUS and Waste Collector	0	241,477	0	0	0	241,477	241,477	241,477	0	0	0
Devolved IT Applications	1,861,000	837,555	-2,387,748	0	0	310,807	310,807	310,807	0	0	0
Digital Improvements Programme	750,000	0	-750,000	0	0	0	0	0	0	0	0
Enterprise Resource Planning System	110,000	1,589,990	0	850,000	0	2,549,990	2,549,990	2,549,990	0	0	0
Enterprise Resources Planning TT	1,050,000	0	-1,050,000	0	0	0	0	0	0	0	0
ICT 2021-22	0	0	7,538,270	0	0	7,538,269	7,538,269	7,288,269	-250,000	-250,000	0
LAA Performance Reward Grant	0	59,407	0	0	59,407	0	59,407	59,407	0	0	0
Legal Case Management System	0	0	41,000	0	0	41,000	41,000	41,000	0	0	0
Ongoing ICT Refresh and Enhancements	1,958,999	2,201,400	-3,391,522	0	0	768,877	768,877	768,877	0	0	0
Other Schemes (Council wide)	9,000,500	0	-5,759,729	82,000	0	3,322,771	3,322,771	3,322,771	0	0	0
SAP: Financial Leger/Systems Control Imp	0	0	0	0	0	0	0	0	0	0	0
Total Resources and Commercial Directorate	14,730,499	4,929,829	-5,759,729	932,000	59,407	14,773,191	14,832,598	14,582,598	-250,000	-250,000	0
People's Directorate:											
Adults:											
Assistive Technology	245,000	25,000	0	0	0	270,000	270,000	30,000	-240,000	-240,000	0
In-House Residential	125,000	16,137	0	0	0	141,137	141,137	141,137	0	0	0
Total Adults	370,000	41,137	0	0	0	411,137	411,137	171,137	-240,000	-240,000	0
Public Health:											
Healthy Pupil Capital Fund	0	8,854	0	0	8,854	0	8,854	8,854	0	0	0
Total Public Health	0	8,854	0	0	8,854	0	8,854	8,854	0	0	0
Schools:											
Additional Basic Need Funding	14,973,404	0	0	0	14,973,404	0	14,973,404	0	-14,973,404	-14,973,404	0
Bulge Classes	552,266	0	0	0	552,266	0	552,266	552,266	0	0	0
Childrens IT Development	0	221,539	0	0	0	221,539	221,539	221,539	0	0	0
Childrens Services Buildings Programme Works	0	41,932	0	0	0	41,932	41,932	41,932	0	0	0
Day Respite Provision	400,000	0	0	0	0	400,000	400,000	400,000	0	0	0
Devolved Formula Non VA Schools	0	53,243	0	0	53,243	0	53,243	53,243	0	0	0
Hatch End MUGA	0	0	0	0	0	0	0	0	0	0	0
School Amalgamation	0	653,956	31,070	0	685,026	0	685,026	685,026	0	0	0
Schools Capital Maintenance	1,000,000	2,244,620	-31,070	2,800,444	6,013,994	0	6,013,994	6,013,994	0	0	0
Schools Expansion Programme - Phase 2	0	23,211	0	0	23,211	0	23,211	23,211	0	0	0
SEN Expansion	5,507,210	68,778	0	-74,529	5,501,459	0	5,501,459	3,357,078	-2,144,381	-2,144,381	0
Total Schools	22,432,880	3,307,279	0	2,725,915	27,802,603	663,471	28,466,074	11,348,289	-17,117,785	-17,117,785	0
Total People's Directorate	22,802,880	3,357,270	0	2,725,915	27,811,457	1,074,608	28,886,065	11,528,280	-17,357,785	-17,357,785	0

Project Title	Original Programme	Brought Forward	Virement	Other Adjustment (Additional/Reduction)	Funding Excluding Borrowing (A)	Harrow Funded (B)	TOTAL BUDGET (A+B)	Forecast Outturn	Forecast Variance	Slippage	Over/Underspend after Slippage
Community Directorate:											
Commissioning and Environment:											
Bannisters Former Civil Defence Building	0	306,351	0	0	0	306,351	306,351	306,351	0	0	0
CA Site Infrastructure	100,000	0	0	0	0	100,000	100,000	100,000	0	0	0
Car Parks Infrastructure	0	1,476	0	0	0	1,476	1,476	1,476	0	0	0
Carbon Offset Fund	0	0	0	500,000	500,000	0	500,000	500,000	0	0	0
CCTV cameras and equipment at the depot	0	50,000	0	0	0	50,000	50,000	50,000	0	0	0
CCTV Infrastructure	1,246,435	-163	0	0	0	1,246,272	1,246,272	1,246,272	0	0	0
Climate Emergency - Energy emissions reduction measures	250,000	0	0	0	0	250,000	250,000	250,000	0	0	0
Corporate Accommodation Maintenance	0	4,046	1,327	0	0	5,373	5,373	5,373	0	0	0
Depot Redevelopment	0	4,068,846	13,453,000	0	0	17,521,846	17,521,846	17,521,846	0	0	0
Flood Defence & Highways Drainage	500,000	50,393	0	0	550,393	0	550,393	550,393	0	0	0
Harrow Green Grid	150,000	0	0	0	150,000	0	150,000	150,000	0	0	0
Harrow Weald Toilet Block	0	68,923	0	0	0	68,923	68,923	68,923	0	0	0
Headstone Manor - Park for People Project	0	157,746	0	0	157,746	0	157,746	157,746	0	0	0
Headstone Manor Flood Alleviation Scheme	0	469,671	0	0	469,671	0	469,671	469,671	0	0	0
High Priority Plan Maintenance Corporate Property	650,000	726,880	-31,327	0	0	1,345,553	1,345,553	1,345,553	0	0	0
Highway Improvement Programme	6,000,000	0	0	0	0	6,000,000	6,000,000	6,000,000	0	0	0
Parking Management Programme	300,000	0	0	0	0	300,000	300,000	300,000	0	0	0
Parks Infrastructure	350,000	148,721	0	41,531	41,531	498,721	540,252	540,252	0	0	0
Parks Playground Improvement	0	45,672	0	0	45,672	0	45,672	45,672	0	0	0
Public Sector Decarbonisation Scheme	0	0	0	2,483,197	2,483,197	0	2,483,197	2,483,197	0	0	0
Redevelopment of Rayners Lane Toilet Block	0	170,000	-170,000	0	0	0	0	0	0	0	0
Redevelopment of Vernon Lodge & Atkins House	0	0	0	0	0	0	0	0	0	0	0
Street Lighting Improvement Programme	1,500,000	0	0	0	0	1,500,000	1,500,000	1,500,000	0	0	0
Street Litter Bins	0	0	0	0	0	0	0	0	0	0	0
TfL Principal Road Maintenance	0	0	0	0	0	0	0	0	0	0	0
TfL Transport Capital (LIP)	1,391,000	0	0	0	1,391,000	0	1,391,000	0	-1,391,000	0	-1,391,000
Vehicle Procurement	60,000	425,000	0	0	0	485,000	485,000	425,000	-60,000	-60,000	0
Waste and Recycling	0	13,829	0	0	0	13,829	13,829	13,829	0	0	0
Waste Services bins (Trade)	150,000	75,728	0	0	0	225,728	225,728	225,728	0	0	0
Wealdstone Future High Street Fund (FHSF)	1,500,000	0	0	0	1,500,000	0	1,500,000	959,901	-540,099	-540,099	0
Wealdstone Major Transport Infrastructure	1,700,000	0	0	0	1,700,000	0	1,700,000	1,400,000	-300,000	0	-300,000
Total Commissioning and Environment	15,847,435	6,783,119	13,253,000	3,024,728	8,989,210	29,919,072	38,908,282	36,617,183	-2,291,099	-600,099	-1,691,000

Project Title	Original Programme	Brought Forward	Virement	Other Adjustment (Additional/Reduction)	Funding Excluding Borrowing (A)	Harrow Funded (B)	TOTAL BUDGET (A+B)	Forecast Outturn	Forecast Variance	Slippage	Over/Underspend after Slippage
Cultural Services:											
Central Library Refit/Refurb	0	53,250	0	0	53,250	0	53,250	53,250	0	0	0
Harrow Arts Centre	1,177,000	835,773	0	0	2,012,773	0	2,012,773	500,000	-1,512,773	-1,512,773	0
Harrow Arts Centre Capital Infrastructure	0	33,788	0	0	33,788	0	33,788	33,788	0	0	0
Harrow Museum Capital Infrastructure	0	2,591	0	0	0	2,591	2,591	2,591	0	0	0
Libraries and Leisure Capital Infrastructure	150,000	110,234	196,381	0	-53,250	509,865	456,615	456,615	0	0	0
Libraries Self-Service Kiosks Refresh	120,000	0	0	0	0	120,000	120,000	120,000	0	0	0
Sec 106 Banister Sport Pitch	0	278,835	0	0	278,835	0	278,835	278,835	0	0	0
Total Cultural Services	1,447,000	1,314,471	196,381	0	2,325,396	632,456	2,957,852	1,445,079	-1,512,773	-1,512,773	0
Housing General Fund:											
Disabled Facilities Grants	2,070,017	397,898	0	0	2,036,278	431,637	2,467,915	2,383,112	-84,803	0	-84,803
Empty Property Grant	120,000	0	0	0	0	120,000	120,000	120,000	0	0	0
Property Acquisition Programme	8,802,383	958,000	0	0	2,640,600	7,119,783	9,760,383	7,056,373	-2,704,010	0	-2,704,010
Total Housing General Fund	10,992,400	1,355,898	0	0	4,676,878	7,671,420	12,348,298	9,559,485	-2,788,813	0	-2,788,813
Regeneration, Enterprise and Planning:											
Harrow High Street Fund	1,800,000	135,756	0	0	1,435,756	500,000	1,935,756	1,935,756	0	0	0
Lyon Rd Pop Restaurant & Square	0	330,283	0	34,509	364,792	0	364,792	364,792	0	0	0
MoL COVID-19 - ERSF	0	9,750	0	0	9,750	0	9,750	9,750	0	0	0
Neighbourhood CIL Schemes	500,000	84,148	0	0	584,148	0	584,148	584,148	0	0	0
New Planning IT system	0	489,980	0	0	0	489,980	489,980	489,980	0	0	0
Trinity Square	0	0	1,000	0	0	1,000	1,000	1,000	0	0	0
Demolition of Social club	300,000	0	0	0	0	300,000	300,000	300,000	0	0	0
Gayton Rd	2,293,326	812	0	0	0	2,294,138	2,294,138	2,294,138	0	0	0
Haslam House Redevelopment	865,495	626,001	0	0	0	1,491,496	1,491,496	1,491,496	0	0	0
Investment in 3 core sites	0	0	428,768	0	0	428,768	428,768	428,768	0	0	0
Investment in HNC	2,070,000	0	0	0	0	2,070,000	2,070,000	2,070,000	0	0	0
New Civic	0	0	0	0	0	0	0	0	0	0	0
Other Regeneration	1,787,883	0	0	0	0	1,787,883	1,787,883	1,787,883	0	0	0
Plot S	500,000	0	0	0	0	500,000	500,000	500,000	0	0	0
Poets Corner	8,119,420	0	-8,119,420	0	0	0	0	0	0	0	0
Waxwell Lane Development	1,569,692	1,266,431	0	0	0	2,836,123	2,836,123	2,836,123	0	0	0
Total Regeneration, Enterprise and Planning	19,805,816	2,943,161	-7,689,652	34,509	2,394,446	12,699,388	15,093,834	15,093,834	0	0	0
Total Community Directorate	48,092,651	12,396,649	5,759,729	3,059,237	18,385,930	50,922,336	69,308,266	62,715,581	-6,592,685	-2,112,872	-4,479,813
Total General Fund	85,626,030	20,683,748	0	6,717,152	46,256,794	66,770,135	113,026,929	88,826,459	-24,200,470	-19,720,657	-4,479,813
Housing Revenue Account:											
Building Council Homes For Londoners (includes infill)	61,079,000	1,502,123	393,634	0	15,293,634	47,681,123	62,974,757	62,974,757	0	0	0
Grange Farm phase 1	15,812,000	1,627,860	0	0	15,812,000	1,627,860	17,439,860	17,439,860	0	0	0
Grange Farm phase 2	975,000	4,000,000	0	0	975,000	4,000,000	4,975,000	4,975,000	0	0	0
Housing IT Scheme	796,000	52,309	0	0	796,000	52,309	848,309	848,309	0	0	0
Mayor's Rough Sleeping Accommodation Programme	0	0	0	2,880,915	1,449,999	1,430,916	2,880,915	2,880,915	0	0	0
Planned Investment Programme	12,161,000	1,758,753	-393,634	0	11,767,366	1,758,753	13,526,119	10,476,118	-3,050,001	-2,300,000	-750,001
Total HRA	90,823,000	8,941,045	0	2,880,915	46,093,999	56,550,961	102,644,960	99,594,959	-3,050,001	-2,300,000	-750,001
Total General Fund + HRA	176,449,030	29,624,793	0	9,598,067	92,350,793	123,321,096	215,671,889	188,421,418	-27,250,471	-22,020,657	-5,229,814

Project Title	Original Programme	Brought Forward	Virement	Other Adjustment (Additional/Reduction)	Funding Excluding Borrowing (A)	Harrow Funded (B)	TOTAL BUDGET (A+B)	Forecast Outturn	Forecast Variance	Slippage	Over/ Underspend after Slippage
Total General Fund + HRA	0	0	0	0	0	0	0	0	0	0	0

Appendix 6 – Council Trading Company Update 2021/22, Quarter 2

Introduction

1. As at Quarter 2 2021/22, 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.
3. The Council's interests in these entities are not material for the purposes of the financial statements. The Council's financial statements do not therefore include group accounts.

Background

4. 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).
5. Concilium Business Services Ltd is a wholly owned subsidiary of Concilium 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.
6. Sancroft Community Care Ltd is a wholly owned subsidiary of Concilium Group Ltd. The company took over the operation of the residential care home for the elderly situated on Sancroft Road, Harrow on 8th February 2018. Of the care home's 62 beds, 45 are block contracted with the London Borough of Harrow for five years.
7. 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

8. The accounting year end for all of these entities is 31st March in line with the Council's year end. This report references detail for financial years ended 2021 along with a summary for financial years ended 2022 and 2023.
9. Financial accounts have been prepared for the year ended 31st March 2021 for Sancroft Community Care Limited, Concilium Assets LLP, Concilium Group Limited and Concilium Business Services Limited. Audits of these accounts are underway. For reporting purposes, Concilium Group Limited is classified as a dormant entity. The financial position for the companies for the year ending 31st March 2021 is summarised in Table 4.
10. Audits of the accounts for the year ended 31st March 2020 for Sancroft Community Care Limited and Concilium Assets LLP have been completed. Audits of the accounts for the year ended 31st March 2020 for Concilium Group Limited and Concilium Business Services Limited for the year ended 31st March 2020 are underway.
11. The detailed annual forecast position to 31st March 2022 for the council's trading structure has been summarised in Table 5. These figures have not yet been subject to audit.
12. 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

13. Concilium Business Services Ltd underwent 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.
14. 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.
15. The future financial position in Table 6 assumes that Concilium Business Services Limited will be closed at the end of the current financial year.

Sancroft Community Care Ltd

16. The audited financial information for Sancroft Community Care Ltd for the year ending 31st March 2021 is summarised in Table 4 at the end of this report. A financial summary of Sancroft's performance against its business plan (budget) for 2021/22 is presented in Table 2 below.

Table 2: Sancroft Forecast Annual Position as at 31st March 2022

<i>Negative/(Positive)</i>	Full year Forecast	Annual Budget	Forecast Budget Variance
Total Income	(2,470,000)	(2,415,000)	(55,000)
Total Expenditure	2,396,000	2,369,000	27,000
(Net Profit)/Loss	(74,000)	(46,000)	(28,000)

17. The full business plan (refreshed) for Sancroft Community Care Ltd was presented as Appendix 7 (exempt) to the 23rd September 2021 Cabinet report and approved along with the quarterly performance against budget for Q1 2021/22 as Appendix 6.

18. The forecast remains volatile due to the impact of Covid-19 and the continued ongoing uncertainty.

Concilium Assets LLP

19. Concilium Assets LLP has been trading since 1st January 2019 and has prepared audited accounts for the 15 months ended 31st March 2020 and the year ended 31st March 2021.

20. The full business plan (refreshed) for Concilium Assets LLP was included as Appendix 8 (exempt) to the 23rd September 2021 Cabinet report and approved along with the quarterly performance against budget for Q1 2021/22 as Appendix 6.

21. 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 31st March 2022

<i>Negative/(Positive)</i>	Full year Forecast	Annual Budget (B-Plan)	Forecast Budget Variance
Total Income	(1,061,991)	(1,061,991)	0
Total Expenditure*	1,102,203	913,765	(188,438)
(Net Profit)/Loss	40,212	(148,226)	(188,438)

* See paragraphs 20 - 22 below

22. 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 original business plan however it has been reflected in the refreshed business plan approved by Cabinet on 23rd September 2021. The lease rent is a direct benefit to the Council and is included in the MTFS.

23. The LLP accounts for 2019/20 include a technical adjustment spreading lease rent 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.

24. 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. The amount paid to the Council in respect of lease rent and dividend for 2021/21 was £451k.

25. The positive forecast against budget for 2021/22 is due primarily to lower than expected levels of voids. The budgeted distribution of funds from the LLP to the Council of £406k is on target to be achieved.

Funding Arrangements

26. 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

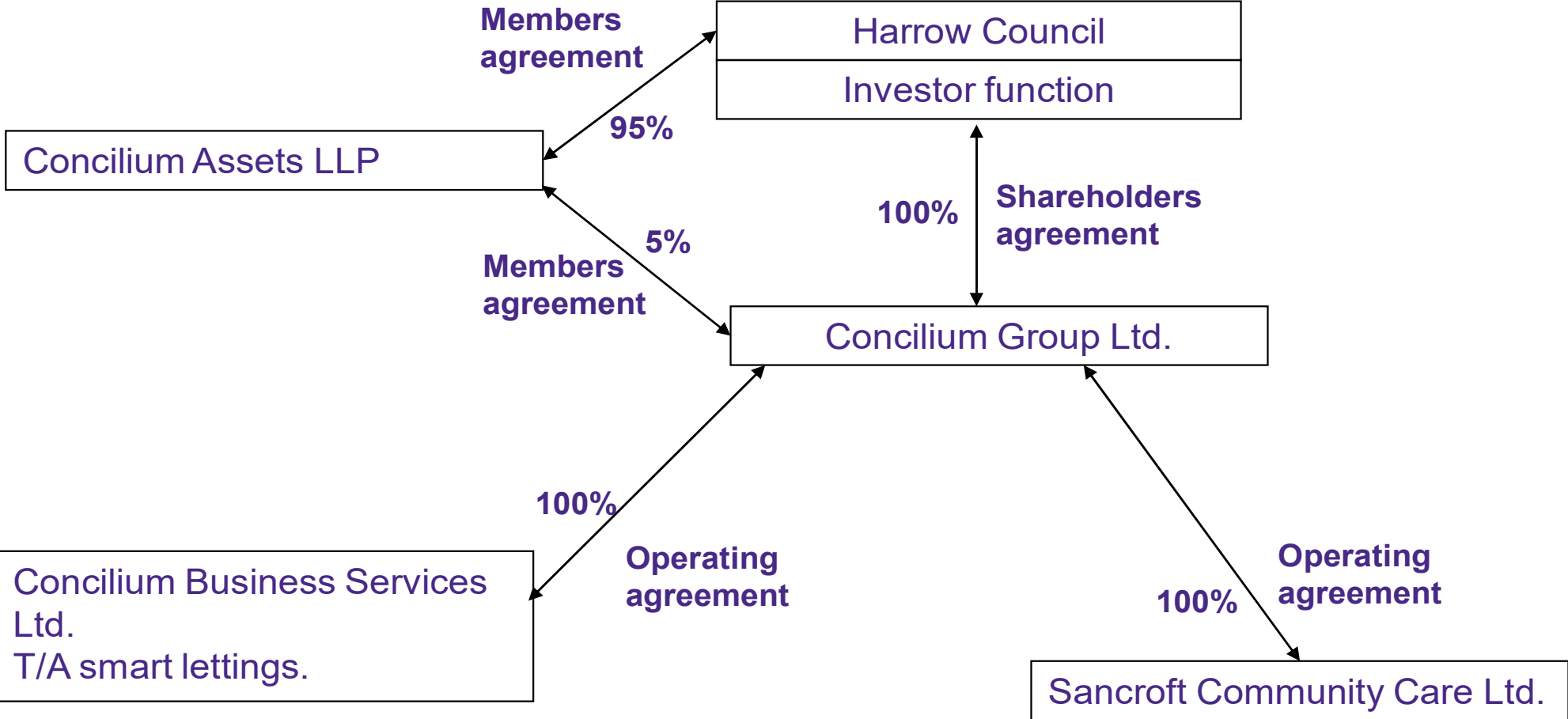


Table 4: Trading Structure Full Year Position to 31st March 2021

£ Negative/(£ Positive)	Concilium Business Services Ltd	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Income	(73,617)	0	(2,366,830)	(1,080,945)	(3,521,392)
Direct and Administrative Expenditure	81,746	4,000	2,298,765	1,054,317	3,438,828
(Net Profit)/Loss	8,129	4,000	(68,065)	(26,628)	(82,564)
Retained Earnings c/f	(18,869)	10,724	(77,445)	48,127	(37,463)

Table 5: Trading Structure Full Year Forecast to 31st March 2022 - unaudited

£ Negative/(£ Positive)	Concilium Business Services Ltd	Concilium Group Ltd	Sancroft Community Care Ltd	Concilium Assets LLP	Aggregate Position
Income	(40,000)	0	(2,470,000)	(1,061,991)	(3,571,991)
Direct and Administrative Expenditure	58,869	2,500	2,396,000	913,765	3,371,134
(Net Profit)/Loss	18,869	2,500	(74,000)	(148,226)	(200,857)
Retained Earnings c/f	0	13,224	(151,445)	(100,099)	(238,320)

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	(18,869)	10,724	(77,445)	48,127	(37,463)
(Net Profit)/Loss - 2021/22	18,869	2,500	(74,000)	(148,226)	(200,857)
(Net Profit)/Loss - 2022/23	-	2,500	(24,472)	(32,237)	(54,209)
Retained Earnings c/f	0	15,724	(175,917)	(132,336)	(292,529)



Report for: Cabinet

Date of Meeting:	9 th December 2021
Subject:	Estimated Surplus / (Deficit) on the Collection Fund 2021-22
Key Decision:	Yes
Responsible Officer:	Dawn Calvert - Director of Finance
Portfolio Holder:	Councillor Natasha Proctor – Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

This report sets out the estimated financial position on the Collection Fund as at 31st March 2022 and how it is shared amongst the constituent precepting bodies and Central Government.

Recommendations:

Cabinet is asked to:

- (a) Note an overall net estimated deficit of £21.069m on the Collection Fund as at 31st March 2022.

This includes a deficit of £421k on Council Tax (Harrow share – £343k and a deficit of £20.648m on Business Rates (Harrow share (£6.194m).

(b) Agree Harrow's share of (£6.537m) and this be transferred to the General Fund in 2022-23.

Reason: (For recommendations)

To report to Cabinet on the Council's statutory obligation to estimate the surplus or (deficit) on the Collection Fund for the year end. Approval to the recommendations set out is a major part of the annual budget review process.

Section 2 – Report

Introductory paragraph

1. The Council is required by statute to maintain a separate fund called the Collection Fund for the collection and distribution of amounts due in respect of council tax and national nondomestic rates (NNDR / Business Rates). The arrangement in respect of council tax is that of an agent with 81.47% being retained by Harrow and 18.53% going to its preceptor Greater London Authority. For NNDR the Council is responsible for collecting and distributing the business rates they collect in the proportions 30% retained by Harrow, 37% to the Greater London Authority and 33% to Central Government.

2. Collection Fund Position

Before we set out the reasons for this year's deficit, it is worth setting out last year's position and how that was funded.

In last year's Cabinet report, the following deficit for 2020/21 was set out.

	Council Tax (Table 1a)		NNDR (Table 2a)		Total
	%	£m	%	£m	£m
Harrow Council	82.04	0.006	30	(8.873)	(8,867)
Greater London Authority	17.96	0.001	37	(10,943)	(10,942)
Central Government			33	(9,760)	(9,760)
		0.007		(29,576)	(29,569)

Although this was a very large deficit, mostly it was due to changes in legislation and losses directly linked to the Covid 19 pandemic for which Harrow received compensation from Central Government. The LBH share of the deficit which needs to be paid into the collection fund in 2021/22 is however not the £8.867m but £8.072m, the difference being the amount that Harrow is required to spread and pay in future years (in relation to deficits for the 2020/21 financial year only), and the fact that there was an overall Council Tax surplus last year of £185,627 when taking all council tax years into consideration.

The table below sets out the additional compensation monies received and how they offset the deficit, both regarding the amounts payable this year

and in future years, taking into account the compulsory spreading of the financial year 2020/21 deficits over 3 years.

Table 1a

Collection Fund Liabilities re 2020/21 To be paid into Collection Fund to cover Harrow's share of the deficit of £8.867m in 2021/22 taking into account mandatory spreading	2020/21 Cabinet Report Figures	Less spreading adjustment	To be paid into collection fund in 2021/22
NDR – Deficit as per last years Cabinet report	8,868,633	-600,414	£8,268,219
CTAX – Surplus as per last years Cabinet report	-5,448	-180,180	-£185,628
Total			£8,082,591

Table 1b

Reserves- Additional Income received from Central Gov to cover 2020/21 deficit	Balance of S31 Grant to offset losses due to retail relief	TIG (total income compensation) scheme for loss of Ctax	TIG compensation scheme for Loss of NDR	Running totals
	£8,069,938	£398,960	£455,955	-£8,924,853
Less Payment to collection fund 2021/22				£8,082,591
Reserves balance c/fwd as required to clear deficit spread in future years				-£842,262

As can be seen from the above, there were sufficient monies in the reserves to cover the commitment to the collection fund for the previous year.

3. Specific to 2021/22 - Surplus / Deficits

The estimate of the surplus / (deficit) for the Collection Fund as at 31st March 2022 is made for the purpose of the 2022-23 budget. The estimated financial position of (£21.069m) as at 31st March 2022 is shown in the table below with the allocation between the stakeholders for both council tax and NNDR.

	Council Tax (Table 1a)		NNDR (Table 2a)		Total
	%	£m	%	£m	£m
Harrow Council	81.47	(0.343)	30	(6.194)	(6.537)
Greater London Authority	18.53	(0.078)	37	(7.640)	(7.718)
Central Government			33	(6.814)	(6.814)
		(0.421)		(20.648)	(21.069)

With regards Council Tax, a larger deficit would have materialised this year due to the large increase in working age households claiming council tax support compared to what was expected. However, this appears to have plateaued and even started to reduce slightly and has also been offset partly by better than expected property growth and better than anticipated collection performance which allowed the release of previously set aside bad debt provisions. Arrears continue to be almost 100% covered by bad

debt provisions therefore minimising risk. The deficit has largely been contained and could have been much worse considering the challenges over the last year.

The majority of the Business Rates deficit occurred due to Central Government having elected to continue to provide retail relief (post settlement announcement) to business rate payers for the financial year 2021/22. This resulted in around 1,600 retail businesses paying reduced business rates which impacted the yield and created a deficit of approximately £17.5m overall. The resulting deficit is due to Harrow's rateable value continuing its historical yearly reductions which has seen the overall rateable value reduce by approximately £2m or 1.5% in the past 12 months.

Regarding retail relief, Central Government will pay an additional s31 grant to compensate for this loss in yield, so whilst the general fund will be paying the Harrow proportion of the loss, this is almost all offset by the additional estimated £5.25m s31 grant leaving Harrow only slightly worse off. The table below sets out how the deficit is expected to be funded.

Table 2a

Collection Fund Liabilities re 2021/22 To be paid into Collection Fund to cover Harrow's share of the deficit of £6.537m in 2022/23 taking into account mandatory spreading	2021/22 Deficit Figures	Less spreading adjustment	To be paid into collection fund in 2022/23
NDR – Deficit as per this Cabinet report	£6.194m	£0.303m	£5.891m
CTAX – Deficit as per this Cabinet report	£0.343m	£0.090m	£0.253m
Total			£6.144m

Table 2b

Reserves & additional Income expected to be received from Central Gov to cover 2021/22 deficit	Expected additional S31 Grant to compensate for losses due to retail relief	C/fwd ring fenced Reserves *see table 1b above	Running totals
	£5.250m	-£0.842m	-£6.092m
Less Payment to collection fund 2022/23			£6.144m
Charge to 2022/23 general fund			£0.052m

It should be noted that whilst there is a minimal deficit of £51,738 which will be a call on the general fund in 2022/23, there will however still be a need for a further call from the general fund in 2023/24 to cater for the 3rd year spread amount of £393k (£303k NDR & £90K Ctax). This will however be dealt with within the MTFs refresh for the 2023/24 budget.

General - Council Tax

4. There are four main factors in the calculation of the estimated surplus / (deficit) on Council Tax:-
 - Surplus / (deficit) brought forward from the previous financial year;
 - Change in the gross income due to variations in relation to council tax discounts, exemptions and the cost of Local Council Tax Support Scheme;
 - Increase to the tax base due to additional new properties being added to the Council Tax list; and
 - Increase / decrease in the level of bad debt provision (BDP).
5. The council tax in year collection rate for 2021-22 is on profile and is expected to exceed 96% in year. For 2021-22 the overall budgeted collection percentage over time is 98%, and it is proposed that it remains at 98% for the 2022-23 financial year

General - Business Rates Retention Scheme

6. The Business Rate Retention Scheme (BRRS) was introduced on 1st April 2013, as part of the move to localise and stimulate business growth at a local level. Under the BRRS the Authority currently retains 30%, the GLA 37% and MHCLG retains the remaining 33%.
7. There are six main factors in the calculation of the estimated surplus / (deficit) on BRRS:-
 - Surplus / (deficit) brought forward from the previous financial year;
 - Change in the gross income due to variations relating to reliefs and exemptions;
 - Change in the expenditure in relation to reliefs and exemptions;
 - Increase / decrease in the level of appeals against rateable values;
 - Increase / decrease in the level of bad debt provision (BDP); and
 - Increase / decrease in the tax base due to properties being added to or removed from the Business Rates valuation list.
8. The collection rate is slightly below the national trend but this is due to the fact that Harrow's predominant ratepayers (65%) are Small Medium Enterprises (SME). These small traders do not generally pay by the regular direct debit method of payment and as such this can cause collection challenges which contribute to Harrow's lower collection rates.

Performance Issues

9. There are challenges in achieving the collection target due to the make up and affordability power of a large percentage of our ratepayers.

Procurement Implications

10. There are no procurement implications arising from the Recommendations of this report.

Risk Management Implications

11. The outcome of the surplus or deficit estimated calculation impacts on the future financial year's budget as it is a first call on that future budget should there be a deficit which needs funding.

12.

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **No** but part of overall budget risks

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

n/a

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

Risk Identified	Mitigations	RAG
Non-compliance with legislative requirements to estimate the surplus or deficit on the Collection Fund	A deficit has been estimated for 2021/22 as per the main body of the report	
The deficits identified in 2020/21 & 2021/22 will detrimentally impact the MTFS.	Whilst these are one offs to clear the deficit over time due to the mandatory spreading, it should be noted that whilst the additional s31 and TIG (total income compensation) grants received covered almost all losses in 2020/21, they were however insufficient to cover all Covid related NDR & Ctax losses in 2021/22.	
Calculation is inaccurate	Processes in place to validate surplus or deficit calculations. Officers have estimated the surplus/(deficit) by adhering to provisions and appeals guidance regarding the amounts that are required, taking into account current level of arrears or appeals lodged or that may be lodged in future	
Potential unexpected increases in CTS caseload, both pensioner and working age, which may mean a bigger deficit on council tax if CTS support is above that budgeted for because of 1. On-going pandemic 2. Lower collection rates due to higher unemployment	The surplus / deficit simply represents the snapshot position expected as at 31 st March. Any differences would be accounted for once actuals are known, as part of the new financial year's calculation, therefore not affecting 2022/23 financial year, but 2023/24. This will mean that the collection fund would be adversely affected in the first instance, not the revenue budget, and there would be no immediate risk to the budget. This would allow the local authority an additional year to clear the collection fund deficit therefore giving Harrow time to plan to clear any shortfall without endangering the 2022/23 budget.	
The larger than expected NDR deficit impacts Harrow	Harrow's retention from business rates is around £15m. Detrimental impacts on collection performance or bad debt provisions will therefore be proportionate to the income. As such this does not pose a huge risk. However, if Government changes the rules regarding retail relief, Harrow will be compensated 100% for their lost share of rate retention via s31 grant and as such will bear no cost.	

Legal Implications

13. The Local Authorities (Funds) (England) Regulations 1992 (SI 2428) requires the billing authority to estimate each financial year the surplus or (deficit) on its Collection Fund for the preceding financial year by 15th January each year, or the first working day thereafter if the 15th falls on a weekend or bank holiday.
14. The Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 452) requires the billing authority to estimate, for the relevant year, the surplus or (deficit) for business rates on or before 31st January each year.
15. Article 13 of the Council's Constitution states a key decision is an executive decision which:
 - (i) is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or
 - (ii) is likely to be significant in terms of its effects on communities living or working in an area of two or more wards of the Borough.
16. A decision is significant for the purposes of (i) above if it involves expenditure or the making of savings of an amount in excess of £1m for capital expenditure or £500,000 for revenue expenditure or, where expenditure or savings are less than the amounts specified above, they constitute more than 50% of the budget attributable to the service in question.

Financial Implications

17. Financial matters are integral to the report. High collection rates feed into the budget and it is imperative that this level of performance continues, specifically regarding Council Tax as this is now the Council's largest income stream. Harrow's rates compare well with the national position and against London.

The deficits will impact the MTFS. For 2022/23 there will be a £52k cost to the general fund and in 2023/24 a further £393k. Whilst these are one offs to clear the deficit over time due to the mandatory spreading, it should be noted that whilst the additional s31 and TIG (total income compensation) grants received covered almost all losses in 2020/21, they were however insufficient to cover all Covid related NDR & Ctax losses in 2021/22.

Equalities implications / Public Sector Equality Duty

18. There are no direct equalities impacts arising from the decisions within this report.

Council Priorities

19. This report deals with the Collection Fund which is a key part of the budget setting process and therefore helps deliver the Council's vision and priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed off by the Chief Financial Officer

Date: 26 November 2021

Statutory Officer: Paresh Mehta

Signed on behalf of the Monitoring Officer

Date: 29 November 2021

Chief Officer: Charlie Stewart

Signed off by the Corporate Director

Date: 26 November 2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 29 November 2021

Head of Internal Audit: Susan Dixson

Signed by the Head of Internal Audit

Date: 29 November 2021

Mandatory Checks

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

EqlA carried out: NO

This is a technical financial report which does not require an EqlA.

EqlA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact:

Fern Silverio (Head of Service – Collections & Housing Benefits),
Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk

Background Papers:

- The Local Authorities (Funds) (England) Regulations 1992
<http://www.legislation.gov.uk/ukpga/1992/14/contents>

- The Non-Domestic Rating (Rates Retention) Regulations 2013
<http://www.legislation.gov.uk/ukdsi/2013/9780111532959/contents>

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

NO

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REPORT FOR: CABINET

Date of Meeting:	09 December 2021
Subject:	Calculation of Council Tax Base for 2022 – 2023
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance, Resources Directorate
Portfolio Holder:	Natasha Proctor – Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Calculation of the Council Taxbase for 2022-23

Section 1 – Summary and Recommendations

The Local Government Finance Act (LGFA) 1992, as amended by the LGsA 2003 & LGFA 2012, requires the Authority to formally calculate the Council Tax Base for 2022-2023 and pass this information to precepting authorities by 31 January 2022. The tax base must be set between 1 December 2021 and 31 January 2022.

Statutory provisions also require Harrow to consider annually whether it should change the Council Tax Support (CTS) scheme, and if so, in what way. Having approved the scheme already in place, Cabinet is now also being requested to consider reviewing its scheme.

Recommendations:

That Cabinet considers the information given in this report and agrees that:

- (a) The band D equivalent number of taxable properties is calculated as shown in this report and in accordance with the Government regulations;
- (b) The provision for uncollectable amounts of Council Tax for 2022-2023 be agreed at 2% producing an expected collection rate of 98%.
- (c) Subject to (a) & (b) above, a Council Tax Base for 2022-2023 of **88,785** Band D equivalent properties (being **90,597** x 98%) be approved, allowing for payment in lieu of Ministry of Defence properties.
- (d) Agree that after considering whether to review the local CTS scheme, concludes that there is no change required and therefore approves the continuation of the existing CTS scheme, as previously adopted by Full Council, for the 2022/23 financial year.
- (e) Agree to continue with the inflation negating scheme applied in 2021/22 and 2021/22 for working age households who are in receipt of council tax support as at 1/4/2022, and to authorise officers to administer awards under the provisions of Section 13A(1)(c) of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012).

Reason: (For recommendations)

To fulfil the Council's statutory obligation to set the Council Tax Base for 2022-2023.

Section 2 – Report

Introductory paragraph

Tax Base

2.1 The Local Government Finance Act 1992, as amended by the LGA 2003 & LGFA 2012, requires the Authority to calculate the Council Tax Base for 2022-2023 and pass this information by 31 January 2022 to precepting authorities. The Tax Base must be set between the 1 December and 31 January.

2.2 The Council has to work out how much next year's band D council tax should be so that the total tax that will be collected equals the budget required to pay for its services. Band D is also the reference from which all other council tax band valuations are calculated. To work out the band D tax, the budget requirement is divided by a figure called the council tax base, which is calculated in this report. In effect, the tax base represents the total taxable value of every property in Harrow. As well as Harrow, the Greater London

Authority also needs the tax base figure to work out how much they need to add on to pay for their services.

2.3 The Council's Tax Base has been calculated, according to the relevant procedures and guidance for 2022-2023, at **88,785** net properties. The Tax Base has two parts:

- (a) The number of taxable properties shown as 'band D equivalents' and
- (b) The expected collection rate for the year.

2.4 The calculation method is set out in the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended. The regulations require that calculations must be shown for each tax band as well as a total for all bands. The detailed calculation of the band D equivalent properties is shown at Appendix 1. For calculating the Tax Base, (and setting the Council Tax) properties in each of the eight valuation bands are given different weightings. These weightings are shown as a proportion of the band D value. These are shown below:

Band	A	B	C	D	E	F	G	H
Weighting	6/9	7/9	8/9	1	11/9	13/9	15/9	2

2.5. Background

2.6 The Regulations state that the calculation of the Tax Base must be based on the Valuation list produced by the Listing Officer of HM Revenue & Customs as it stands on 30 November in the year preceding that for which the relevant amount is calculated (i.e. at 30 November 2021 for the financial year 2022-2023). It must show actual numbers of properties at that date and allow for the effects of council tax discounts and exemptions including the council tax support scheme discount (CTS). It must also show likely changes to bands, new properties, properties taken off the valuation list and likely changes to discounts, empty properties and exemptions for 2022-2023.

2.7 For 2021-2022 the percentage collection rate used was 98%. For 2022-2023 a budgeted collection rate of 98% is again being recommended. The budgeted or expected collection rate is the percentage of Council Tax to be collected after estimating uncollectable amounts.

Note - The "budgeted" collection rate differs from the "in year" collection rate. The budgeted collection rate is based on all payments received over 3 years (in year and 24 months after the relevant year closes). The in year collection reflects payments actually received between 1st of April and 31st March of the year for which the council tax relates.

2.8 Collection efforts will also not stop once the budgeted collection levels have been reached, nor does it mean that eventual losses will necessarily be 2.0%. It is, however, essential that an adequate provisions for non-collection is made each year. The Government recognises that no billing authority can collect every pound of Council Tax payable and that an element of collection will continue after the relevant year. The legislation

provides for non-collection to be compensated for by an element within the Council Tax Base itself.

- 2.9 Collection rate overall has been maintained as per previous years and takes into account the fact that collection rates have performed better than expected in the pandemic and the fact that Harrow has provisions for outstanding arrears to the 31/3/2021 of almost 100%. This does not mean that in the future, the high collection expectation will not bring challenges, but it is expected to be achievable.

Council Tax Support Scheme Review

- 2.10 The Council must consider whether to revise or replace its Council Tax Support scheme (CTS) each financial year. Changes to the scheme also impact on the Tax base and must therefore be considered. As such it is necessary for Cabinet to consider whether the scheme requires reviewing for the 2022/23 financial year and this report therefore also requests that Members consider reviewing the scheme.
- 2.11 Having reviewed the operation of the scheme, it is considered that the existing scheme, agreed by Full Council on 21st January 2013, 22nd January 2015 and again on 9th January 2019, meets the Council's statutory requirements. It is therefore recommended that the scheme is not revised or replaced.
- 2.12 Modelling the current CTS caseload commitments and estimating 2022/23 expenditure, based upon the current economic climate, would suggest future expenditure for the current scheme to be in the region of £17.4m to £17.7m in the next financial year (dependant on any council tax inflation). This is in line with the tax base calculation as set out within this report and expected expenditure.
- 2.13 The expenditure estimate assumes some increases in caseload and assumes no disproportionate increase in persons of pension credit age that would be protected from the effects of the scheme. In conclusion, there are currently no fundamental reasons to change the existing scheme. Case load is currently increasing due to the effects of the pandemic but the expected potential additional expenditure has been budgeted for and the risk of caseload numbers increasing beyond that provided for is felt to be low. As financial forecasts are similar to target expenditure, this report recommends that the CTS scheme continues in its current format.

Inflation negating scheme for 2022/23 Financial year

- 2.14 Section 13A (1) (C) of the Local Government Finance Act 1992, provides the Council with the power to reduce the amount of Council Tax due 'as it sees fit.' This section (as amended by the Local Government Finance Act 2012) also allows a local authority to create a 'scheme' to reduce the Council Tax for persons or a class of persons that it considers being in financial need. The cost of any reduction awarded under Section 13A(1)(c) must be met in full by Harrow Council.

- 2.15 For the last 2 years Harrow has used its discretionary powers to administer a local inflation negating scheme to ensure that working age recipients of council tax support were awarded additional relief to cover the Harrow council tax inflationary increases for both financial years 2020/21 and 2021/22.
- 2.16 Harrow now proposes that this scheme continues for the new financial year, 2022/23. Under this scheme, working age CTS claimants who would otherwise have had to pay more council tax for the financial year starting 1/4/2020 due to the impact of the 3.99% LBH council tax increase in 2020/21, the impact of the 4.99% LBH council tax increase in 2021/22 & the impact of the proposed 2.99% LBH council tax increase in 2022/23, will be eligible for a reduction under this scheme as set out below.

Entitlement as a % of Council Tax liability	Estimated no. of claimants	Discretionary funding per claim	Total
70%	3246	£36.00	£116,856
60-69%	584	£45.00	£26,280
<60%	1628	£54.00	£87,912
86% (vulnerable)	3217	£30.00	£96,510
			£327,558

- 2.17 Eligibility criteria to be met are that recipients will need to have been a Harrow council tax payer as at 1/4/20 and have continuously been receiving council tax support as a working age claimant between 1/4/2020 and 1/4/2022.
- 2.18 From 1st of April 2022, working age council tax support claimants who are liable for payment of council tax on 1st April 2022 (and are still liable for Council tax at the award date) will be eligible for a reduction from their council tax, equivalent to the amounts set out in the table above. The additional award will in the majority of cases eradicate the cumulative inflation increases of the previous 2 years as well as the increases for 2022/23 resulting in CTS council tax payers paying lower council tax bills compared to what they would have otherwise have had to pay. The award will be granted automatically and no application process is required. Any working age claimant ceasing to receive CTS after the award date or moving away from Harrow will also not have their allocation adjusted on a pro-rata basis.

Legal Implications

The Council is legally obliged to calculate the Council Tax Base for 2022-2023 by 31 January 2022.

Section 31B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011, imposes a duty on Harrow Council, as a billing authority, to calculate its Council Tax by applying a formula laid down in that Section. The formula involves a figure for the Council Tax Base for the year, which must itself be calculated.

The Local Authority (Calculation of Council Tax Base) (England) Regulations 2012 SI.2914, require a billing authority to use a given formula to calculate the Council Tax Base. This is the formula set out and followed in the appendix to this report.

In respect of item Z, which relates to the authority's council tax reduction scheme, the regulations allow for the provision of an estimate, rather than applying a defined formula. To arrive at the total value number of dwellings to be removed from the council tax base as a result of Harrows' local council tax reduction scheme, an estimate has been based upon the total amount of CTS reductions given for each valuation band and divided by the estimated council tax payable for the valuation band concerned.

Legislation also imposes a duty on the Council to calculate the Council Tax Base within a prescribed period which is laid down in the Regulations as between 1 December and 31 January in the financial year preceding that for which the calculation of the council tax base is made.

Section 67 Local Government Finance Act 1992 was amended by section 84 of the Local Government Act 2003, (and the Localism Act 2011), to enable Full Council to delegate the power to set the tax base to the Executive. The constitution was duly amended at full Council on 20 October 2005.

Regarding the CTS scheme, Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992, as inserted by Schedule 4 to the Local Government Finance Act 2012, requires the authority to consider whether, for each financial year, the CTS scheme is to be revised or replaced. Where the scheme is to be revised or replaced, the procedural requirements in paragraph 3 of that Schedule apply. Any revision/replacement must be determined by 11th of March in the preceding year to the year which the changes are to apply. The council must therefore consider whether the scheme requires revision or replacement and if so, consult with the GLA, publish a draft scheme and then consult with such persons as may be affected by the operation of that scheme prior to determining the scheme before 31 January.

Article 13 of the Council's Constitution states a key decision is an executive decision which:

- (i) is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or
- (ii) is likely to be significant in terms of its effects on communities living or working in an area of two or more wards of the Borough.

A decision is significant for the purposes of (i) above if it involves expenditure or the making of savings of an amount in excess of £1m for capital expenditure or £500,000 for revenue expenditure or, where expenditure or savings are less than the amounts specified above, they constitute more than 50% of the budget attributable to the service in question.

Financial Implications

This report deals with financial matters throughout. The tax base of **88,785** will be reflected in the Council's Revenue Budget for 2022-23. This compares with a tax base of **87,387** for the financial year 2021/22.

The Council Tax base is now the largest single income stream for the Council. As such it is important that we both grow the taxbase and maximise the income from it to support current and future financial pressures. Over the last few years, Harrow has grown the taxbase above expectations. Unfortunately, due to the increase in Council Tax Support caseload as a direct result of the pandemic, 2020/21 saw little net growth as most of the actual growth that materialised offset higher CTS expenditure. This year, the number of domestic properties coming on stream was also lower than expected, partly due to the pandemic and the earlier lockdown slowing down property developments as well as disruptions to some of the supply chains affecting the larger developments.

Regarding the CTS scheme, it should be noted that provision for its cost is included within the Local Government Finance Settlement. It is not ring fenced, it is entirely for Harrow, as a Local Authority, to determine how much it is prepared to spend in light of the Council's overall financial position.

Unfortunately, the effect of the pandemic has been to increase Harrow's local support scheme expenditure by £3.3m since 2019/20, something that had not been budgeted for. For 2022/23, estimated expenditure is likely to be £17.4m, including increases due to council tax inflation, but there is a risk that this could increase above this figure due to the furlough scheme ending and depending on how the economy performs and its potential impact on employment.

If the CTS scheme was to award higher and more generous support amounts to claimants, this would increase expenditure further and would not be sustainable as well as having a further detrimental impact on the Collection Fund, that would be unaffordable to Harrow. On the other hand, if the scheme was to be revised such that a lower award was to be available to eligible claimants, a positive financial impact would be achieved that could feed into the following year's budget setting process.

With regards the discretionary inflation negating scheme for 2022/23, it should be noted that this is a call on the general fund. Funding will come from the Business Risk reserve fund. For future years, should the scheme continue, any support awarded will need to be picked up through the MTFs refresh process alongside the tax base calculation.

Performance Issues

The Council Tax collection rate is no longer a national indicator but is monitored locally. The completion of the Council's statutory obligation to set a Council Tax Base as described previously, contributes to a favourable audit opinion.

In year collection over the last four financial years has been as below;

	2017/18	2018/19	2019/20	2020/21
Council Tax collected %	97.7%	97.34%	97.57%	95.35%

Due to the introduction of localised council tax support from 1/4/2013, the overall in year collection rate, whilst fluctuating slightly in the earlier years, has largely settled and performs in the upper quartile for both London and England. Collections' from this taxpayer category have therefore been higher than anticipated historically and should pose little risk to overall performance. However this needs to be caveated with the fact that uncertainty exists with regards to impact of the pandemic and the higher arrears that Harrow still needs to collect as a result. The Courts also stopped all recovery action for 18 months which has left Harrow with the challenging position of having to catch up with court action for both previous and current years whilst household income is being affected by higher utility prices, rising costs generally and cuts in Universal credit. This will pose challenges to increasing collection performance as will the higher numbers of CTS claimants that could still materialise should unemployment rise disproportionately.

Environmental Implications

There are no direct environmental impacts anticipated from the recommendations contained within this report.

Data Protection Implications

There are no direct data protection impacts anticipated from the recommendations contained within this report.

Procurement Implications

There are no procurement impacts anticipated from the recommendations contained within this report.

Risk Management Implications

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **No** but part of overall budget risks

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

Whilst Officers have estimated the tax base as accurately as possible within the data available, the following key risks should be taken onto account when agreeing the recommendations in this report:

Risk Identified	Mitigations	Rag Status
Statutory requirements not met within required deadline (31/01/22)	Council Tax Base for 2022/23 calculated using the required formula as detailed in the body of the report.	
The impact of the discretionary inflation negating scheme for 2022/23 on the budget is unsustainable	Funding will come from the Business Risk reserve fund. For future years, should the scheme continue, any support awarded will need to be picked up through the MTFs refresh process along side the tax base calculation.	

Calculation is inaccurate	Processes in place to validate tax base calculations	
Expected Collection rate not achievable	A strict recovery program in place and BDP provisions for arrears currently high which would mitigate lower collection rates by up to 1% - 2% in the short term.	
Potential unexpected increases in CTS caseload, both pensioner and working age, which may mean an overspend on council tax support beyond that budgeted for because of <ul style="list-style-type: none"> 1. On-going pandemic 2. Brexit 	Unmitigated for. Facts as we know them taken into account and best estimates based on historical and current knowledge used as a guide. This could mean that the collection fund would be adversely affected in the first instance, not the revenue budget, and there would be no immediate risk to the budget. This would allow the local authority time to clear the collection fund deficit therefore giving Harrow time to plan to clear any shortfall without endangering the 2022/23 budget.	

Equalities implications

There are no Equalities implications from this report.

Council Priorities

Agreeing the tax base allows the Council to set council tax levels which is a fundamental part of the Council's budget process. Council Tax revenue is an essential part of the Council's overall budget and helps to support corporate priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed off by the Chief Financial Officer

Date: 26 November 2021

Statutory Officer: Baljeet Virdee

Signed on behalf of the Monitoring Officer

Date: 26 November 2021

Chief Officer: Charlie Stewart

Signed off by the Corporate Director

Date: 26 November 2021

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 29 November 2021

Head of Internal Audit: Susan Dixson

Signed by the Head of Internal Audit

Date: 29 November 2021

Mandatory Checks

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

EqlA carried out: NO

This is a technical financial report which does not require an EqlA.

EqlA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact:

Fern Silverio (Head of Service – Collections & Housing Benefits),
Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk

Background Papers:

- The Local Authorities (Funds) (England) Regulations 1992
<http://www.legislation.gov.uk/ukpga/1992/14/contents>
- The Non-Domestic Rating (Rates Retention) Regulations 2013
<http://www.legislation.gov.uk/ukdsi/2013/9780111532959/contents>

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

NO

Appendix 1:		Calculation of the Council Taxbase for 2022-2023										
SI No. 2914 The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012												
((H - Q + E + J) - Z) x (F divided by G)												
Line	Band	@	A	B	C	D	E	F	G	H	Total	
Actual current properties												
1	Dwellings on database 30/11/21	0	866	4,136	21,941	29,546	22,490	8,416	6,177	1,292	94,864	
2	Exemptions (minus)	0	37	121	459	336	260	97	105	15	1,430	
Disabled Reductions of Band:												
3	Add to Lower Bands	0	2	25	130	156	68	51	16	0	448	
4	Take from Higher Bands (minus)	0	0	2	25	130	156	68	51	16	448	
5	Line 1-2+3-4 = H	0	831	4,038	21,587	29,236	22,142	8,302	6,037	1,261	93,434	
6	Number in H above Entitled to One 25% Discount		-386	-2,126	-7,535	-5,845	-4,049	-1,415	-890	-114	-22,360	
7	Line 6 x 25%		-96.50	-531.50	-1883.75	-1461.25	-1012.25	-353.75	-222.50	-28.50	-5590.00	
8	Number in H above Entitled to Two 25% (50%) Discount		0	0	-7	-16	-10	-9	-18	-17	-77	
9	Line 8 X 50%		0.00	0.00	-3.50	-8.00	-5.00	-4.50	-9.00	-8.50	-38.50	
10	No in H above entitled to 50% discount		0	0	0	0	0	0	0	0	0	
	50% of above		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
11	No in H above entitled to 0% discount		0	0	0	0	0	0	0	0	0	
	0% of above		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
12	Total Discounts = Q		-96.50	-531.50	-1887.25	-1469.25	-1017.25	-358.25	-231.50	-37.00	-5628.50	
13	Line 5+ Line 12	0	734.50	3,506.50	19,699.75	27,766.75	21,124.75	7,943.75	5,805.50	1,224.00	87,805.50	
	No entitled to be charged 100% premium		9	31	59	51	31	15	7	5	208	
	Total Premiums = E		18.00	62.00	118.00	102.00	62.00	30.00	14.00	10.00	312.00	
Estimated changes likely												
14	* Properties Awaiting Banding	0	90	30	264	381	105	45	0	0	915	
15	**New Properties		0	0	0	0	0	0	0	0	0	
16	Line 14 + Line 15	0	90	30	264	381	105	45	0	0	915	
17	Properties to be Deleted		0	0	-1	-1	-1	-1	-1	0	-5	
18	Known Errors in Valuation List		0	0	0	0	0	0	0	0	0	
19	Line 17 + Line 18	0	0	0	-1	-1	-1	-1	-1	0	-5	
20	Line 16 + Line 19	0	90	30	263	380	104	44	-1	0	910	
21	Assumed Exemptions on Ratio of Line 2 to 1		0	0	0	0	0	0	0	0	0	
22	Assumed Discounts on Ratio of Line 12 to 5		0	0	0	0	0	0	0	0	0	
Changes to Status of Existing Properties:												
23	Change in Discounts		0	0	0	0	0	0	0	0	0	
24	Change in Exemptions		0	0	0	0	0	0	0	0	0	
Expected appeals against bands:												
25	Add to Lower Bands		5	15	21	32	11	9	7	0	100	
26	Take from Higher Bands		0	-5	-15	-21	-32	-11	-9	-7	-100	
27	Line 20+21+22+23+24+25+26 = J	0	95	40	269	391	83	42	-3	-7	910	
CTR Discount												
	Til Band reduction based on total monet:	0	-141	-982	-3150	-2847	-1349	-310	-80	-3	-8862	
	Expected in year changes		0	0	0	0	0	0	0	0	0	
28	Total CTS Band Equivalent	0	-141	-982	-3150	-2847	-1349	-310	-80	-3	-8862	
	Total CTR Discount = Z		-141.00	-982.00	-3150.00	-2847.00	-1349.00	-310.00	-80.00	-3.00	-8862.00	
29	H - Q + E + J - Z	0.00	706.50	2626.50	16936.75	25412.75	19920.75	7705.75	5736.50	1224.00	80165.50	
30	To calculate band equivalents		0.67	0.78	0.89	1.00	1.22	1.44	1.67	2.00		
31	Band D Equivalent: Lines 29x30	0	471.00	2042.83	15054.89	25412.75	24347.58	11130.53	9560.83	2448.00	90468.42	
32	Contributions in lieu of Class O	0.0	0.0	0.0	42.0	60.0	0.0	12.0	14.0	2.0	128.80	
33	Band D equivalent for Taxbase calculation										90,597	
34	Band D Equivalent for Taxbase Calculation										90,597	
											Before allowance for collection rate	
35	Band D equivalent for Taxbase calculation after non-collection allowance (2.00%) applied										88,785	

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Report for: Cabinet

Date of Meeting:	9 th December 2021
Subject:	Application to the Living Wage Foundation to become an accredited authority
Key Decision:	Yes- the recommendations set out in this report will affect more than one ward.
Responsible Officer:	Dawn Calvert - Director of Finance & Assurance
Portfolio Holder:	Councillor Natasha Proctor - Deputy Leader and Portfolio Holder for Finance and Resources
Exempt:	Yes – Appendix 1 to the report contains exempt information under paragraph 3 relating to the financial or business affairs of the Council.
Decision subject to Call-in:	Yes
Wards affected:	ALL
Enclosures:	Appendix 1 Real Living Wage Transition Plan (EXEMPT)

Section 1 – Summary and Recommendations

This report seeks a recommendation to apply to the Living Wage Foundation (LWF) to become a ¹Real Living Wage (RLW) accredited authority and develop a plan to introduce the RLW into our supply chain.

Recommendations:

Cabinet is requested to:

1. Approve the submission of an application to the Living Wage Foundation for Harrow Council to become an accredited Real Living Wage payer which incorporates a transition plan to ensure that our supply chain pays the Real Living Wage to their employees.
2. Delegate authority to the Corporate Director of Resources following consultation with the Director of Finance & Assurance and the Portfolio Holder for Finance and Resources to take all decisions pertaining to the finalisation of the application to become accredited by the Living Wage Foundation.
3. Delegate authority to the Corporate Director of Resources following consultation with the Director of Finance & Assurance and the Portfolio Holder for Finance and Resources to take all decisions pertaining to ensuring all our employees are paid the London Living Wage (LLW) as a minimum and to implement a transition plan that ensures that our supply chain pays the Real Living Wage to their employees.
4. Note the estimated financial impact on the Council of our transition plan to ensure our suppliers to pay the Real Living Wage to their employees and the budget provided for in the draft Medium-Term Financial Strategy.

Reason: (for recommendations)

To be recognised, through successful accreditation, by the LWF as a LLW employer and put in place a plan to implement the payment of the RLW into the supply chain to support the Council priorities of:

- Tackling poverty and inequality;
- Addressing health and social care inequality; and
- Building a thriving economy.

Section 2 – Report

Options considered

The options considered are:

1. To apply for accreditation from the Living Wage Foundation as a LLW employer and develop a plan to introduce the RLW into our supply chain. OR
2. To only continue to be a LLW Employer and not seek living wage accredited body status and therefore not introduce it into our supply chain.

In support of the Council's priorities as detailed in the Borough Plan and further reinforced by the Council's Living Wage motion in November 2020, option one is supported by the recommendations of this report.

Background

The Real Living Wage and the Living Wage Foundation

The RLW is a UK wage rate that is based on the actual cost of living. It is paid voluntarily by employers who believe workers deserve a wage that allows them and their family to meet everyday needs. Unlike the National Minimum Wage, the RLW is not required to be paid by law. The RLW rate is announced every November independently calculated based on what people need to live on. The rates for 2021/2022 were announced in November 2021 and have increased the London Living Wage by 20p from the current £10.85 to the new rate of £11.05. The UK Living Wage has increased by 40p from the current £9.50 to a new rate of £9.90.

Paying the RLW is regarded as a strong solution to eliminating financial poverty, child hunger, homelessness and modern slavery. Paying the RLW has a significant multiplier effect on the local economy as people with more money in their pockets will spend more, supporting local business growth. It leads to a positive cycle of economic and social improvements within society. Therefore, as part of our Council's vision to continue its journey of creating a fairer future for all, this paper is requesting cabinet to approve the recommendations within this report that seek to contribute to a higher wage economy by planning to introduce the RLW into our supply chain.

The RLW accreditation is managed by Citizens UK. The accreditation is open to employers, like Harrow Council who are already paying the LLW to their directly employed staff. Employers who pay the RLW have enhanced reputations as being ethical employers and have seen improved staff recruitment and retention, motivation, productivity and morale improvements.

¹ Real Living Wage is currently £10.85 in London (more widely known as the London Living Wage) and £9.50 across the United Kingdom. In November 2021 the new rates of £11.05 for London and £9.90 for the rest of the UK were announced. These must be paid from April 2022.

The accreditation itself is a signed licence between Harrow Council and the LWF. On receipt of our submission the foundation seeks to process it within 10 working days.

The table below explains the UK wage rates in a simple way.

Explaining UK Wage Rates

	THE MINIMUM WAGE <i>Government minimum for under 23s</i>	NATIONAL LIVING WAGE <i>Government minimum for over 23s</i>	REAL LIVING WAGE <i>The only wage rate based on what people need to live</i>
WHAT IS IT?	£8.36	£8.91	£9.90 across the UK £11.05 in London
IS IT THE LAW?	Statutory	Statutory	Voluntary
WHAT AGE GROUP IS COVERED?	21 and older	23 and older	18 and older
HOW IS IT SET?	Negotiated settlement based on recommendations from businesses and trade unions	A % of medium earnings, it aims to reach 66% of median earnings by 2024.	Calculation made according to the cost of living, based on a basket of household goods and services
IS THERE A LONDON WEIGHTING?	No London Weighting	No London Weighting	Yes - Separate higher rate for London

Why a change is needed

Already a London Living Wage employer, Harrow Council now recognises the next step on the journey is to incrementally and over several years plan to introduce the RLW into the vast supply chain that the Council engage.

Harrow Council spent just under £397m in 2020/2021 on third party contracting to deliver goods, works and services. Consequently, this gives us the ability to use our significant spending power to deliver social and economic benefits into the borough and support wider social and economic priorities.

There exists a real tension between knowing and ‘believing in’ the social and economic value the payment of the RLW can deliver on the one hand and being able to afford the additional financial pressure that introducing it into our third-party contracts brings. It is understood and accepted by most that paying a fair living wage is a key contributor to creating wider social and economic benefits. The potential to reduce food and fuel poverty, poor living conditions and social inequality stems from paying a fair living wage.

The Council’s objectives to tackle poverty and inequality, as stated in the Borough Plan are:

1. All children are able to live in homes where the family has the opportunity of earning a good household income

2. Everyone has a home suitable for their needs
3. All people wanting to work, have a job that pays above RLW and are employed on a contract that meets their requirements
4. Households live free of unsustainable debt

Current Position at Harrow

As part of our Council's vision to create a fairer future, the Council have since 2013 adopted, as a minimum the payment of the LLW to all employees. Over subsequent years, when necessary, the Council have deleted the lower points on the pay scale to uplift staff to the prevailing LLW. Harrow schools adopted the scales for non-teaching staff and therefore also pay the LLW as an hourly minimum. In total over 5800 Harrow employees are benefitting from receiving a salary consistent with a fair wage to be able to live on.

The uplift in the LLW takes place in November of each year and the Council implements any uplift by the April of the following year. As of today, the current LLW rate is £10.85 and the lowest point on our pay scale pays £10.89. However, the 2021/2022 LLW rate has been announced as £11.05 so the Council will implement the new rate in April 2022.

At a meeting of Council on the 26th November 2020 a motion was agreed as follows:

This Council resolves to:

- Seek accreditation as a Living Wage employer with the Living Wage Foundation
- Ensure all staff employed by the Council are paid the Real Living Wage
- Develop a plan for all contractors to pay their staff the Real Living Wage over time, recognising the dependency on the Council's budget settlement from central government for 2021/22 and beyond.

The recommendations set out at the front of this report seek to deliver the intent of this motion.

Our Supply Chain and the Real Living Wage:

Harrow Council spent just under £397m in 2020/2021 on third party contracting to deliver goods, works and services. Consequently, this gives us the ability to use our significant spending power to deliver macro and micro social and economic benefits into the borough and support wider national social and economic priorities through the introduction of paying the RLW into our supply chain.

Extensive work has been undertaken to review the Council's current contracts and place them in one of the following categories:

Category	Category	Number	Comment
1	Contracts already paying the LLW		The Council have 152 number of contracts identified as paying the LLW. Though some of them were consciously tendered on a living wage most of them are services of a professional nature where everyone working on the contract is paid well above LLW rates.
2	Contracts that are not paying the LLW that are in-scope of the move to pay the RLW		It is this category that fall into the scope of recommendation 1. An implementation plan that will be submitted with our accreditation application to the LWF. It is set over a 7-year programme of implementation.
3	Contracts that are out of scope of the move to pay the London Living Wage (contracts outside the UK, or short term or which do not use regular labour i.e.2 hours per week for 8 weeks)		There a 121contracts that fall out of scope of paying the living wage. These are primarily for software licencing, utilities, insurance and the supply of goods only

The purpose of this review was to obtain an accurate picture as possible on all category 2 contracts. The methodology used to maximise accuracy was an interrogation of the contracts register, the procurement programme and other contract documentation to sort contracts into one of the above 3 categories based on available data. The second phase of review engaged all directorates on the scoping work, so commissioners and contract managers could provide further knowledge and information to allow the initial sorting and scoping to be further improved by 'moving contracts around the categories' based on new information and adding totally new contracts or future commissioning activity.

All the above scoping work was to allow for the most important part of the review to be undertaken and that was understanding the financial impact of implementing the RLW into scope 2 contracts. The financial implications section of this report will detail the financial impact of introducing the RLW.

1. The plan that is to be submitted to the LWF (App1) has detailed a list of milestones over a period of 7 years. The milestones include an early years' plan. The early years proposal of 'what the Council does first' is based on a combination of affordability and ease of implementation.

Implications of the Recommendation

1. The introduction of a requirement for suppliers to the council to pay their employees the RLW requires careful consideration of the implementation and on-going contract management process. (Please see procurement implications section for more detail)

Resources costs

No additional non-financial resource is required in order to implement the recommendations of this report.

Staffing/workforce

No additional resource will be required as a result of the recommendations of this report. Officers within commissioning, procurement, contract management, legal and finance will be the lead stakeholders in the successful implementation of the real living wage into the Council's procurement process.

Ward Councillors' comments

An early copy of this report was tabled with Administration Members who were supportive of the recommendations.

Risk Management Implications

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **Yes**

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

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

Risk no	Risk Description	Mitigations	RAG Status
1	<p>Contracts where Harrow Council is not the only customer. This is predominantly in the residential and nursing care services sector. It is difficult to implement the RLW in a setting where care staff are used across numerous clients from different placing councils.</p> <p>Staff involved in these contracts will effectively work across more than one local authority and any attempt to apply RLW may cause 'bidding wars' with other local authorities. Suppliers may well reserve beds for the highest payer.</p>	<ul style="list-style-type: none">▪ Working together with the WLA and other councils to understand the makeup of establishments where Harrow Council are not the only commissioner placing clients.▪ Working alongside the adult services commissioning strategy in relation to the mixture of block/spot contracts.▪ There will be no introduction of the RLW into these settings until a viable way forward has been identified. These could include multi borough agreement or an increased use of block contracts.	Amber

2	That the additional contract value paid to suppliers for the implementation is not used to raise the wages of the workforce to the RLW	<ul style="list-style-type: none"> ▪ The Council will contractually require the provider to pay the RLW where they have tendered to do so. ▪ The Council will through contract management require them to provide evidence that they are paying it to all staff employed on the delivery of the contract. 	Green
3	That the cost impact is greater than anticipated as the Council receives prices in tender submissions.	<ul style="list-style-type: none"> ▪ In the pre procurement commissioning phase of a tendering project the Council would look to understand the market and make-up of the service in question with a view to getting an accurate picture as possible on the impact of paying the RLW. ▪ All our invitation to tender documents allows the authority to exercise its right not to make an award or to make a partial award following a tender. So, if prices were unaffordable the Council could withdraw from the process. 	Amber
4	Quality of services delivered do not see quantifiable improvement as a result of paying the RLW	<ul style="list-style-type: none"> ▪ Through contract management the Council would work to identify improvements that correlate with the payment of a higher wage. Such things as reduced turnover in staff, higher customer satisfaction rates of for example residents in a care setting, improvements in CQC reports. 	Amber

5	Staff retention continues to be a problem for suppliers as other sectors continue to outstrip pay rates in sectors like social care	<ul style="list-style-type: none"> ▪ The economic environment creates a real challenge for sectors like the care industry. With a shortage of labour in many other sectors it is very possible that even with paying the RLW that the care sector continues to lose staff to higher paying sectors. 	Amber
6	Suppliers are reluctant to tender for Harrow contracts	<ul style="list-style-type: none"> ▪ Phased approach is to allow the Council to take a considered approach to the implementation process. ▪ It is possible that providers may not want to tender for a service where rates paid to the staff, they employ on that specific service is higher than the rest of its workforce, thereby creating potential industrial relations issues. 	Amber
7	Contract Monitoring and enforcement could become complex and onerous and doesn't give the Council the information needed to mitigate risks identified in this report.	<ul style="list-style-type: none"> ▪ The Council understand what we want to achieve and will enhance our contract management and monitoring to be able to create measurable key indicators to gauge success. 	Green
8	There is a legal challenge to the plans for breach of public contracts regulations. That is, under procurement law it is unlawful to include the payment of the RLW as a qualifying criterion.	<ul style="list-style-type: none"> ▪ The risks of challenge to the application of the RLW into tendering are medium. There are 16 London Boroughs already on this journey and none have had a challenge to date. ▪ Procurement and Legal will continue to 	Amber

		work together on a tender by tender basis to minimize risk of challenge.	
9	The proposal is unaffordable	<ul style="list-style-type: none"> ▪ The 2022/2023 draft budget and three-year draft MTFS includes a budget provision of £450k in years 2022/2023 which is intended to cover the implementation of the wage in the early years. The MTFS will be refreshed as the implementation plan proceeds. 	Amber

Procurement Implications

The introduction of the RLW into our supply chain comes with several non-financial challenges and will require changes to the way the Council commission, procure and contract manage suppliers that are paid the living wage.

At the pre procurement phase commissioning and procurement must develop the procurement documents in a way that ensures that the market is clear that the Council will be seeking submissions that reflect as a minimum the payment of the RLW. A review the Council's terms and conditions of contract will also be undertaken to ensure there are clauses in them that are clear that the supplier must pay the RLW and that the Council will, through contract management, require evidence that this is happening.

The Council are part of joint commissioning with other West London Alliance boroughs for social care. All WLA boroughs use common homes and call off the same frameworks and Dynamic Purchasing Systems to spot place clients. Harrow Council will need to understand if our actions could have a wider economic issue/impact on the WLA if Harrow Council go ahead and pay the RLW to common suppliers of residential and nursing services. In many cases the staff involved in these contracts will effectively work across more than one local authority and any attempt to apply RLW may cause 'bidding wars' with other local authorities. Suppliers may well reserve beds for the highest payer. These issues may effectively exclude Harrow from using such joint arrangements, which it currently relies on to fulfil its care obligations.

A commissioning strategy which looks to create more block contracting arrangements for our residential and nursing services would be required as a part solution to the above-mentioned issues.

If the Council require our supply chain to pay the RLW then the benefit of doing so must be measurable. The Council would expect a higher level of

service and contract delivery and be able to measure this. Commissioning would need to ensure specifications and KPIs look to capture quality improvements. Similarly, our active contract management would need to improve to ensure improvements can be evidenced as a result of paying the RLW.

No	Action	Start	End	Action By
1	Submit application to the Living Wage Foundation for Accreditation	Dec 2021	Dec 2021	HOP
2	Review Procurement Programme at directorate procurement boards to ensure identified services from the implementation plan are retendered on the RLW	Jan 2022	Mar 2022	HOP and Chairs of DPBs
3	Review Terms and Conditions of Contract to ensure clauses are robust and clear on paying staff the RLW	Jan 2022	Mar 2022	HOP and HB Law
4	Review all procurement tendering documents including price submission templates to ensure they reflect the payment of the RLW	Jan 2022	Mar 2022	HOP and FBPs
5	Review of commissioning strategy for adult social care residential and nursing services	Dec 2021	Apr 2023	People Services
6	Monitoring of contracts to ensure the Council continue to pay the RLW consistent with the annual uplift	On going	On going	Contract Managers and FBPs

Legal Implications

The plan to encourage our suppliers to pay their employees the RLW needs to take account of the public procurement legal landscape.

The council is a contracting authority under public procurement rules. Government policy is that contracting authorities must ensure that suppliers comply with relevant social, environmental and labour laws in delivering public contracts, and the public procurement rules reflect this, i.e. the Council can require suppliers to comply with the law.

Regulation 57(1) to (4) of the Public Contracts Regulations 2015 (PCR) requires the exclusion of suppliers which have listed convictions. Discretionary grounds for exclusion include violations of environmental, social and labour laws. The mandatory standard Selection Questionnaire that contracting authorities must use sets out these mandatory and discretionary exclusion grounds and suppliers must certify that they have not breached any of the exclusion grounds.

The rules in regulation 58 of the PCR 2015 limit selection criteria to economic and financial standing and technical and professional ability. The Council can only exclude suppliers who lack the technical or professional ability to perform the contract.

Also, the Local Government Act 1988 (LGA 1988) imposes restrictions on taking account of non-commercial considerations in public procurement decisions.

Non-commercial matters include 'Workforce matters' (defined as including the terms and conditions of employment or the composition of a contractors' workforce, arrangements for promotion, transfer or training of or other opportunities for their workforces).

The LGA 1988 also provides that any matter which would be a non-commercial matter if it referred to a provider, will also be a non-commercial matter where referable to any a supplier, customer, subcontractor or associated body of the provider, a sub-contractor of an associated body or their respective suppliers or customers.

The courts have said, in the context of considering provisions such as pay and hours of work, that the LGA 1988 restrictions are not intended to prohibit a local authority from including in its contract's provisions requiring the contractor to comply with the general law. And it does not prevent an authority from exercising procurement functions with reference to a non-commercial matter to comply with the general equality duty under section 149 of the Equality Act, or to comply with the Social Value Act, which imposes a general duty on contracting authorities to consider how they might use their procurement activity to improve the economic, social and environmental well-being of their area, or to comply with its duties of best value under the Local Government Act 1999.

It is also possible, where relevant to the delivery of a contract, to take account of a bidder's approach to fair work practices. Fair work practices can and would normally be expected to include fair and equal pay, including the living wage as part of a package of positive fair work practices to be delivered for the duration of the contract. The Public Services (Social Value) Act 2011 requires that the council, when it is commissioning public services, to think about how it can secure wider social, economic, and environmental benefits. So, to encourage and achieve compliance by potential service providers to pay the RLW to employees for new services contracts, the council could allocate a relatively high percentage of the scoring allocation to social value.

So, currently while the Council can insist that suppliers comply with employment law (and so for example pay the minimum wage to their employees), and that they have financial standing and the technical or professional ability to perform the contract, the Council need to work with suppliers and encourage them to pay their employees the RLW, rather than seeking to exclude them from doing business with the council for not doing so because this is not currently a legal requirement. Compliance with equality, social value and best value obligations do not allow us to act in breach of public procurement rules, but the Council can have policies and introduce procurement procedures that reflect the letter and intent of equality, social value and best value legislation to achieve those policy objectives compliantly with the PCR.

It should be noted that the Cabinet Office published a National Procurement Policy Statement in June 2021 which requires contracting authorities to have regard to national strategic priorities when exercising their functions relating to public procurement. The national priorities relate to social value, commercial and procurement delivery and skills and capability for procurement. A new Procurement Bill is also expected to be introduced and become law in 2023 which will need to be considered.

Financial Implications

The approval of the recommendations of this report will have potential significant financial implications over the coming years. It is in recognition of the financial impact alongside the Council challenging financial circumstances of paying the RLW into our supply chain that a period of 7 years has been agreed with the Living Wage Foundation to give the Council time to transition as per the 7-year plan appended.

This plan has been designed to allow the Council in the early years to re-tender services that have a low financial impact considering the financial challenges and also to allow the Council to considered approach to implementation for those services falling into the mid and later years of the plan.

The following tables show the estimated cost impact of introducing RLW in the supply chain from 1 April 2022, including a predicted 2% increase in RLW rates. Not all contracts are impacted in year 1. Depending on when contracts are re-tendered the impact may not fall until years 2 – 5.

YEAR BY YEAR LOOK AT IMPACT OF INTRODUCING THE RLW INTO OUR SUPPLY CHAIN WITHOUT SC SPOT CONTRACTS (£M)

Year	1	2	3	4	5	6	7
	£0.305	£0.555	£0.695	£0.859	£0.943	£0.966	£0.985

*These rates are based on the 2021 RLW rates.

AN INCREMENTAL APPROACH WITH SOCIAL CARE SPOT CONTRACTING BACKENDED IN THE PLAN TO YEAR 6-7 (£M)

Year	1	2	3	4	5	6	7
	£0.305	£0.555	£0.695	£0.859	£0.943	£7.721	£14.771

The 2022/2023 draft budget and three-year draft MTFS which is subject to a report elsewhere on this agenda includes a budget provision of £450k in years 2022/2023 and 2023/2024 which is intended to cover the implementation of the wage in the early years. The MTFS will be refreshed as the implementation plan proceeds.

Equalities implications / Public Sector Equality Duty

An Equalities Impact Assessment was completed, and the outcome was positive.

Council Priorities

The Council's leadership has made a strong commitment to promoting a fairer future for all residents in the Borough Plan. Through implementing the recommendations set out in this report, the Council will be able to further deliver against the priorities of tackling poverty and inequality; addressing health and social care inequality and building a strong local economy.

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

Section 3 - Statutory Officer Clearance

Statutory Officer:

Signed by the Chief Financial Officer
Dawn Calvert
Date: 24 November 2021

Statutory Officer:

Signed on behalf of the Monitoring Officer
Stephen Dorrian
Date: 23 November 2021

Chief Officer:

Signed off by the Corporate Director
Charlie Stewart
Date: 23 November 2021

Head of Procurement:

Signed by the Head of Procurement
Nimesh Mehta
Date: 23 November 2021

Head of Internal Audit:

Signed by the Head of Internal Audit
Susan Dixon
Date: 24 November 2021

Mandatory Checks

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

EqlA carried out: YES

Section 4 - Contact Details and Background Papers

Contact:

Nimesh Mehta Head of Procurement, 07949 054 739
nimesh.mehta@harrow.gov.uk

Background Papers: None

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

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Report for: Cabinet

Date of Meeting:	9 th December 2021
Subject:	Treasury Management Mid-Year Report 2021/22
Key Decision:	No
Responsible Officer:	Dawn Calvert, Director of Finance and Assurance
Portfolio Holder:	Councillor Natasha Proctor, Deputy Leader and Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	No
Wards affected:	All wards
Enclosures:	Appendix 1 Link Group Economic Commentary Appendix 2 Borrowing and Investment Rate Summary 2021/22

Section 1 – Summary and Recommendations

This report provides a Mid-Year Review of the Council's Treasury Management activities in 2021/22 in compliance with the CIPFA Treasury Management Code of Practice.

Recommendations:

Cabinet is requested to:

1. Note the Treasury Management Mid-Year Review for 2021/22.
2. Refer this report to the Governance, Audit, Risk Management and Standards Committee for review.

Reason: (for recommendations)

- a) To promote effective financial management and comply with regulations issued under the Local Government Act 2003, the CIPFA Code of Practice on Treasury Management, and the CIPFA Prudential Code for Capital Finance, along with meeting the requirements of the Council's Financial Regulations.
- b) To keep Members informed of Treasury Management activities and performance to date for 2021/22.

Section 2 – Report

1.0. Introduction

1.1. The purpose of this report is to update Members with the Council's Treasury Management activity in 2021/22, presenting performance to 30th September 2021 in accordance with the Council's Treasury Management Practices and in compliance with the CIPFA Treasury Management Code of Practice. The Council has complied with all elements of the Treasury Management Strategy Statement (TMSS) as the treasury management function.

1.2. Treasury management comprises:

- Managing the Council's borrowing to ensure funding of the Council's current and future Capital Programme is at optimal cost;
- Investing surplus cash balances arising from the day-to-day operations of the Council to obtain an optimal return while ensuring security of capital and liquidity.

1.3. The annual revenue budget includes the revenue costs that flow from capital financing decisions. Under the CIPFA Treasury Management Code of Practice and the CIPFA Prudential Code, increases in capital expenditure should be

limited to levels whereby increases in interest charges and running costs are affordable within the Council's revenue account.

- 1.4. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation to ensure the security and liquidity of the Council's treasury investments.
- 1.5. The Council recognises that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of the CIPFA Treasury Management Code of Practice.

2.0. Reporting Requirements

- 2.1. The Council and/or Cabinet are required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.
- 2.2. **Treasury Management Strategy Statement Report** – The first, and most important report is presented to the Council in February and covers:
 - The Treasury Management Strategy Statement (TMSS), which details how the investments and borrowings for capital expenditure are to be organised, including Treasury Limits and Prudential Indicators.
 - The Annual Investment Strategy which forms part of the TMSS, (the parameters on how investments are to be managed).
 - the MRP Policy (how capital expenditure is charged to revenue over time).

The 2021/22 TMSS was presented to Council on 25 February 2021.

- 2.3. **Mid-Year Review Report** – This is presented to Cabinet in December/January and updates Members on the progress of the Capital Programme, reporting on Prudential Indicators to give assurance that the treasury management function is operating within the Treasury Limits and Prudential Indicators set out in the TMSS.

This report fulfills the requirements of the the Mid-Year Review for 2021/22.

- 2.4. **Treasury Management Outturn Report** – This is typically presented to Cabinet in June/July and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the TMSS and Mid-Year Reports.
- 2.5. **Scrutiny** – The above reports are required to be adequately scrutinised, normally before being recommended to Cabinet/Council, with the role being undertaken by the Governance, Audit, Risk Management and Standards Committee (GARMS). The Council has complied with the CIPFA Treasury

Management Code of Practice to the extent that all Treasury Management reports have been scrutinised though the efficient conduct of the Council's business may require consideration by GARMS subsequent to consideration by Cabinet/Council.

- 2.6. The Council has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Section 151 Officer. The Section 151 Officer chairs the Treasury Management Group (TMG), which monitors the treasury management activity and market conditions monthly.

3.0. Options considered

- 3.1. The report is in accordance with the reporting requirements of the CIPFA Treasury Management Code of Practice.

4.0. Treasury Management Strategy Statement and Annual Investment Strategy Update

- 4.1. The Treasury Management Strategy Statement, (TMSS), for 2021/22 was approved by Council on 25 February 2021.
- 4.2. There are no policy changes proposed to the TMSS approved for 2021/22; the details in this report update the position in the light of the updated economic environment, budgetary changes and revised capital programme outturn forecast contained in the 2021/22 Q2 Capital Budget Monitoring Report also presented at this meeting.

5.0. GLA Group Investment Syndicate

- 5.1. The Cabinet report dated 15th July 2021, set out a recommendation that the Council becomes a participant in the shared service arrangement operated by the Greater London Authority (GLA) for the provision of treasury management services. This will include the Council transferring its investment balances into the GLA Group Investment Syndicate (GIS).
- 5.2. Work remains ongoing in respect of finalising the associated legal agreement to conclude negotiations to the satisfaction of the Director of Finance and Assurance in consultation with the Portfolio Holder for Finance and Resources together with the Director of Legal and Governance.
- 5.3. It is anticipated that this agreement may be in place for 2022/23.

6.0. CIPFA Treasury Management Code of Practice and Prudential Code consultations

- 6.1. CIPFA are currently consulting on revisions to the Treasury Management Code of Practice and Prudential Code. The second stage of the consultation process closed on the 16 November 2021 and we are awaiting the outcome of the consultation. CIPFA have indicated that due to the timing of the

consultations the introduction of changes from the revised Codes will be in the form of a soft launch with full implementation expected from 2023/24.

7.0. Compliance with Prudential Indicators

- 7.1. It is a statutory duty for the Council to determine and keep under review its affordable borrowing limits. The Council has operated within the Treasury and Prudential Indicators set out in the Council's Treasury Management Strategy Statement for 2021/22 during the half year ended 30 September 2020 (and up to 29 November 2021 at the point this report was despatched).
- 7.2. All treasury management operations have been conducted in full compliance with the Council's Treasury Management Practices.

Prudential Indicator for Capital Expenditure

- 7.3. The Council's Capital Programme is a key driver of Treasury Management activity. The output of the Capital Programme is reflected in the statutory prudential indicators, which are designed to provide Member's with an overview of the impact of the capital expenditure plans and ensure that these remain prudent, affordable and sustainable.
- 7.4. Table 1 shows the revised estimates for capital expenditure to reflect updates to the 2021/22 capital programme since the capital programme was agreed as part of the 2021/22 Budget.

Table 1

Capital expenditure £'000	2021/22 Original Estimate	2021/22 Revised Estimate
- Resources and Commercial	14,731	14,583
- People's	22,803	11,528
- Community	48,092	62,716
General Fund	85,626	88,827
HRA	90,823	99,595
Total	176,449	188,422

- 7.5. The 2021/22 Q2 Capital Budget Monitoring Report provides further details of the updated forecast outturn position.

Changes to the Financing of the Capital Programme

- 7.6. Table 2 illustrates how the Council's capital expenditure plans (table 1) will be funded. The net financing need for the year increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Table 2

Financing of capital expenditure £'000	2021/22 Original Estimate	2021/22 Revised Estimate
General Fund		
Capital Receipts	2,641	
Capital Grants	27,362	17,365
BCiL	4,027	4,085
NCiL	500	588
Section 106		1,091
Revenue		425
External Funding	34,530	23,554
Net financing need for year (GF)	51,096	65,273
HRA		
Capital Receipts	7,848	13,727
Capital Grants	21,488	17,997
Section 106	3,165	3,020
Revenue	12,143	12,950
External Funding	44,644	47,694
Net financing need for year (HRA)	46,179	51,901
Total net financing need for year	97,274	117,174

Capital Financing Requirement

- 7.7. The CFR is the total historic outstanding capital expenditure incurred by the Council, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any new capital expenditure, which has not immediately been paid for, will increase the CFR. The Council makes an annual charge to the revenue budget for the repayment of its debt liability, the Minimum Revenue Provision, which acts to reduce the CFR and charge prudential borrowing to the General Fund over time.
- 7.8. The Authority's CFR at 31 March 2021 was £573m (GF £422m/HRA £151m). Table 3 reflects the latest projections for the CFR based on the forecast outturn from the 2021/22 Q2 Capital Budget Monitoring Report, summarised in tables 1 and 2, and the Minimum Revenue Provision included within the 2021/22 Revenue Budget.

Table 3

Capital Financing Requirement £'000	2021/22 Original Estimate	2021/22 Revised Estimate
CFR – General Fund	467,891	461,913
CFR – HRA	198,224	202,575
Total CFR	666,115	664,488
Movement in CFR	71,721	91,621

Movement in CFR represented by		
Net financing need for the year (table 2)	97,274	117,174
Less MRP/VRP and other financing movements	-25,553	-25,553
Movement in CFR	71,721	91,621

Authorised Limit and Operational Boundary

- 7.9. No changes have been proposed to the Council's Operational Boundary and Authorised Limit which were approved as part of the 2021/22 TMSS on 25 February 2021.

Operational Boundary

- 7.10. This limit is based on the Council's programme for capital expenditure, Capital Financing Requirement and cash flow needs for the year. It is the limit beyond which external debt is not normally expected to exceed.

Table 4

Operational boundary £'000	2021/22
Borrowing	666,115
Other long term liabilities	17,370
Total	683,485

Authorised Limit

- 7.11. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council.
- 7.12. It is the statutory limit determined under section 3(1) of the Local Government Act 2003. Under the Act, the Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Table 5

Authorised limit £'000	2021/22
Borrowing	696,115
Other long term liabilities	28,520
Total	724,635

8.0. Economic Update

- 8.1. The Monetary Policy Committee (MPC) on the 4th November voted 7-2 to leave Bank Rate unchanged at 0.10% with two members voting for an increase to 0.25% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn by a vote of 6-3.
- 8.2. After the Governor and other MPC members had made speeches prior to the November MPC meeting in which they stressed concerns over inflation, (the Bank is now forecasting inflation to reach 5% in April when the next round of capped gas prices will go up), thus reinforcing their strong message from the September MPC meeting, financial markets had confidently built in an expectation that Bank Rate would go up from 0.10% to 0.25% in November.
- 8.3. While the Bank refrained from raising rates at the November meeting, the MPC did comment, however, that Bank Rate would have to go up in the short term. It is, therefore, relatively evenly balanced as to whether Bank Rate will be increased in December, February or May. Much will depend on how the statistical releases for the labour market after the end of furlough on 30th September 2021 turn out when published.
- 8.4. Over the next year the MPC will be doing a delicate balancing act of weighing combating inflation being higher for longer against growth being held back by significant headwinds. Those headwinds are due to supply shortages (pushing prices up and holding back production directly), labour shortages, surging fuel prices and tax increases. However, those headwinds could potentially be offset – at least partially - by consumers spending at least part of the £160bn+ of “excess savings” accumulated during the pandemic. Conversely, there is also the possibility that people may be content to hold onto elevated savings and investments and, therefore, not support the economic recovery to the extent that the MPC may forecast.
- 8.5. The MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement after the MPC meeting in September yet at its August meeting it had emphasised a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was ‘sustainably over 2%’. On balance, once this winter is over and world demand for gas reduces - so that gas and electricity prices fall back - and once supply shortages of other goods are addressed, the MPC is forecasting that inflation would return to just under the 2% target within 3 years.

- 8.6. The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
1. Raising Bank Rate as "the active instrument in most circumstances".
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings
- 8.7. Since the start of 2021, there has been volatility in gilt yields, and hence PWLB rates. During September, gilt yields from 5 – 50 years rose steadily and after the hawkish tone of the MPC's minutes on 23rd September. Gilt yields then fell sharply after the Budget on 27th October cancelled nearly all gilt sales until the end of the financial year. Forecasts from Link Group, the Councils treasury advisor show a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025.

Interest Rate Forecast

- 8.8. The Council's treasury advisor, Link Group, provided the following forecasts on 8th November 2021 (PWLB rates are based on PWLB Certainty Rates, which are gilt yields plus 80bps):

Link Group Interest Rate View 8.11.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50

9.0. Treasury Position as at 30 September 2021

Investments

- 9.1. In accordance with the CIPFA Treasury Management Code of Practice and MHCLG Investment Guidance, the TMSS sets out the Council's investment priorities as being:
- Security of capital
 - Liquidity
 - Yield
- 9.2. It is now impossible to earn the level of interest rates commonly seen in previous decades as short-term money market investment rates have continued to remain low following the cut in Bank Rate to 0.10% in March 2020. After the MPC meeting on 24th September 2021 6 month to 12 month deposit rates rose in anticipation of Bank Rate going up in 2022, and while the MPC didn't raise Bank Rate in November in line with market expectations, it has continued to price in an increase which have impacted yields for durations in all but the short term liquidity periods, albeit marginally. Given this low starting point and the fact that Bank Rate is still only forecast to rise incrementally

through to March 2025 means that investment returns are expected to remain low for the foreseeable future.

Table 6

Investment Portfolio £'000	31-Mar-21			30-Sep-21		
	Principal	Average Rate (%)	Average Life (days)	Principal	Average Rate (%)	Average Life (days)
- MMFs	1,616	0.00%	1	1,616	0.01%	1
- Banks	80,838	0.01%	4	118,115	0.01%	4
Total Investments	82,454	0.01%	4	119,731	0.01%	4

9.3. The Council held £120m of investments as at 30 September 2021 compared with £82m at 31 March 2021. The portfolio remains highly liquid with the yield reflecting the current market for liquid investments. Cashflow forecasting has been challenging during 2021/22 due to the continued response to the pandemic and the impact this has had on the Authority along with the Council's continued role within that response. The internal borrowing strategy of the Authority, focusing on minimising the net cost of borrowing, also prevents longer term investment with a consequential impact on investment return.

9.4. The Council's investment income budget for 2021/22 is £1.256m and the forecast outturn is £1.2m. This includes income from the £15m loan to the West London Waste Authority which the Council approved in July 2013 to finance the cost of a new energy waste plant. The term of the loan is 25 years at an interest rate of 7.604% on a reducing balance basis. The loan balance at the 31 March 2021 was £15.8m which includes interest accrued to date.

9.5. During the period cash investments have been held with Deutsche and Fidelity Money Market Funds, Lloyds, Royal Bank of Scotland PLC, and Svenska Handelsbanken. Counterparty use has been consistent with previous years and in accordance with the credit criteria set out in the TMSS. Officers can confirm that the approved limits within the Annual Investment Strategy have not been breached to the period of 29th November 2021.

9.6. There are no changes proposed to the Council's Investment Counterparty Criteria approved in the 2021/22 TMSS.

Borrowing

9.7. The Council continues to run an internal borrowing strategy with a borrowing portfolio of £422m (excluding £17.6m of PFI and Finance Lease Liabilities) below the actual CFR of £573m as at 31 March 2021 and the revised estimate of the CFR for 31 March 2022 of £664m, based on the forecast outturn for the from the 2021/22 Q2 Capital Budget Monitoring Report.

9.8. The Authority's current borrowing portfolio remains unchanged from 31 March 2021, with no new borrowing undertaken in 2021/22 to date up to 29 November 2021.

9.9. The forecast outturn on borrowing costs is £14.929m, a favourable variance of £4.008m on the budget of £18.937m, reflecting the continued internal borrowing strategy adopted by the Authority.

Table 7

Borrowing Portfolio £'000	31-Mar-21			30-Sep-21		
	Principal	Average Rate (%)	Average Life (yrs)	Principal	Average Rate (%)	Average Life (yrs)
- PWLB	348,461	3.45%	36.0	348,461	3.45%	35.5
- Market	73,800	3.53%	41.7	73,800	3.53%	41.2
Total borrowing	422,261	3.46%	37.0	422,261	3.46%	36.5

9.10. The Director of Finance will continue to keep borrowing decisions under review.

9.11. The maturity structure of the debt portfolio remained within the Prudential Indicator limits set as part of the 2021/22 Treasury Management Strategy. The maturity structure table (8) below includes one Lenders Option Borrowers Option (LOBO) market loan at its next call date, which is the earliest date the lender can require repayment.

Table 8

Maturity structure of borrowing 2021/22	Lower Limit	Upper Limit	Actual 31.03.21	Actual 30.09.21
Under 12 months	0%	40%	5%	5%
12 months to 2 years	0%	30%	1%	1%
2 years to 5 years	0%	30%	0%	0%
5 years to 10 years	0%	40%	5%	5%
10 years and above	30%	100%	89%	89%

10.0. Implications of the Recommendation

11.0. Risk Management Implications

This report is for noting and Cabinet are not being asked to make any decisions hence there are no direct risk management implications to this report.

12.0. Procurement Implications

There are no procurement implications arising from this report.

13.0. Legal Implications

The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to

ensure that the Council's capital investment plans are affordable, prudent and sustainable. These are contained within this report.

The Act, accompanying statutory guidance and Codes of Practice referred to through capital financing regulations requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This report assists the Council in fulfilling its statutory obligation under the Local Government Act 2003 to monitor its borrowing and investment activities.

14.0. Financial Implications

In addition to supporting the Council's revenue and capital programmes the Treasury Management interest budget is an important part of the revenue budget. Any savings achieved, or overspends incurred, have a direct impact on the financial performance of the budget.

15.0. Equalities implications / Public Sector Equality Duty

There is no direct equalities impact.

16.0. Council Priorities

This report deals with the Treasury Management Strategy which plays a significant part in supporting the delivery of all the Council's corporate priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Chief Financial Officer

Date: 30/11/2021

Statutory Officer: Jessica Farmer

Signed by the Monitoring Officer

Date: 1/12/2021

Chief Officer: Charlie Stewart

Signed off by the Corporate Director

Date: 30/11/2021

Head of Procurement: Nimesh Mehta

Signed off by the Head of Procurement

Date: 30/11/2021

Head of Internal Audit: Susan Dixon

Signed off by the Head of Internal Audit

Date: 26/11/2021

Mandatory Checks

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

EqlA carried out: NO – report is for information and not decision making.

Section 4 - Contact Details and Background Papers

Contact: Dawn Calvert – Director of Finance & Assurance,
dawn.calvert@harrow.gov.uk,

Background Papers:

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

NO

Appendix 1 Link Group Economic Commentary

MPC meeting 4th November 2021

- 1.0. The Monetary Policy Committee (MPC) voted 7-2 to leave Bank Rate unchanged at 0.10% with two members voting for an increase to 0.25% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn by a vote of 6-3.
- 1.1. After the Governor and other MPC members had made speeches prior to the MPC meeting in which they stressed concerns over inflation, (the Bank is now forecasting inflation to reach 5% in April when the next round of capped gas prices will go up), thus reinforcing the strong message from the September MPC meeting, financial markets had confidently built in an expectation that Bank Rate would go up from 0.10% to 0.25% at this meeting. However, these were not messages that the MPC would definitely increase Bank Rate at the first upcoming MPC meeting as no MPC member can commit the MPC to make that decision ahead of their discussions at the time. The MPC did comment, however, that Bank Rate would have to go up in the short term. It is, therefore, relatively evenly balanced as to whether Bank rate will be increased in December, February or May. Much will depend on how the statistical releases for the labour market after the end of furlough on 30th September 2021 turn out.
- 1.2. Information available at the December MPC meeting will be helpful in forming a picture but not conclusive, so this could cause a delay until the February meeting. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would, therefore, need to wait until the May meeting (although it also meets in March) when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation expected around that time. If the statistics show the labour market coping well during the next six months, then it is likely there will be two increases in these three meetings.
- 1.3. Over the next year the MPC will be doing a delicate balancing act of weighing combating inflation being higher for longer against growth being held back by significant headwinds. Those headwinds are due to supply shortages (pushing prices up and holding back production directly), labour shortages, surging fuel prices and tax increases. However, those headwinds could potentially be offset – at least partially - by consumers spending at least part of the £160bn+ of “excess savings” accumulated during the pandemic. However, it is also possible that more affluent people may be content to hold onto elevated savings and investments and, therefore, not support the economic recovery to the extent that the MPC may forecast.
- 1.4. The latest forecasts by the Bank showed inflation under-shooting the 3 years ahead 2% target (1.95%), based on market expectations of Bank Rate hitting 1% in 2022. This implies that rates don't need to rise to market expectations of 1.0% by the end of next year.
- 1.5. It is worth recalling that the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement after the MPC meeting in September yet

at its August meeting it had emphasised a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. On balance, once this winter is over and world demand for gas reduces - so that gas prices and electricity prices fall back - and once supply shortages of other goods are addressed, the MPC is forecasting that inflation would return to just under the 2% target.

- 1.6. The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
1. Raising Bank Rate as "the active instrument in most circumstances".
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- 1.7. Gilt yields fell after the budget led to a reduction of £57.8bn in the forecast by the OBR for the deficit this year and a cancellation of nearly all gilt sales for the remainder of the financial year. There is a delicate balancing act in forecasting gilt yields and PWLB rates over the forecast period as when Bank Rate does increase to 0.50%, the Bank will stop reinvesting maturing gilts – but at a time when the size of gilt sales has just been slashed in the budget.

Our forecasts for Bank Rate

- 1.8. We are not expecting Bank Rate to go up fast after the initial rate rise; our view is that the supply potential of the economy has not taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to 5%. We are therefore forecasting five increases in Bank Rate over the forecast period to March 2025, ending at 1.25%. However, we are far from confident that these forecasts will not need changing within a relatively short timeframe for the following reasons: -
- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.
 - Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?
 - Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.
 - On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
 - It is estimated that there were around 1 million people who came off furlough at the end of September; how many of those would not have had jobs on 1st October and would therefore be available to fill labour shortages which are creating a major headache in many sectors of the economy? So, supply shortages which have been driving up both wages

and costs, could reduce significantly within the next six months or so and alleviate one of the MPC's key current concerns.

- We also recognise there could be further nasty surprises on the Covid front, on top of the flu season this winter, and even the possibility of another lockdown, which could all depress economic activity.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no deal Brexit.

1.9. In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with what the new news is.

1.10. It should also be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on no other grounds than it being no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Our forecasts for PWLB rates and gilt and treasury yields

1.11. Gilt yields. Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. During September, gilt yields from 5 – 50 years rose steadily and rose further after the hawkish tone of the MPC's minutes on 23rd September. Gilt yields then fell sharply after the Budget on 27th October cancelled nearly all gilt sales until the end of the financial year. Our forecasts show a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025.

1.12. While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10 year treasury yields and UK 10 year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

1.13. US treasury yields. During the first part of the year, US President Biden's, and the Democratic party's, determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020. This was then followed by additional Democratic ambition to spend \$1trn on infrastructure, which has just been passed by both houses, and an even larger sum on an American families plan over the next decade; this is still caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus was happening at a time when:

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy has been growing strongly during 2021.

3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries.
 4. And the Fed was still providing stimulus through monthly QE purchases.
- 1.14. These factors could cause an excess of demand in the economy which could then unleash strong inflationary pressures. This could then force the Fed to take much earlier action to start increasing the Fed rate from near zero, despite their stated policy being to target average inflation.
- 1.15. At its 3rd November Fed meeting, the Fed decided to make a start on tapering QE purchases with the current \$80bn per month of Treasury securities to be trimmed by \$10bn in November and a further \$10bn in December. The \$40bn of MBS purchases per month will be trimmed by \$5bn in each month. If the run-down continued at that pace, the purchases would cease entirely next June but the Fed has reserved the ability to adjust purchases up or down. This met market expectations. These purchases are currently acting as downward pressure on treasury yields and so it would be expected that Treasury yields would rise as a consequence over the taper period, all other things being equal.
- 1.16. However, on the inflation front it was still insisting that the surge in inflation was "largely" transitory. In his post-meeting press conference, Chair Jerome Powell claimed that "the drivers of higher inflation have been predominantly connected to the dislocations caused by the pandemic" and argued that the Fed's tools cannot address supply constraints. However, with the Fed now placing major emphasis on its mandate for ensuring full employment, (besides containing inflation), at a time when employment has fallen by 5 million and 3 million have left the work force, resignations have surged due to the ease of getting better paid jobs and so wage pressures have built rapidly.
- 1.17. With wage growth at its strongest since the early 1980s, inflation expectations rising and signs of a breakout in cyclical price inflation, particularly rents, the FOMC's insistence that this is still just a temporary shock "related to the pandemic and the reopening of the economy", does raise doubts which could undermine market confidence in the Fed and lead to higher treasury yields.
- 1.18. As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.
- 1.19. There are also possible downside risks from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.

Globally, our views on economies are as follows: -

- 1.20. **EU.** The slow role out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery is nearly complete although countries dependent on tourism are lagging. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.
- 1.21. **German general election.** With the CDU/CSU and SPD both having won around 24-26% of the vote in the September general election, the composition of Germany's next coalition government may not be agreed by the end of 2021. An SPD-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.
- 1.22. **China.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. Supply shortages, especially of coal for power generation, which is causing widespread power cuts to industry, are also having a sharp disruptive impact on the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.
- 1.23. **Japan.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy is rebounding rapidly now that the bulk of the population is fully vaccinated and new virus cases have plunged. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida had promised a large fiscal stimulus package after the November general election which his party has now won.
- 1.24. **World growth.** World growth was in recession in 2020 but recovered during 2021. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages. But these should subside during 2022.

The balance of risks to the UK: -

- 1.25. The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

Downside risks to current forecasts for UK gilt yields and PwLB rates include: -

- 1.26. **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- 1.27. **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, resulting in further national lockdowns or severe regional restrictions.
- 1.28. **Bank of England** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- 1.29. **The Government** acts too quickly to cut expenditure to balance the national budget.
- 1.30. **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- 1.31. A resurgence of the **Eurozone sovereign debt crisis**. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU agreed a €750bn fiscal support package which has still to be disbursed. These actions will help shield weaker economic regions in the near-term. However, in the case of Italy in the longer term, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- 1.32. Weak capitalisation of some **European banks**, which could be undermined further depending on the extent of credit losses resulting from the pandemic.
- 1.33. **German general election in September 2021**. Germany faces months of uncertainty while a new coalition government is cobbled together after the indecisive result of the election. Once that coalition is formed, Angela Merkel’s tenure as Chancellor will end and will leave a hole in overall EU leadership.
- 1.34. **Other minority EU governments**. Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile and, therein, impact market confidence/economic prospects and lead to increasing safe-haven flows.

1.35. **Geopolitical risks**, for example in China, Iran or North Korea, but also in Europe and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

1.36. The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

1.37. Longer term US treasury yields rise strongly and pull gilt yields up higher than forecast.

LINK GROUP FORECASTS

1.38. We do not think that the MPC will embark on a series of increases in Bank Rate of more than 1.15% during the current and next three financial years as we do not expect inflation to return to being sustainably above 2% during this forecast period.

1.39. With unpredictable virus factors now being part of the forecasting environment, there is a risk that forecasts could be subject to significant revision during the next three years.

Gilt yields and PWLB rates

1.40. The general situation is for volatility in bond yields to endure as investor fears and confidence ebb and flow between favouring relatively more “risky” assets i.e., equities, or the safe haven of government bonds. The overall longer-run trend is for gilt yields and PWLB rates to rise.

1.41. There is likely to be exceptional volatility and unpredictability in respect of gilt yields and PWLB rates due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

1.42. Our forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in

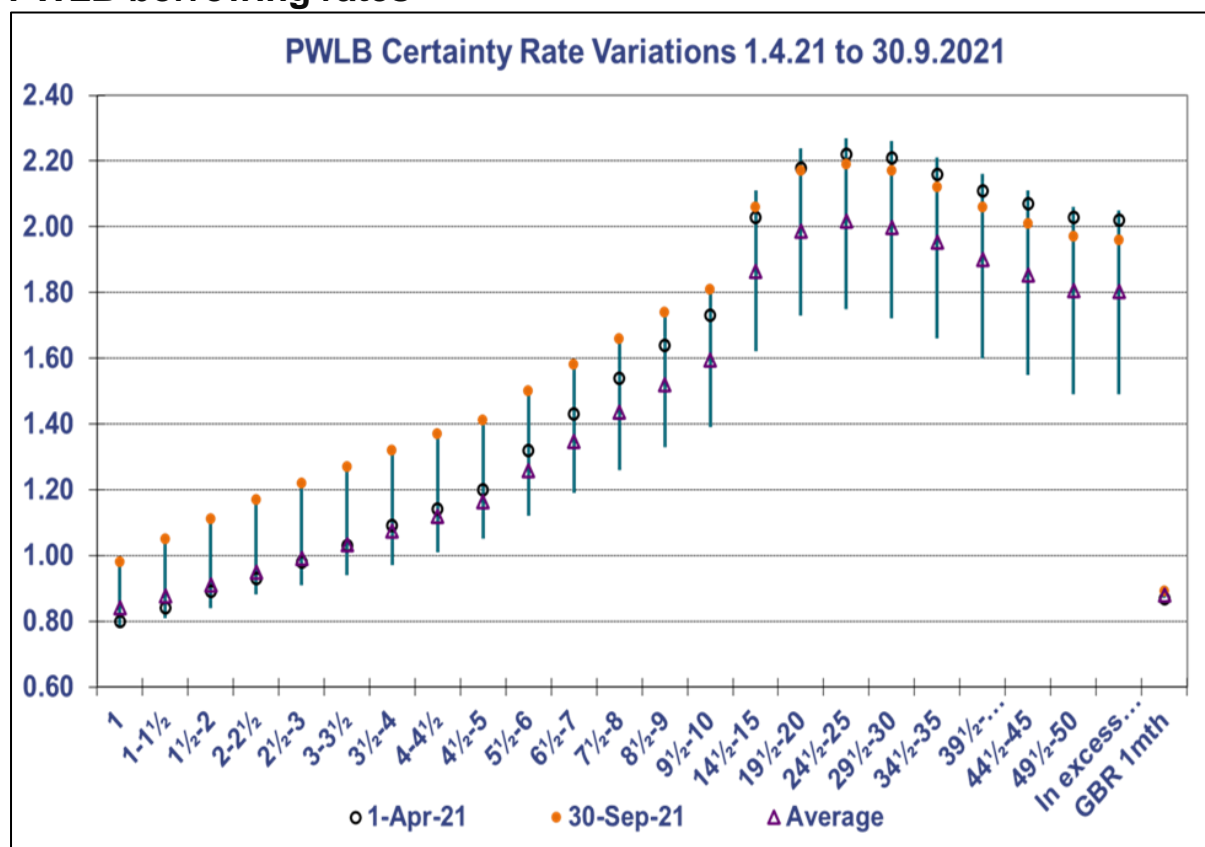
international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

1.43. Our current and previous PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View 8.11.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50

Appendix 2 Borrowing and Investment Rate Summary 2021/22

PWLB borrowing rates



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.78%	1.05%	1.39%	1.75%	1.49%
Date	08/04/2021	08/07/2021	05/08/2021	17/08/2021	10/08/2021
High	0.98%	1.42%	1.81%	2.27%	2.06%
Date	24/09/2021	28/09/2021	28/09/2021	13/05/2021	13/05/2021
Average	0.84%	1.16%	1.60%	2.02%	1.81%
Spread	0.20%	0.37%	0.42%	0.52%	0.57%

Money market investment rates and forecasts 2021/22

	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	-0.08	-0.07	-0.04	0.05	0.25
High Date	01/04/2021	09/04/2021	06/07/2021	01/04/2021	30/09/2021	30/09/2021
Low	0.10	-0.09	-0.08	-0.07	-0.04	0.03
Low Date	01/04/2021	27/08/2021	26/04/2021	08/09/2021	27/07/2021	16/04/2021
Average	0.10	-0.08	-0.07	-0.05	-0.02	0.07
Spread	0.00	0.01	0.01	0.03	0.09	0.22

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