

**Report for: Cabinet**

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<b>Date of Meeting:</b>	16 February 2023
<b>Subject:</b>	Final Revenue Budget 2023/24 and final Medium Term Financial Strategy 2023/24 to 2025/26
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Dawn Calvert – Director of Finance and Assurance (S151 Officer)
<b>Portfolio Holder:</b>	Councillor David Ashton – Portfolio Holder for Finance and Human Resources
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	No - decisions reserved to Council
<b>Wards affected:</b>	All
<b>Enclosures:</b>	<b>Appendix 1A</b> – Savings and Growth 2023/24 to 2025/26 <b>Appendix 1B</b> – Savings and Growth from the 2022/23 Budget Process <b>Appendix 2</b> - Medium Term Financial Strategy 2023/24 to 2025/26 <b>Appendix 3</b> – Revenue Budget Summary 2023/24 <b>Appendix 4</b> – Levies, contributions, and subscriptions <b>Appendix 5</b> – Policy on use of contingency <b>Appendix 6</b> - Schools Budget 2023/24 <b>Appendix 7</b> - Public Health Budget 2023/24 <b>Appendix 8</b> – Reserves Policy <b>Appendix 9</b> – Reserves Forecast <b>Appendix 10</b> – Report of the Chief Finance Officer <b>Appendix 11</b> – Model Council Tax Resolution <b>Appendix 12</b> – Members Allowance Scheme 2023/24

**Appendix 13** – Annual Pay Policy Statement  
for 2023/24

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

**Appendix 15** - Summary of Resident  
Consultation

**Appendix 16** – Employees’ Consultative  
Panel Recommendation

**Appendix 17** – Harrow Business  
Consultative Panel Meeting Minutes

# Section 1 – Summary and Recommendations

This report sets out the final revenue budget for 2023/24 and final Medium Term Financial Strategy (MTFS) for 2023/24 to 2025/26. In December 2022, Cabinet approved the draft versions of the revenue budget and MTFS for general consultation.

## **Recommendations:**

Cabinet is requested to:

- 1) Recommend the 2023/24 budget to Council for approval, being mindful of consultation results, to enable the Council Tax for 2023/24 to be set.
- 2) Recommend the Model Council Tax Resolution 2023/24 to Council for approval as set out in Appendix 11.
- 3) Recommend to Council that, in accordance with Section 38 (2) of the Local Government Finance Act 1992, the Chief Executive be instructed to place a notice in the local press of the amounts set under recommendation 2 above with a period of 21 days following the Council's decision.
- 4) Approve the Medium-Term Financial Strategy for referral to Council (Appendix 2).
- 5) Note the balanced budget position for 2023/24 and 2024/25 and the estimated budget gap of £6.321m to £13.143m for 2025/26 largely due to the uncertainty of the Social Care Grant (Table 2).
- 6) Note the intention to increase Council Tax by 2.99% in 2023/24 (Paragraph 1.07).
- 7) Note the intention to increase Council Tax by a further 2% in 2023/24 in respect of the Adult Social Care Precept (Paragraph 1.16).
- 8) Note the 2023/24 budgets for Schools and Public Health as set out in Appendices 6 & 7.
- 9) Note the proposal to increase funding to Additionally Resourced Mainstream Units by 10% (within the High Needs Block) (Paragraph 1.46).
- 10) Note the proposal to provide additional funding for pupils with Education, Health and Care Plan (EHCP) in mainstream schools of 3.4% (Paragraph 1.46).
- 11) Note the assumed funding for the protection of social care 2023/24 through the Better Care Fund (Paragraphs 1.51 to 1.54).
- 12) Recommend the 2023/24 Members Allowance Scheme to Council for approval (Appendix 12).

13) Recommend the 2023/24 Annual Pay Policy Statement to Council for approval (Appendix 13).

14) Recommend the Capital Receipts Flexibility Strategy to Council (Appendix 14).

**Reason: (For recommendations)**

To ensure that the Council sets a balanced budget for 2023/24.

## **Section 2 – Report**

### **BACKGROUND**

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

1.02 Over the last 10 years, up to 2022/23:

- The Council's revenue support grant has reduced from £50.5m to £1.825m (after accounting for the Council Tax Subsidy Admin Grant of £256k which is now subsumed into RSG)
- The Council does receive other grant funding to support services, in 2022/23 this totalled £366m. However, these grants are all ring fenced to areas of activity and cannot be used to support the core budget, for example the Dedicated Schools Grant of £143m.
- The Council does not receive specific funding to meet demographic growth and demand led pressures. In addition, inflation is increasing exponentially creating unfunded budget pressures.
- For many years Council Tax has been increased just below the referendum limits and full use has been made of the Adults Social Care Precept, both of which were in line with central government expectations. The impact of this is that the Council is heavily reliant on Council Tax to fund its core services. In 2022/23 80% of the Council's net revenue budget of £183.3m is funded from Council Tax.

### **SUMMARY**

1.03 This report sets out the final budget and MTFs, which have been adjusted since draft documents were presented to Cabinet in December 2022, and Cabinet are asked to note the adjustments. After all adjustments, the MTFs shows a balanced budget position for 2023/24 and 2024/25 and an estimated budget gap of £6.321m to £13.143m for 2025/26 due largely to the uncertainty of the Social Care Grant. It is important to note that for 2025/26 several of the budget adjustments are estimated at a high level due to the challenges of forecasting complex issues such as inflation, demand, and demographic changes so far in advance. As the budget is approved annually, the latter two years of the MTFs, especially year 3, will be subject to review and adjustment before being finally approved.

1.04 The final MTFs is based on the Local Government Indicative Financial Settlement received 19 December 2022. The final settlement was received

on 7 February 2023 and any impact on the budget and MTFs will be managed through the Contingency for Unforeseen Items. There will be no impact on the overall budget envelope. Whilst it is intended that members will approve the MTFs in February 2023, 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

## **SPENDING REVIEW 2021 AND AUTUMN STATEMENT 2022**

### **Spending Review 2021**

- 1.05 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. There were 2 announcements that impacted on 2023/24 and 2024/25. The first was the £1.5b per annum of new grant funding into local government 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). The MTFs assumed that the Council's share was based on Harrow's proportionate share of Adults Social care nationally (0.004) resulting in an estimated grant value of £6m additional per annum over the three years 2022/23 to 2024/25. The Department of Levelling Up, Housing and Communities (DHLUC) provided assurances that that this funding would be continued with announcements in the Autumn Statement 2022 being additional to SR21 and not a replacement for. Hence £12m of additional funding (£6m in both 2023/24 and 2024/25) remained in the draft MTFs. However, these assurances did not materialise in the Autumn Statement 2022 and the £12m of additional funded has had to be removed from the final MTFs.
- 1.06 The second announcement was the £3.6b over 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 Council received £763k in 2022/23. Plans for years 2 and 3 have been changed by the Autumn Statement 2022 due to the postponement of the reforms until October 2025.

### **Autumn Statement 2022**

- 1.07 The Chancellor of the Exchequer delivered the Autumn Statement on 17 November 2022. The statement set out the broad policy direction in three key areas: economic stability, economic growth, and public services. The key areas of the Statement pertaining to Local Government are detailed below and included in the final MTFs:
- The Council Tax referendum limit will rise from 2% to 3% in 2023/24 with the adult social care precept flexibility rising from 1% to 2%. This flexibility is also allowed for 2024/25. The final MTFs includes a total Council Tax increase of 4.99%, 3.99% and 2.99% over 2023/24, 2024/25 and 2025/26 respectively

- Adult Social Care (ACS) funding reforms will be pushed back by 2 years to October 2025
- The funding to deliver the ACS reforms will be repurposed with £1.3bn for 2023/24 and £1.0bn in 2024/25 distributed to Local Authorities through the Social Care Grant
- An extra £1bn to go towards social care via the Better Care Fund (£600m) and through a ring-fenced ASC grant (£400m) in 2023/24 rising to £1.7bn in 2024/25
- The business rates multiplier will be frozen in 2023/24 and local authorities will be fully compensated for any loss of income
- Social care rents (within the HRA) will be capped at 7%
- The £1bn Household Support Fund will be continued for another 12 months from April 2022
- The school's budget will be increased by £2.3bn in each year above the SR21 level.

## **DELIVERY OF THE 2022/23 BUDGET**

- 1.08 Harrow has had a good track record of robust financial management and has not reported a revenue budget overspend for many years. However recent years have proved more challenging. The budget for the current financial year assumed a drawdown of £14.7m from the MTFs Budget Planning Reserve. The use of reserves is one off in nature and the reversal of this action is the main contributing factor to the 2023/24 budget gap as reported to Council in February 2022.
- 1.09 The reality is that the Council has spent above its budget envelope, and this is not sustainable. A revised financial strategy is being implemented to address the overspend position and reduce the Council's expenditure to within its budget envelope. Performance against the 2022/23 budget is detailed in a separate report on this agenda, 'Q3 Revenue and Capital Budget 2022/23' report. This report forecasts a net overspend of £9.872m assuming no draw down from the MTFs Budget Planning Reserve. The Q3 position is a £2m improvement on Q2 which was reported to Cabinet in December and forecast an overspend of £11.872m. This improvement will reduce the requirement to draw down from reserves from the planned £14.7m to £9.872m. This will allow a minimum of £4.828m to be left within the MTFs Budget Planning Reserve to increase the Council's financial resilience over future years. All efforts continue to further reduce the Q3 forecast by the end of the financial year.
- 1.10 In line with the national picture, the Council is being hit hard with inflation. Inflation on energy is estimated to cost £2.6m more than 2021/22 and is just being contained within the budget provision of £2.750m. Budget provision for pay inflation was £2m (2%). The 2022/23 pay award has recently been announced and it equated to an increase of 6.4% against the pay bill and has created an unfunded budget pressure of £4.070m (net of reversing out the planned NI increase of 1.25%). Front line services continue to experience pressures which will continue in 2023/24 and must be considered as part of the MTFs refresh process. In total these are confirmed at £7.393m.

## **BUDGET PROCESS 2023/24**

- 1.11 The Council has a statutory obligation to agree and publish a balanced budget for 2023/24, and approval for this will be sought from Council in February 2023. In preparing the 2023/24 budget and rolling forward the MTFS to cover the three-year period 2023/24 to 2025/26, the current MTFS has been the starting point for the process.
- 1.12 The Council's financial position and its operational environment has always been affected by several financial uncertainties and adjustments that impact upon its financial position over the short and medium term. In preparing the final budget for 2023/24 the existing MTFS has been:
- Refreshed and rolled on a year
  - Updated to reflect the estimated impact of Autumn Statement 2022 and the Indicative Financial Settlement
- 1.13 The draft budget was presented to Cabinet in December 2022. For completeness, the adjustments required to set the draft budget, are repeated in this report and summarised in Table 1 below followed by a narrative explanation. These adjustments are also set out in Appendix 2 along with adjustments included within the previous MTFS agreed as part of the 2022/23 Budget process:

<b>Table 1: Changes to the MTFS (Prior to Indicative Finance Settlement)</b>			
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Published Budget Gap (Feb 2022)</b>	<b>16,593</b>	<b>0</b>	<b>0</b>
<b>Adjustments:</b>			
<b>Reverse out 24/25 estimated directorate growth</b>		-3,788	
<b>Council Tax, National Non Domestic Rates (NNDR), Collection Fund:</b>			
Reverse out 2.99% income from increase already included in MTFS as part of 2022/23 budget	4,370	4,502	0
<b>Increase in Council Tax 2023/24 - 4.99%</b>			
- Core Council Tax @ 2.99%	-4,880		
- Adult Social Care Precept @ 2%	-2,933		
<b>Increase in Council Tax 2024/25 - 3.99%</b>			
- Core Council Tax @ 2.99%		-4,604	
- Adult Social Care Precept @ 1%		-1,540	
<b>Increase in Council Tax 2025/26 - 2.99%</b>			
- Core Council Tax @ 1.99%			-3,202
- Adult Social Care Precept @ 1%			-1,586
Increase in Council Tax Base of 300 band D equivalents		-500	
Increase in Retained NNDR / Increase in NNDR Multiplier Grant	-3,180		
2022/23 Collection Fund Surplus	-1,939	1,939	
<b>Technical Changes:</b>			
<b>Pension Contributions and Pay Inflation</b>			
Reduction in Pension Fund Deficit Contribution / Revised Recharges to Pension Fund	-1,010		
Pay award 2022/23 - Additional requirement over £2m already provided in MTFS	4,400		
Pay award 2023/24 & 2024/25 - 4% / 2025/26 - 3% (over provision already made)	1,250	1,250	3,000
<b>Non Pay Inflation</b>			
Non Pay Inflation 24/25 - Additional £1m / 2025/26 £1m in total		1,000	1,000
<b>Capital Financing Costs</b>			
25/26 Capital Programme costs from 22/23 refresh			1,747
26/27 Capital Programme costs from current refresh £1.5m			
One off saving on Capital Financing costs due to underspends on Capital Programme	-2,000	2,000	0
Applying capital receipts to fund the Capital Programme	-1,700	-1,300	-1,300
Capital Receipts Flexibilities	-1,250		1,250
<b>Freedom Passes</b>			
Saving 23/24	-1,580		
Growth 24/25		2,322	
Growth 25/26	0		1,000
<b>2022 Autumn Statement:</b>			
National Insurance - Reversal of 2022/23 NI growth to fund 1.25% increase	-800		
Corresponding reduction in SR21 Increase in Core Spending Grant	800		
Social care grant - increased by £1.3bn nationally, increasing to £1.7bn (Note 1)	-4,280	-1,975	6,255
Adult Social care grant - increased by £400m nationally in 2023/24 and a further £283m in 2024/25	-1,620	-1,146	
IBCF (50% of the national allocation of £600m in 2023/24, increasing to £1bn by 2024/25)	-930	-620	
IBCF contribution to pool	930	620	
<b>Directorate Adjustments:</b>			
Chief Executive Office	-50	-410	
Resources	-285	-300	0
Place	1,191		
People	0	1,550	1,800
General growth provision - council wide	1,000	1,000	1,000
<b>Impact of 2022/23 Pressures Carried into 2023/24:</b>			
Resources	430		
Place	4,196		
People (Children's)	4,200		
<b>Revised Budget Gap (December 2022)</b>	<b>10,923</b>	<b>0</b>	<b>10,964</b>

## **Published Budget Gap / 2024/25 Estimated Directorate Growth**

- 1.14 The 2022/23 Final Budget and MTFs, which was approved by Council in February 2022, estimated the budget gap for 2023/24 to be £16.593m. This therefore forms the starting point for the update of the MTFs. The MTFs currently assumes an estimated sum of £3.788m directorate growth. This is being reversed out and is to be replaced by updated growth requirements.

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

- 1.15 For 2023/24 the Council's tax base has been calculated, according to the relevant procedures and guidance, at 89,085 Band D equivalent properties, this being the gross tax base of 90,903 less a 2% bad debt provision. This is an increase of 300 Band D equivalent properties which will generate additional income of £0.5m which is included in the additional Council Tax income of £7.813m (£4.880m + £2.933m). The collection rate for 2022/23 is 73.23% at the time of writing this report and estimated to be 97% by the end of the financial year. The Collection Rate for 2023/24 is set at 98%. The calculation of the Council tax base for 2023/24 is subjected to a separate and more detailed report elsewhere on this agenda (Report: Calculation of Council Tax Base for 2023/24).
- 1.16 A maximum Council Tax increase of 4.99% is budgeted for 2023/24 in line with announcements in the Autumn Statement. This covers 2.99% for core Council Tax and a 2% for the Adult Social Care Precept. This will generate additional revenue of £7.813mm in 2023/24. The current MTFs already assumes a Council Tax increase of 2.99% (£4.370m) which is adjusted for. In 2023/24. The Council has had to provide for pay, non-pay and care provider inflation which equates to 13%. The Autumn Statement allowed for Council Tax to be increased by 4.99% in 2024/25. However, the MTFs assumes a lesser figure of 3.99%.
- 1.17 The Autumn Statement is clear that the business rates multiplier will be frozen in 2023/24 and local authorities will be fully compensated for any loss of income. Freezing the multiplier 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. Conversations with DLUHC have confirmed the loss of income will be based on September 2022 CPI which was circa 10%. London Councils have estimated this compensation for Harrow to be £3.18m which is what is built into the MTFs
- 1.18 The financial year 2023/24 benefits from the 2023 revaluation. For Harrow this means an increase of approximately 8% in rateable values. Considering reliefs, this increases the NNDR tax yield results in an increase in Harrow's 30% share of the retention, when combined with s31 grant compensation, and equates to approximately £1.6m. However, the Autumn Settlement was not clear if existing 'top up' and 'tariff' arrangements (Harrow is a 'top up' authority) will be adjusted to reflect the increase in rateable values and S31 compensation hence adjustments in the draft budget have been limited to the Multiplier Grant increase estimated by London Councils.
- 1.19 The Collection Fund and its impact on the 2023/24 budget is subject to a separate report elsewhere on this agenda (Report: Estimated Surplus / (Deficit) on the Collection Fund 2022/23). The estimated impact on the

2022/23 Collection Fund is a surplus of £1.939m which must be accounted for as a one-off income against the 2023/24 budget.

### **Technical Changes**

- 1.20 The Council administers the Local Government Pension Fund. The Pension Fund gets formally valued every three years through the process known as the triennial valuation. A three-year valuation as of 31 March 2022 has just been completed and indicates that the overall position of the LBH Pension Fund has improved. As a result, the employer pension contribution rate for the Council will reduce from the equivalent of 24.9% of pensionable pay to the equivalent of 23.5% of pensionable pay – leading to a saving of £986,000 to the revenue budget. The cost of administration is borne by the Pension Fund. This has been reviewed and a further cost of £25k is being charged to the fund (this will be subject to review by external audit). In total these adjustments generate a benefit of £1.010m to the MTFs.
- 1.21 The pay award for 2022/23 has recently been agreed and cost £6.4m, an approximate 6.4% uplift against the pay bill. The 2022/23 budget included a provision of £2m and a pressure of £4.4m is being managed in year and needs to be provided for on a permanent basis hence the adjustment of £4.4m in 2023/24. The MTFs already assumes a pay award of 2.75% (for Harrow 1% uplift equates to approximately £1m) for both 2023/24 and 2024/25, which has been increased to 4%. 3% is assumed for 2025/26.
- 1.22 Non pay inflation, which covers areas such as energy costs and contractual up lifts, is proving very difficult to estimate. The MTFs already assumes £2m for non-pay inflation in 2023/24 which will remain as is. For 2024/25 there is an existing provision of £1m which will be increased by a further £1m and a new provision of £1m is provided for in 2025/26.
- 1.23 Alongside the three-year MTFs, the Council sets a corresponding Capital Programme which sets out investing in areas such as highways, street lighting and housing, and regeneration. The cost of the capital investment is reflected in the revenue budget as capital financing costs (interest charges on borrowings and the required minimum revenue provision). The 2022/23 refresh of the Capital Programme costs a further £1.747m in capital financing charges in 2025/26 which must be provided for. For noting, the draft Capital Programme for 2023/24 to 2025/26, which is subject to a separate report on the agenda (Report: Draft Capital Programme 2023/24 to 2025/26) will require additional capital financing charges of £1.5m.
- 1.24 The revenue budget must include the cost of financing the Capital Programme. It's not unusual for the Capital Programme to slip into future years and the programme in 2022/23 is expected to underspend by 48% with the majority being slipped into the following year. This will impact on the profiling of the capital financing costs and a temporary adjustment for £2m is being made in the MTFs. This benefit cannot be on going. The Council is currently 'under borrowed' due to the strategy of using internal borrowings (ie internal cash balances) to fund capital investment. If this strategy was to cease, and the full borrowing requirement required, this would require the full capital financing budget.

- 1.25 The Council is currently holding a number of accrued capital receipts (£4.5m) and will receive a further sum estimated at £15.4m from the sale of properties at Leefe Robinson Mews (formerly known as Haslam House) and Pinnora Mews (formerly known as Waxwell Lane Car Park). The revenue implications of investing in short life assets, which are largely IT related, can be expensive because their cost is charged to the budget over their useful life which is often around 5 years. Capital receipts can be used to fund such assets as an alternative to them being funded through the Capital Programme and incurring capital financing charges. The capital receipts in hand and those due will be used for such purposes and will realise revenue savings against the capital financing budget of £4.3m over the three years of the MTFS.
- 1.26 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 and London Councils provide cost estimates for the forthcoming three years which is the most accurate data on which to adjust the budget. The midpoint estimates from London Councils have been compared to the Councils base budget and infer a saving of £1.580m in 2023/24 with growth of £2.322m required in 2024/25. The estimates for 2025/26 infer a significant increase in usage requiring growth of £2.280m. This growth would take the concessionary fares / freedom pass base budget up to £11.80m which is significantly above its pre COVID-19 levels. As this is so far in the future a provisional sum of £1m additional budget is being provided for in the MTFS.

### **2022 Autumn Statement - Impacts on the Budget**

- 1.27 The announcements in the 2022 Autumn Settlement that can be quantified with a degree of certainty have been adjusted for in the draft MTFS. In the current year budget, £0.8m of growth was provided for to fund the 1.25% increase in employer National Insurance contributions. As this increase has now ceased, the growth is not required, and it can be removed from the MTFS. However, the Autumn Statement stated that, as funding was allocated to Local Government as part of SR21 to fund the increase in NI, there would be a corresponding reduction in Core Spending Grant in 2023/24 which is adjusted for.
- 1.28 The implementation of the ASC Reforms has been pushed back to October 2025 and the ASC reform funding, announced in SR21, is being repurposed into a Social Care Grant. At a national level this is £1.3bn in 2023/24 increasing to £1.7bn in 2024/25. London Councils estimate the additional grant funding for Harrow will be £4.280m and £1.975m for 2023/24 and 2024/25 respectively. As the statement clearly states this is for current pressures only, the MTFS prudently assumes this funding ceases in 2025/26 and is repurposed back to funding the ACS reforms.
- 1.29 The Adult Social Care Grant is being increased nationally by £400m in 2023/24 and by a further £283m in 2024/25. London Council estimates that Harrow's share is £1.640m and £1.146m in 2023/24 and 2024/25 respectively. This funding is assumed to be on going.
- 1.30 The additional funding for Local Government that is being channelled through the Improved Better Care Fund (IBCF) is estimated to be £930k in 2023/24

and £620k in 2024/25. As this funding must be pooled with Health within the Better Care Fund, the MTFS assumption is that this additional funding will be cost neutral to the MTFS.

- 1.31 Directorate adjustments are detailed in Appendix 1A.
- 1.32 The 2022/23 budget is forecasting an overspend of £11.513m. Several the pressures will continue into 2023/24 and need to be reflected in the budget setting process. The impact into 2023/24 is currently estimated at £8.8m. There is a clear expectation that the in-year pressure will reduce, which could have an impact on the pressures carried forward into 2024/25 and these will be refined in the time for final budget in February 2023.
- 1.33 After all the adjustments, the results at draft MTFS in December was an estimated gap across the three years of £21.887m:  
2023/24 £10.923m  
2024/25 £0m  
2025/26 £10.964m

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

- 1.34 The indicative settlement was announced on 19 December 2022 followed by the final settlement on 7 February 2023. The indicative settlement was broadly in line with Autumn Statement 2022 announcements which were used as the basis for the draft budget and MTFS. Although Autumn Statement 2022 SR2 made broad funding announcements for the next two years the settlement included specific funding allocations for 2023/24 only and provided a direction of travel for 2024/25. The adjustments to the draft MTFS are summarised in table 2 below and supported by explanatory text which follows the table:

<b>Table 2: Changes to the MTF5 (Post Indicative Finance Settlement on 19 December )</b>			
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Published Budget Gap - December 2022</b>	<b>10,923</b>	<b>0</b>	<b>10,964</b>
<b>Adjustments:</b>			
<b>Changes as a result of the December Finance Settlement</b>			
Increase in NNDR Multiplier (£3.180m to £3.752m)	-572		
<b>Reverse out assumed Social care grant</b>	<b>4,280</b>	<b>1,975</b>	<b>-6,255</b>
£12.807m allocation for 2023/24, less £7.720m base in 2022/23 less £300k ILF grant rolled in to social care	-4,787		4,787
£14.842m 2024/25 allocation - £12.807m= increase of £2.035m		-2,035	2,035
<b>Reverse out assumed Adult Social care grant</b>	<b>1,620</b>	<b>1,146</b>	
Adult Social Care Market Sustainability Grant and Improvements	-2,271	-1,144	
Adults Social Care Market Sustainability Grant & Improvements (expenditure of 25%)	560	286	
<b>IBCF (50% of the national allocation of £600m in 2023/24, increasing to £1bn by 2024/25)</b>	<b>-934</b>	<b>-616</b>	
IBCF contribution to pool	934	616	
<b>Additional RSG (increased from £1.648m to £2.081m)</b>	<b>-433</b>		
Offset by rolled in grant already in 2022/23 Budget for Council Tax Subsidy Admin Grant	256		
<b>Additional Top up grant (increased from £22.623m to £23.195m)</b>	<b>-572</b>		
<b>Reduction in New Homes Bonus (from £3.022m to £2.245m)</b>	<b>777</b>		
<b>Reverse out assumed SR21 Core Spending Grant</b>	<b>5,200</b>	<b>6,000</b>	
<b>Continuation of Services Grant</b>	<b>-1,541</b>	<b>770</b>	<b>771</b>
<b>Abolition of Lower Tier Grant</b>	<b>421</b>		
<b>Cost of Living Grant funded by Council Tax Support Fund (external grant)</b>	<b>-310</b>	<b>310</b>	
<b>Other Changes:</b>			
<b>Freedom Passes</b>	<b>-570</b>	<b>-732</b>	<b>1,050</b>
<b>Directorate savings/growth:</b>			
Children's	-825	-1,570	-500
Adults	-2,273	-1,989	-295
Growth	0	0	0
Place	-3,915	-3,775	-300
CEO	-6	-89	-6
Resources Saving	-586	-408	-108
Resources Growth	103		
<b>West London Waste Authority Income</b>	<b>-1,000</b>	<b>1,000</b>	
<b>Impact of 2022/23 Pressures Carried into 2023/24:</b>			
Childrens - reduction from £4.2m to £3.7m	-500	0	
Place reduction from £4.196m to £3.696m	-500		
<b>Increase in reduction in Pension Fund Deficit Contribution</b>	<b>-300</b>		
<b>Further one off saving on Capital Financing Costs due to underspends on Capital Programme</b>	<b>-1,000</b>	<b>1,000</b>	
<b>10% Mgt Savings not included in individual proposals</b>	<b>-650</b>		
<b>Removal of LLW provision in 23/24 - included in directorate growth and inflation provisions</b>	<b>-900</b>	<b>-500</b>	<b>1000</b>
<b>Reduction of Council wide growth provision</b>	<b>-629</b>	<b>-245</b>	
<b>Revised Budget Gap (February 2023) - Assumes reversal of Social Care Grant</b>	<b>0</b>	<b>0</b>	<b>13,143</b>
Non reversal out of Social Care Grant			-6822
<b>Revised Budget Gap (February 2023) - Assumes Social Care Grant retained</b>			<b>6,321</b>

## Changes because of the December Finance Settlement

1.35 The Indicative Finance Settlement resulted in funding being £11.2m short of that expected. This was largely due to DLUHC's assurances that commitments made in the Autumn Statement 2022 would be in addition to, and not instead of, funding commitments announced at SR21. A further challenge from the Settlement is the uncertainty around the long-term future

of the Social Care Grant and ringfencing the Adult Social Care Market Sustainability Grant:

In respect of the NNDR Multiplier Grant, Revenue Support Grant (net) and 'Top Up' Grant, the Settlement delivered more funding than was budgeted for. However, this was largely compensated by a reduction in the New Homes Bonus Grant and the Abolition of the Lower Tier Services Grant.

The Social Care Grant was confirmed at £6.822m over 2 years, an increase of £567k and is largely the repurposed funding for Adult Social Care reform. The Autumn Statement 2022 confirmed the delay of the reforms until October 2025. However, there is significant uncertainty regarding what will happen to this additional Social Care Grant in 2025/26 after the implementation of the reforms. For this reason, a prudent approach has been taken and year 3 of the MTFs (2025/26) assumes a scenario that the grant is either ceased or repurposed to fund the reforms or retained to continue funding social care pressures.

The Adults Social Care Grant was replaced with the funding stream Adults Social Care Market Sustainability Grant and Improvement. The new funding stream is £649k higher than at draft budget but central government have indicated that there will be conditions and targets to be achieved with this funding. This limits the Council's capacity to best apply to local need. At the time of writing this report the conditions are outstanding and the final MTFs assumes 25% of the grant received will be spent on further expenditure in addition to the growth and investment into social care across the MTFs.

The additional Core Spending Grant announced in SR21 did not materialise in the Autumn Statement 2022 therefore has been reversed out of the MTFs (£11,2m).

The Services Grant, first announced in 2022/23, was continued into 2023/24. As there is no certainty on the further continuation of this grant and its value has been reduced by a third from 2022/23 to 2023/24, it has prudently been phased out over years 2 and 3 of the MTFs.

In the draft budget, the Council provided £310k in 2023/24 for a Cost-of-Living Grant. Following the Settlement, the Government announced the Council Tax Support Fund for 2023/24 for which Harrow's allocation is £342k. This will cover the Cost-of-Living Grant and hence the £310k growth is removed from the budget. The Council Tax Support Fund will be subject to a separate report to Cabinet in March 2023.

After the draft budget an updated three-year estimate for the Concessionary Fares / Freedom Pass Schemes has been received from London Councils and the MTFs has been updated in line with the revised information.

Directorate savings of £18.192m are proposed for inclusion in the MTFs. These proposals are detailed in Appendix 1A. There are a number of directorate proposals which require separate consultation and will be subject to a full equalities impact assessment and further report to Cabinet where appropriate.

In the current financial year, the Council received £1.595m from the West London Waste Authority (WLWA) as its proportionate share of income generated from waste related energy sales. This income forms the Waste Strategy Reserve. Further waste related energy sales are predicted from the WLWA in 2023/24 and a prudent, one off, receipt of £1m is included in the MTFS.

The draft budget included £8.396m of growth / investment into the Place and People's directorates to fund the impact of 2022/23 pressures carried forward into 2023/24. These pressures have been reviewed and reduced by £1m.

The draft budget included a reduction in the Pension Fund Deficit Contribution of £986k. On finalising the triennial valuation with the Pension Fund actuary, a further reduction in the deficit contribution of £300k can be achieved and is included in MTFS.

The forecast spend against the general fund element of the Capital Programme in 2022/23 has reduced by 11%, from 52% at Qtr 2 to 41% to Qtr 3. Therefore, is it appropriate to increase the one off saving against the capital financing budget by £1m to £3m on account of underspends in the Capital Programme.

Over the MTFS, significant provision has been made to cover pay and non pay inflation, care provider inflation and significant investment/ growth into the directorates. There will be an element of overlap between these provisions and those additionally set aside for London Living Wage (LLW) and general council wide growth. The Council remains committed to delivering the London Living Wage in all contracts over the coming years.

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

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

The current MTFS is made up of:

- Savings / Growth that have been identified as part of the 2023/24 budget setting process, some of which were approved as part of the Draft Budget / MTFS (December Cabinet 2022) and the remainder as part of this report. These are summarised in tables 3 to 5 below and detailed in Appendix 1A.
- Savings /Growth that were approved as part of the 2022/23 budget setting process. These are summarised in table 6 below and detailed in Appendix 1B:

<b>Table 3 : Savings /Growth - agreed December 2022 Cabinet</b>	<b>Appendix 1A</b>			
	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Savings</b>				
Resources	(285)	(300)	-	(585)
Chief Executive	(50)	(410)	-	(460)
Place	-	-	-	-
<b>Total Savings</b>	<b>(335)</b>	<b>(710)</b>	<b>-</b>	<b>(1,045)</b>
<b>Growth</b>				
Resources	430	-	-	430
Chief Executive	-	-	-	-
Place	5,387	-	-	5,387
Childrens	3,650	(250)	-	3,400
Corporate	550	250	-	800
<b>Total Growth</b>	<b>10,017</b>	<b>-</b>	<b>-</b>	<b>10,017</b>
<b>Net Total Savings and Growth</b>	<b>9,682</b>	<b>(710)</b>	<b>-</b>	<b>8,972</b>

<b>Table 4 - Savings / Growth for approval Febraury 2023 Cabinet</b>	<b>Appendix 1A</b>			
	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Savings</b>				<b>-</b>
Resources	(586)	(408)	(108)	(1,102)
Chief Executive	(6)	(89)	(6)	(101)
Place	(3,915)	(3,775)	(300)	(7,990)
Adults	(2,273)	(1,989)	(295)	(4,557)
Childrens	(825)	(1,570)	(500)	(2,895)
Corporate/Council Wide	(650)	-	-	(650)
<b>Total Savings</b>	<b>(8,255)</b>	<b>(7,831)</b>	<b>(1,209)</b>	<b>(17,295)</b>
<b>Growth</b>				
Resources	103	-	-	103
Chief Executive				-
Place	(500)	-	-	(500)
Childrens	(500)	-	-	(500)
Corporate				-
<b>Total Growth</b>	<b>(897)</b>	<b>-</b>	<b>-</b>	<b>(897)</b>
<b>Net Total Savings and Growth</b>	<b>(9,152)</b>	<b>(7,831)</b>	<b>(1,209)</b>	<b>(18,192)</b>

<b>Table 5: Total Savings/Growth from the 2023/24 Budget Process</b>	<b>Appendix 1A</b>			
	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Savings</b>				
Resources	(871)	(708)	(108)	(1,687)
Chief Executive	(56)	(499)	(6)	(561)
Place	(3,915)	(3,775)	(300)	(7,990)
Adults	(2,273)	(1,989)	(295)	(4,557)
Childrens	(825)	(1,570)	(500)	(2,895)
Corporate/Council Wide	(650)	-	-	(650)
<b>Total Savings</b>	<b>(8,590)</b>	<b>(8,541)</b>	<b>(1,209)</b>	<b>(18,340)</b>
<b>Growth</b>				
Resources	533	-	-	533
Chief Executive	-	-	-	-
Place	4,887	-	-	4,887
Childrens	3,150	(250)	-	2,900
Corporate	550	250	-	800
<b>Total Growth</b>	<b>9,120</b>	<b>-</b>	<b>-</b>	<b>9,120</b>
<b>Net Total Savings and Growth</b>	<b>530</b>	<b>(8,541)</b>	<b>(1,209)</b>	<b>(9,220)</b>

<b>Table 6: Savings / Growth from the 2022/23 Budget Process</b>			<b>Appendix 1B</b>
	<b>2023-24</b>	<b>2024-25</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Savings</b>			
Place	(600)	-	(600)
<b>Total Savings</b>	<b>(600)</b>	<b>-</b>	<b>(600)</b>
<b>Growth</b>			
Corporate	600	-	600
People - Childrens	1,850	750	2,600
Place	51	-	51
<b>Total Growth</b>	<b>2,501</b>	<b>750</b>	<b>3,251</b>
<b>Net of total Savings/Growth</b>	<b>1,901</b>	<b>750</b>	<b>2,651</b>

## **CAPITAL RECEIPTS FLEXIBILITY**

- 1.37 In 2016 the government announced the Capital Receipts Flexibility Scheme to support local authorities to deliver more efficient and sustainable services by allowing them to spend up to 100% of their fixed assets receipts on the revenue costs of reform projects. The flexibility has been extended on numerous occasions and is currently in place until 31 March 2025.
- 1.38 The Council is working on a strategic review of its assets and part of this review will identify several sites for disposal as they are no longer economically viable. The 2023/24 MTFS includes a budget of £1.250m to fund the Regeneration Team. The nature of this spend meets the capital flexibility criteria and the team will be funded under the capital flexibilities scheme and the £1.250m provision has been removed from the budget. The sum is re-instated in 2025/26 when the scheme is currently intended to end.

The Council may seek to use further capital flexibilities to support its MTFS, in line with Appendix 14 – Flexible Use of Capital Receipts.

## **SCHOOLS FUNDING FOR 2023/24**

- 1.39 In 2018/19 the government introduced a new National Funding Formula (NFF) for Schools, High Needs and the Central Schools services Block. For the Schools Block this means Councils are funded based on the total of the NFF for all schools, academies, and free schools in its area. However, the final formula for distribution is determined by each Council following consultation with schools and Schools Forums.
- 1.40 The Council carried out a consultation in Autumn 2017 which sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018/19. 76% of schools responded to the consultation and 89% voted in favour of introducing the NFF from 2018/19. This was approved by Cabinet in February 2018 and school budgets for the last three years have been set based on the NFF.
- 1.41 The NFF will therefore continue to be used to distributed school budgets for 2023/24 There are no proposed changes to the structure of the formula for

2023/24. The Schools Budget for 2023/24 is attached in Appendix 6 for approval.

## **DEDICATED SCHOOLS GRANT AND HIGH NEEDS BLOCK FUNDING AND DEFICIT**

- 1.42 The Dedicated Schools Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual school budgets in maintained schools, academies, and free schools in Harrow. It also funds Early Years nursery free entitlement places for 2-, 3- and 4-year-olds in maintained council nursery classes and private, voluntary, and independent (PVI) nurseries as well as provision for pupils with High Needs.
- 1.43 In Q2 there was a projected overspend on the High Needs Block of £1.091m in 2022-23. However, in Q3 it is anticipated that there will be an in-year balanced budget and it is possible there could even be an in-year underspend of £500k. This is largely due to the additional High Needs Supplementary Grant allocation as well as reduced requirement for Independent & Non-Maintained Special School sector provision due to expanding Kingsley High School from September 2022 which provided 24 additional places for pupils with Severe Learning Difficulties. This means that the cumulative deficit of £4.007m brought forward from previous years may reduce to £3.5m by the end of March 2023.
- 1.44 Any deficits an authority may have on its DSG account is expected to be carried forward and does not allow or require a local authority to cover this from its general reserves. This arrangement has been extended for three years to March 2026 beyond which LAs will need to demonstrate they have enough reserves to balance any deficit unless an alternative funding solution is proposed by Government
- 1.45 The DfE requires local authorities to explain their plans for bringing the DSG account back into balance. A management plan was drafted and discussed with Schools Forum in 2021. This now needs to be updated to take account of current numbers of EHCPs and revised EHCP and financial projections. Updated 3-year financial projections of the HNB deficit have been provided below. Despite the significant proposals and measures planned over the next ten years, the Deficit Management Plan did not demonstrate that it will fully mitigate the deficit. This is due to the following contributory factors:
- historical underfunding
  - current budgets being based on historical budgets rather than historical spend
  - extension of age range to include 0-5 and post 19 pupils which are not included in historical budgets on which current funding is based
  - current and projected formulaic funding which does not keep pace with demand
  - significant historical and projected growth in number of EHCPs
  - continued growth in complexity of pupils' needs
  - limitations about creating cost effective provision in borough due to capacity and site limitations

## SEND Funding Proposals 2023/24

- 1.46 Over the last few years, the LA has committed to reviewing SEND funding for in-borough provision. However, the outcome of any reviews will be too late to impact on 2023/24 school budgets. It is very likely that each review will identify that additional funding is required across all areas as funding historically has been largely based on the anticipated costs incurred by schools.

Special School and Pupil Referral Unit budgets will be increased by 3% per pupil in 2023/24 and will receive a further allocation of 3.4% increase from the High Needs Additional Grant. This is a mandatory requirement within the High Needs Funding Regulations. However, there is no mandatory requirement to increase funding to mainstream schools with Additionally Resourced Mainstream (ARMs) units or for pupils with EHCPs in mainstream schools.

ARMs resources have not been reviewed since 2013; 10 years. It is proposed to increase funding in 2023/24 by 10%, to reflect the length of time since the last funding review, at an additional cost to the HNB of £292k. There are approximately 150 children in ARMs resources in Harrow schools.

It is also proposed to provide additional funding for pupils with EHCPs in mainstream schools of 3.4% (equivalent to the mandated allocation for special schools from the High Needs Additional Grant) at an additional cost to the HNB of £362k. Funding for EHCPs in mainstream schools was last formally reviewed in 2019 although an increase of 1.25% was agreed in 2022/23 from the High Needs Supplementary grant to support schools with the NI increases. There are approximately 650 children with EHCPs in mainstream schools in Harrow.

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

### High Needs Block Funding & Deficit

- 1.47 The HNB has a cumulative deficit brought forward from 2022/23 of £4.007m. At the end of Q3 the projection is for an in-year balanced budget maintaining the deficit at £4.007m. It is possible that there may even be an in-year underspend of around £500k, taking the deficit down to £3.5m.

The projected position on the HNB in 2023/24 is as follows:

<b>Projections</b>	<b>Spend</b>
Deficit brought forward 1 April 2022	£4,006,867
2022-23 in year surplus	-£502,545
<b>Deficit carried forward 31 March 2023</b>	<b>£3,504,322</b>

2023-24 in year deficit projection without funding proposals	£1,053,301
2023-24 ARMS & EHCP funding proposals	£653,888
<b>Cumulative deficit 31 March 2024</b>	<b>£5,211,511</b>
2024-25 in year deficit projection	£4,494,359
2025-26 in year deficit projection	£10,581,762
<b>Cumulative deficit 31 March 2026</b>	<b>£20,287,631</b>

The figures above assume that there will be a projected 100-120 additional pupils with EHCPs per annum, that additional ARMs will be opened and there will be 20 additional special school places in September 2023 but assume beyond 2023/24 that provision in the borough will be at capacity and thus the majority of additional children would need to be educated out of borough at Independent Non-Maintained Specialist Schools (INMSS). This is where the significant spike in spend is projected to occur from 2024/25 as a disproportionate number of the additional growth in children would have to be placed at INMSS provision.

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

An updated SEND Strategy will be presented to Cabinet in 2023 and will refresh the actions being taken to mitigate the deficit which includes:

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

## **PUBLIC HEALTH FUNDING 2023/24**

- 1.48 In 2022/23 the total public health grant to local authorities totalled £3.417bn, with £11.62m 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 3 are based on the current (2022/23) grant allocation as Public Health England have yet to announce national funding for 2023/24. 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, if additional duties are required by Councils, and if these were unfunded, the commissioning intentions would need to be reviewed in light of the allocated grant envelope.

### **BETTER CARE FUND (BCF) 2023/24**

- 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 2023/24 Adults budget assumes that funding for the Protection of Social Care through the BCF will remain at the agreed 2022/23 level of £7.142m, although this should be expected to increase in light of the NHS funding commitments made within the spending review. The MTFs assumes that this increased contribution (assumed at 2%) will support existing, rather than new, expenditure. The Better Care Fund Policy statement and Policy Framework and Planning Requirements will provide the detailed guidance when published in early 2023 (usually March), however the requirements around integration and collaborative working are expected to continue.

Autumn Statement 2022 announced new grant funding of £600m in 2023/24 to support timely hospital discharges through the Better Care Fund. This funding will be split 50/50 with NHS resulting in an additional estimated allocation of £934k for the Council. This is included in the final MTFs on the assumption it will be pooled with health partners to support new expenditure.

- 1.54 The 2023/24 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 Council's overall reserves position is reported to Cabinet quarterly as part of the revenue monitoring update. At Q3 (end of December 2022), total reserves forecast for carry forward into 2023/24 are £56.7m after accounting for £9.872m being drawn down to achieve a balanced budget in 2022/23. After accounting for earmarked reserves, this leaves the Councils remaining non earmarked reserves at a much-reduced level:

- Contingency for Unforeseen items £1.248m (ongoing revenue reserve)
- Business Risk Reserve - £0.516m
- Balance Budget Planning MTFs - £12.327m (assuming £9.872m drawn down in 2022/23)
- Capacity / Transformation Reserve - £0.960m
- General Fund – £10.635m

There are several significant savings required to deliver the budgets for 2023/24 and 2024/25 and these will require the use of reserves to support capacity, implementation, and redundancy costs. Within the reserves total of £56.7m there is the Waste Strategy Reserve (£1.595m) and the Adults Social Care Reserve (£3.769m) which will be called upon by the Place and Peoples Directorates respectively.

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

## **LEVIES, CONTINGENCIES AND SUBSCRIPTIONS**

Appendix 4 sets out the main levies, contributions to other bodies, and subscriptions that the Council will pay in 2023/24. These sums are set by other bodies and are outside the Council's control. Except for the subscriptions to London Councils and the Local Government Association, the payments are compulsory.

## **COUNCIL TAX MODEL RESOLUTION**

1.57 The Council Tax Model Resolution is attached at Appendix 11 which proposes the Band D council tax of £1,728.66 for Harrow Council. The proposed GLA precept of £434.14 takes the overall proposed Band D council tax to £2,162.80. The GLA precept is still subject to confirmation and is expected to be confirmed on 23 February 2023. The relevant basic

amount of council tax is under the threshold in the Referendum relating to Council Tax Increases (Principle) (England) Report 2023/24.

- 1.58 The proposed GLA precept is an increase of 9.7% taking the aggregate Council Tax increase to 5.90%.

## **MEMBER ALLOWANCES**

- 1.59 The proposed Members Allowances scheme for 2023/24 is attached at Appendix 12. It is proposed that the basic allowance and the different bands of the Special Responsibility Allowance and Mayoral Allowances be updated in line with the Local Government Pay Settlement for 2023/24.

## **ANNUAL PAY POLICY STATEMENT**

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

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

## **LONDON BOROUGH GRANTS SCHEME**

- 1.61 Harrow's contribution to the London Borough Grants Scheme is £186,907 for 2023/24 and has seen no increase from 2022/23.

## **2.0 CONSULTATION**

- 2.1 As a matter of public law the duty to consult with regards to proposals to vary, reduce or withdraw services will arise in 4 circumstances:
- Where there is a statutory requirement in the relevant legislative framework;
  - Where the practice has been to consult or where a policy document states the council will consult then the council must comply with its own practice or policy;
  - Exceptionally, where the matter is so important that there is a legitimate expectation of consultation and;
  - Where consultation is required to complete an equalities impact assessment.
- 2.2 Regardless of whether the council has a duty to consult, if it chooses to consult, such consultation must be carried out fairly. In general, a consultation can only be considered as proper consultation if:
- Comments are genuinely invited at the formative stage;
  - The consultation documents include sufficient reasons for the proposal to allow those being consulted to be properly informed and to give an informed response;

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

2.3 The Council held a five-week consultation to provide residents with the opportunity to comment on the draft budget proposals, ending on 15 January 2023. The draft budget reported was available to view on the Council's website and the consultation was also advertised via the MyHarrow weekly e newsletter which is sent to c. 90,000 MyHarrow email accounts. There were 230 respondents to the general survey. A summary of the response data is included in Appendix 15. Over the two main questions, responses disagreed with the draft budget and proposed increases in Council Tax:

**Question 1** - Given the extent of the savings required, overall do you agree with the Council's proposed draft budget? (67 agree (29%), 163 (71% disagree)).

In the consultation process for the 2022/23 budget, the responses to this question were 18% agreed and 82% disagreed.

**Question 2** - Given the Council's funding situation, do you agree with the Council's proposal to increase Council Tax by 4.99%? (57 agree (25%), 173 disagree (75%)).

In the consultation process for the 2022/23 budget, the responses to this question were 17% agreed and 83% disagreed.

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

- Concerns around the cost of living and the impact of an increased Council Tax bill on household budgets, especially in light of increasing inflation
- Concerns around services and initiatives not being run as efficiently as possible
- Concerns about the visibility / quality of services received in return for Council Tax paid
- Calls for the Council to approach central government for more funding.

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

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

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

**Table 7: Key Stakeholder Consultation**

<b>Stakeholder</b>	<b>Meeting</b>	<b>Date</b>
Unions	Corporate Joint Committee	N/A – covered in ECF on 11/01/23
Health Partners	Health & Care Executive Meeting	10/02/23 (1)
Local Businesses	Harrow Business Consultative Panel	23/01/23
Overview and Scrutiny	Special meeting of the O & S Committee to review the budget	10/01/23
Unions / Employees	Employees Consultative Forum	11/01/23

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

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

### **3.0 PERFORMANCE ISSUES**

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

### **4.0 RISK MANAGEMENT IMPLICATIONS**

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

Separate risk register in place? No

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

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

Risk Description	Mitigations	RAG Status
<p>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</p>	<ul style="list-style-type: none"> <li>• Change in financial strategy to ensure services are provided within the budget envelope</li> <li>• A balanced budget has been set for years 1 and 2 of the 3-year MTFS, accepting a number of savings proposals are subject to individual consultation processes.</li> <li>• Reserves required to balance the 2022/23 budget will be lower than planned, retaining reserves on the balance sheet increasing financial resilience.</li> <li>• Revenue &amp; Capital monitoring savings tracker reported to CSB, Cabinet and all Members regularly</li> <li>• Revenue budget contingency remains in place for unforeseen items</li> </ul>	<p>Amber</p>
<p>The final budget and MTFS is based on the Indicative Finance Settlement to be followed by the Final Settlement in early February which may require change.</p>	<ul style="list-style-type: none"> <li>• The Final Settlement was received on 7 February. Impact is assessed as minimal and there will be no impact on the overall budget envelope.</li> </ul>	<p>Green</p>
<p>Balanced budget for 2022/23 not achieved adversely impacting on the 2023/24 budget</p>	<ul style="list-style-type: none"> <li>• The actual use of reserves required to balance the 2022/23 budget is currently estimated to be c.£5m less than planned</li> <li>• Each area of pressure in 2022/23 has been thoroughly reviewed for its impact into 2023/24</li> <li>• £7.393m of growth / investment has been provided for in the 2023/24 final budget to address the impact of 2022/23 pressures carried forward</li> <li>• There is a contingency for unforeseen items (£1.248m) which has not been called upon</li> </ul>	<p>Green</p>
<p>The saving proposals within the MTFS that</p>	<ul style="list-style-type: none"> <li>• There are a number of saving proposals that can</li> </ul>	<p>Amber</p>

<p>are still subject to consultation, EQIA and potentially a further Cabinet Report may not be able to proceed and / or deliver their full estimated value</p>	<p>immediately implemented to ensure full delivery of their value in the MTFS</p> <ul style="list-style-type: none"> <li>• Budget provision for capacity, implementation costs etc is provided to support those savings requiring further consultation etc can be seen through to delivery</li> <li>• There is a contingency for unforeseen items (£1.248m) which can be use in the interim if proposals cannot proceed as planned</li> <li>• Monthly tracking and reporting of saving proposals will identify early if proposals are no on track allowing alternative solutions to be found</li> </ul>	
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## 5.0 LEGAL IMPLICATIONS

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

## 6.0 FINANCIAL IMPLICATIONS

- 6.1 Financial Implications are integral to this report.

## 7.0 PROCUREMENT IMPLICATIONS

7.1 There are no procurement implications arising from this report.

## 8.0 EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY

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

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

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

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

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

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

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

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

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

*The relevant protected characteristics are:*

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

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

8.2 There are a number of directorate proposals which require separate consultation and will be subject to a full equalities impact assessment and further report to Cabinet, committee or subject to officer delegated power decisions where appropriate. These are detailed in Appendix 1A and 1B.

## **9.0 COUNCIL PRIORITIES**

### **9.1 Council Priorities:**

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

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

### **Statutory Officer: Dawn Calvert**

Signed by the Chief Financial Officer

**Date: 07/02/2023**

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

Signed on behalf of the Monitoring Officer

**Date: 09/02/2023**

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

Signed off on behalf of the Corporate Director

**Date: 07/02/2023**

### **Head of Procurement: Nimesh Mehta**

Signed by the Head of Procurement

**Date: 07/02/2023**

### **Head of Internal Audit: Susan Dixon**

Signed by the Head of Internal Audit

**Date: 08/02/2023**

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

## **Mandatory Checks**

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

*EqIA carried out: N/A*

*EqIA cleared by: N/A*

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

**Contact:** Dawn Calvert, Director of Finance and Assurance,  
Tel: 0208 4209269, [dawn.calvert@harrow.gov.uk](mailto:dawn.calvert@harrow.gov.uk)

**Background Papers:** None

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