

**Report for: Cabinet**

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<b>Date of Meeting:</b>	15 February 2024
<b>Subject:</b>	Final Revenue Budget 2024/25 and final Medium Term Financial Strategy to 2026/27
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Sharon Daniels– Interim Director of Finance (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>	<p><b>Appendix 1A</b> – Savings and Growth 2024/25 to 2026/27 <b>Appendix 1B</b> – Savings and Growth from the 2023/24 Budget Process <b>Appendix 2</b> - Medium Term Financial Strategy 2024/25 to 2026/27 <b>Appendix 3</b> – Revenue Budget Summary 2024/25 <b>Appendix 4</b> – Levies, contributions, and subscriptions <b>Appendix 5</b> – Policy on use of contingency <b>Appendix 6</b> - Schools Budget 2024/25 <b>Appendix 7</b> - Public Health Budget 2024/25 <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> – Annual Pay Policy Statement for 2024/25 <b>Appendix 13</b> – Flexible Use of Capital Receipts <b>Appendix 14</b> - Summary of Resident Consultation <b>Appendix 15</b> – Employees’ Consultative Forum Recommendation <b>Appendix 16</b> – Harrow Business Consultative Panel Recommendation <b>Appendix 17</b> – Overview and Scrutiny Committee Reference <b>Appendix 18</b> – Performance &amp; Finance Scrutiny Sub-Committee reference</p>

## Section 1 – Summary and Recommendations

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

### Recommendations:

Cabinet is requested to:

- 1) Recommend the 2024/25 budget to Council for approval, to enable the Council Tax for 2024/25 to be set.
- 2) Recommend the Model Council Tax Resolution 2024/25 to Council for approval as set out in Appendix 11.
- 3) Recommend to Council that, in accordance with Section 38 (2) of the Local Government Finance Act 1992, the Managing Director be instructed to place a notice in the local press of the amounts set under recommendation 2 above within a period of 21 days following the Council's decision.
- 4) Cabinet refer to Council to make a determination to apply the new council tax premium for empty furnished properties (under section 11C of the Local Government Finance Act 1992) at a premium of 100% from 1<sup>st</sup> April 2025 (Paragraphs 1.21-1.24).
- 5) Note additional funding, namely Social Care Grant and Funding Guarantee, announced by Government on 24<sup>th</sup> January 2024 for Local Government at the Final Settlement, which was published on 5<sup>th</sup> February 2024 (Paragraph 1.05).
- 6) Approve the Medium-Term Financial Strategy for referral to Council (Appendix 2).
- 7) Note the balanced budget position for 2024/25 and the estimated budget gap of £10.880m and £6.732m for 2025/26 and 2026/27 respectively (Table 2).
- 8) Note the intention to increase core Council Tax by 2.99% in 2024/25 (Paragraph 1.17).
- 9) Note the intention to increase Council Tax by a further 2% in 2024/25 in respect of the Adult Social Care Precept (Paragraph 1.19).
- 10) Note the 2024/25 budgets for Schools and Public Health as set out in Appendices 6 & 7.
- 11) Note the proposal to increase funding to Additionally Resourced Mainstream Units by 3.4% (within the High Needs Block) (Paragraph 1.43).

- 12) Note the proposal to provide additional funding for pupils with Education, Health and Care Plan (EHCP) in mainstream schools of 7% (Paragraph 1.46).
- 13) Note the assumed funding for the protection of social care 2024/25 through the Better Care Fund (Paragraphs 1.58 to 1.61).
- 14) Recommend the 2024/25 Annual Pay Policy Statement to Council for approval (Appendix 12).
- 15) Recommend the Capital Receipts Flexibility Strategy to Council (Appendix 13).

**Reason: (For recommendations)**

To ensure that the Council sets a balanced budget for 2024/25.

## **Section 2 – Report**

### **BACKGROUND**

- 1.01 Harrow remains one of the lowest funded Councils both within London and nationally. The Council does not benefit from large reserves compared with other London Borough's and is at the lower end of the lower quartile for reserve balances held.
- 1.02 Over the last 10 years, up to 2024/25:
  - The Council's revenue support grant has reduced from £50.5m to £2.2m
  - The Council does receive other grant funding to support services, in 2023/24 this totalled £375m. However, these grants are all ring fenced to areas of activity and cannot be used to support the core budget, for example the Dedicated Schools Grant of £152m.
  - The Council does not receive specific funding to meet demographic growth and demand led pressures. In addition, inflation has increased significantly creating unfunded budget pressures.
  - For many years Council Tax has been increased to just below the referendum limits and full use has been made of the Adults Social Care Precept, both of which were in line with central government expectations. The impact of this is that the Council is heavily reliant on Council Tax to fund its core services. In 2023/24 78% of the Council's net revenue budget of £196.4m is funded from Council Tax.

### **SUMMARY**

- 1.03 This report sets out the final budget and MTFs, which have been adjusted since draft documents were presented to Cabinet in December 2023. Cabinet are asked to note the adjustments. After all adjustments, the MTFs shows a balanced budget position for 2024/25 and an estimated budget gap of £10.880m for 2025/26 and £6.732m for 2026/27. It is important to note that for both 2025/26 and 2026/27 several of the budget adjustments are

estimated at a high level due to the challenges of forecasting complex issues such as inflation, demand, and demographic changes so far in advance. For example, the pay award has only been agreed in October 2023 for the 2023/24 pay award so for all 3 years 2024/25 to 2026/27 the pay award assumptions are estimated. As the budget is approved annually, the latter two years of the MTFs, will be subject to review and adjustment before being finally approved.

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

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

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

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

## **AUTUMN STATEMENT 2023**

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

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

### **Local Government Funding**

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

### **Housing and Homelessness**

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

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

### **Business Rates**

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

### **Local Government Pension Schemes**

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

### **National Living Wage and Benefits**

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

## **DELIVERY OF THE 2023/24 BUDGET**

- 1.08 The budget for 2022/23 was originally based on drawing down £14.7m of reserves to bring in a balanced position. The final position for 2022/23 improved significantly as a result of careful control and oversight of budgets, which meant that only £5.8m of reserves were needed (as opposed to £14.7m) to bring the budget into a balanced position.
- 1.09 The position against the current 2023/24 revenue budget is detailed in a separate report on this agenda, 'Revenue and Capital Budget Monitoring Report 2023-24 Q3'. This report forecasts a net overspend of £0.581m as at 31<sup>st</sup> December 2023. If the position does not improve before year end, it would be necessary to draw down this amount from the MTFs Budget Planning Reserve to bring in a balanced position, but it is anticipated that 2023/24 can be balanced with no draw down from reserves other than those already built into the budget.

- 1.10 In line with the national picture, the Council is being heavily impacted by inflation. Budget provision for pay inflation was £4m (4%). The 2023/24 pay award equated to an increase of 7% against the pay bill and has created a budget pressure of £3.2m. The bulk of this pressure has been funded from the general corporate budget and the non-pay inflation provision, but still leaves an £800k shortfall to be carried forward into 2024/25.
- 1.11 In addition, there are very substantial pressures on demand in adult services. Such is the scale of the demand, that across the 3 years of the MTFs from 2024/25 to 2026/27, a further £9.7m has been added in as a budget growth, as set out in Table 1.

### **BUDGET PROCESS 2024/25**

- 1.12 In preparing the 2024/25 budget and rolling forward the MTFs to cover the three-year period to 2026/27, the current MTFs has been the starting point for the process. Council has a statutory obligation to agree and publish a balanced budget for 2024/25, and approval for this is being sought from Council in February 2024.
- 1.13 The Council's financial position and its operational environment has always been affected by several financial uncertainties and adjustments that impact upon its financial position over the short and medium term. In preparing the final budget for 2024/25 the existing MTFs has been:
- Refreshed and rolled on a year
  - Updated to reflect the estimated impact of the Provisional Financial Settlement
- 1.14 The draft budget was presented to Cabinet in December 2023. For completeness, the adjustments required to set the draft budget, are repeated in this report and summarised in Table 1 below followed by a narrative explanation. These adjustments are also set out in Appendix 2 along with adjustments included within the previous MTFs agreed as part of the 2023/24 Budget process:

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

## **Published Budget Gap as at February 2023**

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

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

- 1.16 For 2023/24, despite an increase in Council tax of 4.99% which raised additional revenue of £7.8m (Council tax income increased from £146.2m to £154.0m), the cost of the 2023/24 pay award (only agreed in October 2023) is £7.2m and therefore, this left very little funding available for other demand pressures that have emerged in adult services, and other inflationary pressures.
- 1.17 The assumed Council tax levels built into the MTFS agreed in February 2023 were based on 3.99% for 2024/25 and 2.99% for 2025/26. The changes made in Table 1 reflect an assumed Council tax of 2.99% in 2026/27 and an additional 1% assumed for 2024/25 which would take the increase from 3.99% to 4.99% for 2024/25. There is no change to the assumed 2.99% for 2025/26. This therefore provides for Council tax increases of 4.99%, 2.99% and 2.99% for the 3-year period 2024/25 to 2026/27.
- 1.18 In Table 1, the additional 1% in 2024/25 achieves additional income of £1.545m, whilst the original 3.99% achieves income of £6.144m. Therefore, the total council tax to be achieved from the 4.99% increase is £7.689m. The addition of 2.99% in 2026/27 provides £4.995m of council tax income in 2026/27.
- In addition, the Council's tax base has been calculated, (according to the relevant procedures and guidance) at 89,375 band D equivalent properties, which is an increase of 290 Band D equivalents on the 2023/24 Band D of 89,085. This will generate additional income of £0.521m in 2024/25. Because £0.5m had already been included in the 2024/25 assumptions when the MTFS was set last year in Feb 2023, Table 1 only includes a further £21k. There are further tax base increases assumed for 2025/26 and 2026/27 of £312k and £250k included in Table 1, which will be revisited as part of the 2025/26 budget process.
- 1.19 A maximum Council Tax increase of 4.99% is budgeted for 2024/25 in line with announcements made as part of the 2024/25 Finance settlement in December 2023. This covers 2.99% for core Council Tax and a 2% for the Adult Social Care Precept. There was no guidance as to the maximum level of Council Tax increase for 2025/26 and 2026/27 and for this reason, the working assumption has been left at 2.99% for both of these years.
- 1.20 The Collection Fund and its impact on the 2024/25 budget was subject to a separate report in December 2023 (Report: Estimated Surplus / (Deficit) on the Collection Fund 2023/24). The estimated impact on the 2023/24 Collection Fund is a surplus of £0.790m which must be accounted for as a one-off income against the 2024/25 budget.



## **Council Tax Premium**

- 1.21 The Levelling-up and Regeneration Act 2023 has amended the Local Government Finance Act 1992 by amending section 11B and introducing section 11C.
- 1.22 Section 11B has been amended by reducing the period a council tax dwelling has to be unoccupied and substantially unfurnished from 2 years to 1 for a 100% premium to be charged. This means that from 1st April 2024 the 100% premium on these unoccupied dwellings will commence 1 year after they first became unoccupied and substantially unfurnished. It does not matter whether the unoccupied period starts prior to the 1st of April 2024, the 1 year clock will commence from the date it was unoccupied and substantially unfurnished. Harrow already apply this premium from the 2 year period so the change to 1 year requires no formal decision from Cabinet or Council.
- 1.23 Section 11C has been introduced for dwellings where there is no resident, and the dwelling is substantially furnished (periodically occupied). This addition to the 1992 Act requires billing authorities to have decided to apply this premium of up to 100%, at least one year before the beginning of the financial year to which it relates. Cabinet is therefore asked to note that a recommendation will go to Full Council for a determination be made to apply this premium with effect 1st of April 2025. The charging of a premium will be in line with any regulations made by the Secretary of State relating to classes of dwelling where the premium may not apply. A further Cabinet report may be required upon the finalisation of the regulations.
- 1.24 The changes above are estimated to generate an additional income of approximately £0.750m, although this will be reviewed and included in the 2025/26 MTFS process.

## **Technical Changes**

- 1.25 A number of other adjustments have been included in Table 1 which are explained as follows:
- £1m of council wide growth in 2026/27 – this is a general allowance for growth as, other than for adults, there is no other departmental growth included.
  - £175k one off reduction of the contingency budget to balance the 2024/25 budget whilst awaiting the outcome of 2024/25 Finance settlement.
  - In 2023/24, £6.822m of social care funding was awarded for 2 years and initially it was felt that it was possible that the grant might have to be repurposed in 2025/26 for Social Care reform. Therefore, in arriving at the original budget gap of £13.143m in 2025/26, it had been assumed that the grant would be removed, resulting in an increase of the gap from £6.321m to £13.143m. It is now widely assumed that this grant will not be removed and therefore Table 1 reverses that assumption which improves the 2024/25 position by £6.822m.

- Capital Flexibilities are assumed for a further year in 2025/26, which enables the Council to charge transformation costs to capital and thereby reduce the cost to the revenue budget. £1.25m is assumed for 2025/26 on a one-off basis.
- Capital financing savings of £3m are assumed on a one-off basis as a result of slippage expected in the capital programme based on past experience.
- The Investment income budget that sits within treasury management has been overachieving on income as a result of the higher interest rates being achieved (the Bank of England base rate is currently 5.25%). As a result of this, a previously identified management saving of £650k which has not been achieved, will be managed as part of the treasury management budget and the investment income budget will be increased by £650k to offset this unachieved management saving. The Investment income budget will be reviewed as part of the 2025/26 budget setting process to ensure the £650k income can still be achieved as the expectation is that the Bank of England base rate will start to fall and therefore this will reduce investment income.
- The Council has received some cash rebates from West London Waste Authority of £1.6m and £1.9m respectively in 2022/23 and 2023/24 as a result of energy income. The energy from waste facility generates electricity which then generates an income for the WLWA. A decision was made to reimburse a proportion of the energy income to the six constituent boroughs. Therefore, the budget assumes £1m for a further 2 years but then this is reversed out in 2026/27, since it cannot be assumed to continue indefinitely.
- As a result of a review of the existing Capital Programme, it has been possible to remove some surplus capital budgets and therefore reduces capital financing costs by a net £286k across the MTFS period (-£182k 2024/25, £92k 2025/26 and -£196k 2026/27).
- The cost of the 2023/24 Capital Programme was approved as part of the 2023/24 budget setting process, but as the cost of £1.5m fell into 2026/27 which was last year outside of the MTFS period, the cost of £1.5m is now included.
- The pay award for 2023/24 has recently been agreed and cost £7.2m, an approximate 7% uplift against the pay bill. The 2023/24 budget included a provision of £4m and there were other budgets (non-pay inflation and corporate budgets) of £2.4m available to fund the pay award, which leaves an £800k shortfall that needs to be built into the 2024/25 budget. To offset the pressure, a corporate growth budget of £755k is being reduced to fund it.
- In terms of 2024/25, 2025/26 and 2026/27, pay award budgets have been assumed of £5.5m, £5m and £3m respectively. Over the past few years, the pay awards have been agreed very late in the financial year and for both 2022/23 and 2023/24, the pay agreements have been reached around October time which makes it very difficult for budgeting purposes.

- Non pay inflation, which covers areas such as energy costs and contractual up lifts, is set at £1m pa in 2024/25 and 2025/26 and is increased by a further £1m for 2026/27.
- Cabinet in June 2023 agreed a three-year strategy for the inflationary uplift approach covering the period 2023-24 to 2025-26, together with increased funding for social care providers for 2023-24 as a one-off additional payment. This report detailed the Council's commitment to working with providers and set out the guiding principles in this respect. Members agreed the approach which committed to a 7% increase over the three-year period providing uplifts of 2.7% in 2023-24, 2.35% in 2024-25 and 2% for 2025-26. In addition, there was a one off additional payment of 2.3% for 2023-24.
- The uplift in 2024-25 will be based on the ongoing uplifted rates of 2.7% and will exclude the one-off uplift (of 2.3%). In practice this will mean that in cash terms, providers will not see an increase in rates in 2024-25 as the 2.35% uplift will be largely equivalent to the one-off increase of 2.3% from 2023-24. The MTFS includes annual provision for care provider inflation in this respect with £2.086m for 2024-25 and £1.8m for each of 2025-26 and 2026-27 in this respect.

### **Directorate Pressures/Savings**

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

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

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

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

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

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

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

## Changes as a result of the December 2023 Finance Settlement

1.29 There were the following changes:

- An increase in the NNDR Multiplier Grant of £1.636m which is a grant to compensate authorities for the fact that the indexation of NNDR has been kept low to assist businesses, but reduced the level of business rates that would be collected. The grant has increased from £7.011m to £8.647m.
- An increase in the social care grant of £119k. The main increase in the grant was assumed when the 2023/24 budget was set back in February 2023, as the adult social care grant allocations were provided for 2 years. The increase was from £12.808m to £14.843m between 2023/24 and 2024/25. Therefore, with a revised allocation of £14.962m, this provides for a further £119k (£14.843m to £14.962m). As noted in paragraph 1.05, additional social care grant was announced in January 2024. The allocation of £14.962m represents the grant before this announcement. On 5<sup>th</sup> February 2024, the Final Finance Settlement confirms the additional social care grant of £2.020m. Therefore total social care grant allocation is now £16.982m.
- An increase in Revenue Support Grant (RSG) of £138k with an increase from £2.081m to £2.219m.
- An increase in the Top up grant of £925k with an increase from £23.195m to £24.120m.
- An increase in the Council's Retained Business Rates which is the 30% of NDR which the Council is allowed to retain. The increase is £800k with the NDR increasing from £17.641m to £18.441m.
- A reduction in the New Homes Bonus grant of £2.163m with the grant reducing from £2.245m in 2023/24 to £82k in 2024/25.
- There has been a reduction in the Services Grant, of £1.353m, with the grant reducing from £1.604m to £252k. However, when the budget for 2023/24 was set, there was already an assumption that the grant would be phased out over 2 years with a reduction of £770k in 2024/25. As the actual reduction is £1.353m there is a requirement for an increase of £583k, which is a one-off impact, as the MTFs previously assumed growth to remove the grant fully over a 2 year period. The Services Grant in the Final Finance Settlement is slightly higher at £277k, an increase of £25k.
- In 2023/24, a grant was introduced called the Core Spending Power guarantee. The purpose of the grant is to ensure authorities receive a minimum funding increase of 3% (before local council tax decisions). Harrow did not receive this grant in 2023/24, but is one of 7 London Boroughs to receive the grant in 2024/25. This grant is £2.011m for 2024/25. As noted in paragraph 1.05, the additional funding announced by Government in January 2024 also confirms that the minimum threshold is increased from 3% to 4%. On 5<sup>th</sup> February 2024, the Final Finance Settlement confirms the additional Funding Guarantee of £0.263m. Therefore total Funding Guarantee allocation is now £2.274m.

## **Other Budget Changes – not connected to the Indicative Settlement**

- Since the draft budget an updated estimate for the Concessionary Fares / Freedom Pass Schemes has been received from London Councils and the MTFFS has been updated in line with the revised information. In the 2023/24 budget setting process, a growth of £2.59m was added to 2024/25 in the MTFFS to reflect the anticipated increase in costs. The actual increase from the latest information is £2.627m for 2024/25, therefore an increase in growth of £37k is required.
- The draft budget assumed the need to use £175k of Contingency budget on a one-off basis in 2024/25. The funding assumptions in the MTFFS have since been updated following the December 2023 Indicative Finance Settlement. The result of these is that the one-off use of Contingency is no longer needed and therefore reversed in the 2024/25 budget. The one-off nature of this also means that there is a corresponding adjustment in the 2025/26 budget.
- A budget provision of £200k is made for the increase in various 2024/25 levies that have not yet been notified to Harrow. More details of the levies are shown in Appendix 4. Where the 2024/25 levies have not been notified, an increase in line with September 23 CPI% is assumed for budgeting purposes.
- The Central Contingency has been increased by £1.213m, from £1.248m in 2023/24 to £2.461m in 2024/25. This is a result of updating funding assumptions and directorate adjustments in the MTFFS following the December 2023 Indicative Finance Settlement.
- Adults budget is increased by £828k in 2024/25 to reflect the reprofiling of the Market Sustainability & Improvement Fund (MSIF) from 2025/26 to 2024/25. This is offset by a reduction of the same amount in 2025/26, resulting in a net nil impact in the MTFFS.
- The 2024/25 budget report from West London Waste Authority confirms an increase in waste disposal levy and an additional budget of £610k is provided to fund this.
- As a result of a new capital proposal on Property Acquisition Programme (additional 50 homes) included in the Final Capital Programme 2024/25 to 2026/27, the revenue impact associated with this is reflected in the MTFFS but on a cost neutral basis. The capital financing costs are assumed to be funded from revenue savings on temporary accommodation budget.
- Following the success of the priority enforcement team, the funding for this is to be made permanent in 2024/25 and therefore a growth of £200k is included for investment in enforcement activities.
- 2024/25 Fees & Charges proposals were approved by Cabinet in January 2024. The increases in Fees & Charges are expected to generate additional income of £100k from garden waste subscriptions and £300k from other chargeable activities. These income targets are added to the 2024/25 budget.

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

### Budget Refresh, Growth & Savings

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

The current MTFS is made up of:

- Savings / Growth that have been identified as part of the 2024/25 budget setting process, some of which were approved as part of the Draft Budget / MTFS (December Cabinet 2023) and the remainder as part of this report. These are summarised in tables 3 to 5 below and detailed in Appendix 1A.
- Savings /Growth that were approved as part of the 2023/24 budget setting process. These are summarised in table 6 below and detailed in Appendix 1B:

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

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

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



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

### **CAPITAL RECEIPTS FLEXIBILITY**

- 1.31 In 2016 the government announced the Capital Receipts Flexibility Scheme to support local authorities to deliver more efficient and sustainable services by allowing them to spend up to 100% of their fixed assets receipts on the revenue costs of reform projects. The flexibility has been extended on numerous occasions. In December 2023, the government announced the extension of this scheme to March 2030 and would also explore additional capital flexibility options to enable invest-to-save and transformation initiatives. There is currently a consultation on these options which will close on 31 January 2024.
- 1.32 The Corporate Property Strategy was approved by Cabinet in July 2023. One of the workstreams is to undertake a review of the Council's property assets, and part of this review aims to release buildings through a targeted disposal programme if they are no longer economically viable. The Council is also progressing on its Regeneration projects through the Harrow Strategic Development Partnership (HSDP). The 2024/25 MTFS includes a budget of £1.250m to fund the Regeneration Team. The nature of this spend meets the capital flexibility criteria and the team will be funded under the capital flexibilities scheme and the £1.250m provision has been removed from the budget. The sum is re-instated in 2026/27 but will be reviewed as part of the 2025/26 budget process.
- 1.33 The Council may seek to use further capital flexibilities to support its MTFS, in line with Appendix 13 – Flexible Use of Capital Receipts.
- 1.34 The Department for Levelling Up, Housing and Communities (DLUHC) has recently published a call for views on new local authority capital flexibilities, which include a set of options with respect to capital flexibilities and borrowing, to be managed locally, that could be used to encourage and enable local authorities to invest in ways that reduce the cost of service

delivery and provide more local levers to manage financial resources. At the time of writing this report, the outcome of this is not yet known.

## **SCHOOLS FUNDING FOR 2024/25**

- 1.35 In 2018/19 the government introduced a new National Funding Formula (NFF) for Schools, High Needs and the Central Schools services Block. For the Schools Block this means Councils are funded based on the total of the NFF for all schools, academies, and free schools in its area. However, the final formula for distribution is determined by each Council following consultation with schools and Schools Forums.
- 1.36 The Council carried out a consultation in Autumn 2017 which sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018/19. 76% of schools responded to the consultation and 89% voted in favour of introducing the NFF from 2018/19. This was approved by Cabinet in February 2018 and school budgets have been set on this basis since 2018.
- 1.37 The NFF will therefore continue to be used to distributed school budgets for 2024/25. There are no proposed changes to the structure of the formula for 2024/25 with the exception of the mandatory introduction of the Split Sites Factor for which additional funding is provided to schools which operate over more than one school site. The Schools Budget for 2024/25 is attached in Appendix 6 for approval.

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

- 1.38 The Dedicated Schools Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual school budgets in maintained schools, academies, and free schools in Harrow. It also funds Early Years nursery free entitlement places for 2-, 3- and 4-year-olds in maintained council nursery classes and private, voluntary, and independent (PVI) nurseries as well as provision for pupils with High Needs.
- 1.39 In Q3 there is a projected in year overspend of £2.773m. This means that the cumulative deficit is expected to be £5.396m by the end of 2023-24.
- 1.40 Any deficits an authority may have on its DSG account is expected to be carried forward and does not allow or require a local authority to cover this from its general reserves. This arrangement has been extended for three years to March 2026 beyond which LAs will need to demonstrate they have enough reserves to balance any deficit unless an alternative funding solution is proposed by Government.
- 1.41 The DfE requires local authorities to explain their plans for bringing the DSG account back into balance. The updated DSG projections which align with the updated SEND Strategy will be presented to Cabinet later this year. Despite the significant proposals and measures planned over the next ten years, it is unlikely that the plan will fully mitigate the deficit. This is due to the following contributory factors:

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

### **SEND Funding Proposals 2024/25**

- 1.42 During 2023 the Council commissioned an independent review of SEND funding for in-borough provision as funding had not been reviewed for many years (partially delayed due to Covid) and schools were of the view that funding had not kept pace with increasing costs, particularly in relation to pay inflation for teaching and non-teaching staff. As an interim proposal for 2023/24 funding increases of 10% were applied to the place/top up funding for ARMs resources (which had not been reviewed for 10 years) and 10% on the banding/hourly rate for EHCPs in mainstream schools.
- 1.43 In 2024/25 Special School and Pupil Referral Unit (PRU) budgets will be increased by 3.4%. This is a mandatory requirement within the High Needs Operational Guidance and will be an additional cost to the High Needs Block (HNB) of £528k. There are approximately 591 places in Harrow special schools and the PRU.
- 1.44 The funding review provided benchmarking data that identified that, despite the previous years' increases, Harrow funding was below the average of its statistical neighbours for Additionally Resourced Mainstream (ARMs) provision and EHCPs in mainstream schools.
- 1.45 For ARMs provision it is proposed to increase ARMs provision place/top up funding by a further 3.4% in 2024/25 in line with mandated funding increases for special and alternative provision which would be at an additional cost to the HNB of £128k. There are approximately 150 children in ARMs resources in Harrow schools.
- 1.46 It is also proposed to provide additional funding for pupils with EHCPs in mainstream schools of 7% at an additional cost to the HNB of £1m. The funding review benchmarking data suggests that this increase would place Harrow somewhere in the average of the statistical neighbour comparator group. This would mean there has been a 17% increase in funding provided to mainstream schools since 2022/23. In addition, during this period schools have faced inflationary increases for non-teaching staff of over 20% in the last two years, many of whom are directly employed to support pupils with SEND. There are approximately 850 children with EHCPs in mainstream schools in Harrow.

- 1.47 Consultation was carried out with schools in the Autumn Term in respect of these proposals. It should be noted that that whilst the majority of schools supported proposals to increase funding to schools, they felt that the % increases fell below the increase in costs schools are facing, in particular in relation to non-teaching pay awards. The main theme of responses stated that the increases represent a below inflation rise in costs and that Harrow should have a higher aspiration than the ambition of bringing funding up to the average of the comparator groups in the benchmarking data.
- 1.48 The LA's response to the consultation concluded that:
- It is not the responsibility of the High Needs Block to meet the cost of inflation. The growth in the HNB for 2024-25 is below 3% and this not only needs to support inflationary pressures but also growth in demand/complexity of need.
  - High Needs funding is part of a larger system of funding in schools.
  - The 7% rise (which effectively equates to 10%-13% top up increase) is in addition to a 10% rise in the previous financial year
  - The intention of the two years' of % rises was to bring Harrow in line with other boroughs.
- 1.49 Despite this, the Schools Forum expressed disappointment with the % increases in the funding proposals. However, the LA has to also consider the financial implications of the funding proposals and the impact on the HNB deficit. The independent review also emphasised the importance of strategic planning with all providers on SEND provision to manage the HNB in a sustainable way moving forward.
- 1.50 Mainstream schools and ARMS are critical components of our SEND Strategy to ensure more in-borough places for children and young people with high needs and to reduce future pressure on the HNB and, through SEN Transport needs, on the General Fund. By agreeing these funding proposals, it supports these settings to continue to deliver education for children with EHCPs and prevents the need for out of borough more expensive provision, leading to an increased projected deficit in addition to the projected figures provided below.

### High Needs Block Funding & Deficit

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

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

- 1.52 The figures above assume that there will be a projected 100-120 additional pupils with EHCPs per annum, that additional ARMs will be opened but assume beyond 2023/24 that provision in the borough will be at capacity and thus the majority of additional children would need to be educated out of borough at Independent Non-Maintained Specialist Schools (INMSS). This is where the significant spike in spend is projected to occur from 2024/25 as a disproportionate number of the additional growth in children would have to be placed at INMSS provision.
- 1.53 The cost of INMSS provision is estimated to increase to around £70,000 compared to £30,000-£35,000 in Harrow special school provision and £20,000-£25,000 in ARMs resources. The average cost of a mainstream EHCP is £10,000-£15,000. If schools decide not to continue providing ARMs provision or agree to open new provision, then the projected deficit figures above will be significantly higher as pupils who could go to ARMs provision would go to Harrow special schools and pupils who could go to Harrow special schools would have to go to INMSS provision.
- 1.54 An updated SEND Strategy will be presented to Cabinet in 2024 and will refresh the actions being taken to mitigate the deficit which includes:
- opening more ARMS provision at mainstream schools
  - changing the character of special Moderate Learning Difficulties (MLD) schools to take more children with Severe Learning Difficulties (SLD)
  - continued support to mainstream schools to make provision for more pupils with EHCPs
  - bid to DfE for special free school
  - exploring further options to create in borough specialist provision including increased post 16 opportunities
  - a stronger focus on integrated work with other agencies, including health services, to ensure that children with SEND have needs met locally
  - more integrated approaches to school attendance, including for children with Social, Emotional & Mental Health (SEMH) challenges so that more intensive provision is not required

## **PUBLIC HEALTH FUNDING 2024/25**

- 1.55 In 2023/24 the total public health grant to local authorities totalled £3.529bn, with £12.007m being allocated to Harrow. The grant is ringfenced for use on public health functions exclusively for all ages of the population and must be spent in accordance with grant conditions on expenditure incurred by local authorities for the purposes of their public health functions, as specified in Section 73B (2) of the National Health Service Act 2006.
- 1.56 The Public Health commissioning intentions detailed in Appendix 7 are based on the grant allocation for 2024-25 of £12.288m as advised by DHSC in February 2024. These commissioning intentions reflect alignment with the Health & Wellbeing Strategy, Borough Plan, and evidence of population priorities.

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

### **BETTER CARE FUND (BCF) 2024/25**

- 1.58 The framework for the Better Care Fund (BCF) derives from the government's mandate to the NHS which sets an objective for NHS England to ring fence funding to form the NHS contribution to the BCF. The NHS Long Term Plan, published in January 2019 set out the priorities for transformation and integration, including plans for investment in integrated community services and next steps to develop Integrated Care Systems.
- 1.59 The BCF continues to provide a mechanism for personalised, integrated approaches to health and care that support people to remain independent at home or to return to independence after a period in hospital. The continuation of the national conditions and requirements of the BCF provides opportunities for health and care partners to build on their plans to embed joint working and integrated care further, including how to work collaboratively to bring together funding streams to maximise the impact on outcomes for communities and sustaining vital community provision.
- 1.60 Following submission of the planning template covering the period 2023-2025 in August 2023, and assurance by NHS England, the 2024/25 Adults budget assumes that funding for the Protection of Social Care through the BCF will be £7.954m – an increase of 5.66% on the funding for 2023-24, reflecting the NHS funding commitments made within the spending review.
- 1.61 The total value of the Better Care Fund in Harrow for 2024-25 is £31.406m and includes a range of grants (including the Disabled Facilities and Adults Discharge Grants) and schemes across both Health and Social Care. The Better Care Fund Policy statement and Policy Framework and Planning Requirements will provide the detailed guidance when published in early 2024 (usually March). The requirements around integration and collaborative working are expected to continue.

### **RESERVES AND CONTINGENCIES**

- 1.62 Reserves and contingencies need to be considered in the context of their role to protect the Council's financial standing and in the context of the overall risks that the Council faces during a continuing period of economic uncertainty. The MTFs reflects the Council's need to ensure an adequate level of reserves and contingencies which will enable it to manage the risks associated with delivery of the budget including equalities impacts and unforeseen events.
- 1.63 The Council's overall reserves position is reported to Cabinet quarterly as part of the revenue monitoring update. At Q3 (end of December 2023), total reserves forecast for carry forward into 2024/25 are £58.6m after

accounting for draw downs in 2023/24. A number of the earmarked reserves are planned to be used across the period of the MTFs and therefore the revised figure is estimated to be £43.0m following the estimated draw downs.

- 1.64 The non-specific earmarked reserves have been reviewed and as a result a number of reserves are no longer needed for the original intention which means it has been possible to boost the Budget Planning Reserve by £2.9m. Appendix 9 sets out the details of the reserves. After accounting for earmarked reserves, this leaves the Councils remaining non earmarked reserves at the following level:
- Budget Planning Reserve - £19.599m
  - General Fund – £10.008m
- 1.65 There are savings required to deliver the budgets 2024/25 and 2025/26 and these will require the use of earmarked reserves to support capacity, implementation, and redundancy costs, which have been factored in the figures in Appendix 9.
- 1.66 There is also an ongoing revenue budget for Contingency for Unforeseen items, which is increased from £1.248m in 2023/24 to £2.461m in 2024/25.
- 1.67 At the end of the financial year, when preparing the outturn report, all reserves will be subject to a further review including a focus on earmarked reserves to ensure they are still required for the purpose to which they are designated or can be moved to support the MTFs. The report of the Director of Finance and Assurance, which includes the adequacy of Council reserves and contingencies is detailed in Appendix 10.

## **LEVIES, CONTINGENCIES AND SUBSCRIPTIONS**

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

## **COUNCIL TAX MODEL RESOLUTION**

- 1.69 The Council Tax Model Resolution is attached at Appendix 11 which proposes the Band D council tax of £1,814.92 for Harrow Council. The proposed GLA precept of £471.40 takes the overall proposed Band D council tax to £2,286.32. The GLA precept is still subject to confirmation and is expected to be confirmed on 22 February 2024. The relevant basic amount of council tax is under the threshold in the Referendum relating to Council Tax Increases (Principle) (England) Report 2024/25.
- 1.70 The proposed GLA precept is an increase of 8.6% taking the aggregate Council Tax increase to 5.71% for 2024/25.

## **MEMBER ALLOWANCES**

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

## **ANNUAL PAY POLICY STATEMENT**

- 1.72 Under the Localism Act, all public authorities must publish annual pay policy statements. The statement must set out the Authority's policies for the financial years relating to:
- Remuneration of Chief Officers
  - 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 12 and Cabinet is requested to recommend it to Council for agreement.

## **LONDON BOROUGH GRANTS COMMITTEE**

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

## **2.0 CONSULTATION**

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



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

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

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

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

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

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

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

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

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

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

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

- 2.11 I understand the need to spend more on adult social care. 30 agree (48%), 21 disagree (33%), 11 (17%) neither agree nor disagree, 0 (0%) not sure, 1 (2%) did not answer the question.
- 2.12 I understand the need to spend more on core council services because of growing demand. 26 agree (41%), 22 disagree (35%), 11 (17%) neither agree nor disagree, 3 (5%) not sure, 1 (2%) did not answer the question.
- 2.13 I understand the need to deliver a balanced budget. 45 agree (71%), 8 disagree (13%), 8 (13%) neither agree nor disagree, 1 (1.5%) not sure, 1 (1.5%) did not answer the question.
- 2.14 The comments received from those who responded were around these key themes:
  - Concerns around services and initiatives not being run as efficiently as possible
  - Concerns about the visibility / quality of services received in return for Council Tax paid
  - Calls for the Council to approach central government for more funding.
  - Concerns about the impact on households of an increased Council Tax bill, in light of pressures on finances. Question about what support there is for those struggling.
- 2.15 As explained in this report, the overall challenging financial position leaves the Council with limited options in terms of Council Tax and its proposed increase which is following central government expectations. However, the Council is very mindful of the impact on household budgets of inflationary pressures and is protecting those on the lowest income from the increase in Council Tax through its Council Tax Support Scheme.

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

**Table 7: Key Stakeholder Consultation**

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

2.17 In terms of service specific consultations, the council has a duty to consult with residents and service users in a number of different situations including where proposals to significantly vary, reduce or withdraw services. Consultation is also needed in other circumstances, for example to identify the impact of proposals or to assist with complying with the council's equality duties. There may be in year projects that will be subject to a separate cabinet report and separate consultation and quality impact assessment.

### 3.0 PERFORMANCE ISSUES

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

### 4.0 RISK MANAGEMENT IMPLICATIONS

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

Separate risk register in place? No

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

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

Risk Description	Mitigations	RAG Status
Inability to deliver the Council’s approved MTFS - over the next 3 years leading to an inability to set a balanced budget and provide core services	<ul style="list-style-type: none"> <li>• In-year Revenue &amp; Capital monitoring reported to CLT monthly, as well as the Portfolio Holder for Finance and HR, and Cabinet on a quarterly basis.</li> <li>• Budget challenge sessions were held to tackle in year pressures in August and Sept 2023.</li> <li>• Savings are tracked on a monthly basis via the MTFS savings tracker</li> <li>• Budget for 2024/25 is balanced so the focus is on the 2025/26 and 2026/27 budget gaps.</li> </ul>	Amber
The final budget and MTFS is based on the Indicative Finance Settlement to be followed by the Final Settlement in early February which may require change.	<ul style="list-style-type: none"> <li>• The Final Settlement was received on 5th February 2024. Additional funding of £2.308m was allocated.</li> </ul>	Green
Balanced budget for 2023/24 not achieved adversely impacting on the 2024/25 budget	<ul style="list-style-type: none"> <li>• The ‘Q3 Revenue and Capital Report’ forecasts a net overspend of £0.581m. It is anticipated that this should reduce by year end as</li> </ul>	Green

	<p>forecasts build in anticipated spend which may not happen.</p> <ul style="list-style-type: none"> <li>• The estimated impact of 2023/24 pressures into 2024/25 are accounted for in the draft budget and MTFS</li> <li>• There is a contingency for unforeseen items in 2023/24 (£1.248m) which has not been called upon.</li> </ul>	
<p>The saving proposals within the MTFS that are still subject to consultation, EQIA and potentially a further Cabinet Report may not be able to proceed and / or deliver their full estimated value</p>	<ul style="list-style-type: none"> <li>• There are a number of saving proposals that can immediately implemented to ensure full delivery of their value in the MTFS.</li> <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 in 2024/25 (£2.461m) which can be used in the interim if proposals cannot proceed as planned.</li> <li>• Monthly tracking and reporting of saving proposals will identify if proposals are on track allowing alternative solutions to be found.</li> </ul>	<p>Amber</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 having considered the consultation responses. These proposals will be referred to Council so that Council can approve the budget envelope and set the Council Tax. Individual proposals

within the budget will be subject to their own decision-making paths such as cabinet, committees or officer delegated decisions as appropriate with consultation and equality impact assessments as required. There will be contingencies within the budget envelope so that decision makers have some flexibility should any decisions have detrimental equalities impacts that cannot be mitigated.

5.4 Section 151 of the Local Government Act 1972 states that: “without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”. Section 111 of the Local Government Act 1972 relates to the subsidiary powers of local authorities.

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

## **6.0 FINANCIAL IMPLICATIONS**

6.1 Financial Implications are integral to this report.

## **7.0 PROCUREMENT IMPLICATIONS**

7.1 There are no procurement implications arising from this report.

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

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

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

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

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

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

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

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

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

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

*The relevant protected characteristics are:*

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

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

## **9.0 COUNCIL PRIORITIES**

### **9.1 Council Priorities:**

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

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

**Statutory Officer: Sharon Daniels**

Signed by the Chief Financial Officer

**Date: 26/01/2024**

**Statutory Officer: Jessica Farmer**

Signed by the Monitoring Officer

**Date: 01/02/2024**

**Managing Director: Alex Dewsnap**

Signed by the Managing Director

**Date: 25/01/2024**

**Head of Procurement: Nimesh Mehta**

Signed by the Head of Procurement

**Date: 25/01/2024**

**Head of Internal Audit: Neale Burns**

Signed on behalf of the Head of Internal Audit

**Date: 25/01/2024**

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

### **Mandatory Checks**

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

*EqIA carried out: N/A*

*EqIA cleared by: N/A*

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

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

**Background Papers:** None

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