

## **Cabinet – 15 February 2024**

### **Minute Extract from Employees' Consultative Forum – 10 January 2024**

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

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

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

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

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

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

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

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

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

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

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

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

**Resolved to RECOMMEND:** (to Cabinet)

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

### **For Consideration**

#### **Background Documents:**

Minutes of Employees' Consultative Forum – 10 January 2024

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