

Cabinet – 24 January 2024

Extract from Performance & Finance Scrutiny Sub-Committee – 14 December 2024

Minute Item 38 - Draft Revenue Budget 2024/25 & Draft Medium Term Financial Strategy to 2026/27

Members received the Draft Revenue Budget 2024/25 and draft Medium Term Financial Strategy (MTFS) to 2026/27, which would be presented to Cabinet on 19 December 2023. The budget and MTFS would be submitted to Cabinet in February 2024 for final approval and recommendation to Council.

The Interim Director of Finance and Assurance (S151 Officer), and Councillor David Ashton, the Portfolio Holder for Finance and Human Resources, presented the report to the Sub-Committee and responded to questions and comments made by Members.

Members were concerned that some residents would struggle to meet their Council Tax obligations given the current cost of living crisis, and queried what measures were in place to assist such residents. On another note, clarification was sought on the impact of the pay award for staff in 2023/24 have on the Council's budget.

It was advised that in previous years, Council Tax had been increased to just below referendum limits. Full use had been made of the Adults Social Care Precept, both of which were in line with central Government expectations. The impact of this was that the Council was heavily reliant on Council Tax to fund its core budget. In 2023/24 approximately 78% of the Council's net revenue budget of £196.3m was funded from Council Tax. Residents having problems paying Council Tax could approach the Council and receive assistance through the Council Tax Support scheme if they were eligible. In 2023/24, the increase in Council Tax of 4.99% raised additional revenue of £7.8m, Council Tax income increased from £146.2m to £154.0m.

The Sub-Committee were advised that the cost of the 2023/24 pay award (which was only agreed in October 2023) was £7.2m, which, therefore, left little funding available for other demand pressures that had emerged in adult services and other inflationary pressures.

Members queried what impact inflation would have on Council finances, and whether demographic changes, particularly an ageing population, would affect Council budgets in future.

It was advised that the Council did not receive specific funding to meet demographic growth and demand led pressures. In addition, inflation had increased substantially, creating unfunded budget pressures. Moreover, in line with the national picture, the Council was heavily impacted by inflation.

The budget provision for pay inflation was £4m (4%). The 2023/24 pay award which had recently been announced equated to an increase of 7% (£7.2m) against the pay bill. The bulk of this pressure of £3.2m had been funded from the general corporate budget and the non-pay inflation provision. However, this still left an £800,000 shortfall to be carried forward into 2024/25.

Members asked if the Council's reserves would be drawn upon to meet budget gaps, with specific reference to the budget gap of £12.446 million for 2025/26 and £6.732 million for 2026/27.

The Sub-Committee was advised that Harrow had had a good track record of robust financial management and had not reported a revenue budget overspend for many years. 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. Harrow did not benefit from large reserves compared with some London boroughs, and was in the lower end of the lower quartile for reserve balances held.

As the budget would be approved annually, the latter two years of the Medium Term Financial Strategy (MTFS) would be subject to substantive review and adjustment before finally being approved.

Members inquired about grant funding, and whether this had increased over the years. The Sub-Committee was advised that over the past 10 years, the Council's revenue support grant had reduced from £50.5m to £2m in 2023/24. Where the Council received other grant funding to support services, these were all ring fenced to areas of activity and could not be used to support the core budget, for example, the Dedicated Schools Grant of £143m.

Members asked if the Council had a "Plan B" in meeting some budgetary estimates if the original plan would not be achieved. It was advised that for 2025/26 and 2026/27, many of the budget adjustments were estimated at a high level due to the challenges of forecasting complex issues such as inflation, demand, and demographics so far in advance.

Members asked if any homeless persons were housed in hotels, and how much Harrow would receive from central Government towards addressing the issue. It was advised that homelessness was less of a problem in Harrow compared to other London boroughs. There was additional funding of £120m for homelessness prevention nationally in 2024-2025. The details of the allocations were not yet known, and the Harrow allocation would be confirmed in due course.

Members sought clarity on the budget saving put forward to remove the Ward Priority Fund, which would be replaced by bidding for the Neighbourhood Community Infrastructure Levy (NCIL) fund. This was centrally based, and bids were subject to approval by the Leader of the Council. It was advised that the Leader would be munificent regarding applications, and that Wards could submit bids for consideration for schemes requiring funding.

Members thanked the Interim Director of Finance and Assurance (S151 Officer), and the Portfolio Holder for Finance and Human Resources, for their attendance and responses to their questions.

RESOLVED: That the report be noted.

Background Papers: Minutes of the meeting of the Performance & Finance Scrutiny Sub-Committee – 14 December 2024

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