

REPORT FOR: CABINET

Date of Meeting:	19 December 2023
Subject:	Draft Revenue Budget 2024/25 and draft Medium Term Financial Strategy to 2026/27
Key Decision:	Yes
Responsible Officer:	Sharon Daniels – Interim Director of Finance and Assurance (S151 Officer)
Portfolio Holder:	Councillor David Ashton – Portfolio Holder for Finance and Human Resources
Exempt:	No
Wards affected:	All
Enclosures:	Appendix 1A – Savings and Growth from 2024/25 Budget Process Appendix 1B – Savings and Growth from 2023/24 Budget Process Appendix 2 - Medium Term Financial Strategy 2024/25 to 2026/27 Appendix 3 – Draft Public Health Budget 2024/25 Appendix 4 - Draft Schools Budget 2024/25

This report sets out the draft revenue budget for 2024/25 and draft Medium Term Financial Strategy (MTFS) to 2026/27. The budget and MTFS will be brought back to Cabinet in February 2024 for final approval and recommendation to Council.

Recommendations:

Cabinet is requested to:

- 1) Approve the draft budget for 2024/25 and the MTFS to 2026/27 for general consultation as set out in Appendices 1(A & B) and 2 so that Cabinet may later consider the budget including the consultation responses and the equality impact assessment (s), before it is referred to Council in February 2024.
- 2) Note the draft budget will be updated when the detail is announced in the Indicative Financial Settlement which is expected on 19 December followed by the Final Settlement in January 2024 (paragraph 1.07).
- 3) Note that, at draft budget stage, there remains an estimated budget gap of £0m for 2024/25, £12.466m for 2025/26 and £6.732m for 2026/27.
- 4) Note the proposal to increase core Council Tax by 2.99% in 2024/25, 2025/26 and 2026/27 (paragraph 1.19 and 1.21).
- 5) Note the proposal to increase Adult Social Care Precept Council Tax by 2% in 2024/25 and then by 0% per annum in 2025/26 and 2026/27 in respect of the Adult Social Care Precept (paragraph 1.19 and 1.21).
- 6) Approve the draft Public Health budget for 2024/25 as set out in Appendix 3.
- 7) Note there are no proposed structured changes to the schools funding formula for 2024/25 as set out in Appendix 4.
- 8) Note the assumed funding for the protection of social care 2024/25 through the Better Care Fund (paragraphs 1.38 to 1.41)
- 9) Authorise the Interim Director of Finance and Assurance, following consultation with the Portfolio Holder for Finance and Human Resources, to agree Harrow's 2024/25 contribution to the London Borough's Grant Scheme (paragraph 1.46).

Final approval will be sought from Cabinet and Council in February 2024.

Reason: (For recommendations)

To ensure that the Council publishes a draft budget for 2024/25 and a draft MTFS to 2026/27.

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 the rest of London and is in the lower end of the lower quartile for reserve balances held.
- 1.02 Over the past 10 years, the Council's revenue support grant has reduced from £50.5m to £2m in 2023/24 and whilst the Council does receive other grant funding to support services, 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. In 2023/24 these grants total £366m.
- 1.03 The Council does not receive specific funding to meet demographic growth and demand led pressures. In addition, inflation has increased substantially, creating unfunded budget pressures.
- 1.04 In previous years, Council Tax has been increased to just below 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 budget. In 2023/24 approximately 78% of the Council's net revenue budget of £196.3m is funded from Council Tax.

SUMMARY

- 1.05 The draft budget set out in this report shows an updated MTFS to the figures agreed by Council in February 2023. After all adjustments, the budget for 2024/25 is balanced, but there remain budget gaps of £12.466m and £6.732m over the two years of MTFS for 2025/26 and 2026/27.
- 1.06 It is important to note that for 2025/26 and 2026/27, many of the budget adjustments are estimated at a high level due to the challenges of forecasting complex issues such as inflation, demand, and demographics so far in advance. As the budget is approved annually, the latter two years of the MTFS will be subject to substantive review and adjustment before finally being approved.
- 1.07 The draft MTFS is based on the announcements made as part of the 2023/24 Finance Settlement (which covered 2023/24 and 2024/25) and will be updated further once the detail of the 2024/25 Local Government Provisional Financial Settlement is known, which is expected to be announced on 19 December 2023. Estimates have been based on the most up to date information known at the time of setting the draft MTFS. It is likely this position will change following the indicative settlement. This change could be for the better or worse. The final settlement is expected to be agreed by the end of January 2024.

AUTUMN STATEMENT 2023

- 1.08 The Chancellor of the Exchequer, Jeremy Hunt, delivered the 2023 Autumn Statement on 22nd 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.
- 1.09 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 last year.

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 establish 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%).

- 1.10 There have been no changes made to the MTFS as a result of the Autumn Statement as the detail of any funding changes for 2024/25 will be included in the Financial Settlement for Local Government, which is due around the 19 December 2023, as indicated above.

DELIVERY OF THE 2023/24 BUDGET

- 1.11 Harrow has had a good track record of robust financial management and has 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.
- 1.12 Performance against the current 2023/24 revenue budget is detailed in a separate report on this agenda, 'Revenue and Capital Budget Monitoring Report 2023-24 Q2'. This report forecasts a net overspend of £1.379m as at 30th September 2023. If the position does not improve before year end it would be necessary to drawn 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.
- 1.13 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 has recently been announced and it equated to an increase of 7% against the pay bill and has creating 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.
- 1.14 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

- 1.15 The Council has a statutory obligation to agree and publish the budget for 2024/25, and approval for this will be sought in February 2024. 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.
- 1.16 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 draft budget for 2024/25 the existing MTFS has been:
- Refreshed and rolled on a year into 2026/27
 - Updated to reflect the demand pressures as well as any opportunities and savings, plus council tax changes.
- 1.17 The adjustments are summarised in Table 1 below. Following Table 1 there is an explanation for the figures contained within the table. 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 shows budget gaps of £0m for 2024/25, £12.466m for 2025/26 and £6.732m for 2026/27.

Table 1: Changes to the MTFs (Prior to Indicative Settlement)			
	2024/25	2025/26	2026/27
	£'000	£'000	£'000
Budget Gap (February 2023)	0	6,321	0
Reversal out of Social Care Grant		6,822	
Budget Gap (February 2023)	0	13,143	0
Council Tax Changes			
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	
Grants and Technical Adjustments			
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
Capital Programme Review			
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
Pay award 2023/24			
£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		
Pay award 2024/25			
£5.5m provision for pay and £1.0m for non pay - already assumed in the previous 2023/24 budget setting.			
Pay award 2025/26			
£5m provision for pay and £1m for non pay - already assumed in the previous 2023/24 budget setting.			
Pay award 2026/27			
Pay award @ 3%			3000
Provision for Non Pay Inflation			
Non Pay inflation provided for £1m in line with previous provisions.			1000
Directorate Pressures plus Mitigations			
Resources and Managing Director			
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	
People's Directorate			
Adults			
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
Children's			
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		
Place			
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	
Revised Budget Gap after Risks and Opportunities	0	12,466	6,732

Council Tax and NNDR Changes

- 1.18 In 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.
- 1.19 The assumed Council tax levels built into the MTFs agreed in February 2023 were based on 3.99% for 2023/24 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.
- 1.20 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 and included in Table 1, which will be revisited as part of the 2025/26 budget process.

- 1.21 A maximum Council Tax increase of 4.99% is budgeted for 2024/25 in line with announcements made as part of the 2023/24 Finance settlement in December 2022. There is uncertainty as to whether the 2024/25 settlement will provide 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.
- 1.22 The Autumn Statement 2023 is clear that the small business rates multiplier will be frozen in 2024/25 and local authorities will be fully compensated for any loss of income at the September CPI level of 6.7%. 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. However, due to revaluation losses in NNDR, there is no assumed increase in NNDR built into the budget for 2024/25 and this will be revisited following the announcement of the 2024/25 Finance settlement. Rateable value generally reduces annually in Harrow, this being a trend that has existed locally for several years.

- 1.23 The Collection Fund and its impact on the 2024/25 budget is subject to a separate report elsewhere on this agenda (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 and is included in Table 1.

Technical Changes

- 1.24 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 2024/25 Finance settlement which could bring in some other opportunities to balance the budget.
 - 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 used 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 as 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.
 - Treasury Management savings of £650k are assumed in 2024/25 which will offset a previous saving not achieved in overall Management savings.
 - The Council has received some cash rebates from West London Waste Authority of £1.6m and £2.4m 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 reducing 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 need 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.

Directorate Pressures/Savings

1.25 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 and Appendix 1A, there is growth of £6.7m, £3.6m and £1.6m built into the MTFs across the 3 years 2024/25 to 2026/27, which total £11.9m. Growth in the Adult social care budget accounts for £9.8m of the net growth.

1.26 After all the adjustments, the result is an estimated gap across the MTFs of £19.198m as follows:

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

1.27 Between now and the Final Budget in February 2024, and further in 2024, the next steps are:

- Clarify the implications on the MTFs of the Indicative Financial Settlement when received in late December
- Continue to review/refine pressures, to reduce the impact of the gap in future years of 2025/26 and 2026/27.
 Focus on efficiencies to reduce the impact of the gap in future years of the MTFs.

Growth & Savings

- 1.28 Table 2 below summarises the savings and growth previously agreed as part of the 2023/24 budget process. This shows that there are net savings of £7.791m in 2024/25 and £1.209m in 2025/26. Therefore, total savings of £9.0m across the 2 years.

**Table 2: Savings and Growth from the 2023/24 Budget Process
(Detail in Appendix 1B)**

	2024-25	2025-26	Total
	£000	£000	£000
Savings			
Resources	(708)	(108)	(816)
Managing Director	(499)	(6)	(505)
Place	(3,775)	(300)	(4,075)
Adults	(1,989)	(295)	(2,284)
Childrens	(1,570)	(500)	(2,070)
Corporate/Council Wide			-
Total Savings	(8,541)	(1,209)	(9,750)
Growth			
Childrens	500	-	500
Corporate	250	-	250
Total Growth	750	-	750
Net Total Savings and Growth	(7,791)	(1,209)	(9,000)

- 1.29 Table 3 summarises “new” growth and savings from the current 2024/25 budget setting process. This shows that there is net growth of £6.668m in 2024/25, £3.65m in 2025/26 and £1.623m in 2026/27. Therefore, this is net growth across the 3 years of £11.941m.

**Table 3: Savings and Growth from the 2024/25 Budget Process
(Detail is set out in Appendix 1A)**

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

The summary information in the tables is supported by the details in appendices 1A and 1B.

CAPITAL RECEIPTS FLEXIBILITY

- 1.30 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 transformation projects. The flexibility has been extended on numerous occasions and is currently in place until 31 March 2025 but is likely to be extended and will be confirmed in the 19 December Finance settlement.
- 1.31 As part of the 2023/24 Budget process, the use of capital flexibilities was in place for 2023/24 and 2024/25 and then being reversed out in 2025/26. Table 1 assumes a continuation for a further year into 2025/26 but then is discontinued and the budget is reinstated for 2026/27. The 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. The £1.250m provision is re-instated in 2026/27.

PUBLIC HEALTH FUNDING 2024/25

- 1.32 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.
- 1.33 The draft Public Health commissioning intentions detailed in Appendix 3 are based on the indicative grant allocation for 2024-25 of £12.165m as advised by DHSC in March 2023 and indicate a 1.3% uplift, taking the total national funding for 2024-25 to £3.575bn. These commissioning intentions reflect alignment with the Health & Wellbeing Strategy, Borough Plan, and evidence of population priorities.
- 1.34 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.

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 LAs are funded based on the total of the NFF for all schools, academies, and free schools in its area. However, the final formula for distribution is determined by each Council following consultation with schools and Schools Forums.

- 1.36 The LA carried out a consultation in Autumn 2017 which sought views on whether the LA should continue to use the Harrow Schools Funding Formula or introduce the National Funding Formula from 2018/19. 76% of schools responded to the consultation and 89% voted in favour of introducing the NFF from 2018/19. This was approved by Cabinet in February 2018 and school budgets for the last three years have been set based on the NFF.
- 1.37 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 as detailed in Appendix 4. The proposed final funding formula and final DSG allocations will be reported to Cabinet in February 2024 for approval.

BETTER CARE FUND (BCF) 2024/25

- 1.38 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.
- 1.39 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.
- 1.40 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.
- 1.41 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

- 1.42 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.

- 1.43 The Council's overall reserves position is reported to Cabinet quarterly as part of the revenue monitoring update. At quarter 2 (end of September 2023), total reserves forecast for carry forward into 2024/25 are £58.4m, this includes a deficit reserve on the DSG of £2.6m, therefore the gross value of reserves is £61.0m (as reported in Table 10 of the Q2 revenue and capital monitoring report, elsewhere on the agenda).
- 1.44 If the forecast in year overspend position does not change and requires a draw down from reserves in the region of £1.4m, this would reduce reserves further to £59.6m. However, on the basis of the £61.0m gross position and after accounting for specific earmarked reserves of £25.1m, this leaves the Councils remaining reserves at £35.9m as summarised at high level below:

• Total reserves earmarked (non-specific)	£9.8m
• Budget Planning Reserve	£16.1m
• General Fund balances	£10.0m
Total	£35.9m

- 1.45 At the end of the financial year, all reserves are reviewed including a focus on ear marked reserves to ensure they are still required for the purpose to which they are designated. The Interim Director of Finance and Assurance will report on the adequacy of the Council's reserves as required in the budget setting report in February 2024.
- 1.46 In addition to reserves there is an annual budgeted Contingency for Unforeseen items of £1.248m which sits within the Corporate budgets. As part of the budget setting for 2024/25 a one off use has been factored into the budget which reduces the figure by £175k for 2024/25 but it is reinstated at £1.248m for 2025/26 onwards.

LONDON BOROUGH GRANTS SCHEME

- 1.47 Harrow's contribution to the London Borough Grant Scheme was £186,907 in 2023/24. At the time of writing this report, the Council has not been notified of the recommended contribution for 2024/25. To ensure that the Council can respond to London Councils when contribution rates are notified, it is recommended that Cabinet authorise the interim Director of Finance & Assurance to agree Harrow's 2024/25 contribution to the London Borough Grant Scheme, in consultation with the Portfolio Holder for Finance and Human Resources. The contribution for 2024/25 will be reported to Cabinet in February 2024 as part of the final budget.

2.0 CONSULTATION

2.1 As a matter of public law the duty to consult with regards to proposals to vary, reduce or withdraw services will arise in four 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 considered.

2.3 Public consultation on the overall budget for 2024/25 will commence on 20 December 2023 and will last for a period of 5 weeks ending 24 January 2024 before the final budget is approved by Cabinet on 15 February and then recommended to Full Council on the 22 February 2024. The public consultation will give residents an opportunity to comment on the 2024/25 overall budget before final decisions are formalised in the council's annual budget. Other key stakeholders, including Union Representatives, local businesses, employees, and the Council Scrutiny function will also be fully consulted in the draft budget and MTFs before final approval. Once the consultation has closed then the cumulative equality impact assessment on the budget can be completed.

2.4 In terms of service specific consultations, the council has a duty to consult with residents and service users in several 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. Council sets the budget envelope and Cabinet works within this.

Where appropriate, separate service specific consultations will take place for the 2024/25 savings and may be subject to a separate Cabinet report and Cabinet decisions as necessary.

- 2.5 Within Appendix 1A, there is a saving that is being reversed following separate consultation which concluded in October 2023. The saving of £6k per annum for each of the 3 years of the MTFs, was to be made by the cessation of Discretionary Freedom passes for new applicants. Having considered the feedback from the consultation, the Portfolio holder for Finance and Human Resources has decided not to implement the change and therefore the saving is reversed out of the budget.

3.0 PERFORMANCE ISSUES

- 3.1 In terms of financial performance, Cabinet is updated quarterly on 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"> • In-year Revenue & Capital monitoring reported to CLT monthly, as well as the Portfolio Holder for Finance and HR, and Cabinet on a quarterly basis. • Budget challenge sessions held to tackle in year pressures in August and Sept 2023. • Savings are tracked on a monthly basis via the MTFs savings tracker • Budget for 2024/25 is balanced so the focus for attention is the 2025/26 and 2026/27 budget gaps. 	RED

<p>The draft budget and MTFS is based on the 2023/24 Financial Settlement, which was received in December 2022. The 2024/25 Finance settlement will not be announced until 19 December 2023, so there is still uncertainty in many of the numbers.</p>	<ul style="list-style-type: none"> • Draft budget and MTFS based on most up to date information from London Councils and DHLUC based on prudent assumptions • The final budget will be prepared considering the Final Settlement. Any changes will have to comply with the legal requirement to set a balanced budget. • There is a contingency for unforeseen items (£1.248m) which is intended to support uncertainty 	<p>AMBER</p>
<p>Balanced budget for 2023/24 not achieved adversely impacting on the 2024/25 budget</p>	<ul style="list-style-type: none"> • The 'Q2 Revenue and Capital Report' forecasts a net overspend of £1.4m. It is anticipated that this should reduce by year end as forecasts build in anticipated spend which may not happen. • The estimated impact of 2023/24 pressures into 2024/25 are accounted for in the draft budget and MTFS • There is a contingency for unforeseen items (£1.248m) which has not been called upon. 	<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 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 taxpayers, which means they 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 taxpayers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.
- 5.3 Cabinet is approving these proposals for consultation after which a cumulative equalities impact will be drafted. These proposals will be referred to Council so that Council can approve the budget envelope and set the Council Tax. There will be contingencies within the budget envelope so that

decision makers have some flexibility should any decisions have detrimental equalities impacts that cannot be mitigated.

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.

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:

- (d) *remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;*
- (e) *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;*
- (f) *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 steps to take account of disabled persons' disabilities.

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

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

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

The relevant protected characteristics are:

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

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

Council Priorities

The Council's draft budget and MTFS for 2024/25 has been prepared in line with the Council's priorities:

1. A council that puts residents first
2. A borough that is clean and safe
3. A place where those in need are supported.

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels

Signed by the Chief Financial Officer

Date: 27/11/2023

Statutory Officer: Jessica Farmer

Signed by the Monitoring Officer

Date: 07/12/2023

Chief Officer: Sharon Daniels

Signed off on behalf of the Managing Director

Date: 27/11/2023

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 27/11/2023

Head of Internal Audit:

Signed on behalf of the Head of Internal Audit

Date: 27/11/2023

Mandatory Checks

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

**EqlA carried out: NO – to be reported as part of the February 2024
final budget report**

Section 4 - Contact Details and Background

Papers

Contact: Sharon Daniels – Interim Director of Finance & Assurance.
Sharon.Daniels@harrow.gov.uk

Background Papers: NONE

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